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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 3 of 2018 — January 04, 2018

USD 63.51 | EUR 76.36 | GBP 85.89 | JPY 0.56

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19123	40000	**80.37**

Domestic Futures Price (Ex. Gin), January

Rs./Bale	Rs./Candy	USD Cent/lb
20090	42024	**84.44**

International Futures Price

NY ICE USD Cents/lb (March 2018)	78.11
ZCE Cotton: Yuan/MT (Jan 2018)	14,675
ZCE Cotton: USD Cents/lb	**87.14**
Cotlook A Index – Physical	**89.6**

Cotton & currency guide: Cotton is swinging between thin ranges of 77.50 to 78.50 cents per pound in this week. Market is bit jittery about the fresh triggers no major buyers in the market while there is restrain in selling. Mills have booked their positions which pushed price a tad higher on Wednesday during US session. The most active March future ended the session at 78.11 cents while May contract posted a close at 78.26 cents. This morning both the contracts are trading higher by quarter per cent at 78.30 and 78.40 cents per pound respectively.

This week's USDA weekly export sale data and CFTC on calls figure would be released by a day late on Friday and believe these data may have some trigger in the market and until then price may continue to trade in the aforementioned trading range while the bias may be on the positive tone.

On the trading front the trading volumes are relatively thin. Volume was 23,676 contracts. Cleared Tuesday were 34,288 contracts. Open interest on Wednesday was at 283,001 contracts, up 312 contracts from previous day. That was the highest open interest since February 9th (283,418). The 2017 open interest high was 288,081 contracts on February 6th. While certified stocks in ICE were down by 4 bales to stand at 47,597 bales.

More on the price front based on technical analysis we expect 79 cents remain a key resistance level and breach of which market may test the psychological level of 80+ cents. While on the lower side we have 76 as key support level. Unless there is strong change in the market development the market would continue to swing in the same trading band.

Coming to domestic market price for Shankar-6 variety has declined to an average price of Rs. 40,850 per candy down by Rs. 150 from previous close which equivalent 82.10 cents per pound. The Punjab J-34 variety is quoted at Rs. 4230 per maund approximately 81 cents per pound. On the supply front there has been slight decline in the arrivals which stood at 158,500 bales. This figure includes 38,000 registered in Maharashtra, 37,000 in Gujarat, and 35,000 in Andhra Pradesh/Telangana. The total figure is lower than of late due to disruptions in supply in Maharashtra caused by local political protests and cold weather in the Northern Zone.

However, we believe the January would be the month the arrivals should increase in this season as peak month and the effect on the price is gradually seen. A week earlier S-6 price had reached to almost Rs. 42,000 per candy which has now softened to Rs. 40850 level. We believe there is more room for the price correct down side. Nonetheless we have to see how the ICE Cotton futures perform in the next few trading session.

Lastly on the domestic futures front the most active January future on Wednesday witnessed volatility the price initially had declined to Rs. 19950 per bale which posted a higher close at Rs. 20130 per bale. There is no change in the recent bearish corrective direction while 19900 are seen to have strong support level. Likewise, 20300 are to be measured as strong resistance level.

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

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INTERNATIONAL NEWS

USA: The Top Five Customs and Trade Issues for 2018

Importers, customs brokers, and supply chain service providers are likely to see important changes affecting customs and trade policy in 2018. Tighter regulation of e-commerce, tougher enforcement of laws, and new developments in trade preferences, supply chain security, and other areas will all pose challenges to even the most experienced operators. This article highlights five issues that might affect your business this year and how you can successfully respond to each.

(For a more in-depth discussion of these issues, click here to register for my Jan. 10 webinar.)

E-Commerce – Develop Your Strategy

As online sales continue to skyrocket, so too does U.S. Customs and Border Protection's interest in stanching the resulting increase in illicit small-package trade while facilitating legal shipments. As a result, CBP and other government agencies are expected to start establishing a framework for the automation, data, processes, and liabilities pertaining to e-commerce handlers and fulfillment enablers.

Companies should place a priority on developing and implementing an e-commerce strategy that will address importer of record/right to make entry requirements, data and information receipt and dissemination, filing opportunities and restrictions, and terms and conditions with business partners.

NAFTA and GSP – Consider the Alternatives

As negotiations to update NAFTA stumble, there is increasing concern that the U.S. may actually withdraw from this foundational free trade agreement, which would have significant ramifications for sourcing for numerous industries. In addition, the recent expiration of the Generalized System of Preferences has once again halted duty breaks on imports of thousands of products from more than 100 countries, with no clear indication as to when those benefits might be restored.

Traders should carefully examine how their goods may qualify for duty-free treatment under other available agreements or programs. In particular, importers should take a closer look at using the First Sale Rule, which yields a 10-20 percent average tariff reduction by basing the dutiable value on the first sale, rather than the last, in a multi-tiered import transaction.

Trusted Trader – Position Yourself for Benefits

Companies focused on return on investment should act now to refocus on or recalibrate their participation in trade partnership programs. Membership in CBP's CTPAT (supply chain security) and ISA (import compliance) programs has plateaued, prompting CBP to launch efforts to enhance these initiatives by updating requirements and providing more benefits. For example, with CBP's ten Centers of Excellence and Expertise now fully operational, trusted accounts can expect not only fast track and front of the line privileges at border crossings but also greater penalty mitigation in enforcement actions.

To take advantage of benefits under the updated CTPAT and ISA programs, importers will have to demonstrate effective processes and procedures that meet the reasonable care standard on issues like classification and valuation while addressing admissibility standards related to other government agencies, intellectual property, and forced labor.

