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IBTEX No. 32 of 2018 February 14, 2018

USD 64.14 | EUR 79.39 | GBP 89.14 | JPY 0.60

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19099	39950	**79.23**

Domestic Futures Price (Ex. Gin), February

Rs./Bale	Rs./Candy	USD Cent/lb
19960	41752	**82.81**

International Futures Price

NY ICE USD Cents/lb (March 2018)	76.68
ZCE Cotton: Yuan/MT (Jan 2018)	14,890
ZCE Cotton: USD Cents/lb	**90.54**
Cotlook A Index – Physical	**86.95**

Cotton guide: Yet another day the Cotton price continues to trade in the narrow range of 75.50 to 77.50 USCTS/LB. Today is the seventh consecutive trading session market is in the confined range. There is no trigger ruling in the market as of now to delve a fresh direction to cotton. However on the pricing front the underlying continues to hold below 50-day moving average indicating the trend is weak while holding strong support at 75.50.

By any means a break down below the same should turn the market completely onto the continued negative trend and possibly send the price towards 74 cents. However, a failure to break the support might revive the price direction and either continues to trade in the same range or move gradually higher towards upper band of price range. Since there are no major triggers in the market we are emphasizing more on the technical price analysis.

This morning ICE cotton for March is seen trading at 76.03 cents down by almost half a per cent.

On the domestic front the spot price of cotton for Shankar-6 variety traded in the range of Rs. 40400 to Rs. 40500 per candy ex-gin around 80.50 cents/lb in parity. The daily arrivals have slipped down sharply below 100,000 Bales due to Mahashivaratri festival celebrated across country. We believe the flow of arrivals in the remaining days of this week would be critical to watch out. If the arrivals holds below 100,000 bales then the spot price may advance in the country that may create disconnect between International and domestic cotton price parity. Already there is around 3 to 4 cents higher domestic price quoted in India vs. global cotton price. On the domestic front at the future side we had the restricted hours of trading on Tuesday. The most active February future fell to close at Rs. 19910 down by Rs. 50 from previous close with very thin trading volume and open interest. We might initially witness price correction on the lower side and expect a price band of Rs. 19750 to Rs. 20000 per bale.
Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

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

Indicative Prices of Cotton Yarn in China Date: 12/02/2018 ***Prices in US$ FOB***		
Country	**20s Carded**	**30s Carded**
India	2.75	3.05
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	3.15	3.35
Source: CCF Group		

China yarn

As the Spring Festival approaches, trading in yarn markets was muted. And offers were stable for all yarns.

International yarn

In the cotton yarn market, spinners in Pakistan have complained of a decline in prices and resultant reduced margins. Local and export demand have remained sluggish. Asking rates for cotton yarn have declined slightly in Bangladesh. In Egypt, clothing exporters have complained of delayed tax rebates. Mill demand has remained fairly active, facilitated by the further decline of shippers' asking rates. Fixations against spinners' outstanding March on-call contracts have also remained a feature. Spinners in Bangladesh and the Far East have displayed broad-based enquiry.

Source: CCF Group

NEWS CLIPPINGS

INTERNATIONAL NEWS

What Trade in the Trump Era Means for Sourcing

Though there'd been hope that the term "uncertainty" would retire with 2017, it's still front and center in 2018—especially where trade is concerned. For President Trump, who has taken to a sweeping revamp of U.S. trade policies, upending more than he's upgraded so far, trade is a zero-sum game with winners and losers.

And if that's the perspective, as Josh Teitelbaum, counsel for international law firm Akin Gump Strauss Hauer & Feld, explained during a panel at Sourcing at Magic Monday, then the key indicator for what's working or not in a trade deal, is the trade deficit.

In this case, the losers are those on the negative end of a trade deficit, and the winners are those reaping the benefits. That has been precisely what Trump has sounded off on the most when it comes to his reasoning for reworking a trade deal, as he's been very clear that the U.S. won't be on the losing end of anything.

Since taking office, Trump has pulled the plug on the Trans-Pacific Partnership, alluded to rejoining it, threatened to pull out of NAFTA, for which talks are still ongoing without substantial headway, and frozen talks on the Transatlantic Trade and Investment Partnership (TTIP) the U.S. had been negotiating with the European Union, among other things.

"It's been one hell of a year in trade policy," Teitelbaum said.

The sixth and latest round of NAFTA talks wrapped at the end of January with the U.S., Mexico and Canada agreeing that "some" progress was made, while also agreeing that there's still a long way to go and things they can't reach common ground on—like rules of origin.

The U.S. has proposed increased American inputs on things like autos, and Canada and Mexico aren't on board. In statements following the round six talks, U.S. Trade Representative Robert Lighthizer said there's yet to be any compromise.

The U.S. has also proposed eliminating the agreement's tariff preference levels, which provide duty free access for certain raw materials that Canada or Mexico source outside of the NAFTA nations for their apparel exports.

"The initial U.S. proposal was for the U.S. to eliminate all 24 tariff preference levels," Teitelbaum said. The move wasn't met well in the talks as it would hurt both Mexico's and Canada's competitiveness, and very likely see U.S. consumers spending more for goods with higher-priced inputs. "As these negotiations have progressed," Teitelbaum added, "the U.S., as I understand, has signaled that there's some flexibility in this area."

What's at stake if NAFTA goes belly up, is $682 million worth of apparel imports from Canada and $3.13 billion from Mexico, according to Teitelbaum.

What's also at stake, is U.S. manufacturing for brands like Levi's.

"We've been using NAFTA since day one and we designed our sourcing model to really capitalize on what NAFTA has to offer," Anna Walker, who does global policy and advocacy at Levi Strauss & Co., said during a separate panel on trade. "We know that with NAFTA—that should the president follow through on some of his threats, we'll continue to make those products, we just won't do it using U.S. inputs. Those products will move to countries that have their own supply chains."

Using Mexico as a supplier hasn't been just about manufacturing for Levi's either, it's also been about the country's ideal proximity to the U.S. and suppliers that have grown to become what Walker called "innovation partners," as they've worked to deliver on new, smarter, more efficient ways for Levi's to develop denim.

"To lose that would be really unfortunate," Walker said.

