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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 245 of 2017 December 08, 2017

USD 64.52 | EUR 75.91 | GBP 87.03 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18047	37750	**74.63**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
18900	39534	**78.16**

International Futures Price

NY ICE USD Cents/lb (March 2018)	74.23
ZCE Cotton: Yuan/MT (Jan 2018)	15,110
ZCE Cotton: USD Cents/lb	**88.07**
Cotlook A Index – Physical	**83.65**

Cotton & currency guide: Cotton market in the US was initially stable. The March ICE future was trading around 72.50 cents as an average price. However post the weekly export sales data were released the entire market was volatile but eventually it shot up to move above 5 months high.

The aforementioned contract posted a day close near the high at 74.23 cents per pound. Market has come out of the recent consolidation phase. Earlier this week market talk was export cancellation order to notice for US cotton because of which market was holding steady.

However with the export sales figure holding at 186+K bales for the week ending 30th November supported the market.

Increases were reported for Pakistan (50,400), Vietnam (42,700, including 600 switched from South Korea and a decrease of 5,500), Turkey (31,200) and Japan (20,200, including a decrease of 800). A reduction was reported for China (39,700).

Net sales of 50,400 running bales for 2018/19 were reported for China (24,200), Indonesia (6,600), Thailand (5,300), Pakistan (4,400) and Japan (4,200). Meanwhile, net American Pima sales for 2017/18 were reduced by 12,800 running bales. Increases were reported mainly for China (3,400, including a decrease of 100), Pakistan (2,200), Peru (1,900) and Egypt (900). A reduction of 22,800 was reported for India.

With the price gain above 74 cents and cleared the intermittent resistance believe market may now head towards 75 cents. We now need to keep a close watch 75 as next key resistance level; upon breakout would give a base Chang effect on cotton price and the short term target could shift to 77cents.

On the domestic front spot market for S6 traded steady near Rs. 38600 per candy and Punjab J34 was mixed near Rs.3960 per maund. On the supply front arrivals were around 186K lint equivalent bales which includes 48K from MH, 42K GJ and 35K from AP& TG.

Lastly on the futures front in India the December future settled a tad lower at Rs. 18830 per bale down by Rs. 70 from previous close. With the rise in ICE futures the domestic market may open with a gap and the fresh trading range for the day would be Rs. 18970 to Rs. 19150 per bale.

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

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INTERNATIONAL NEWS

World Trade Growth Positively Surprises in 2017

Global trade has experienced a broad upturn in 2017. Countries with an open economy stand to profit the most from this. However, this stimulus may not persist in 2018, argues Atradius in its November Economic Outlook.

World economic output has surprised to the upside through 2017, supported by accommodative monetary policy, a modest energy price recovery, as well as stronger-than-expected growth in China and the eurozone.

International trade especially has experienced a stronger-than-expected expansion in 2017 - accelerating from 1.4% y-o-y in 2016 to 3.8% as of September 2017. It has prompted upward revisions of trade forecasts around the globe.

The strong performance of world trade through 2017 is in part due to the recovering investment growth in major markets - especially the US and China - boosting demand for imports. It can also be attributed to a reduction in political uncertainty.

"The strong acceleration in trade growth through 2017 is a welcome development that goes hand in hand with the stronger global economic outlook," states Andreas Tesch, Atradius CMO. "Our data reflects the importance of international trade.

The majority of upward GDP forecast revisions have been in more manufacturing-oriented, export-intensive economies in Eastern Europe and Asia. In more domestic-oriented economies, like those in Latin America, developments were more stable."

Atradius forecasts world trade growth of 5% in 2017. Forward-looking indicators point to a sustained expansion in 2018 but, with a higher base year, a deceleration to 3.5% is forecast.

"While we expect trade to continue to grow in 2018, we do not expect the same upward revisions as we saw in 2017 "says Tesch. "This is because the risks to global trade are still tilted to the downside.

The ongoing turn inward by Chinese policymakers will continue to reduce demand in that market and weigh on intra-regional trade. Political uncertainty is also not off the table as trade disruptions from NAFTA and Brexit (re)negotiations could occur in 2018.

US monetary tightening could also weigh on the outlook, making external financing more expensive for export-oriented emerging markets."

Source: newkerala.com - Dec 06, 2017

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Chinese firm completes garment-textile production chain in Vietnam

Last week, the company put into operation the chain's last project worth US$310 million at Dong Nam (South East) industrial park in Cu Chi district, Ho Chi Minh City.

Tran Viet Ha, head of the investment section under the HCM City Export Processing and Industrial Zone Authority, said this is the biggest invested garment-textile project at an industrial park in the city.

Though the city does not encourage labour-intensive projects, including garment-textile ones, this project was licensed taking into account the investor's commitment to using advanced technology.

Gain Lucky garment-textile factory at Phuoc Dong industrial park in Tay Ninh province of Shenzhou Group will provide materials for Worldon Vietnam's factories. The company also built a fashion design centre.

Shenzhou manufactures knitwear products from the initial stage of making fiber, weaving and printing to the creation of final products for popular brands such as Nike, Adidas, Puma and Uniqlo.

Over the past 11 months, Vietnam's garment-textile industry raked in US$23.6 billion from exports, representing a year-on-year rise of 9.5%.

Source: english.vov.vn - Dec 07, 2017

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The U.S. Abandoned the Trans-Pacific Partnership. Now What?

In 2015, Donald Trump was unequivocal in describing his thoughts on the Trans-Pacific Partnership, or TPP.

"The Trans-Pacific Partnership is an attack on America's business," he tweeted at the time. "This is a bad deal."

