IBTEX No. 186 of 2017

September 14, 2017

USD 64.07 | EUR 76.09 | GBP 84.57 | JPY 0.58

Cotton Market

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

<table>
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<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td>19553</td>
<td>40900</td>
<td>81.52</td>
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Domestic Futures Price (Ex. Gin), October

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td>18350</td>
<td>38384</td>
<td>76.50</td>
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International Futures Price

| NY ICE USD Cents/lb (Dec 2017) | 69.09 |
| ZCE Cotton: Yuan/MT (Sept 2017) | 15,410 |
| ZCE Cotton: USD Cents/lb | 90.81 |

Cotlook A Index – Physical | 82.10 |

Cotton guide: Cotton futures surprised most traders with minor downside follow-through to previous days 300 point limit down move. Dec settled at 6909, down 2 points. Dec has settled lower in 5 of the last 6 sessions for a net loss of 579 points.

The other months settled from 73 points lower to 26 points higher. Those months have also had 5 lower settlements in the last 6 sessions for net losses of 289 to 528 points. Trading volume was 39,602 contracts. Cleared yesterday were 42,990 contracts.

Discussions over USDA estimates still centered on the 21.758 million bale estimate for US production. Stories continued of how good the cotton looks. No one seemed too sure about the USDA caveat that they still had to assess Hurricanes Harvey and Irma’s damages. Maybe that took some sting off from yesterday’s bearish number.
Mills were lightly active with on-call sales fixations. Cash sales were reportedly active.

From other side of the market the Chinese reserve sales were 98.67 percent of offers. Sold were approximately 124,385 bales. Total sales to date were approximately 13.3 million bales. Remaining unsold reserve stock is estimated around 25.65 million bales.

From the technical perspective the trend is now bearish while yet to reach its oversold phase. However we need to keep an eye on the previous bottom of 66.15 as key support level and unless that is breached market would continue hover near sideways territory. Currently we are seeing 66.15 on the lower side while 71 seems to have strong resistance levels.

From domestic front new crop cotton are being booked near 37800 to 3800 rupees per candy which in futures market coincide with 18000 rupees for bale for both November and December contract. In the case of October we see 18K as strong support level to watch out having strong technical support line along with market would be reluctant to sell the old crop contract below 18K Mark.

For the day Cotton is expected to trade in the range of 18160 to 18450 per bale for October contract.

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

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INTERNATIONAL NEWS

Pakistan: US urged to include textile, leather in GSP scheme

Pakistan and the United States need to focus on improving bilateral relation particularly in areas of economy and trade as there exists a lot of scope and opportunities in both countries.

This was stated by the head of political and economic affairs of the US consulate, John Robinson, in a meeting with members of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Wednesday.

He was emphatic that both the countries needed to ‘significantly’ improve bilateral relations in certain areas.

The acting president FPCCI Irfan Ahmed Sarwana, speaking on the occasion, urged upon the six-member US team from the Karachi consulate to provide assistance in including textile and leather products in the US’s GSP scheme.

He further said that though the US has given GSP access to Pakistan allowing duty free and duty concession access to many products, the scheme does not include Pakistan’s core products – textile and leather goods.

Mr Sarwana also sought support from the US delegation in extending the validity of the scheme from December 2017 to December 2020. He said since Pakistani textile and leather goods enter US market after paying between 7-32 per cent customs duty it makes them uncompetitive against imports of other countries.

The FPCCI president expressed concern over the decline in American investment to $71 million in 2016, as against $1.3 billion in 2007.

He stressed that Pakistan offers huge opportunities of investment in energy, infrastructure, metal, mineral, agriculture, power, transportation, automobiles, and telecommunications.

Mr Sarwana reiterated that Pakistan is a front-line ally in the war against terrorism and has suffered losses to the tune of $123.13bn till March 2016.
Pakistan: Emergent steps needed to address dismal state of textile exports

The All Pakistan Textile Mills Association (APTMA), commenting on the statement made by Commerce Secretary Muhammad Younus Dagha in the meeting held last week at Pakistan Hosiery Manufacturers Association that the textile industry is itself responsible for the continuous decline in exports, said that the Pakistani textile exports have shown decline during the last four years because of the cost of doing business which is the highest in the region.

He said that the textile industry has been hit hard due to the high cost of energy, both gas and electricity resulting in making Pakistan’s exports uncompetitive in the global market as the cost of production of both gas and electricity is about 30 percent higher than the regionally competing countries like Bangladesh, India and Vietnam. The government should remove the levy of Gas Infrastructure Development Cess (GIDC) on gas. He further demanded that the government should provide gas at the regionally competitive rate of Rs 400/MMBTU as was earlier announced by ECC in November 2016 but was not implemented.

He said that both the spinning and weaving sectors are backbone of the textile value chain, and have faced the brunt of high cost of doing business, which has made them unviable throughout the country. Today spinning industry is incurring heavy losses by selling yarn below cost. The production of yarn and fabric is substantially more than the local consumption; therefore, their exports must be encouraged.

He further requested that the following measures be taken on immediate basis to improve the efficiency and viability of textile industry, like expeditious payment of long outstanding sales tax refunds and other refunds to address the liquidity issue, to check large scale influx of imported yarn and fabrics in the country to save the domestic industry. Free Trade Agreements and Preferential Trade Agreements be reviewed and revisited in such a way that the exports of Pakistani goods to those countries be increased.
He also demanded the government to encourage investment in spinning, weaving and finishing sectors in such a manner that maximum cotton be converted into yarn and further downstream value added products as it will not only facilitate the farmers and the spinning industry but would also help the whole textile chain and the national economy in general.