Trade Remedies – Look Carefully at Your Supply Chain

The Trade Facilitation and Trade Enforcement Act enacted in 2015 revved up federal efforts to enforce trade remedy laws, including by giving CBP a bigger role in investigating efforts to circumvent antidumping and countervailing duty orders. However, the Trump administration put the pedal to the metal in 2017 by issuing executive orders calling for enhanced or supplemental bonding to secure the payment of AD/CV duties after billions of dollars in such revenues were lost in recent years.

The administration also took the unusual step of self-initiating national security and global safeguard investigations on products such as steel, aluminum, and clothes washers, introducing an element of uncertainty that has required importers to carefully weigh sourcing options to avoid supply chain disruptions.

In this environment companies are well-advised to consider tactics such as availing themselves of AD/CV duty rates for specific manufacturers and shippers (which are generally lower than the country-wide or “all others” rates), properly identifying and declaring manufacturers and shippers (and combinations thereof), and intentionally increasing import volumes during gap periods between the effective dates of orders.

In-Bond Movements – Map Out the Data Flows

Last fall CBP overhauled the requirements of its in-bond program, which allows imported goods to be entered at one port of entry without appraisement or payment of duties and transported to another destination for entry or exportation.

Changes include requiring carriers to file in-bond applications (CBP Form 7512) electronically in most cases, specifying a 30-day window for transportation of in-bond shipments, and revising the timeframe for reporting or updating in-bond records. However, a requirement to submit additional data elements, including the six-digit classification number under the Harmonized Tariff Schedule of the U.S., has sparked major concerns.

CBP has indicated a willingness to initially allow for an informed compliance period for the HTSUS number requirement, but in the meantime companies need to make any necessary adjustments to their processes and controls to ensure they have HTSUS numbers and other required information. Failure to adequately prepare could result in cargo delays, holds, and liquidated damages claims.

All parties involved in global supply chains will feel the impact of the legal, regulatory, and policy changes anticipated in the coming months. Particularly in the areas of e-commerce, NAFTA and GSP, trusted trader, trade remedies, and in-bond movements, taking the right steps now to adjust and enhance internal controls, policies, and procedures will help companies address new challenges while taking advantage of new opportunities.

Source: strtrade.com- Jan 04, 2018

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Russia details post-sanctions North Korean textile imports

The Permanent Mission of the Russian Federation to the UN has shared details of recent textile imports from North Korea, in compliance with UN Security Council (UNSC) sanctions on the DPRK textile industry.

The details were released in the Russian implementation report for Resolution 2375 – adopted on September 11, 2017 – which prohibited member states from procuring North Korean textiles.

Shipments, however, were permitted to be imported from North Korea up to 90 days after the resolution's adoption in cases in which written contracts were finalized prior to the adoption of the resolution.

According to the Russian implementation report, dated December 7, it was under this provision that the textiles were imported from the DPRK.

"On 18 October 2017, the following goods were imported into the territory of the Russian Federation (Primorskiy Territory) from the Democratic People's Republic of Korea: 14,340 items of men's apparel, knitted from wool (pullovers, turtleneck sweaters, cardigans and sleeveless cardigans)," the report reads.

"These goods were supplied under a foreign trade agreement dated 16 December 2016 between Korea Huangamchon Trading Co. (Democratic People's Republic of Korea) and the entrepreneur Vladimir Alexandrovich Kurkov (Russian Federation) for the production of knitted items," it added.

The timing of the notification for the October 18 shipment is also in compliance with Resolution 2375, which stated that details of such imports must be shared with the UN's 1718 committee no later than 135 days from the adoption of the resolution.

The report of the shipment correlates with trade data seen by NK News reporting the business between Kurkov and the Korea Hyangamchon Trading Corporation, but does not mention a possible second shipment between the two on October 29.

A bill of lading shows that the October 18 shipment, originating from the port of Rajin, was for textile goods amounting to just over USD$76,746 at under 20 cents per unit.

A second bill of lading is present for an October 29 shipment, also originating from the port of Rajin, for textiles costing just over USD$76,068.

While the weight of the two shipments is identical, the differing costs and dates on the bills of lading suggest separate shipments.

According to trade data, the company has been involved in textile transactions regularly with Kurkov: a total of eight bills of lading seen by NK News reveal shipments between 2015 and 2017 amounting to USD$263,493.

Ports of origin for the shipments include Sinuiju and Dandong.

The company also sold textiles worth just over USD$195,000 to another Russian individual within that time period – all of these transactions were conducted prior to sanctions.

The Korea Hyangamchon Trading Corporation and has previously been identified as being involved in the export of marine products and agricultural produce – both sectors now subject to international sanctions.

UNSC Resolution 2371, passed in August last year, and Resolution 2397, approved on December 22, ban North Korean exports of North Korean seafood and agricultural products respectively.

It is not uncommon for North Korean companies to exhibit diversified interests and be involved in multiple sectors.

Hyangamchon Trading Co is also involved in the shipping industry, managing the Myo Hyang San 1 ship, having been its registered owner until 2013 when the DPRK entity “Nationality Economic” took ownership on behalf of Korea Hyangamchon.

The NK Pro ship tracker shows the vessel operating mainly between North Korean ports on the country’s west coast and Chinese bulk ports.

Russia's implementation report also identified another arrangement signed prior to the passage of resolution 2375 between Krukov, the DPRK, and a third party from Italy.

The agreement, dated March 28, 2017 was "between the entrepreneur Vladimir Alexandrovich Kurkov (Russian Federation) and Filivivi SRL Con Unico Socio (Italy) for the supply of yarn to the Democratic People's Republic of Korea," it read.

According to its website, Filivivi Srl was established in 2005 as a joint venture between the Gruppo Marzotto and the Gruppo Verzoletto. 2014 saw the Gruppo Verzoletto acquire 100% of Gruppo Filivivi.

