TEXTILE INTELLIGENCE CENTRE
iBtex.
INFORMATION BUREAU TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 123 of 2018 June 14, 2018

USD 67.60| EUR 79.83 | GBP 90.57 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21848	45700	**86.45**

Domestic Futures Price (Ex. Gin), June

Rs./Bale	Rs./Candy	USD Cent/lb
23040	48194	**91.17**

International Futures Price

NY ICE USD Cents/lb (July 2018)	93.81
ZCE Cotton: Yuan/MT (Jan 2019)	18,015
ZCE Cotton: USD Cents/lb	**108.50**
Cotlook A Index – Physical	**97. 5**

Cotton guide: On Wednesday Cotton market traded mixed. The July contract was in the center stage that it fell sharply down to end the session at 93.81 cents per pound. However, the December and subsequent contracts were relatively positive. We see so much of action in July especially onto the negative side is because of June month option contract having July future as its underlying contract is getting expired on 15th of June.

Hence, lot of readjustment of positions and squaring of trades taking place in the counter making the both option contracts strikes and underlying price move erratic. Also with the price movement the July-December spread has contracted sharply to l.20 cents earlier in the week the spread was trading around 3 cents.

More on the July future, the both trading volumes and open interests have been reducing with likely cut in the long positions and mills unfixed on call positions mostly moving to December contract would prompt more correction in the counter in next few trading sessions. With the July future correcting downside and December holding strongly positive could make the spread further narrow and in fact it might move into invert where December could trade at premium over July.

Overall on the trading front the trading volumes are higher. As of Wednesday the volumes were around 70+ contracts however, the aggregate open interests have declined marginally by 1947 contacts on Wednesday and in last three days more than 12K contracts have been cut and majorly from the July futures. Currently the aggregate OI stands at 309K contracts while the all-time high was 322253 contracts noted on 4th June. There are no fresh news in the market expect that traders' across the globe is looking at Quota revision in China (Import), in the near future and this could be a big game changer in the cotton market. .. For detailed report please get in touch with Kotak Commodities Research Desk.

Currency Guide: Indian rupee has appreciated by 0.09% to trade near 67.58 levels against the US dollar. The US dollar index is choppy post Fed decision despite central bank's hawkish tone. Fed raised interest rate by 0.25% in line with expectations but also indicated possibility of two more rate hikes. Fed's decision was countered by concerns about global trade war and uncertainty ahead of ECB meeting. However, weighing on rupee is weakness in equity market on trade war concerns and disappointing Chinese economic data. Choppiness in crude oil amid uncertainty about OPEC's production plan is also weighing on rupee. Rupee has opened stronger however the gains may not sustain due to weaker risk appetite. USDINR may trade in a range of 67.45-67.85 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Global cotton trade strong in late-season 2017-18: USDA

There have been significant changes to global cotton trade estimates in this month's World Agricultural Supply and Demand Estimates (WASDE) for 2017-18, released by the Office of the Chief Economist, US department of agriculture (USDA). In May and early June, cotton shipments from the US were especially strong to Vietnam, Turkey, and China.

Substantial developments have taken place comparatively late in the marketing year. "In the United States, May and early June shipments were substantially higher than previously expected and shipping orders remain high, resulting in a 500,000-bale increase in the export forecast for the season to 16.0 million bales," the Foreign Agricultural Service of the USDA said in its latest 'Cotton: World Markets and Trade' report.

Importer data also shows strong trade. In Vietnam, May imports have remained well above year-ago levels. While some areas outside of China, such as Thailand and South Korea, have begun to show some weakness in consumption, Vietnam's mill use continues to grow at a robust pace. China's imports, meanwhile, are forecast up marginally, motivated by fairly strong March and April imports.

Exports and imports are both boosted for India. April exports were stronger than is typical, resulting in a higher export forecast for the season.

Thus, for 2017-18 season, cotton production is raised slightly due to increases in Brazil and Australia, while use is effectively unchanged. However, global trade is up, with higher exports for the US and India accompanied by higher imports by Vietnam, Turkey, and China.

However, for 2018-19 season, production is forecast down, with declines for China, Pakistan, and Australia partially offset by an increase for Brazil. Consumption and trade are forecast effectively unchanged, the report said.

Source: fibre2fashion.com- June 13, 2018

HOME

****

US Cotton Exports Grow to Vietnam, Turkey and China

Substantial developments late in the marketing year have resulted in significant changes to cotton trade estimates in this month's U.S. Department of Agriculture Foreign Agricultural Service "Cotton: World Markets and Trade" report.

In the U.S., May and early June shipments were substantially higher than previously expected and shipping orders remained strong, resulting in a 500,000-bale increase in the export forecast for the season to 16 million bales. The report said shipments were especially strong to Vietnam, Turkey and China.

"With the impact of the slow New Year's holiday period now past in Vietnam, May imports have remained well above year-ago levels," the report said. "While some areas outside of China, such as Thailand and South Korea, have begun to show some weakness in consumption, Vietnam's mill use continues to grow at a robust pace."

China's imports, meanwhile, are forecast to increase marginally, pushed by strong March and April imports, the USDA noted. Exports and imports both increased in India. Exports in particular were higher thanks to a strong April export figure published by the Directorate General of Commercial Intelligence and Statistics, resulting in a higher export forecast for the season.

For 2018-19, global production is forecast to decrease, with declines for China, Pakistan and Australia partially offset by an increase for Brazil, the report noted. Consumption and trade are forecast to be flat. U.S. beginning and ending stocks were lowered 500,000 bales with a higher 2017-18 export forecast.

The U.S. season-average farm price is up 5 cents to 70 cents per pound. For 2017-18, production was raised slightly due to increases in Brazil and Australia, while use was basically unchanged.

However, global trade is up, with higher exports for the U.S. and India accompanied by higher imports by Vietnam, Turkey and China, the report added.

The report noted that the futures A-index and the spot price "have both risen appreciably in recent weeks, continuing a three-year upward trend." Contributing to the trend are rising global demand, particularly for U.S. cotton in recent months, as well as speculation regarding possible release of additional import quota for China.

Source: sourcingjournal.com- June 13, 2018

HOME

****

USA: Denim Manufacturers Invest in Future-Focused Innovations

New York City is a hustling town, but the denim industry stood its ground at Kingpins New York last week, where denim manufactures divulged details about their latest investments in technology, performance and plans for new future-facing facilities.

