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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 87 of 2017 May 02, 2017

USD 64.19 | EUR 70.10 | GBP 82.80 | JPY 0.57

Cotton Market (28-04-2017)		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19959	41750	**82.92**
Domestic Futures Price (Ex. Gin), May		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20860	43634	**86.66**
International Futures Price		
NY ICE USD Cents/lb (May 2017)	79.32	
ZCE Cotton: Yuan/MT (July 2017)	16,105	
ZCE Cotton: USD Cents/lb	**85.62**	
Cotlook A Index – Physical	**88.8**	

Cotton guide:

We have been emphasizing this entire week having fresh trigger in the market which can move cotton price either direction while it was trading near the key levels of 80 cents. Finally the export sales figure came last evening from the US shook the market. The weekly export sales data showed a sharp decline.

The export sales figure as of 20th April fell to 180.80 almost half of last week's data. The repercussion was felt clearly on the price. The ICE July that was hovering close to 80 cents fell below 78 and closed the session at 77.96 cents per pound. We believe market may remain sideways to lower on today's trading session.

The effect was also felt on the domestic cotton future. The most active May contract ended the session lower at Rs. 20,860 down by Rs. 260 from the previous close.

To know more on today's likely movement and possible trend of cotton in the short term Log in through Kotak Commodities Research Reports.

In the meanwhile, USDINR which moved strong close to 63.90 has lowered this morning to 64.20. The effect of Indian rupee movement may also have impact on the cotton price.

For more details please contract Kotak Commodities Research Desk.

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

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INTERNATIONAL NEWS

Trump to Order Review of US Trade Agreements, WTO Membership

US President Donald Trump will sign an order directing a systematic evaluation on the impact of the trade agreements that the United States had signed.

President Donald Trump will sign on Saturday an executive order directing a 180-day review of the United States' existing free trade agreements, including the General Agreement on Tariffs and Trade, which governs trade between World Trade Organization (WTO) members, US Commerce Secretary Wilbur Ross told reporters.

"There has never been a systematic evaluation on what has been the impact of the WTO on the country as an integrated whole," Ross said on Friday.

Ross explained that the review, unlike other trade reviews during the first 100 days of Trump's presidency, will focus on the agreements themselves and will be jointly conducted by the Commerce Department and Office of US Trade Representative Robert Lighthizer.

Ross also noted that the review will focus on particular on agreements that result in countries having major trade imbalances with the United States, the vast majority of which are WTO members. He then listed the top ten violators: China, Japan, Germany, Mexico, Ireland, Vietnam, Italy, South Korea, Malaysia and India.

All of those countries are WTO members, Ross said, except for Germany and Ireland, which only negotiate trade agreements as part of the European Union, and South Korea, which has a separate bilateral trade agreement with the United States.

"The largest portion [of the US trade deficit] is with the countries that are covered by WTO rules instead of individual agreements," Ross added. A major problem with current US trade policy and agreements, Ross remarked, is the United States being one of the least protectionist countries in the world for many years, which has enabled other countries with higher tariffs to have more leverage to negotiate free trade agreements.

"When they negotiate a FTA with another country they can give something important... by way of tariff relief," he explained.

Moreover, Ross listed among other problems with WTO rules the clauses that require members to give each other "most favored nation" status, which prevents the Unite States from giving different trade terms to different countries in reciprocal bilateral agreements.

A dispute resolution process that stacks the panels hearing disputes with countries who are doing the same thing as the countries being accused, which Ross called an "institutional bias on their part towards the exporters" at the expense of importers like the United States.

Despite the many WTO-related problems, Ross acknowledged it is necessary to have an arbiter for trade disputes and the question of whether the United States would withdraw from the WTO was not yet ripe for consideration since the review has yet to take place.

Source: sputniknews.com- Apr 30, 2017

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Trump backs down on leaving NAFTA

President Donald Trump has told the leaders of Canada and Mexico he will not pull out of the North American Free Trade Agreement.

The White House made the surprise announcement on Wednesday in a readout of calls between the world leaders.

The White House says the president “agreed not to terminate NAFTA at this time”. Instead, Canadian Prime Minister Justin Trudeau and Mexican President Enrique Pena Nieto “agreed to proceed swiftly, according to their required internal procedures, to enable the renegotiation” of the trade deal to “the benefit of all three countries”.

Trump has blamed NAFTA for American job losses, but says he believes the end result “will make all three countries stronger and better”.

Earlier, it was reported Trump was considering signing a draft executive order to withdraw from the NAFTA after describing the decades-old trade deal during his campaign, as a "disaster".

Source: theaustralian.com.au- Apr 29, 2017

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Vietnam eyeing to expand trade with Philippine –official

The exit of the United States from the Trans-Pacific Partnership (TPP) agreement has prompted Vietnam to look at other trade partners, including the Philippines, which could absorb its excess textile output.

Trade Undersecretary Ceferino S. Rodolfo said Vietnam is in discussions with the Philippine government for the sourcing of textiles.

"Vietnam has ramped up its production capacity for textiles in anticipation of the TPP, but since [the trade deal] will now be without the US, we're discussing sourcing possibilities," Rodolfo, who is also managing head of the Board of Investments, told reporters after the recent convening of the Vietnam-Philippines Joint Trade Committee.

The Philippines was once regarded as among the "victims" of the TPP due to its failure to become a party to it. The country's export receipts was expected to suffer cuts as TPP member Vietnam would expand its access to the US market, particularly for electronics and garments.

Tariffs on Vietnamese garments exports to the US were expected to go down to zero, from the current 17 percent to 32 percent, if Washington had not withdrawn from the TPP.

With the US exit from the trade arrangement, member-countries that had initially banked on reaping the benefits of wider access to the American market are now looking at other options to maximize investments already made in the textile manufacturing sector.

According to Rodolfo, the Philippine garments manufacturing sector is not competitive due to the scarcity in raw hides and other textiles in the country.

With Vietnam supplying this and other textiles, he said the Philippines can build up its garments manufacturing supply chain, create more jobs, and export more products to the US and the European Union (EU).

"In campaigning for investors, we could say, with the sourcing collaboration with Vietnam, textile companies investing may not just look to supply the domestic and export markets but also the 100-million consumer market of Vietnam," Rodolfo added.

However, this would depend on Washington agreeing to expand the coverage of its preferential trade scheme, dubbed as the Generalized System of Preferences (GSP), as articles of clothing and apparel are heavily protected in the US.

The US-GSP allows duty-free treatment of 3,500 tariff lines from beneficiary countries, such as the Philippines.

Rodolfo also said the Philippines can take advantage of the EU's own GSP scheme.

"In the EU-GSP+, we can source from a free-trade agreement [FTA] partner of the EU. Vietnam is already in the legal scrubbing phase of their FTA with the EU so that's ok when it comes into force," he said.

Vietnam is the Philippines's 12th trading partner, its 12th export market and 12th import supplier in 2016.

The Philippines has a trade deficit with Vietnam. Some Philippine firms have also invested in Vietnam, citing competitive production costs.

Source: businessmirror.com.ph- Apr 29, 2017

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India and Turkey: A partnership in progress

Turkish President Recep Tayyip Erdogan's first trip to India, with an impressively large business delegation couldn't have been better timed, as India and Turkey look to reinventing the wheel of economic and commercial cooperation.

Indian companies are expanding their footprints in Turkey with fresh acquisitions in areas like farm machinery equipment. India and Turkey are collaborating to build a 459-km pipeline section of the Trans-Anatolian Pipeline project from Turkey's Eskişehir province to the border with Greece. India is partnering with Turkey in the implementation of the Istanbul Programme of Action for Least Developed Countries in areas like climate change and capacity building.

Most importantly, there are positive vibes between the two nations flowing out of exchange of high-level visits as that of Prime Minister Narendra Modi to Turkey in November 2015 for the G-20 Summit and now the visit of President Erdogan to India. At a people-to-people level, Turkish and Indian people are entering each other's hearts as never before.

So with a matrix of relationship spanning an unprecedented spectrum of opportunities, President Erdogan's visit to India is certainly not business as usual. It is the historical bonds that sustain the bilateral ties in a modern India and Turkey, even as the two nations chart a deeper roadmap of economic engagement.

What is exciting about this calibrated engagement are the business and economic dynamics of the two countries, which position India and Turkey strongly for a more robust agenda of economic cooperation.

A resurgent India growing at 7%—and pegged by the IMF as the fourth largest global economy by 2020—on the back of a successful demonetisation exercise, big economic reforms like Goods and Services Tax, opening up of sectors like pharma, defence to 100% FDI and a vast pipeline of infrastructure projects, should be a big attraction for Turkish investors.

