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IBTEX No. 118 of 2018 June 07, 2018

USD 67.06| EUR 79.09 | GBP 90.04 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21035	44000	**83.62**

Domestic Futures Price (Ex. Gin), June

Rs./Bale	Rs./Candy	USD Cent/lb
22450	46960	**89.25**

International Futures Price

NY ICE USD Cents/lb (July 2018)	90.95
ZCE Cotton: Yuan/MT (Jan 2019)	18,730
ZCE Cotton: USD Cents/lb	**112.69**
Cotlook A Index – Physical	**99.95**

Cotton guide: After three days fall cotton futures advanced on Wednesday to settle higher. The July future ended the session at 90.95 cents up by 111 points from previous close. Likewise, the December also moved higher to close at 90.55 cents up by 157 points. The main reason for rise in the price is the better US export sales report. U.S. April exports jumped 34% year on year, data show Wednesday. The market further advanced due to the potential import increases for Chinese mills. That was part of the strategy announced over the weekend by the Chinese government to assure mills have ample supplies.

Both ZCE and ICE futures have had record high open interest; but both have backed off of those highs. The ZCE in particular dropped a big chunk of open interest in Wednesday's session, down by almost 13 percent. In fact, it was the 2nd biggest one-day decline. ICE did not share the massive liquidation. Open interest began at 320,545 contracts, down 1,708 contracts, less than 1 percent. Speculators still appear to be bullish in our market. It wouldn't be surprising to see additional open interest after the session. Specs would probably be bullish in the ZCE, too, if the Chinese government wasn't making noises about punishing excessive speculation.

More on the Chinese front, Chinese State Reserve cotton on Wednesday's auction had a turnover rate of 48.46 percent, spinners only. Offered today were 30,006.854 tons (137,821 bales); and sold were 14,542.416 tons (66,793 bales). The cumulative turnover rate is 65.05 percent (offered versus sold). This auction series started at 24.1 million bales and today there were 18.67 million bales remaining.

On the technical front market has taken support near 88.50/89 area. We think it might have a little respite and slowly move higher. For the day we expect it to trade in the range of 89.80 to 91 cents per pound.

Coming to domestic front, spot price for S-6 is trading around Rs. 44,000 per candy ex-gin which is around 83.62 cents. However, the future price for June that has closed at Rs. 46960 around 89.25 cents per pound. And the US ICE future is around 90.95 cents. Interesting part to notice is that the spread between domestic future and ICE cotton future has narrowed down sharply to 1.65 cents per pound. We expect spot market to remain firm and because of which futures price at MCX may remain positive. The trading range for the day would be Rs. 22300 to Rs. 22600 per bale.

Currency Guide:

Indian rupee depreciated by 0.08% to trade near 66.97 levels against the US dollar. Rupee corrected today after appreciating 0.3% yesterday. RBI yesterday raised repo rate by 0.25% to 6.25%, the first rate hike since 2014.

Bloomberg forecasts indicated no change in interest rate. RBI maintained neutral stance and emphasized on objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2 per cent, while supporting growth. Supporting rupee is choppiness in US dollar and weakness in crude oil price.

The US dollar weakened against the euro on signs of monetary tightening by ECB. Crude oil hovers near recent lows amid unexpected increase in US crude stocks and expectations of OPEC's production rise. Rupee may witness choppy trade as market players assess RBI's decision however appreciation is likely given weaker outlook for US dollar and crude oil. USDINR may trade in a range of 66.85-67.2 and bias may be on the downside.

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

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INTERNATIONAL NEWS

China draws maximum investment in textile machinery: ITMF

Investments in new textile machinery are concentrated mostly in Asia and in particular in China, which accepts 40-50 per cent of global shipments of such machinery, said Christian Schindler, director general of the International Textile Manufacturers Federation (ITMF).

One reason behind this is high productivity in Asia, he said in an interview to Fibre2Fashion.

Rising wages in China are offset by investments in more automated and more efficient machines that are faster, better and less energy and water-intensive, Schindler said.

A second reason is the increasing demand for textiles and apparel in Asia, especially in China, he said According to Euromonitor, with a retail value of $341 billion, China will be the largest retail market in the world by 2020 surpassing the EU and the US with a retail value of $303 billion and $289 billion respectively.

Founded in 1904, ITMF is an international forum for the global textiles industry, dedicated to keeping its worldwide membership constantly informed through surveys, studies and annual conferences as well as publishing considered opinions on future trends and international developments.

The organisation is busy preparing for its annual conference in October in Nairobi with the theme ‘Supply Chains & Business Models in Times of Rapid Change’.

Source: fibre2fashion.com- June 07, 2018

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Trump May Dismantle NAFTA in Favor of Two Separate Deals

The North American Free Trade Agreement as we know it is in extra hot water this week as relations between the involved nations further deteriorate and President Trump renews talk of opting for bilateral trade deals instead.

The NAFTA negotiations have been dragging on and on as the U.S. puts substantial demands on the table that Canada and Mexico haven't been on board with, and Trump's moves—in whatever form they take—to put America first, have simultaneously served to alienate the nation's key allies.

With relations increasingly deteriorating and negotiations making little, if any, progress, Trump appears to be mulling a move away from the trilateral trade agreement in favor of two separate deals.

"His preference now, he asked me to convey this, is to actually negotiate with Mexico and Canada separately," White House economic adviser Larry Kudlow said in an interview with Fox News Tuesday, referring to Trump's current considerations. "I know this is just three countries but still, you know, oftentimes when you have to compromise with a whole bunch of countries, you get the worst of the deals."

The perspective that the U.S. has suffered at the hands of imbalanced trade deals has been Trump's impetus for the actions he's taken on trade. All within a week, the president said he would proceed with 25 percent tariffs on $50 billion worth of goods from China, for which the list of targeted items is slated for release June 15, and removed an exemption he had granted for Mexico, Canada and the EU for tariffs on imported steel and aluminum.

A White House issued statement in line with last week's action said, "The United States was unable to reach satisfactory arrangements, however, with Canada, Mexico, or the European Union, after repeatedly delaying tariffs to allow more time for discussions."

Since then, Canadian Prime Minister Justin Trudeau has responded calling Trump's play "an affront" to Canada, and has issued a list of retaliatory tariffs on up to 16.6 billion Canadian dollars ($12.86 billion) of U.S. imports, including a match on the 25 percent steel tariff and 10 percent tariffs on other

American products, like handkerchiefs, tablecloths, sleeping bags, bobbins for winding textile yarn. The tariffs will take effect as of July 1.

In an interview with CNN Sunday, Canadian foreign affairs minister Chrystia Freeland said of the retaliation, “This is the strongest trade action Canada has taken since the second world war.

It is perfectly reciprocal and balanced, so this will be a dollar for dollar retaliation. Our action is legal under WTO rules responsively, and I want to point out that the U.S. action which provoked this Canadian response, is illegal under the rules of the international trading system.”

On Tuesday, Mexico levied its own retaliatory trade tariffs on roughly $3 billion worth of U.S. products, including steel, pork, cheese and bourbon. The tariffs take effect immediately.

U.S. pork producers, which send the majority of their meat to Mexico are up in arms over the move, despite Trump’s promises to protect them.