Trump went on to repeat the sentiment many times on the campaign trail. Soon after he landed in the White House, he issued a memo calling for the United States to permanently withdraw from the landmark trade agreement, signed by his predecessor less than a year before Trump took office, and which carries a number of mechanisms intended to make trade between its 12 signatories easier and more economically beneficial. (Trump argues that it destroys American jobs.)

The remaining countries have since agreed to revive the partnership without the U.S.

So where does that leave global trade? Are multilateral agreements dead?

"I don't think so," said former U.S. Secretary of Commerce Penny Pritzker at the 2017 Fortune Global Forum in Guangzhou, China. "I think there's a yearning for multilateralism."

The TPP helped "knit together 40% of world's GDP," she added. It helped shape trade in Asia, a place where much of the economic action in the 21st century is expected to take place. President Trump may prefer bilateral agreements because they give the U.S. more power in that negotiation, Pritzker said, but America's move away from multilateralism "leaves a void that allows for the lowering of standards in the region."

Andrew Robb, the former Australian minister for trade and investment, agreed.

“The most destabilizing influence in the region is the fact that the United States pulled out of TPP,” he told Fortune’s Nina Easton before a room of executives. “The United States said for years that this is a demonstration of its commitment to the region…the small countries in Asia feel that no one has got their back. They like the balance of two big powerful groups.”

The U.S. under Trump has an obsession with containing China, Robb added with a tinge of frustration. It’s the wrong approach.

“The world is going to change…and the U.S. better get used to it,” he said. “We need to find ways to share power in the years ahead and do so in a peaceful, stable matter.”

Zhang Xiaoqiang, CEO of the China Center for International Economic Exchanges, extolled regional cooperation on top of bilateral agreements. Speaking through a translator, he said that China and the U.S. should continue to work together on global trade—particularly as China becomes the world’s biggest trade partner. In the meantime, China won’t hesitate to forge regional agreements in Asia.

Pritzker put it in geopolitical terms. “The United States and China need each other,” she said. “We have a lot of issues we’re dealing with, like North Korea, where we have common interest.” So it’s important to engage on trade and economic issues—and the U.S. needs market access in Asia.

Robb and Pritzker agreed that many levels of American government are engaging in multilateral activity even as the federal level shuns it. TPP is “the most ambitious trade agreement that’s ever been put on the table in the world,” Robb said. With so many smaller Asian countries involved, “it just shows you how the rest of Asia is liberalizing trade” at a time when the U.S. is moving to isolationist policy. And small countries aren’t big enough to negotiate fairly with big ones like China or India.

“The U.S. left the stage in Asia, in a geopolitical sense,” Robb said. “at the moment, [small countries in Asia] feel that America’s turned away.”

In the meantime, look out for China's One Belt One Road Initiative. A development strategy proposed by Chinese president Xi Jinping that focuses on connectivity and cooperation between Eurasian countries, it underscores China's desire to be the center of gravity for global affairs through infrastructure that stretches from Asia to the Middle East to Africa.

"One Belt One Road will be a big mechanism for global trade," Zhang said. It's meant to enhance communication, trade, finance and help developing countries that need the support and resources of larger ones. "This is a free trade concept that we're promoting," he said. "And we're connecting people—exchanging education, technology, science."

"It's the Marshall Plan all over again, but bigger, because it respects the sovereignty of countries," Pritzker said.

Said Zhang: "This is the direction we're heading. This is a global world."
Source: fortune.com - Dec 07, 2017

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Pakistan: Import of cotton: government all set to withdraw ST, customs duty

The government is all set to withdraw sales tax and customs duty on import of cotton, as was done last year, to encourage value addition, reduce cost of doing business and bridge the gap between production and consumption, sources in private sector told Business Recorder. Textile Division, source said, has submitted a summary to the Economic Co-ordination Committee (ECC) of the Cabinet, which is expected to be considered very soon.

Pakistan has been a net cotton importer since 2001. Domestic cotton is of short to medium staple length which implies that long and extra long staple cotton has to be imported for production of finer yarn counts for subsequent transformation into high value added finished products.

Import of cotton has remained duty free till the slab of 0% was abolished in 2014-15 and customs duty (CD) of 1% was imposed along with the 5% sales tax. Later on 1% slab was made 2% and then 3% along with the 1% additional duty to make it 4% ie cotton was subject to 4% CD and 5% sales tax till January 15th, 2017.

According to sources, the Prime Minister's package of incentives for exporters was announced on January 10, 2017, wherein textile sector was provided a number of facilitations including withdrawal of customs duty and sales tax on imported cotton from January 16, 2017. Provision of competitively priced quality cotton to textile industry is basic foundation on which export competitiveness is built.

The sources further stated that Finance Division moved a summary to the ECC to re-impose the customs duty and sales tax on imported cotton. The ECC constituted a committee and on the recommendation of the committee duties were re-imposed from July 15, 2017 in view of arrival of domestic cotton.

The textile industry of Pakistan consumes around 12 to 15 million bales of cotton per annum. Sustainability and viability of spinning industry is totally dependent on performance of the domestic crop. Textile industry has to meet this shortage from import of cotton from other countries.

The impact of duties are induced in the price of domestic cotton, resulting in increase in cost of doing business for the entire textiles value chain, specially for export oriented sector in highly competitive international markets. It may also be noted that mills consumption have reduced and entire gap has not been bridged in last two year.

According to Cotton Crop Assessment Committee (CCAC), the cotton crop for the year 2017-18 is expected to be around 12.6 million bales of 170 kilogram, an increase of 16% compared to last year. Furthermore, 8.13 million bales have arrived in the ginning factories as of November 1, 2017 compared to 6.98 million bales in the same period last year, showing an increase of 17%. It is pertinent to mention here that bulk of the cotton will be lifted from farmers before January 1, 2018.

