USD 64.45 | EUR 76.52 | GBP 86.82 | JPY 0.57

<table>
<thead>
<tr>
<th>Cotton Market</th>
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<tbody>
<tr>
<td><strong>Spot Price (Ex. Gin), 28.50-29 mm</strong></td>
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<tr>
<td><strong>Rs./Bale</strong></td>
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<tr>
<td>17784</td>
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</table>

| **Domestic Futures Price (Ex. Gin), November** |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 18380 | 38447 | 76.24 |

| **International Futures Price** |
| **NY ICE USD Cents/lb (Dec 2017)** | 75.52 |
| **ZCE Cotton: Yuan/MT (Jan 2018)** | 15,050 |
| **ZCE Cotton: USD Cents/lb** | 87.81 |

| **Cotlook A Index – Physical** | 83.7 |

**Cotton & currency guide:** Six consecutive weeks cotton price surged at the global market. The most active March future in the gone by week settled at 73.28 cents per pound up close to 2% from previous week's settlement price. The other months have also moved concurrently between 1 to 2 per cent in the same period.

The major reasons have been mills fixation, good exports trend and most importantly speculators buying cotton aggressive in the market as reported in the weekly CFTC update. We believe next week CFTC report may show further enhancement in the figure.

The market is at such juncture require fresh trigger as 74 cents remains a strong resistance level amid there is possibility that cancellation of orders may be noticed by Pakistan, China and Turkey. This would be observed as we proceed through this week.

Also on technical front 73.50 to 74 is a key resistance zone and daily charts are almost near overbought phase. Any price correction, profit booking or fresh selling would pull the price down however 71 cent remains a strong support level. There may be two possibilities a) good amount of selling to witness from above mentioned resistance zone or b) market may continue to consolidate and trade in the range of 71 to 73.50 range. However broad structure is now positive. The technical chart is very interesting having a very clear trend.
line resistance at 74 cents. On the domestic front Indian story is slowly changing and new factors are coming into market. Earlier in the week we saw marginal rise in the spot price which drove the S-6 variety to almost Rs. 38000 per candy ex-gin and the effect was clearly visible on the futures contract trades at MCX.

The crop estimate is now lowered down to around 37.50 million bales from earlier projection of 39. The effect of pink bollworm looks vulnerable for the standing crop. The fresh update on the unseasonal cyclone is to have significant impact on the major cotton growing states in India i.e. Gujarat and Maharashtra which supplies more 90% of the arrivals of the country. (the effect of cyclone would be felt during this week). The current crop is open and on the field any unseasonal rainfall would damage the crop and reduce the yield considerably.

The average daily arrivals are between 170 to 180K bales for the past one fortnight.

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

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

<table>
<thead>
<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
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</thead>
<tbody>
<tr>
<td>India</td>
<td>2.55</td>
<td>2.80</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.38</td>
<td>2.77</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.15</td>
<td>3.35</td>
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</tbody>
</table>

Source: CCF Group

**China yarn**

Cotton yarn trading sustained thin on the whole. OE spun yarn sales slowed and price showed stable. Polyester yarn, rayon yarn and cotton/rayon yarn decreased along with their feedstock and other varieties showed stable.

**International yarn**

The cotton yarn market has been quite firm, in reflection of the raw cotton market. In Pakistan, some increased demand has been witnessed from local downstream manufacturers. However, firm yarn prices have squeezed margins. Exports of ready-made garments from India fell considerably in October, compared with the same month in 2016. The decline is attributed to changes in tax structures and removal of certain exemptions. China’s cotton yarn imports were strong in October. Vietnam remained the biggest supplier but with a smaller proportion than in the previous month.

Source: CCF Group
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<tr>
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<td>2</td>
<td>China unveils new standard for clothing with filling</td>
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<td>3</td>
<td>Egypt’s cotton exports drop 38.4% in Q4 of agricultural season</td>
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<td>4</td>
<td>Trump In Asia: Free Trade Under Threat? – Analysis</td>
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<td>Pakistan: Trouble at the mill: Pakistan’s once-booming textiles business in crisis</td>
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<td>6</td>
<td>Cambodian Garment Unions Fear Possible End of EU, US Trade Preferences</td>
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<td>Global cotton area to increase 11% in 2017-18: ICAC</td>
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<td>Textiles of recycled fibres must reach mass market: Report</td>
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<td>10</td>
<td>Europe set to award China 'Holy Grail' with tariff-rules revamp</td>
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<td>11</td>
<td>Iran’s Chabahar port opens new India-Afghan lane</td>
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<td>India’s Merchandise Exports Limp Along Even as Global Trade Picks Up</td>
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<td>2</td>
<td>India-Africa trade growth rate over 30 per cent since 2005</td>
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<td>3</td>
<td>Government to prepare detailed research report to promote exports</td>
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<td>Job-creating sectors set to get more sops under export scheme</td>
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<td>Reverse charge mechanism ‘unjust’, say cotton traders</td>
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<td>Exporters file over 10,000 applications for GST refunds</td>
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<td>GST effect: shaky Budget in offing?</td>
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INTERNATIONAL NEWS

World Trade Boom Sails Into 2018 as Trump Threatens Barriers

It was meant to be the year of the trade war. Instead, it was the year of the trade boom.

As 2017 draws to a close, the International Monetary Fund is projecting the volume of trade in goods and services will have climbed 4.2 percent over the year, up from 2.4 percent in 2016. That would be the first time trade has outpaced output growth since 2014 and harks back to the pre-crisis days when such outperformance was a regular occurrence.

Among the winners: big manufacturing powerhouses such as Germany and China and producers of electronics like South Korea, which Thursday raised its benchmark interest rate for the first time since 2011 after months of surging exports. Caterpillar Inc. and Samsung Electronics Co. are some of the companies that are cashing in.

Closely watched gauges on manufacturing suggest the recovery should continue into 2018. A weighted average of flash Purchasing Managers Indexes for China’s major trade partners came in at 56.3 in November -- the highest since February 2011, according to Bloomberg Economics.

China’s official manufacturing PMI unexpectedly climbed to 51.8 in November.

“A trade boom, rather than a trade war, has been the big theme,” said Chua Hak Bin, a Singapore-based senior economist with Maybank Kim Eng Research.

That doesn’t mean the threat of protectionism has passed. President Donald Trump is still vowing to crack down on countries the U.S. believes don’t trade fairly, and negotiate deals more favorable to America. While the White House is focused on pushing through tax cuts, there are still signs Trump plans to get tough on trade.

The U.S. Commerce Department this week took the unusual move of evoking powers it hasn’t used in more than a quarter century to begin a
probe into Chinese aluminum imports that could lead to tariffs. This week, the U.S. joined the European Union in rejecting China’s claim that under the terms of its accession to the WTO it should have graduated last year to market-economy status, which would offer greater protection from anti-dumping duties.

**Cautionary Tale**

The U.S. move “is a cautionary and potentially significant marker in the U.S. crusade against what are deemed unfair trade practices,” said Patrick Bennett, a Hong Kong-based strategist at Canadian Imperial Bank of Commerce. “The issue of trade protectionism has potential to continue looming large for financial markets.”

The U.S. has taken other steps to tighten trade enforcement and more is expected in 2018 as investigations into Chinese intellectual property practices and other areas continue. The U.S. has proposed changes to the North American Free Trade Agreement that have been rejected by Mexico and Canada, raising the risk that Trump will follow through on his threat to pull out of the deal. The U.S. also wants to revamp its trade deal with South Korea.

“There is a sense that this administration regards with suspicion” multilateral organizations such as the World Trade Organization, said Carlos Gutierrez, who was U.S. Commerce secretary under George W. Bush. He’s now chairman of the National Foreign Trade Council in Washington. He added that Nafta talks "aren’t going anywhere," a distressing situation for global companies that have built supply chains on the assumption they won’t have to pay tariffs within North America.