Two more rounds of NAFTA are expected before April as all parties have said they want to settle on a deal sooner than not, but those two rounds may not bring the clarity needed to remove the black cloud that's been hanging over NAFTA since Trump said—and continues to say—that he'd be willing to scrap the deal if he couldn't settle on terms that would serve the U.S.

"My forecast, unfortunately, is more uncertainty and volatility in U.S. trade policy," Teitelbaum said.

Source: sourcingjournalonline.com- Feb 12, 2018

HOME

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Trade growth expected to sustain momentum in first quarter of 2018

"The WTO's latest World Trade Outlook Indicator (WTOI), released on 12 February, suggests that the trade recovery of 2017 should continue, with solid trade volume growth in the first quarter of 2018. … Strong results for air freight, container shipping and export orders in particular suggest that, while the trade recovery may moderate in due course, it will likely continue in the coming months and remain above trend."

Drivers of trade

	Level of Index	Direction of change
Merchandise trade volume (Q3)	102.7	↑
Export orders	102.8	↑
International air freight (IATA)	103.2	↓
Container port throughput	104.3	↑
Automobile production and sales	101.0	→
Electronic components	94.1	↓
Agricultural raw materials	100.8	↑

The World Trade Organization's latest World Trade Outlook Indicator (WTOI) released Monday suggests that the trade recovery of 2017 should continue, with solid volume growth in the first quarter.

The Outlook Indicator's current value of 102.3 is little changed from the 102.2 recorded last November, pointing to steady merchandise trade volume growth. Strong results for air freight, container shipping and export orders in particular suggest that, while the trade recovery may moderate in due course, it will likely continue in the coming months and remain above trend, according to the WTO.

Designed to provide "real time" information on the trajectory of world trade relative to recent trends, the WTOI is not intended as a short-term forecast, although it does provide an indication of trade growth in the near future. Its main contribution is to identify turning points and gauge momentum in global trade growth.

As such, it complements trade statistics and forecasts from the WTO and other organizations. Readings of 100 indicate growth in line with medium-term trends. Readings greater than 100 suggest above trend growth, while those below 100 indicate the reverse. The direction of change reflects momentum compared with the previous month. The WTOI has recorded readings of 102 or higher since February 2017, which coincided with a strengthening of global trade flows.

Component indices of the WTOI are mostly favorable. Container port throughput (104.3) and air freight (103.2) are firmly above trend, indicating strong current shipments of goods. The WTO noted that air freight has proven to be a timely indicator of overall world trade and an early signal of turning points in recessions.

According to the International Air Transport Association (IATA), 2017 global air freight demand grew 9 percent compared to the 3.6% annual growth recorded in 2016.

Freight capacity rose 3 percent in 2017, with demand growth outpacing capacity growth by a factor of three. IATA noted that 2017 demand for air freight grew at twice the pace of the expansion in world trade resulting from strong global demand for manufacturing exports, as companies moved to restock inventories quickly.

"Air cargo had its strongest performance since the rebound from the global financial crisis in 2010," said Alexandre de Juniac, IATA's director general and chief executive officer. "Air cargo is still a very tough and competitive business, but the developments in 2017 were the most positive that we have seen in a very long time."

He said the outlook for air freight in 2018 is optimistic, with growing strength in international e-commerce and the transport of time- and temperature-sensitive goods.

"Challenges remain, including the need for industry-wide evolution to more efficient processes," de Juniac said. "That will help improve customer satisfaction and capture market share as the expectations of shippers and consumers grow ever more demanding."

Meanwhile, the WTOI showed export orders (102.8) reaching their highest level since 2011, pointing to sustained recovery.

Weaker results are observed for automotive products (101.0), agricultural raw materials (100.8) and electronic components (94.1), which could indicate a weakening of consumer sentiment. In the U.S., the benchmark University of Michigan Consumer Sentiment survey for January came in at 95.7, up 0.2 from the December Final reading of 95.9.

"Consumer sentiment has remained largely unchanged for more than a year at very favorable levels. Consumers continued to expect growth in jobs and incomes, but anticipated a slightly higher inflation rate," chief economist Richard Curtin said.

The Indicator showed that overall, these results are somewhat stronger than the WTO's most recent trade forecast issued in September, which pointed to merchandise trade volume growth of 3.6% for 2017 and 3.2% in 2018. The next WTO trade forecast update is expected in early April.

The full World Trade Outlook Indicator is available here.

Source: sourcingjournalonline.com- Feb 13, 2018

HOME

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Australia, Peru sign free trade agreement

The governments of Australia and Peru signed off on the Peru-Australia Free Trade Agreement (PAFTA) Monday.

Steven Ciobo, Australia's Trade Minister, finalized the deal, saying it would "create new Australian jobs and drive economic growth."

The ratification of PAFTA represents the end of months of work on both sides after negotiations opened in May 2017.

The nine-month turnaround from negotiations opening to the deal being closed on makes it the fastest FTA Australia has ever concluded.

Under the deal, tariffs on 99 percent of Australian goods exported to Peru will be eliminated within five years.

Australia will become one of Peru's biggest suppliers of sugar, exporting 90,000 tonnes of the product to Peru within 18 years; the equivalent of 30 percent of Peru's total sugar imports.

"This elimination of tariffs will help Australian farmers, who have effectively been shut out of the market until now, grow their exports. The more they export, the more Australian jobs they will create," Ciobo said on Monday.

"As one of our most ambitious trade agreements for services, PAFTA will create new opportunities for Australian education providers. Peru will recognize Australian degrees, helping Australian universities attract more Peruvian students to study in Australia.

"Peru is one of the fastest growing economies in the world with an average growth rate of 5.9 percent over the last decade. This agreement gives Australian businesses the opportunity to share in the growth."

Two-way trade between Australia and Peru was worth 461 million U.S. dollars in 2016, a 51.2-percent increase on the previous year.

In addition to sugar, PAFTA means that exports of Australian beef, dairy products, pharmaceuticals, horticulture products, kangaroo meat and wheat to Peru will also significantly increase.

Source: xinhuanet.com- Feb 12, 2018

HOME

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Portugal sees exports and imports boom in 2017

Portuguese exports and imports grew sharply in 2017, the National Statistics Institute (INE) revealed on Friday.