He said that few years back we had achieved production of 15 million bales of cotton, which fell down to 10 million bales. Now we must take necessary steps to achieve 15 million bales of cotton production or even increase it further to 20 million bales every year. He referred the investment boom seen during the years 2003-2008 and BMR of more than 7 billion US$ by the business community in the entire textile chain. He added that due to the lucrative investment policy in the above referred period the total installed capacity of the textile industry and the production of basic textile products were increased by more than 40 percent.

He said the Regional countries are following export friendly policies to increase their exports. In the last 10 years, Bangladesh textile exports has increased from US$ 9.8 Billion in 2006 to US$ 35.2 Billion in 2016 i.e. about by 260%, China US$ 144 Billion to US$ 255 Billion or 77%, India US$ 18.4 Billion to US$ 35.4 Billion or 92%, Vietnam US$ 6.6 Billion to US$ 30.5 Billion or 360% while Pakistan’s textile exports have gone down from US$ 14 Billion to US$ 12 Billion. The share of all these countries in the global textile trade is increasing while the share of Pakistan has reduced from 2.2% to 1.5%.

He said that the country has already entered in an era of de-industrialisation where industries are closing. In 2005 the share of manufacturing in the GDP was 19%, which has now fallen to 13%. Large scale closure of textile spinning mills has already taken place resulting in drastic increase in unemployment as well as reduction in consumption of locally produced cotton. This will hurt both the manufacturing as well as the agriculture sectors of the economy.

He added that almost 140 textile mills have already closed their operation and about one million workers have lost their jobs and another 75 to 80 mills are on the verge of closure, which will add to the unemployment figure by another 0.5 million labour force employed in the textile industry.
He further said that due to the closure of about 140 mills and the various mills operating under capacity, Pakistan’s textile exports is suffering a loss of more than 4 billion US$ per annum.

Zahid Mazhar said that the trade deficit for the last fiscal year was recorded at an all-time high at US$ 32.58 Billion, imports at $53 billion while exports were recorded at merely $20.45 billion, the lowest after 2009-10.

He requested the Prime Minister to place the revival of the economy and the textile industry on the top of his agenda as the government has to pay $7,432 million including $1,595 million interest in 2017 and $ 38.224 billion and Rs 15.883 trillion against external and domestic public debt respectively including principal amount and interest in the next seven years and only the increase in exports can help to pay the above debts otherwise we have to take fresh loans to service the principal and interest of the loans we have already taken.

He said that the Textile Industry of Pakistan is capable enough to bring the economy out of the current disastrous condition. He hoped that the new Prime Minister Shahid Khaqan Abbasi and his cabinet would take immediate steps to stop the drastic decline in exports during last four years, as any further negligence or delay will take the economy to a point of no return.

He urged the prime minister to issue instructions to the concerned authorities to implement the Textile Package of Rs 180 Billion announced earlier this year for the support of exports and the textile industry. He demanded that the Notification for release of refund under Drawback of Duties and Taxes Order from July 01, 2017 to June 30, 2018 be issued without the condition of growth in exports of 10% in 2017-18 as compared to 2016-17 and payment under this package be released without any further delay. This must be treated as the first step to check de-industrialisation and the dwindling exports of the country. He clarified that the duty drawback paid under the Textile Package is not an incentive rather it is the refund of local taxes and levies paid by the exporters.

He also suggested the new Prime Minster as well as the Minister of Commerce and Textiles to avail the opportunity of being at the helm of affairs and to remain engaged with APTMA for arriving at workable solutions in order to solve the problems being faced by the Textile Industry.
Vietnam: Cotton Day 2017 event opens in City

The first event of its kind in Việt Nam, Cotton Day 2017, is promoting connections between garment and textile companies and partners, suppliers and experts in the cotton sector.

The event, held in HCM City’s District 1 on Tuesday, attracting more than 200 domestic and foreign-invested garment firms as well as foreign cotton producers, was organised by the US Cotton Council International (CCI) in Việt Nam and the Việt Nam Textile and Garment Association (VITAS).

Speaking at the workshop, VITAS Chairman Vũ Đức Giang said that US cotton had played an important role in the quality of Việt Nam’s garment and textile products over the years.

CCI Director William Bettendorf, who noted that Việt Nam is the number-one importer of US cotton, praised the powerful growth of the country’s textile and garment sector.

The sector in Việt Nam earned US$19.8 billion from exports in the first eight months of the year, an increase of 9.9 per cent year-on-year, according to VITAS.

During the workshop, participants heard about the latest US trade policies, information on global supply and demand for cotton, and fashion trends of famous brands.

In the first seven months of the year, Việt Nam imported 808,000 tonnes of cotton worth US$1.47 billion, with 60 per cent of the cotton from the US. This year, CCI supported Việt Nam’s fashion brands using the COTTON USA ™ label to create more favourable conditions for Vietnamese exports and better transparency for consumers about origin of materials.

At the event, a fashion show introduced new collections of the Canifa and John Henry brands, including five winning collections of the COTTON USA ™-Fashion Design Contest, which was organised in July.
CCI works with the US Department of Agriculture as well as spinning mills, fabric and garment manufacturers, brands, retailers, textile associations and governments around the world.

Cotton Day, one of CCI’s biggest events in Asia, began in Japan in the 1990s and has been held in Korea, Taiwan, mainland China, Thailand and Bangladesh.