Fueled by brands' demands for new recycled products, Mexico-based Global Denim is experimenting with recycled denim in the warp and weft. The Ecoloop collection, which will be ready for an official launch in October, uses scraps from the mill's own floor as well as waste purchased from brand partners.

Global Denim creative director Anatt Finkler said the mill is testing fabrics made with 60 percent to 70 percent recycled denim. While there's a maximum to the amount of recycled yarns that can be used, Finkler said the mill has found the right composition. "The key is how you recycle the yarn," she said. "Clients still have expectations about resistance and shrinkage."

Part of Ecoloop's development is eliminating any reason a brand may snub the sustainable option. Brands won't buy if the fabric's performance and aesthetic doesn't hold up to their standards—regardless of the positive affect it may have on their supply chain, Finkler said. They also won't buy if the cost isn't right, which is why Global Denim has worked to keep the cost of Ecoloop fabric remains comparable to other fabrics in its portfolio.

While, pre- and post-consumer recycled denim won't replace regular cotton, the right communication to the end-user, Finkler said, can make it another viable option, and that's what brands are searching for.

This season, Global Denim began design garments to help spark creativity among brands. The mill printed and washed fabrics and presented some backside printing to demonstrate the variety of results designers can achieve with a single fabric. “Clients sometimes look at fabrics with closed minds,” Finkler said. “The denim industry can do more to drive trends.”

Mills are also doing more to improve on already-proven success stories like stretch and cooling denim.

Advanced Denim introduced FreeTech, a new stretch denim that creates “less muffin top” and lays on the body evenly and comfortably. The mill achieves this fit by adding a proprietary treatment in house to the Lycra in the fabric.

A common gripe among designers and consumers alike is that high stretch denim feels too tight, especially for traveling. FreeTech fabric provides compression, but Advanced Denim marketing director Michael Lam said it’s linear, and so doesn’t press down on the body as hard and uncomfortably as some stretch denim can.

Artistic Denim Mills (ADM) teamed with Brrr, a “triple chill effect” fabric technology, to launch a new breed of cooling denim. The jeans provide an instant cooling effect through a patent-pending design that includes cotton, a cooling nylon and polyester core sheath, and spandex. The result is a fabric that is cool to the touch with advanced wicking and rapid drying properties.

The denim reportedly wicks 2.5-times better than 98 percent cotton and 2 percent spandex denim, and dries up to 47 percent faster than other brands. Plus, it feels 38 percent cooler than other cooling denim technologies, according to the mill.

“Point of sale will be key,” Jack Mathews, ADM director of sales and marketing, said. While most cooling technology works after the wearer sweats, consumers will feel the coolness of Brrr denim immediately—what they see and feel is what they get.

Brrr technology has successfully rolled out in men’s suiting, active wear and home textiles. A lot of trial and error took place in order to implement the technology in denim, but Mathews said that’s part of ADM’s experimental nature.

The mill was an early adopter of ProModal and Tencel and was the first mill in Pakistan (and 11th in the world) to run liquid indigo. “We think outside of the box,” he added.

Blue Diamond is reconsidering the modern mill. One of Levi’s main suppliers since the ’90s, the mill is breaking ground this summer on a new mill outside polluted areas of China, Blue Diamond U.S. sales manager Vincenzo Marrocco, said.

The new facility could one day serve as a blueprint for future denim mills. The facility will run entirely on solar power and have its own power grid. The mill will also be fitted with a “high level” water recycling system that will make its in-house indigo process greener. Marrocco said the mill will feature a layout that will better optimize the its efficiency and productivity.

Chinese mill Seazon is seizing new opportunities to grow its business sustainability, too. The mill will expand its capacity by 50 percent this year, growing its number of looms from 420 to 630.

Seazon is also introducing a new intelligent wastewater recycling system to its dyeing and finishing process, which will reuse more than 80 percent of its waste water. The system applies a biological treatment on effluent, and the treated wastewater is reportedly “nearly indistinguishable” from waters of natural origin by the time it’s used in production.

The water system complements Seazon’s clean production process with a solar power system that saves roughly 20 percent industrial power consumption and helps to reduce close to 75,000 tons of CO_2 emissions a year.

Seazon’s efforts are serving to fill a gaping hole in China’s denim industry being left by rampant closures tied to greater government stringency tied to pollution. Manin Yu, Seazon merchandising manager, said the government’s crackdown on pollution has led to the closure of mills and dye houses throughout the Guandgdon province of China. “Where we are, dyeing capacity has decreased by half,” she said.

Source: sourcingjournal.com- June 13, 2018

HOME

****

Vietnam targets US$200 bn garment, textile exports by 2035

With import tax cuts presented by free trade agreements (FTAs) to which, Vietnam is a member, increasing automation in production and quite favourable factors in the world market, the country's garment and textile exports are forecast to hit US$200 billion by 2035.

Vu Duc Giang, president of Vietnam Textile and Apparel Association (VITAS), says the US remains Vietnam's largest garment importer, trailed by the EU and member countries of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

Giang optimistically told the Japanese and Vietnamese media that the garment sector is likely to earn US$34.5 billion from exports this year.

It is expected that after the CPTPP comes into effect in August 2018 and export taxes drop to zero, the country's garment exports will surge by 3% compared to the estimated figure because Canada, Australia, Mexico, and New Zealand, major importers, currently import about US$40 billion worth of products annually.

The garment sector has great potential for development from now to 2035. However, the sector should make thorough preparations to fulfil the target of US$200 billion in export value by 2035.

The domestic material consumption rate should be raised, aiming at 80% of fibres and 60-65% of other materials by 2030-2035.

According to Vitas, with further investment in fiber production Vietnam is now less dependent on materials from China. Domestic materials can meet 40-45% of the sector's demand while the rest is imported from China (37%), Japan, Indonesia, the Republic of Korea and Thailand.

Source: english.vov.vn- June 13, 2018

HOME

****

Turkey wants to tighten up China textile imports: clothing firms

Turkey wants to impose new requirements on textile firms importing material from China, alarming leaders of one of the country's biggest export industries, three clothing company executives told Reuters.

They said the plans were discussed at a meeting in Ankara on Monday between economy ministry officials and representatives of textile companies, who had requested the meeting to ask that the planned measures be delayed or revised.

An economy ministry official confirmed the meeting at the ministry, without giving details. "We expressed support for production imports from China, but on the condition of bringing value added to Turkey," the official said.