According to a 2012 article by Italian online news website Affaritaliani.it, Filivivi provided fabrics to well-known brands around the world including Banana Republic, Zara, Mango, Marks and Spencer, and the American store Macy's.

Source: nknews.org- Jan 03, 2018

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Egypt: Indian company to develop Egypt's cotton ginning with $2.3M

"The Cotton and Textile Industries Holding Company signed a $2.3 millioncontract with Indian companyBajaj Clothing to automate the process of cotton ginning systems of the company," Minister of Public Business Sector Ashraf el-Sharkawy said Wednesday.

Under the contract, the automatic ginning devices will be supplied to Misr Cotton Ginning's factory in Fayoum, to enter operations before August 2018.

The new contract comes under the framework of developing 11 cotton ginners in Egyptian governorates.

"Indian companies are interested in boosting investments in Egypt to reach $6 billion by 2020,"KhaledAbulMakarem, head of the Egyptian-Indian Business Council said in September.

As part of this, New Delhi-based Classic Fashion clothing company said in July that it is planning to launch new fabrics project in the Egyptian market with LE 1 billion in capital.

Trade exchange between Egypt and India jumped 11.8 percent to $1.421 billion in the period between January to May 2017, compared to $1.270 billion in the corresponding period in 2016.

Egyptian cotton is world famous for its high quality and its long fibers that produce a light durable fabric with a soft touch.

Egypt's cotton exports went down 38.4 percent in the fourth quarter of the agricultural season 2016/2017, from June to August 2017, standing at 86,000 qantar (157.7kg), compared with around 140,000 qantar in the same period in 2016.

Source: egypttoday.com- Jan 03, 2018

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Vietnam: Structural export sector changes will continue

Vietnam posted a surprisingly high 21 per cent year-on-year growth in export value in 2017. Deputy Trade and Industry Minister Đỗ Thắng Hải talks to chinhphu.vn about how this happened, and what 2018 portends.

The nation achieved a year-on-year export surge of 21.1 per cent to US$213.77 billion in 2017, including $19.3 billion in December. What made this impressive achievement possible?

In the beginning of 2017, the Ministry of Industry and Trade forecast a total national export value growth of 6-7 per cent over the previous year, because complicated and unpredictable developments were set to continue in the region and the world.

In this context, the surprising growth of 21 per cent was partly due to efforts of the business community and the Government's efforts to resolve difficulties and create favorable conditions for production and business activities.

The strong export growth was also the result of correct policies initiated by the Party, the direction and management of international economic integration by the Government, especially in joining free trade agreements. The Government acted strongly to improve the investment and business environments and to attract foreign direct investment.

The global economic recovery also helped, with strong growth seen in the US, the European Union, Japan, China, India and Russia, pushing up demand in the world market. As a result, many of our export products gained in export volume as well as value.

2017 was the second consecutive year that Việt Nam gained a trade surplus. How will this affect economic development in the future?

The good results of the import and export activities in 2017 have created favourable conditions for development of international trade in particular and national economic growth in general. The trade surplus will help stabilise the macro economy and exchange rates, and control inflation.

The trade surplus shows that Vietnam has started to produce materials for production. In 2017, the textiles, garments and footwear industry actively produced raw material in Vietnam and even exporting it. The export value of fiber for textiles reached $3.56 billion in 2017, a year-on-year increase of 21.5 per cent.

However, in general, the support industry for many industries has still not developed to produce enough quality products to join supply chains of products and components for export enterprises, especially foreign-invested enterprises.

In 2018 and beyond, the Ministry of Industry and Trade will strive to change the structure of export goods, focusing on goods that use advanced technology in production, and to increase the export of products made with domestic raw materials.

Last year, the foreign direct investment (FDI) sector continued to lead the export surge. What are the measures being taken to balance exports by domestic and FDI enterprises, and to connect them in export activities?

Since Vietnam became a World Trade Organization (WTO) member in 2007 and joined free trade agreements (FTAs), the number of FDI projects in the country has increased rapidly. FDI enterprises have made important contributions to boosting exports and they occupy a large share of the nation's total export revenues.

Specifically, export value of FDI enterprises (including crude oil) reached nearly $81 billion in 2013, accounting for 61.3 per cent of the total; and corresponding figures for 2016 and 2017 were $126.2 billion and 71.5 per cent; and $155.25 billion and 72.6 per cent.

The export growth of the FDI sector in recent years has been spurred by the State's policies on attracting and managing foreign investment, and increasing efficiency of this investment capital.

FDI enterprises have enjoyed many advantages in producing their goods in Vietnam and being part of the global products supply chain while. Meanwhile local companies have focused on commodities like agricultural produce, seafood, crude oil and textiles that have been very vulnerable to external shocks like price fluctuations in the world market or trade barriers in countries importing Vietnamese goods.

To boost export revenues in the future, especially for domestic enterprises, the Ministry of Industry and Trade will pay attention to solving difficulties and creating favorable conditions for business activities. It will also have policies to help local enterprises access low-interest loans and expand their export reach.

Meanwhile, the domestic enterprises should focus on improving corporate competitiveness and competitiveness of their export goods, learn new production technologies and modern management practices, building quality brands and join the global supply chain.

What export goods will Vietnam focus on in 2018?

Last year, Vietnam achieved positive results from import and exports in the key categories of agricultural products, seafood, fuel, minerals and processed products.

Export products of the processing industry continued to play an important role in export growth, accounting for more than 81 per cent of total exports, with value estimated at $173.5 billion, a year-on-year increase of 22.4 per cent.

Agricultural and seafood products enjoyed good growth at 16.9 per cent year-on-year to $25.9 billion.

Fuel and mineral products gained a year-on-year surge of 27 per cent in export value to $4.42 billion.