"To encourage value addition, reduce the cost of doing business and fill the gap between production and consumption as by January 1, more than 95% of the cotton will be lifted from the farmers and it is proposed that similar to last year decision, customs duty and sales tax on imported cotton may be withdrawn," the sources quoted Textile Ministry as saying in its summary to the ECC.

Textile Ministry has also claimed that the matter has been discussed with secretary Ministry of Commerce, who has endorsed the proposal. The issue was also discussed in a meeting of All Pakistan Textile Mills Association (APTMA) at Lahore, chaired by federal minister for national food security and research on November 13, 2017, who agreed when domestic cotton will be lifted from farmers, the duty may be removed.

However, Federal Board of Revenue (FBR) has no objection regarding exemption from sales tax on import of cotton but proposed that instead of exemption, grant of zero-rating on sales tax on import of cotton so as to restore the position existing prior to July 1, 2017 which can be done through further amendments in SRO 1125(1)2011.

The FBR is also of the view that it has no objection to withdrawal of customs duty on import of cotton. However, under the prevailing law, changes in the rate of customs duty prescribed under First Schedule to the Customs Act, 1969 can only be made through an Act of Parliament.

Source: fp.brecorder.com- Dec 07, 2017

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Bangladesh: Exports retain momentum

Exports retained its growth momentum in November fetching $3.06 billion on the back of higher shipments of garments, jute and jute goods, frozen fish and footwear.

Last month's receipts rose 6.22 percent compared to the same month last year when Bangladesh shipped goods worth $2.88 billion, according to the Export Promotion Bureau.

The momentum also helped exports cross the $3-billion mark again after a gap of two months.

Compared to the previous month's earnings of $2.84 billion, exports grew 7.74 percent in November beating the target of $2.87 billion set by the commerce ministry for the month.

The total shipment in the July-November period stood at $14.56 billion, a 6.86 percent rise year-on-year.

Garments that account for 82 percent of the total national exports logged $11.96 billion in the first five months of the fiscal year, up 7.46 percent from the same period a year ago.

Knitwear exports went up 10.86 percent year-on-year to $6.24 billion in July-November while woven garments rose 3.99 percent to $5.72 billion.

Md Siddiqur Rahman, president of Bangladesh Garment Manufacturers and Exporters Association, however, said garment shipment should grow 12-15 percent a year to hit the $50 billion export target by 2021.

Rahman put forward some suggestions to help bolster exports: offering cash incentives to exporters and improving infrastructure at Chittagong Port and Hazrat Shahjalal International Airport.

Exports of leather and leather goods, the second largest export earning sector after garments, declined 2.95 percent year-on-year to $518.15 million in the period.

Within the same category, exports of leather footwear, however, grew 8.55 percent.

Shipment of jute and jute goods, another top earner, surged 16.51 percent to $451.16 million.

Jute yarn and twine saw their earnings rise while shipment of raw jute, jute sacks and bags fell.

Export of frozen fish, live fish and shrimp increased 10.78 percent to $272.40 million, which is 32.05 percent higher than the target for the period.

Pharmaceuticals raked in $43.14 million in July-November, up 23.33 percent compared to that in the same period a year ago. Furniture shipment grew 36.54 percent to $18.87 million.

Bangladesh exported goods worth $34.66 billion in the last fiscal year and aims to earn $37.50 billion this year.

Rahman called for measures so that exporters can ship goods through direct cargo flights.

Source: thedailystar.net- Dec 08, 2017

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Japan-EU trade deal: an uneven road ahead for EU car manufacturers?

A few months after CETA, the Japan- EU agreement was another giant step forward for EU trade. This latest deal was also announced by the European Commission as the "most important bilateral trade agreement ever concluded by the EU". Japan is the second biggest car exporter behind Germany and is the third biggest car producer in the world behind China and the United States. Evidently, they are already a huge player in the automobile industry. Through this recent partnership, this position will only be reaffirmed.

Now known as the "cars for cheese" agreement, the Japan-EU trade deal could turn out to be less favourable for EU than it seems at first sighting. Tariffs on cars imported from Japan to the EU will be gradually lowered , from 10% today, to nothing over the next seven years. The EU and its farmers have much to gain from this deal also.

Japan will reduce the current high tariffs on wine (15%) and cheese (40%) to zero as soon as the agreement is concluded. Duties on other agricultural products as well as textile and clothing will be lowered gradually over the next 10 to 15 years.

In sheer figures, JEEPA could represent an increase of 34% for EU exports to Japan and an increase of 29% for Japanese exports to the EU. Does that mean that the EU is in a more advantageous position? Not really so.

The Japan-EU trade equation may need to be assessed differently. Of course, it will be easier and more profitable for European producers to sell Gouda and Camembert to Japan. What is less evident is the level of demand of such products in Japan. Indeed, it was estimated that the Japanese only eat 2kg of cheese per person per year.

Camembert, by the way, is also produced locally and Japan intends to, moreover, apply a quota on fresh cheese imports to protect domestic dairy farmers. So, how much of the EU products will ultimately reach the Japanese homes is not yet fully known. The probabilities could be low.

The prospects of a more balanced Japan-EU partnership are threatened also by the very economic sector that is central to the Japanese side of the agreement: the automobile industry . Much may be at stake for the EU in this deal. EU car manufacturers and especially German, Spanish, UK, Italian and French automobile industries are in direct competition with the Japanese car giants. This new deal can thwart the progress of the Spanish car industry, with exports up by 41,6% since 2012, and also the already dominant German car industry.