High-quality and eco-friendly COTTON USA ™ materials are sold in more than 50 countries.

Source: vietnamplus.vn- Sep 13, 2017

Kenya and Tanzania to hold trade talks in November

Kenya and Tanzania will hold discussions in November to boost bilateral trade, a Kenyan official said on Tuesday.

Permanent Secretary in the Ministry of Industry, Trade and Cooperatives Chris Kiptoo told journalists in Nairobi that both nations are concerned about the decline in cross-border since 2015.

“We have agreed to meet in the coastal town of Mombasa in order to look at ways to eliminate non tariff barriers that have led to decline in trade volumes,” Kiptoo said on the sidelines of the Kenya Commodities Exchange (KOMEX) forum.

The announcement came barely one week after the two neighboring states held a three-day meeting in Tanzania’s commercial capital, Dar es Salaam.

The bilateral meeting resolved to tackle impediments in cross-border trade in milk, tobacco, liquefied petroleumgas, and wheat. Kenya’s trade talks will be spearheaded by the National Trade Negotiation Council in order to ensure that issues are tackled from a wider government perspective.

Kiptoo noted that the meeting next month will seek to resolve outstanding issues hampering free flow of goods and services between the East African nations. “Both countries have come up with a list of 15 items that they want to resolve urgently,” he said.
According to Kiptoo, the two sides will discuss ways of implementing an East Africa Community directive on used textile imports without contravening international trade agreements.

Source: blackseagrain.net- Sep 14, 2017

Cambodia: Trade with US normal, says ministry

Despite a diplomatic row with the United States, the trade relationship between Cambodia and the US remains normal, said the Ministry of Commerce’s spokesperson yesterday.

Soeng Sophary, told Khmer Times yesterday that the US, Europe and Canada were big markets for Cambodia’s garment and footwear products.

“Although there seems to be some problems currently with the US, diplomacy at the end of the day will prevail and there’s mutual respect for it,” said Ms Sophary.

“I don’t think the issue is big enough to jeopardise our export of garments and footwear to the US,” she added.

“I think our government will find an amicable and peaceful way through dialogue to diffuse this situation. There is a clear consensus between politics and economics – they are two separate issues.”

The US Embassy on Tuesday called on the government to immediately release opposition leader Kem Sokha, claiming allegations the United States were helping him push for regime change were made without a shred of serious or credible evidence.

Mr Sokha was last week charged with treason over comments made in 2013 video footage from Australia-based CBN news, which showed him saying the US government had been helping him to push for regime change in Cambodia since 1993.
Speaking at a press conference on the matter, Ambassador William Heidt said the US joined the European Union in calling for Mr Sokha’s release, adding that pressure on civil society must also cease.

According to Cambodia’s General Department of Customs and Excise, exports of garments and footwear rose by 7.2 per cent to $7.3 billion in 2016, up from $6.8 billion in 2015.

“The US market, which was a lifeline for the industry just a few years ago, now accounts for just a quarter of the sector’s exports. It should be noted that Cambodian garments entering the US market are subject to an average tariff rate of about 16.8 percent (of the Most Favoured Nation rate),” stated the report.

According to the report, the share of the sector’s exports going to the US market continued to drop from 29 percent in 2015 to 25 percent in 2016 due to the outcome from market diversification outside traditional ones, namely the EU and the US.

“There is an emerging sign of strong growth of the sector’s exports to markets outside the EU and US. Exporting to other markets represented 35 percent in 2016, up from 28 percent in 2015, and from just 11 percent 10 years ago.”

The customs and excise report pointed out that the growth of garment and footwear exports to markets outside the US and EU was mainly due to expansion of exports to the Japanese and Canadian markets.

“Japan has also grown in importance as an export destination for Cambodia,” it said.

According to the report, exports to Japan accounted for 9 percent of total garment and footwear exports in 2016, up from 7.7 percent in 2015 and just 2.7 percent in 2010 while exports to Canada were nearly 8.0 percent of market share, up from 7.5 percent in 2015 and just 0.5 percent in 2010.

At the same time, the exports to China have also been quite strong, from a low base which was virtually zero in 2010. The report pointed out that the Chinese market accounted for 2.3 percent of Cambodia’s garment and footwear exports in 2016, up from 1.8 per cent in 2015.
“It appears as if Cambodian garment and footwear export patterns may be driven by a number of free trade agreements that Cambodia had with various countries, particularly under the Asean frameworks,” said the report.

Source: khmertimeskh.com- Sep 14, 2017

Abercrombie expands into the Middle East market, to add more stores

Abercrombie & Fitch has nine stores in the Middle East. The brand has six of these in Dubai, two in Kuwait, and one in Saudi Arabia. It now plans to open more stores and eventually expand into Bahrain and Oman. The company is present in the region with its brands Abercrombie & Fitch, abercrombie kids, and Hollister.

While Hollister appeals primarily to teenagers, the Abercrombie & Fitch brand has been trying to make a push into a slightly older segment. Currently the company generates over a third of its revenues from outside the US, with Europe being its largest international market. Even in terms of sales per square foot, the company is far more productive internationally than it is in the US.

The company has opened 10 stores in China, where there is an expanding middle class, and a growing appetite for western brands. Abercrombie & Fitch has partnered with Zalora, an online fashion website, which has a presence in 11 markets, including Singapore, Indonesia, Malaysia, the Philippines, Hong Kong, and Taiwan, and a customer base of over 600 million users. Such moves may provide a boost to the company’s revenues as it tries to deal with the soft state of the apparel market in the US.