Products with high export growth included coal, crude oil, telephones and components, textiles and garments, computers, electronic products and components, vegetables, rice, chemical products, plastics products, fertilisers and steel products.

At present, the structure of export products has moved according to the 2011-2020 strategy on importing and exporting goods, which is to increase the export volume of processed products and gradually reduce that of agricultural produce, seafood, fuels and minerals.

In 2018, this structural orientation will continue. We will also try to increase exports of goods that use hi-tech methods and more domestic raw material in production.

Source: vietnamnews.vn- Jan 04, 2018

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Vietnam: Textiles exports head to gain US$34 bln in 2018

Le Tien Truong, general director of the Viet Nam National Garment and Textile Group (Vinatex), said this target was set despite difficulties in markets at home and abroad. He was speaking at a meeting on reporting Vinatex's results of production and business in Ha Noi on Tuesday.

In 2018, Viet Nam's textile and garment industry will face more competition, while other textile exporting countries in the world plan to maintain their market shares in the world garment market, as well as expand their market shares further, Truong said.

The local textile and garment industry must be careful with the anti-dumping story, he said.

To achieve the target of more than 10 per cent growth in 2018, Vinatex's general director said that the textile and garment industry must make great efforts to focus further on solutions to increase labour productivity.

He said that Viet Nam's textile and garment industry stands at a good position in the world garment market. The major buyers of the world consider Viet Nam as the supply centre and give priority to Viet Nam in supplying garment products to them.

Vietnamplus quoted Truong as saying that "Viet Nam is the world's largest producer of men's and women's suits."

"Moreover, Viet Nam has had experience in converting from a production method of processing to an FOB (free on board) and ODM (original design manufacturer). Now, the processing has reached only 30-35 per cent of production, while FOB has accounted for 55-60 per cent and ODM producing textile and garment products, from designing to finished-products, has occupied 10 per cent," he said.

In addition, the industry should continue to invest in technology development to create stability, sustainability and efficiency in development of the textile and garment industry, he said.

Exports in 2017

Last year, the textile and garment industry gained a year-on-year increase of 10.23 per cent in the export value of textile and garments to $31 billion, higher than its target set at the beginning of the year at $30 billion.

Major markets of the United States, the European Union, Japan and South Korea maintained good growth, while there were breakthroughs in exports to other markets such as China, Russia and Cambodia, according to Truong.

The South Korean market jumped to the fourth position, close to the Japanese market, reaching an export value of $2.7 billion in 2017. Viet Nam's textile and garment exports to China in 2017 reached $3.2 billion, the same as the export value to Japan.

Meanwhile, Truong said the domestic textile and garment market also gained a year-on-year growth rate of 10 per cent in 2017.

The balance in development of the domestic market and the export market has been an important point for the local textile and garment industry to ensure jobs for the employees and to maintain development of the enterprises, he said.

Vinatex's total revenue increases

During the meeting, Vinatex reported its total revenue in 2017 was estimated to have increased year-on-year at 10.7 per cent to VND45.55 trillion ($2.02 billion). Of this, domestic sales reached VND10.39 trillion, accounting for 22.8 per cent of the total revenue, 10.6 per cent higher than the revenue in 2016.

The pre-tax profit in 2017 reached VND1.43 trillion, according to the group.

Vinatex set a revenue target of VND48.5 trillion, a year-on-year surge of 6.5 per cent and a pre-tax profit of VND1.45 trillion in 2018.

This year, the group will also implement the divestment, according to the decision of the Prime Minister. The Ministry of Industry and Trade will withdraw its investment at 53.5 per cent of Vinatex's shares from the group this year.

Source: vietnamnet.vn- Jan 04, 2018

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Pakistan disburses Rs 14 bn for textile sector in 2017

Pakistan disbursed Rs 14 billion among the textile sector against claims for Rs 21 billion through the State Bank of Pakistan under the Prime Minister's Export Enhancement Package till December 21 last year.

The Rs 162-billion package was launched to help the sector gain competitiveness in the international market and enhance the country's textile exports.

The government also offered procedural and tax relaxations on the import of textile machinery to modernise the industry and enhance the capacity of the sector, a senior official of the ministry of commerce and textiles industry told a Pakistani news agency

Source: fibre2fashion.com- Jan 04, 2018

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Brexit's impact and the EU-UK treaty projections

The UK is likely to get only a trade deal with the EU 'along the same lines' of what the EU has concluded with Canada, South Korea and Japan, said EU chief Brexit negotiator Michel Barnier. The UK's own 'red lines' on Brexit (no freedom of movement, no jurisdiction for the European Court of Justice, the right to sign independent UK trade deals with third countries, etc.) ruled out anything more extensive.

EU deals with other countries

The EU-South Korea free-trade deal was concluded in 2009 and came into force partially in 2011. It is essentially a tariff-reduction trade deal covering goods such as cars, textiles, electronics, chemicals and some agricultural products. It is supposed to be the bloc's most ambitious overseas trade deal till date. The deal also relaxes Korean foreign ownership rules in telecoms, and liberalises rules on environmental and shipping services.

The EU recently inked the free trade deal with Japan. This agreement also liberalises the bilateral goods trade, primarily agricultural exports. For instance, tariffs on EU beef and pork will be reduced. For EU cheese, the tariffs are eliminated altogether. There's also some opening up of the Japanese market to EU services firms in the telecoms and transport sectors.

The Canada-EU deal, known as CETA, provisionally came into force in September. Again, its focus is on the reduction of goods tariffs. Agricultural exports also stand to gain. Tariffs on cars, clothing, chemicals and machinery are also slashed to zero. On services, there is some opening up in financial services, telecoms, transport and post.

What is not covered

The difference between these free-trade deals and the EU's single market and customs union is immense. The goods tariffs under these various deals are reduced or sometimes eliminated, but in the customs union, they disappear entirely as a matter of law.