Turkey's textile sector is a pillar of its economy. Ready-to-wear clothing accounted for about 18 percent of Turkey's $157 billion exports last year.

Cuneyt Yavuz, Chief Executive Officer of jeans retailer Mavi, said he believed the government plan was aimed partly at tackling Turkey's widening current account deficit, which reached $47.1 billion last year.

Turkey imported a quarter of its $10.1 billion textile imports from China in 2017, more than half of which are cotton fabrics and intermediary goods.

"The ministry had a plan to increase the documentation of textile imports from China," Yavuz told Reuters. "This plan was only regarding the textile sector... and it would go into effect in mid-July".

He said business leaders at the meeting told the ministry that material imported from China was sold on to other countries such as Russia and the United States, benefiting Turkey.

"I was told that there would be either a postponing or at least a revision in the ministry's plans" which were originally intended to go into effect in mid-July, Yavuz said.

FRUITFUL MEETING

Another senior textile sector executive who attended Monday's meeting said the new measures included obtaining documents about the Chinese companies they are buying from, which will add costs and cause delays in trade.

"The ministry undersecretary told us that there is a huge trade deficit with China, where our imports are about 10 times the size of exports," the executive told Reuters.

"They want some balance. But they understood our concerns and promised to take another look at the proposed measures."

The chief executive of another major Turkish textile company, confirmed that the ministry had been asking for additional documents for textile imports from July, but said the ministry had been asked to postpone the move until January.

"We had been informed that we would need a lot of extra documents for imports from China, so we demanded this meeting," said the CEO, whose company has almost 150 stores in Turkey, and exports to seven other countries.

"The ministry didn't ask us to stop producing in China. It was a fruitful meeting. We asked them to postpone the plan until at least January 2019, which the ministry will evaluate."

Source: reuters.com- June 13, 2018

HOME

****

China to emerge a strong cotton importer once more

Tim Bourgois, head of the cotton platform, Louis Dreyfus Company forecasts by 2019-20, China will become major cotton importer, importing 10 to 15 million bales (2 to 3 million tons) each year.

The current volume is around 5 million bales in 2017-18. Once the world's top cotton importer, China has seen imports shrink from more than 5 million ton in 2011-12 to around 1 million ton in 2017, due to its efforts to reduce stockpiles of the fibre. Bourgois foresees, domestic cotton usage will increase by 1.5 million bales to 41.5 million bales in 2018-19.

"Production growth in China has been lean due to limited farmland and high labour costs. China has agreed to significantly increase its purchases of the US goods and services, and cotton is one of the top agricultural exports of the US. Production of viscose staple fibre will increase further in 2018, pulling down prices, observes Zhu Beina, President, China Cotton Textile Association. The association anticipates cotton textile sector to be using 4 million ton of viscose fibre by 2019."

Production growth in China has been lean due to limited farmland and high labour costs. China has agreed to significantly increase its purchases of the US goods and services, and cotton is one of the top agricultural exports of the US. Production of viscose staple fibre will increase further in 2018, pulling down prices, observes Zhu Beina, President, China Cotton Textile Association. The association anticipates cotton textile sector to be using 4 million ton of viscose fibre by 2019.

Taking global cues, during the recent China Cotton Industry Development Summit, 1.00 million ton of cotton quotas would be issued recently, and theChina to emerge a strong cotton importer once more 001 quotas will continue to increase in 2019.

The sliding-scale duty quotas will be released to textile mills, while for processing trade quotas, mills need to apply for it. Though the specific releasing time has not been said, the news has been bullish for international cotton market, as the global market cannot fulfill the demand of 1.00 million ton.

Evolving supply dynamics

The three largest cotton producers: China, India and the US, estimate cotton output may decrease in 2018-19 season. Supply is likely to be relatively tight in 2018-19 season.

International cotton prices are likely to remain high, or even increase, leading to higher international cotton prices than domestic prices. During June and Dec, cotton that will arrive at Chinese ports will be from Australia and West Africa (Jun-Oct), Brazil (Oct-Dec) and Central Asian and India (Nov-Dec).

Except Australian and Brazilian cotton, which on arriving period, there may be outstanding orders to be concluded, for Indian, West African and Central Asian cotton, the sources have been signed contracts mostly, let alone the quality sources.

In USDA May supply and demand report, ending stocks outside China in 2017-18 are supposed to rise 1.90 million ton (increasing volumes of US, Indian and Brazilian cotton are 1.00 million ton), but the quality of remnant 2017-18 US and Indian cotton is a challenge.

As Indian cotton has no quality advantage compared with China's Xinjiang cotton, with no obvious price edge, China reduces the imports of Indian cotton.

Going by the current market dynamics, while the supply on international market is tight, downstream mills may have no suitable sources to import and cannot use the quotas. Global and Chinese cotton prices are likely to increase.

Source: fashionatingworld.com- June 13, 2018

HOME

****

Bangladesh: India brings hope to garment exporters

Garment shipments to India, a country with a $50 billion apparel market, more than doubled in the first 11 months of the fiscal year -- in a promising development for Bangladesh's manufacturers.

Between July last year and May this year, apparel items worth $253.07 million were shipped to the neighbouring country, in contrast to $117.21 million a year earlier, according to data from the Export Promotion Bureau.

The reason for the exponential rise is bulk purchase by Western brands with operations in India and Indian clothing chains, which are finding Bangladesh's garment items to be more competitively priced for India's bulging middle-class demographic.

Like in previous years, woven garment shipments outnumbered knitwear as the demand for formal shirts is high in the country packed with office-going executives.

Between July and May, $187.37 million worth of woven garment items were shipped to India and $65.70 million worth of knitwear products, EPB data showed.

“Garment export from our factory to India is increasing every year. But the receipts are still very low,” said Mohammad Hasan, executive director of Babylon Group, a leading garment exporter.

Apart from Indian retailers like Tata, Reliance and Arvind, Western brands like H&M, Zara and Mango are sourcing garment items from Bangladesh in bulk quantity.

“We see India as an emerging market for us,” Hasan said.

In the next few years, garment exports to India might cross the $1 billion-mark, said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

Were garment afforded the privilege of duty-free access to India, the receipts would have hit $1 billion by now.

Bangladeshi garment exporters face 12.5 percent countervailing duty for shipment to India, although India announced duty-free facility on all Bangladeshi products except some alcoholic and beverage items in 2012.