Since Trump wants to boost U.S. growth, he will be pleased with the bullish outlook for the world economy. But he also wants to reduce the U.S. trade deficit with the rest of the world -- a goal that could slow the recovery in trade if it leads to more barriers.

**WTO Meetings**

That contradiction will loom over the world’s trade ministers when they meet next month in Argentina at a high-level gathering of members of the World Trade Organization.
WTO Director-General Roberto Azevedo has warned that the Trump administration’s decision to block appointments to the WTO’s appeals panel is undermining its ability to resolve trade disputes. Trump doesn’t feel the U.S. gets a fair shake at the WTO -- an argument other members question, given America’s leading role in creating the trade tribunal and the global rules that underpin it.

“Every country in the world hates the WTO. They just hate all the alternatives worse,” said Rufus Yerxa, president of the National Foreign Trade Council, whose members range from Coca-Cola to Facebook. “That’s really the lesson the U.S. has to draw. It’s easy to hate some system rules. The question is what’s the alternative?”

**Strong Momentum**

But while the risks stemming from trade tensions remain, the economic backdrop could hardly be rosier. Goldman Sachs Group Inc. and Barclays Plc forecast global growth will reach 4 percent next year.

The trade recovery is fueling confidence elsewhere too. A nascent recovery in investment as companies spend more on upgrading and expanding to meet demand creates a second wave of support. Illinois-based Caterpillar, long a pointer for global growth, has seen increased sales in almost every corner of the world: from Asia to Europe, and Africa to Latin America.

And even with a protectionist Trump presidency, trade pacts continue to get inked elsewhere. The Trans Pacific Partnership, dumped by Trump, has been revived by the eleven remaining members who continue to discuss it.

"The global economy appears set to remain in good shape in 2018 as the broad-based economic strength seen this year will carry over," Oxford Economics wrote in a recent note in which they revised their forecast for world trade higher by 0.5 percentage points to 4.2 percent next year. "We see some scope for further upward revisions."

Source: bloomberg.com - Nov 30, 2017
China unveils new standard for clothing with filling

China has unveiled an updated product standard GB/T 2662 for clothes with fillings. The new version, which replaces the 2008 version and will be implemented from December 1, 2017, covers woven textile fabric clothing filled with natural fibres, chemical fibres, or their blend, clothing that has animal fur or artificial fur linings and/or detachable linings.

The 2017 version of the standard, released by the National Technical Committee of Garments of the Standardisation Administration, replaces the 2008 version. The new standard was included in number 11 announcement 2017, of newly approved national standards in the People’s Republic of China.

The standard covers mass produced woven textile fabric clothing that is filled with either natural fibres, chemical fibres, or a blend of these materials. It also covers clothing that has animal fur or artificial fur linings and/or detachable linings. It does not cover products containing down or feather, or infant clothing for children aged less than 36 months.

GB/T 2662-2017 contains several revisions to GB/T 2662-2008. These include changes to the applicable scope of the standard, normative references, instruction for use, information about auxiliary material, appearance defects, sewing rules, ironing rules, inspections and classification of finished products, and inspection and determination rules for finished products.

The latest version of the standard includes a provision that children’s clothing with fillings, for children aged 36 months to 14 years, should comply with the requirements of GB 31701, the testing methods for finished products and the test method for the safety performance of children’s clothing. GB/T 2662-2017 has deleted two annexes - Annex A - Test methods for seam slippage and Annex B - Sample sketch for the seam strength of trouser back rise.

The new edition of the standard lists new tests for fibre content, formaldehyde content, pH value, banned azo colourants, Odour, dimensional change after washing, dimensional change after dry cleaning, colourfastness for shell (washing, dry cleaning, water, perspiration, rubbing, light, transfer in joints), colourfastness for lining (washing, dry
rubbing, water, perspiration), seam strength of trouser back rise, seam slippage, peel strength value for garments with adhesive interlining, pilling property for shell, and appearance after washing and/or dry cleaning.

Source: fibre2fashion.com - Dec 02, 2017

Egypt’s cotton exports drop 38.4% in Q4 of agricultural season

Egypt’s cotton exports went down 38.4 percent in the fourth quarter of the agricultural season 2016/2017, from June-August 2017, standing at 86,000 qantar (157.7kg), compared with around 140,000 qantar in the same period last year, state statistics agency CAPMAS said Sunday.

It attributed the drop to a decline in the area of cultivated cotton. In its quarterly report on cotton, CAPMAS said that India came as the top country importing Egyptian cotton, with almost 36,000 qantar, representing 41.5 percent of Egypt’s exports in the period between June and August 2017.

The report further revealed that total consumption of domestic cotton stood at 43,000 qantar in the period between June and August 2017, compared to some 118,000 qantar last year, representing a 62.8 percent decrease.

Egypt aims to double production of its most famous crop, after a period of slumping output, Agriculture Ministry spokesman Hamed Abdel-Dayem told Reuters in July.

He said that production should rise to 1.4 million qintar in the 2017/2018 fiscal year from 700,000 qintar a year earlier. All the cotton will be exported.

In July, Egyptian President Abdel Fattah Al-Sisi held a meeting with the Prime Minister as well as the ministers of agriculture and trade and the public enterprise sector in order to discuss ways of boosting the cotton industry.
Egyptian cotton is world famous for its high quality for its long fibers that produce a light durable fabric with a soft touch.

According to Trade Ministry’s data, the textile and spinning industry contributes with up to 26.4 percent to industrial production.

Source: egypttoday.com - Dec 03, 2017

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**Trump In Asia: Free Trade Under Threat? – Analysis**

President Trump’s visit to Asia on one of his longest foreign tours to date, as leader of the world’s largest economy, went relatively quietly. The five-country visit which began in Japan and ended in the Philippines included some important events such as the Asia-Pacific Economic Cooperation (APEC) Summit in Danang, Vietnam as well as the ASEAN Summit in Manila, Philippines.

Whilst trade issues were high on his lists of priorities, the tour was arguably dominated by the North Korea and South China Sea situations. Economic observers will have been watching his words carefully, looking for clues as to which way his future trade policy towards Asia might be headed and whether there is reason to worry.

**Trump’s Protectionist Tendencies**

The worries regarding trade and potential protectionism all stem from last year’s presidential campaign in the United States. Trump rode into the presidency thanks in part to a wave of populist anti-globalist sentiment, with trade deficits continually on the agenda. China faced the worst accusations but the overall narrative was that America had made bad deals in the past and this was proven by the consistent trade deficits that America had with many major economies.

Coming under particular scrutiny were multilateral trade deals. NAFTA was labelled the ‘worst trade deal ever made’ and the proposed Trans-Pacific Partnership (TPP) was constantly ridiculed, with one of Trump’s first official acts in office being the formal withdrawal from the TPP.
Understanding Trump’s perception of trade is key to making sense of his priorities. His administration has cultivated an image of a global system that contains clear winners and losers, painting deficits as ‘bad’ and surpluses as ‘good’.

Many economists would disagree with the absoluteness of this perspective, especially in the age of production networks that span multiple countries, meaning the fluid movement of components is crucial for many industries. Trump’s mercantilist-like views on trade ignore the nuances of trade and mutual benefits, in favour of an alternative zero-sum game reality.

**No Drastic Moves on Trade?**

Since his inauguration and the withdrawal from the TPP there have not been any drastic moves regarding trade, but tension still exists. Peter Navarro, who was made head of the White House Office of Trade and Manufacturing Policy, is a notoriously anti-China economist when it comes to trade, and many will be wondering how much influence he has over the White House’s policies.

