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IBTEX No. 149 of 2017 July 20, 2017

USD 64.39 | EUR 74.08 | GBP 83.85 | JPY 0.57

Cotton Market (19-07-2017)

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

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

Domestic Futures Price (Ex. Gin), July

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

International Futures Price

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

Cotton & currency guide:

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

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

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

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

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

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

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

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INTERNATIONAL NEWS

Brazilian cotton prices dip to lowest levels since Nov '16

Cotton prices dropped sharply in the Brazilian market during the first fortnight of July 2017 as sales offers were higher than demand. Between June 30 and July 14, the CEPEA/ESALQ Index, 8-day payment terms, for cotton type 41-4, delivered in São Paulo, dropped 4.24 per cent, closing at 2.5479 BRL per pound on July 14, the lowest since November 11, 2016.

Many cotton batches from the new 2016-17 season were traded in the first fortnight of July for prompt delivery, but with small volumes. “Active sellers were flexible regarding prices, making available products from several regions. Purchasers, however, were cautious and processors were only interested in replenishing their inventories,” Center for Advanced Studies on Applied Economics (CEPEA) said in its fortnightly report on the Brazilian cotton market.

The first batches from the 2016-17 crop were of low quality, according to Cepea collaborators. So, purchasers were not very active in the spot market, waiting for the harvesting to advance in the next days and bidding lower prices than asking prices. Traders, in turn, were trying to purchase cotton to accomplish contracts previously closed.

Regarding exports, from August onwards, the pace of trade is forecast to increase. Although most agents were focused on future trades in the domestic market, the gap between asking and bidding prices limited trades in the first fortnight of July.

On July 11, Conab (government agency) announced that the 2016-17 Brazilian crop should total 1.484 million tons, 15.2 per cent more than the quantity harvested in the previous crop, but slightly down compared to the report released in June 2017.

Despite the 1.7 per cent reduction in the area sown this season, productivity is expected to be 17.1 per cent higher than that in the 2015-16 season, at 1,580 kilos per hectare.

In Mato Grosso, the largest cotton producing state in Brazil, the harvesting of the 2016-17 season has reached 5 per cent of the sown area, according to Conab. With production favoured by the weather, estimates are for 993 thousand tons, 12.8 per cent up compared to the previous crop. Productivity may be 7.9 per cent higher, at 1,466 kilos per hectare.

Meanwhile, according to data from the Brazilian commodity exchange BBM, tabulated by Cepea, 85.7 per cent of the 2015-16 Brazilian crop, estimated at 1.289 million tons, had been traded until June 30. Of that total, 56.3 per cent was for consumption by the domestic market, and 43.7 per cent, was meant for exports.

Regarding the 2016-17 crop, estimated at 1.48 million tons, 44.7 per cent has been traded. Of that volume, 48.3 per cent were allocated to the domestic market, and 51.7 per cent, to the international market.

Source: fibre2fashion.com- July 19, 2017

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FFS explains: how does EU trade work?

As Britain takes the first steps towards exiting the European Union, much focus has been on how the decision will affect trade.

The system of trade agreements in the EU has been a matter of some debate, with economists, campaigners and politicians making claims about what will happen once Brexit is complete.

Ferret Fact Service takes a look at how EU trade works, and what the options might be for the UK once it leaves Brussels in March 2019.

How do EU trade agreements currently work?

The trade rules governing the UK's relationship with Europe and the rest of the world are closely bound to its membership of the European Union (EU).

Currently, the UK is part of both the EU and the European Economic Area (EEA), a single market that includes EU member states and three members of the European Free Trade Association (EFTA) – Norway, Iceland and Liechtenstein. Membership of the EEA, and therefore of the single market, requires compliance with the "four freedoms" of the EU – the free movement of goods, services, capital and people.

The free movement of goods between these countries means no customs duties, no restrictions on the quantity or value of imported or exported goods, harmonised product standards, and a common customs tariff, which refers to the duty rates that apply to different kinds of goods imported from outside the EU.

The aim is to remove internal borders as far as possible so that goods can circulate as freely as they do within a nation.

Could the UK remain part of the EU's customs union?

There are various future trading options for the UK.

In January, Prime Minister Theresa May set out a range of options—she suggested reaching "a completely new customs agreement", becoming "an associate member of the Customs Union in some way", or remaining "a signatory to some elements of it".

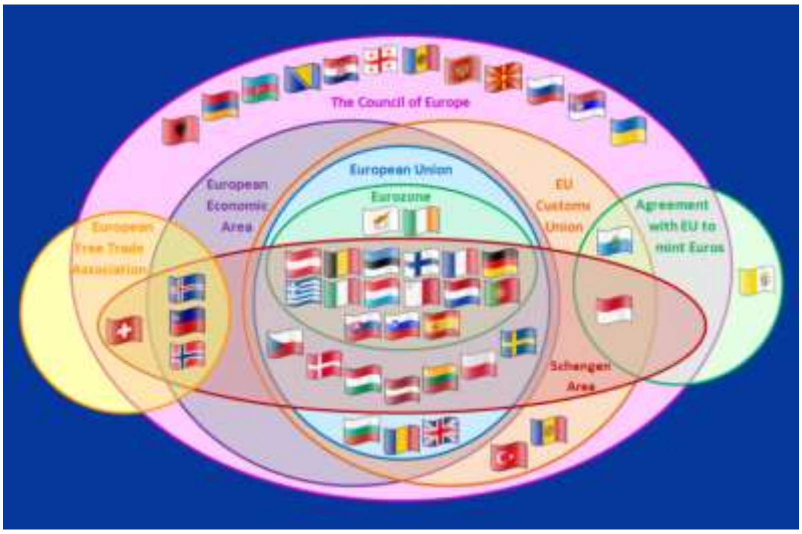
The EU's customs union comprises EU member states as well as other countries like Turkey. It means all countries charge the same import duties to countries outside the union, to ensure one member does not undercut the others.

However, the customs union with Turkey does not apply to service providers (like banks, insurers, and transport companies), which are an important part of the UK's economy and account for around 79 per cent of GDP.

And in June, Chancellor of the Exchequer Philip Hammond ruled out the possibility of the UK joining the customs union.

What is a free trade agreement?

The UK government has ruled out the option of remaining in the single market. May has made it clear that her aim is to negotiate "the greatest possible access to the single market…through a comprehensive free trade agreement".



A free trade agreement means that a group of countries have agreed not to impose tariffs (customs duties) or import quotas on goods or services within the free trade area. Unlike the customs union, there is no common tariff imposed on countries outside the free trade area.

EFTA is a free trade area in Europe, and has four members: Norway, Iceland, Liechtenstein and Switzerland. The UK was one of the founders of EFTA in 1960, but left in 1972 to join the European Economic Community.

One possible model for the UK is the approach taken by Switzerland, which is part of EFTA but not the single market. As part of its free trade agreement with the EU, Switzerland has negotiated a series of bilateral agreements over the years.

It is possible that the UK could re-join EFTA, but this remains very uncertain.

Other options?

The UK is a member of the World Trade Organisation (WTO), which sets its own international trade rules. If the UK fails to negotiate any deal with the EU, it will revert to WTO agreements – this is the UK's default trade position, and is often referred to as a 'hard Brexit'.

All EU member states are also WTO members, but they currently act as the EU rather than individual countries.

Individual countries make lists of commitments (known as 'schedules') that give specific foreign products or service providers access to their markets.

The UK already operates under WTO rules as part of the EU. It could 'copy and paste' parts of the EU schedule, but not all of it. Tariff rate quotas (a set volume of goods from a specific country that benefit from lower duty rates) would have to be divided up between the UK and EU.

How does the WTO work?

The WTO sets out broad principles relating to goods, services and intellectual property. These principles specify trade without discrimination, meaning that countries must treat all their trading partners equally as a 'most-favoured-nation' (MFN).

There are exceptions to this. A group of countries can set up a free trade agreement that favours goods traded within the group (as in the case of the EU), or give developing countries preferential treatment.

WTO rules also aim to reduce tariff and non-tariff barriers, like product standards and customs controls, in order to make trade freer.

Countries agree not to raise tariffs above an agreed level in a bid to make markets as stable and predictable as possible.

How would the WTO option affect the UK?

Currently, the UK applies tariffs based on the EU's schedule. If the UK did not agree a free trade agreement with the EU, it would face the EU's common customs tariff – but EU importers would also be subject to a UK tariff.

Although EU tariffs for MFNs are generally low (its trade weighted average tariff was 2.7 percent in 2014), they are significantly higher for certain sectors, such as the automotive industry and agriculture. These industries are therefore concerned that such tariffs would make their business less competitive in the EU, because higher duty rates would have to be included in the price of the product.

Unless the UK agrees free trade deals, there would also be uncertainty over its trading relationship with countries like South Korea and Canada, which are currently governed by EU free trade agreements.