Added to this is the fact that EU member states such as France and Italy have experienced considerable trade deficits in this sector in the past year, cumulating about $25 billion in net export deficit. Needless to add, Japan also already enjoys a stronger position in the EU car market. In 2016, nearly one-fifth (19%) of EU's motor vehicle imports were from Japan. This percentage will only increase once JEEPA is implemented.

Although it eventually welcomed the deal as a "positive sign for international trade", the European Automobile Manufacturers' Association , remains cautious about it and says it will analyse "its full implications". Caution is indeed warranted.

With this type of progressive tariff reduction a power shift is foreseeable for strong European car manufacturing countries such as Germany and Spain. Italy and France, which have seen their share of the sector decline drastically over the last years will have an all the more uneven trajectory ahead of them.

Source: politheor.net- Dec 07, 2017

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VITAS expects Vietnam's 2017 garment exports to be $31 bn

The Vietnam Textile & Apparel Association (VITAS) expects the sector will generate $31 billion in exports in 2017, a year-on-year rise of 10.23 per cent. The sector has done well in a challenging year as the Trans-Pacific Partnership was cut short, and renamed Comprehensive and Progressive Trans-Pacific Partnership, VITAS vice chairman Truong Van Cam said.

Apparel exports in the last two months of this year are expected to reach $5.27 billion, increasing the total exports to more than $30 billion, according to a Vietnamese news agency report.

The industry has applied technologies to create better-quality, value-added products and VITAS has initiated trade promotion programmes and professional training courses to increase productivity and adopt smart production models, CAM told a recent press conference in Hanoi.

A conference to review the sector's performance will be held on December 15 in Da Nang city.

Source: fibre2fashion.com- Dec 07, 2017

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Belarus to ship $1.4m worth of textile fabrics to Brazil

Orsha Linen Mill and Baranovichi Cotton Production Amalgamation are set to supply $1.4 million worth of textile fabrics to Brazil.

The relevant agreements were reached during the visit of Chairman of Bellegprom Concern Nikolai Yefimchik to Brazil as part of the Belarusian business delegation, BelTA learned from the website of Bellegprom Concern. Contracts were signed on the delivery of linen and cotton fabrics between Viner Brasil Tecnologia, Orsha Linen Mill and Baranovichi Cotton Production Amalgamation.

The contract of Orsha Linen Mill is estimated at $1 million, the one signed with Baranovichi Cotton Production Amalgamation stands at $400,000.

Nikolai Yefimchik also held talks with Honorary Consul of Belarus to Sao Paulo Gregory Goldshleger and Honorary Consul of Belarus to Rio de Janeiro Gilberto Ramos.

The parties discussed supplies of fabrics to the Brazilian market, the ways to renew cooperation with Belarusian shirt producers, and expand the assortment of linen fabrics supplied to Brazil.

There are plans to deliver blackout fabrics, bed-linen and towels to Brazil. There is also a possibility to establish the delivery of wet blue leather products to Belarus.

Source: belta.by- Dec 06, 2017

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Myanmar Textile and Garment exhibition from December 8

The sixth edition of Myanmar International Textile and Garment Industry Exhibition (MTG) will begin on December 8, 2017 and will be held in Yangon, Myanmar.

The aim of the event is to meet the strong demands for new machinery equipment and fabrics made by the cut-make-pack (CMP) garment makers in Myanmar. This will help to increase the growth of exports.

The three-day event will present solutions for the textile and garment manufacturing chains. There will be a display of advanced machines by renowned international brands like Tajima, Cixing, Viet and Mimaki.

Around 350 exhibitors from 13 countries namely Bangladesh, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Myanmar, Singapore, Thailand, Taiwan, and Vietnam, are expected to attend the event. The strong presence of foreign exhibitors emphasises the international significance of the event.

Various seminars will be conducted at the event relating to steam systems and efficiency, energy reduction possibilities, cooling systems, chemical inventory management, chemical risk management and development and growth of Myanmar garment sector.

The show is being organised by Yorkers Trade & Marketing Service Co., Ltd. (YORKERS) along with Myanmar Garment Manufacturers Association (MGMA).

As a major driver behind the growth of Myanmar's garment industry, the MTG has been well recognised by renowned international brands as a very useful medium for tapping into the booming Myanmar market.

Source: fibre2fashion.com- Dec 07, 2017

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NATIONAL NEWS

Mid-Term Foreign Trade Policy Review: Why it fell short of real export promotion

Even within the smaller segment, India secures less than 5% in world textile exports, and 2% in clothing (against China's 33% and 38%, respectively)

India's five-year Foreign Trade Policy (FTP), announced on April 1, 2015, stated, "Change has been a constant in the global economy, not least in the international trading landscape." But the framework—the endorsement of which was reaffirmed, after a mid-term review, by the government—is no precursor to any paradigm shift.

The FTP laid an annual export target of $900 billion of goods and services by 2020, and talked about increasing India's share in global exports to 3.5% from the current 2%. Going by the trends since, it seems the country may not even retain the paltry 2% share.

Since 2012, global trade has grown by only 3.1% annually, or at half the rate in the three preceding decade. However, India's continued under-performance cannot be ascribed to the global slowdown. Its share in world merchandise exports fell in 2015 and 2016, while that of China, Vietnam and Bangladesh edged up. China commands a share in excess of 11%.

India's merchandise exports, at $274.6 billion, had grown an anaemic 4.7% in FY17—over FY16's $262.2 billion. As RBI data revealed, India's merchandise exports, having peaked at 17% of the GDP in FY14, dropped to around 12% in FY17, the lowest since FY06. Diversification of the export markets saw no traction.