Just ahead of Mexico’s tariff announcement, Trump tweeted, “Farmers have not been doing well for 15 years. Mexico, Canada, China and others have treated them unfairly. By the time I finish trade talks, that will change. Big trade barriers against U.S. farmers, and other businesses, will finally be broken. Massive trade deficits no longer!”

There have been no new tweets or official statements addressing Kudlow’s comments, but Trump had already alluded to negotiating with Canada and Mexico separately. Both nations, however, have noted their opposition to the idea.

Source: sourcingjournal.com- June 06, 2018

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Global economy to expand 3.1% in 2018: World Bank

Despite recent softening, global economic growth will remain robust at 3.1 per cent in 2018 before slowing gradually over the next two years, the World Bank has said. In 2019 and 2020, the bank foresees advanced-economy growth decelerating and levelling-off the recovery in major commodity-exporting emerging market and developing economies.

Activity in advanced economies is expected to grow 2.2 per cent in 2018 before easing to a 2 per cent rate of expansion next year, as central banks gradually remove monetary stimulus, the June 2018 Global Economic Prospects, released by the World Bank, says.

Growth in emerging market and developing economies overall is projected to strengthen to 4.5 per cent in 2018, before reaching 4.7 per cent in 2019 as the recovery in commodity exports matures and commodity prices level off following this year's increase.

"If it can be sustained, the robust economic growth that we have seen this year could help lift millions out of poverty, particularly in the fast-growing economies of South Asia," World Bank Group president Jim Yong Kim said.

"But growth alone won't be enough to address pockets of extreme poverty in other parts of the world. Policymakers need to focus on ways to support growth over the longer run—by boosting productivity and labour force participation—in order to accelerate progress toward ending poverty and boosting shared prosperity."

However, the projected outlook is subject to considerable downside risks. "The possibility of disorderly financial market volatility has increased, and the vulnerability of some emerging market and developing economies to such disruption has risen. Trade protectionist sentiment has also mounted, while policy uncertainty and geopolitical risks remain elevated," the report said.

A Special Focus (in the report) cautions that over the long run, the anticipated slowdown in global commodity demand could put a cap on commodity price prospects and thus on future growth in commodity-exporting countries.

Major emerging markets have accounted for a substantial share of the increase in global consumption of metals and energy over the past two decades, but growth of their demand for most commodities is expected to decelerate, the Special Focus section says.

“The projected decline in commodities’ consumption growth over the long run could create challenges for the two-thirds of developing countries that depend on commodity exports for revenues,” said World Bank senior director for Development Economics, Shantayanan Devarajan. “This reinforces the need for economic diversification and for strengthening fiscal and monetary frameworks.” Another Special Focus finds that elevated corporate debt can heighten financial stability concerns and weigh on investment. Corporate debt—and, in some countries, foreign currency debt—has risen rapidly since the global financial crisis, making them more vulnerable to rising borrowing costs.

“Policymakers in emerging market and developing economies need to be prepared to cope with possible bouts of financial market volatility as advanced-economy monetary policy normalisation gets into high gear,” said World Bank Development Economics Prospects director Ayhan Kose. “Rising debt levels make countries more vulnerable to higher interest rates. This underlines the importance of rebuilding buffers against financial shocks.”

After many years of downgrades, consensus forecasts for long-term growth have stabilised, a possible signal the global economy is finally emerging from the shadow of the financial crisis a decade ago. However, long-term consensus forecasts are historically overly optimistic and may have overlooked weakening potential growth and structural drags on economic activity, the report cautions.

The report urges policymakers to implement reforms that lift long-term growth prospects. A rapidly changing technological landscape highlights the importance of supporting skill acquisition and boosting competitiveness and trade openness. Improving basic numeracy and literacy could yield substantial development dividends. Finally, promoting comprehensive trade agreements can bolster growth prospects, the report said.

Source: fibre2fashion.com- June 06, 2018

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Global cotton outlook reveals gap in demand and supplies

World cotton consumption is projected to increase to 26.7 m tons in 2018-19 while world cotton production is estimated at 25.7 m tons.

Production in China is projected to decrease to 5.6 m tons based on reduced planting area, while consumption is forecasted to increase to 8.4 m tons.

US production, meanwhile, is projected to decrease to 4.2 m tons with exports projected to increase three per cent.

Reduced yields in 2017-18 in India are contributing to lowered planted area for 2018-19 with exports projected at 8,40,000 tons representing a 24 per cent decrease from the previous season.

Production in Brazil for the 2017-18 season is forecast to be 1.9 m tons, a 26 per cent increase from 2016-17, with 9,00,000 tons projected for export.

Production for the West Africa region in 2017-18 is estimated at 1.2 m tons, representing a 13 per cent growth from the previous season, with exports for the region expected at 1.04 m tons.

A third consecutive season of growth in demand for cotton, coupled with a decline in world cotton production and poor weather conditions in both China and the US – the world's leading exporter of the fiber – is adding another layer of uncertainty to the cotton market.

Source: fashionatingworld.com- June 06, 2018

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Low supply pushes up price in Brazilian cotton market

Owing to lower 2016-17 supply and the slow pace of the 2017-18 harvesting, cotton prices increased in the Brazilian market in May. Between April 30 and May 30, the Center for Advanced Studies on Applied Economics/Luiz de Queiroz College of Agriculture (CEPEA/ESALQ) cotton Index rose 12.3 per cent, closing at 3.7491 BRL ($1.0024) on May 30.

During the month, growers, trading companies and/or traders only had a few batches to offer. Some of them seemed to be accomplishing contracts involving the 2016-17 crop, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

On the other hand, buyers showed interest in new acquisitions in the spot market, even for mixed quality batches. However, only some agents agreed to pay the prices asked by sellers.

In general, processors were finding it difficult to pass on the price rises of raw material to by-products. So, some of them reduced the production pace and worked only with stocked cotton. Others opted for purchasing 100 per cent thread and/or mixed, lowering the needs for cotton.

The May 21 truckers strike, due to rise in fuel prices, hindered transportation, resulting in reduced trade in the spot market.

Meanwhile, data from the BBM (Brazilian Commodity Exchange) tabulated by CEPEA indicates that 75.1 per cent of the 2016-17 Brazilian crop (estimated at 1.529 million tons) had been traded until May 29. Of this total, 61.9 per cent was allocated to the Brazilian market, 27.5 per cent, to the international market, and 10.6 per cent to flex contracts (for exports, but with an option to sell in the domestic market).

For the 2018-19 season, data shows that at least 46.9 per cent of the 2017-18 output (forecast at 1.942 million tons) has been traded. While 46.8 per cent of the sales were meant for the domestic market, 37.5 per cent were for exports, and the remaining 15.7 per cent to flex contracts.

Source: fibre2fashion.com- June 06, 2018

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The U.S. is punishing Rwanda for rejecting our old jeans and T-shirts. It's a shortsighted move.

Petty trade squabbles and a general neglect of Africa by the U.S. imperil larger opportunities.

Rwandans would like to wean themselves from American hand-me-downs, and the United States wants to punish them for it. Last week, the Trump administration suspended duty-free access to U.S. markets for Rwandan clothing. This may sound like inconsequential news, compared with the prospect of a trade war with China, the European Union or our Canadian neighbors, but the move follows a dangerous trend of disregard for Africa. And it's not just Africans who will suffer: Neglecting the continent will foreclose trade opportunities, harm U.S. companies and, ultimately, cost U.S. jobs.