The WTO has also been targeted by the Trump administration by blocking the appointment of judges needed for the organisation’s much admired Dispute Settlement Body as well as failing to nominate a permanent representative to the WTO. Trump has consistently been disparaging of the multilateral institution, insisting the US loses ‘almost of the lawsuits’, despite the reality being entirely different.

Meanwhile, in April a comprehensive review of all trade relations was ordered by the White House, country by country and product by product. All the signs seem to suggest protectionist moves will follow, and will be applied bilaterally, bypassing the multilateral system.

Though the trip to Asia did not produce any shocks in terms of trade, as the president’s tweets aimed at the Kim Jong Un regime somewhat overshadowed the tour, he largely stuck to his script. However, there were indications of Trump’s ‘America First’ trade policy. While in Japan, Trump declared that trade between the two countries ‘was not fair and isn’t open’, suggesting Japan should manufacture more of its cars in the US, seemingly oblivious to the fact that the majority of Japanese branded cars sold in the US are also produced there.
In China he described the current trade relationship as very ‘one sided’ but used this point to attack the previous administration’s weakness and exonerating China of any blame stating, ‘Who can blame a country for taking advantage of another country for the benefit of its citizens?’.

Then came the APEC Summit in Manila, which gave a platform for Trump to state he was pursuing ‘fair trade’, a similar message that had been communicated at G20 earlier this year. The emphasis on ‘fair trade’ as opposed to ‘free trade’ is pertinent as the US administration tries to change the narrative making room for protectionist based policies in the future.

**Should Asia Be Worried?**

If protectionist measures are taken by the US, it is important to consider what shape they will take and the process. Constitutionally, Congress has to approve imposing a tariff on products from another country, and given Trump’s inability to work successfully with Congress and the pro-free trade nature of the Republican Party, this seems unlikely.

He has other options, however, which can be carried out unilaterally, through rarely-used legislation or creative taxes indirectly targeting imports. The most likely target in the near future would be steel coming from China, as it could be carried out via executive orders. This is despite the fact that imports of Chinese steel have already been significantly reduced, thanks to previous anti-dumping measures.

Predictability has not been a hallmark of the Trump administration so it is difficult to know what exactly the future holds. However it would be overly optimistic to think that Trump would last the rest of his term without making a move on trade, as it would be hugely popular with his base.

George W. Bush set a precedent here by putting tariffs up to 30 percent on all steel imports in 2002, to placate the ‘rust belt’ states despite international protests. Playing to Trump’s base, particularly during moments of heavy pressure, is probably the most predictable trait of his presidency so far.

Considering he has created a narrative that deficits equate to a bad trade relationship, he will be judged by this measure and will come under
increasing pressure if the trade numbers, particularly with many Asian economies, do not significantly swing the other way.

The tour of Asia seemed to be setting the scene for a different approach to trade and preemptively justifying protectionist measures.

The worry for Asia, and especially ASEAN, is if this will lead to a chain reaction of protectionism, or will remain an isolated incident.

Source: eurasiareview.com- Nov 30, 2017

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Pakistan: Trouble at the mill: Pakistan’s once-booming textiles business in crisis

High fuel costs, unreliable utilities and a shortage of raw materials are causing a crisis in Pakistan’s textile and pharmaceutical industries, experts have told Arab News.

The country’s share of the global textile market has declined from 2.2 percent to 1.7 percent and the growth rate in the pharmaceutical industry fell from 17 percent to 2 percent after the closure of more that 5,000 industrial units in the past four years — most of them textile and pharmaceutical companies.

Among the high-profile casualties in 2013 were all five woollen and worsted fabric spinning and weaving units operated by Dawood Lawrencepur, an iconic Pakistani company and one of the most prestigious names in French and Italian fashion.

Profits fell from more than Rs350million ($350,000) to Rs2.775 million from June 2012 to July 2013 and the company was left with no option, Muhammad Saleem Farooqi, former managing director, told Arab News.

“The business was no longer feasible due to shortages of water, gas and electricity, as we could not meet the demand of exporters,” he said. “Investors and businessmen were placing their orders in India and Bangladesh for timely supply of products.”
Gohar Ejaz, chairman of the All Pakistan Textile Mills Association, said about 35 percent of the production capacity of the textile value chain had been closed, unemployment had increased by 30 percent in the past five years, and prospective investors were reluctant to make new investments.

More than 150 textile mills had closed in the past year alone because of high input costs, including gas and electricity tariffs, he said. Energy amounted to more than 30 percent of the total conversion cost in spinning, weaving and processing industries, he said.

“The industrial gas tariff in Pakistan is 100 percent higher than the regional average, and the electricity tariff is about 50 percent higher than our regional competitors,” he said.

“The textile industry cannot compete in the international market in such circumstances and many businessmen are contemplating shifting their units to neighboring countries.”

Dr. Shaikh Kaiser Waheed, chairman of the Pakistan Pharmaceutical Manufacturers Association, said: “The export-oriented sectors like pharmaceutical and textiles can compete in the international market only if the input costs are brought down immediately.”

In December 2013, Pakistan was granted GSP-plus status by the European Union, granting member states duty-free access to 96 percent of Pakistani exports to the EU, but it failed to fully exploit its benefits.

World Trade Organization data shows that Pakistan increased exports of garments by 10 percent between 2013 and 2015, but Bangladesh and India increased their garments exports in the same period by 13 percent and 17 percent respectively.

Some industrialists in Pakistan are switching to other profitable businesses; Lawrencepur has started investments in renewable energy. Tenaga Generasi, a subsidiary of Dawood Lawrencepur, completed a 49.5MW wind-power plant in October last year.

“We aim to be the leading renewable energy solutions company of Pakistan, with a turnover exceeding ten billion rupees by 2020,” said Farooqi, former managing director of its textiles operation. “Our mission now is to provide
cheap electricity to the industrial units, so they can compete in the international market.”

Source: arabnews.com- Dec 02, 2017

Cambodian Garment Unions Fear Possible End of EU, US Trade Preferences

Cambodian garment unions expressed concern on Friday that access to vital European Union and U.S. trade preferences could be under threat following the dissolution of the main opposition party under Prime Minister Hun Sen’s government last month.

The breakup of the Cambodia National Rescue Party (CNRP) and other moves by the administration to silence the opposition in the run-up to national elections next year has sparked international condemnation of the Southeast Asian country 25 years after a U.N.-led effort to help Cambodia get back on its feet after civil war and brutal Khmer Rouge rule.

International donors, including the EU and U.S., have said that they are ending aid to Cambodia or ramping up threats to do so in light of Hun Sen’s crackdown on the CNRP, independent media outlets, and NGOs. Critics say the prime minister has damaged the country’s fragile democracy and thrown the legitimacy of an upcoming ballot into question.

Hun Sen has made things even harder for Cambodia with his frequent taunting of Western donors over their criticism of the crackdown, much of which appears to violate the 1991 Paris Peace Agreements, which ended the war between Vietnam and Cambodia and led to the U.N.’s administration of Cambodia’s government while the country transitioned to a system of democratic elections.

Garment worker unions and the Garment Manufacturers Association of Cambodia (GMAC), which represents the country’s roughly 600 garment and footwear factories, are concerned about the impact on the nearly U.S. $7 billion textile industry should the EU and U.S. discontinue trade agreements with the country.
Some union leaders believe that garment industry jobs will be at stake if the international community decides to impose sanctions on Cambodia.

“If the international community puts sanctions on Cambodia, garment factory workers will be the ones who are affected the most because they rely solely on their small salaries to make ends meet,” said Ath Thon, president of the Coalition of Cambodian Apparel Workers’ Democratic Union, one of the country’s largest independent unions which was involved in October wage negotiations with the government.