At the FTP review, the government announced a slew of incentives, aggregating `8,450 crore It enhanced incentives under the Merchandise and Services Exports from India scheme, covering labour-intensive sectors such as leather and footwear (sops amounting to `749 crore), hand-made carpets (`971 crore), agriculture (`1,354 crore), marine products (`759 crore), besides telecom and electronics sector (`369 crore), among others, and services (`1,140 crore). Similar incentives doled out earlier for readymade garments amount to `2,743 crore.

Constraints before industry are deeply structural. The Indian enterprise's future has hinged on state benedictions, even manipulations, from the days of the permit-quota raj. As commerce and industry minister Suresh Prabhu pointed out, "Export is a strategic part of economic policy and should be part of the foreign policy." Policymakers may as well scan eminent global success stories for lessons—for instance, China.

As government forges regional trade agreements and free trade agreements, industry must gear itself for new standards and norms. Although external factors like sluggish global demand and falling commodity prices impact foreign trade, the crux of export promotion remains the supply-side.

The economy needs to encourage optimisation of productivity, reliability and consistency in product development, manufacture, and delivery. Today, scale is important to be cost-effective. Much of India's resources are currently trapped in small, low-productivity firms that neither grow nor exit. Cost-cutting is a constant quest worldwide. Transaction costs thus assume a critical importance. Expeditious transit of goods itself helps reduce inventories viewed as NPAs.

World exports could broadly be put in five categories: energy and resource-intensive goods such as fuels and mining products, iron and steel, paper, etc (about 30% of the $17.3 trillion total global exports in 2012); sun-rise industrial goods, e.g., electronics and telecom goods, accounting for about 25%; automotive products, machinery, chemicals, pharmaceuticles, etc, (another 25%); agricultural products (10%); and labour-intensive tradeables (another 10%). India's exports remain confined to sectors which account for less than one-fourth of global exports.

Its top five export sectors—petroleum products, cut and polished gem stones, gold jewellery, drug formulations and biologics, and ready-made garments largely bring in only value addition, dependent as they are, for example, on imports of crude oil, uncut gem stones, and gold. The country has remained only a peripheral player in sectors that command a lion's share in global trade.

Even within the smaller segment, India secures less than 5% in world textile exports, and 2% in clothing (against China's 33% and 38%, respectively), For garments, too, with exports of about $13 billion in overall global garment exports of around $450 billion, India trails far behind China, Bangladesh and Vietnam.

India will also need to ceaselessly focus on a few items amenable to country's comparative advantage in terms of cost, quality, scale, supply lines and logistics. A strategic onslaught on value-added agricultural and horticultural exports will entail quality and scale in production, cold chain, and efficient supply chain. While India is ill-equipped to aspire for a meaningful share in the $220 billion, global top-100 luxury goods trade, it may well recreate the romance of heritage craft, integrating country's legacy of exquisite craftsmanship with newer skills for labelling, packaging and presentation.

The FTP review referred to pursuing an export promotion mission. The concerned central government departments as well as state governments need to move in tandem for new export capacities to be generated. There appears enormous scope to tap resources in various states.

Maharashtra and Gujarat together accounted for half of country's total exports in 2014—27% and 22% of the total merchandise export, respectively—while Tamil Nadu and Karnataka together contributed another 18%.

Investment in R&D has been low, in addition to under-investment in human capital. Touted changes in labour laws remain unrealised. It is not rare that economies of scale are stifled, thereby eroding price-competitiveness.

Transport and logistics costs pose a barrier at least as large, and frequently larger than, tariffs. Although the government claims to have substantially reduced the number of mandatory trade documents, procedures and processes continue to be labyrinthine, costly and time-consuming.

Despite the crackle of initiatives like Customs Electronic Commerce Gateway, Risk Management System, On-site Post-Clearance Audit, 24X7 operations, etc, the World Bank's Doing Business highlights India's Logistics Performance woes.

How can Doing Business get easier when the department of commerce, like the rest of the bureaucracy, keeps adding numbers on its rolls as also in its burgeoning number of attached and subordinate offices, PSUs and EPCs? The need, instead, has always been of shedding the flab and trimming the layers—closing down the DGFT, DGS&D, etc.

Much was expected of the Modi government on creating a climate of confidence for entrepreneurs, rationalising the panoply of laws and rules, freeing the labour laws of known rigidities, and, in PM Modi's own words, generating a fervour for "skill, scale and speed".

Source: financialexpress.com- Dec 08, 2017

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Tiruppur-based TEA sends pre-budget proposals to Indian FM

Permanent deletion of reverse charge mechanism, sufficient fund allocation for government schemes, increasing Investment limit for micro, small and medium enterprises (MSMEs), establishing a knitwear board and amending labour laws are some of the pre-budget suggestions submitted by the Tiruppur Exporters Association (TEA) to the Indian finance minister.

As the provision of reverse charge mechanism (RCM) with respect of purchases from unregistered dealers is causing huge compliance burden, especially to MSME clusters like Tiruppur where there are thousands of unregistered micro and small manufacturers and traders, TEA has suggested permanent removal of RCM from the Goods and Services Tax (GST) Act, according to a press release from the association.

RCM implies that the GST is to be paid and deposited to the government by the recipient of goods and services and not by the supplier.

As the garment export sector is starved of working capital as refunds due are getting significantly delayed due to issues in GST implementation, TEA recommended allocating sufficient funds to all related governmental schemes to clear all pending dues at the earliest and providing the sector with necessary cash to tide over the working capital crisis.

Fund allocation to the government's Market Access Initiative (MAI) scheme may be doubled so that India gets more business opportunities, the TEA memorandum said.