Similarly, Turkey's largely free-market economy, increasingly driven by its industry and service sectors, an aggressive privatisation programme, an emerging cadre of middle-class entrepreneurs and investor friendly policies are further supporting its credentials as an ideal business and investment destination.

Rich possibilities for business are emerging, with a number of Turkish companies—Celebi, Soktas, Fernes, Enpay—looking to expand their business footprint across the subcontinent and seeking opportunities in airport logistics, textiles, EPC (engineering, procurement and construction) and industrial machinery. India too is making inroads, with some large Indian conglomerates exploring Turkey's domestic market and leveraging on their Turkish operations as the gateway to other markets in the region and beyond.

We in FICCI feel that there is much scope for expansion of existing commercial engagements, as well as exploring new business opportunities. Bilateral trade between India and Turkey is at $6.4 billion and ideally a strategy focused on the untapped potential could unleash fireworks in trade and investment. Let me outline some.

Turkey is a world leader in textiles and clothing and in this area, there is much scope for technology and skills sharing, with India eyeing a share of global supply chain under the "Make in India" programme to energise India's manufacturing sector. With rising income levels in both countries, promotion of high-end textiles could be an area of cooperation.

In healthcare, there are opportunities for strategic collaboration between Indian and Turkish medical technology firms and between companies on both sides to manufacture and commercialise biosimilar drugs, as well as market biotech products in Turkey.

There is a great future in India-Turkish cooperation in auto components. With global auto majors positioning India as an international launch platform and a manufacturing and export base, automobiles offer exciting synergies with Turkey, which is the 15th largest automobile manufacturer in the world and a key player in the global value chain of international OEMs.

Turkey is looking at enhanced indigenisation in the sector, including cooperation with global auto players, which affords increased opportunities for Indian companies for collaboration in the field of automobiles, automotive component manufacturing and industrial, financial and automobile design institutions.

India's reliance on the Arab region for its energy needs and Turkey's geographical advantage as the arterial transit route for Russian and Central Asian oil has exciting prospects for deepening our strategic engagement with Turkey in hydrocarbons.

Turkey can play a pivotal role in guaranteeing India's energy needs. Turkey is also keen for India to share its experience in power generation and this opens up collaboration on global energy demand, especially renewable energy.

Transportation, communication, logistics, retail, financial services and science and technology are other opportunities for cooperation between the two countries. There are possibilities of working together in mutually identified projects in areas such as telecommunications, computerisation, non-technology space research, bio-technology and environmental technology.

Of course there is tourism, which has very strong prospects, with Indian tourist arrivals in Turkey registering a robust growth of about 10% to 130,000 in 2015 as the country remains a popular destination for Indians travelling for adventure and leisure. India, which has moved up 12 places and now ranks 40th among 136 nations globally in the World Economic Forum's (WEF's) travel and tourism competitiveness index, can be an attractive destination for Turks, with its rich and diverse cultural heritage and natural beauty. Industry needs to explore this opportunity.

Given the innumerable opportunities, India and Turkey are poised for a transformative moment in their bilateral ties. The Indian and Turkish ambition to scale new developmental heights and their entrepreneurial zeal will be a great enabler for taking our economic relations to newer heights in the coming years.

Source: sundayguardianlive.com- Apr 29, 2017

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EU: MEPs demand tough rules for textiles importers

The European Parliament has called for strict, binding legislation governing textiles imported to the EU, to crack down on the kinds of abuses brought to light by the 2013 Rana Plaza disaster, in which more than 1,100 people died.

European Lawmakers yesterday (27 April) sent an unequivocal message that the EU must do more to ensure the clothes it imports are produced in decent conditions, adopting a non-binding resolution on the subject by a massive 505 votes to 49, with 57 abstentions.

This, they hope, will be the start of positive change in a sector where human and workers' rights are routinely ignored, with violations ranging from unacceptably low pay to forced labour and dangerous working conditions.
98-hour weeks

"Workers in the textiles sector [...] work hellish hours," said Belgian Socialist MEP Marc Tarabella. "In Bangladesh, 47.5% of workers work between 60 and 98-hour weeks, and 75% work more than 48 hours per week."

According to the resolution, despite a number of voluntary initiatives in the sector, working conditions have not improved. The situation is most serious in developing countries.

"A set of binding rules would guarantee that the products sold on the European market do not violate the dignity and the rights of millions of workers. The EU has the ability to act and we call on the Commission to take appropriate measures," said Spanish rapporteur Lola Sánchez Caldentey (GUE/NGL group)

Faced with the scale of the situation, lawmakers demanded that the Commission include the principle of respect for workers' rights in its trade deals with third countries.

But above all, the resolution is a call for the executive to take binding action on European importers, following the model of the recent law on conflict minerals, obliging them to perform appropriate due diligence on their supply chains.

Obligation to try, not to succeed

Current due diligence laws oblige European importers to do their best to ensure that their foreign subcontractors respect human rights and labour laws. But while a certain amount of oversight now exists, importers cannot be punished for the abuses perpetrated by their suppliers.

This technique of enforcing corporate responsibility was employed by the Commission to regulate the use of conflict minerals in Europe, to ensure that products sold in the EU were not funding armed conflicts.

And similar to its proposal on conflict minerals, the EU executive appears to favour a system of voluntary oversight for the textiles sector. MEPs were later able to strengthen the conflict minerals legislation on its passage through parliament, turning it into a much stricter, binding law.

In the aftermath of the 2013 Rana Plaza tragedy in Bangladesh, which saw more than 1,100 people crushed to death when a textiles factory collapsed in the capital city Dhaka, the Commission had promised far-reaching legislation. Since then, however, progress has stalled. In May 2014, the Commission adopted a communication on the responsible management of global supply chains and the commercial practices of European companies in developing countries. But once again, these were non-binding measures.

And there is nothing in the legislative pipeline to suggest this will change any time soon. In February, the Commission said it was awaiting the results of talks in the European Parliament “to take note of the report in detail”.

Background

The April 2013 collapse of several garment factories in Bangladesh was the third deadly incident in six months to raise questions about worker safety and labour conditions in the poor South Asian country, which relies on garments for 80% of its exports.

Germany is the main EU market, followed by the UK, Spain and France.

Source: euractiv.com- Apr 28, 2017

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First direct Britain-China train completes run

The first freight train linking China directly to the UK arrived in the eastern Chinese city of Yiwu Saturday after a 12,000-kilometer (km) trip, becoming the world's second-longest rail route.

The journey is the latest effort in China's drive to strengthen trade links with Western Europe along a modern-day "Silk Road" route.

The world's top trading nation launched the "One Belt, One Road" (OBOR) strategy in 2013, and has since poured millions into constructing vast infrastructure links.

The train — which was also carrying pharmaceuticals and machinery — departed London on April 10 and passed through France, Belgium, Germany, Poland, Belarus, Russia and Kazakhstan during its 20-day trip before arriving in Yiwu in eastern Zhejiang province, a major wholesale center for small consumer goods.

The new route is longer than Russia's famous Trans-Siberian railway but about 1,000km shorter than the record-holding China-Madrid link, which opened in 2014.

London is the 15th city to be linked to a new freight network offered by the state-run China Railway Corporation (CRC), which says its services are cheaper than air transport and quicker than shipping.

The journey should be 30 days faster than moving the goods by ship, the provincial government had said, but the pilot run took two days more than the 18 days expected.

And the train named the East Wind, has much less carrying capacity — just 88 shipping containers, according to the Yiwu government, compared to the 10,000 to 20,000 containers cargo ships can carry. It is unclear how much the venture cost and some experts have questioned whether the ambitious project makes economic sense.

"It is hard to say at this stage what the economic return will be, as the economic benefits will come over a long time," He Tianjie of Oxford Economics Hong Kong told AFP.

"However, the train is in some aspects more convenient and flexible. It can make multiple stops, allowing for the pickup and offloading of cargo along the way. Rail transport is also less affected by adverse weather conditions. Therefore, there may be a role for such long-haul rail links," he said.

China already has a regular direct freight train service to Germany, Europe's largest economy. One route links the Chinese megacity of Chongqing to Duisburg, a steel-making town and one of Germany's transportation and commercial hubs.

The other route links Beijing, the Chinese capital, to Hamburg, Germany's second-largest city.

Prime Minister Theresa May will visit China later this year, with talks likely to include closer trade ties for when Britain leaves the EU, according to British officials.

"The reality is that there is nothing new here. Transcontinental rail transit has existed for over a century," said Theresa Fallon, director of the Centre for Russia, Europe, Asia Studies (CREAS) in Brussels.