And it's possible that passporting – which allows financial institutions to sell their services in other EU countries without having to obtain separate licences – would be lost under WTO-only rules.

Source: theferret.scot- July 18, 2017

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Turkey to open 50 trade centers worldwide

The Turkish Exporters Assembly (TİM) aims to open approximately 50 trade centers around the world in the near future, said Bahadır Öztanyel, the TİM Promotion Organization Domestic and Foreign Trade Inc. CEO.

Öztanyel spoke to Anadolu Agency (AA) about the commencement of the Ready-Made Clothing Sector Trade Center, which opened in New York with support from the Economy Ministry and in the coordination with TİM.

According to Öztanyel, there are activities in the ready-made clothing, home textiles, carpets and business contracts sectors on the premises rented for the trade center in New York's commercial center of Manhattan. In addition to New York, another trade center started operating in the chemical and plastics industry in Chicago. Depending on demand from other sectors, Turkey aims to open more Turkish trade centers in various U.S. states.

Öztanyel emphasized the purpose of the Turkish trade centers is to establish showrooms that are open 365 days a year as continuously accessible places that give confidence to buyers in each country and to carry the Turkey brand one step further. He added: "When a delegation from Turkey comes to the U.S., they may stay two to three days, but foreign businessmen want to be able to easily reach and follow Turkish companies.

In order to meet their demand, we ensure the confidence and accessibility that foreign buyers need by creating local showrooms open 365 days a year."

Stressing that foreign buyers can access Turkish companies at Turkish trade centers and meet them any time, Öztanyel said that TİM and TİM Inc., along with the Economy Ministry, plan to open nearly 50 trade centers around the world in accordance with Turkey's 2023 vision strategy. "Depending on the needs analysis responding to questions such as what sectors follow in Turkish trade centers and where they can become a brand, we find appropriate locations in the requested country and city, rent it and open a trade center there," he explained.

Öztanyel pointed to the Economy Ministry's communiqué on Supporting Foreign Units, Brands and Promotion Activities, explaining that it is aims to increase the exports of exporting companies in Turkey. "The concept behind this is: Think global, be local, so that foreign companies can access Turkish firms permanently."

Öztanyel remarked that thanks to these trade centers, the rents and refurbishment expenses of showrooms and staff recruitment of exporting companies are supported in foreign countries, which provides a significant cost advantage.

According to Öztanyel, Turkish companies that want to benefit from the Economy Ministry incentives go to business associations such as exporters' unions, industrial and trade chambers and foundations related to their sector, and said that the aim of the project is to benefit from the power that the sectoral movement will bring. **'Our aim is to convey our ideas in Europe to the U.S.'**

Mustafa Gültepe, the vice president of the Istanbul Apparel and Apparel Exporters' Association (İHKİB), said that İHKİB aims to increase Turkish exports to the U.S.

According to Gültepe, prior to launching the quota in 2002, Turkish exports to the U.S. in this area were nearly $1.5 billion, and that after launching the quota, the export volume has fallen to $350 million to $400 million. "In order to regain our old power, we have opened our window to the U.S. to show the position of the Turkish textile industry with the support of the Economy Ministry, the organization of TİM and our leadership," he said.

Stressing that they aim to increase exports with the marketing activities they have found, Gültepe said Turkish exporters are very strong in Europe and they aim to transfer their ideas in Europe to the U.S. Emphasizing that the ready-wear sector's target is to achieve its old export power within two to three years, Gültepe said it is trying to increase its export volume to the U.S. to $2 billion over the next five years.

Source: dailysabah.com- July 19, 2017

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China: Influence of new solid waste policy on cotton& cotton yarn market

It is known that Five Ministries have adjusted the catalogue for imported solid waste to response to the central government’s reform scheme on forbidding foreign waste import in order to promote the management system about solid waste import. Some solid waste which can be used as feedstock will be forbid importing before the end of 2017, mainly including waste plastics, waste textile feedstock, vanadium slag and unsorted waste paper, and waste cotton and waste cotton yarn is included. The following part will have a brief analysis on the import of waste cotton and cotton yarn in China.

Imports of waste cotton yarn hit peak at 73kt in 2013, and average imports were around 49kt in 2008-2016, with imports at 19kt in Jan-May, 2017, up by 41.9% y-o-y. Imports of recycled cotton fiber under Hs code 52029100 were small, with average volume below 1,000 mt in 2008-2016, and at around 2.6kt in Jan-May, 2017, up by 190% on the year, which may be related with surging card sweeps and combed noil price in China, and imports of other waste cotton changed greatly, with volume at 123kt in 2013, average volume at 51kt in 2008-2016 and at around 26kt in Jan-May, 2017, up 51.3% y-o-y.

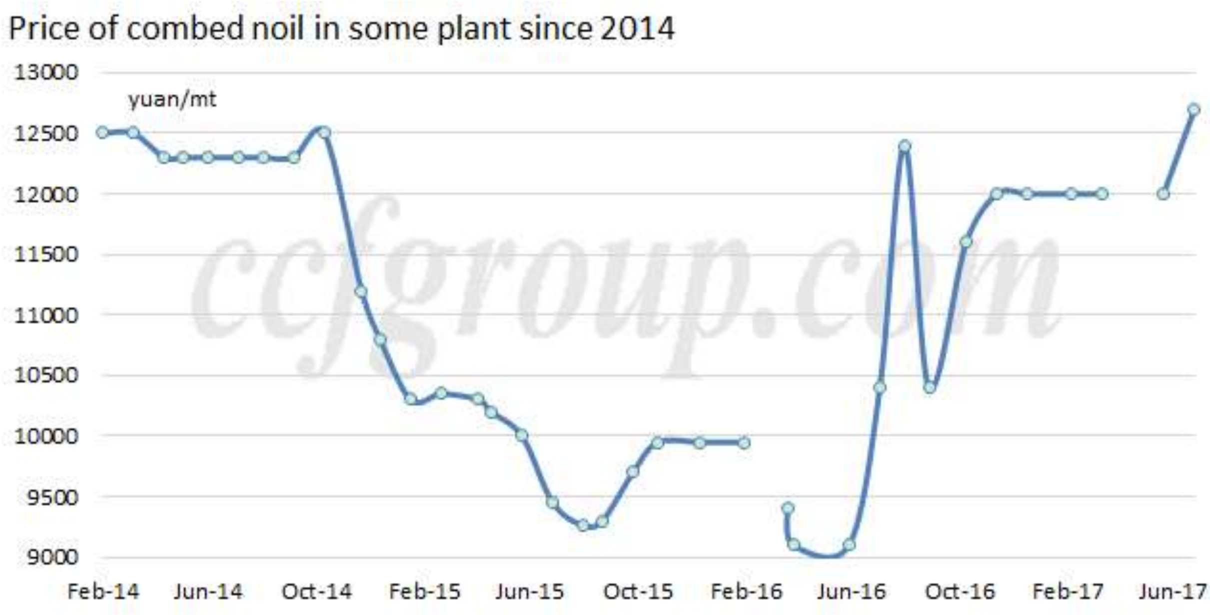
Imports of waste cotton and cotton yarn soared in Jan-May, 2017, which would be related with hiking price for card waste and combed noil in China.

Government of Hebei, Gaoyang released a policy emphasizing product quality in textile mills in May and will strictly control the consumption of feedstock with low quality.

Recycled feedstock used by open-end cotton yarn plants and the card sweeps and broken seed produced by small-sized processing plants are impacted.

Currently, price of combed noil has increased to around 12,700-13,000yuan/mt in China, while price of foreign cotton under RMB basis is basically flat with noil price in China, or even lower.

Under such situation, many Chinese companies choose to import waste cotton and cotton yarn.



In summary, if waste cotton and cotton yarn is not allowed to be imported in China, recycled cotton yarn production in China will be affected to certain extent, but the influence may be limited given not high volume. Besides, demand for Chinese domestic raw cotton may improve.

Source: ccfgroup.com - July 18, 2017

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Japan wants a massive trade deal without the US — but these countries stand in its way

As the 11 remaining Trans-Pacific Partnership countries continue talks without Washington this week, certain member states now need convincing to stay on board with the massive trade deal.

No longer the world's largest trade pact after President Donald Trump's decision to withdraw the U.S. earlier this year, the TPP remains alive — for now. Its surviving participants have agreed to forge ahead without Washington with the goal of completing preparatory work for a treaty by November, as agreed upon in May.

However, internal divisions are a key obstacle as some participants look to rework existing provisions in light of Washington's absence.

"On the one hand, you have Japan, Australia and New Zealand who would like to push ahead with the agreement as is, just with some only technical modifications to allow it to come into force," Andrew Staples, Southeast Asia director at Economist Corporate Network, told CNBC on Friday. "But countries such as Malaysia and Vietnam, on the other hand, are questioning whether a deal makes sense without getting access to the U.S. market."