Source: fashionatingworld.com- Sep 13, 2017
NATIONAL NEWS

EU hopes to resume FTA talks with India

The European Union is looking at a bilateral summit with India next month that would act as a catalyst for resumption of talks on the free trade agreement encompassing goods, services and mutual investment protection, according to a senior EU official.

Talks on the Bilateral Trade Investment Agreement (BTIA) — the official title of the pact — started in 2007 but have been marred by various flip-flops and disagreements.

The discussions have remained deadlocked on issues like tariffs on automobiles and wines and spirits, EU trade officials said.

They hoped that the 14th EU-India Summit, likely in early October “will get the economic dialogue going as a precursor to relaunching talks on FTA“.

The last summit on March 30, 2016, saw discussions focused on trade and investment, energy and climate, water, migration and foreign and security policy.

“Unfortunately, Indian policy has created major uncertainties for us because your government has taken policy decision to let bilateral investment treaties, which gave very clear rules, lapse,” said a senior EU official, who did not want to be named.

The 28-member states of the EU wanted the pacts to continue until they are replaced by EU—India FTA that would have had an investment chapter.

“Indian side thought it was wiser to let the bilateral investment treaties (BITs) lapse,” the official said, adding that EU investors, in many cases, no longer have bilateral investment protection.

The official said EU not just wants an FTA but “also an investor certainty created by provisions of treaty“.

The EU push for the pact comes amid many countries world over, including the US, questioning the system of free trade.
The US has pulled out of the Trans—Pacific Partnership and has questioned the benefits of globalisation and free trade.

Expressing dismay over India’s decision to do away with bilateral investment treaties with its member states, the EU official said: “All the EU member states wanted to prolong these until it would be replaced by EU wide treaty with India in form of FTA, which would have had an investment chapter“.

On the expected deliverables of the EU—India Summit, another official said that besides joint declaration on climate change and clean energy, a likely one is on a partnership for smart and sustainable urbanisation —— linking the EU’s Urban Agenda with India’s ‘100 Smart Cities Mission’

European Investment Bank (EIB) loan for Bangalore metro development, is also on the cards.

“The European Investment Bank which sits is Luxembourg, had in the last summit signed a major loan for Lucknow metro development. And I think now there will be new loans for Bangalore metro development,” an EU official familiar with the development.

He declined however to specify the size of the new loan being negotiated. The loan is in the process of finalisation, the official added.

The two sides may also look to strengthen security cooperation such as by expanding the scope of counter—piracy dialogue to maritime security and establishing a new dialogue on cyber crime and space.

Also, it may support India—Europol cooperation on issues like cyber crime and counter terrorism.

“We have had recently good and concrete dialogue on cyber security and counter terrorism and on maritime security. And these are certainly key fields where we can deepen our cooperation,” the EU official said.

On the new areas of cooperation, he said a strategic cooperation with Europol, which is the Europe wide agency for police cooperation, is being talked about.
“We are looking forward to having some form of strategic cooperation between India and Europol. So these are examples of increased cooperation in security,” said the official.

Source: thehindubusinessline.com- Sept 13, 2017

37 Indian companies participate in Cairo Fashion and Tex Exhibition

Indian companies are taking part in the annual Cairo Fashion and Tex Exhibition, held from 13th to 16th September at the Cairo International Convention Centre, in order to showcase Indian yarns and fabrics with the aim of further enhancing the cooperation between interested Egyptian businesspersons and Indian exhibitors within the textile sector, as well as strengthening trade between the two countries in general.

In a press conference held on Tuesday, the Indian ambassador to Egypt, Sanjay Bhattacharya, said that this year’s Indian exhibition will be lead by the Indian Synthetic and Rayon Textiles Export Promotion Council (SRTEPC), in cooperation with the Indian embassy in Egypt. The exhibition is expected to attract a number of Egyptian businesspersons who may be interested in the Indian textile products, resulting in fruitful discussions with them, and eventually creating win-win partnerships for effective business linkages in the near future.

“Egypt and India enjoy very close and friendly relations, and both countries are very similar, which makes Indian products beneficial for the Egyptian market,” Bhattacharya said. He added that not only does India play a vital role in the textile industry globally being the world’s second largest textile supplier, but it also manufactures most of its textile machinery and hopes to benefit Egypt with them.

The textile industry is worth $120bn in the Indian economy, and its exports are worth $40bn and are expected to reach $60bn by 2021, according to Bhattacharya. India exported nearly $240m worth of textiles and clothing products to Egypt in 2016.
Man-made fiber textiles were one of the most important products in the export basket, valued at $97m, along with cotton valued at $131m, apparel valued at $2.32m, Jute valued at $4.4m and carpets valued at $0.36m. Additional Director of SRTEPC, Srijib Roy, said that India is able to supply its products to Egyptian buyers and traders at greatly attractive prices. “Our prices are very competitive. In fact, suppliers and importers discuss the prices together and importers decide the prices most suitable for them.” He noted. This is the third time the Indian textile sector takes part in the Cairo Fashion and Tex Exhibition, and the second time SRTEPC takes part in the organization, according to Roy.

Roy pointed out India exports 29% of its textile to the Middle East region, 25% to Asia, 20% to the European Union countries, 16% to North and South America and 10% to Africa.