The launch of the new rail route was a bid to show post-Brexit Britain that there were other trade options than neighboring Europe, she said. Roughly 80 percent of global trade is shipped by sea as freight train services face technical and bureaucratic hurdles, which vary according to country.

The East Wind's locomotive and carriages had to be changed en route because of the larger gauge on railways in the former Soviet Union.

Source: arabnews.com- Apr 30, 2017

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Pakistan: IWCCI delegation leaves for EU to explore trade potential

A high-profile delegation of women entrepreneurs left for a ten-day visit to explore the potential of European market and find ways and means to boost exports.

The delegation led by Samina Fazil, founder President, Islamabad Women's Chamber of Commerce and Industry (IWCCI) includes Mumtaz Akhter, former president IWCCI, Munazza Arif, Shahida Mazhar, Rizwana Atif, Naadia Sami, Saadia Hassan, Anjum Arif and Safina Insaf.

The team will visit Hungary and Italy and explore potential for unconventional exports while it will also meet the business community, trade officials and diplomats.

Before leaving for Hungary, the business women said that we hope promotion of trade links in areas of common interests and explore avenues of export of made in Pakistan items.

We want to share expertise, learn about new designs and modern skills with their counterparts, said Samina Fazil, adding that delegates would also study new trends and requirements of interested clients as there was a great demand of Pakistani handicrafts, jewelers, clothing etc. in Europe.

She said that Europe is Pakistan's important trading partner accounting for 21.2 percent of Pakistan's total exports and 16 percent of its total imports while our exports to Europe are dominated by textiles and clothing as well as leather products.

Source: nation.com.pk - May 01, 2017

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Pakistan: Weak exports, remittances make dent in Pakistan trade deficit

Pakistan's current account deficit (CAD) took a plunge last week even as Prime Minister Nawaz Sharif's political opponents threatened to hit the streets to protest against his alleged corruption.

The CAD has widened to a record high of $6.13 billion during the July-March period of 2016/17. It is 160 per cent higher than the deficit of $2.35 billion in the like period of 2015-16, the State Bank of Pakistan (SBP) reported.

"A widening trade deficit and a rising import bill have largely contributed to further widening the CAD during this fiscal year," the SBP reported. Also, prolonged power outages and near stagnation of industrial output persist. At the same time, the common man is also reeling from a heat wave across Pakistan, inflation and rising prices of consumer goods.

However, the day the Supreme Court made the ruling in the 'Panama Leaks' case and let Sharif continue as the PM, the Pakistan Stock Exchange (PSX) shot up by 965 points. The following day, the PSX-100 shot up further to 50,111.67 points. It confirmed the faith of foreign and Pakistani investors - a majority belong to the UAE and Saudi Arabia - in Sharif.

Foreign and Pakistani investors also appreciate the high dividends offered by the PSX. Only weeks earlier, international rating agencies had declared the PSX as one among the top 10 stock markets in Asia.

"The PSX jump reflects the private sector's faith in the strength of the economy as well as in Sharif," a top PSX official told Khaleej Times. But other features of the economy are not very rosy.

Analysts say that a widening trade gap, followed by rising imports have contributed to a bigger current account deficit.

A sizeable portion of imports consisted of machinery, capital goods for new units and replacement of existing equipment, and a large quantity of industrial raw materials. As the newly imported machines are put into use and industrial raw materials are processed, it will raise the quantity of exportable goods.

Supporting exports

If the ministries of finance, commerce, industry and electricity handle the situation well and the cost of production is brought down, Pakistani exports will again become competitive internationally and their numbers will rise. It will reduce the CAD in future.

Here is one caveat: all industries and commercial houses have to be provided an uninterrupted supply of electricity and natural gas.

The power and gas shortages have been hitting exports. It has been the major cause of exports stagnating at around $20.4 billion in the last four years.

In recent months, Pakistan's competitors - China, Thailand, Bangladesh and Malaysia - have been raising exports, particularly textiles - Pakistan's biggest industrial product and export.

Two months ago, Sharif had announced a Rs180 billion subsidy package to increase exports of five items, including mainly textiles, but it has failed to make substantial change.

Remittances sent home by overseas Pakistanis declined by 2.2 per cent to $14 billion in 2016-17 compared to the like period of 2015-16. This factor also forced the CAD to widen.

Dr Shahid Hassan Siddiqui, a banker and economist, said: "Exports from Pakistan are continuously declining, causing a major dent in the national economy. Pakistan's external position is not too bad now. But, if the country fails to improve its exports, it will be in serious crisis in the coming years. We have artificially over-valued our currency, which should be around Rs110-112 per dollar. It will make our exports competitive and expand volumes. The government should it do now."

In order to narrow the CAD gap, economists also suggest that imports of items already being produced in Pakistan be restricted in the forthcoming import policy.

Source: khaleejtimes.com - May 01, 2017

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UK: Bangladesh gaining market share in Europe & NA: Study

Bangladesh is gaining market share both in sourcing for Europe and North America, according to a recent study. It is still mainly focused on less complex products, but has the potential to further strengthen its relative position, if production capabilities can evolve and quality can be improved, while ensuring social and environmental compliance standards.

As per the 12th edition of the Kurt Salmon Global Sourcing Reference study production costs in China are almost reaching the level of Eastern Europe and Turkey, as it has a Production Cost Index (PCI) of 47. It is even exceeding costs in southern European rim locations such as Morocco (PCI 31).

As China has longer transportation lead times, and as a consequence considerable less sourcing flexibility, its competitive strength erodes rapidly – China is no longer a low cost production country.

On the other end of the cost continuum, Myanmar and Bangladesh show the lowest PCI values, 12 and 14 respectively. Ongoing efforts to improve social and infrastructural conditions, such as the established minimum wages in both countries, indicate further increases in sourcing costs for the future – but still on a very competitive PCI level.

Recovering from the embargo, Myanmar has begun its comeback to the textile and apparel business.
The country has deep experience in the textile industry, but it does not cover all parts of the value chain. However, foreign direct investment tripled within the last two years emphasising the high potential, says the report.

The consequences of current developments become evident when looking at the detailed shifts in sourcing volumes across many product categories. Denim apparel shows a clear move away from China, which lost 7 per cent in 2014 while most other markets have been able to strengthen their position.

According to the report, the numbers also show that it is not pure cost considerations which lead fashion retailers away from China. Shifts to Bangladesh, Pakistan, and Cambodia are motivated to save costs.

However, at the same time sourcing volumes are moved to regions with higher production costs, but which are located closer to the consumer markets, and thus offering shorter lead times and a higher reactivity to new trends in those markets.

Source: fibre2fashion.com - May 02, 2017

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High Prices in 2016/17 Encourages Cotton Area Expansion in 2017/18

High cotton prices have prevailed in 2016/17, which are expected to encourage farmers to expand the area under cotton by 5% to 30.8 million hectares in 2017/18.

India's cotton area is forecast to increase by 7% to 11.3 million hectares in 2017/18 as farmers are encouraged by better returns due to high cotton prices and improved yields in 2016/17. Assuming yield is similar to the five-year average, production could increase by 3% to just under six million tons.

After contracting in the last five seasons, China's cotton area may expand by 3% to 2.9 million hectares due to the stable cotton policy and high cotton prices.
Production in China is expected to rise by 1% to 4.8 million tons, the first increase in five seasons. Farmers in the United States are forecast to expand harvested cotton area by 12% to 4.3 million hectares, and assuming a yield of 938 kg/ha, production could grow by 8% to 4 million tons.

Unlike the other top cotton producers, area in Uzbekistan is expected to contract by 4% to 1.2 million hectares in accordance with government plans to reduce areas where yields are low, and use them for other agricultural products. However, plentiful soil moisture may improve the average yield by 1% to 638 kg/ha, which will limit the loss in output.

Uzbekistan's cotton production is projected to decline by 2% to 770,000 tons. Anticipating falling cotton prices in early 2017/18, cotton area expansion may be more limited for producing countries in the Southern Hemisphere.

Cotton area in Brazil and Australia is forecast to increase by 2% to 950,000 hectares and 3% to 574,000 hectares, respectively. Production in Brazil is projected to reach 1.4 million tons while Australia's production is forecast to rise by 4% to 1 million tons.

World cotton mill use is expected to surpass world production for the third consecutive season in 2017/18. World consumption is projected to increase by 2% to 24.6 million tons as world economic growth recovers in 2017 and 2018. Mill use in China is forecast to increase by 1% to 7.7 million tons, accounting for 30% of world cotton consumption.

After decreasing by 3% to 5.1 million tons in 2016/17, India's consumption is forecast to recover by 2% to 5.2 million tons due to competitive prices for its cotton yarn products, expanding capacity and the resolution of the consequences of demonetization.