Overall, exports to India increased 24.67 percent year-on-year to $792.88 million in the July-May period.

Source: thedailystar.net- June 14, 2018

HOME

****

Bangladesh exporters demand re-fixing corporate tax at 10%

The recent Bangladesh budget has proposed raising the corporate tax rate on manufacturers and exporters of readymade garments (RMG) to 15 per cent from 12 per cent.

If any such taxpayer is a public limited company, then the rate will be 12.5 per cent. Any factory holding green building certification will enjoy tax rate of 12 per cent, according to the budget proposals.

A 5 per cent value-added tax (VAT) on branded garment outlets has also been proposed instead of 4 per cent. Besides, a 5 percent VAT will also be applicable on sale of non-branded garments in the local market.

The Exporters Association of Bangladesh (EAB) has, however, demanded reduction in the proposed corporate tax for the RMG industry by 5 per cent and to fix it at 10 per cent.

It also wants the government to cut the tax at source at 0.25 per cent instead of the existing 0.70 per cent for at least five years, according to Bangladesh media reports.

The EAB said in a statement that the proposed tax at source of 1.0 per cent for the RMG industries, instead of the existing 0.70 per cent, to be made effective from July 1 this year would make the usual operations of the export-oriented RMG industries stagnant and thus reduce the capacity of the industries.

The Fashion Entrepreneurs Association of Bangladesh (FEAB) has opposed the proposal to increase VAT on the apparel items of local brands in the proposed budget as the step would pose a serious threat to the local apparel industry that engages marginalised people.

FEAB said local buyers would turn off in the face of increased VAT rate and imported apparel products would occupy the market.

Source: fibre2fashion.com- June 12, 2018

HOME

****

Nigerian textile industry on a revival mode

Before the inception of the Special Presidential Committee on the Resuscitation of the Cotton, Textile and Garment Industry, Nigeria’s textile sector, was in a dismal state. Factories in Lagos, Zaria, Kaduna and Kano were performing below production capacities.

Employees had been maintained only because either the employers did not want to lose them or their parents had been active players in the sector.

The machines, not being used, were covered with dust. Some factories had stocks untouched for ages, while others faced an acute shortage.

Attempts to resuscitate the textile industry had failed as it was saddled or burdened with legacy issues.

Apart from infrastructure challenges, high gas prices, diesel and insufficient supply of low fuel pour oil; issues of distrust and insincerity across the line, low patronage, inadequate quantity and quality for supplies, smuggling of fabrics and availability of cheaper options, etc also plague the industry.

New revival strategies

To drive the sustainable implementation of the Cotton, Textile and Garment (CTG) policy, as well as President Muhammadu Buhari's policy thrust and Nigerian textile industry 001 vision in the textile industry, the government in April 2016 inaugurated a special Implementation Committee involving critical stakeholders.

The Committee is responsible for overall revamping of the sector besides attracting investments across the value chain i.e. cotton farming, cotton processing, textile manufacturing and garmenting.

Accordingly, the committee devised strategies to garner support for locally made fabrics. These included ascertaining quality and source of raw materials, identification of possible linkages of producers and end-users of locally produced fabrics and the development of the garment sub-sector for increased productivity.

Key challenges faced by industry

As per the committee, some of the key challenges affecting the sector include: lack of cotton lint, smuggling and counterfeiting, inadequate infrastructure, access to power, and funding. The committee was able to access working capital to enable manufacturers acquire necessary raw materials and other essential inputs for production activities.

It also secured loan re-financing and recommended 60 per cent of forex allocation from CBN. However, complete overhaul of the industry requires around N500 million to N1 trillion. These funds have been hampered by the high interest rates charged on loans by financial institutions. The committee recommended the government should approve loans granted to the textile industries by the Bank of Industry.

BOI should be takenover by the Central Bank with a view to extending the repayment tenor. Also, the accumulated 10 per cent of tariff on imported textile materials, for the development of local manufacturing sector in Nigeria, should be made available to the sector players without much further delay.

The Committee, in its bid to resolve the issue of high gas pricing, has secured a presidential approval for the re-categorisation of textile manufacturers as strategic industrial sector as against earlier classification in the "commercial sector." The major implication of the policy shift is the elimination of the many bottle necks in the supply of energy to the textile mills. Once implemented, gas supply to textile manufacturers will cost only $3 per standard cubic feet as against the old regime of $8.45.

Other impediments hindering speed in the actualisation of the President Muhammadu Buhari's blueprint of action in the textile sector include: unabating phenomena of counterfeiting and smuggled textile materials especially from China. The Nigeria Customs Service and other security agencies will have to beef up vigilance in their statutory duty of checking influx of banned textile materials into the country.

Source: fashionatingworld.com- June 12, 2018

HOME

****

Pakistan failed to sign any FTA's in the last 5 years

Although the government of Pakistan Muslim League Nawaz (PML-N) started the negotiations on various trade agreements including the Free Trade Agreement (FTA) and Preferential Trade Agreement (PTA) with a number of countries, it could not conclude any such agreement in the past five years. As per officials, the government which remained highly involved in the political crisis and focused its powers on mega projects, gave no serious thought to such trade agreements.

Even the revision of the FTA with China, despite the conclusion of various rounds of talks, remained inconclusive knowing that the agreement was largely in favour of China, inevitably causing a huge trade imbalance.

The previous government, since it took charge in 2013, negotiated FTAs with Thailand, Korea and Turkey. As per the available documents, nine rounds of negotiation were held between Pakistan and Thailand but due to differences on a few subjects, the agreement could not be signed. Earlier, the Cabinet had accorded the approval to initiate negotiations on the Pak-Thailand FTA in its meeting on the 24th Augst, 2015.

One of the major sectors which showed concerns about the terms of the FTA with Thailand was the auto sector, as about half the imports from Thailand consist of auto parts.

According to experts, on one hand, allowing Thailand access to Pakistan's auto sector may increase its challenges and put the FTA at odds with the new auto policy which aims at enhancing the domestic production. On the other hand, lower duties on parts that cannot be manufactured in Pakistan may support domestic production while bringing down costs for consumers.

Presently, bilateral trade is in favour of Thailand, however, the FTA – if implemented, is reportedly expected to lessen the differential of the nearly $700 million trade deficit while doubling bilateral trade.