Rwanda and several of its neighbors recently introduced tariffs on used clothing in an attempt to bolster the local apparel industry. In response, a U.S. trade group filed a complaint, claiming that the new tariffs violate the terms of the African Growth and Opportunity Act, which requires participating countries to reduce trade barriers for U.S. goods. Unlike its neighbors, Rwanda stayed the course. The administration has every right to retaliate under the terms of the act — but the move is inconsistent and shortsighted.

For a start, the administration can hardly claim to be acting on principle. More than 100 countries benefit from U.S. trade preference programs without returning the favor. Florie Liser, former assistant U.S. trade representative for Africa, notes that countries like India and Brazil, which are major exporters to the United States under the program known as the Generalized System of Preferences, "ship a lot more to us than Rwanda, yet have significant barriers to U.S. trade."

The selective decision to retaliate against Rwanda not only adds to the general trade turmoil damaging U.S. standing overseas but also is seen as a particular snub of Africa, where President Trump's derogatory comments about its countries have not been forgotten.

The administration can't claim to be protecting a vital American industry, either. The complaints of the used-clothing association — that Rwandan tariffs would have a negative impact on up to 40,000 U.S. jobs — are unsubstantiated. Rwanda, a country of approximately 12.5 million people, imported $17 million in used clothing in 2016, according to the U.S. Agency for International Development. The clothes are primarily donations to organizations like the Salvation Army and Goodwill, bought by members of the trade group that lodged the complaint, the Secondary Materials and Recycled Textiles Association, and resold in Africa. Rwandan vendors sell them in market stalls.

Rwanda's motivations are as much about dignity as they are about economics. Just as China recently banned imports of "foreign garbage" that it used to buy and recycle, Rwanda is taking a stand against the perceived indignity of buying clothes that others have worn and discarded. It would be a different story if Rwandans were rejecting icons of American ingenuity and enterprise, like cutting-edge medical devices or mobile technologies. But they're not; they're rejecting our hand-me-downs.

The White House fails to grasp that, as well as the bigger picture for the United States. It's not just Rwanda — the president is picking fights with trading partners old and new over relatively small amounts of U.S. imports and exports and with little regard for the long-term consequences. As relationships fray — even longtime allies feel under duress — the price to the United States rises; the country will pay not just in self-inflicted economic harm but also in diminished global leadership and reduced support for its national security priorities.

Banning used clothes is not enough to build Rwanda's domestic textile and apparel industry, especially given competition from cheap Chinese imports of ready-made clothing. But there is a certain irony in Trump punishing Rwanda for protecting domestic manufacturing in what really is a Rwandan version of "America First."

More to the point, the United States ought to be supporting countries that pursue economic growth and development plans — not just because it is the right thing to do but also because the vitality of the U.S. economy depends on whether we have markets for our goods and services.

Until recently, supporting African economic growth was a key piece of U.S.-Africa policy. For instance, building on the African Growth and Opportunity Act's strong legacy of bipartisan support, President Barack Obama launched the Trade Africa initiative to support regional economic integration and work toward a more reciprocal trade relationship.

But the suspension of access for Rwandan apparel reinforces the sad truth that the Trump administration has no vision for trade with Africa. And there is no question that U.S. businesses will suffer as a result. Africa represents the last frontier for America's export-driven economy, with consumer and business spending predicted to reach $6.7 trillion by 2030. A U.S. government report released last week cited motor vehicles, poultry and refined petroleum products among various sectors, as well as a range of services, with the potential for greater American exports to sub-Saharan Africa.

The United States misses a larger opportunity by engaging in petty trade squabbles and generally neglecting the continent. While it is true that the Trump administration maintains that it supports more reciprocal trade relationships with African states and has been studying trade and investment potential in certain African markets, advancing a strategic economic partnership with Africa requires more than talk. Actions — like threatening the funding of government agencies that support U.S. companies investing in Africa, leaving key ambassadorships vacant and deprioritizing trade programs — speak louder than words.

Meanwhile, other economies are making aggressive commercial plays in Africa. China has been Africa's leading trade partner for the last nine years; trade scuffles like this one with Rwanda can only further drive African states into China's open arms. Nor is it just China — the European Union has been actively traveling the region, signing two-way trade agreements that will disadvantage American companies far more than any tariffs on secondhand clothing.

It would be misguided to dismiss this row with Rwanda as a small issue with a small country. The larger economic picture is much more worrying.

Source: washingtonpost.com- June 06, 2018

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Pakistan loses textile export share from 2.2pc to 1.7pc

Pakistan has lost its textile export share from 2.2 to 1.7 percent in the world market over the last decade, Adviser to Textile Industry Shahid Sattar told The News.

"Pakistan's textile industry is currently facing the toughest periods in decades as despite being the 4th largest producer and 3rd largest consumer of cotton, country is facing deficit in cotton production since 2013 and relies heavily on imports of cotton to meet local demand."

During ongoing season, he said, industry has failed to achieve the cotton production target of 14.1 million bales. The production has been estimated at 11.9 million bales against the domestic demand of approximately 15 million bales. "As the cotton sowing season has ended on May 31 (started in April), only 50 to 55 percent of sowing target has been achieved so far."

He said that cotton oriented textile industry is mainstay of economy of Islamic Republic of Pakistan. It contributes to 60 percent of countries' exports, 8.5 percent to total GDP and provides employment to 40 percent work force.

Highlighting the agonies that the industry is facing since long he argued saying that an industry with such a great potential has been subjected to significant threats and challenges over past few years. The major challenges faced by the industry are unstable world prices, macroeconomic instability and high cost of doing business, inappropriate policy environment and anti-industry government attitude.

In addition to economic issues, Pakistan's textile industry is also facing strong competition from the regional competitors (Vietnam, Bangladesh, India and China) as well as from the global competitors like American and European textile industries.

Cotton production has declined in the past few years due to many reasons; like ongoing water shortage, outdated technology, low quality seeds and fertilizers. Government's biased policies towards sugarcane, natural disasters, high cost of doing business and high prices of raw materials and competing crops etc. are responsible for the drop in cotton production.

The policies to support sugar cane, Sattar said, has been short sighted and detrimental to the economy of Pakistan as investing in sugar cane crop actually lowers the overall wealth generation in the country, apart from the wastage of our scarce water resources as sugarcane is more water intensive than cotton.

Moreover, cultivation of cotton can also contribute in the production of edible oils that is a significant import of Pakistan. “Our government accepts that one million bales change in production of cotton translates into a 0.5 percent impact on GDP.” He said that textile industry of Pakistan has been the worst hit by power cuts.

In addition to energy crisis, a massive increase in gas, electricity and other fuels has forced the textile mills to close their units, especially in Punjab the industry is under severe pressure due to unsustainable gas pricing. Almost 200 textile mills have closed their operations and about one million workers lost their jobs. As a result low profitability and loss in textile industry, the machinery being used is obsolete and has not undertaken up-gradation.

This has resulted in a vicious circle, outdated machinery, inefficient and expensive energy and expensive output. It would not be possible to remain competitive in export market unless up gradation in industry is undertaken.

At present, farmers fear that because of severe water shortage the production of cotton may decline by 35-40 percent further compared to last year. Loadshedding in cotton belt areas, shortage of water and severe heat waves are causing seed burns.