Before Washington pulled out from the TPP, Kuala Lumpur and Hanoi were seen as the pact's top beneficiaries amid expected rises in foreign direct investment inflows and exports. Vietnam's garment industry and Malaysian electronics, in particular, were seen strengthening from the removal of tariffs in the U.S. and other major importers.

To advance in the U.S. market, both Southeast Asian governments originally agreed to sweeping changes in their business environments, particularly regarding transparency, government movement of data as well as environmental and labor standards, Staples explained.

But now that broadened U.S. access is off the table, both nations are re-considering their commitments, he continued. "Malaysia, in particular, has said they would like to re-open negotiations on contentious issues, such as drug development data."

Vietnam, meanwhile, is debating which TPP elements can be renegotiated, Prime Minister Nguyen Xuan Phuc was quoted as saying last month.

The reluctance of both countries is a thorn in Tokyo's side. Spearheading current TPP discussions, the world's third-largest economy hopes for a U.S. return to the table, but says existing members should not lose momentum, Japanese Prime Minister Shinzo Abe recently told CNBC.

In addition to persuading hesitant members, the Japanese leader is also under pressure to ensure the smooth completion of a bilateral trade deal with Europe — the Japan-EU Economic Partnership Agreement — which is a factor that could influence TPP talks.

"Progress toward a Japan-EU deal will fuel momentum behind Abe's efforts to finish a TPP-11 agreement without the U.S., in part by keeping Japan's protectionist farmers and their backers in his Liberal Democratic Party on the defensive," analysts at consultancy Eurasia Group said in a Wednesday note.

"If, however, negotiations on the Japan-EU Economic Partnership Agreement unexpectedly collapse or a final deal is not ratified by both sides, Abe's push to burnish his leadership credentials and advance a robust trade policy agenda will suffer a large setback," they wrote.

Source: cnbc.com- July 18, 2017

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Singapore and Sri Lanka committed to concluding FTA talks by end-2017

Both Singapore and Sri Lanka are committed to concluding negotiations on a free trade agreement before the end of the year, Foreign Minister Vivian Balakrishnan said in Colombo yesterday.

"It will be a modern, comprehensive, high-quality, ambitious free trade agreement. It will demonstrate to the world that both of us are open for business and we encourage all investments," he said at the Sri Lankan Ministry of Foreign Affairs after talks with his counterpart Ravi Karunanayake.

Dr Balakrishnan described Sri Lanka and Singapore as complementary hubs, with Sri Lanka being a hub for transshipment and economic ties across the Indian Ocean, while Singapore is a hub in South-east Asia.

"The bigger the pipeline we build to connect these two hubs, the greater the opportunities will be for our respective regions," he said.

With the free trade agreement, he said, Singapore can serve as Sri Lanka's gateway to South-east Asia, while Sri Lanka will be Singapore's gateway in the Indian Ocean.

He also said that with both countries being small states, they could work closely together to weather the challenges of surviving and thriving in a world that is changing so dramatically.

"Sri Lanka and Singapore have had a longstanding strong friendship. It is anchored on our culture, historical and kinship ties which actually go back centuries," Dr Balakrishnan said, referring to the fact that Singapore has been home to a small but vibrant Sri Lankan community since the 19th century.

Dr Balakrishnan said he was encouraged by the rapid developments in Colombo and the growth potential in Sri Lanka, which has led to a surge of interest from Singapore companies. There are currently more than 350 Singapore companies in Sri Lanka, across a wide range of sectors. Dr Balakrishnan is on a four-day trip to Sri Lanka until tomorrow, during which he will visit Colombo and Jaffna.

Source: straitstimes.com- July 19, 2017

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Zambia: Focus On Apparel, Fashion Industry

It is the desire of any nation to establish a flourishing industrialised economy that would comprise a viable apparel and fashion sector.

A country's textile industry doesn't just clothe its citizens but serves other societal needs, such as their lifestyles, value systems and the identity of its people.

In the absence of a viable local textile industry, a nation's social needs may become subservient to the cultural values exhibited by the manufacturers of originating countries.

The 28 April, 2017 incident in which the Zambia Bureau of Standards (ZABS) issued a ban on the importation of secondhand underwear in Zambia, exemplifies this point. I'm sure every old timer; indigenous Zambian will concur with me that unless in extreme instances, it's uncommon in our traditional setting to wear used underwear.

ZABS disclosed that importation and selling of used underclothing is a risk to the health of users and is prohibited in Zambia through the Zambian Standard, ZS 559.

The Bureau further noted that according to medical experts, second hand undergarments attract moisture which could cause fungal infections and skin conditions in the reproductive organs.

Could you imagine that without giving it a second thought, hospital linen, ladies and gent's panties were being sold to the public for over 20 years?

This partly goes to underscore the increasing need of having an indigenous and flourishing local apparel and fashion industry.

The purpose of this article and the next two in the series, is to discuss the opportunities and challenges facing the textile industry in the light of the unfolding international scenarios.

Thankfully, I interacted with Private Sector Development Association charperson, Yusuf Dodia, to understand the opportunities and challenges facing the sector in Zambia.

Imagine, the global apparel and fashion industry commands a market value of more than $3.3 trillion, and US$1.75 trillion respectively, making it justifiable for Zambia to attract private sector investment in this sector.

Additionally, the apparel industry accounts for an estimated two per cent of the world's Gross Domestic Product (GDP).

In the last one year, there have been remarkable developments in the apparel and fashion industries globally including Asia, Europe, United States (US), and east Africa.

Such events include the setting up of the Hawassa Industrial park US$250 million, 1.4 million square metre facility by TAL Apparel, a Hong Kong-based global garment manufacturer and the feud between the United States (US) and East African countries (EAC) over second hand goods trade.

This facility has the capacity to create around 60,000 jobs, and is possibly one of the largest textile facilities in Africa.

Ethiopia's success seems to be putting its neighbours' economic ambitions under pressure!

Essentially, the EAC, of Kenya, Tanzania, Rwanda and Uganda are a key market for the US industry's secondhand clothing exports which were estimated at $24 million in 2016, while exports under African Growth Opportunities Act (AGOA) were estimated to be $281 million.

I'm sure you understand that secondhand clothes trade is not synonymous with a thriving textile industry in the importing country and that's exactly the contention of Rwanda's President, Paul Kagame.

Source: allafrica.com- July 19, 2017

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Sourcing in Central America Ramps Up in Line with Need for Shortened Supply Chains

In apparel sourcing, one region's trashed trade deal is another region's treasure.

For Central America, the U.S. pulling out of the Trans-Pacific Partnership that would have seen trade ease between America and 11 Pacific Rim nations, has meant more opportunity—and opportunity at a time brands and retailers are increasingly looking for closer-to-home sourcing options.

"We see an opportunity here now that TPP is cancelled," Lucia Palacios, who does marketing and promotion for Vestex, a representative organization for apparel manufacturers, textile mills, services and trimmings in Guatemala, said at Texworld USA Monday. "What we do in Guatemala is flexible and high added-value garments. We will never compete with basic tees or basic shirts compared to Asia."

For Guatemala, catering to the U.S. market has been priority No. 1 as the U.S. currently takes in 80 percent of the apparel and textiles Guatemala puts out. And in the first half of the year, Palacios said Guatemala's textile and apparel exports are up 10 percent and she expects that growth to continue.

Sportswear has been Guatemala's area of specialty ever since the spike in cotton prices some years back sent manufacturers seeking alternatives. For women's synthetic knit tops, Guatemala is top in the Central America region, according to Palacios.

"This category has increased in the last three years 20 percent," she said.

But apart from product, Central America has been the welcome recipient of brands and retailers flocking to it for faster fashion. Everyone is trying to chase the Zara model, no matter how futile, and in response, Guatemala has prepared itself to accommodate.

"A lot of factories have innovated and overcome and been able to do flexible production," Palacios said. "If you are flexible then you have a plus in production."

Honduras has also benefitted from increased demand for speedy supply chains, but as Palacios explained, they haven't been as able to cater to smaller, start-up brands as Guatemala has.

"They have big production to the U.S. but they can work only in high volumes," she said. "Most of them don't do 800 minimums."

Catering to smaller brands with smaller runs has been a focus for Guatemala as the country reacts to America's shifting retail landscape—especially as more of the market moves online.

"The market in the U.S. has changed. Stores are closing, physical stores, and everything is going online, and we in the association, we always try to be proactive and try to show our factories, 'this is what you need to know if you want to be an online supplier,'" Palacios explained. "Online business requires more flexibility, the use of technology and that's what we're doing right now. We are re-accommodating and innovating in the process."

Guatemala's advancements have garnered it some added interest in recent years and now that investors are looking for places to spend their money other than Vietnam with TPP having the potential to be a no-go, Palacios said she expects some of those investment dollars will find their way to Guatemala. These potential investments will be in the area of textiles mills to encourage more fabric development and less reliance on time-consuming fabric imports from Asia.