Mill use in Pakistan may grow by 1% to 2.3 million tons due to new incentives for textile exports offered by the government. Bangladesh's cotton consumption is projected to expand by 5% to 1.5 million tons, making it the fourth largest in 2017/18.

World cotton trade is projected up by 5% to 7.9 million tons in 2016/17, after declines during the previous three seasons.

Imports by Bangladesh are forecast to rise by 3% to 1.4 million tons in 2016/17, while imports by Vietnam should increase by 16% to 1.2 million tons. Imports by China, now the world's third largest cotton importer, are expected to increase by 3% to 987,000 tons.

Exports from the United States are projected to increase by 53% to 3 million tons and are likely to account for 38% of world exports in 2016/17. India's exports are projected to decrease by 30% to 886,000 tons.

Sales from China's reserve in April 2017 reached 404,000 tons, which is slightly lower than the total volume sold in March 2017 of 466,000 tons.

At the end of 2016/17, China's total stocks are projected to have fallen by 17% to 9.3 million tons. World ending stocks in 2016/17, are expected to decline by 7% to 17.4 million tons, and in 2017/18, by 5% to 16.4 million tons.

WORLD COTTON SUPPLY AND DISTRIBUTION

	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
				Changes from previous month		
	Million Tons			Million Tons		
Production	21.06	22.76	23.58	0.02	-0.03	0.46
Consumption	24.15	24.11	24.55	0.02	0.01	0.13
Imports	7.54	7.95	8.09	0.00	0.10	0.03
Exports	7.59	7.95	8.09	0.00	0.10	0.03
Ending Stocks	18.74	17.37	16.41	-0.44	-0.48	-0.14
Cotlook A Index*	70	79	71			

*The price projection for 2016/17 is based on the ending stocks/consumption ratio in the world-less-China in 2014/15 (estimate), 2015/16 (estimate) and in 2016/17 (projection); on the ratio of Chinese net imports to world imports in 2015/16 (estimate) and 2016/17 (projection). The price projection is the mid-point of the 95% confidence interval: 75 cts/lb to 83 cts/lb.

*The price projection for 2016/17 is based on the ending stocks to mill use ratio in the world-less-China in 2015/16 (estimate), 2016/17 (projection) and 2017/18 (projection); on the ratio of Chinese net imports to world imports in 2016/17 (projection) and 2017/18 (projection); and on the price projection of 2016/17. The price projection is the mid-point of the 95% confidence interval: 51 cts/lb to 80 cts/lb.

Source: icac.org - May 01, 2017

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Haiti - Economy : Textile sector could create 300,000 jobs in 8 years

The Association of Haitian Industries (ADIH) is calling for better exploitation of the Hope/Help Act in force until 2025 to create more jobs in Haiti. For Georges Sassine, ADIH President, there are many opportunities around the world in the textile sector, however Haiti will have to make a lot of effort to exploit them.

Businessman Andy Apaid, responsible for coordinating communication with the various sectors of national life, the textile sector alone can provide more than 300,000 jobs in the next 8 years and generate $ 6 billion in exports per year.

"Other countries that do not even own 50 per cent of the opportunities of Haiti manage to emerge economically thanks to this sector, thanks to the determination and the will of their leaders".

Georges Sassine recalls that thanks to the Hope / Help law, Haiti can buy raw materials all over the world to process them on its territory and then export the finished product to the United States (until 2025) without paying customs duties.

Vocational training for a skilled workforce is important, we are building at the SONAPI a Service and Training Center with the assistance of the United States Agency for International Development (USAID - Haiti). A training center was also built in Caracol with the help of the South Korean Government .

In three months, these two Centers will be in operation to meet the training needs of the workers.

Source: haitilibre.com- May 01, 2017

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ASEAN wants stronger ties with China

Bloc is also preparing a code of conduct in South China Sea that urges all parties to show self-restraint

Steering clear of blaming China for the maritime disputes in the South China Sea, the 10-member Association of South East Asian Nations (ASEAN) has focussed on a regional trade pact and shoring up economies of some of the lesser developed countries in the grouping.

A Chairman's statement issued at the end of the Manila summit on Sunday took note of the improving cooperation between ASEAN and China. It welcomed the progress to complete a framework of the code of conduct in the South China Sea by mid-2017.

The code is a non-binding document that urges self-restraint and resolution of disputes through direct negotiations

On the sidelines of the summit, the Philippine Trade and Industry Secretary, Ramon Lopez, explained that President Rodrigo Duterte, who chaired the meeting, had “developed friendship” with China on his trip to Beijing in October. This had “opened many doors to the Philippines”.

New guidelines

“We still have differences over the South China Sea. The wisdom is to put this issue aside and talk about business and strengthening economic ties,” he said. “It’s not about getting a donation and fighting back in the future.”

The document welcomed the operationalisation of the Guidelines for Hotline Communications among senior officials of the ministries of foreign affairs of ASEAN countries and China in response to maritime emergencies. The leaders focused on the Regional Comprehensive Economic Partnership (RCEP) negotiations, pointing out that the giant free trade pact will boost global trade.

The RCEP is a proposed free trade agreement between ASEAN and six other states — Australia, China, India, Japan, South Korea and New Zealand. The document highlighted a commitment to assist Cambodia, Laos, Myanmar and Vietnam to enable them to bolster regional integration. The grouping reaffirmed its aspiration to play a bigger role in the global economy. ASEAN’s combined GDP stood at $2.55 trillion in 2016, buoyed by a growth rate of 4.7%.

The regional economy is expected to record a 4.8% growth rate in 2017.

The leaders reiterated their full support for the denuclearisation of the Korean Peninsula, and for concerned parties to explore all avenues for immediate dialogue. The ASEAN comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Source: thehindu.com- May 01, 2017

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NATIONAL NEWS

GST drives review of FTP, which may curb export incentives

As the one nation, one tax regime gathers steam, and Goods & Services tax runs from July 1, the government has started a **review of the Foreign Trade policy**, which may witness a trimming of export incentives that are currently underway, reported a leading business daily.

The directorate general of Foreign Trade under the Commerce Ministry has been meeting legal and tax consultancy entities on the issue, especially on scrip based incentives such as the Services Exports from India Scheme; & Merchandise Exports from India Scheme (MEIS), revealed the report.

The news report said, the Ministry or its agencies issue a scrip to an exporter, to be facilitated for payment of central taxes such as customs duty or excise duty and service tax on the future procurement of goods and services. Such modes of payment would not be allowed after the GST regime begins.

L Badri Narayan, Taxation partner at Lakshmikumaran & Sridharan informed the business daily- significant changes in these schemes are not expected, owing to their scale and lack of alternative ones.

“MEIS benefits are also given to exporters for the processing part, i.e. any loss incurred due to inefficiencies in the government processing part of the export. On that note, any major changes to the scheme will affect exporters significantly” – quoted the daily.

Meanwhile, the mid-year review of the FTP was scheduled in the month of September, and the introduction of GST has given rise to a debate over whether it should be advanced.

The five-year policy (2015-2020) provides a framework for aiding export or goods & services besides creation of employment and increasing of value addition.

It sets a target of export of goods and services to $900 billion by 2020; the figure in 2016-17 was $275 billion.

Source: indiainfoline.com- Apr 29, 2017

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Fairtrade in talks with groups in India, Bangladesh

It has been one year since the Fairtrade Textile Standard and Programme was launched with an aim to make textile production fairer and improve wages for workers. Though certified products have not yet hit the market, Fairtrade has been on job talking to Indian and Bangladeshi NGOs, Indian union representatives, and Don Bosco Vocational Schools.

In 2016, the first companies - Brands Fashion, 3FREUNDE, and MELAWEAR - partnered with Fairtrade to work towards fairer supply chains. Since then these companies and their suppliers in India have opened up their factories for pre-assessments within the framework of the Fairtrade Textile Programme. Fairtrade staff have conducted orientation training in various factories to assess the needs of each company and its workers.

Another agreement has very recently been made in the UK. The National Union of Students will be the first British partner for the Textile Standard with fair fashion brand Epona.

Certifying complex textile supply chains takes time. Rossitza Krüger, textiles manager at Fairtrade International, explains "The Fairtrade Textile Standard has very comprehensive requirements for workers' rights and environmental protection.

But many suppliers have limited resources and therefore can only take one step at a time. We appreciate every step in the right direction and will continue to support factories on their path towards certification."

There have been talks with partner organisations such as the Indian NGOs Save and Cividep, Indian union representatives (INTUC), Don Bosco Vocational Schools and the Awaj Foundation in Bangladesh. Fairtrade continues to cooperate with them in order to achieve change in the textile sector, Fairtrade International said.