Exports increased by 10.1 percent compared to 2016, while imports increased 12.5 percent.

To put the figures in context, exports grew 0.8 percent and imports 1.5 percent in 2016 versus 2015.

Exports in 2017 brought in 55.07 billion euros, the biggest take on record.

According to analysis conducted by the ECO online business newspaper, this equates to 28.6 percent of Portugal's GDP, the highest share in at least 17 years and 10 percentage points higher than in 2009.

Imports also reached unprecedented levels in 2017, totaling 68.92 billion euros. The overall effect was a 13.84 billion euros trade deficit.

However, the figures are for goods only and do not include services. Tourism, a major driver of the Portuguese economy, is classified as an export service.

In a separate data announcement, the Portuguese Association of Textiles and Clothing (ATP) also announced a record year.

The sector accounted for 5.23 billion euros in exports, a 4 percent year-on-year increase.

Source: xinhuanet.com- Feb 11, 2018

HOME

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Vietnam: Textile exports to China growing

Though ViệtNam remains a big importer of textile feedstock and accessories from China, its rising exports to China is a promising sign, according to the ViệtNam National Textile and Garment Group.

Customs data shows imports from China in 2017 were high at US$9 billion, or 42.7 per cent of all textile-related imports, and 12 per cent higher than in 2016.

ViệtNam often imports raw materials also from South Korea and Taiwan. South Korean products cost a fourth of Chinese products while Taiwanese products cost a fifth.

Last year, ViệtNam's imports from China included over $6 billion worth of silk, $2 billion worth of leather and $800 million worth of threads.

However, according to the ViệtNam Textile & Apparel Association (Vitas), textile exports to China have been rising steadily, going up from $2.2 billion in 2015 to $3.2 billion last year. Vitas expects the figure to continue rising.

Vitas said China's imports of Vietnamese textile products are not taxed because of the ASEAN – China Free Trade Area while imports from countries such as India and Pakistan incur a 3–5 per cent tax.

China is one of ViệtNam's top five textile export markets.

Since that country has the world's largest population, its market can be extensively segmented offering a great opportunity for local textile products. ViệtNam's textile and garment exports were worth $31 billion last year.

Source: vietnamnews.vn- Feb 12, 2018

HOME

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USA: Cotton to be grown on 13.1mn acres in 2018: NCC Survey

Cotton growers in the US intend to plant the crop on 13.1 million cotton this spring, up 3.7 per cent from 2017, according to the National Cotton Council's (NCC's) 37th Annual Early Season Planting Intentions Survey. Most of the crop planted would be upland cotton, which is expected to be grown on 12.8 million acres, up 3.8 per cent from 2017.

The other variety, i.e. extra-long staple (ELS) cotton, is likely to be planted on 254,000 acres, representing a 1 per cent increase over the previous year, the survey showed. The survey results were announced at the NCC's 2018 Annual Meeting in Fort Worth, Texas.

"Planted acreage is just one of the factors that will determine supplies of cotton and cottonseed. Ultimately, weather, insect pressures and agronomic conditions play a significant role in determining crop size," said Dr. Jody Campiche, NCC's vice president, Economics & Policy Analysis.

She said that with abandonment assumed at approximately 15 per cent, cotton belt harvested area totals 11.1 million acres.

Using an average US yield per harvested acre of 842 pounds, the total cotton crop would be 19.4 million bales, with 18.7 million upland bales and 744,000 ELS bales.

The NCC questionnaire, mailed in mid-December 2017 to producers across the 17-state cotton belt, asked producers for the number of acres devoted to cotton and other crops in 2017 and the acres planned for the coming season. Survey responses were collected through mid-January.

Campiche noted, "History has shown that US farmers respond to relative prices when making planting decisions. During the survey period, cotton futures prices were stronger relative to competing crops. The price ratios of cotton to corn and soybeans are more favourable than in 2017.

However, soybeans are expected to provide competition for available acres in 2018, due in part to the lower production costs relative to cotton.

While cotton prices have improved relative to other crops, cottonseed prices are at the lowest level since the 2006 marketing year, thus increasing the net costs of ginning."

However, many producers will continue to face difficult economic conditions in 2018. "Production costs remain high, and unless producers have good yields, current prices may not be enough to cover all production expenses," NCC said in a statement.

NCC delegates were reminded that the expectations are a snapshot of intentions based on market conditions at survey time, and actual plantings will be influenced by changing market conditions and weather.

Source: fibre2fashion.com- Feb 12, 2018

HOME

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USDA lowers 2017-18 cotton export target

The US department of agriculture (USDA) has lowered the country's cotton export target for 2017-18 to 14.5 million bales of 480 lb each, down 300,000 bales from the previous forecast.

To meet the revised forecast, however, exports will still have to average over 350,000 bales per week, a rate just over last year's then-second-highest level on record.

During the first half of the current marketing year, cotton shipments from the US have lagged compared to the same period of the previous year. As of last week in January, accumulated exports this season totalled 4.57 million running bales or just 32.5 per cent of the new forecast.

This is the second-lowest level in the last decade and well below the 38 per cent decadal average. The only lower year, 2014-15, saw Feb-July US exports supported by two events: a very small crop in Australia due to drought, and large MSP operations in India reducing its exports.

Both of these limited competition with—and helped accelerate—US exports during Feb-July. No such favourable factors are evident so far this season to support second-half exports.

"Additionally, several factors are likely to pressure US exports in the coming months. In Australia, the cotton crop is expected to be the largest in six years, and harvest appears to have begun appreciably earlier than usual, which may enable early export shipments.

As a result, US exports may face fiercer competition from Australia than is typical for the early Northern Hemisphere spring months," the Foreign Agricultural Service (FAS) of the USDA said in its monthly report 'Cotton: World Markets and Trade'.

Additionally, US exports would also be affected due to increase in cotton production in Mexico this year.

In normal years, export shipments to Mexico have a fairly even pace over the course of the marketing year; however, the doubling of Mexican crop this year is expected to curtail imports in the second half of the season relative to the first half of the season. As such, shipments to that major market may slow noticeably.