Similarly, another major FTA was to be signed with Turkey but that too remained inconclusive for various reasons. According to the officials at the Ministry of Commerce the refusal to either reduce its additional duties or extend GSP Plus status by Turkey to Pakistan in line with the European Union (EU), with the World Trade Organisation (WTO), is the major reason of failure in moving forward on the bilateral FTA.

Pakistan had asked for a reversal of a set of additional duties that the Turkish government had imposed on Pakistani products having high export potential in the Turkish market back in 2011.

The products in question are cotton fabrics, apparel and home textiles, carpets, manmade fibres, plastics and footwear. The additional duties range from 20 to 50 per cent, bringing the total duties on these critical products to between 28 and 67 per cent when combined with other duties also applicable on them.

As a result, Pakistan's exports to Turkey plummeted from $906 million in 2011 to $282 million in 2017, a decline of 69 per cent.

Besides, Islamabad was also demanding the Turkish government to grant it the GSP Plus status as it was under an obligation to extend the facility because the foreign country is a member of the EU customs union. However, the deadlock on bilateral talks resulted in the failure of the proposed FTA.

The next FTA in question was with South Korea. Both sides had concluded a feasibility to explore the possibility of a free trade agreement between the two countries. However, no serious efforts were made so far to conclude the talks on FTA. Currently, bilateral trade between the two countries is around $1.1 billion and both sides had wished to further promote trade and investment relationship between the two countries.

The major failure of the previous government in bilateral trade agreements was related to the renewal of the Pak-China FTA. The two countries in April this year failed to sign even official minutes on the conclusion of 10th rounds of parleys held at Islamabad for finalising the second phase of China Pakistan Free Trade Agreement (CPFTA) mainly because both sides could not sort out differences on granting incentives for boosting each other exports.

As per the original plan, the second phase was supposed to be implemented from Jan 1, 2014. Both countries started negotiations for the second phase in 2011. Both the countries held 8th round of negotiations of the 2nd phase of FTA, but failed to sign it.

Pakistan has signed a PTA with Indonesia in 2013. Trade deficit between the two countries has widened in favour of Indonesia during the said period, as the import of palm oil shifted from Malaysia to Indonesia. Pakistan is presently conducting a review of the PTA with Indonesian side and efforts are at hand to rectify the widening trade deficit.

It is worth mentioning here that Pakistan Business Council, a business advocacy group, in its report noted that Pakistan's economy failed to benefit from any of the six bilateral trade agreements over the past one decade with the country struggling to get tariff incentives from its trading partners.

The country has so far signed free and preferential trade agreements with six countries, including China, Malaysia, Sri Lanka, Iran, Mauritius and Indonesia.

Source: profit.pakistantoday.com.pk- June 13, 2018

HOME

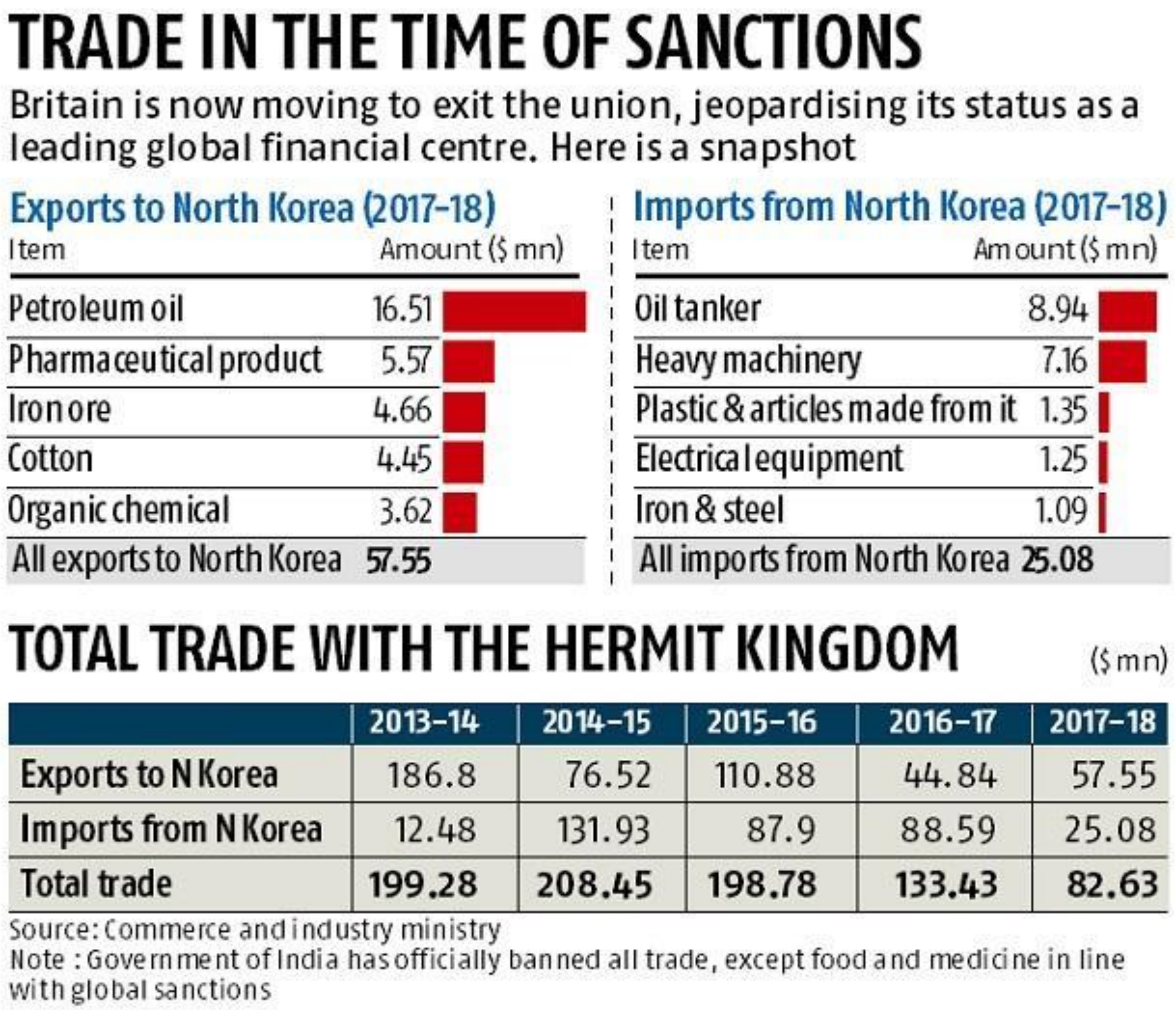
****

NATIONAL NEWS

The curious case of India's trade with 'Hermit Kingdom' North Korea

Despite stringent economic sanctions in place, India is the 2nd largest exporter to North Korea

Of the more than $36 billion worth of refined petroleum exported by India in 2017-18, a small trickle worth $16 million, managed to find its way to North Korea, despite economic sanctions currently in place. It constituted the largest component of India's exports measuring a significant $57.55 million to the country, something that policy experts feel may only increase now that the nation has agreed to neuter its nuclear weapons program.