Research on what a living wage would be in Tiruppur, India's major textile hub, has recently been concluded. The Global Living Wage Coalition has determined a living wage of Rs 14,250 using the Anker methodology.

The Fairtrade Textile Standard requires companies to gradually improve wages to living wage level within six years after certification. More living wage benchmarks for other major textile production regions are underway.

The Fairtrade Textile Programme is Fairtrade's main tool to support textile factories on their path to certification. Independent experts inspect the factories to assess their compliance with labour law, their health and safety requirements, wages, social security measures, environmental protection and productivity. They then recommend steps for improvement. Workers also discuss their ideas for a fairer workplace and make suggestions.

The programme has recently been developed further to include training on worker representation. One aspect is facilitating democratic elections for committees, as required by the Fairtrade Textile Standard. Employees and management must attend training on how elections should be held, who can be elected, and what the responsibilities of the committee members are. Over the past few months, almost 20 training sessions have taken place in several companies.

"For true change in the textile sector, multiple stakeholders must make a joint effort," says Krüger.

Fairtrade and the Fair Wear Foundation exchanged ideas on improving labour rights in the manufacturing sector and have jointly developed training materials.

"Over the past few years, the Fair Wear Foundation has supported us enormously with valuable know-how," explains Krüger. In future, Fairtrade and the Fair Wear Foundation aim to mutually recognise audits for certain requirements of the respective standards, to avoid duplication.

Source: fibre2fashion.com - Apr 30, 2017

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Outsourcing some of your manufacturing work? GST will bring significant changes for you

Every manufacturer in the country - big or small, tend to do some part of their manufacturing in-house and the rest outsourced to others. This allows manufacturers to focus on their core competencies and also cut down on their capital expenditure.

For example, a car company supplies aluminium alloy to a manufacturer to construct the chassis. The manufacturer receives the raw material, aluminum alloy, in this case, constructs the chassis and sends it back to the car company. This constitutes work.

Today, the manufacturing sector is operating in a competitive business environment and it is economical and cost effective by outsourcing as job work.

Job-work industry constitutes a significant sector in Indian economy. It is an indispensable arm of our industrial sector and a large part of the country's SME is involved in it. With GST expected to be implemented by July 1, 2017, let us discuss the key changes and understand the impact on job-work process.

Impact of change in definition of job work

Generally, job work refers to outsourcing whole or a part of an activity to a third person. It involves sending of raw material/semi-finished goods by a principal manufacturer to job worker with specific instructions to complete the required process.

Let us understand the tax implications

Current regime

Under Central Excise, job work means processing or working upon of raw material or semi-finished goods supplied to the worker, so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for the process. This implies that goods should be sent to job-worker and activity done by job-worker should result in completion of finished goods ..

Under GST

Job work refers to any treatment or process undertaken by a person on goods belonging to another registered person. It is defined in broader perspective to include all activities or process done by the worker irrespective of whether the activities results in manufacturing of finished goods or an essential operation to complete the process

Secondly, under GST, the goods on which any treatment or process is undertaken by worker should belong to registered taxable person. It implies, even if the goods are taxable, but belongs to unregistered person; this activity cannot be considered as job work. This is a major change as compared to the definition of existing central excise in which the status of principal manufacturer was irrelevant.

The simpler definition under GST aims at removing the age old ambiguities involved in determining job work.

Applicability of taxes

Current regime

Excise duty is applicable on job work since the activity amounts to manufacturing. However, on furnishing of certain declaration by the principal, job worker is exempted from excise duty. If job work does not amount to manufacturing, then the worker would liable for service tax. Again, under certain provisions of service tax.

Under GST

In GST, supply being the taxable event, the concept of manufacturing becomes irrelevant and it becomes very important to know whether the supply of goods for job work is taxable.

The goods can be supplied to job worker without payment tax provided if the goods are brought back to any of principal's place of business from the place of job worker within one year from the date of being sent to job worker. In case of capital goods, the time period is three years.

The principal also has an option to supply the goods from the place of job worker on payment of tax, if supply is in India and without payment of tax, in case of exports. However, this is permitted only if the principal has declared job workers place of business as principal's additional place of business. This declaration is not required, if job worker is registered and for certain goods as notified by the commissioner.

Secondly, the process of job work is classified as Supply of Service and GST will be applicable to the extent of processing charges charged by the jobworker. This is good news for workers, since it removes the complexity to distinguish between the labour and material cost, especially in case of composite billing.

Transition to GST

In order to return the inputs or goods without payment of tax within six months, both the principal and worker has to declare the details of stock held by worker on the date of implementation of GST. Thus, the worker needs to maintain the details of stock according to the principal manufacturer-wise, such that details, as required, can be declared and avoid tax burden on principal manufacturer.

Conclusion

For worker, the introduction of GST in India will provide an extra cushion on which the business can ride smoothly. With simpler and wider definition of GST, the litigation on the determination of job work process will be eliminated to a large extent.

Secondly, the exclusive classification of job work as Supply of Service will remove the burden imposed by the existing the indirect tax structure.

Source: economictimes.com- Apr 29, 2017

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Retail SMEs seek two-month extension window for GST compliance

Retail businesses Max Standard Retail Pvt Ltd, SRS Group, Vmart Retail Ltd, etc, led by Ginesys, have written a letter to the Union Minister of Finance and Chairman of the GST Council, Arun Jaitley, seeking extra time on account of complexities in business processes to comply with the GST legislation.

The consensus to approach the Finance Minister to communicate the immediate concerns of the retailers emerged from the recently held retailers' summit, in the capital, titled "Future Storming with Ginesys for retailers."

The letter highlighted key challenges anticipated by the retail industry. The retailers requested for a two-month extension for the sector, along with the clarification for the industry to absorb the change. The extension window is important for the players of sector as order placement for the next quarter has already commenced and retailers are not in a position to accurately forecast the impact on MRP.

Letter underlined the pressing issues, which included,

1. In terms of section 31 of the CGST Bill, 2017 read with Invoice Rules, Tax invoice is to be issued in the case of supply of taxable goods, whereas Bill of Supply is to be issued in the case of exempted goods.

Issuing separate invoices/cash memos for taxable and exempted goods would be difficult for retailers as currently they just issue a single invoice. How will they segregate goods to issue two separate documents?

2. Sundry advances are received when Gift Card, Cash Vouchers, Membership cards etc., are issued to the customers. But at the time of receipt, it isn't clear against which Goods/HSN Number such advances have been received?

3. Sale of goods and sales return happen simultaneously in the same invoice at the retail Stores. How to issues invoices in such a scenario under GST?

4. If the GST rate is higher than the VAT rate, how to deal with the stocks lying at retail stores? Here, MRP is constant (since already printed) and an increase in the GST rate would reduce profits. How to handle such a situation?

5. As per the requirement, CGST & SGST are required to be shown separately on the invoice, thereby increasing complexity for a retailer.

Is it possible, to apply a single rate on the invoice so as to make things simple? However, at the back office, accounting for taxes would be done separately to meet Govt. Norms.

6. How to handle situations wherein promotional items, buy-one-get-one etc., are sold at zero cost? As per the law, tax is required to be charged on such items whereas the end-consumer would never like to pay these taxes. This would impact the retail business in a big way.

7. Input Credit reversals, on account of sale of dutiable & exempted goods, is very difficult to calculate, as the ratio of sale of exempted items varies on a day-to-day basis. How to manage such transactions?

Prashant Lohia, CEO, Ginesys, said, "It is imperative that the retail sector is ready with adequate capacity and knowledge to be fully compliant with GST provisions. For the industry size of over $600 billion in India, contributing to 10 percent of GDP and 8 percent of employment, it is important that the industry gets minimum time for integration and assimilation of GST provisions."

Some of the critical GST uncertainties and issues in retail sector will be addressed through technology platform. Responding to the need of the time, Ashish Mittal, Co-Founder, EasemyGST, said, "EasemyGST, India's most comprehensive GST compliance and ERP integrated solution, is working closely with Ginesys and its customers by creating a flexible tax law engine and integrating with existing ERP solutions like Ginesys, SAP , Oracle applications as per new GST provisions."

Added, Lalit Agarwal, Chairman and Managing Director, V-Mart Retail Ltd, "The biggest factor in retail chain is the rate of tax in GST. We don't know how the taxes will be determined.

The main challenge is to align with the manufacturers and service providers of the unorganized sector in the entire retail chain, for majority of them practice manual billing. We need to track them, educate them and bring them on technological platform to avail the GST credits."