To protect the sown seeds government will have to provide uninterrupted electricity in cotton belt areas to keep irrigational tube wells functional, if a half decent cotton crop is to be expected.

Under these circumstances, imposition of 10 percent custom duty on imports of cotton is anti-industry and growth. In Pakistan cost of doing business is already extremely high as compared to regional countries so the import duty of 10 percent will affect the exports of textile industry and will make the industry uncompetitive in the global market.

In January 2018, Pakistani government withdrew 4% custom duty and 5% sales tax to meet the shortfall of silver fiber and to promote value addition. This withdrawal of custom duty contributed positively in the growth of textile industry and as a result the exports of value-added textile products recorded a growth of 12.8 percent in the first five months of 2017-18.

Previous year cotton growers, he said, received 3,100 rupees per mound and this year expected price is around 4,200 rupees per mound which means farmers will receive 35 percent higher remuneration as compared to previous year, therefore abolishing import duty will not jeopardise the livelihood of cotton producers.

“Cotton forms almost 70 percent of the total cost of textile final product and an increase of 10 percent in raw material prices will result in further closures of firms and millions of people may lose their jobs. An economy where cost of doing business is already high cannot absorb 10 percent increment in cost of raw material may result in to decline in the mainstay of our industrial sector.”

He stressed his arguments further saying: “Our regional competitors have thrived under the zero tariff policy. Bangladesh, the regional competitor of Pakistan, in spite of being second largest exporter of readymade garments (RMG) after China, also relies on imports of cotton to meet its almost 99 percent domestic demand for cotton.

Regardless of cotton deficit industry, Bangladesh textile industry is flourishing because of its duty free cotton imports. Even with increasing cotton import trend, 0.34 percent growth in RMG exports’ earnings and 10.21 growth rate in world exports was recorded in fiscal year 2016-17, with a duty free import policy.

The third largest exporter of textile, Vietnam has also recorded a growth of 10.23 percent in previous year. With a custom duty of zero percent and value added tax of 5 percent, Vietnam’s production capacity is expected to rise by 12-14 percent and export potential is also forecasted to grow by 15 percent during the period 2016-2020.”

And to compete with Bangladesh, Vietnam and other regional competitors like China and India, he suggested that the government of Pakistan should revise its current tariff policy. If the cost of doing business is not decreased and brought at par with other Asian countries, our products would not be able to compete in global markets both in price and quality. "To promote textile industry and economy of Pakistan all the utility charges and levy of taxes should be brought down to the level of our competing nations," he said.

Source: thenews.com.pk- June 07, 2018

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An insight into Foreign Direct Investment scenario of Bangladesh

Bangladesh has once again hit the headlines for fulfilling all the parameters for graduating from an LDC country to a developing one. This has been possible because of dynamic policy of the government, relentless efforts put by our entrepreneurs and sincere support given by different professionals.

The Gross Domestic Product of Bangladesh (GDP) showed an increase of 7.11 percent in 2017 which is all time high. It is expected that growth of GDP will continue in the coming years. The GDP growth is made possible due to rise in export, domestic investment and implementations of a number of ongoing projects supported by increase in remittance by expatriate Bangladeshis working abroad.

The latest data reveals that in 2017 USD2.15 bn was received as FDI. During Oct- Dec period of 2017 the net inflow of FDI rose to 29 percent as against the previous quarter of July- Sept of the same calendar year. Most of the foreign investors put their money in garments and textile industry.

Moreover, investments were also made in banks, telecommunication, power, food, energy, IT, leather and leather goods, cement etc. Countries like India, China, S Korea, UK, the Netherlands and Japan have played important roles in contributing to FDI.

During the last few years there has been significant increase in trade between Bangladesh and China. Our import from China is about 10 billion us dollar as against our export of USD 800 million .China has offered duty free access of over 500 items of Bangladeshi origin into their market.

The prospect of FDI in Bangladesh is enormous. The Foreign Private Investment Act 1980 duly safeguards equal treatment for local and foreign investors. Legal protection is also guaranteed against nationalization and repatriation of profits etc. The government policy on investment is also kept consistent and investors have no reasons to fear about the frequent changes of policy.

Bangladesh has a track record of success stories regarding operation of micro credit and functioning of non govt. organization (NGO). The NGOs are supplementing the economic and social development of the country to a great extent. The NGOs with their micro credit programme have direct positive impact on our FDI.

The rapid spread of telecommunication, introduction of 4G services, record level of remittance by expatriate Bangladeshis and accelerated export earnings have all contributed to a comfortable FDI scenario of Bangladesh.

In an attempt to attract more FDI a few more important variables must be taken into consideration. The key variables are the liberalization of trade policy for openness in view of globalization of the world trade.

Bangladesh being a member of WTO is always adaptable to all kinds of trade policy reforms and openness towards both external and internal trade. The infrastructure development is another vital area for FDI. By infrastructure we mean power generation, roads and highways, waterways telecommunication services etc.

To develop infrastructure in a short span of time is not possible for any govt. It is a continuous process and as such the govt. has developed Special Economic Zones to attract FDI. The Zones are like efficient enclaves in the country with certain privileges which can be developed very shortly and hence can cater to the need of the investors both foreign and local.

Bangladesh Economic Zones Authority (BEZA)is the only govt. entity to overview the effective functioning of these Zones which are about 100 in number. It is expected that there would be a lot of potential investors to reap benefit out of it.

It would be worthwhile to focus on the FDI coming from two important economies of Asia, namely India and China. India being our closest and friendly country has been consistent in investing in different projects in Bangladesh. Her FDI was 56 million USD in 2013-14 FY, while it grew double during 2016-17 FY.

The investments are mostly visible in Textile and garment s, infrastructure building, power generation and banks etc.

Because of close geographical proximity between the two friendly countries the more investment coming from India would be beneficial for both countries. In order to reduce huge trade gap between Bangladesh and India, FDI can play a crucial role in this regard.

For example if Indian manufacturers relocate their few labor intensive factories to Bangladesh , produce the goods and then export it to India then the trade gap can be reduced in the long run.

It is worthwhile to note that Bangladesh is still cheap in terms of wages of labor compared to other South East Asian countries. Manufacturing of Garments, textiles, automobiles can be more cost effective.

It is encouraging to note that Bangladesh is progressing fast and it has to retain the tempo in future. Govt. alone cannot do everything and needs support from Business leaders, policy makers, civil society and people at large to keep this rolling.

Source: thebangladeshpost.com - June 06, 2018

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Indonesia fiber industry up eight per cent

During the first quarter of 2018, Indonesia's fiber and filament yarn industry grew eight per cent on an annual basis.

The Indonesian industry has proposed the provision of textile-specific clusters to improve the competitiveness of domestic products.

The domestic textile industry is also constrained by logistics problems because the upstream and downstream industries are located in dispersed areas. Fiber and yarn producers are in one area, clothing manufacturers are elsewhere.

Industry players want the upstream and downstream industries integrated in one region. In terms of production, in the period of January-March 2018, the textile industry increased by eight per cent on an annual basis.

The growth is driven by domestic demand as there is still a tightening factor in wholesale imports and other imports, so domestic consumers are still looking for local products.

Indonesia hopes to triple textile and textile product exports in the next five years. If this happens, this sector will be Indonesia's largest non-oil export contributor and create jobs for six million people.

However the market is flooded with imports.