“Many of them owe money to banks,” he said. “If they lose their jobs because the factories are closed, they will face assets forfeiture by the banks to pay their debts.”

Cambodia’s 700,000 garment workers earn a monthly minimum wage of U.S. $153, an amount that is set to increase to U.S. $170 in 2018.

**Possible social unrest**

Chea Mony, former president of the Free Trade Union of the Workers of the Kingdom of Cambodia, said retaliatory measures against the country could cause social unrest with mass protests by garment workers who lose their jobs.

“When people are frustrated and desperate, they gather and protest to find ways out,” he said. “They will not be afraid to die no matter how harshly the authorities impose restrictions on them. It will be impossible to stop them from protesting.”

Both Ath Thon and Chea Mony urged Hun Sen, who has been courting garment workers in the run-up to the election, to reconsider his actions and engage in talks with the CNRP to resolve the current political crisis.

“If the ruling party and the opposition start a dialogue to bring the current political tension back to normality and restore the democratic process and political stability, it would be great,” Ath Thon said.

“Let’s not forget that the preferential agreements are based on how Cambodia respects human rights and democracy,” he said.
Cambodia continues to enjoy trading preferences from both the EU and U.S. even though it has been elevated from a least developed country status to a lower middle-income country. The EU’s Everything But Arms (EBA) trade deal with Cambodia allows the bloc to imports garments both duty free and quota free.

In 2016, garment and footwear products made up some 80 percent of Cambodia’s total merchandise exports, with 43 percent shipped to the EU, and 29 percent exported to the U.S., according to the U.N.’s International Labour Organization.

US threats

U.S. senators have raised threats of sanctions on Cambodia over the jailing of CNRP leader Kem Sokha on charges of treason and have drafted a resolution in support of a bill urging the State Department and Treasury Department to block the assets of senior Cambodian officials and prevent U.S. nationals from doing business with them.

The U.S also has stopped providing election support for Cambodia.

“If Hun Sen composes himself and reconceivs the ways he does things so that the EU and U.S. trust him, then there will be no sanctions to be imposed on his government,” Chea Mony said. “If he does not change, then he will be the one to be blamed for making things worse.”

The moves by the U.S. have prompted the Cambodian Council of National Unions (CCNU) to request a meeting with American Ambassador to Cambodia William Heidt so it can make a case as to why the U.S. should not stop buying clothes from Cambodia.

“We have monitored very closely the recent developments in relation to the dissolution of the opposition party,” CCNU president Tol Phanmoeung wrote in a letter dated Nov. 29. “We have also noted the EU’s strong reactions to the government’s actions and their threats to stop buying goods from Cambodia.”

“However, we don’t want to see workers falling victims to or becoming hostages of political groups,” the letter said. “We therefore would like to ask
the U.S. to continue buying goods from Cambodia under the preferential agreement.”

Source: rfa.org- Dec 02, 2017

China to widen access to futures market for foreign investors

China's securities regulator said Saturday that the country will ease or lift foreign investment restrictions in its futures market.

Foreign businesses will be allowed to own up to 51 percent of shares in futures companies, and the cap will be phased out over three years, Fang Xinghai, deputy head of China Securities Regulatory Commission, said at the 13th China (Shenzhen) International Derivatives Forum.

An efficient futures market will play a key role in stabilizing and improving enterprises' performance, and industrial upgrading, Fang said.

China has been developing its commodity derivatives market and plans to gradually open it up to foreign investors.

In April, the country launched white sugar options, the second commodity options after soybean meal. In August, cotton yarn futures were traded on the Zhengzhou Commodity Exchange.

Futures contracts obligate investors to buy or sell underlying assets at a predetermined price at a specified time, helping investors mitigate risks of price volatilities.

Source: chinadaily.com.cn - Dec 03, 2017
Global cotton area to increase 11% in 2017-18: ICAC

Following two years of declining planted area, global cotton area for 2017-18 is projected to increase by 11 per cent to 32.5 million hectares. As a result, global cotton production is forecast to grow by 12 per cent during 2017-18, compared to 7 per cent growth in 2016-17, the International Cotton Advisory Committee (ICAC) has said in its latest report.

Planted area in India is estimated at 11.55 million hectares for 2017-18, with production projected to grow by 8.7 per cent to 6.2 million tons. In 2017-18, planted area in the US continues to grow for the second season by an estimated 20 per cent to 4.6 million hectares.

In Pakistan, plantings for 2017-18 are expected to increase by 24 per cent to 3.1 million hectares after several years of declining area with an anticipated 24 per cent growth in production to 2.06 million tons.

Production is projected to increase in all other major producing countries during 2017-18, including China, Brazil, Francophone Africa and Turkey.

Global cotton mill use is expected to grow in 2017-18 by 3 per cent to 25.2 million tons. Cotton mill use is also projected to grow moderately in India, Pakistan, Turkey, Bangladesh, Vietnam and Brazil. In China, mill use is expected to grow at 1 per cent to 8.12 million tons, while imports are expected to remain steady as the stock to use ratio decreases.

“The gap between cotton prices and polyester prices has continued to narrow since mid-2017 despite a recent upturn in cotton prices that may push cotton consumption higher. While mill use is rising, stocks will continue to grow as production outpaces consumption,” ICAC said.

Source: fibre2fashion.com- Dec 04, 2017
Textiles of recycled fibres must reach mass market: Report

The textile items made from recycled fibres should be made available and affordable to the masses apart from the environmentally conscious niche consumer segment, says a recent report. The emotional engagement for such recycled textile products has to be elevated, so that consumers are willing to take good care of them, and use them longer.

The brands and retailers are in the key position in defining the new circular customer value proposition – which is central for the profitability of the new circular business models of all business ecosystem actors, said the business ecosystem report of the Relooping Fashion Initiative. Focusing on the business ecosystem modeling work, the report has introduced crystallised vision of a higher-level system that enables the textiles industry to operate according to the basic principles of a circular economy. The report has been published by VTT Technical Research Centre of Finland.

"The growing interest among the textile industry, and more specifically the biggest consumer clothing producers and brands, towards recycled textiles, is the key driver for developing new recycling technologies. This places the brands and retailers, who are close to consumers, in a central role in the circular business ecosystem of textiles. Being also closely involved in the R&D initiatives for the new recycling techniques, brands are getting a bigger role in fibre production as well," the report stated.

The main direct opportunities of the circular economy relate to resource efficiency, the possibility to replace and reduce the usage of virgin materials, elimination of waste, new opportunities for employment, business and innovation, as well as promotion of sustainable consumption habits and fostering socio-economic well-being.

"Setting up the circular material flows will shorten the value chains, because brands will have to work very closely with all the actors of the entire business ecosystem. The retailers and brands will in the future also increasingly apply new circular business models, which are based on product use, rather than sales," according to the report.

Source: fibre2fashion.com- Dec 02, 2017
Europe set to award China 'Holy Grail' with tariff-rules revamp

European industries from steel to solar are bracing for a new set of tariff rules that may make it harder to fend off low-cost imports from China and other foreign countries.

European Union governments are due on Monday to rubber-stamp the biggest revamp of the bloc’s method for calculating duties aimed at countering below-cost — or “dumped” — imports. The move is a response to longstanding Chinese government demands for more favorable treatment while stopping short of saying those shipments are fairly priced.

The overhaul will end an EU presumption that Chinese exporters and those in nine other members of the World Trade Organization operate in non-market conditions. That approach, which has allowed for higher European anti-dumping duties, is being replaced by a more opaque procedure for determining whether imports unfairly undercut domestic producers.