During the summit, that took place on Saturday, Ginesys gave the participants a live demonstration of the recently launched EasemyGST initiative, a comprehensive GST compliance and ERP integrated solution, through which it was established that industry is not fully prepared to take the GST regulations forward. This was done with an industry readiness index test.

Source: business-standard.com - May 01, 2017

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Government revamping tech mission on cotton

Indian Government is working to revamp the technology mission on cotton. There already have been a series of meetings with stakeholders and researchers in this connection.

The revamped cotton mission is expected to have four parts - two to deal with cotton productivity under the agriculture ministry and the other two to be under the textiles ministry.

India is the largest producer of cotton globally. A technology mission on cotton with four mini missions was implemented by the Union Government from 2000 to 2012.

"We will propose it to the ministry. The mission will have four parts. The first two will deal with cotton productivity and will come under the agriculture ministry. the third and fourth missions will be under the textile ministry," textile commissioner Kavita Gupta told a leading daily.

"We have had a series of meetings with stakeholders and researchers," Gupta was quoted as saying by the daily.

Experts said there was a need to revamp technology mission on cotton so that the country adopts global standards with a focus on quality.

Gupta said that to get a clear picture on production and capacity of various segments in the textile value chain, the ministry had made annual and monthly filing of data mandatory.

All units from ginning to garmenting need to file data on quality and quantity. Till October, it can be done manually or online, and from October only online option will be available.

The annual data will give the profile of the unit while the monthly information will give a clear picture on production of various textile products. "This is filed by the industry and for its benefit. It will help the Government come out with the right policy interventions," she said. For MSMEs, the system has been simplified, and for the very small units, a survey will be done.

Source: fibre2fashion.com - Apr 30, 2017

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Swachhta Pakhwada being observed by the Ministry of Textiles throughout the country

The Ministry of Textiles is observing Swachhta Pakhwada from May 1 15, 2017. The fortnight-long observance of programmes to spread the message of cleanliness and make it a part of our lives, was inaugurated by the Minister of State, Textiles, Shri Ajay Tamta, in Udyog Bhawan, New Delhi, today.

The Minister administered the Swachhta Pledge to the officers and staff of the Ministry. Speaking on the occasion, the Minister said that the mission of Swachh Bharat will become a reality if every one of Indias 125 crore citizens makes up ones mind to neither litter nor let others litter.

Having watched the Swachh Bharat song, the Minister said that playing the song to children in the morning would instill in them the importance and divinity of cleanliness.

Shri Tamta said that Swachhta should be looked upon as everyones responsibility, not just that of the workers involved in cleaning.

Textiles Secretary, Smt. Rashmi Verma told everyone to not let Swachhta Pakhwada be an act of tokenism, but a programme that is done from the heart. She exhorted all officials and staff of the Ministry, to take some initiatives in their sphere of work, home and community, to bring about some perceptible and tangible change in cleanliness.

Smt. Verma reminded everyone that there are small steps everyone can do in order to spread the message of Swachhta and to make India Swachh Bharat, a clean nation. She said that everyones participation is required in order to realize the goal of Swachh Bharat.

The list of activities that would be undertaken by the Ministry of Textiles during the Swachhta Pakhwada includes the following:

- Visit of Minister of State, Textiles to Powerloom Service Centres in Delhi/Haryana/Uttarakhand
- Visit of Minister of State, Textiles to Silk Cluster in Haridwar for a special Swachhta drive
- Seminar on the theme Waste to Wealth" to be organized
- Films on Waste to Wealth" to be made by NIFT, and to be shown by all organizations
- NIFT students to be promoted as volunteers to lead youth teams for Swachhta activities in all Weavers Service Centres
- Awareness and motivation programmes to be conducted for employees
- Debate competition on Swachhta Abhiyan to be held, for employees at various levels
- Honouring prize winners in the competitions, by senior officers of the Ministry
- Personal hygiene campaign to be conducted at all jute mills, co-opting CGHS doctors, on all days of the Pakhwada
- Special drive on Swachhta to be done in a NTC Mill Chawl area, and in a jute mill in Kolkata (cleaning of workers colonies to be undertaken)
- Undertaking cleaning of Office premises, toilets & wash rooms
- Provision for supply of clean drinking water through water dispensers, to all sections
- Providing dustbins in all sections
- Dusting and cleaning of office equipment

- Cleaning of common passages and open areas in Udyog Bhavan
- Co-ordination with CPWD and DIPP to ensure that renovation work such as replacement of tiles, false ceiling works, installation of LED lights are completed timely
- Weeding out of old files/Records/un-serviceable articles

Source: business-standard.com – May 01, 2017

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India and Turkey can collaborate in sectors such as energy, auto, textile, mfg and tourism: PM Modi

India and Turkey can collaborate in sectors such as energy, auto, textile, manufacturing and tourism, Prime Minister Narendra Modi said during India-Turkey Business Summit.

Welcoming Turkish President Erdogan and the business delegates from Turkey, PM Modi said the bilateral trade between India and Turkey has gone up from US Dollar 2.8 billion in 2008 to 6.4 billion in 2016.

Pointing that both India and Turkey are energy deficient and their energy needs are ever increasing, PM Modi said hydrocarbon sector is therefore a common area of interest for both countries.

The same would also be relevant for solar and wind energy.

Therefore, the energy sector becomes an important pillar of our bilateral relations, he said.

Apart from this, PM Modi said mining and food processing are other areas with great promise.

“We can also pool together our strengths in the textile and auto sectors. Turkey has a strong manufacturing sector and India is a low cost manufacturing hub. Besides the cost aspect, we have a large pool of skilled and semi-skilled work force and strong R&D capabilities,” he said.

The PM noted that the mechanism of India-Turkey Joint Committee on Economic & Technical Cooperation is working well. In its next meeting, the Committee could undertake a review of the measures to be taken for promoting two-way trade and investment.

He urged the Chambers of Commerce & Industry of both sides to engage with each other pro-actively.

“Our processes should work closely both at the government and B-2-B level,” he said.

Acknowledging that the Turkish tourism sector is globally renowned, he called to further boost the sector by exploring wider possibilities.

Source: knnindia.co.in – May 01, 2017

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Khadi raises Rs 50,000 crore in sales in India

With Prime Minister Narendra Modi pushing for khadi, the sector has raised Rs 50,000 crore in sales last year. Modi in his famous mann ki baat radio programme said that sale of khadi products had gone up by almost 125 per cent. Demand for products like honey, soaps, cosmetics, furniture and food items has been increasing, according to media reports.

"I was told that khadi sales increased by almost 125 per cent," Modi said on the 'Mann Ki Baat' programme on All India Radio, according to an agency report.

according to the figures released by Khadi and Village Industries Commission (KVIC), during the last financial year, sales of village industries produce, or Gramodyog, grew by 24 per cent to just under Rs 50,000 crore. The khadi products raised sales of Rs 2,005 crore, 33 per cent more than Rs 1,635 crore in 2015-16.

The combined sales by the KVIC was even larger than several consumer goods companies in the country while khadi sales alone may be close to that of companies like Bombay Dyeing and Raymond, which are yet to disclose numbers for the last financial year, the reports said.

KVIC has now set a target of more than doubling khadi products sales to Rs 5,000 crore by 2018-19.

The reports said that more and more institutions are now willing to use khadi products with the government hospitals too, soon going for khadi bed-sheets, dressing towels, surgeon gowns and herbal shampoos. "We are expecting orders worth around Rs 150 crore from government hospitals under the Union Health Ministry spread across the country in the current financial year," KVIC Chairman Vinai Kumar Saxena was quoted as saying.

Recently, Khadi India had threatened to sue Fabindia, a chain of ethnic wear retail outlets, for allegedly indulging in "unfair trade practice" by selling its cotton products unauthorisedly under the registered brand name "Khadi". KVIC had sent a legal notice to Fabindia in this regard.

Union minister Kalraj Mishra had said that engaging people through khadi industry could even help uproot terrorism following massive response to the first ever national exhibition organised by the KVIC in Jammu and Kashmir last year.

Source: fibre2fashion.com – May 01, 2017

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Govt announces 30 per cent subsidy for upgradation of powerloom sector

Union Textile Minister Smriti Irani today announced that the government has increased subsidy by 30 per cent for upgradation of powerloom sector and for the benefit of small weavers. Irani launched PowerTex India, a comprehensive power- loom development scheme today in Bhiwandi district of Maharashtra. On the occasion, Irani said, Bhiwandi will be known for resurgence in powerloom sector.