Shipments to the EU from South Korea, Canada and Japan all have to be (and will continue to be) checked by EU customs authorities to ensure they are actually from those countries and that they conform to local safety rules, even if no tariffs are due.

Within the EU customs union, goods cross borders without any checks at all. The single market in services also goes far beyond any liberalisation of cross-border service provision in these other trade deals.

The single market specifically targets non-tariff barriers, such as local regulation rules. Single market membership also entitles one to work in any country under this deal. This freedom of movement does not exist (and will not exist) for EU citizens with regards to its treaty the Canadian, Japanese and South Korean labour markets.

Brexit impact

Various trade economists have analysed the slated impact of Brexit. Oxford Economics and the National Institute for Economic and Social Research estimated damage of 2 per cent of GDP, or around £1,300 per household.

However, the London School of Economics team was more pessimistic, estimating a 6.3 per cent hit to GDP by 2030 – around £4,300 per household. The consensus view of credible trade economists is that the more significant the trade barriers that are erected between the UK and the EU, the worse the economic damage will be.

Source: fashionatingworld.com- Jan 03, 2018

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Pakistan's central bank allows yuan-based trade with China

To replace dollar for transaction in CPEC projects

Pakistan's central bank has allowed the Chinese yuan to be used for bilateral trade and investment activities, a move which could replace the US dollar for transactions in strategic CPEC projects.

The State Bank of Pakistan (SBP) said that all arrangements for using the Chinese currency for trade and investment were already in place.

The adoption of yuan means that Pakistan and China would be able to replace the US dollar for transactions in the $50-billion China Pakistan Economic Corridor (CPEC) projects.

Ahsan Iqbal, the Minister for Planning and Development, had said on December 19 that the government was considering a Chinese proposal to use renminbi or yuan instead of the US dollar for payments in all bilateral trade.

"The SBP, in the capacity of the policy maker of financial and currency markets, has taken comprehensive policy related measures to ensure that imports, exports and financing transactions can be denominated in yuan," according to a report in a Pakistani newspaper.

The decision was taken after rejecting a Chinese proposal to allow yuan as legal tender in Gwadar, Balochistan, it said.

The report said that public and private sector enterprises (both of Pakistan and China) were free to choose yuan for bilateral trade and investment activities.

A bank spokesman said the statement on yuan was issued because of too many queries from the media about the use of the currency for bilateral trade.

He said it seemed there was confusion about the use of yuan for bilateral trade, which was needed to be clarified with a detailed statement.

Source: thehindubusinessline.com- Jan 04, 2018

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NATIONAL NEWS

Extend apparel labour reform to all sectors now

The apparel industry, like most others, has constantly been complaining about the lack of labour flexibility, so critical in an export-driven industry that is inherently seasonal in nature. So, during the UPA tenure, it even suggested a double-NREGA package to the government—it would guarantee 200 days of employment in a year at a minimum wage of Rs 200 in return for flexibility.

The plan didn't fly and, among others, was a big reason for India's poor exports performance. Unless there is labour flexibility, firms won't grow, and unless that happens, this robs them of some of their competitiveness. In order to fix this, the chief economic advisor and the textiles secretary came up with a plan to eliminate as many of the hurdles to formal employment—among others, this envisaged the government defraying the mandatory provident fund contributions for the first three years and introduced the concept of fixed-term employment, obviating the need for messy solutions like dealing with contractors.

The plan, as reported by FE on Monday, didn't fly and just 655 units have availed its provisions so far. That, however, is not the result of the plan being faulty, but of circumstances.

Demonetisation was a big blow to the industry that largely had cash transactions, and once things stabilised, GST hit it hard. While many of the state levies were subsumed within GST, this shouldn't have been a problem since the refunds the industry got for taxes paid by it earlier would now come via GST.

Except, that hasn't happened and most exporter refunds remain stuck. So, for the plan to really work, the government has to either ensure GST refunds come on time or find an interim solution; some solutions have been found and industry feedback needs to be taken to see if this is good enough. Fast-tracking the FTA with the EU is also critical as this will ensure Indian exports get duty-free status as is already the case with competitor nations like Bangladesh and Cambodia.

Given the jobs-creating potential, it is critical this be resolved at the earliest. It is only when there is complete certainty that industry will invest since orders takes 6-8 months to materialise and investment horizons are even longer. Now that there is enough proof that the scheme is a workable one, the government needs to extend it to other areas as well.

The government had announced a leather package along the lines of the apparel one in the last budget, but it is best to announce it for all industries, not just the labour-intensive ones.

Right now, thanks to pressure from the labour unions, the government is loath to announce more flexible labour laws—it had earlier planned that any units which employed under 300 persons would be free to shut down without requiring government permission.

When this was shelved, it was hoped individual states would do this on their own, and while some like Rajasthan followed, important industrial ones like Maharashtra just back-tracked as well.

Fixed-term employment doesn't really affect the existing work force—indeed, it offers more stability and higher salaries than the existing contractor system since the middleman's commission is eliminated.

In which case, it may be relatively easier for the government to push this plan—and even if there is some resistance, in an election year, when generating jobs is critical, it is the government's only hope.

Source: financialexpress.com- Jan 04, 2018

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Why Tirupur exporters are seeking IGST exemption on accessories import

India's largest knitwear and readymade garment exporters organisation, Tirupur Exporters' Association (TEA), has sought exemption of the IGST levy on imports of accessories, early clearance of accumulated input tax credits, permanent deletion of Reverse Charge Mechanism (under Section 9(4) of GST) and incentives for investments made in labour accommodation infrastructure.