“There’s going to be much more work for European industries to make their dumping cases,” said Laurent Ruessmann, a partner and trade expert in the Brussels office of law firm Fieldfisher LLP. “There’s a lot of discretion for EU trade authorities in the new system. The question is how that discretion is used and what the political influence will be.”

The EU carrot to China comes as both seek to claim a global leadership role in trade amid US President Donald Trump’s protectionist stance, which has shaken the post-World War II commercial order. The US has taken a different tack from the EU, rejecting China’s claim of market-economy status and refusing to alter how it calculates anti-dumping duties.

Europe is offering political and economic rewards to Beijing by removing China from the European list of non-market-economy countries in dumping investigations. While being the EU’s No. 2 trade partner behind the US, China is grouped with the likes of Belarus and North Korea in lacking market-economy designation by Europe and faces more European anti-dumping duties than any other country.

Such EU levies cover billions of euros of Chinese exports such as reinforcing steel, solar panels, aluminum foil, bicycles, screws, paper,
kitchenware and ironing boards, curbing competition for producers across the 28-nation bloc.

“China has coveted market-economy status as the ultimate recognition from the West,” said Hosuk Lee-Makiyama, director of the European Centre of International Political Economy in Brussels. “It’s their holy grail.”

The EU has traditionally used other nations’ figures to calculate anti-dumping levies against China on the grounds that Chinese state intervention artificially lowers domestic prices and makes them an unreliable indicator of a good’s “normal value.” This practice, known as the analogue-country model, has resulted in higher EU duty rates against Chinese exporters and — by extension — more protection for European manufacturers.

China’s agreement on joining the WTO 16 years ago made it harder for the EU to justify using the analogue-country model against Chinese exporters after a specific provision expired in December 2016. To drive home the point, Beijing filed a complaint the same month against the EU at the Geneva-based global trade arbiter, hastening European deliberations over an overhaul of anti-dumping rules.

EU legislators negotiated a deal in October and the full European Parliament offered its endorsement the following month, leaving national governments to give their final approval on Dec. 4.

The legislation, due to be published on Dec. 18, features elements of compromise between free-trade governments in northern Europe allied with China and more protectionist member countries in the south.

“It’s quite an elegant solution,” said Lee-Makiyama. “The EU has found a near-impossible compromise between the demands of European industry that thinks China is the enemy and the bloc’s legal obligations under the WTO. There remains plenty of scope to defend manufacturers in Europe because, in a way, Europe is abolishing the diploma just as China graduates.”

To ease the impact of the new system on European manufacturers, the EU will have recourse to a special formula for calculating anti-dumping duties against countries whose markets are deemed to have “significant
distortions” resulting from state intervention. Under the new rules, the EU will be able to construct the normal value of a good in an exporting country using undistorted costs.

In a sign of the balance that the new system strikes, the Chinese government is sending out skeptical signals about the EU changes.

The Ministry of Commerce in Beijing said in mid-November the notion of significant market distortions will cause “serious damage” to the WTO’s anti-dumping legal system. The ministry also said “China reserves its rights under the WTO dispute-settlement mechanism and will take the necessary measures to protect the rights of Chinese companies.”

Source: business-standard.com- Dec 04, 2017

Iran’s Chabahar port opens new India-Afghan lane

The first phase of the Chabahar port on the Gulf of Oman was inaugurated today by Iranian President Hassan Rouhani, opening a new strategic route connecting Iran, India and Afghanistan bypassing Pakistan, and reflecting growing convergence of interests among the three countries.

The port in the Sistan-Balochistan province on the energy-rich nation’s southern coast is easily accessible from India’s western coast and is increasingly seen as a counter to Pakistan’s Gwadar Port, which is being developed with Chinese investment and is located at distance of around 80 kms from Chabahar.

The Ministry of External Affairs (MEA) said Minister of State for Shipping Pon Radhakrishnan represented India at the inauguration ceremony of the Phase 1 of the Shahid Beheshti Port at Chabahar which was also attended by ambassadors and senior officials of the region.

An India-Iran-Afghanistan ministerial-level trilateral meeting on Chabahar also took place today on the sidelines of the event where the three countries resolved to work towards integrated development of connectivity infrastructure including ports, road and rail networks to open up greater
opportunities for regional market access and integration of their economies.

The Chabahar port is being considered a gateway to golden opportunities for trade by India, Iran and Afghanistan with central Asian countries besides ramping up trade among the three countries in the wake of Pakistan denying transit access to New Delhi.

“The routes of the region should be connected on land, sea and air,” Rouhani said at the inauguration ceremony, according to his office.

India has been closely working with Afghanistan and Iran to create alternative, reliable access routes for trade.

Under the agreement signed between India and Iran in May last year, India is to equip and operate two berths in Chabahar Port Phase-I with capital investment of USD 85.21 million and annual revenue expenditure of USD 22.95 million on a 10-year lease.

The MEA, in a statement, said Radhakrishnan also represented India in the second India-Iran-Afghanistan ministerial-level trilateral meeting on Chabahar port in Chabahar today. Iran was represented by its Transport Minister Abbas Akhoundi and Afghanistan by its Trade and Commerce Minister Humayoon Rasaw.

In the meeting, the three countries assessed the progress in the development of the port and reiterated their commitment to complete and operationalise it at the earliest, which they felt would provide alternative access to landlocked Afghanistan to regional and global markets.

A joint statement issued after the meeting said the ministers also deliberated on trilateral pact relating to the mega connectivity project and expressed satisfaction on the completion of the ratification procedures by Afghanistan and India. They welcomed the steps taken by Iran to complete the ratification process.

In May 2016, India, Iran and Afghanistan had inked a pact which entailed establishment of Transit and Transport Corridor among the three countries using Chabahar Port as one of the regional hubs for sea transportation in
Iran, besides multi-modal transport of goods and passengers across the three nations.

“The ministers discussed the next steps for full implementation of the agreement and moving towards its operationalisation. Towards this endeavour, it was decided to finalise protocols related to transport and transit, ports, customs procedures and consular affairs. It was also decided to convene an expert-level meeting of senior officials of the three countries at the earliest,” the joint statement said.

Reiterating the importance of Chabahar as a hub for regional economic connectivity and their commitment to work towards this objective, the ministers also commended the joint efforts of the three countries in the recent successful transit of wheat from India to Afghanistan through Chabahar.

“The ministers agreed that an integrated development of connectivity infrastructure including ports, road and rail networks would open up greater opportunities for regional market access and contribute towards the economic integration and benefit of the three countries and the region,” the statement said.

The ministers also agreed to organise a connectivity event involving all stakeholders at Chabahar at the earliest so as to increase awareness about the new opportunities offered by Chabahar Port.

The MEA said the meeting also commended the transit of first tranche of 1,10,000 tonnes of wheat from India to Afghanistan through the Chabahar Port.

It said Radhakrishnan expressed his positive appreciation to the Iranian side on the recent steps taken towards ratification by the Majlis of Iran on the Trilateral Transit and Trade Agreement signed in May 2016 between India, Iran and Afghanistan.

Speaking at the inauguration ceremony, Rouhani noted that transit is the best communication tool for nations, adding .

“the routes of the region should be connected on land, sea and air,” according to his office.
Ahead of the inauguration of the port, External Affairs Minister Sushma Swaraj yesterday met her Iranian counterpart Javed Zarif in Tehran during which implementation of the Chabahar port project was discussed among other issues.

Swaraj made a stopover at Tehran on her return from Russian city of Sochi where she had attended the annual summit of the Shanghai Cooperation Organisation (SCO).

Over a month ago, India had sent its first consignment of wheat to Afghanistan by sea through the Chabahar port, marking opening of the new transit route.