Indonesia is one of the world's largest textile manufacturers and exporters . At present, the US is the largest clothing importer from Indonesia.

Source: fashionatingworld.com - June 06, 2018

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Pakistan's New Role Between China and Europe: Opportunities and Challenges of China's Silk Road Projects

Before talking about Pakistan's role between China and Europe in the context of the New Silk Road or the China-Pakistan Economic Corridor, it is important to talk about the Belt and Road Initiative (BRI).

The BRI is a global wave. The initiative covers 68 countries, 62 percent of the world population and one third of the world GDP. It spans three continents – Asia, Africa and Europe – and may soon be embraced by the Americas. It projects hard power through solid transnational investment across continents and soft power through a new international culture of cooperation amongst nations and regions.

Already, under this initiative, plans are underway to invest US $ 1 trillion in infrastructure, energy and industrial projects. It has its own banking system under the banner of the Silk Road Fund and the Asian Infrastructure Investment Bank. This initiative is much, much bigger than the Marshall Plan in volume and geographical expanse.

Dozens of Chinese cities are connected with dozens of European cities. China invests in Europe in the energy, telecommunications and real estate sector; and Europe receives millions of Chinese tourists. Europeans have invested heavily in the industrial and services sectors in China creating mutual dependencies.

The China-Pakistan Economic Corridor is the flagship project and essentially an offshoot of the BRI. So any role Pakistan can or will play between Europe and China will be within the framework of the BRI and CPEC combined.

As the hub of the China-Pakistan Economic Corridor (CPEC), Pakistan is both a conduit and a destination for logistical chains, trade and investment. Over the years, Pakistan has strengthened its national security and developed national consensus around this game-changing mega-project.

CPEC is not an apparatus to colonize Pakistan. Pakistan is too large and important a State to be colonized; China is not and has never been a colonial power and the colonial era is over forever. Pakistan is sovereign and solvent and will pay up its CPEC and non-CPEC debts. All such rumours need to be quashed. If anything, Pakistan has become a land of opportunity.

I believe that both the BRI and CPEC are a conscious effort to reach out to Europe which will bring Europe closer to Chinese markets and vice versa; and for Europe it is prudent to reciprocate. And many European countries are reciprocating and taking their own initiatives to secure and expand their space in the BRI.

Europe's response to the BRI right now is split. Supporters welcome it. President Macron of France, for instance, said that his country would be a "cheerleader" for the BRI in the European Union and the British Prime Minister Theresa May talks of Sino-UK relations' "golden era", post-Brexit and post-BRI. Critics contend that the BRI will erode the EU's unity and cohesiveness, give tough competition to European trading and corporate entities in Eurasian markets and may well affect or even threaten its security and its share in the overall power balance in the long run.

German Chancellor Merkel sees the BRI's impact as one of the "greatest challenges "and German political elite is calling for a "One Europe" policy towards China. They suggest that the EU's interests are aligned more naturally with the Quadrilateral Security Dialogue (Quad) countries – the US, Japan, Australia and India – and therefore it should explore a rule-based connectivity by partnering with them.

The China-Pakistan Economic Corridor is not just a stand-alone project. It is developed into a plexus or one may call it a docking port for connecting East Asia, South Asia, Central, West and Southwest Asia. It may well become a collaborative arrangement like BRICS in due course, because many regional and extra-regional states are showing interest in it. Although launched by China and Pakistan, it has already attracted attention of Russia, Turkey, Italy, France and the UK. Germany, Spain and others could join in and the cumulative investment from these countries will give a huge stimulus to the CPEC itself. Several European countries are already consulting with Pakistan and China to participate in the CPEC projects.

The UK, in particular, which is linked officially to the BRI, has shown keen interest in investment in non-EU projects such as CPEC. British Foreign Secretary Boris Johnson has called it "a wonder project" and has encouraged UK firms to support the "construction of this fabulous venture", which in his view will "revive the ancient Silk route and see the rebirth of trading caravans connecting East and West."

He has expressed optimism that Karachi would be Asia's "biggest trading entrepôt" along with Dubai, Singapore and Shanghai.

Similarly, France has shown interest in strengthening economic and commercial relations with Pakistan and has acknowledged that CPEC has created many business and investment opportunities for the two countries and France is willing to come forward with its technology and expertise to fill the gaps in Pakistan.

The French President has called CPEC a good connectivity channel for the region; and France has already increased its investment in multiple sectors in Pakistan, with a Euro 700 million development portfolio. But this is modest, given the vast potential that lies ahead.

While Russia and Pakistan are exploring several avenues of defense and military cooperation, both countries want to build economic ties inside and outside the framework of CPEC. The Gwadar Port, in particular, will give Russia access to warm waters via Central Asia for international trade which has been an age-old dream of the Russian strategists. Russia has also shown readiness to invest in many economic sectors, including a steel mill, roads, railway and pipelines.

Pakistan is already doing business with Europe. Europe contributes nearly 25% of Foreign Direct Investment to Pakistan and the volume of Pakistan-EU trade is Euro 12.7 billion approximately. Under GSP+ arrangements, meant to support Pakistan's governance, sustainable development and environmental protection, Pakistan enjoys concessions in duties on two thirds of categories of export items.

The European Union is Pakistan's most important trading partner, accounting for 13% of Pakistan's total trade and roughly 24 % of Pakistan's total exports. To the EU, Pakistan mainly exports textiles and clothing and it imports from the EU machinery, transport equipment and chemicals.

Pakistan is conscious that it needs to tap the full potential of the EU's market of 460 million people, as well as the EU's treasure trove of technology and knowhow. Pakistan is not a small market either with a population of 207 million and 62 percent of them under the age of 30. This is the biggest youth bulge which makes Pakistan the youngest country in the world.

Pakistan would use CPEC as a catalyst for economic transformation, modernize its industry, develop its maritime economy, build its human capital and diversify its trading partners and sources of investment. Joint investments by Europe, Pakistan and China under the umbrella of CPEC would create huge opportunities for livelihoods, businesses and human development. In this context, it will build bridges between Europe and China, Europe and Asia. Pakistan will play a pivotal part in this process.

Finally, I would like to add that Azad Jammu and Kashmir, the state that I represent, is also now integrated into the China-Pakistan Economic Corridor and four projects under CPEC have been initiated. These are two hydropower projects, one of them being directly funded by the Silk Road Fund, one Expressway and an industrial zone. This augurs well for Azad Jammu & Kashmir's economy.

Source: pakobserver.net- June 06, 2018

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Pakistan fails to meet cotton sowing target as water shortage bites

Pakistan has missed cotton sowing targets, largely in Sindh, due to acute water shortage amid climate change.

The situation may lead to low cotton production compared to the target of 14 million bales in the next season (2018-19) as well.

Farmers have so far sown cotton seeds over 2.31 million hectares in the country that is around 22% short of the target of 2.95 million hectares as on June 1, according to government statistics.

Govt agrees to stop cotton imports during crop picking

"Water shortage did not let farmers plant cotton over the targeted area," Planning Commission Food Security Consultant Dr Mohammad Ali Talpur told The Express Tribune on Wednesday.

"Farmers need water at the time of sowing," said Pakistan Cotton Ginners Association (PCGA) former chairman Mukhtar Ahmad Khan.