“We really have a positive outlook on what the future is holding,” Palacios said. “There will always be competitors and there will always be countries rising up, like Haiti for example. But what we can differentiate now is in the type of products.”

Turning to Haiti, the country’s own advancements are well timed as brands and retailers are paying closer attention to perhaps more reliable places to ensure duty savings—like trade preference programs.

“Considering the proximity to the U.S. market and also the fact that Haiti has the HOPE/HELP access until 2025, this is a good time to think about Haiti,” Radley Joseph, assistant director of promotion for Haiti’s Center for Facilitation of Investments, which aids brands and retailers with any and all needs related to sourcing there, said speaking ahead of a Texworld USA panel on Sourcing in Central America.

Haiti’s HOPE/HELP Acts allow for duty free exports to the U.S. for qualifying products.

Despite the misperceptions that typically befall Haiti, the country has an abundant workforce and, contrary to popular belief, its production capabilities extend well beyond the T-shirt.

“As much as we do knits and wovens, we also do denim,” Joseph explained. “We also do screen printing, we are moving more toward embellishment and we can also do more added value.”

Knowing the potential impact growth in the apparel sector could have on the country’s economy, the Haitian government also has, according to Joseph, “generous incentive packages” in place for potential investors, including fiscal and customs exemptions for up to 15 years and no corporate tax for just as long.

“I definitely think it’s one of those times you should start rethinking your strategy,” Joseph said. “So that’s an opportunity to do it understanding that the world is changing and that other nations or partnering countries are rethinking their relationship to Haiti.”

One major company rethinking its relationship to the Central America region as a whole, is Lenzing.

Picking up on the uptick in interest in the region, the fiber producer has spent the last three to four years developing the supply chain for its products there.

“We were getting a lot of questions from retailers about what we were doing in Central America and a lot of them didn’t have an understanding of Central America,” said David Adkins, Lenzing commercial manager for nonwovens Americas and textiles North and Central America, who will also speak about sourcing in the region at Texworld USA Wednesday. “So we understood that there was going to be increased interest in that area coming. We needed to understand that market and get that supply chain in place.”

With that foresight, Lenzing has been educating its mill sources in the region about what the company can produce and about relevant trends in fiber and apparel. From there, Lenzing has started to move downstream to develop knowledge among weavers, knitters and cutters there.

Lenzing’s work in the region has really only just begun, according to Adkins, but it will continue to evolve as more power players take root in Central America.

“Asian manufacturers are starting to put a footprint in Central America, so we’re still early in our days, three, four years isn’t a long time, but we’re really encouraged about the reaction we’re getting,” Adkins said.

“And we’re getting a lot of positive reaction from the brands about what we’re doing down there and what we can do to help develop sources.”

Source: sourcingjournalonline.com - July 19, 2017

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MOUs between Bangladesh and Sri Lanka need to be more than wish lists

Over two months after inking a Memorandum of Understanding (MoU) with its immediate neighbour #India on cooperation in economic projects, #SriLanka has now turned its attention on Bangladesh. Following his first State visit to #Bangladesh after being elected in 2015, Lankan President Maithripala Sirisena by signing fourteen MoUs in diverse sectors last week, has unleashed the immense wide-ranging potential hitherto unexplored with this country which has progressed rapidly in the past 15 years.

The actualizing as well as success of Bangladesh's FTA with #SriLanka that is expected to be signed by end of this year, will depend not only on the two governments but also on the follow up by entities such as the chambers of commerce of the two countries.

It is hoped that President Sirisena's address at a high-level business and economic forum in Dhaka on 15 July 2017 organized by Metropolitan Chamber of Commerce and Industry (MCCI) and #Bangladesh Investment Development Authority (BIDA) would not just go the way of abandoned enthusiasm (as in the case of SAARC and the rhetoric and pledges heard at many such events).

The crux of the economic discussion facilitated by the MCCI and the BIDA during the visit of President Sirisena was to make the bilateral trade between the two nations rise by a threefold within the next few years. Current trade is far below potential although the Bangladesh-Sri Lanka joint working group was formed in 2013 to increase trade and several high-level visits undertaken by #SriLanka to Bangladesh.

According to the statistics provided by the #Bangladesh High Commission in Sri Lanka, upto April 2017, bilateral trade was only around US 79.8 million where Bangladesh's exports to #SriLanka amounted to US 36.6 million, and imports from it totalled upto US 42.3 million.

Meanwhile economists and trade analysts point out that the Lankan President being accompanied by a 73-member delegation including 40 representatives of Sri Lanka's business sector could be seen as a harbinger in getting the private sectors of the two countries to play a decisive role in propelling trade ties. Tariff reduction is one of the expectations in order to make trade between the two sides flourish.

In the joint statement released Saturday following the conclusions of the three-day discussions between President Sirisena, Prime Minister of #Bangladesh Sheikh Hasina and her country's representatives, collaboration was emphasised in sectors such as high-end apparel and textiles, information technology and related knowledge industry, agriculture, infrastructure development, construction, pharmaceuticals as well as shipping, banking, education and energy.

Specific note should be made on the potential of collaboration with Bangladesh's pharmaceutical sector, one of the most developed high-tech sectors which had made record progress after the promulgation of the Drug Control Ordinance 1982 in Bangladesh. An active collaboration to facilitate regular import of medicines from Bangladesh, a current leader in pharmaceutical exports would mean that Sri Lankans could get drugs at far more economical prices than from western countries. Currently #Bangladesh exports medicines to over 100 countries, including USA, Germany, France, UK, Canada, Italy, #Netherlands and Denmark.

Thus, noting the potential of mutually beneficial collaboration in this sector, #Bangladesh had requested President Maithripala Sirisena to initiate the simplification of the registration process for Bangladeshi pharmaceuticals.

Meanwhile in the wake of Sri Lanka's alarming increase of natural disasters that has cost hundreds lives, the offer by #Bangladesh to share her knowledge, expertise and experience in disaster mitigation will be a major service. Bangladesh, a heavily disaster-prone country, is one of the world's best success stories in preventing what was about twenty years ago death and mayhem due to regular floods and cyclones.

Today it has a systematic and consistent top-down disaster preparedness system that functions throughout the country to avoid large scale loss of human lives. As a result, what used to be hundreds of casualties are reduced to a handful as in the case of the last cyclonic storm termed Mora that hit #Bangladesh in June after wrecking havoc in #SriLanka end May, impacting 15 districts and killing over two hundred in flash-floods and mudslides.

Overall, the bilateral potential of #Bangladesh is based largely on tangible and non-controversial areas. However, one aspect the Lankan government will have to facilitate with care would be the request by #Bangladesh to allow an equal flow of labour between the two countries, reciprocating #Bangladesh allowing large numbers of Lankans to be employed in that country.

Given the hue and cry raised by Sri Lankans over the envisaged Economic and Technology Cooperation Agreement (ETCA) with #India because of fears of an influx of Indian labour into the country in the IT sector, there would need to be proper mechanism in place to allow but monitor an exchange of labour.

During the discussions between President Maithripala Sirisena and Prime Minister Sheikh Hasina, the two leaders had acknowledged the sizable presence of Sri Lankan workers and professionals in #Bangladesh across manufacturing and service sectors making it one of the largest such presence of Sri Lankan professionals in the region.

With this understanding, they had agreed to work towards facilitating movement for the citizens of both countries in a more mutually beneficial manner. Given Sri Lanka's acute shortage of labour in sectors such as construction, the manpower #Bangladesh has in this sector would be a crucial factor.

#Bangladesh High Commissioner in Sri Lanka, Riaz Hamidullah in earlier comments featured in South Asian Monitor, pointed out the potential for #SriLanka to use Bangladeshi labour in sectors such as construction, maintaining that #SriLanka could opt for specific time bound contracts for short term migration of industrial labour.

With regard to the MoU on shipping it is important to note that a Secretary-level MoU on shipping had already been signed in Dhaka on October 2006 between Dhaka and Colombo.

Currently around 90 percent of Bangladesh's shipping of exports and imports is routed through #Singapore Port and Kelang Port in Malaysia. The container feeder services by shipping lines are overwhelmingly dominated by private shipping companies in Bangladesh, points out Zillul

Hye Razi, an analyst on international trade who had served as Trade Advisor for the EU Delegation to #Bangladesh for more than two decades.

'About 80% shipping business in #Bangladesh is run by the Europeanand other foreign shipping lines. The two public shipping lines of #Bangladesh and #SriLanka expect to survive by carrying crude oil, coal and fertilizers while the bulk of the business is in the area of textile and clothing for both the countries,' observes Razi.

Thus, an increase in trade and the inclusion of the private sector in discussions on how to spur significant local shipping industries would be needed if a bilateral agreement on shipping is to make sense. Raaju Radha, a Sri Lankan veteran in the shipping Industry is a staunch critic of the lack of effort by #SriLanka to support the springing up of locally owned shipping companies.