Prime Minister Narendra Modi has directed us to start the scheme before March end so that people get the benefit from April, she said. Textile Minister said the PowerTex India scheme will benefit the small powerloom weaver's to survive. For upgradation of powerloom sector government has increased subsidy by 30 per cent. The yarn bank issue has also been addressed and an assistance to the tune of Rs 2 crore will be given for the yarn bank created by 11 weavers.

A common facility centre will be started under this scheme. Under Mudra Yojana the government would give a soft loan. With the help of Small Industries Development Bank of India (Sidbi) powerloom company can expand their business. Powerlooms using solar power would be granted 50 per cent subsidy, the Minister said. On the occasion Irani and Maharashtra chief minister Devendra Fadnavis launched PowerTex India helpline for any assistance in this regard.

PowerTex India van was also flagged off for publicity of PowerTex scheme across the country. They interacted with office bearers of powerloom sector in remote locations like Malegaon, Ichalkaranji, Kolhapur in Maharashtra, Surat in Gujarat, Bhagalpur in Bihar, Erode in Tamilnadu, Bengaluru in Karnataka, Varansi in Uttar Pradesh and others through videolink as PowerTex India scheme launched nationwide. This is the biggest scheme ever launched in power- loom sector in the country, Fadnavis said and hoped that powerloom centres in Maharashtra would be benefited.

As Maharashtra is an important powerloom cluster the Central government has chosen Bhiwandi to launch this scheme. The state government has increased the subsidy for power to be be supplied for the sector in the Budget in last couple of years. Fadnavis also assured about giving subsidy in solar power for this sector.

Source: thehansindia.com – May 01, 2017

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Forex policy: Here's why it would be tough for India to copy China

In the seventies and eighties, when the East Asian tigers were posting stellar growth rates led by exports, the mainstream thinking in India held that a similar model could not be adopted because of the economy's continental size.

Export pessimism pervaded economic policy opinions and the country's planners persuaded the belief that India's growth must originate from within, ie, the domestic market.

The strategy to pursue export-led growth anchored upon an undervalued exchange rate policy, which had no takers. It mattered little that India's share in global trade was miniscule—below 0.5%—and remained stagnant for decades. There was equanimity about pegging the exchange rate to a currency basket.

But China had picked up the cue from Asian Tigers, silently devising a new growth strategy centered upon an undervalued exchange rate to propel exports. Its success is now a folklore: it enabled China to reap huge growth dividends as its share of world exports zoomed to 13.8% by 2015, from below 1% in the 1980s. It ran current account surpluses from 1994, which peaked at 10% of GDP in 2007.

How did China manage to sustain a weak currency for so many years despite a regular current account surplus for decades? From a balance-of-payments position, China combined strict capital controls with aggressive forex intervention to absorb surplus forex earnings, manifest in the reserves' buildup reaching $4 trillion in 2014. Any such strategy would raise two important macroeconomic questions about inflation and stability: One, how did the People's Bank of China (PBoC) manage the liquidity impact of forex intervention on such gigantic scale? And two, how did the Chinese government handle the exchange rate pass-through to domestic inflation, for China depended heavily on oil and raw material imports for its industry?

The answer to the first question is that ample fiscal space was created to absorb the intervention costs. Taxation reforms yielded significant gains with tax revenues reaching 20% of GDP. Fiscal prudence helped keep debt-GDP ratios fairly moderate, with an eye on high credit-rating. Simultaneously, forex reserves were strategically deployed to extract maximum returns, economic and political.

Graph

The critical part, however, relates to the exchange rate pass-through impacts upon domestic inflation. China mitigated this by deep structural reforms in both agriculture and industry, maintaining productivity growth over a long period.

In particular, it managed to consistently raise cereal crop yields since the 1990s, which helped contain food inflation despite the manifold jump in demand. Labour productivity in industry leaped as FDI was directed to the tradable sector. Global FDI's rush into China was primarily to export; the lagged development of its domestic market was incidental for achieving better scale economies, or the icing on the cake.

In substance, different elements inherent in China's undervalued currency policy-driven export strategy helped transform its economy to much higher levels of efficiency and growth, while taming inflation a lot lower to levels normally observed in the advanced countries (CPI inflation averaged 1.95% in 21 years from 1996).

The remarkable feature here is how the Chinese authorities did not allow currency appreciation throughout these years even when domestic-foreign inflation differentials were minimal, while productivity growth much higher than the trading partners. China's policymakers were content exporting their domestic savings or current account surpluses abroad and resisted external pressures for upward adjustments to the currency's value right until they were ready to reorient policies for rebalancing growth towards domestic consumption.

Contrast this with India's case. Our planners opted for a gradual weakening of the currency within a narrow band until the 1991 balance-of-payments crisis, which forced a major devaluation. In 1994, the rupee became fully convertible on the current account. The post-1991 reforms and a relatively freer exchange rate regime did create an optimistic environment for exports, but gains were tepid as the Asian crisis unfolded. It is worth noting that India's world export share increased only marginally—to 0.66% by 2000 from 0.5% in 1990—while China more than doubled its share in the same period—to 3.9% from 1.8%!

Post-Asian crisis, Indian policymakers quickly ushered in significant capital account liberalisation even before the exporting sector could secure a sound foothold. Gushes of capital inflows forced premature currency appreciation that affected competitiveness, even while the economy ran persistent current account deficits. India's export optimism proved myopic for its world export share increased a mere 1 percentage point in the next decade and a half to 1.6% in 2015. China meanwhile, as the folklore goes, became the global leader, increasing its share of world exports to an astounding 13.8%!

The probing question then is, why did India balk at the Chinese approach of exporting its way to growth through an undervalued currency when global trade was expanding at a rapid pace? Why did we shy away from a course that China so successfully traversed, ie, building and expanding a tradable sector for rapid growth and mass creation of jobs to draw out millions engaged in low-productivity agriculture? Why the aversion to a weak rupee?

The answer, unfortunately, lies in the sphere of India's political economy, which lacked the capacity to handle the stabilisation issues that are inherent in pursuing such a policy. The point can be elucidated by raising a few questions. Why couldn't RBI intervene as aggressively in the currency market as the PBoC could? The obvious answer is the lack of fiscal space to bear the costs of liquidity absorption.

Just a decade and a half ago, we were witness to how a reluctant government agreed to issue 'stabilisation bonds', with limits, when excessive capital inflow became hard to manage in the early 2000s. Competitive calls for social sector expenditure on top of high debt-GDP levels left little scope for creating fiscal space for long-term strategic intervention. This left RBI with no option except to calibrate forex intervention operations consistent with the desired growth in its balance sheet and the monetary base. Any surplus, naturally, ended in pushing up the exchange rate.

What if the government had been open to the idea of fully absorbing the costs of forex intervention? Would RBI have gone ahead and built forex reserves of a trillion dollar or so, letting the rupee persistently drift downwards as was the case with the Renminbi? If yes, how would the government have handled the inflation fallout arising from the exchange rate pass-through?

An effective response to such long-term stability concerns would then have required significant productivity increases. The answers, therefore, would certainly lie in the political economy domain—the ability for deep structural reforms. Unfortunately, the reform track record on this does not inspire much confidence.

Unlike China, India could not reform agriculture to consistently raise crop yields in response to food price inflation; agriculture reforms could not extend beyond the Green Revolution.

Even after three decades, India has been unable to meaningfully touch factor market reforms, even as those in the product markets have remained incomplete. Efforts to build world class infrastructure spluttered midway. Stuck with structural rigidities and inadequate supply responses, any strategy to anchor an undervalued currency upon export growth would be fraught with high macro-instability risks, thus remaining out of bounds for policymakers.

So perish the thought the rupee can ever be as weak as it ought to be, given India's persistent current account deficits. To the contrary, policymakers, including the RBI, have often swung to the other end of the pendulum, ie, delving into bouts of currency appreciation by relaxing the capital account.

An abiding 'fear of inflation' has driven the political economy of the exchange rate into a narrow lane of policy choices, squeezed between the lack of consensus on structural reforms and voters' sensitivity to inflation. The fallout has been an over-reliance upon demand-side management that does not even shy away from exchange rate-based stabilisation. Willy-nilly, RBI too ended up using the exchange rate as an instrument to fight imported inflation.

What has India achieved with this approach to the exchange rate? From a political economy perspective, inflation concerns have always overridden those of growth, but the unfortunate part of this story is that India couldn't tame inflation either! We have had to subject ourselves to a new flexible inflation targeting (FIT) regime that could extract a significant sacrifice in growth.

One would expect the new monetary policy regime would not deploy the exchange rate as a policy instrument. But the temptation could be there. The central bank would be fighting a battle to gain credibility for its FIT framework, lower inflation expectations. The recent episode of sharp reversals in the exchange rate did trigger worries if the RBI was deliberately letting the rupee strengthen to contain medium-term inflation within the 6% upper bound.