Source: thehindubusinessline.com- Dec 04, 2017
NATIONAL NEWS

India’s Merchandise Exports Limp Along Even as Global Trade Picks Up

India’s merchandise exports have turned negative in October, with a surprising 1.12% drop, and are expected to fall further in November as exporters turn away clients and new orders due to the difficulty of complying with the Goods and Services Tax (GST) regime.

The fall in exports comes at a time when global trade is booming.

As per the latest forecast by the World Trade Organisation (WTO), global trade is likely to grow by 3.6% in 2017, up from the lacklustre 1.3% growth in 2016. The strong performance of world trade in 2017 is attributed to the resurgence of Asian trade flows and recovery of import demand in North America.

The timing of India’s export drop is equally perplexing given that the WTO upgraded its earlier world trade growth forecast of 2.4% on September 21. Experts say that the the decline is also surprising given that exports are usually strong in the months leading up to Christmas as retailers in Western markets build stocks.

India’s October export performance contrasts with those of its Asian trade rivals like Bangladesh, Vietnam and China who reported positive growth. Vietnam reported nearly 21.3% growth in monthly exports, China nearly 7% and Bangladesh 6.4% during the month.

India had reported impressive export growth of 25.67% in September. The precipitous drop in the October exports shows that the feared disruption in MSME supply chains has now started taking its toll on the country’s export performance.

Exports from labour-intensive industries, such as textiles, gems and jewelry and leather and leather goods have reported steep drops in October.

Decline in dollar value of exports from labour-intensive sectors in October 2017
The ready-made garment sector reported a 39% drop in dollar export earnings during October, the gems and jewellery sector nearly 25% and leather and leather goods about 10%. All these sectors are dominated by MSMEs.

The sectors that have bucked the trend and reported positive export growth during October are engineering goods, petroleum products and organic/inorganic chemicals. These sectors are highly capital intensive and dominated by big corporate players who have better managed GST compliance and escaped unscathed from demonetisation.

Garment exporters say their export competitiveness has fallen due to the increase in working capital requirement and reduction in incentives. As per industry estimates, Indian garment exports have been 8-10% costlier in the wake of the GST. This is also impacting exporters’ margins in addition to sales volumes.

Industry sources say that exporters are not able to pass on the increased cost to customers as they are getting tough competition from suppliers from countries like Bangladesh, Vietnam, Sri Lanka and Cambodia, some of which are also enjoying duty-free access to the EU market which gives them 5% head start. As a result, India exporters’ cost disadvantage works out to 13-15% in the final analysis.

### Merchandise export growth in select countries during October 2017

<table>
<thead>
<tr>
<th>Sector</th>
<th>% decline in exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gems and Jewellery</td>
<td>24.51</td>
</tr>
<tr>
<td>Readymade garments</td>
<td>39.23</td>
</tr>
<tr>
<td>Leather and leather products</td>
<td>9.81</td>
</tr>
<tr>
<td>Man-made yarn/fabrics/made-ups, etc</td>
<td>5.91</td>
</tr>
<tr>
<td>Carpet</td>
<td>31.32</td>
</tr>
</tbody>
</table>

*Source: Commerce ministry*
In rupee terms, garment exporters’ earnings dipped by 41% to Rs 9,100 crore in October, from Rs 5,398 crore a year ago.

Alarmed over the sharp decline in October exports, the government has offered more incentives to provide relief to besieged garment exporters. Post-GST rates for claiming rebate of state taxes under the scheme for remission of state levies (RoSL) on exports of readymade garments and made-ups have been announced. The government has also doubled the rates for incentives under merchandise export from India (MEIS) scheme to 4%.

New MEIS rates are effective from November 1.
A textiles ministry release said post-GST rates of RoSL are up to a maximum of 1.70% for cotton garments, 1.25% for man-made fibre, silk and woollen garments and 1.48% for apparel of blends.

Meanwhile, the commerce ministry is working on a relief package for gems and jewellery exporters. The ministry has already asked the gems and jewellery industry to work out a proper business plan to promote growth of the sector.

“We have some time left, in another few weeks we have to finalise it as Budget will be in February, so we have to work on that (relief package for gems and jewellery exporters),” commerce and industry minister Suresh Prabhu said recently.

The Gems and Jewellery Export Promotion Council has demanded that import duty on gold should be slashed to 4% from the current 10% level.

<table>
<thead>
<tr>
<th>Country</th>
<th>% export growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>-1.12</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>6.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>21.3</td>
</tr>
<tr>
<td>China</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Source: Commerce ministries of respective countries
The trade body is mindful of the government’s concern that a lower import duty could lead to a spurt in gold imports but hopes that a cut would be finally made as a trade-off.

Another MSME-dominated sector, leather industry, estimates that it would need additional capital of over Rs 3,000 crore following implementation of the GST. There is a fear in the industry that many units could close down due to failure to raise capital.

The Council for Leather Exports, an industry body, has demanded that Centre’s duty drawback scheme for leather exporters should be extended till March 2018 as exporters’ capital was blocked on account of GST payment.

The industry body also wants the GST on finished leather goods and job work reduced to 5% from the current level of 12% and 18% respectively.

India’s competitiveness in the labour-intensive export sectors has been on a declining path in the last decade and needs significant structural reforms that need to be addressed, rating agency Crisil said in a recent report.

Crisil analysed the competitiveness of the labour intensive gems and jewellery, readymade garments and leather and leather products, and found these have become less competitive over the last decade.

“It is disquieting that India’s export growth is decelerating at a time when the global environment is becoming more conducive for trade. The reason is not currency strength, but weakening competitiveness. This needs to be reversed if India has to see sustainable, employment-generating exports growth,” Crisil said.

Source: thewire.in- Dec 02, 2017
India-Africa trade growth rate over 30 per cent since 2005

The total trade between India and Africa has grown at a rate of over 30 per cent since 2005, ambassador of Eritrea to India Alem T Woldemariam, who is also the dean of African Head of Missions in India, told the 9th edition of the annual event 'I for Afrika' of the Indo-African Chamber of Commerce and Industry organised in Mumbai last month.

The three-day event was organised from 13 to 15 November with Zimbabwe as the partner country. The focus sectors this year were agriculture, education, information technology, pharmaceuticals and healthcare.

The ‘I for Afrika’ initiative is aimed at nurturing entrepreneurship in Africa and support growth of small and medium enterprises, chamber president KL Daga told the gathering.

Africa aspires to raise its agricultural output from $280 billion in 2010 to $880 billion by 2030 and its gross domestic product is projected to reach $2.6 trillion by 2020, Sunanda Rajendran, secretary general of the chamber said.

Source: fibre2fashion.com- Dec 02, 2017

Government to prepare detailed research report to promote exports

The commerce ministry would prepare a detailed report based on market research to promote exports to ten geographies including East Africa and Latin America, a senior official said.

The issue was discussed during a meeting between Commerce and Industry Minister Suresh Prabhu and senior Exim Bank officials.

"What we are doing is prepare a complete detail market research. Exim Bank itself will not do," the ministry official said.

The Export-Import Bank of India (Exim Bank) would do the macro analysis and specifics will be done by some expert consultants.
Recently, Prabhu made a case for treating support measures to promote exports as investment and not subsidies, arguing that outbound shipments contribute in a big way to boosting growth.

Exports in October had entered the negative zone again, dropping 1.12 per cent.

The fall in shipment has been attributed to the liquidity problem being faced by exporters following the transition to Goods and Services Tax.

The US and the European Union account for about 25 per cent of the country's total merchandise exports.

Experts said huge potential exists in regions like south east Asia, East Africa and Latin America and specific plan would help boost the shipments.

"We should see the size of these markets, competitors, economic engagement with them, technical standards they follow and accordingly a strategy needs to be prepared," Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said

Source: economictimes.com- Dec 03, 2017

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**Job-creating sectors set to get more sops under export scheme**

Employment generating sectors such as leather and marine products will get higher sops in the much-awaited review of the Foreign Trade Policy (FTP), likely to be announced next week.