The interest equalization for apparel exporters may be enhanced to 5 per cent and the duty drawback rates may be enhanced to 4 percent from the current 2 per cent to cover blocked credits, such as central GST on fuel, compensation cess on coal, electricity duty and stamp duty, so that the industry can fight competition from Bangladesh, Vietnam, Cambodia and Ethiopia, which enjoy duty-free status with the European Union, according to the association.

TEA wants the investment limit for plant and machinery to be raised from the existing ceiling of Rs 25 lakhs to Rs 50 lakhs for micro enterprises, Rs 5 crore to Rs 10 crore for small enterprises and Rs 10 crore to Rs 30 crore for medium enterprises.

A Knitwear Board stationed at Tiruppur is also needed to focus on an industry that is generating over Rs. 35000 crore of business from the Tiruppur cluster alone.

Other recommendations of the association include amendments in the labour law regarding provident fund and pension, a central scheme for job creation in the sector, imposing 5 per cent GST on effluent treatment activity of apparel units instead of 18 per cent and exempting imports of accessories like zips and tags using the 'export promotion certificate' from the purview of international GST.

Source: fibre2fashion.com- Dec 07, 2017

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Band-aid for exporters

Trade policy review provides temporary fixes but lacks a long-term approach

As a sort of emergency measure, the Centre in its mid-term review of trade policy (2015-20) unveiled a slew of relief measures for labour intensive exports which have been badly hit by GST. Delays in receipts of input tax credits have disrupted their operations — perhaps as a result of which exports were down by 1.1 per cent in dollar terms in October, breaking a rising trend of over a year.

The ₹8,450-crore package for manufacturing and services exports amounts to a 33 per cent increase in existing export incentives of over ₹25,000 crore. Apart from the readymade garments sector, the other beneficiaries are leather products, agriculture and marine products, carpets, telecom and electronics components, medical equipment, accountancy, architecture, legal education and restaurants.

Some of these sectors being fragmented and unorganised, they were impacted by demonetisation as well. However, the export incentives are in force only till June and March next year for manufacturing and services, respectively — and for good reason.

According to WTO rules, a country whose GNP per capita crosses $1,000 over three consecutive years (at 1990 US dollar rates) cannot continue with export subsidies. India has already been called out here with respect to its per capita levels between 2013 and 2015. Exporters need to be weaned off subsidies sooner than later.

The mid-term review does not spell out a future roadmap for assisting exporters. Indeed, ecosystem or trade facilitation measures should be stepped up as these subsidies are withdrawn.

The policy paper rightly acknowledges logistics costs to be a daunting issue. An added issue is credit at reasonable rates, for which a system of ratings and assessment needs to evolve.

The state should earmark the funds it has set aside for subsidies towards creation of physical and social infrastructure — not just power, transport, telecom, but also investment in education and skills. Indeed, a shift away from export subsidies opens up resources for developing high value exports in the long run.

There should be no let up in the Centre's emphasis on easing constraints to doing business. According to the WTO, world trade in goods is expected to grow at 3.6 per cent in 2017, against 1.6 per cent in 2016; there are opportunities to be tapped as the world economy shows signs of recovery.

While observing that new products and markets need to be developed for exports, the review is silent on key policy concerns such as the connect between 'Make in India' and the country's tariff strategy in forums such as the Regional Comprehensive Economic Partnership (RCEP) and WTO. This emerged as an area of disquiet at the recently concluded RCEP meet in Hyderabad.

Export of IT services face a period of uncertainty, thanks to technological changes and tight immigration policies. Likewise, the impact of e-commerce on local trade and manufacturing needs to be articulated. These issues need to be addressed at the earliest by taking the stakeholders and people into confidence as India faces up to challenges at WTO and other forums.

Source: thehindubusinessline.com- Dec 08, 2017

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Centre rejects Maharashtra govt's plea to de-notify Bt cotton

The Centre has rejected the Maharashtra government's plea to de-notify Bt cotton in the wake of "large-scale" infestation of pink bollworm pest, and has instead advised the state to work with all stakeholders to put in place effective management strategies to check the menace.

This has come out in the minutes of the "Review meeting for de-notification of Bt cotton hybrids for commercial cultivation in view of alleged breakdown of residence to pink bollworm" held under the chairmanship of Deputy Director General of Indian Council of Agricultural Research (ICAR)

A K Singh in New Delhi on October 25. The minutes accessed by The Indian Express clearly states, “It was decided to continue the use of Bt cotton BGII as per existing guidelines.”

The decision was arrived at following elaborate discussions with representatives of all major cotton producing states, of which only Maharashtra had sought de-notification. Summerising the discussions, Singh said, “Proactive steps already taken by Central Institute of Cotton Research (CICR), Nagpur, for management of pink bollworm need to be implemented by all cotton growing states.”

He advocated proper education, training of farmers and ginners about the Bt cotton technology. “He assured that ICAR would join hands with State government for providing technical assistance for the management of pink bollworm. There is need for collaborative efforts of all stakeholders to strengthen the transfer of technology to grassroots level,” read the minutes.

Singh’s assertion was based on experiences shared by other cotton growing states like Gujarat, Telangana, Madhya Pradesh, Andhra Pradesh, Punjab and Karnataka. At the centre of discussion was the Gujarat model of pink bollworm control as enunciated by Director of Research, Anand Agriculture University, Gujarat, K B Kathiriya who said:

“Gujarat faced severe damage by pink bollworm during 2015-16. However, the state undertook mass campaigning with the help of state agricultural universities, private companies and undertook farmers’ field days and organised trainings for the ginners. As a result, this year, economic threshold level (ETL) has been crossed in very few locations.”

In integrated pest management, the economic threshold is the density of a pest at which a control treatment will provide an economic return. Kathiriya opined that there was no option to Bt cotton.