Radha feels that if the Sri Lankan government is serious about building solid links through its shipping and maritime industry, that it should get recommendations by local experts in the field about starting and supporting local shipping firms and thereby actively encouraging sea routes with neighbouring countries.

'We have to ask why Dhaka routes its external shipping through ports such as #Singapore and Malaysia,' queries Radha. He points out that #Singapore and #Malaysia are drawing in business while #SriLanka has been lethargic. A case in point is that Maersk Shipping Line, the largest shipping company in the world which used Colombo port previously, now uses Kelang for its mother vessels.

In this background experts point out that proactive and long-term vision based action is a must if both sides want to progress to using other seaports of the two countries such as Mongla and Chittagong and upcoming Payra in #Bangladesh and Trincomalee, Hambantota and Kankasanthurai in Sri Lanka. Trincomalee is a natural port sadly unutilized for political reasons while the Hambantota port built at a great cost with ultra modern facilities, assisted by Chinese loans, is still not capitalized upon and which is largely only used by #India to export cars made in factories in Chennai to other countries. The Rajapaksa government had made it compulsory for car importers to bring their vehicles into the island only through Hambantota port and this is the main business of the port. The Kankasanthurai harbor in Sri Lanka's formerly war affected North is virtually abandoned.

If #SriLanka strategizes and maximizes incentives of using the Colombo by #Bangladesh and promotes its other ports as well, MoUs such as those signed last week would be operational.

Importantly, what should be kept in mind is that these MoUs are not legally binding and remains as only a wish list unless concretely followed up upon, points out Zillul Hye Razi, noting that all high-level official visits to and from #Bangladesh in recent years are associated with double digit MoUs.

Considering that both the countries are members of SAFTA, APTA and BIMSTEC with varied trade regimes and with #SriLanka being classified as a developing country and #Bangladesh a LDC, any FTA between the two countries must be beneficial to #Bangladesh within SAFTA as an advantage, he states.

'Total two-way trade between #Bangladesh and #SriLanka is much less than what #Bangladesh earns from selling just T-shirts to the EU,' he points out, adding that it is surprising that Sri Lanka's export to #Bangladesh is composed of cotton (around 26%) and synthetic yarn (around 13%) when these items are not the traditional domestic production of Sri Lanka.

Commenting on the MoU on standards by #Bangladesh Standards and Testing Institution (BSTI) and #SriLanka Standards Institution (SLSI), Razi notes that it will be interesting to see if this will bypass SAARC-level Standards Agreement being negotiated. 'This MoU will definitely have a positive impact for #Bangladesh exports to #SriLanka with regard to pharmaceuticals and light engineering products like electric accumulators,' he states.

With regard to the MoU on ICT between the two countries the enforcement of IPR laws will be essential to boost this sector.

Meanwhile, among the Bangladeshi examples to follow would be the de-mystification of technology where it is used for practical purposes from areas ranging from rural development, teacher training and disaster preparedness.

With regard to the MoU signed last Friday between Professor Abdul Mannan, Chairman, University Grants Commission of #Bangladesh and Mr. Mohan Lal Grero, State Minister of Higher #Education in #SriLanka for collaboration between the University Grants Commissions of #Bangladesh and Sri Lanka, a senior Sri Lankan academic opined that this would be one of the steps towards greater internationalization of the Lankan education sector.

Maintaining proactive ties with universities in the SAARC region is in the best interest of Sri Lanka, opines Dr. Mahim Mendis, Senior Lecturer in Social Studies and former Dean of the Faculty of Humanities and Social Sciences of the Open University of #SriLanka (OUSL).

'It is a great service to us if more students can be given scholarships by #Bangladesh in areas such as medicine as there is much disgruntlement in this field in Sri Lanka, with too many youth possessing eligibility to enter such faculties,' Dr. Mendis adds.

Under the signed memorandum with #Bangladesh both the governments shall encourage establishment, implementation and development of joint degrees as well as diploma programs at graduation, post-graduation and doctoral research levels between the Universities, according to details of the MoU published in the website of the University Grants Commission of Bangladesh.

Meanwhile, the MoU to foster comprehensive cooperation in agriculture between the two countries will pave the way for #SriLanka to learn how #Bangladesh has made itself self sufficient in food production, including rice. Food production in #Bangladesh has gone up from 10 million tons in 1972-73 to 39 million tons in 2015-16, thereby overcoming the challenges of decreasing arable land, climate change and natural disasters. Bangladesh's know-how of cultivating rice using climate adaptation methods would be of particular importance to Sri Lanka.

Finally, as a sum up of the goal of working out wide-scale cooperation with Bangladesh, what would need to be reiterated would be catch words 'progress' and 'action,' because MoUs are not binding legal entities but those which create a framework for implementation. Hence it is upto the two countries, #SriLanka in particular, to ensure that the visit by President

Sirisena and his 73-member delegation to #Bangladesh is more than a wish list expressed by a string of MoUs.

Source: menafn.com - July 19, 2017

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Egypt signs €1.5m protocol with UNIDO to enhance Egyptian cotton in local, global markets

Egypt signed a protocol to enhance Egyptian cotton to local and global markets (cotton from seed to cladding) in cooperation with United Nations Industrial Development Organization (UNIDO) and the Italian Development Cooperation at a total cost of €1.5m.

Egyptian Minister of Industry and Trade Tarek Kabil said that the textile industry is of utmost importance to the national economy, which contributes 3% to the GDP, employs about one third of the industrial labour manpower, and exports $2.6bn, 15% of Egyptian non-petroleum exports.

Kabil added that the project's duration is two years and includes the qualification of 400 cotton farmers on the sustainable agricultural practices of organic cotton.

It also includes strengthening the productive capacities of 15 companies from the private sector working in the textile industry, improving skills of 10 traders and retailers and development skills of 300 workers in the field of agriculture as well as that of technicians and professionals working in textile companies.

Furthermore, the implementation of training programmes for 300 students in industrial and agricultural schools and capacity building for six technical support institutions and specialised centres.

The project also aims to improve the economic performance of projects operating in the field of manufacturing long-staple cotton, including small and medium enterprises (SMEs), developing supply chains, managing production, and developing industrial technologies and marketing systems.

In addition, the project aims to meet local and global market requirements by raising the skills of textile workers and developing the innovation system.

For her part, Director and UNIDO Representative at Egypt Giovanna Ceglie said that the new project will benefit from UNIDO's experience in the value chain system, and it will promote organic cotton and support cotton manufacturing through optimal and efficient use of resources.

Furthermore, the project aims to support innovation in the textile sector and to enhance the pioneering and technical skills of Egyptian youth working in the fields of cotton cultivation.

Source: dailynewsegypt.com - July 18, 2017

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Afghan govt calls for plans to revive textile industry

The Government of Afghanistan has asked industrialists to present plans and recommendations to revive the textile industry in the country. Around 59,000 tons of cotton is grown in Afghanistan but there are no factories to process the fibre further. In the past, there were at least seven textile manufacturing plants in the country that employed 30,000 people.

"Industrialists have been asked for their recommendations on Kandahar and other textile companies so that the issue is discussed by the high economic council and it should be both in the interests of government and the private sector," Afghan media reported quoting finance ministry spokesman Ajmal Hamid Abdul Rahimzai.

Various wars over the years have destroyed the previously existing textile factories in Kabul, Balkh, Kandahar, Parwan, and Baghlan.

Afghanistan has already a memorandum of understanding (MoU) in place with the Indian government for developing its textile industry. As per the MoU, both countries agreed to cooperate in developing closer economic relations and strengthening bilateral cooperation in the field of textiles, clothing, cotton, man-made fibre and handlooms.

Afghanistan is endowed with very rich quality of cotton, silk and cashmere, and hence it has huge potential for development of the textile industry, which is a good source for jobs and employment, Amar Sinha, Indian ambassador to Afghanistan, had said during the signing of the MoU in 2015.

The revival of the textile industry is important for economic development of Afghanistan and cotton can be one of the alternate crops to move away from opium cultivation.

Source: fibre2fashion.com - July 20, 2017

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NATIONAL NEWS

Review Session to Promote Connectivity through Digital Trade

The sixth Aid for Trade Global Review was heldat the WTO on 11-13 July 2017. The Aid for Trade initiative was launched in 2005 with the aim of addressing the supply side and trade-related infrastructure constraints that often hamper developing countries participation in global trade.

The 2017 Global Review is dedicated to the theme of Promoting Trade, Inclusiveness and Connectivity for Sustainable Development", and provided an opportunity for stakeholders to look at how Aid for Trade can contribute to the integration of developing countries and least developed countries into the multilateral trading system and the achievement of the 2030 Agenda for Sustainable Development.

The Aid for Trade Global Review 2015 highlighted how high trade costs slow growth and development by pricing many suppliers in developing and least developed countries out of global markets.