TRADE IN THE TIME OF SANCTIONS

Britain is now moving to exit the union, jeopardising its status as a leading global financial centre. Here is a snapshot

Exports to North Korea (2017-18)

Item	Amount ($ mn)
Petroleum oil	16.51
Pharmaceutical product	5.57
Iron ore	4.66
Cotton	4.45
Organic chemical	3.62
All exports to North Korea	57.55

Imports from North Korea (2017-18)

Item	Amount ($ mn)
Oil tanker	8.94
Heavy machinery	7.16
Plastic & articles made from it	1.35
Electrical equipment	1.25
Iron & steel	1.09
All imports from North Korea	25.08

TOTAL TRADE WITH THE HERMIT KINGDOM ($ mn)

	2013-14	2014-15	2015-16	2016-17	2017-18
Exports to N Korea	186.8	76.52	110.88	44.84	57.55
Imports from N Korea	12.48	131.93	87.9	88.59	25.08
Total trade	199.28	208.45	198.78	133.43	82.63

Source: Commerce and industry ministry
Note : Government of India has officially banned all trade, except food and medicine in line with global sanctions

While official statistics from North Korea are hard to come by due to the ruling regimes limited contact with the larger global economy, India remains North Korea's 2nd-largest import source after China, according to several estimates by multilateral bodies. But there's a problem.

"Adhering to UNSC sanctions resolutions, India has banned all trade, except food and medicine, with Democratic Peoples Republic of Korea with effect from April this year," according to a statement from the Ministry of External Affairs said back in October 2017.

However, official statistics from the Commerce and Industry Ministry show that bilateral trade reached $82.63 million in the last financial year.

The majority of the trade is also not in the allowed categories of food and medicine. India's exports are mostly centered around commodities such as crude oil, cotton, and ores, crucial items that the regime needs access to for running its state-controlled industrial manufacturing complex.

"Since the threat of breaking international trade protocols remain high, Indian sellers of oil have continued to operate through a network of traders and banks in Dubai and Liaoning - the Chinese province that borders the country," a business leader from a national industry chamber who visited the Chinese port last year said. Little direct trade occurs for most of the other items including cotton and ores also, which take a circuitous route through China, he added.

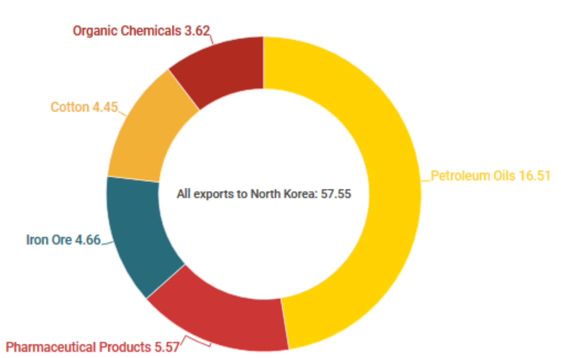
Sanctions may go?

India may also have found a new market to send out its excess produce in certain sectors, that is relatively close from home and has established trade linkages already in place.

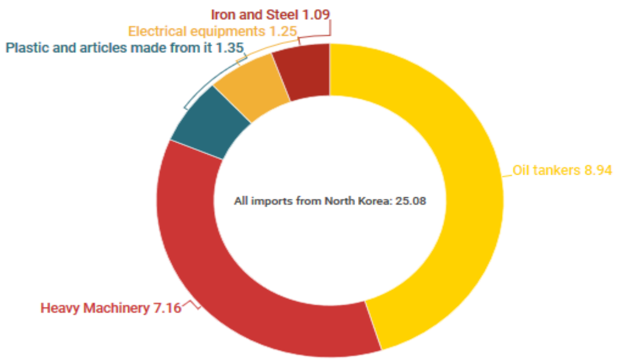
Hours after photos of vigorous handshakes and awkward smiles between North Korean leader Kim Jong Un and US President Donald Trump was sent out across the globe from their summit in Singapore, China officially suggested that the sanctions may now be removed gradually, pending discussions.

"It's early days yet. The government will take a call only after North Korea starts effectively dismantling its nuclear infrastructure. India is committed to international sanctions but we reserve the right to take bilateral action as well," a senior Commerce Department official said.

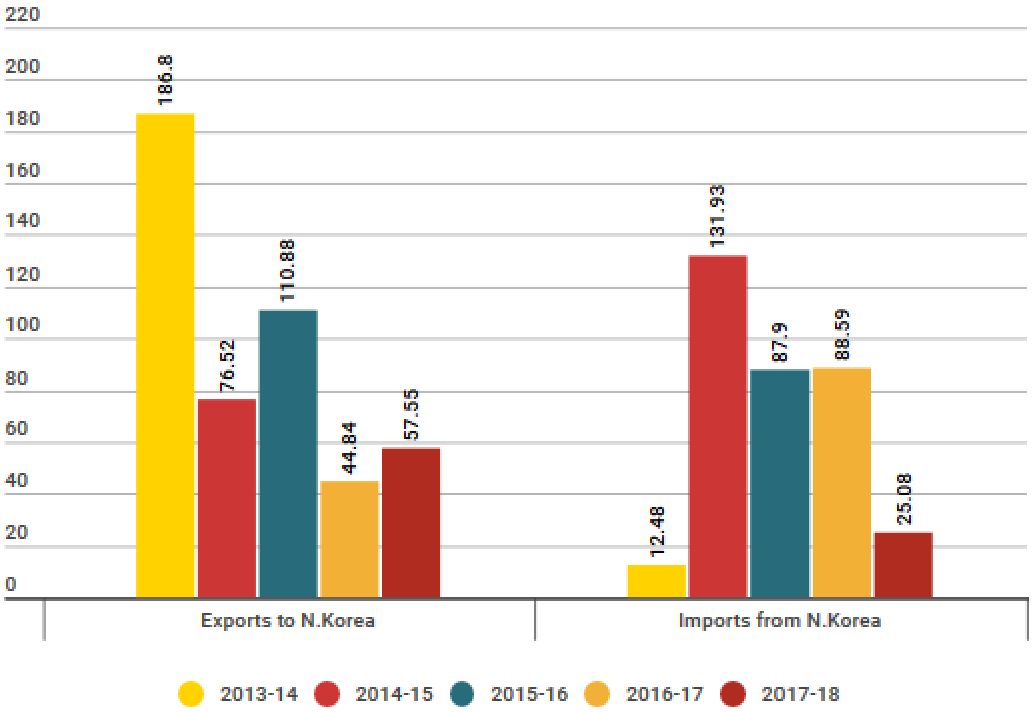
Exports to North Korea (2017-18)