In conclusion of the conference, the Indian ambassador said that India is looking forward to expanding trade relations with Egypt. “We also encourage Egyptian businesspersons to participate in the textile exhibitions taking part in India.” the ambassador said.

Some of the companies participating in the exhibition include Saltex, Rishab Apparel, Krishna Knits, and EMBEE Exports. The companies offer a range of polyester, rayon, acrylic, cotton, silk, wool, and blended textiles in the exhibition, organized in a demarcated area called “India Pavilion”.

Egypt is one of India’s most important trading partners in Africa, where the bilateral trade between both countries in 2016 reached $3.23bn. In addition, India is Egypt’s 10th largest export destination as well as import source.

Source: dailynewsegypt.com- Sept 13, 2017
India’s exports to Japan halve to $3.85 billion in four years

India’s trade deficit with Japan has widened to $5.9 billion in 2016-17 against $2.7 billion in 2013-14

Amid growing bonhomie between Japan and India – Asia’s second and third largest economy, respectively—lies the dark reality that in just four years, Indian exports to Japan have almost halved to $3.85 billion in 2016-17, from $6.81 billion in 2013-14.

Japanese Prime Minister Shinzo Abe is currently on a two-day state visit to India and aims to further strengthen the strategic partnership between the two countries. Abe was received by Indian Prime Minister Narendra Modi in Ahmedabad.

The Comprehensive Economic Partnership Agreement (CEPA) signed by India and Japan in February 2011 and implemented from August 2011 was expected to boost bilateral trade in goods and services. However, India’s merchandise exports started contracting in four out of five years between 2012-13 and 2016-17. As a result, India’s trade deficit with Japan
has now widened to $5.9 billion against $2.7 billion in 2013-14. In 2016-17, India’s exports to Japan contracted 17.5%, and its imports fell by 1%.

Commerce ministry analysis of data for the period 2009-10 to 2013-14 indicates that preferential imports under the CEPA still form a small proportion of total imports. In 2013-14, it stood at 22.4% of total imports under the India-Japan CEPA.

“The negative or slow growth in trade with Japan is a matter of concern for India, in view of the fact that there is high potential for faster progress on goods and services trade,” the Indian embassy in Tokyo says on its website. Even the foreign trade policy statement 2015-20 released by the commerce ministry alludes to non-tariff barriers faced by Indian exporters.

“While on the one hand, the Japanese market has not seen growth in the product areas of India’s interest, Indian business entities are facing problems in market access. These problems can be briefly said to be arising out of language constraints faced by Indian companies in Japan, highly demanding product and service standards, regulations that require business modalities making market access a costly venture, and a relative lack of intensive effort on the part of Indian business,” it said.

“The other route of access of India’s export sectors into Japan will require language proficiency, negotiating a simplified framework for market access and continuous trade promotion efforts on the part of businesses and the government,” it added.

India’s primary exports to Japan have been petroleum products, chemical elements, fish and fish preparation, non-metallic mineral ware, metalliferous ores and scrap, clothing and accessories, iron and steel products, textile yarn/fabrics, machinery, feeding-stuff for animals.

India’s primary imports from Japan are machinery, iron and steel products, electrical machinery, transport equipment, chemical elements, plastic materials, manufactures of metals, precision instruments, rubber manufactured, coal and briquettes.

Bilateral trade in services between India and Japan also remains subdued. India’s exports of IT and IT enabled services to Japan account for less than 1% of Japan’s IT services market and India also has an overall trade deficit
in services with Japan unlike the surplus position it has with many
developed countries.

“The CEPA sub-committee on services could take up several
implementation issues including those relating to expeditious issue of visas
for IT and other service providers, clarification of ‘technology services’ in
the bilateral double taxation agreement, regulatory issues relating to
financial services, particularly insurance and progress on the built-in
agenda in CEPA including in respect of nurses and healthcare workers and
mutual recognition agreements among professional bodies,” said a study of
India-Japan trade published by New Delhi-based think tank Research and
Information System for developing countries.

Pravakar Sahoo, professor at the Institute of Economic Growth, said the
CEPA has been a failure when it came to boosting India’s exports to Japan.
“Since tariff lines of Japan were already close to zero, it is India who gave
more market access to Japan through significant tariff cuts,” he said.

However, Sahoo said Japan has very strict quality controls and Indian
exporters need to comply with those regulations to increase exports to this
lucrative market.

The commerce ministry plans to run special programmes for trade
promotion in Japan in identified sectors like textiles, garments, information
technology services, pharmaceuticals, leather products and
agro-processed products, according to the FTP statement.

Biswajit Dhar, professor of economics in the Jawaharlal Nehru University,
said India should look at higher investment from Japanese companies
along the Delhi Mumbai Industrial Corridor.

“Building of the DMIC which has been languishing for years needs to be
fast-tracked. Industries along the corridor could help us boost investment
led exports,” he added.

Source: livemint.com- Sept 14, 2017
Cabinet apprised of India-Japan MoU for research in silk

The Union Cabinet chaired by Prime Minister Narendra Modi has been apprised of a memorandum of understanding (MoU) between Central Silk Board (CSB), India and National Institute of Agrobiological Sciences (NIAS), Japan for collaborative research in the field of silkworm and silk industries. The MoU is of scientific and technological nature.

The MoU was signed last year in November between CSB and NIAS for initiating a collaborative research for developing prolific bivoltine hybrids of silkworm suitable for the Indian tropical conditions. It would help in developing prolific hybrid silkworms, which would improve the manufacturing capacity and quality standards of the Indian sericulture industry and thereby enhance exports of silk and silk products.