The 2017 Global Review develops this theme further by extending analysis of trade costs into the area of digital connectivity. The Review discussed the economic consequences of the digital divide and strategies to help policymakers, firms, women and SMEs to bridge this divide.

Many countries including India have emphasized that the definitions of digital trade and e-commerce require further deliberation at various bodies of the WTO to bring clarity on the scope of the subject.

FDI policy in different sectors including on e-commerce sector is formulated after extensive consultations with stakeholders including concerned Ministries/Departments, apex industry chambers and other organisation.

India has been working with WTO members especially the developing countries to ensure that its interests in the WTO negotiations are protected. Implementation of Bali and Nairobi Ministerial Decisions, especially on public stockholding for food security purposes is a priority for India in the negotiations and India is working for a permanent solution in this area.

This information was given by the Commerce and Industry Minister Smt. Nirmala Sitharaman in a written reply in Rajya Sabha today

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

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Tiruppur MP requests revision of job work GST & MMF yarn

Member of Parliament from Tiruppur, V Sathyabama today spoke about the need for revision of Goods and Services Tax (GST) on job work on wearing apparel from 18 per cent to 5 per cent and also for revision of man-made fibre yarn GST from 18 per cent to 5 per cent in Parliament. She also handed over a memorandum directly to Union finance minister Arun Jaitley.

Originally, the GST rates for job work on textiles and apparel was kept at 18 per cent. It was subsequently revised downward to 5 per cent during the meeting of the GST Council held on June 11.

"However, the revision of rates was made applicable only for job work on cotton yarn and textile fabrics, while the job work made on wearing apparel was excluded from this rate reduction. This is a huge setback for clusters like Tiruppur since considerable amount of job work activity takes place at the garment stage by micro industry, which is made liable for GST at 18 per cent," Sathyabama said in her letter addressed to Jaitley.

"It is requested that uniform rate of 5 per cent be made applicable for all the job works in textile manufacturing value chain so that this undue hardship faced by several micro industries is redressed," the MP said.

In her letter, Sathyabama also mentioned about the impact of higher GST for man-made yarn on Tiruppur knitwear cluster and weaving clusters like Somanur and Palladam.

The GST on man-made fibre and yarn is kept at 18 per cent, while fabrics made of MMF is kept at 5 per cent. "This results in an inverted duty structure which was entirely against the intent of the GST rollout of ensuring seamless credit flow," the MP said.

Another fact that is causing extraordinary difficulties for the industry is that no refund of excess input credit is available for fabric manufacturers.

“It is requested that either the GST rate on MMF yarn be reduced to either 5 per cent or 12 per cent – or in the alternative, provision on refund of excess input credit be given to the fabric manufacturers,” the letter said.

Tiruppur Exporters’ Association (TEA) president Raja M Shanmugham thanked the MP for taking up the issue in Parliament and handing over memorandum to the Union finance minister.

Source: fibre2fashion.com- July 19, 2017

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Zara to launch online sales platform in India this October

As part of the ongoing international expansion of its integrated store model, Zara will launch its online store in India this October. This was confirmed by Inditex’s Chairman and CEO Pablo Isla while reviewing the company’s performance in 2016. Isla highlighted ‘solid, sustainable and integrated growth’ as key to the Inditex of the future.

Besides launching Zara’s online sales platform in India, this August the Group’s brands, including Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home will open their first stores in Belarus.

Speaking at the company’s Annual General Meeting in Arteixo, Spain, Isla defined Inditex as a company “focused on its people, devoted to creative talent and underpinned by an integrated offline-online store model.” He also highlighted Inditex’s “sustainable growth strategy”, which permeates all the links in its value chain, and the Group’s ability to generate “value for society”.

The commitment to sustainability all along the value chain was strengthened in 2016 with implementation of Inditex’s Closing the Loop initiative, demonstrating its commitment to the concept of the circular economy. In addition, the group launched sustainable clothing collections by both Zara -Join Life- and Oysho -Weare the Change. These initiatives are to be adopted by the other Group brands in 2018.

In 2016, Inditex Group's points of sale surpassed the 7,200 mark in 93 countries and 41 online markets. Group revenue reached €23.31 billion, underpinned by growth in all the regions in which it does business, while net profit amounted to €3.16 billion. These results paved the way for payment of a dividend of €0.68 per share, marking growth of 13.3 per cent year-on-year and 89 per cent in the last five years.

At the end of the year, Inditex had 162,450 employees representing 99 different nationalities worldwide. A team characterised by "creative talent, self-imposed high standards, the ability to work as a team and a strong customer focus", in the words of Isla, who went on to stress that "Inditex's relationship with our people is defined by diversity, equal opportunities and career development".

Source: fibre2fashion.com- July 19, 2017

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Green nod for Mega Textile Park in Warangal

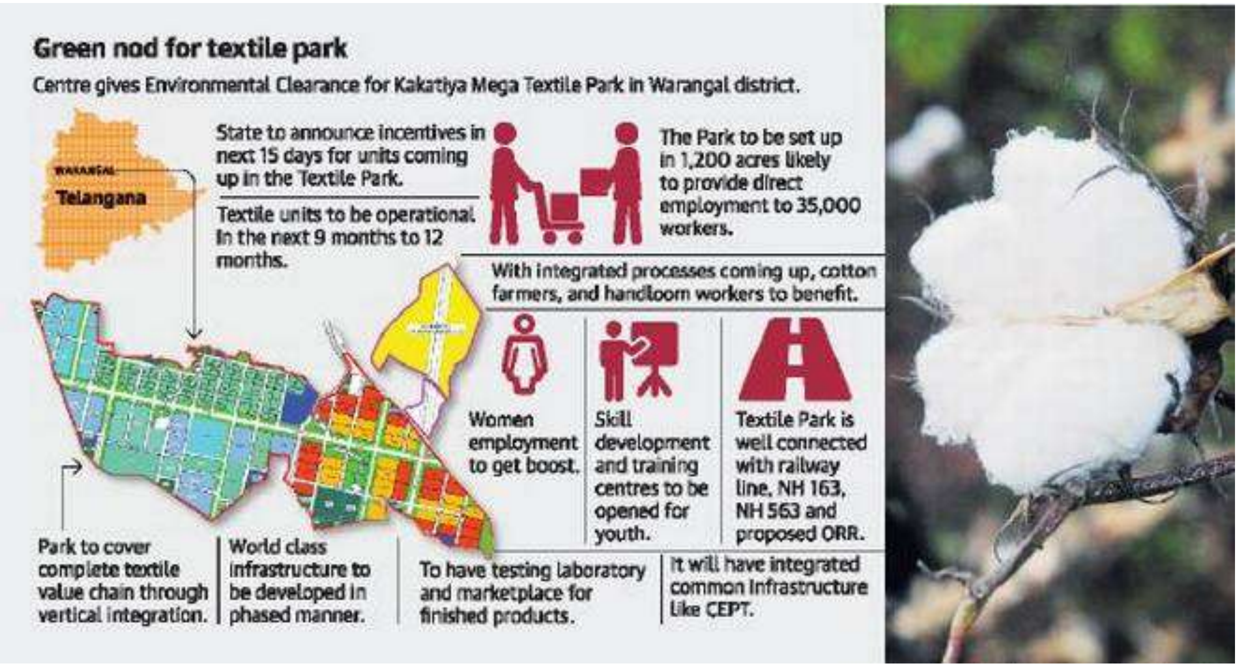
Work likely to commence in 15 days as Central Government gives clearance

State Government's plans to develop the textile sector got a major boost with its prestigious project Kakatiya Mega Textile Park in Warangal Rural district getting environmental clearance.

Work on the Integrated Textile Project proposed in 1,200 acres in the first phase has been going on for over a year. The Industry Department, which has acquired the land through the TS Industrial Infrastructure Corporation and ready with the Master Plan and Investment Plan for the project, has only been waiting for the crucial environmental clearance to roll out the project.

With the EC secured, the Government will announce incentives for the textile sector in next 15 days to attract prominent players to set up their units in the Mega Park. "Textile sector is one of the 14 key sectors identified by the young State for industrial development. With TSipass, industrial policy and No.1 rank in Ease of Doing Business, the textile sector is all set to come into its own," industry sources said.

The Fibre to Fabric (end-to-end) facility, with ginning, spinning, weaving, processing and garmenting processes was conceived by the State Government when it realised that post bifurcation, majority of the processing units went to Andhra Pradesh.



Telangana produced about 60 lakh bales of cotton a year but could only process 10 lakh bales due to shortage of processing units and had to send the rest of cotton to processing units in Andhra Pradesh, Tamil Nadu, and Gujarat.

Another positive for the State was the cotton grown here was of superior quality than that of Gujarat. Several skilled workers from the State who had left 30 to 40 years ago to work in textile mills in Surat wanted to return to their own State if the Government set up a textile park.