Finally, since the beginning of cotton year 2018, implementation of new US trucking regulations has reportedly caused delays in transporting cotton from US warehouses, a situation which may not be entirely resolved and backlogs cleared before the end of the season.

As a result of these three factors, the US balance sheet at the end of 2017-18 cotton year is likely to have lower exports and higher ending stocks.

Source: fibre2fashion.com- Feb 13, 2018

HOME

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Bangladesh: ADB gives Eastern Bank $20m for apparel sector

The Asian Development Bank (ADB) yesterday signed an agreement with Eastern Bank Ltd (EBL) to provide the latter a $20 million loan to help improve standards and quality in Bangladesh's textile and garment sector.

The loan will be used to finance socially and environmentally sustainable projects, specifically, the construction or expansion of factories meeting structural, fire and electrical safety standards, according to a press statement from the private commercial bank.

It says Bangladesh was currently the second largest exporter of textiles and garments, accounting for about 15 percent of the gross domestic product and employing more than four million workers, 85 percent of whom were women.

Ali Reza Iftekhar, managing director and chief executive of EBL, and Christine Engstrom, director of Private Sector Financial Institutions Division at ADB, signed the agreement at a hotel in Dhaka.

“The textile and garment sector is an essential part of the Bangladesh economy, raising incomes for large numbers of workers, particularly women,” said Engstrom.

“We are confident that our partnership will contribute to the improvement of the textile and garment sector,” she said.

Manmohan Parkash, ADB country director for Bangladesh; Hassan O Rashid, additional managing director of EBL, and other senior officials from both organisations were present.

Source: thedailystar.net- Feb 13, 2018

HOME

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Bangladesh: Man-made fibres getting popular among RMG makers

The import of man-made fibres such as polyester staple, viscose, and tencel is on the rise as a substitute for cotton as their demand is increasing amid changes in global fashion trend.

Bangladesh imported 78,208 tonnes of polyester staple fibre in 2016, up 11.39 percent from 70,209 tonnes in 2015 and 35.72 percent from 51,729 tonnes in 2014, according to data from Bangladesh Textile Mills Association (BTMA).

The import of viscose staple fibre was recorded at 29,146 tonnes in 2016, slightly down from 29,538 tonnes in 2015. From January to June of 2017, the volume was 16,063 tonnes, the data showed. In 2014, Bangladesh imported 18,115 tonnes of viscose staple fibre.

Imports of tencel, a fibre made of trees and leaves, stood at 5,034 tonnes in 2016 and 6,199 tonnes the previous year.

“The import of man-made fibre is increasing every year,” said Monsoor Ahmed, secretary of the BTMA.

Razeeb Haider, managing director of Outpace Spinning Mills Ltd, said the demand for any kind of yarn and fabrics depends on buyers' choice. Recently, the demand for man-made fibres has increased from the buyers' end. “So, there is a rise in import,” he said.

According to the spinner, the durability and the longevity of artificial fibres are higher than cotton-made yarn and fabrics. “That's why the demand for man-made items is going up.”

If garments made from man-made fibres are not washed for many days their quality will not deteriorate or over-wash will not compromise the quality, Haider said.

Abdullah Al Mahmud Mahin, managing director of Hamid Fabrics Ltd, said with the rise of high-end smart fashion markets worldwide, the demand for man-made fibres is increasing.

The number of factories producing artificial fibres also went up. Alone the polyester fibre production units rose to 52 from 10 to 12 seven years ago. There are 45 viscose staple fibre mills and 10 tencel factories.

Globally, the ratio of man-made fibre has gone up compared to cotton fibre, although the latter is still the main item for spinners, Ahmed of the BTMA said.

The ratio of the cotton-made yarn and the artificial one rose to nearly 80:20, whereas it was 90:10 even five years ago.

The global ratio of cotton and man-made fibre use is 28:72, with the balance heavily tilting towards the artificial fabric, thanks to lower price, improved functionality, and ease of use, according to International Textile Manufacturers Federation.

Mahin said many Chinese and Taiwanese investors are interested to invest in man-made fibre production in Bangladesh. Almost all sportswear items are made from artificial fabrics.

In 2016-17, Bangladesh imported about 10 million tonnes of cotton to feed its vast garment sector.

Source: thedailystar.net - Feb 14, 2018

HOME

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Blockchain Coming to African Customs Clearance in 2018

The Common Market for Eastern and Southern Africa (COMESA) is set to roll out a digital free trade area—the first in Africa—modelled along the Malaysian Free Trade Zone, where parties to a transaction are connected through blockchain technology that allows them to share a web of ledgers in real time that are secure.

The application also supports generation of an electronic certificate of origin that can be verified using national information technology systems. This differs from the current practice which involves manual applications and physical presentation of documents to tax bodies and other government agencies that cause businesses delays.

Piloting of the digital FTA is expected to start in 15 of its 19 member states, enabling large and small enterprises alike to trade using their smartphones and tablets. Businesses within COMESA could save up to $450 million in clearance documentation once the bloc adopts blockchain technology for clearing imports.

The digital program is part of COMESA's theme, "Towards Digital Economic Integration," that already includes trade facilitation applications that have been developed. They include the COMESA Virtual Trade Facilitation System, an online platform for trade facilitation instruments and a regional customs bonds, and Regional Customs Guarantee Scheme that involves an electronic Certificate of Origin (of goods for export).

The Secretary General of COMESA, Sindiso Ngwenya, said in a recent bulletin that "Gone are the days when we have had documents being presented physically at the border posts because with the digital economy you can do that from the country of export irrespective of where it is. The long queues that we see at the borders are needless."

He said millions of dollars are paid to banks for merely signing letters of credit because businesses do not trust one another, a situation he said that will be remedied as the business community embraces the digital economy. "We are rolling out the Digital FTA in 2018, beginning with willing member states on the basis of the principle of variable geometry," said a COMESA spokesman. "The e-certificate of origin is a good practice around the world, but COMESA will be the first regional economic bloc in Africa to have it as a regional FTA instrument."

The participating countries are Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo, Sudan, Ethiopia, Egypt, Seychelles, Malawi, Mauritius, Madagascar, Swaziland, Zambia and Zimbabwe, and Ethipoia has indicated it is interesting in joining in the program.