It is expected that subsequent to the MoU, the Indian textiles & apparel industry would be able to produce world class silk and silk products. The improvement of quality and productivity would ultimately increase export of silk products.

Source: fibre2fashion.com - Sep 13, 2017

Subsidy on export goods may be scrapped; Merchandise Export from India Scheme under scanner: Report

A recent notification from the World Trade Centre (WTO) said that the country can no longer propose export subsidies, as its per capita gross national income (GNI) has crossed USD 1000 for the third year in a row, as reported by Hindu Business Line.

“The consequence of India graduating out of the list of poorer countries eligible to give export subsidies is serious. It will be open to penal action from other countries, including the imposition of countervailing duties on its exports if it does not do away with its incentives soon,” an official was quoted as saying.

This development could hurt the country’s exports, which showed a frail growth last year after due to low demand.
“The first scheme that could come under the WTO scanner is the popular Merchandise Export from India Scheme (MEIS), which provides a direct subsidy to exporters based on the value of exports,” the official added.

**How will this impact the country?**

Most of the exports in India may be affected as the scheme covers more than 7,000 items and will cost the national treasury around Rs 23,500 crore a year, according to the report.

A meeting to discuss how the situation could be tackled was held. A team of officials from the Permanent Mission of India at the WTO held discussions with Commerce and Industry Minister Suresh Prabhu, Commerce Secretary Rita Teaotia and officials from the Trade Policy Division.

The Ministry of Commerce will announce the mid-term review of the Foreign Trade policy this month, to discuss the MEIS scheme.

Source: moneycontrol.com - Sep 13, 2017

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**143 centres to procure cotton this year**

The Group of Ministers constituted to oversee cotton procurement in anticipation of a bumper crop was informed by the officials on Wednesday that 143 procurement centres would be opened this year against 92 last year.

The meeting discussed the need to depute revenue and agricultural officers at the centres to mitigate the problems in identifying the farmers at the centres, a release said.

The identification of farmers was crucial to ensure MSP. Twenty lakh bar coded identity cards were issued to cotton farmers in the State in 2015-16 to avoid middlemen. The cards would be increased this year.

Source: thehindu.com - Sep 14, 2017
**Brexit to boost Indian textile exports**

Brexit will provide Indian companies the opportunity to capture a substantial market share in the UK. The playing field will eventually even out among all major exporter nations.

For India, the UK is a key market for textile and apparel products. Out of India’s total textile and apparel exports to the EU, the UK had a 23 per cent share in 2016. India is the fourth largest supplier of textile and apparel products to the UK. However India’s share declined from 6.8 per cent in 2012 to 6.6 per cent in 2016.

Apparel is the largest category with a share of 75 per cent in India’s textile and apparel exports to the UK. This is followed by cotton textiles and manmade textiles having shares of 12 per cent and five per cent respectively.

The UK is a major consumption center of a variety of textile and apparel products from around the world. Apparel is the largest imported category by the UK, representing 76 per cent of total textile and apparel imports.

This is followed by manmade textiles, cotton textiles, and carpets with a share of nine per cent, seven per cent and four per cent. China is the largest supplier, followed by Bangladesh, Turkey and India.

Source: fashionatingworld.com- Sep 13, 2017

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**Why India Once Led The Fashion Industry**

India led the fashion industry in the sixteenth and seventeenth centuries, when Indian cotton fabric and design motifs swept the known world. From Africa to Europe and across the Atlantic, India became an influential player in the early modern textile market.

The key to India’s leadership of the early modern fashion world was cotton. Male and female artisans produced yarn and fabric—soft, finely-woven, colorful, painted, and printed. Savvy merchants sold it from Africa to Northeast Asia. Motifs of Hindu figures and indigenous Indian flowers
became symbols of beauty and quality in Africa, Asia, and, somewhat later, in Europe and the American colonies.

Part of what made this possible was India’s customer-centric market system. India established a vibrant system of intra-Afro-Asian trade. From at least 1500, the Indian textile industry’s long chain of middlemen ensured an understanding of the end market. They transferred consumer feedback to production with such finesse that, for example, “consumer tastes in East Africa dictated the kinds of textiles that were brought to these markets.” That customer sensitivity paid off.

Early seventeenth-century French navigator François Pyrard de Laval found Indian textiles everywhere he went. “Every one from the Cape of Good Hope to China, man and woman, is clothed from head to foot in Indian cloth”, he said. All the more curious, the designs were not uniform. In fact, every market expected goods that met its own peculiarities (150 varieties sold in Southeast Asia alone) and refused those that didn’t.

It was not a question of quality—skillful Indian weaving, dye fastness, and precise painted designs made Indian textiles the cream of the cream. Rather, it was about accepting the complexity of cultural demand. The Indian cloth industry—highly regionalized, highly specialized, and fully aware of its monopoly in the region—nevertheless manufactured according to demand.

Into this well-established, intra-Afro-Asian trade network came European merchants. First through Arab and Venetian middlemen and then directly, Europeans came to Asia primarily for pepper, cinnamon, nutmeg, and cloves. The Indonesian spice islands lured them.

But European traders found that there was a set currency for buying spices in the spice islands; that currency was Indian cloth.