I S Kategiri from Dharwad in Karnataka pitched for continuing Bt technology saying “it is effective against other bollworms (American and spotted)”. He, however, said farmers could be compensated by lowering the seed costs since “it is not effective against pink bollworm”.

Balu Naik, an official from Andhra Pradesh, said the state had laid out pink bollworm management strategies in association with the CICR. "AP has made village-level and mandal-wise plans for management. Pheromone trap (to check insect invasion) were given 100 pc subsidy," he said. Director of Research, Jawaharlal Nehru Krishi Vishwa Vidyalaya, Madhya Pradesh, said, "There was no issue of pink bollworm in Madhya Pradesh. Campaigning was done with the result that majority of the cotton area was below ETL."

Telangana official T Pradeep noted that there was increased pink bollworm infestation this year but said he wa" "optimistic on managing it by cultivation of short duration hybrids, crop rotation and adoption of integrated pest management measures (IPM)".

Himachal Pradesh official S P Singh attributed the infestation to lack of refugia (the mandatory crop to be grown around Bt cotton to thwart pest attack) cultivation.

Maharashtra's Agriculture Commissioner S P Singh, however, said, "More than 700 villages have been affected pink bollworm this year in the state. Cotton crop termination by December as recommended by CICR was not feasible as farmers were not willing to do so. Refugia seeds supplied by seed industry also didn't conform to standards." He called for "immediate action and technical guidance" for management of pink bollworm.

The Maharashtra government has twice written to the Centre seeking to de-notify Bt cotton due to the pink bollworm issue. Even Chief Minister Devendra Fadnavis had flagged the decreasing efficacy of Bt technology in his speech at the Agrovsion expo at Nagpur last month.

'De-notification issue misunderstood'

Maharashtra Principal Secretary (Agriculture) Vijay Kumar said, "The denotification point made by the state has been largely misunderstood. We are not demanding discontinuation of Bt cotton.

We only mean that as the technology has ceased to provide protection against pink bollworm, it should be priced at a lower level to pass on the advantage to farmers.

We also agree that Bt cotton will have to continue in the years to come." Kumar dismissed the contention that pink bollworm infestation was due to lack of refugia plantation. Kumar said, "The companies pass on the blame to farmers but we have tested many refugia samples and found them to be substandard. Now the companies have got permission from the Centre to allow them to mix refugia seeds in the same packet as Bt seeds so that the farmers would have to use them anyway.

Kumar added, "We will initiate a process under the Maharashtra Cotton Seeds (Regulation of Supply, Distribution, Sale and. Fixation of Sale Price) Act, 2009, to set up a committee to hear both farmers and the seed companies to decide about compensation to farmers by the companies, which they are liable to pay under the act."

Source: indianexpress.com- Dec 07, 2017

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ICE cotton rises on Indian crop concerns

ICE cotton futures edged up on Wednesday, hovering near more than two-month highs hit last week on concerns over crop damage in top producer India.

Cotton contracts for March settled up 0.21 cent, or 0.29 per cent, at 72.72 cents per lb., and traded in a range of 72.44 and 73.27 cents a lb.

"The bollworm problem in India is making the market bid today," a New York-based trader said.

India is likely to export nearly one-fifth less cotton than previously estimated as pink bollworms are set to eat into the south Asian country's output which was expected to hit a record, industry officials told Reuters in late November.

"Cotton has a pretty substantial long position already ... there really are some fundamentals behind the market that continue to keep cotton with a bid," the trader noted.

Meanwhile, the market awaited export sales data from the U.S. Department of Agriculture due on Thursday.

Total futures market volume fell by 9,389 to 18,496 lots. Total open interest gained 473 to 249,201 contracts in the previous session, data showed.

Certificated cotton stocks deliverable as of Dec. 5 totaled 47,628 480-lb bales, unchanged from the previous session.

The dollar index was up 0.23 per cent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 1.46 per cent.

Source: economictimes.com- Dec 07, 2017

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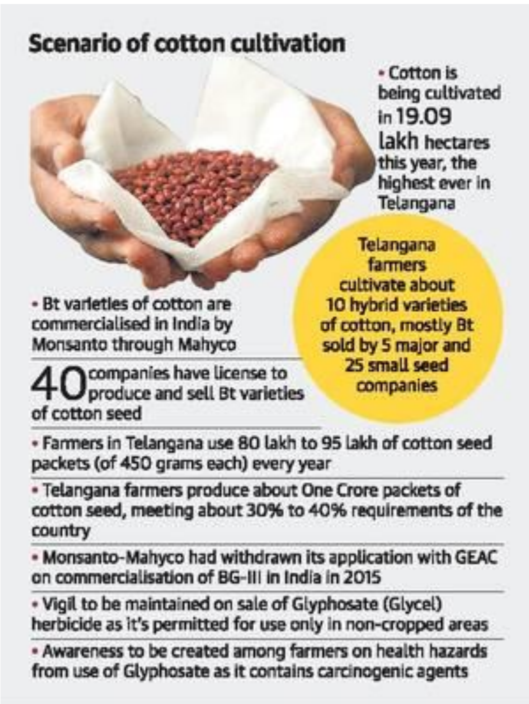
State to curb spread of BG-III cotton

Centre acts on a letter from the State Government



Worried over the fast spreading cultivation of the genetically modified and unapproved cotton variety with herbicide tolerant trait (gene), widely known as BG-III, the State Government has decided to check its proliferation by keeping constant vigil on the illegal production and sale of the seed, its farming and by creating awareness among farmers.

The decision follows directions issued by the Centre recently "to take an appropriate action to curb the spread of herbicide tolerant variety in cotton growing States".