"It did not rain in March and April, which usually happens almost every year. Resultantly, water flow remained absent from canals and did not let farmers sow seeds over the targeted area."

According to the statistics, farmers in Sindh have cultivated cotton seeds over around 50% (0.29 million hectares) of the targeted area of 0.62 million hectares. The sowing season in the province has yet to end.

"Sindh completes cotton sowing by the end of June. It is estimated to cover 80-85% of the target," Talpur said.

Pakistan's export performance is correlated to cotton prices – and this is a concern

The sowing season in Punjab had, however, been completed in mid-May, he said. The statistics suggested that the province cultivated seeds over an area of 2.01 million hectares against the target of 2.31 million hectares.

Khan, however, added that the sowing situation was as poor in Punjab as it was in Sindh.

It suggests that the county will continue to face shortfall in cotton output this year too.

The government has set the target of producing 14 million bales (of 170 kg each) in the 2018-19 cotton season.

In the current fiscal year ending June 30, 2018, the country could produce only 11.5 million bales against the target of 14 million bales.

A former office-bearer of PCGA estimated that cotton production would remain short by around 25% from the target.

For two and a half decades, Pakistan's cotton output remains virtually stagnant

In 2011-12, the country had produced a bumper crop of 14.8 million bales against the target of 14.1 million. Since then, it has continued to miss production targets with output of around 10-11 million bales every year due to spread of virus and shortage of water.

The production shortfall may force yarn manufacturers to increase imports as they make purchases from overseas markets almost every year to meet the shortfall and get high-quality cotton.

Total need in the country stands at around 16 million bales.

Source: tribune.com.pk- June 07, 2018

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Vietnam garment sector to boost export growth

The domestic textile and garment industry is expected to sustain growth in exports in the coming months, according to the Viet Nam Textile and Apparel Association (VITAS).

Truong Van Cam, VITAS vice chairman and general secretary, said many textile and garment companies had signed contracts to produce export products in the third quarter of this year.

Many Vietnamese garment firms had also sustained high growth this year in traditional markets such as the United States, the Republic of Korea, the European Union, and member-states of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Cam said a series of recently-signed free trade agreements (FTAs) was expected to boost the sector.

Since 2001, Viet Nam had signed bilateral trade agreements with the US, Japan, China, and the Republic of Korea, as well as Australia, New Zealand, and India, and joined the World Trade Organisation. However, global demand for textiles and apparel only grew by 1 to 2 per cent each year, resulting in fierce competition, he said.

Most FTAs have product origin rules for fibre and fabrics even as Viet Nam imports up to 80 per cent of materials, according to Cam.

Bangladesh, on the other hand, has cut its corporate tax rate to 20 per cent from 35 per cent, import tax for linen and spandex fiber from 10 per cent to 5 per cent, and chemical products and dye from 25 per cent to 15 per cent.

Meanwhile, Pakistan has waived material, energy, equipment, and machine taxes for the production of export apparel, and India has reduced fibre import tax to 2.5 per cent from 5 per cent.

The EU has offered zero per cent tax to apparel from Cambodia and Myanmar, while the US has waived taxes for several Cambodian goods. However, Vietnamese apparel are still subject to tariff rates of 17.7 per cent and 9.6 per cent when exporting to the US and the EU, respectively.

VITAS has called on the State to devise planning and grant licences to major garment industrial areas to attract investments in weaving and dyeing. It also urged support for waste water treatment in industrial zones and measures to discourage foreign firms from investing in fiber and sewing.

Source: vietnamnet.vn- June 06, 2018

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Phones and electronics overtake textiles as Vietnam's biggest export earners

Data of the General Department of Vietnam Customs shows that textiles and garments registered total export revenue of US$2.15 billion in May, up 1.6% against April, but the figure was lower than export earnings of the computers/electronics/accessories group which obtained US$2.5 billion, up 11.6% against last month.

Exports of the computers/electronics/components group which often came in third in the past few years have leapfrogged the apparel sector, becoming the country's second biggest export earner.

According to the customs, the group's exports generated a staggering US$10.9 billion in revenue in the first five months, up 14.2% year-on-year.

However, this group was mainly dominated by foreign direct investment enterprises such as Samsung.

Source: vietnamnet.vn- June 06, 2018

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Cotton mart sees bullish signals as deficit looms

The world cotton market may be poised for a bull run in the months ahead as the market fundamentals are changing. With global consumption in 2018-19 projected to run ahead of production and ending stocks set to decline to multi-year lows, prices could only be headed north.

The China factor

But a more important reason for the emerging bullish sentiment is that China, arguably the world's largest stakeholder in cotton, could be back in the market with a bang. The Chinese announcement that the country intends to raise its cotton imports with reduced-duty is seen as a positive for the market.

In recent years, China's cotton import volumes had declined drastically as the country continued to liquidate large inventory. The Asian major's annual imports are currently close to a million tonnes , less than a third as compared with peak imports until five years ago. But, of late, cotton prices in the Chinese market have escalated sharply, prompting the authorities to think about rebuilding stocks.

Weather vagaries

But that's not all. Weather issues have come to the fore. Xinjiang region, accounting for three-fourth of China's cotton area, is facing adverse weather which is seen fanning fears of tightening supplies. In the US, potential drought conditions in West Texas are seen affecting a quarter of the US crop, although rains in the last two days have brought some relief.

In India, planted area for cotton may decline by up to a million hectares following the attack of bollworm last season in a few States.

The interventions were ineffective and growers have turned wary. Lower planted area will reduce harvest size. The tentative production target for 2018-19 is 35.5 million bales (of 170 kg each).

Tighter supplies

All these point to supply concerns, especially quality supplies, in the next season while demand looks robust, encouraged by strong global economic growth.

According to the Washington DC-based International Cotton Advisory Committee, world cotton production for 2018-19 is projected at 25.75 million tonnes (26.57 mt), while consumption is estimated at 26.72 mt (25.49 mt).

Importantly, world trade in 2018-19 is projected to rise to 9.19 mt from last year's 8.77 mt of the previous year. In other words, the fundamentals are set to tighten in the months ahead.

In such a tight scenario, the potential entry of China could be disruptive. While growers in exporting nations such as the US and India would rejoice at the prospect of a price rise, importing and consuming countries are likely to bear the brunt of high prices.

Higher prices

The Cotlook A-Index is currently projected at 81 cents per pound for 2018-19. However, considering the emerging scenario, prices have the potential to rise by as much as 25 per cent and touch the psychological 100 cents and breach it decisively.

This possibility arises because speculative capital is waiting in the wings and will move in swiftly which in turn will exaggerate the price action.

As the world's largest exporter the US is expected to substantially benefit from China's imports.

Cotton exports out of India are also likely to accelerate especially because of the depreciated value of the rupee. In recent years, Bangladesh has emerged as an important buyer of Indian cotton.

Source: thehindubusinessline.com- June 07, 2018

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India-Ecuador study to look into trade pact

India has initiated a joint study with Ecuador for negotiating a trade agreement to further boost government ties, government sources said.

The government is also exploring the feasibility of signing a free trade agreement FTA with two other Latin American nations - Colombia and Argentina

Sources said these moves are aimed at strengthening trade and investment relations with the countries of Latin America and Caribbean,

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

While sharing the report card of her ministry, external affairs minister Sushma Swaraj told in response to a question that in the last four years both the ministers of the state - General (retired) VK Singh and MJ Akbar - covered 23 countries in the LatAm region.