So European ships left the spice islands empty-handed, and went looking for traders to sell them Indian cloth. When they found some, they went back to the spice islands to buy spices with the cloth. And they soon learned that not just any cloth would do. They had to learn who valued what. Using Indian cloth as currency meant learning about intra-Asian trade. Through cloth, India taught European traders its “preexisting Asian market system.”
The two large European trading syndicates—the Dutch VOC and the English EIC—made fortunes in Asia by selling Indian cotton. One little-known example is Burma.

While procuring Indian cloth for their Indonesian spice trade, the VOC noticed that India monopolized the Burmese elite fabric market. But the low-end market was open. They quickly filled the gap. The VOC ended up controlling Burma’s low-end fabric market with Indian red yarn for the indigenous weaving industry and with the cheaper end of Indian cloth, for half of the seventeenth century.

Source: daily.jstor.org- Sep 14, 2017

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**Nuziveedu Seeds develops gene to resist bollworm in Bt cotton**

In a major breakthrough in pest control research, Hyderabad-based Nuziveedu Seeds Ltd (NSL) seems to have found an answer to the dreaded pink bollworm, which continues to infest Bt cotton year after year.

The company has developed an alternative trait to tackle the bollworm, which developed resistance to Bt cotton in single-gene traits in 2008-09, and to two-gene traits in 2015.

Researchers at NSL, India’s largest seed company, claim to have developed a new trait by combining two existing genes. “We have tested the gene at the laboratory and found it to be successful in resisting bollworm attacks. The breeding of the gene is being conducted at our Hyderabad facility,” NSL Chairman and Managing Director M Prabhakar Rao told BusinessLine.

NSL has already filed an application on the new finding with the Review Committee on Genetic Modification (RCGM), set up under the Department of Biotechnology, Ministry of Science and Technology. It is also preparing to file an application with the biotech regulator, Genetic Engineering Appraisal Committee (GEAC), a statutory body set up under the Environment Protection Act, said Rao, who is also the president of the National Seeds Association of India.
According to government statistics, cotton is grown on 10.5-12.5 million hectares across 11 major States — Maharashtra, Gujarat, Telangana, Andhra Pradesh, Karnataka, Punjab, Haryana, Madhya Pradesh, Rajasthan, Odisha and Tamil Nadu. In case there is a bollworm attack, a farmer has to shell out about ₹2,000 per hectare for pest control. In the last cotton season, the pest caused a crop loss of 25-30 per cent.

**Combining genes**

“We have combined Cry1AC with Cry1EC of the National Botanical Research Institute, to achieve this success. This trait is showing good results in bioassays conducted in our labs and we hope to get regulatory approvals in two years,” said Sateesh Kumar, Director-Research at NSL. Cry1Ac and Cry1EC, developed by NBRI, are endotoxins acting as insecticides.

“We hope to bring it to the market within two years of getting regulatory approvals,” added Rao.

Source: thehindubusinessline.com- Sep 14, 2017

**Exporters seek clarity on incentives under GST**

Exporters say they're facing difficulties owing to ambiguity about benefits continuing under goods and services tax (GST) from the previous tax regime and queries over accessing input credit, further clouding their prospects amid a dull global market and an appreciating rupee. Some of them have sought clarity on the matter from the government ahead of the peak export season, said people in the know.

The development has led to exporters being unsure about pricing products set for the European Union (EU) and the US and warnings that overseas sales could suffer a setback in the upcoming quarter. The Foreign Trade Policy, FTP 2015-2020, has several incentives based on the earlier levies such as excise duty and service tax. It had been expected that these incentives would be recalibrated under GST but that hasn't happened, exporters said.
"There is an urgent need for the government to clarify on the incentives available to exporters as their tax outgo has changed in GST," said MS Mani, partner, Deloitte India, adviser to some top exporters. "It is expected that the newly constituted committee headed by the revenue secretary (Hasmukh Adhia) would fast track its recommendations so that exporters get muchneeded clarity ahead of the peak export season and are able to plan accordingly."

Sales surge in EU and the US during the Christmas period and exporters need to ensure that goods are shipped in September or at least October to catch that bump. "This is the need of the hour as the objective of the FTP is to ensure that goods are exported and not the taxes associated with the procurement or manufacture of these goods," said a person with direct knowledge of the matter. "Since the GST rates are not identical to the erstwhile indirect tax rates and because there is no exemption on procurements for exporters, the exporting community is not clear on whether the incentives would increase, decrease or remain the same."

While one option would have been to provide an exemption in the GST legislation to procurements made by exporters, the government has provided a mechanism under which exporters pay the applicable tax to vendors and claim a refund on input taxes.

"There are very stringent timelines provided for grant of refunds to exporters in the GST law," admitted the person cited above. But exporters aren't sure whether these would actually be followed, based on their past experience with refunds, the person added.
Many exporter groups have raised the matter with the government in the past few months. The Adhia committee is set to evaluate the problems faced by exporters. "Since the export incentives/schemes are regulated by the commerce ministry, it's expected that the committee headed by Adhia would also have representatives from the commerce ministry in order to fast track the recommendations and to avoid inter-ministerial roadblocks," said another person close to the development.

Exporters are also facing problems over claiming input credit for goods exported because of mismatches in Harmonised System Nomenclature codes for about 230 products — mainly dyes and dye intermediates. The code is used globally to classify goods for taxation and for claiming domestic benefits. This means that purchase invoices and shipping bills appear to be those of different products to GST’s information technology (IT) network. Exporters are therefore unable to get credit, impacting their cash flows.