“It will bring in a lot of efficiency into the value chain if all the processes are integrated in one mega park instead of only ginning and spinning,”. Warangal, the nerve centre for cotton cultivation and spinning mills and well connected to National and State highways and proposed Outer Ring Road was identified as ideal place for the Mega Park,” sources said.

A lot of work will happen on ground in the next two to three weeks. The Government will provide trunk infrastructure like roads, power, water connectivity, common effluent treatment plant in about six to nine months.

Once the CETP to be set up in PPP mode and other infrastructure is in place, we expect leading textile mills to set up their anchor units. Many players already evinced interest. The units are expected to be up and start functioning within nine to 12 months," sources added.

Source: thehindu.com- July 20, 2017

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GST: No rate cuts but will look into other sectoral demands, says CBEC

Central Board of Excise and Customs' (CBEC's) chairperson, Vanaja Sarna, said concern over the new goods and services tax (GST) raised by the textiles and entertainment sectors were being looked into and will get settled with time.

However, the already fixed rates would not be revised, unless there were anomalies or genuine mistakes in fixing these.

On Tuesday, finance minister Arun Jaitley had also ruled out any revising of GST rates for the textiles sector.

"Unless there is something not fully justified or there is an anomaly, I don't think there is a reason to look at any rates at the moment," Sarna said on Wednesday.

Speaking at a Confederation of Indian Industry event, she added the revenue authorities would go slow in enforcement action under GST for the first six months -- they want businesses to settle into the new tax regime. "I would not want anyone to take a hard stand, as there will be genuine mistakes due to lack of understanding," she said.

GST was rolled out on July 1 and has a five-tier tax structure- 0, 5, 12, 18 and 28 per cent. Around 1,200 goods and 500 services have been fit into these slabs.

The official Twitter account set up to answer queries from businesses has been getting 13,000 queries daily.

CBEC will go easy on taxpayers for the next three to six months. "With the kind of input tax credit being offered, the assessee base will widen. I'm definitely not looking at any hard line attitude to start with; we would want it to settle down," Sarna said.

CBEC will continue with the 18 working groups constituted to address problems faced by businesses in the new indirect tax regime. "We are not looking to dismantling these groups and they would assist industries in the problems they face in the GST regime," she said.

Of the 18 groups, three gave their report on Wednesday, said the CBEC head. Of the remaining 15, eight are under consideration of the law committee, which would meet on Thursday and Friday. "I'm sure you will find all the reports in the public domain by next week," she said.

On the textiles sector that has been protesting against the GST levy of 5% on fabric, the CBEC chief said anybody who comes into the net for the first time would feel a pinch. "It is an issue that has snowballed but it is not something which cannot be settled. The issue is that the sector is being taxed for the first time," said Sarna.

Traders in the textiles hub of Surat and elsewhere have called off their two-week strike against five per cent GST, for now.

Sarna said the textiles industry would have issues relating to GST rates, laws and rules and there was still time to present its wish list. Besides, there were concerns raised by the entertainment sector, and which will get ironed out with time, she added.

But, it would not be possible to meet any demand for GST rate reduction unless there was an anomaly or a need for correction or something had been left out, she stressed. Adding: "July 1 (GST commencement date) doesn't close everything and the kind of fitment of commodities that has taken place is kind of doing five (Union) Budgets in one."

Demands such as a transition period of 18 months, simpler procedures and quarterly returns would be discussed in the GST Council meeting scheduled for August 5.

Regional films had earlier enjoyed various exemptions in their respective states, removed under GST. The GST Council had lowered the GST rate to 18% from the earlier proposed one of 28% for movie tickets costing Rs 100 or less.

Sarna contended that the prices of cigarettes would not go up, as the government had only taken corrective measures, rectifying an imbalance in tax incidence. The GST Council on Monday had hiked the cess on cigarettes.

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

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GST has hit carpet exports, livelihoods of 20 lakh workers: CEPC

Shipments of handmade carpets and other floor coverings have been hit badly following the imposition of 18 per cent GST on job works and 12 per cent on their sale or purchase, thereby affecting livelihood of around 20 lakh workers and their families, a trade body said today.

The Carpet Export Promotion Council (CEPC) based its findings on feedback received from various carpet manufacturers and exporters associations spread across the country.

In a statement, CEPC claimed that almost 5,000 units have been inoperative and are on the verge of closure, spread across the carpet weaving belts.

Moreover, exports of carpets and floor coverings worth around Rs 1,000 crore have suffered on account of these production units being non functional.

"No new orders are being executed and weaving has almost come to a complete closure for new orders. The old orders and old stock is also not moving out of fear of imposition of tax, not getting increased price from buyers due to old contracts and worry on losing money," the Council said.

According to CEPC, Indian Carpets are losing their competitiveness in the international market while other countries like China and Turkey are set to benefit and fill the space left by the Indian handmade carpets.

"And machine-made carpets will quickly fill the lower end of the market and will be imported heavily in India and will add to the imbalance in the foreign exchange and balance of payment," it said.

It claimed that export orders worth Rs 2,000 crore have been cancelled as importers have refused to pay incremental cost.

"This has affected the livelihood of around 20 lakh of workers and their families in the carpet producing belts," the Council said.

The affected families mainly belong to carpet producing belts in four states -- Uttar Pradesh, Rajasthan, Haryana and Jammu and Kashmir.

Source: economictimes.com - July 19, 2017

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Field reports show little threat of whitefly to cotton in Bathinda: Govt

District chief agriculture officer Gurditta Singh Sidhu has said weekly reports from cotton fields has shown that white fly pest attack on cotton was lower than what could be considered to be worrisome. He added the crop was also expected to be better than last year.

“A district-level pest surveillance team has been conducing survey of fields for the pest and issuing advisories. Due to medium rainfall, there is little threat of whitefly,” he said at the fourth meeting of Inter-State Consultative and Monitoring Committee for cotton on Tuesday. Bathinda has 140 acres of cotton cultivation, with the largest area in Talwandi Sabo.

At the meeting, Punjab Agricultural University vice-chancellor Dr Baldev Singh Dhillon discussed progress of cotton crop and ways to safeguard it against white fly and other diseases with the agriculture officers.

Joint director with the agriculture department Dr Sukhdev Singh Sidhu also stated that the white fly pest attack was lower. “This year, we expect good yield from cotton crop,” he added.

Mansa chief agriculture officer also said that no white fly attack had been reported in his district. “ Stagnant water did hit the crop in low-lying areas,” he added.

Experts from Haryana and Rajasthan too shared their experiences and added that no pest attack has been reported in their states.

Experts from PAU, Ludhiana; Haryana, Rajasthan and the chief agriculture officers of Mansa, Muktsar, Faridkot, Bathinda, Barnala, Sangrur and Fazilka participated in the meeting. Beside them, block agriculture officers and district administrative official were also present.

Source: hindustantimes.com - July 19, 2017

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GST on fabrics a non-issue; tax liablity worries Surat traders

Before the government made the excise duty on fabric optional in 2003-04, the textile hub of Surat — where traders temporarily called off a two-week-long strike on Tuesday against the goods and services tax (GST) regime — was a deadly place for taxmen to venture into.

One horror story has it that an overzealous excise inspector once landed up at a textile unit there to enquire about the duty the proprietor was paying, narrates a textile industry veteran who has been a frequent visitor to Surat for business activities. “The hapless fellow was grabbed by four people and thrown into a boiler in no time for his audacity,” he told FE.

For decades, Surat has come to be known as a place for cheap saris, thanks to the opaque system where hardly any trader pays any indirect tax on fabric in accordance with the rule books. “It’s the fear of the formalisation of business where every transaction can be tracked for tax purposes under the GST regime that bothers these traders,” he said. Their demand for the removal of a 5% GST on fabric or at least an 18-month moratorium on GST for them is nothing but a sham, he added.

FE spoke to senior executives of half a dozen textile and garment companies who reiterated this view. It's not just Surat, which accounts for roughly 40% of the country's synthetic fibre output, such traders in other places like Indore and Bhiwandi (Maharashtra) are also tacitly supporting this agitation and closely watching the government's moves, they added.

They spoke on condition of anonymity as they all have business dealings with fabric traders in such cities. "If the government stands firm, this protest will fizzle out ultimately. But if it budges, it will encourage similar elements in other industries as well," one of them said.

Currently, the duty incidence goes like this: There is an 18% GST on man-made fibre-filament/yarn, in place of the earlier VAT and excise duties. When the weaver sells the bale to the trader, the trader will have to pay 5% GST. As the textile trader sends the product for dyeing and printing, he will pay processing charges, with a 5% GST. After the cloth is dyed and returned to the trader, he sells it to the wholesaler with a 5% GST.

Thereafter, the wholesaler adds his own profit margin and sells to the retailer with a 5% GST.

The catch is that everybody in chain gets input tax credit against the taxes paid in the previous stage, so there is not really much of a burden on the trader as well due to the 5% GST on fabrics, as it is touted to be.