Imports from North Korea (2017-18)



Total trade with the Hermit Kingdom



All figures in $ million

Source : Commerce and Industry Ministry

Note : Government of India officially banned all trade, except food and medicine

While there has not been any trade missions to the country, India has participated in the Pyongyang Autumn International Trade Fair that attracts sellers from Taiwan, China and Japan, multiple times, he added.

While India may not have much use for most of the goods traditionally exported by the country such as coal and textiles, the availability of deep discounts on bulk shipments have been taken advantage of by Indian traders, people in the know said.

As a result, machinery and electrical equipment sourced from sweatshops in North Korea is passed off as from China. The only demand from Kim regime is that payments be made in US Dollars which is much sought after in the country. The country has one of the lowest levels of foreign exchange and the country charges tourists and visiting journalists in US Dollars.

Politics and beyond

Currently there are atleast 13 internationally recognized economic sanctions against trade, investment and transactions with North Korean government or citizens in effect. All of these sanctions, initiated by the United Nations Security Council, started getting aimed at Pyongyang since the North started to dabble with Nuclear weapons back in 2006.
However, while the regime continued to reach out to erstwhile Soviet Bloc economies, the 2013 sanctions aimed at shutting the nation out of the international finance system has hit the nation hard.

Experts have said that Kim's meeting with Trump in SIngapore has been necessitated by the fact that other trade embargoes by individual countries such as the United States, Japan and China have shut down the last remaining engines of factory led growth in the country.

"The trade figures could be much higher. It has less to do with current international sanctions and more with the fact that the government was miffed at the regime's support to Pakistan on certain geopolitical issues back in 2015. Before that, trade had reached a high of $ 208 million in 2014-15, after which it has continued to fall." a senior Foreign Ministry official earlier overseeing North Korean bilateral relations said.

Source: business-standard.com- June 14, 2018

HOME

****

India sells new season cotton crop to China in rare advance deals

India's cotton exporters have signed contracts to ship 500,000 bales (85,000 tonnes) of their new season harvest to China as the world's biggest consumer of the fibre looks to raise its imports in the next crop year, industry officials told Reuters.

Exporters in India, the world's biggest producer of cotton, usually start selling new season cotton from end-August, after estimating the nation's crop size. But robust demand from China and higher prices have prompted Indian exporters to sign deals in advance, the officials said

"Chinese demand is very robust. They are ready to book Indian cotton," said Atul Ganatra, president of the Cotton Association of India (CAI).

"But Indian traders don't have a clear idea about the upcoming crop size and prices, so they are hesitant to commit to large amounts," he said.

Most Indian farmers sow cotton with the arrival of monsoon rains in June, and the crop is typically ready for harvesting from the end of September.

Indian cotton was sold at around 86 to 92 cents per pound on a cost and freight basis (C&F) to China, for shipments in November and December, said Chirag Patel, chief executive at Jaydeep Cotton Fibres Pvt Ltd, a leading exporter.

The country could export more than 2 million bales (340,000 tonnes) to China in November and December as Indian cotton is nearly 10 cents a pound cheaper than supplies from other exporters such as the United States and Brazil, Patel said.

China will import 1.4 million tonnes of cotton in the 2018/19 crop year, its agriculture ministry said on Tuesday, raising its forecast from a previous estimate of 1.2 million tonnes due to a poor local crop.

Some traders said China's forecast was too low, with one estimating Chinese imports in the range of 1.5 million to 2.5 million tonnes.

"Everyone thinks prices will go up further, so many deals have been signed," said an Indian trader, who declined to be named.

New York cotton futures were trading near their highest in more than six years due to worries over dry weather in West Texas, a major producing region in top exporter the United States.

India's cotton exports are likely to jump nearly 30 percent from the previous year to a four-year high of 7.5 million bales (1.3 million tonnes) in the 2017/18 crop year, which ends on Sept. 30.

Amid the robust export demand, cotton sowing in India has been delayed by nearly a fortnight in central and southern India due to patchy rainfall, but it is expected to pick up in coming weeks, said Ganatra of CAI.

Source: economictimes.com- June 13, 2018

HOME

****

India, US agree to hold comprehensive talks to address trade issues

India and the US have agreed to hold official-level comprehensive talks to address trade and economic issues, days after President Donald Trump accused New Delhi of charging 100 per cent tariff on some of the US' goods.

The decision in this regard was taken during a series of meetings visiting Commerce and Industry Minister Suresh Prabhu had with US Commerce Secretary Wilbur Ross and US Trade Representative Robert Lighthizer. "We will now work together to expand (bilateral) trade," Prabhu told a group of Indian reporters here yesterday at the conclusion of his two-day trip to the US.

India will send an official team to work out the details and initiate a comprehensive negotiation on all issues concerning trade and economic relationship between the two countries. "The team will come within the next few days," Prabhu said. Acknowledging that both sides have trade and tariff issues with each other, the minister said officials would hold talks on all of them.

President Trump, in a press conference in Canada's Quebec City where he attended the G7 summit, took a swipe at India along with the world's other top economies and accused New Delhi of charging 100 per cent tariff on some of the US' goods, as he threatened to cut trade ties with countries who are robbing America. Indian Ambassador to the US Navtej Singh Sarna said New Delhi has written to the US on steel and aluminum tariff.

A full-fledged case has been made by India for waiver of steel and aluminum tariffs, he added. "It has been a very positive engagement." In addition to Ross and Lighthizer, Prabhu held talks with Agriculture Secretary Sonny Perdue. He also met two powerful Senators John Cornyn and Mark Warner – the two co-chairs of the Senate India caucus.