Blockchain is quickly becoming a must-have technology in global trade, with groups like ocean carriers such as Maersk and commercial ground and transportation giants like UPS creating or joining initiatives.

Source: sourcingjournalonline.com- Feb 13, 2018

HOME

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Bangladesh confident about signing FTA with Sri Lanka this year

Bangladesh's High Commissioner Riaz Hamid-ullah is confident about signing the FTA with Sri Lanka this year. Riaz says, the Bangladeshi ministry is now in discussion with the Ministry of Development Strategies and International Trade.

They are now engaged in a joint study to determine the scope, modalities and sectors of the agreement. Once this is done they will develop joint recommendations for the formulation of the agreement.

The proposed FTA is largely focused on service sector not goods and targeted at logging into the international supply chain. This should go beyond bilateral trade between the two countries.

The High Commissioner also invited proposals and recommendations for the FTA from the business council. Speaking of development of his country's economy and infrastructure, Hamidullah noted trade with Bangladesh were not limited to its market but connected to global and regional trade.

"Bangladesh is becoming more connected in its economic landscape and its physical landscape is also becoming a lot smoother, connecting the country to the regional market," he added.

The good relations the two countries shared and the facilitation extended to Sri Lankan investors by the different governing authorities has made the country an excellent option for investment-related partnerships.

The investment of $100 million by LAUGFS Gas (Bangladesh) in the Mongla Port was testimony to the good investment opportunities present in Bangladesh for Sri Lankan investors, he claimed.

Source: fashionatingworld.com- Feb 13, 2018

HOME

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Uzbekistan to set up new cotton units

Uzbekistan will open some 13 cotton textile enterprises by autumn 2018. These enterprises will promote efficient and rational use of land, water and other resources, increase in yields and timely harvesting of raw cotton, and also ensure its further in-depth processing and production of products with high added value.

The new companies will receive a number of benefits and preferences. Among them are: preferential crediting, exemption from payment of customs payments until January 1, 2020, exemption from payment of profit tax and property tax, single tax payment for micro firms and small businesses, payment of mandatory contributions to the Republican Road Fund, deferment of customs payments during the import operation.

These production facilities will buy raw material directly from farms. So far there was no such mechanism for purchasing raw materials first hand. Currently Uzbekistan is the world's sixth largest cotton producer among 90 cotton growing countries.

It produces about 1.1 million tons of cotton fiber annually, which accounts for about six per cent of global cotton production. The country exports cotton mainly to China, Bangladesh, Korea and Russia.

One of the policy priorities of Uzbekistan is further development of its textile industry. Uzbekistan takes consistent steps to increase the volume of cotton fiber processing.

Source: fashionatingworld.com- Feb 13, 2018

HOME

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NATIONAL NEWS

Textile industry's needs being regularly addressed: Minister

But no date yet for new policy; North-East given highest priority: Irani

Our Bureau The Textiles Ministry is working on finalising the long-pending National Textiles Policy, but the government is not yet ready to give out a time-line for its announcement.

"Following our consultations with various expert groups and industry representatives, three-four things had come up and three different steering committees were made," said Textiles Minister Smriti Irani at a press conference on Tuesday.

These groups are trying to find ways to address various challenges being faced by the sector including identifying natural fibre growth possibilities and global best practices and roping in States for proper certification of jute seeds, she added.

"When we are ready to announce the textiles policy we will let you know," Irani told reporters. The proposed national textiles policy, which has been under discussions for several years, was initially reported to have set a target of achieving $300 billion textile exports by 2024-25, and creating around 35 million new jobs.

Export scenario

When asked whether she was concerned over the recent decline in garments exports, Irani said that the Economic Survey had highlighted that the incentive package for apparels had increased exports by 16 per cent, which was very encouraging.

The pending textiles policy notwithstanding, the Textiles Ministry was continuously identifying the biggest needs of the industry and addressing them, Irani said.

"Big steps have already been taken such as announcement of the package for garments sector, enhancement under MEIS (Merchandise Export from India Scheme) and outreach for weavers and the artisan community," she said.

North-East thrust

Development and modernisation of the textile sector in the North-Eastern States were being given the highest priority by the Textiles Ministry, Irani pointed out. This will create more jobs, especially for women of that region and also improve the infrastructure of North-Eastern states such as roads, power, water supply and construction of offices, she said.

There are 23.77 lakh handlooms in the country of which 16.47 lakh handlooms (69.28 per cent) are in the North-East region as per the Handloom Census of 2009-10.

Twenty-one ready-made garment manufacturing units are fully operational in the seven States of the North-East.

"Three factories have become fully operational in each of the seven States in a record time of two years," Irani said.

Source: thehindubusinessline.com- Feb 13, 2018

HOME

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No-tariff measures: For trade, here is how challenge can be turned into opportunity

Policy orientation in modern-age trade negotiations has progressively turned to non-price measures looking beyond tariff liberalisation. In the past, India's FTAs did not necessarily and always benefit domestic exports and exporters. Instead, imports increased more than exports in most cases.

So, there exist instruments, other than custom tariffs, that are operative in constraining access to markets abroad.

Such policy measures are referred to as non-tariff measures and predominantly include quality control measures; para-tariff measures such as anti-dumping and safeguards measures; technical barriers to trade (TBTs) for manufactured goods; and sanitary and phytosanitary (SPS) measures for food products, plants and animals.

According to data collected by the United Nations Industrial Development Organisation (UNIDO), TBTs, quality control and SPS are the most prevalent non-tariff measures exercised globally. On an average, countries impose TBTs, quality control and SPS on 32%, 24% and 16% of trade, respectively.

Compliance to non-tariff measures such as TBT and SPS requires meeting stated process benchmarks and certifications, which add to costs, thus wearing out the competitive advantage due to low labour costs or enhanced market access acquired through tariff cuts during negotiations.

An earlier survey of Indian exporters has revealed the non-tariff measures experienced in the US, UAE, UK, Germany, France, Japan, Kenya and New Zealand, citing predominant procedural obstacles in the from of arbitrary or inconsistent behaviour and non-transparent practices.