Source: financialexpress.com- June 07, 2018

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Cotton area in Punjab shrinks by 1 lakh hectares

Punjab has witnessed a slide of nearly one lakh hectares under cotton crop area this year as compared to the previous year. Also, the area is way short of the estimated target fixed this year. Two main reasons are being cited by the experts for this: One is non-availability of canal water during the major portion of sowing season starting from second week of April till May last and second, farmers got good price of Basmati crop last year as compared to cotton crop.

Cotton and basmati are sown during Kharif season (April to September). This fall in the cotton area may lead to increase area either under highly water intensive crop paddy, which will be sown from June 15, or basmati which will be sown in July.

According to the Punjab agriculture department, this year the total target for cotton area was fixed at four lakh hectares but till June 4, the area recorded under it was 2.83 lakh hectares which is 27 perr cent less than last year, when 3.82 hectares area was under cotton. The ideal sowing season of cotton was between April 15-May 20.

Punjab has eight district under cotton belt including Bathinda, Mansa, Mukatsar Sahib, Fazilka-all four are major cotton districts: Barnala Moga, Faridkot, and Sangrur.

For major four cotton districts, the target was 3.78 lakh hectares of the total 4-lakh target. But these districts could reach up to 2.77 lakh hectares, around one lakh hectares short of their target.

“Sowing season is already over,” said chief agriculture officer (CAO) Paramjit Singh. In Mansa district, only 39,000 hectares could be brought under crop against 60,000 hectares last year. This year, the district target was 88,500 hectares. “We could not get canal water for almost a month during the sowing season,” said he, adding that due to delay in getting water now farmers will go for basmati and Paddy as they got good price for basmati last year,” he added .

“We had fixed the target of 1.40 lakh hectares area in Bathinda, but only 1.10 lakh hectares could be sown here,” said CAO (Bathinda) Gurditta Singh. In Muktsar Sahib, too, only 52,000 hectares could be sown against 64,600 hectares last year while the target of this year was 70,000 hectares.

In Fazilka, another major cotton district, 76,000 hectares were brought under cotton against the target of 80,000 hectares. “We wanted to take it up to one lakh hectares but we could not get water from April second week till April 28 due to which we could not meet the target, said CAO (Fazilka) Beant Singh.

Meanwhile, Faridkot, Sangrur, Moga, Barnala districts also sow around 20,000 hectares area under cotton but here, too, the target could not be met.

“In most parts of the cotton belt, canal water could not be supplied for around three weeks from second weeks from Apil beginning till April end and even in some areas the water could be supplied after first week of May, due to which our target could not be completed,” said Director, Punjab agriculture department Dr J S Bains, adding that canals were not cleaned on time due to which sowing got affected, adding that area under cotton could have gone much higher this time. “Now, a sizeable number of farmers would prefer Basmati and paddy over cotton,” said he.

Last season cotton price which started from around Rs 4,000 to 4,100 per quintal which went up to Rs 5,200 per quintal while farmers got around Rs 3,000 to 3,500 per quintal basmati. On an average, 10-12 quintals cotton are harvested from one acre while Basamati yield is around 18-20 quintals per acre.

Source: indianexpress.com- June 07, 2018

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Increase Interest Equalization scheme rate: TEA tells govt

The Tiruppur Exporters Association (TEA) has urged the government to increase the Interest Equalization scheme rate from 3 per cent to 5 per cent to compensate increase in repo rate.

In its second Bi-monthly Monetary Policy, 2018-19, the Monetary Policy Committee of the Reserve Bank of India (RBI) has increase repo rate by 25 basis points to 6.25 per cent.

“The increase in repo rate at this juncture will increase the cost of credit to exporting units and will have a detrimental effect on exports since Tiruppur knitwear units have been already reeling under pressure due to various factors and unforeseen ramifications after implementation of GST,” TEA president Raja M Shanmugham said in a press release.

Since exporting units take up orders six months prior to shipment, they are not in a position to increase the prices amidst stiff competition in the global market, noted Shanmugham.

He added that the increase in repo rate would particularly affect MSMEs, and hence, banks should take a lenient view while giving credit to such export-oriented units. In fiscal 2017-18, knitwear exports from Tiruppur declined to ₹24,000 crore from ₹26,000 crore registered in the previous fiscal.

Source: fibre2fashion.com- June 06, 2018

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Arvind to invest Rs 1,500 crore to raise garment output

Arvind, makers of Arrow and US Polo Association apparel in India, would invest Rs 1,500 crore in three years to increase its garment making capacity from fabric by six-fold to meet the rising demand for branded apparel and fashion garments, a senior executive told ET. “Today, we convert only 10% of our fabrics into our garments... we are taking that to 60%,” said Kulin Lalbhai, executive director, Arvind.

He also asserted that the new capacity will add between 30,000 and 40,000 jobs. The expansion is part of a mega global trend of selling garments directly to a brand as a full packaged solution rather than selling to an intermediary who converts and then sells to a brand. “Now that fast fashion is taking over and supply chains need to become faster, creating what we call full-packaged solution, which is you’re selling a garment directly to a brand — that’s the mega trend in the world,” said Lalb ..

The company will open large factories in Gujarat, Karnataka, Jharkhand and Andhra Pradesh which can employ 10,000 workers. The exercise is part of a target of doubling India’s largest denim maker’s textile turnover by 2022 from `6,000 crore at present. Denim constitutes around Rs 2,500 crore to the total turnover. The company will use cash flows to fund Arvind Fashions for many years to expand the fabric-to-garment conversion capacity.

“Now, with Arvind Fashions being separately listed, the Rs 1,500 crore of free cash flow that will get generated by Arvind will be invested in all of these exciting new areas in textiles, technical textiles, and emerging businesses,” said Lalbhai. After incubating fashion apparel brands and real estate from the cash flow of the textile business, the Ahmedabad-based company is restructuring its many businesses into four listed entities.

The parent Arvind will comprise the Rs 6,000-crore textile business and some other incubation businesses such as water, digital, telecom, advanced materials and technical textiles, while the entire consumer business, which is called Arvind Fashions, will be a Rs 4000-crore business which will be independently listed.

The third one is a small, exciting engineering business which is being spun off and christened Anup Engineering, and the fourth one is Arvind SmartSpaces, a listed real estate devel ..

Lalbhai said that any foreign investments in Indian online firms will improve the health of the sector and ensure the potential of the digital space. He was referring to the investment of global retail chain Walmart in India's largest online retailer Flipkart.

Source: economictimes.com- June 07, 2018

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Amendment to Act: Government planning to revamp GST AAR mechanism

The Goods and Service Tax Council would likely amend the GST Act to make it mandatory for the Authority for Advance Rulings (AARs) in states to be manned by senior revenue officials. The idea is to avoid conflicting AAR rulings by its different benches and ensure orders based on sound legal principles.

AARs, however, might continue to function without former judicial officers, unlike the previous excise and service tax AARs which were headed by retired Supreme Court judges along with two technical members, officials said.

Several states notified formations of AARs according to section 96 of respective State GST Act at the beginning of this year. But many of the rulings so far have shown a "revenue bias" and have not been robust on legal grounds, experts say. One reason for the trend, it is felt, these benches are without retired judges at the helm.