A delegation of TEA, which met Union finance minister Arun Jaitley recently with a memorandum, pointed out that till June 30, 2017, apparel exporters were importing accessories such as zips and tags without payment of customs duty, using the Export Promotion Certificate (EPC). But post implementation of GST, imports using EPC is being subjected to IGST.

As most of the accessories are being taxed at 18%, this is causing huge working capital blockade, resulting in significant hardship to the industry. Explaining the issues in detail, the memo said that similar problems were faced by exporters in import of capital goods under the Export Promotion Capital Goods Scheme and raw materials through the Advance Authorisation Scheme, and the government had redressed these issues by issuing a notification, dated October 13, which exempted imports under the two schemes from levy of IGST.

However, the EPC scheme was omitted, and should also be included, argued TEA. It has requested for a separate notification to be issued in line with the notification exempting imports of accessories using Export Promotion Certificate from the purview of IGST levy, the TEA memorandum said.

Expeditious release of refunds which are due to exporters is another issue before the union finance ministry. The original plan under the GST compliance framework was filing of GSTR 1, 2 and 3 by all taxpayers resulting in matching of tax credits, thereby facilitating release of refunds due to exporters expeditiously within seven days of the claim.

However, due to various reasons, filing of GSTR-2 and 3 are dispensed with till March 2018 and substituted by a self-declaration in Form GSTR 3B, but there is no possibility of matching of credits till March 2018.

In this scenario, a manual procedure for claim of refund by exporters was prescribed through a notification dated November 15, followed by a detailed circular dated November 15, prescribing the procedure to be followed for release of manually processed refunds.

Hence, in order to avoid inordinate delay in release of refunds, it is requested that a clear-cut procedure may be prescribed listing out the evidences required to be furnished to the authorities along with the RFD-01A form, said the TEA memorandum.

Source: financialexpress.com- Jan 04, 2018

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India imposes anti-dumping duty on 98 products from China

India has imposed anti-dumping duty on as many as 98 products, as on December 27 last year, imported from China, Parliament was informed today. The products on which the duty was imposed include flax fabrics, vitamin C, certain fibres and chemicals, Minister of State for Commerce and Industry C R Chaudhary said in a written reply to Rajya Sabha.

He also said trade deficit with China stood at USD 36.73 billion during April-October this fiscal.

“Increasing trade deficit with China can be attributed primarily to the fact that Chinese exports to India rely strongly on manufactured items to meet the demand of fast expanding sectors like telecom and power,” he said.

Countries initiate antidumping probes to determine if the domestic industry has been hurt by a surge in below-cost imports. As a counter measure, they impose duties under the multilateral WTO regime.

Antidumping measures are taken to ensure fair trade and provide a level-playing field to the domestic industry. They are not a measure to restrict imports or cause an unjustified increase in cost of products.

Source: financialexpress.com- Jan 04, 2018

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PPPs at state-run ports: Slew of steps to boost investor confidence

Royalty on actuals, easier exit, broader 'change in law' proviso among new incentives.

The Cabinet on Wednesday approved a slew of steps to spur private investments via the public-private partnership (PPP) route in the country's 'major' (state-run) ports, a sector that hasn't seen as much fixed assets creation as required to bring in the level of competition needed to fast-track cargo movement and pare the country's high logistic costs.

Although the changes fell far short of freeing of tariffs for assorted port services, new investors will have a major relief as future contracts will allow them to share royalty with the port authorities on discounted tariffs, rather than as a percentage of gross revenue based on tariff ceiling fixed by the regulator at the time of bidding.

Other steps announced include easier exit akin to what investors in highway projects enjoy, immunity from post-model concession agreement (MCA) threat to project viability from regulatory (Tariff Authority on Major Ports) orders and changes in environmental and labour laws and imposition of or hikes in indirect taxes.

A dispute resolution mechanism — Sarod-Ports — has also been provided for, again on the line of the one for PPPs in the highways sector. New developers will also be allowed to commence operations before the commercial operations date (COD), a move that could lead to better utilisation of assets leased out by the port before the formal completion certificate.

Further, a new refinancing facility will make available low-cost long-term funds to concessionaires. Briefing reporters after the Cabinet meeting, road transport and highways minister Nitin Gadkari said the Centre has set up a ministerial panel headed by finance minister Arun Jaitley to look into the issues revolving around a dozen stalled port projects involving cumulative investments of Rs 20,000 crore.

Apart from the shipping ministry, the committee will also have representatives from the law ministry and NITI Aayog, he said, adding that issues to be handled by the panel would include those related to terminals, land lease, storage capacity, etc. One reason why investment in port services via the PPP route is not very attractive is the high revenue share — close to 40% in some cases — which inflates the costs.

A better model, analysts have argued for long, would have been to treat the revenue share as a fixed component (say, at 20%) and tariff as the variable for bidding so that operators have higher incentive to be more efficient. The latest amendments have not met this demand. According to the revised MCA, developers can exit a project by way of divesting equity up to 100% after completion of two years from the COD. Under the extant contracts, the developer can exit all but 26% stake after three years from COD. In another measure that would help cut costs, rent on “additional land” has been reduced from 200% to 120% of the applicable scale of rates.

BVJK Sharma, joint managing director and CEO, JSW Infrastructure, welcomed the latest move by the government and said it would draw wider participation from international players. “For instance, post-COD, those with less risk appetite can come; those with higher risk appetite can even come during the greenfield stage. So this could be a new phase in the ports sector in India,” he said .

However, he added that “if the government wanted to unlock capacity before building new capacity, it should allow transition to the new MCA for existing players also”. On the facility to exit projects completely in two years from COD, Sharma expressed the apprehension that this could encourage engineering, procurement and construction (EPC) companies that could bid aggressively to bag the contracts, rather than long-time operators. “One will need to ensure that quality is adhered to with strict monitoring of such EPC contracts,” he said.