The frequent revisions of TBTs and SPS standards demonstrate a ‘goalpost change syndrome’ in developed countries, where the attempt is to introduce tougher and prohibitive norms, making compliance more difficult for the exporting partner, which is generally a developing country. India’s affected export sectors include industries with competitive advantage—textiles, leather, electrical equipment, electronics and chemicals.

India’s own non-tariff measures mostly cover food, engineering equipment, medical equipment, metal, and gems and jewellery. India has participated in non-tariff measure regimen through specifying the labelling requirements, registration procedures, certifications and test, quarantined requirements, and measures for food products.

India’s most recent engagement in negotiations has been that on the RCEP agreement. The regional dimensions of the proposed RCEP will be the among the sturdiest, with a combined share of 30% in world GDP and 40% in world trade. Evaluation of benefits from trade is seminal to assessing the potential from an international arrangement of such high order.

For India, regional trade with 15 RCEP member nations is significant, accounting for 18.9% of India’s world exports. Even more important is the import relationship, with the share of imports from RCEP as high as 35.5%.

Therefore, the issues of import are likely to be tougher as India's import dependence on RCEP is notably higher than for exports. India has a high intra-RCEP trade deficit, too.

The prevalent use of TBT and SPS measures in Japan (an RCEP member) and by developed regions such as the EU has highlighted India's inability to address the challenge for its exporters. Flexing muscles for tariff cuts alone will not be of much use unless supported with simultaneous negotiations on mutual recognition of TBTs and SPS between trading partners.

Since future trade wars are likely to be battled on non-price measures, understanding the TBT and SPS regime of partners becomes essential. This will have dual benefits.

On export front, information on measures adopted in partner countries will enable India to expand opportunities of mutual trade through signing of Mutual Recognition Agreements.

A better information system for domestic exporter will assist upgrade of domestic industry to meet global norms. On import front, improved domestic standards will be useful to raise and tighten standards in India's notifications on TBTs and SPS.

Stricter norms for imports will not only benefit through better health and safety of human life, plants and animals, but will also provide a level-playing field to India in negotiations on TBTs and SPS.

Thus, addressing the information gap with regard to TBTs and SPS measures between India and its trade partners is instrumental in realising the trade potential. This is a common priority, both for exports and imports, which can be useful in turning the non-tariff measure challenge into an opportunity for trade.

Source: financialexpress.com- Feb 12, 2018

HOME

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Hike in ROSL funds to boost textile export: Irani

Initiatives like 39 per cent increase in allocation for remission of state levies (ROSL) in the Budget would help boost textile export, Textile Minister Smriti Irani said today.

The Budget allocation for ROSL scheme has been raised to to Rs 2,163.85 crore from Rs 1,555 crore in 2017-18. Allocations under the technology upgradation fund scheme (TUFS) have also been increased by 15 per cent in the Budget, she said. Irani said the Rs 6,000-crore package announced for apparel sector last year, and 39 per cent increase in ROSL would help push the exports.

The largest component of the package was ROSL to offset indirect taxes levied by states that were embedded in exports. ROSL was over and above the duty drawbacks and other incentives like Merchandise Exports from India Scheme. The minister added that in the past one year, the government has given the industry close to Rs 1,800 crore as a part of this package and a payment of Rs 300 crore is in the pipeline for this financial year.

She also said apparel and garment manufacturing centres in all northeastern states are operational except in Sikkim, where it is under construction. In 2014, Prime Minister Narendra Modi announced an initiative for construction of these centres in all northeast states under North East Region Textile Promotion Scheme.

"At a cost of Rs 127 crore, these garment manufacturing centres are now functional," she said adding the units have employed locals for apparel manufacturing. "We want to encourage local population into formal employment. One of the biggest benefits of this package has been that we have seen 1.8 lakh garment workers now formally becoming a part of EPFO in the past one year.

That means more and more formalisation is happening," Irani added. Further, the minister said reclassification of MSME and reduction of corporate tax by 5 per cent in the Budget will help the sector expand its manufacturing and encourage employability.

The textile ministry, she said, would organise the second round of 'Hastkala Sahyog Shivirs' from February 19-24. "I have written to all members of Parliament and invited them to participate," she said. The first was held in October last year. These camps help weavers and artisans to avail benefits under different schemes like MUDRA and yarn subsidy scheme.

Meanwhile, the ministry in a statement said that 21 ready-made garment manufacturing units are fully operational in Assam, Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Mizoram and Tripura. "Rs 690 crore has been utilised for the development of sericulture in the region," it said adding three factories have become fully operational in the seven states in a "record time of 2 years".

Each factory employs around 1,200 people, mainly women. The factories are owned by local entrepreneurs, and agencies like Clothing Manufacturers Association of India and Arvind Mills are placing orders with these units, it added.

Source: business-standard.com- Feb 13, 2018

HOME

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Tirupur textile units to get 'MSME' label under new classification criteria: TEAMA

Talking to KNN, G.R Senthilvel, Secretary of Tirupur Exporters and Manufacturers Association (TEAMA) said that the government's decision come at a good time and is surely to bring a relief for the sector.

Turnover based classification criteria

Senthilvel said that the existing units that earlier did not fall in the ambit of what an MSME will now be categorised as MSMEs, enabling the units to take benefit of the schemes laid out by the central as well as the state governments.

Hinting at numbers, he informed that over 98 per cent of the manufacturing units will now benefit from the revised definition.

According to the government's new definition, businesses with revenue of as much as 5 crore will be called a micro enterprise, those with sales between 5 crore and 75 crore will be deemed as small and those with revenue between 75 crore and 250 crore will be classified as medium-sized enterprises.

Under the earlier definition, manufacturers with 25 lakh investment in plant and machinery were termed micro enterprises and those with investments between 25 lakh and 5 crore were regarded as small enterprises.

Firms with investments of up to 10 crore are classified as medium.

RBI's 180 day extension

Commenting on the extension period announced by the Reserve Bank to declare a unit as NPA, Senthilvel said the move is to add to the growth in the sector. Earlier the units used to be worried with regard to to the deadline, there is a relaxed bracket for the MSMEs now, he added.