Further, the sources said, the GST Council may recommend setting up a central body that would adjudicate on conflicting ruling from AARs based in two different states. For instance, ruling on a petition filed by a solar engineering, procurement and construction (EPC) contractor, Maharashtra AAR said such contracts would come under works contract and attract 18% GST while Karnataka AAR ruled that a 5% GST would be applicable for such contracts. A centralised AAR would break the logjam in similar cases, the official said.

An AAR is a quasi-judicial body, and its rulings brings certainty in determining tax liability, which is binding on the applicant as well as government authorities. Further, it helps in avoiding long drawn and expensive litigation at a later date. Seeking an advance ruling is inexpensive and the procedure is simple and expeditious.

Besides, the two member of these authorities include one official of central GST and another from state GST. Here too, the law doesn't mandate appointment of officials of commissioner rank or above and many ruling have been delivered by much junior officials. In earlier regimes, one of the members of the Authority had to be an officer of the Indian Revenue Service (customs and central Excise), who must qualify to be a member of the Central Board of Indirect Taxes and Customs.

"We may increase the designation threshold for the officials and only allow commissioner rank member in AAR. It's acknowledged in the government that some of the rulings are poor in terms of applicability of law, mainly because the members of the AARs are not experienced enough in indirect tax laws," a government official said on the condition of anonymity.

Moreover, Gujarat HC last month admitted a petition and sent notices to central and state governments on setting up these quasi-judicial bodies without the express requirement of a judicial member. Experts have pointed to some ruling where members have relied on FAQs, which have no legal backing. Similarly, some other rulings have failed to take note of relevant documents including press releases from the tax department that already contain clarification on topics under consideration.

"Reins of an erstwhile authority was in hands of a high powered quasi-judicial body headed by a retired judge of the Supreme Court, pronouncing legally sound and fearless rulings. Whereas the new AAR formed under GST, is in the hands of untried and revenue biased tax officer pronouncing rulings contrary to international business practices," Rajat Mohan, partner, AMRG & Associates said.

Source: financialexpress.com- June 07, 2018

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MSMEs get a breather for repayment of loans

Get relaxation of 180 days without being classified as 'non-performing'

In a relief to micro, small and medium enterprises affected by the roll-out of the Goods and Services Tax (GST), the Reserve Bank of India on Wednesday gave them a temporary breather, allowing them to delay their loan repayments by 180 days without being classified as non-performing.

"Accordingly, eligible MSME accounts, which were standard as on August 31, 2017, shall continue to be classified as standard by banks and NBFCs if the payments due as on September 1, 2017, and falling due thereafter up to December 31, 2018, were paid not later than 180 days from their original due date," said the RBI in its Statement on Developmental and Regulatory Policies, which was issued along with the second bi-monthly monetary policy statement. The facility would be available to all MSMEs with aggregate credit facilities of up to ₹25 crore, irrespective of whether they are registered under the GST or not.

Banks and NBFCs have to typically classify a loan as a non-performing asset if the repayment has been delayed beyond 90 days.

The RBI, in February, extended the temporary relief through banks and NBFCs to the MSMEs to help ease their transition to the formalised sector after their registration under the GST.

The benefit will be phased out gradually, starting with those businesses that do not register under GST.

"In view of the benefits from increasing formalisation of the economy for financial stability, the 180-day past due criterion, in respect of dues payable by GST-registered MSMEs from January 1, 2019, onwards shall be aligned to the extant norm of 90-day past due in a phased manner," said the RBI.

For entities that do not get registered under GST by December 31, 2018, the asset classification in respect of dues payable from January 1, 2019, onwards shall immediately revert to the 90-day norm, it added.

The move was welcomed and seen as a big relief to small and medium firms that are just about getting their feet back on the ground after the twin disruptions from GST and demonetisation.

Source: thehindubusinessline.com- June 07, 2018

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Indian arts, crafts really important for the world: Italian designer

Italian costume designer Daniela Ciancio, who has designed costumes for Italian films and Tom Cruise-starrer "Mission: Impossible III", says Indian arts and crafts are "really important" for the rest of the world.

"I think that the Indian people have a natural fantastic way of using colour. Your design is really important for the rest of the world, your ability in colour, embroidery, fabrics... are requested all over the world," Ciancio told IANS in an email interview.

Ciancio was in Mumbai to chair a discussion titled "Cine Couture: Costuming For The Camera", presented by Avid Learning and Italian Embassy Cultural Centre in association with Vogue India.

Would she be interested in using fabrics like bomkai handloom, mangaligiri cotton, tussar silk, Pochampally ikat or a patola weave in her creations for the various films she designs for?

The 48-year-old, who has woven her magic for Italian films like "The Face of an Angel" and "La grande bellezza", said she would love to come back to India and explore this during her next visit.

"I will come back as soon as possible to continue my research on your fabrics and your amazing textile collection from different parts of India.

Your arts and crafts are really important for the rest of the world and your handmade and natural dye collection are really famous and are a super beauty," said Ciancio, who is open to working with Indian directors and designers.

In India, although a handful of designers existed prior to the 1980s, the close of the decade and the 1990s saw a spurt of growth. This was the result of increasing exposure to global fashion and the economic boom after the economic liberalisation of the Indian economy in 1990.

In the last 10 years, movies started touching Rs 100 crore budgets, leaving not a single stone unturned when it came to attire and sets. Costume designers have started gaining immense spotlight with the profession being acknowledged by conservative parents as well.

"I think that a big part of the people don't know what our work is. They don't know how many hours we work every day and in what conditions," said Ciancio.

"In my life, it is really important to underline how important is the costume designer's work and the power of our vision. Costume designers help directors to create a unified fictional space.

With our work, we create the spirit of the character showing the emotions through the artistic composition to provide balance within the frame by using colour, texture and silhouette."

Costume design, she said, is a new art in cinema.

"Before it was under the set designer and it is still evaluated as the last in order of importance.

I believe that we must cultivate the people because a costume is much more than a dress on an actor; it is his soul," said Ciancio, who was a member of the board of the European Film Academy (EFA) from 2009 to 2013.

Source: business-standard..com - June 06, 2018

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Khadi sales soar 25% y-o-y in 2017-18

Khadi, the handmade fabric associated with Indian freedom struggle, is back in vogue if its sales are any indication. Sales of khadi, including solar and poly vastra, registered a sharp 24.71 per cent increase to ₹2,503 crore in fiscal 2017-18, over sales of ₹2,503 crore during the previous fiscal, the Khadi and Village Industries Commission (KVIC) said.

According to KVIC, "the total average khadi sale, which was ₹914.07 crore during the years 2004 to 2014, jumped to ₹1,828.3 crore in three years after that, i.e. between 2015 to 2018, with over 100 per cent increase."

In over two years period since 2015, around 375 new khadi institutions were set up, compared to only 110 such organisations being established in 10-year period from 2004 to 2014, the KVIC said.

In the post-2015 period, the sale of Khadi Yoga Kits has touched ₹3.41 crore, thanks to Prime Minister Narendra Modi's push for khadi and yoga.
Meanwhile, the average khadi sale by departmental sales outlets (DSOs) during 2015-18 shot up by 168.24 per cent to ₹120.09 crore, compared to average sale of ₹44.77 crore in the 2004-14 decade, media reports said quoting KVIC.

Source: fibre2fashion.com - June 06, 2018

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