"The meetings were held in a friendly and cordial atmosphere, with appreciation for each other's points of view. Discussions centered around bilateral trade and commercial relations between the two countries and focused on finding the way forward to address concerns of both sides," the Indian Embassy said in a readout of the meetings. "In this context, it was agreed that Indian and US officials would meet at a senior level at an early date to discuss various issues of interest to both sides and carry forward the discussions in a positive, constructive and result oriented manner," it said.

During his two-day visit to Washington DC, Prabhu addressed business and industry leaders in meetings organised by US-India Business Council (USIBC) and US-India Strategic Partnership Forum (USISPF) and held meetings with other stakeholders. "It's a great time to join hands with each other. And that's the realisation within the (Trump) administration as well. Therefore, we have really decided to move on. As you know, we always hear the trade disputes between US and India, but when I had meeting with the USTR, with the Commerce Secretary, with Agriculture Secretary, with Senators, it is very clear that we must move on, keep the issues behind," Prabhu told industry leaders at a reception hosted by USIBC in association with the FICCI and Manhattan Chamber of Commerce.

In his interaction with industry leaders at an event organised by the USISPF, Prabhu spoke about the improvements that have been made in the trade relationship, including trade deficit reduction. "Every great partnership has areas of agreement and disagreement. I'm hopeful that the US investment corridor is only going to grow, and I'm confident that we will be able to bridge our gaps," Prabhu noted.

The industry interaction included senior officials from leading US companies such as: Boston Scientific, FedEx, Walmart, Abbott, UTC, Honeywell, PhRMA, MoneyGram International, Lockheed Martin, Koch Industries, Amway, Uber, 21st Century Fox, and Medtronic. Noting that India and the US have an important strategic relationship and shared goals, USIBC president Nisha Desai Biswal said the council is a constructive partner in achieving the full potential of the US-India commercial opportunity.

The USIBC roundtable organised in association with the CII comprised of US and Indian industry giants from the energy, aerospace, ICT, life sciences and defence sectors who reiterated India's position as a critical market while also raising issues facing their companies such as data localization and price controls, as well as public procurement and operational hurdles. In engaging with critical stakeholders, Prabhu highlighted the ongoing policy reforms being pursued by India to improve its business climate and remove bureaucratic hurdles.

Prabhu noted that India will soon release its new Industrial Policy, aimed at transforming India into a modern, flourishing, economic powerhouse. During the interaction, he emphasized the importance of a dispute redressal mechanism, and resolving such issues together in a way that does not derail but rather strengthens bilateral ties.

Under Trump, trade dispute between India and the US has increased, with his administration asking New Delhi to lower its trade barriers and open up its market.

Trump has repeatedly raked up the issue of India imposing high import duty on the iconic Harley-Davidson motorcycles and threatened to increase the import tariff on "thousands and thousands" of Indian motorcycles to the US.

Source: indianexpress.com- June 14, 2018

HOME

****

Aditya Birla Fashion offers American Eagle apparel line

Eyes 18-25% share in premium denim segment in 7 years

Aditya Birla Fashion and Retail Ltd (ABFRL) has introduced the American Eagle casual denim brand in India and plans to open 30 exclusive stores in three years. The company has opened the first outlet in Delhi and plans to focus on the top five metros to begin with.

In the mid to premium denim clothing segment, the brand is eyeing a market share of 18% to 25% in seven years, top company officials said.

In August 2017, ABFRL entered into a multi-store retail and e-commerce licence agreement with American Eagle Outfitters (AEO) Inc. and the brand has been rolled out according to this partnership agreement.

“We have aggressively planned to expand the reach of the brand in the next three years,” said Sathyajit Radhakrishnan, President International Business, ABFRL. “We also plan to invest in retailing the AEO merchandise through the brand’s exclusive India website www.aeo.in,” he added.

Mr. Radhakrishnan said the brand would target both men and women in the age group of 15-28 years. Jeans are priced from ₹2,499 to ₹4,000.

‘Lack of choice’

“India has the fastest growing youth market in the world with upwardly mobile consumers, who are driving demand for brands having international aesthetics and style. But there is a paucity of choices when it comes to jeans. With the entry of American Eagle, ABFRL will fill the gap and corner a significant share of the country’s premium jeans wear market,” he said.

Mr. Radhakrishnan said, “American Eagle Outfitters is an iconic jeans brand from the US and we are excited to bring it to the fashion enthusiasts in India. The brand will add great value to our international portfolio and strengthen our position in the youth centric lifestyle space, giving our discerning customers a true taste of high-end fashion.”

Source: thehindu.com- June 13, 2018

HOME

****

5% GST leviable on Carry Bags made of Polypropylene Non-Woven Fabrics: AAR

The Advance Ruling Authority (AAR), Kerala recently ruled that carry bags made of polypropylene non-woven fabrics is classified under Entry 224 of Schedule 1 of Notification 01/2017 Central Tax (Rate) and State Notification dated 360/2017 and taxable at 5% (SGST 2.5% and CGST 2.5%).

In the instant case, the applicant JJ Fabrics is a manufacturer of carry bags made of polypropylene non-woven fabrics and has preferred for advanced ruling on the rate of tax of the same. Applicant asserted that said bags are used by big industrial units, big retail outlets and textile shops for packing their commodities and has been granted registration by the office of textile commissioner for manufacturing of textile based products. It added that various authorities under textile ministry had examined the products and have certified that they are technical textile fabrics.

The applicant had further submitted a test report from Centre for Biopolymer Science and Technology, wherein it was certified that non woven carry bags made by the applicant is a polypropylene product with a filler content of 42.29%. Applicant also asserted that as per clarification issued by Commissioner of GST and Central Excise, Madurai the said non-woven bags comes under HSN 6305 90 00 with 2.5% CGST and 2.5% SGST is sale value does not exceed Rs. 1000/- per piece. Members Senthil Nathan S(Joint Commissioner) and N Thulaseedharan Pillai(Joint Commissioner, General) on the facts disclosed and submission made at the time of hearing admitted the application.

They accepted the test report submitted by the applicant and added that in Custom Tariff Act, snacks and bags made of polypropylene strip or the like is classified under Section 63 and the Schedule I and II of the Notification number 01/2017 Central Tax(Rate) and State Notification 360/2017 was relied upon. The AAR ruled that carry bags made of polypropylene non-woven fabrics is taxable at 5%.

Click here for more details

Source: taxscan.in- June 13, 2018

HOME

****