In response to a letter written to the Centre – National Biodiversity Board, Agriculture Ministry and

Environment and Forests Ministry – by the State government on the issue in October, the Centre has made it clear that production of such seed, its sale and cultivation is an offence.

Panel constituted

Acting on the letter from Telangana government, the Government of India constituted a Field Inspection and Scientific Evaluation (FISEC) Committee to inspect the spread of herbicide tolerant variety cotton in the country and also to consult the stakeholders, including Seedsmen Association, ICAR, State Governments, Farmers Associations, Biotechnology Associations and others through series of meetings.

Accordingly, meetings were held in October and November and the State governments were told to take necessary action against the spread of the illegal variety of cotton. In a communication to the cotton growing States recently, directing them to take appropriate action to curb the spread of herbicide tolerant cotton variety, the Joint Secretary (Seeds), Ministry of Agriculture, said:

The offences related to herbicide tolerant cotton variety are punishable under Seeds Act 1966, Seed Rule 1968, Seeds (Control) Order 1983 vis-a-vis the Environmental Protection Act 1986 and Environmental Protection Rules 1989.

After a meeting with the officials of Telangana State Seed and Organic Certification Agency and Agriculture Department, Agriculture Production Commissioner C. Parthasarathi wrote to the district Collectors on Monday to form special squads and keep a vigil on cotton godowns, ginning mills, seed purification units and dealers of cotton seed to check for the illegal variety of cotton seed.

"The scientists of the Department of Biotechnology in the Ministry of Science and Technology have warned that the herbicide tolerant cotton seed could threaten the biodiversity in the country as it could transform weeds into super weeds with the spread of the altered gene from cotton pollen," he explained.

Source: thehindu.com- Dec 06, 2017

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Textile mills seek removal of market cess

The openend spinning mills, numbering over 400 in the State, have appealed to the State Government to remove the 1 % market committee cess on waste cotton.

G. Arulmozhi, secretary of Opened Spinning Mills' Association, said these units used waste cotton which was a byproduct of the textile mills.

Apart from the Goods and Services Tax of 5 %, the openend mills needed to pay 1 % market committee cess and another 1 % Tax Collected at Source.

This made the raw materials expensive by 2 %. The waste cotton came from the textile mills and no other State had market committee cess on waste cotton. The cess was normally applicable only to agricultural produce such as raw cotton.

With regard to Tax Collected at Source, he said it was applicable to scrap materials. But cotton waste was not scrap and it was reused in the openend mills. Cotton traders added the 1 % TCS in the sale price.

The Central and State Governments should abolish these two taxes so that yarn produced at the openend spinning mills in the State was price competitive with the yarn produced in Maharashtra, Gujarat, and Andhra Pradesh.

The mills could tap export opportunities too and compete with neighbouring countries, he said.

Source: thehindu.com- Dec 07, 2017

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WTO Ministerial: Prabhu has a battle on his hands

Commerce & Industry Minister Suresh Prabhu, who has left for Buenos Aires for the Eleventh Ministerial Conference (MC 11) of the World Trade Organisation beginning on Sunday, is readying to fight a diplomatic battle to protect farmers, traders and the industry.

India, which is primarily focussed on a satisfactory permanent solution on public stock holding subsidies at the Ministerial, has decided to take the bull by the horn by organising a delegates briefing on food security at Buenos Aires to garner popular support.

“The objective behind the briefing is to draw attention to the unfairness of existing rules on agriculture that put a limit on the support developing countries can extend to its farmers through minimum support prices. We want to mobilise public opinion in favour of removing such limits,” a government official told *BusinessLine*.

The meeting, scheduled on Monday, will be addressed by Prabhu and possibly representatives from other Asian and African countries.

Deborah James from Our World is Not for Sale, a civil society organisation fighting for rights for the poor, will also give a presentation.

“A permanent solution to the problem of public stock holding (which goes beyond the peace clause already negotiated) is a matter of sheer survival and livelihood for hundreds of millions of people in the world, particularly Asia and Africa. WTO has to respond credibly to this issue,” said Abhijit Das, Head, Centre for WTO Studies.

Political implications

With major States going to polls and the ruling BJP already gearing up for the next Lok Sabha elections scheduled in 2019, the Centre also is keen to project that no decisions will be taken on the trade front that go against the interests of farmers and traders — two major vote banks for the party.

“Any wrong step at the WTO, which could be projected by the Opposition as going against the interests of poor farmers and traders, could be suicidal for the ruling party.

India, therefore, will be extremely careful in Buenos Aires and try not to come under pressure from developed countries in areas such as e-commerce and domestic farm subsidies and fisheries subsidies," the official said.

No to e-comm

India, therefore, has already said no to taking on additional commitments in e-commerce including starting preparations for negotiations on rules.

"India's trading community, which is under stress due to competition from e-commerce companies, would be unforgiving if the country agrees to negotiate rules at the multilateral forum to make the going easier for foreign companies," the official said.

Similarly, New Delhi has said that it is not yet ready to commit to paring fisheries subsidies as a large number of artisanal farmers are dependent on such subsidies and the country has to move with care.

The MC 11 will kick off on Sunday evening with the Chairperson proposing the adoption of the Agenda and the Chairman of the General Council making a statement.

President of Argentina Mauricio Macri and the Director-General of WTO Roberto Azevedo will also give their statements in the opening session.

The plenary session will start on December 11 where Trade Ministers from all 164 member countries will get the chance to project their views.

The closing session is scheduled on December 13 evening before which member countries are expected to agree on pacts in areas identified in the agenda which would be reflected in the Ministerial Declaration.

Source: thehindubusinessline.com- Dec 08, 2017

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