“Most of the labour intensive sectors including leather, sports goods, marine products and textiles are likely to get a 2 per cent additional incentive under the Merchandise Export from India Scheme (MEIS),” a government official told *BusinessLine*.

The Commerce & Industry Ministry recently enhanced the rate of incentives under the MEIS for garments and made-ups to 4 per cent, from 2 per cent, till June 2018 to help exporters struggling with the
implementation burden of the new Goods & Services Tax (GST) regime. “Most of the incentives for goods under the on-going five-year FTP are extended through the MEIS scheme. So in the review of the FTP, the additional sops will be given through the scheme,” the official said.

The MEIS is the most popular incentive for exporters, under which identified sectors are given duty exemption scrips that are fixed at a certain percentage of the total value of their exports. The scrips can be used to pay duties on inputs, including customs duties.

The review of the FTP (2015-2020) was due earlier this year but was delayed due to the implementation of the GST in July and the problems faced by exporters under the new tax regime.

“After a series of meetings of the GST Council, a large number of implementation issues that the exporters were facing have been sorted out. The rest of the problems have also been identified and would be redressed over the next few months,” the official said.

**Falling exports**

With exports falling 1.1 per cent in the month of October 2017 to $23 billion the government does not want to wait any more to announce sops for at least the labour-intensive sectors.

“The announcement of the review of the FTP, likely on December 5 will not be the last package of incentives for exporters. We would come up with more announcements as and when required,” the official said.

Commerce & Industry Minister Suresh Prabhu has asked the NITI Aayog to give inputs on an interim package to boost exports, which is expected soon.

**External developments**

The initial target set by the FTP of increasing exports to $900 billion by 2020 is already out of the picture as external developments, including unfavourable movement of commodity prices and fluctuating foreign exchange, have hit performance, Commerce Secretary Rita Teaotia had earlier explained.
With exports lower than $300 billion in the last two years, a target of $500 billion would need substantial efforts from the government.

Source: thehindubusinessline.com- Dec 02, 2017

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GES-Hyderabad: Smart materials to shape fashion wear

Amanda J Parkes is a fashion technologist who combines her deep understanding of wearable technology to shape new creations for the glamorous and flourishing global fashion industry.

As Chief Innovation Officer at US-based Fashion Technology Laboratories (FTL), she drives designs through a fusion of new smart materials and wearable technology. At FTL’s ‘Sustainable Chic in a Lab’, Amanda leads a team which works with luxury brands to create new designs and products.

Backed by a $50-million fund, the start-up is keen to bring a new wave in the future of fashion industry. “We are blending textiles and biotechnology to create products that are fashionable, friendly to skin and have electronics embedded,” she told BusinessLine on the sidelines of the GES 2017 here. The rapid developments in material sciences and nano technology are helping us to fabricate textiles with integrated circuits and smart materials that give us the functions which we desire for the hi-tech fabrics that we intend to bring to the market, says Amanda, who has a doctorate from MIT Media Lab.

She was one of the key speakers at the ‘enGENDERED Dialogues 2.0’ session at the GES, where entrepreneurs who transcended personal and social barriers and created out-of-the-box innovations made presentations. “Wearable technology, at present, is associated with devices or gadgets worn around the wrist and head. But, the evolution towards smart textiles will allow researchers to explore the entire human body and newer clothing,” she explained.

Some promising breakthroughs like orange fibre textiles are on the horizon. Similarly, textiles from different plants and chitosans from shrimp, which find applications in cosmetics and skin applications. For her work, Amanda was picked as one of the ‘8 wildest women of Silicon Valley’ by Vanity Fair.
Given the exciting prospects in the field, FTL is confident of attracting a second round of funding of up to $150 million to pursue material science and nano technology, she said.

“The focus will be not on consumer products in wearables, but on smart textiles and how the fashion industry can exploit it.”

While many companies, both big and start-ups, are working on wearable technologies, biggies like Apple (Apple Watch) and Google (Glasses) are also into wearables with an eye on textiles and other emerging applications.

Source: thehindubusinessline.com- Dec 01, 2017

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Reverse charge mechanism ‘unjust’, say cotton traders

The issue of Reverse Charge Mechanism (RCM) on cotton has come under attack. Members of the trade, ginners and seed producers have threatened to go on an indefinite strike if the RCM issue remains unresolved during the next GST Council meeting on December 21 by closing shutters from the very next day.

Members of Cotton Association of India (CAI) including representatives from ginners fraternity and members from all upcountry associations of cotton growing states deliberated on the RCM issue before deciding to give an indefinite call for strike if the issue is not addressed at the next GST Council meet Atul S Ganatra, President, CAI, chaired the meeting.

Issues relating to pending refunds to exporters since the roll of GST from July 1, plight of the cotton sector due to pink bollworm infestation and the consequent loss suffered by the farming community, blockage of ginners funds as cotton seed buyers and buyers of cotton bales were not paying GST were deliberated at length.

Trade sources appealed to CAI to take up the matter relating to removal of RCM on kappas. Omprakash Jain, President, Karnataka Cotton Association, said if RCM on cotton is not removed immediately, there would be no way left for ginners but to close down operations.
BS Rajpal, President, Maharashtra Cotton Ginners’ Association, contended that imposition of RCM on cotton is unjust as no other agri-commodity came under the purview of RCM. Manish Daga, Director, CAI, said around 2,700 farmers were diverting from cultivation of cotton to other crops every day. The resultant impact could adversely affect the textile sector.

Source: thehindubusinessline.com- Dec 03, 2017

Exporters file over 10,000 applications for GST refunds

With over 10,000 applications for refunds filed by exporters till November, the GST Network today asked exporters to ensure that the claims do not exceed the GST paid in that month.

The Central Board of Excise and Customs (CBEC) had last month started refunds for exporters of goods who have paid IGST and have claimed refund based on shipping bill by filling up Table 6A.

Earlier this month, it allowed businesses making zero rated supplies or those who have paid IGST on exports or those want to claim input credit to fill Form RFD-01A. It asked them to approach chief commissioner of central tax and the commissioner of state tax for the claim.

“As on November 30, 5,677 applications have already been filed by exporters using RFD-01 and 4,386 applications have been filed by them using Table-6 A of GSTR-1,” said a statement by the GST Network.

The Finance Ministry had last week said that exporters had claimed refunds of Rs 6,500 crore in the first four months of the GST roll out, and had advised them to file claims in proper form with matching shipping bills to facilitate early settlements. Goods and Services Tax (GST) was rolled out from July 1.

GSTN, the company handling the technology backbone of the new indirect tax regime, said that in order to claim refund for any month, the exporter would have to file initial sales return or GSTR-3B for that month.
“The amount of refund claimed in Table-6A should not be more than the amount paid in GSR-3B of that month,” it said, adding that details of shipping bills, as filed with Customs, should be provided in Table-6A. This would help avoid delay or rejection of Integrated GST (IGST) refund demand, GSTN added.

“It is important for the exporters to fill the refund details accurately since the computer system is designed to automatically grant refunds without involvement of any officer by matching information that is furnished on the GST portal and Customs system,” it said.

Source: financialexpress.com- Dec 03, 2017

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Handling charges: Terminal operators at JNPT not on the same page

A plan to set uniform shifting/handling charges across all container terminals at Jawaharlal Nehru Port Trust (JNPT) to draw more importers to a so-called direct port delivery (DPD) programme, which was rolled out last year to speed up imports through India’s busiest container port, has failed to take off.

With private firms running three of the four terminals resisting the move, the rate regulator was forced to notify the rate only for the facility run by the port trust.