"While the new NPA bracket surely comes as a relief for the MSMEs, at the same time we are worried as to what would happen if the unit is still not able to make the repayment, the government should come up with a relaxed framework for that as well", he added.

Earlier, eyeing at facilitating relief to the Micro, Small and Medium Enterprises (MSMEs) impacted by the teething effects of Goods and Services Tax (GST), the Reserve Bank announced extension up to 180 days to clear the dues to banks, a move that is being welcomed by the sector.

Source: knnindia.co.in- Feb 13, 2018

HOME

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India mulls MoUs, exhibitions abroad to promote khadi

India is planning to sign agreements with various countries to promote khadi handloom and hold exhibitions abroad to showcase the indigenous fabric.

It is also exploring signing of memoranda of understanding between Indian exporters and overseas importers, through the Khadi and Village Industries Commission (KVIC), to boost outward shipments.

KVIC under the ministry of micro, small & medium enterprises (MSME) is also having discussions with industry associations abroad to open franchisee outlets, where khadi products would be put on sale, according to a news agency report.

The ministry is looking at using export promotion clusters to boost outward shipments of khadi products, say top officials in the ministry.

Source: fibre2fashion.com- Feb 13, 2018

HOME

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Exporters claiming higher drawback must submit self-declaration

For all exports made with effect from July 1, 2017 for which higher rate of drawback is claimed, exporters have to submit the self-declaration in the format given in CBEC Circular no.32/2017-Cus dated

We are merchant exporters. We exported certain goods without GST payment under letter of undertaking. Some of these were purchased on payment of excise during pre-GST era and some after July 1, 2017 on payment of GST. On export of these goods we have claimed duty drawback at higher composite rates for exports made between July 1, 2017 and September 30, 2017. We have not claimed refund of unutilised input tax credit. Is that OK?

As per CBEC Circular no. 22/2017-Cus dated June 30, 2017, the conditions imposed for claiming composite rates aim to ensure that exporters do not claim composite AIRs of duty drawback and simultaneously avail input tax credit of Central Goods and Services Tax (CGST), or Integrated Goods and

Services Tax (IGST) on export goods, or on inputs and input services used in the manufacture of export goods, or claim refund of IGST paid on export goods. Further, an exporter claiming composite rate shall also be barred from carrying forward Cenvat credit on the export goods or on inputs or input services used in manufacture of export goods in terms of the CGST Act, 2017.

For all exports made with effect from July 1, 2017 for which higher rate of drawback is claimed, exporters have to submit the self-declaration in the format given in CBEC Circular no.32/2017-Cus dated July 27, 2017.

We refer to notification 3/2018-Central Tax dated January 23, 2018, which amends the GST Rules, 2017. The amended Rule 96(10) says that the persons claiming refund of integrated tax paid on exports of goods or services should not have received supplies on which the supplier has availed the benefit (besides other notifications) of notification No. 79/2017-Customs dated October 13, 2017.

Now, the notification 79/2017 amends many notifications applicable to several types of advance authorisations and even EPCG authorisations. Does it mean that if a supplier has taken the benefit of any of the notifications mentioned in notification 79/2017, the exporter cannot pay IGST on his export goods and claim refund?

Yes. The essence of the part of GST Rules amendment that you refer to is that as an exporter, if you procure goods from a supplier who takes the benefit of advance authorisation or EPCG authorisation as provided in notification 79/2017, you must export under LUT. There is more in that amendment.

If the supplier claims refund of GST paid on deemed export supplies made to you or if he happens to be an EOU who takes the benefit of notification 78/2017-Cus dated October 13, 2017, then also you cannot export on payment of IGST under a refund claim.

Also, a merchant exporter who procures export goods at 0.1 per cent GST must export under LUT. There is lots of confusion in the trade on account of this amendment to the said GST Rules made with retrospective effect from October 23, 2017.

The status of exports already made on payment of IGST is not known. If you have received refund of it, you may be asked to surrender the same with interest.

Source: business-standard.com- Feb 13, 2018

HOME

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Cotton production falls short of initial estimate

Inclement weather, low availability of canal water to blame

Cotton production in the state is unlikely to meet the estimated figure of 12 lakh bales this year and may fall short by 1 lakh to 1.5 lakh bales due to inclement weather and low availability of canal water.

Talking to The Tribune, former North India Cotton Association president Ashok Kapur said, “Initially, it was estimated that the state’s cotton production will touch 12 lakh bales this year. However, as the season proceeded, the estimates were revised and now we are hoping that it will be somewhere between 10.5 lakh and 11 lakh bales.” He attributed the higher estimates at the start of the season to the fact that the area under cotton cultivation had gone up considerably in the state.

Overall, the area under cotton cultivation in the state had increased from 2.56 lakh hectares to 3.83 lakh hectares. In Bathinda, it shot up from 97,000 hectares to 1.3 lakh hectares, from 32,000 hectares to 64,608 hectares in Muktsar and from 67,000 hectares to 86,000 hectares in Mansa.

According to him, the cotton production of the region, including Punjab, Haryana and Ganganagar circle of Rajasthan, is likely to be around 45 lakh bales. Out of this, Haryana will account for 24 lakh bales and Ganganagar circle for 10 lakh bales. He hoped that the state’s farmers would continue cotton farming in the next season as well, as they got remunerative prices for their produce, which touched Rs 5,500 per quintal mark this season.

Dr GS Romana, senior farm economist, PAU, said, “Cotton production may have been hit this time, as weather conditions were not conducive for it. The entire month of July was almost dry and the monsoon got delayed, which prompted the farmers to irrigate their crop more.

Besides, it came to our notice that some farmers also used tubewell water, which is brackish, during pre-sowing irrigation. We don't recommend this as high temperature coupled with brackish water leads to cotton burning." He, however, felt that the state has done fairly well in terms of cotton production this year.

On the other hand, though farmers are more or less satisfied with the prices cotton fetched, they say it failed to meet their expectations. "We were expecting that the cotton prices will at least cross Rs 6,000 per quintal mark, but it barely managed to touch Rs 5,500. Besides, the low yield too has taken a toll on our returns," said Jagtar Singh, a farmer from Naruana village. At present, the cotton prices are hovering between Rs 5,200 and Rs 5,300 per quintal.