For its part, the government on Wednesday ruled out any change in tax rate unless there is an anomaly or the rates are unjustified. Central Board of Excise and Customs chairperson Vanaja Sarna said: "It (protest in Surat) is an issue that has snowballed but it is not something which cannot be settled… The issue is that textile sector is taxed for the first time. So anybody who comes into the net would feel the pinch."

Speaking in the Rajya Sabha on Tuesday, finance minister Arun Jaitley said zero GST on fabrics "will break the input tax credit chain and then the garments/made-ups manufacturers will not be able to get the credit of tax on previous stages". Also, zero GST on fabrics will result in zero rating of imported fabrics, while domestic fabrics will continue to bear the burden of input taxes.

While the traders in Surat have called off the strike that is expected to have caused a potential loss of Rs 5,000 crore, they have warned of further stir if the government doesn't come up with a solution in their favour in the next GST Council meeting on August 5.

Although the city sells a lot of such cheap, unbranded stuff, it also boasts of some good brands, including Prafful, Parag and Rachna, as well. Nevertheless, the unorganised segment still accounts for the bulk of the business.

Source: financialexpress.com - July 20, 2017

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Why is India helping China? Refusing to fix labour laws, in even Narendra Modi case, means that country's advantage is increasing all the time

Friends, reads an impassioned WhatsApp message in response to the Chinese outrage in Doka La, can we pledge not to buy Chinese crackers next Diwali? While the widely-circulated nature of the message, and its outrage, would suggest many would like to follow its advice, chances are, come Diwali, most would have forgotten.

And with good reason, Chinese products are way too low-cost for Indians to resist, actually to even be able to compete against. That is why, from the pooja Ganeshji to the latest mobile phones, China's market share is increasing with each passing day. So, we can fulminate all we want, and have workshops on what we need to do to curtail China's spread in Asia, but we can't even stop it in our own country. If the price and quality of Chinese goods isn't compelling enough, in the case of power plant equipment, for instance, generous Chinese credit made many Indian companies opt for Chinese machinery over the past decade.

If it isn't enough that Chinese mobile phones today account for 51% of India's smartphone market, PayTM which has a significant Chinese funding is the country's largest- and fastest-growing payments wallet—once you take into account the fact that China is the world's third-largest source of FDI and the credit lines its banks are willing to offer, it is next to impossible to curb China's spread in India.

India, even under the muscular Narendra Modi, can't fashion a military response to China, but the question is why is it helping it in such a big way? The main reason why China is so ahead of India, it is an old cliché, is because successive Indian governments have willed this. They have consciously kept India back and, for all its vigour, even a Modi government is not addressing the root cause—India's crippling labour laws. If a government with the mandate Modi has cannot address this, it is difficult to see which government in the future will be able to.

With wage costs half to a third of China's, many of the inefficiencies Indian firms face due to, say, poor infrastructure can be dealt with, but where India loses out badly is in the quality of its products and that is related to labour laws which compel industry to stay small—to cite the latest Economic Survey, 78% of Indian firms employ less than 50 workers and just 10% employ more than 500; the comparable numbers for China are 15% and 28%.

Naturally, then, when a Walmart wants a large order of jeans that need to be uniform and consistent, it will prefer a China—India's manual processing will ensure the fabric will not be consistent across batches. According to a recent study by Metro Valley, a firm that is working on environmentally sustainable urban development, while India's labour costs are around half that of China's, poor labour productivity means China's cost of production is half India's.

Now, add to this poor quality (the most important part of any purchase), the costs of poor infrastructure—road transport in India costs $7 per km vs $2.5 in China and it takes 21 days to deliver from JNPT to the US east coast vs 14 days for China—and other DoingBusiness indicators, and it is easy to understand that even as China vacates its low-end manufacturing, it is others that are grabbing the space—Bangladesh and Vietnam in the case of apparel and Vietnam and Indonesia in the case of leather and footwear (see graphics).

There isn't much data about the share of Chinese products in Indian markets except in areas like mobile phones, but in an open-economy framework, if you aren't export-competitive, you can't be import-competitive either.

It gets worse. When the government realised it wasn't creating enough jobs, it came up with special packages like one for the apparel sector which relaxed some labour laws. Among other incentives, firms were to be allowed to hire fixed-term employees and, in another reform, the amount taken away by mandatory EPFO-ESI contributions was to be cut—these lower disposable salary by 45% and make workers prefer the unorganised sector. It is been well over a year, but the new apparel package is still not working and the EPFO/ESI changes remain still-born.

To compound this, when successfully implemented, the new GST rules will force the bulk of India's small firms to get into the tax net, and rob them of the tax theft that most used to lower prices to be able to counter their inefficiency vis-à-vis the larger firms. If laws are not fixed quickly, SMEs will be badly hit by GST.

PS: If India grew at 10% per year instead of 7% for a decade, even with the same proportion of defence expenditure, India could spend a third more than it does. If nothing else, that should get the government to quickly fix India's paralysing labour laws.

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Crushers seek scientific processing of cottonseed

With an expected cotton output of 380 lakh bales in the cotton season for 2017-18, over 125 lakh tonne of cottonseed is likely to become available to the industry for cottonseed extraction. Keeping this in mind, crushers across the country are seeking scientific processing of cottonseed against the traditional method in which cottonseeds are mechanically crushed without delinting or dehulling.

The production of 380 lakh bales of cotton presents a tremendous opportunity for the sector since cottonseed cake or meal is an important feed ingredient for milch cattle. It is one of the best protein concentrate feeds for such animals said Sandeep Bajoria, chairman, All India Cottonseed Crushers Association.

According to Bajoria, about 92-93% of the cottonseed processed in the country are through traditional methods, resulting in enormous loss of precious cottonseed oil and the resultant loss to the exchequer in terms of crores of rupees.

The 1,500-odd domestic cottonseed processors have been urging the union government to come up with a 'special package', which can help the industry upgrade its technology to encourage scientific processing of cotton seed and also form a right kind of ecosystem.

Currently, only 5 % of the total cotton seed availability is scientifically processed and this results in losses in terms of oil as well as other byproducts. Cotton seed contains about 19 per cent of oil.

The unscientific processing yields only 12 % of oil. This results in wastage of oil worth Rs 4,050 crore. It also results in loss of linters worth Rs 1,100 crore and hulls of about Rs 4,000 crore, as per industry reports.

In total, as much as Rs 9,000 crore worth of oil and other by-products annually cannot be recovered due to traditional (nonscientific) way of processing, which involves simple mechanical crushing of the seed, without putting it through the process of delinting and dehulling. Due to this primitive nature of processing, not only the oil yield is low but it is also often of inferior quality.

Besides, due to lack of proper supply of cotton seed, only 35-40 % of the installed processing capacity is used. Cottonseed is the third largest contributor of the vegetable oil production in the country.

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Exporters continue to face the heat as shipments pile up

Three weeks after the implementation of the Goods and Services Tax (GST) regime, exporters are still struggling to get their consignments shipped as customs officials are yet not clear on how to interpret the new rules.

Exporters have complained to the Vanaja N Sarna, Chairperson, Central Board of Excise and Customs (CBEC), of the harassment they have been facing and are hoping for a solution soon.

"Consignments are getting stuck as officials are interpreting the custom notification on accepting existing bonds and undertakings from exporters any way they want. They are getting away with it as the Board has not prescribed a timeline under which it has to be accepted," said Ajay Sahai, DG, FIEO.

Officials are getting away with the delays as the CBEC has not prescribed a timeline under which LUTs and bonds have to be accepted.

Pillar to post

"At times officials say that the papers would be accepted by the Assistant Commissioner. At other times they say that they will send it to the Commissioner. The Assistant Commissioner is in one part of the city while the Commissioner is in another. And they may take two days to just transfer the documents," Sahai added.

Moreover, a number of documents being demanded from exporters are not even mentioned in the notification. "FIEO has complained to the Chairman of CBEC and also the Secretary. If this is happening in Delhi, you can imagine what is happening in tier-2, tier-3 cities," he added.

A major concern now is that exports for the month could get impacted due to the long delays in getting consignments cleared after the rollout of GST. "The prevailing confusion could slow down exports for the month," said an official source.

Sources said that imports by export oriented units were also getting impacted and the CBEC has now issued fresh clarifications allowing them to use the same continuity bond under GST. It has also allowed them to use a procurement certificate for import of goods till the end of the month.

It has also said that the inter unit transfer would be on the invoice on payment of applicable GST taxes. “Such a transfer would be without payment of custom duty,” said the new CBEC circular.

Official sources said that all steps are being taken to ensure that exports do not face any delay and customs officials are being briefed about the provisions.

To prevent the pile up of export consignments, the CBEC had earlier also relaxed provisions allowing exports to continue under existing bonds and letters of undertaking till July 31. It had also said that exporters can now submit bonds or LUTs in the revised format for GST by the end of the month.

Source: thehindubusinessline.com - July 20, 2017

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