Manish Sharma, partner at PwC India, however, said: "Considering that the risk appetite of a developer is significantly higher than that of port operators, who are generally averse to construction and development risks, the decision to allow 100% exit in two years of achieving COD is a welcome step that will provide the much needed liquidity to PPP developers and enable more transactions in port sector." "concessionaire would pay royalty on 'per MT of cargo/TEU handled' basis which would be indexed to the variations in the WPI annually.

This will replace the present procedure of charging royalty which is equal to the percentage of gross revenue, quoted during bidding, calculated on the basis of upfront normative tariff ceiling prescribed by TAMP. This will help resolve the long-pending grievances of PPP operators that revenue share is payable on ceiling tariff and price discounts are ignored. The problems associated with fixing storage charges by TAMP and collection of revenue share on storage charges which has plagued many projects will also get eliminated," the government said in a statement issued after the Cabinet meeting.

Top 5 ports as of November 2017 by growth in total volume

Port	YTD FY18 volume (mn tonne)	YTD FY18 growth (%)	Share of total Volume (%)
Cochin	19.0	17.9	4.3
Paradip	65.0	13.1	14.8
Kolkata	36.8	12.6	8.4
New Mangalore	27.1	7.1	6.2
JNPT	43.3	5.7	9.8

Source: IPA, Emkay Research

Until a few years earlier, an auction was conducted before tariffs were fixed — that is, the operator was selected on the basis of the royalty he would give the port authority and TAMP then fixed the tariff using a cost-plus method under which the operator was allowed 15% return on the capital employed. That system allowed the bidders to inflate expenditure and get the tariffs fixed accordingly for three years.

This set-up was later improved upon and under the current system, TAMP first fixes the tariffs upper limit for the relevant port services in consultation with the potential bidders and the bidding takes place subsequently, with the revenue share as percentage of tariff as the variable.

The return on equity is 16% now. While private-sector ports are thriving — some of them have capacities higher than the so-called major ports in the government sector — private investments in PPP projects in the 12 major ports have been stagnant. Except PSA International, which is investing Rs 3,500 crore in JNPT for a terminal of about 4 million TEU capacity, no worthwhile investments have taken place in the sector over the last three years.

According to PwC's Sharma, the changeover from revenue share to royalty at actuals would on one hand protect the revenues of operators operating in a multi-terminal or multi-port system who are exposed to tariff competition while, at the same time, when coupled with changes proposed on deployment of efficiency improvement measures, would also incentivise efficiency in operations whose gains could now be retained by the operator.

"The decision to introduce dispute resolution system which will also include existing terminals within its ambit is a very welcome step and would incentivise investment sentiment in the sector.
Likewise the changes in 'change in law' provisions would address a long standing demand of sector players and provide a positive fillip to investment sentiments in this sector," he added.

The country's logistics costs account for as much as 15-16% of the consignment value, eroding its trade competitiveness, according to a recent paper by Bibek Debroy, chairman of the Prime Minister's Economic Advisory Council, and Kishore Desai. It said despite progress made in the past three years, it takes more than six days to export and more than 13 days to import. India's logistics costs are higher than those of around 10% (of consignment value) in developed nations.

In fact, around 70% of the delays (both in exports and imports across Delhi and Mumbai) are on the account of port or border handling processes, which essentially pertain to the multiplicity and complexity of the overall procedures at ports, said the paper. The logistics sector contributes to more than 13% of India's GDP and employs more than 22 million.

The existing port capacity in India is a trifle more than the throughput, but the capacity-to-traffic ratio is less than the 1.3:1, the global norm for efficiency, leading to congestion at many large ports.

According to a maritime expert who doesn't wish to be identified, the changes have helped address long-pending issues that were bothering private investors at major ports.

"In any case, for the duration of the concession agreement, whether 10, 30 or 50 years, it is practically impossible to forecast the business model in the current global environment and, hence, to attract more investments in the ambitious Sagarmala programme, such steps were the need of the hour," he said.

Source: financialexpress.com- Jan 04, 2018

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India's online retail sector grows 23% to $17.8 bn in 2017

India's e-commerce market picked up sharply in the second half of 2017 after nearly 18 months, driven by strong growth at Flipkart and Amazon India and new entrant Paytm E-commerce.

Online retail grew by 23 per cent to $17.8 billion in 2017, up from $14.5 billion in gross merchandise value (GMV) last year, according to RedSeer Management Consulting.

The expansion of online retail is expected to accelerate this year, with the market projected to increase by as much as 60 per cent to $28-30 billion in GMV, which refers to the value of goods sold on a site after discounts, according to RedSeer estimates.

The primary factor behind the bullish estimate is that the firm expects the number of new online shoppers to increase significantly after two years of near-stagnation in contrast to 2016 and 2017, when most growth was because of existing users, according to a report in a top Indian financial daily.

According to RedSeer founder CEO Anil Kumar, even the non-sale months in the second half of 2017 were much higher than the first, and therefore, there are enough signs that the market should see very high growth next year.

The efforts by Flipkart and Amazon to penetrate tier 2 and tier 3 cities and PayTM's aggressive expansion plans will drive the market next year, Kumar said.

Source: fibre2fashion.com- Jan 03, 2018

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Surat textile industry business down by 50 per cent

Surat-based textile industry is still reeling under the impact of GST. Textile industry watchers note that largely in weaving and trading, capacity use at most of the power looms and trading units is underutilised by around 50 per cent, however, spinning units are finding buyers in the knitting industry due to the winter season. The others in the textile supply chain, such as weaving and trading, are still finding business unsustainable, more so among smaller players.