Source: tribuneindia.com- Feb 14, 2018

HOME

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Reforms will boost the formal economy

The ecosystem is changing for MSMEs. That should bring scalability and competitiveness to the biggest jobs sector

Formalisation and, therefore, mainstreaming of micro, small and medium enterprises (MSMEs) has been taking place at a rapid place since demonetisation and the introduction of the Goods and Services Tax.

The budget for the next fiscal accelerates this process by incentivising formalisation in such a way that it sets off a cycle of easing access to finance, lowering tax incidence, and encouraging job creation.

With the economy in the process of digesting the two big reforms, capturing data on performance — from the so-called 'digital exhaust' — of the budget initiatives, will ultimately improve access to funding, and job creation among MSMEs.

Change triggers

The reforms processes preceding, and the budget pronouncements seek to change the landscape by triggering three effects:

1. Increase access to formal finance: With large corporates now being mandated to go to the corporate bond market for a quarter of their borrowings, and after recapitalisation, public sector banks will have more money to lend. It would be fair to surmise, therefore, that banks will start increasing their exposure to the MSME sector. More so given that competition from mutual and pension funds is set to increase in the corporate bond market, and the regulatory pressure to reduce large corporate exposures.

The proposal to link the Trade Receivables Discounting System (TReDS) platform with the GST Network, and to revamp the online loan sanctioning facility would also improve the MSME sector's access to formal finance.

Traditionally, access to relevant financial data on MSMEs has been a challenge for banks, particularly when funding their working capital requirements. The Government is trying to change this paradigm with the TReDS -GSTN linkage, and by onboarding PSBs and corporates on to the TReDS platform.

The gradual adoption of TReDs has the potential to significantly ease the liquidity woes of MSMEs. Crisil's analysis of the MSMEs it rates shows that average receivables days is as high as 85, despite the MSMED Act 2006 stipulating that they have to be paid within 45 days by the buyer, failing which steep penal interest can be levied.

Also, new advances in technology now allow lenders to use digital transaction trails and rule-based decision-making to underwrite and offer large number of small-ticket loans.

For example, technology allows aggregation and analysis of bank statements of MSMEs and helps in analysing cash flows. To take advantage of this digital revolution, the Government has proposed to revamp the online loan sanctioning facility for MSMEs for prompt decision-making.

Giving out more small loans will also improve the diversification quality of the credit portfolios of banks — of course with appropriate risk controls. In this context, the increase in the lending target for the Pradhan Mantri Mudra Yojana to ₹3 lakh crore next fiscal from ₹2.44 lakh crore this fiscal will help.

Further, that the sector would be needing more funds is underscored by the readings of CriSidEx, India's first sentiment index for micro and small enterprises (MSEs), which was developed jointly by Crisil and Sidbi. The index indicated mildly positive sentiment during the October-December 2017 quarter, and a more positive one for January-March 2018.

Tax cuts and incentives

2. Incentivising sound legal constitution through tax cut: By reducing the income tax slab of 25 per cent to companies with a turnover of up to ₹250 crore (from ₹50 crore announced in the last year's budget), the Government also aims to boost the investible surplus of MSMEs. The benefit extends to almost 99 per cent of existing companies.

To be sure, this is only a small percentage of the overall 5.1 crore enterprises in the MSME universe, but it will incentivise firms (partnerships and proprietorships) to adopt a more sound legal constitution — and that's positive for formalisation.

3. Incentivising formal enterprises would create new jobs: Incentives to formal enterprises extend beyond lower corporate tax rates. The Government has increased its contribution to the employees provident fund to 12 per cent of wages from 8.33 per cent earlier in the case of new employees for the next three years.

Similarly, the benefits under Section 80-JJA of the Income Tax Act have been extended by relaxing the minimum period of employment for new employees to 150 days from 240 days for the footwear and leather sectors as well, besides continuing it for the apparel sector.

All three segments have high labour intensity and therefore, these steps will be beneficial to promoting new jobs.

In sum, using digital trails to improve access to funds, lowering tax rates to increase the investible surplus in the hands of MSMEs, and incentives to employ are just what are needed to ensure faster growth of the formal economy.

Source: thehindubusinessline.com- Feb 14, 2018

HOME

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Exporters seek clarity on e-way bill on moving goods from dry to sea ports

Exporters have sought clarity from the government on the functioning of the eway bill when goods move from dry ports to sea ports for export and when they move between special economic zones within the same state.

Exporters have shot off a letter to the finance ministry seeking clarity on a number of issues so as "to avoid problems at a later stage" at a time when the Reserve Bank of India pointed out that the implementation and refund delays under the Goods and Services Tax (GST) regime seem to have led to working capital constraints for companies, which in turn might have hurt their exports in October 2017.

Days after the government deferred the roll out of the e-way bill due to technical glitches, exporters asked if any exemption in customs clearance would be given to goods when they move from inland container depots to ports on the lines of such relief given to imports.

A similar leeway has been given to imports when goods move from ports, airports, air cargo complex and land customs stations to an inland container depot or a container freight station.

"This may be looked into so as to facilitate exports," said Ajay Sahai, director general, Federation of Indian Export Organisations (FIEO).

Merchant exporters, who procure materials from manufacturers and export in their firm's name, have cited confusion on the number of e-way bills needed in case an exporter places the order on a supplier who directly dispatches the goods to the port for exports.

Their query is if two bills would be required in such a scenario-—one from supplier to buyer and other from buyer to overseas seller or if one e-way bill with destination to the port will suffice.

Under GST rules, electronic way or e-way bill is a document required to be carried by a person in charge of carrying any consignment of goods of value exceeding Rs 50,000 within or outside a state through prior online registration of the consignment.

To generate an e-way bill, the supplier and transporter will have to upload details on the GST Network portal, after which a unique e-way bill number (EBN) will be made available to the supplier, the recipient and the transporter on the common portal.

"We would appreciate if these issues are clarified so that exporters may be informed of the same to avoid problems at a later stage," FIEO said in the letter to the finance ministry.

Source: economictimes.com- Feb 14, 2018

HOME

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