Approved rates

The Tariff Authority for Major Ports (TAMP) has approved a rate of ₹1,688 for a 20-feet container (TEU) and ₹2,532 for a 40-feet container (FEU) for the JNPT-run terminal on an application filed by the port authority seeking identical rates for all terminals for the shifting of DPD containers at the yard.

The rates, notified by TAMP, are subject to delivery within three hours of “gate in” of the truck for taking delivery (of the container).
However, Dubai’s DP World collects ₹2,212 for TEU and ₹3,318 for FEU for handling DPD containers at its facilities in NSICT and NSIGT.

GTIPL, the facility run by Danish giant APM Terminals, charges ₹1,800 for a TEU and ₹2,700 for a FEU.

“The representatives of the [private] terminals have said that a uniform rate may not be possible to implement,” said a government official overseeing customs processes at JNPT. “There should be parity in pricing, otherwise, it is going to impact the DPD, as the saving of the importers will further be reduced,” he said.

Currently, 1,157 clients have been given DPD status, accounting for some 57 per cent of the total imports handled at JNPT. The number of containers cleared under DPD is only about 33 per cent of the overall containers handled. The share of NSICT and NSIGT is only 20-25 per cent of the containers cleared under DPD. They charge a higher rate, which is impacting the DPD, the Customs official said.

DPD essentially means import containers are delivered directly to pre-approved clients at the port itself instead of waiting in a CFS located outside for clearance, which reduces cargo dwell times and cost for shippers.

The Shipping Ministry, at the behest of NITI Aayog, instructed JNPT to set uniform rates for all the four terminals for making the DPD scheme attractive to consignees, in a bid to raise the DPD levels to 40 per cent from the 3 per cent in 2016.

As DPD involved multiple shifting (average of 2-4) of containers (stacked one on top of the other in the yard to facilitate delivery to importers from a mixed stack), this entailed extra costs.

Individual private terminals exercised their discretion to levy different shifting charges from importers.

Previously, there was no rate as DPD charges in the TAMP tariff guidelines. “The private terminals are linking and charging rates on single shifting /double shifting basis.
This has led to a situation wherein the benefits under DPD is denied and there is no certainty of cost to the trade. To have a uniform rate for all DPD clients, JNPT had approached TAMP to notify a new tariff for DPD,” says JNPT.

In its application filed before TAMP, JNPT said that a uniform rate for handling DPD containers “will help the importer by way of lesser cost”. Besides, being a “pre-determined rate”, it would enable the importer to plan his cost in advance.

Source: thehindubusinessline.com- Dec 03, 2017

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**GST effect: shaky Budget in offing?**

*With no clear number for targeted GST collections, is the Centre raking in as much as it should?*

Revenue uncertainty due to the implementation of the Goods and Services Tax could pose very real problems for the government when the time comes for it to prepare the Budget for financial year 2018-19, according to tax analysts and government officials alike.

The GST Council, in its latest meeting on November 10, announced several moves to ease the compliance burden on businesses, including deferring return filing deadlines for both small and large businesses, allowing small businesses to file quarterly returns, removing the need to file the GSTR-2 and GSTR-3 forms, and expanding the Composition Scheme to include more businesses.

The Council also drastically reduced the tax rate on more than 200 goods, including most of the items in the highest 28% tax bracket.

‘Revenue unclear’

“In the absence of a clear revenue number in the Budget for targeted GST collections, it is unclear whether the recent monthly collections in the range of ₹90,000 crore-plus will be adequate from a revenue neutrality perspective,” M.S. Mani, partner, GST, Deloitte India, said.
“Revenue numbers for December, the first full month after the recent rate reductions, would be keenly watched.” The uncertainty caused by incomplete revenue data has already been felt, with the Chief Statistician of India TCA Anant highlighting the issue when he presented the GDP growth numbers for the second quarter of this fiscal.

“In a normal year, businesses are conversant with the tax processes, and so know their tax liability, so the collections are usually in line with what is anticipated,” he said. “However, this year, the uncertainty surrounding GST procedures and the leeway the government has given in terms of extended deadlines has meant that the indirect tax collections for the particular period are still being updated.”

This means the GDP growth figure stands to change considerably in the next revision when the final GST collection data comes in, he explained. While this has meant uncertainty surrounding the growth rate in a single quarter, the bigger issue is the uncertainty could pose a problem for the government in estimating the potential GST collections for the entire 2018-19 financial year as it doesn’t have a trend to base its projections.

‘Huge effect’

“It [the effect on the Budget] is going to be huge,” Pronab Sen, country director, IGC’s India Central Programme, and former Chief Statistician of India, said. “Now that we have advanced the Budget-making date to actually November — by the middle of November they must start the process, so that it’s complete by the middle of December — you will have only four months’ data of GST, and even that data will not be complete. This is a problem. You don’t have complete data, you haven’t verified your input tax credit claims, so you really don’t know what the net effect is going to be. So, I suspect that a lot of this is going to be sheer guesswork.” The view among tax analysts is that easing compliance cannot come at the cost of certainty about revenue collections.

“Simplification should not actually mean the government cannot rely on what it is collecting,” Archit Gupta, founder and CEO of Cleartax said.

“Changes in rules have been numerous, which is good and bad, since it does show that the government is flexible, but it also has meant that there has been great uncertainty in how and when to file the returns.”
Another issue is the Budget-making process will not be able to incorporate the recent and drastic rate reductions, since they came into effect on November 15. So, a full month’s data with the new rates will be available too late to incorporate in the Budget. “The government has been coming out with its revenue numbers in the last week of the month,” a tax analyst said on condition of anonymity due to the sensitive nature of the insights. “So, the numbers for December..., will come only in the last week of January. But February 1 is when they will present the Budget.”

The challenge lies here, as “the Budget-making process will largely take place in December,” the analyst said. At the time, “they will have only July, August, September, October numbers. But October numbers will be a little deceptive primarily because it was a festival month. It will be very difficult to extrapolate using that month’s data.”

“The frequent changes in rates have made determination of ‘ideal’ revenue from GST even more difficult,” Mr. Mani added. “While expansion of the tax base and improved compliance would lead to increased revenues in the long run, short-term revenue concerns in light of recent sweeping rate reductions would be an area of focus for the government in the budget-making process.”

The government will not have the benefit of using last year’s Budget Estimates of indirect tax revenue to gauge collections in the next year, either. “When revenue projections for the current year were made, those did not factor in GST at all,” the tax analyst said. “They talked of excise duty, customs, services tax, etc. No GST projections were made.” So, “the government will have to talk of what level of GST has replaced excise and service tax. Right now, we have no comparison for the GST collections.”

‘Targets missed’

A back-of-the-envelope calculation shows revenue foregone by major taxes subsumed by GST (excise duty, service tax, countervailing duty, special additional duty, VAT, entertainment tax and luxury tax) amounts to about ₹12 lakh crore a year.

In other words, if the government collects roughly ₹1 lakh crore per month, it should be in a revenue neutral position compared with the pre-GST scenario.
It has, however, been consistently missing that target. While it collected between ₹92,000-95,000 crore a month in the first three months of GST, it collected slightly more than ₹83,000 crore in October, and this didn’t even take into account the subsequent rate reductions. Analysts expect the November and December collections to be even lower.

The final GST-related problem the government is likely to face come Budget time is on compensation payable to the States for any losses they incur due to GST. So far, the government has not estimated how much this would be.

According to tax analysts, the inability to project the total amount needed to compensate States also means it becomes very difficult to estimate whether collections so far from the compensation cess are enough.

“Whether the compensation cess collections are adequate can be known only if there is an idea of what they are trying to achieve,” said the tax analyst.

Source: thehindu.com- Dec 04, 2017