HSN Code No. for 233 products have been revised in 2017 and results (in a) mismatch with what is on India’s GST Network — that is the HSN code of 2012," a Mumbaibased exporter of sodium meta nitrobenzene told ET. "Now the purchase in invoice and shipping bills for the same product will be a mismatch due to different HSN Code number for the same product."

Sachin Menon, national head of indirect tax at KPMG, said, "There seems to be no harmony between HSN codes in the GST portal and ICEGATE (portal run by the CBEC) for a few products. This means that some of the exporters may not be able to take input credit for the exports and would directly impact their cash flows till this issue is resolved."

Source: economictimes.com- Sep 14, 2017
GST woes: Exporters allege no duty drawback refund from states

State governments have effectively stopped paying tax refunds under the duty drawback scheme (DDS), compounding their liquidity issues, say exporters.

Since the Goods and Services Tax (GST) regime was introduced on July 1, they allege, getting refunds for the state component of the levy has become very difficult under the DDS, with the requisite mechanism not in place.

"While it is still possible to get states to pay for their share of refunds under the Integrated GST, those refunds which are to be paid fully by them are not materialising," said Ajay Sahai, director-general of the Federation of Indian Export Organisations. The problem was across the country, he added.

DDS seeks to rebate the duty or tax chargeable on any imported or excisable material or input services used in the manufacture of export goods. Customs and Union excise duties in respect of inputs and service tax in respect of input services are neutralised under the scheme.

The Central Board of Excise and Customs, which administers the DDS, had decided to extend it for three months once GST was introduced. This was after exporter bodies had represented that the scheme seamlessly reimbursed the tax incidence on input and input services. However, to avail of the benefits, exporters should not claim input credit under GST, the government had warned at the time.

Till now, a severe crunch in liquidity under the GST regime had been flagged by exporters as the most challenging issue. Their costs have risen by up to 1.25 per cent (Freight On Board value) after GST implementation, according to their calculations. The figure is changing as late refunds pinch smaller players hard and even larger entities have difficulty over streamlining of operations, they say.

A similar issue is playing out over duty scrips, the scope of which has been reduced as a tax paying instrument.
Exporters earn duty credits in the form of scrips at fixed rates of two, three and five per cent on despatch of shipments, depending on product and country. The earned scrips may be freely transferred to others or sold.

In August, the government had instituted a 12 per cent tax on sale of scrips received for incentive schemes such as the Merchandise Export from India Scheme (MEIS), for the first time.

Scrips received by exporters under the Services Exports from India Scheme and the Incremental Export Incentivisation Scheme, apart from the MEIS, will be taxed.

The government's tax move was rapped by exporters, who said this had no justification and would hit their shipments. Subsequently, the GST Council last week announced that this was being reduced to four per cent. However, while scrips were allowed to be utilised for the payment of excise, service tax and value added tax before GST, this may now only be done for payment of basic customs duty.

"This is unfair and a withdrawal of benefits to exporters. It has meant additional cash outgo for import clearance on export orders," said the Engineering Export Promotion Council. They have asked that such scrips be allowed to neutralise Central and State or Integrated GST, in line with the pre-GST situation.

Source: business-standard.com- Sep 14, 2017
At RCEP meet in Manila, India resists pressure to cut tariffs further, open markets

Commerce and Industry Minister Suresh Prabhu resisted pressure for committing to greater market access at the Regional Comprehensive Economic Partnership (RCEP) Ministerial meet in Manila last week-end although the reprieve is likely to be short lived.

Trade Ministers from the 16 countries’ group — the 10-member ASEAN, China, India, Japan, South Korea, Australia, New Zealand — have agreed to meet again in November to try for a breakthrough.

“India managed to convey that it was not ready to commit to tariff elimination on the whole gamut of items that other members are pushing for as it needed to cover the sensitivities of its industry and agriculture. The pressure on the Indian Minister this time surprisingly was lower than usual and it was dealt with well. But Trade Ministers are determined to get the negotiations moving at the next meet in November in Manila,” a government official told BusinessLine.

New Delhi is expected to improve its current offer of tariff elimination of about 70-75 per cent items, with certain deviations (of lower cuts) for countries like China, Australia and New Zealand with which it does not have Free Trade Agreements, at the next negotiating meeting in South Korea in October.

Although the RCEP has now officially recognised that existing differences between members are too high to conclude the pact this year, there is a broad understanding to iron out all differences this year.

“At the Korea meeting we will definitely be expected to improve our current offer. We have to take a definite stand on how much we are prepared to give,” the official said.

There are clear indications that RCEP members are not willing to budge from the position that tariffs need to be eliminated on at least 90-92 per cent of items.

Ramon Lopez, Trade Secretary of The Philippines, which is currently chair of the ASEAN group, is reported to have said at a press conference on
Monday that the only acceptable re-calibration is a number that is closer to the 90-92 per cent and anything lower or higher than that is not acceptable for ASEAN.

Lopez is also reported to have told some media representatives on the sidelines of the press conference that that there is already an agreement on tariff liberalisation for most of the participating countries, including some FTA partners, which would help add pressure other parties to concede.

**Impasse on services**

This suggests that India would either have to agree to improve its offers or be sidelined at the negotiations. Although New Delhi demanded simultaneous improvement in offers in the services sector, there was no satisfactory response from other members, the official said.

“In the services sector, the ASEAN members are not willing to give any concession. They are not even willing to discuss the matter seriously as they say that they do not have the political mandate in their countries to do so,” the official added.

Source: thehindubusinessline.com- Sep 14, 2017