Against 40 million metres per day of production in the Rs 500-billion synthetic textile hub of Surat, the current production has fallen to 2.5 million metres per day. So also in the weaving sector, as against a Rs 600-million daily turnover in the pre-GST days, this sector is still down by 50 per cent, said Ashish Gujarati, President of Pandesara Weavers' Association.

Moreover, power looms continue to down shutters with around 250 to 300 looms daily being discarded as scrap. Also there are still several traders and weavers who are yet to register and come under the tax net. Smaller traders are still hit as the issue is not about the 5 per cent GST, it is about the additional costs of hiring accountants and investing in new technology that is hitting the smaller traders' hard. This has led to a steep 50 per cent drop in business.

In good times there were 6,50,000 power looms, 150-200 wholesale textile markets, 20,000 manufacturers; including 10,000 weavers, 75,000 traders, 450 processing units; and 50,000-60,000 embroidery machines in the Rs 500-billion synthetic textile hub in Surat. Three industry associations, including silk weavers and textile processors, have made representations to the Centre for relief from post the impact of the GST on business.

Against a normal Rs 100 to 120 billion worth of business during Diwali through dispatch of 1,500 trucks daily for a fortnight, this year business had fallen to just 15 to 20 per cent. Tarachand Kasat of the Surat-based GST Sangharsh Samiti decried, “This was the first time we saw such a Diwali. In the last fortnight or so, which sees peak of Diwali dispatches, business was down by 15-20 per cent.

Source: fashionatingworld.com- Jan 03, 2018

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Big Asean presence on R-Day will have ripple effect on mega trade pact talks

With the heads of 10 Asean countries participating in India’s Republic Day celebrations as chief guests later this month, Commerce Ministry officials fear more political pressure from the bloc on India to remove all import tariffs as part of the Regional Comprehensive Economic Partnership (RCEP) pact being negotiated.

New Delhi has been asked to submit an improved set of offers in January on market access for the other 15 countries in the RCEP: the 10 Asean nations, China, Japan, South Korea, Australia and New Zealand, However, India is undecided about how much it can expose its industry to competition.

“It is highly probable that the Asean countries will use the visit to gain some political mileage and push India towards steeper commitments on dismantling tariffs. To what extent India gives in to the pressure remains to be seen,” an official said.

The RCEP aims to be the largest free-trade bloc in the world, covering about 3.5 billion people and 30 per cent of the world’s gross domestic product.

Earlier offer rejected

While India improved upon its initial offers late last year, this was rejected by other RCEP members as they felt it was only a marginal improvement. India’s offers range between an average of 70 per cent and 80 per cent, with the maximum elimination commitment for Asean countries.

"The 10-member group is aggressively pursuing its agenda of creating a duty-free enclave. The pressure on India to agree to eliminating tariffs on more than 90 per cent of items is huge," the official said.

Indian industry is against such huge tariff cuts, especially for China and also for countries with which there are no existing free-trade agreements, including Australia and New Zealand.

Even for Japan and South Korea, Indian industry is not keen on high market opening commitments as only a small number of obligations under the existing FTAs with these nations have been implemented.

Some room for Asean

"India at present has some space to improve offers only for the Asean countries. It is imperative to be allowed enough deviations to protect industry against other members, especially China," the official said.

The next round of RCEP negotiations will be held in February in Indonesia when the revised offers will be discussed and members will be under more pressure for further improvement.

This will be followed by meetings of trade ministers from all the member countries to try and conclude the negotiations so that the pact can be signed in 2018.

Source: thehindubusinessline.com - Jan 04, 2018

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Fashion brands offer 40-50% discounts to salvage lacklustre holiday period

Heavy discounting towards the end of December and early January has helped fashion apparel brands post a 15-20% increase in end-of-season sales.

A low base has also helped as sales last year were hit due to demonetisation and the resultant cash crunch with consumers.

The sale period started a week before normal this year, increasing the days of heavy discounting. In fact, brands such as Global Desi, Mango, Marks & Spencer and Levi's have been offering discounts of 40-50% for several months now.

"It has been fantastic. We would have grown by 30% over last year's period. We are not selling festive merchandise and we are selling old merchandise," said Alok Dubey, the chief executive of the lifestyle brands division at Arvind Lifestyle Brands. "We have seen both kind of customers, the ones who buy new merchandise and people who want to buy on bargain. So the mix is resulting into a good response."

Puma India managing director Abhishek Ganguly said his company had seen about 20% sales growth over last year even though sales had been flat in western India.

Malls have been brimming with people since Christmas and mall owners say it has also translated into sales for retailers. Yogeshwar Sharma, the executive director of Select City Walk mall in Delhi, said the footfall in the mall had gone up by 10-12% compared to last year. "This season the number of sale days is also more than last year, another reason for good sales," he said.

DLF Malls head Pushpa Bector said business had picked up since early December with major international brands at the mall doing more than Rs 10-12 crores of business.

While most brands have some sections with heavily discounted items, mainly in order to liquidate inventory, most have stocked their shelves with fresh arrivals in order to tempt customer to buy full price items.

"Benetton has already launched SS18 (Spring, Summer) in quite a few stores and this year we expect to end EOSS (end of season sale) sooner than the last year," Benetton India managing director Sundeep Chugh said.

The season has been faring as per expectations and Benetton's sale period is aligned with the market, he said.

However, not everyone has seen robust growth. The chief executive of a leading apparel brand said perpetual discounting on account of GST had affected the end-of-season sale in a big way.

"The season sale until now has not been encouraging at all. We may achieve the desired sale, but it will be only through heavy discounting," he said.

"This is despite the winter being relatively better than the last two years and also the sale season starting a week earlier than last year," he added.

A franchisee of top multinational brands in North India said while sales had picked up "slightly" due to discounting dduring the end of season "it is not that great."

Source: economictimes.com - Jan 04, 2018

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