The central bank must realize though that any overvaluation is a short term quick-fix; such actions have been more palliative, followed often by a weakening bout – the near-run on the rupee in 2013 being the latest piece of evidence. One also hopes the government is not enticed by the false sense of improvement in fundamentals or associates a stronger currency with national pride.

Let's be warned that if the currency is allowed to drift too far at a time when the current account gap is opening up, it wouldn't be surprising to see a yet another run on the currency in the not-too-distant future!

Source: financialexpress.com – May 02, 2017

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India's trade ties with LatAm set to get a boost

India is keen on improving relationship with Latin American countries, and a number of senior government officials will soon visit the region to fully exploit trade possibilities that it offers. Minister of state for external affairs General Vijay Kumar Singh, along with a delegation of the ministry, is already visiting Trinidad and Tobago, Suriname and Jamaica; while commerce secretary Rita Teotia, accompanied by senior officials from her ministry, will soon leave for Colombia and Ecuador.

"The visit by commerce secretary to Ecuador is to attend the first meeting of the Joint Economic and Trade Committee (JETCO), and in Colombia commerce ministry officials will attend a business development cooperation meet where an Indian business delegation too will be present," sources told FE.

The protocol for establishing the India-Ecuador JETCO was signed in 2015 with the aim of further improving and strengthening the bilateral trade relationship. The JETCO will function as the primary forum for discussion and other promotional activities on trade and investment. It will be meeting once in every two years.

A team comprising senior officials from the MEA and the Ministry of Commerce and Industry is expected to head towards Lima, Peru, in July for the first round of negotiations for a comprehensive trade pact.

"Work has already started with Peru. India and Peru see immense opportunities in each other and both the economies can work together well," sources said.

Back home, the CII is organising an event to present the industry's view of investment potential in the region. Indian ambassadors and high commissioners in Latin American countries will take part in the event. So far, twelve heads of Indian missions in various countries in that region have confirmed participation.

India's commercial relationship with the LAC region has increased manifold over the past decade, reaching a peak of $50 billion in trade and $20 billion in Indian investment in the region.

Latin America is now India's largest destination of car and motorcycle exports, and the LAC region is becoming a hub for Indian IT companies. India is one of the top buyers of Latin America's vegetable oils, mining and mineral products, and crude oil. Some of the countries besides Peru are willing to sell gold to India.

Source: financialexpress.com – May 02, 2017

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Protectionism a big worry for Indias exports: Report

The protectionist approach of developed economies could have an adverse impact on export performance of India, which is already grappling with low demand as the majority of companies are not getting the benefit of credit flow at lower rates, says a report.

However, the impact of demonetisation seems to have ebbed at a much faster pace than earlier anticipated, according to the findings of Ficcis latest Business Confidence Survey.

The survey was conducted during the months of March-April and saw participation of nearly 185 companies. The outlook pertaining to operational parameters shows that during the period April to September 2017, nearly 65 per cent of the companies expect better sales performance, 42 per cent expect profits to increase and 40 per cent expect to invest more than their current investments levels.

Moreover, 31 per cent expect export demand to be better than what it is now and 27 per cent plan to hire more, making additions to their workforce. However, a majority of the firms are still not getting the benefits of credit flow at lower lending rates despite a cut in interest rates by banks, says the report.

About 67 per cent of the participants responded in the negative when asked if they have benefited from the lower cost of credit, indicating that a large set of companies is not getting the benefit of credit flow at lower rates. According to the survey, nearly 54 per cent participating companies feel that current economic conditions are moderately to substantially better compared to the previous six months.

Further, the economy is expected to do even better in the coming six months according to 79 per cent of the participating companies.

"With remonetisation of the economy at a much advanced stage, things seemed to be turning normal for the corporate sector. In the latest survey, confidence level has seen a rebound, touching an eight quarter high, vis-à-vis a drop seen in the previous survey wherein confidence was hit due to a demand squeeze caused by demonetisation," the survey noted.

The participating firms reported an improvement in the current conditions and performance level and expressed hope of a better turn-out in the coming six months, which could be a harbinger for better economic growth in the current year.

While the impact of demonetisation on demand situation has eased considerably, the natural build up following improving economic performance is still happening at a slow pace. Both the government and the central bank have taken a slew of measures over the past couple of years to moderate the lending rates in the economy.

The Reserve Bank of India has cut the repo rate by 175 bps between January 2015 and October 2016; the interest rates on small saving scheme were reset and marginal cost of funds based lending rate was introduced last year. Earlier this year, following the rapid build-up of deposits, some major banks revised down their lending rates.

Source: indiatoday.in – May 02, 2017

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Exporters must be informed of change in import norms in foreign nations quickly: Sitharaman

The comprehensive national strategy for standardisation of goods and services being worked out by the government and industry should not lose sight of immediate challenges, Commerce & Industry Minister Nirmala Sitharaman has said.

“Any national strategy for standards should be able to factor in technology to disseminate any change in import requirements in foreign countries so that our exporters are well prepared to overcome those barriers. This dissemination has to be in regional languages,” Sitharaman said inaugurating the fourth National Standards Conclave on Monday.

She said this had become critical as the number of notifications at the World Trade Organisation had increased and many dealt with standards.

“India should be setting standards for the world rather than following the standards which are being set by other countries,” the Minister said, adding that the country should participate actively in any global debate on setting standards.

One-stop portal

The Minister also launched the India Standards Portal – a one-stop portal for all information on standards, technical regulations, conformity assessment and accreditation practices.

Referring to the problems faced by India in the agriculture sector where the nature of standards set in international bodies often militated against the Indian varieties, Sitharaman said that international standards, especially in food produce, must value variety over homogeneity and India has to participate actively in such standards setting.

Farmers' interests

"When Sanitary and Phyto-Sanitary (SPS) controls are put on agro products, like mangoes or grapes unilaterally, they hurt our farmers. Similarly, the maximum residue limits of certain pesticides or biocides are altered too quickly in the foreign markets and farmers are taken by surprise," she said. Efforts must be made to create quick information system for such farmers and exporters.

The Minister hoped that the proposed strategy would provide a guide or a kind of framework so that "we avoid such crises at the negotiation stage itself".

She also proposed that a phone-based alert, adaptable to regional languages, be prepared so that conformity to these standards become effective.

Sitharaman inaugurated a portal on Indian standards jointly developed by the Ministry and industry body CII that would provide all information on standards existing in the country and conformity assessment.

Source: thehindubusinessline.com – May 02, 2017

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NITI Aayog pitches for Chinese-style CEZs to push exports

The NITI Aayog has pitched for creating two coastal employment zones on the lines of a Chinese strategy to promote exports and create jobs.

The Aayog in its three-year draft action agenda has suggested that coastal employment zones (CEZs), one on the East Coast and other on the West Coast, should have more liberal and business-friendly economic environment.

"India must replicate Chinese strategy by creating two Coastal Employment Zones, one on the east coast and other on the west coast. Limiting the initial number of CEZs to two will ensure that limited resources are not spread thinly over too many zones," the draft action agenda said. "Moreover, a focused approach has better chances of capturing agglomeration economies and producing results over a relatively short time," it added. The zones would provide a business friendly ecosystem including ease of doing business, especially, ease of export and import, swift decisions on applications for environmental clearances and speedy water and electricity connections. Apart from conventional infrastructure, the zones would need to create urban spaces to house local resident workforce.

The action agenda emphasised that social subsidies should be reoriented so that the beneficiary becomes economically independent. "Open ended schemes that can absorb ever-rising expenditure and lack clearly identified beneficiaries must be avoided," it said.

Noting that the smooth implementation of the Goods and Services Tax (GST) and related reforms will help facilitate travel and tourism, the draft agenda said, "We should consider placing tourism in the lower tax bracket of the GST to ensure competitiveness with foreign destinations."

APMC reform

Referring to agriculture, it said that the reform of the Agricultural Produce Marketing Committees (APMC) Act needs a new lease of life.

Farmers should get genuine rights for direct sales to buyers of all commodities, potential buyers should get the rights to buy produce directly from farmers, entry of private agricultural markets should be free, the draft agenda said, adding "an effective legal framework for contract farming should be established".

There has been an excessive focus on the procurement of wheat, rice and sugarcane at the expense of other crops such as pulses, oilseed and coarse grains, it said as Minimum Support Prices (MSPs) have distorted cropping patterns due to their use in certain commodities in select regions. "These distortions have led to the depletion of water resources, soil degradation and deterioration in water quality in the North-West," it observed.

Source: thehindubusinessline.com – May 01, 2017

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