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USD 64.92| EUR 79.92 | GBP 90.47 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19457	40700	**80.00**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20430	42735	**84.00**

International Futures Price

NY ICE USD Cents/lb (May 2018)	83.53
ZCE Cotton: Yuan/MT (Jan 2018)	14,995
ZCE Cotton: USD Cents/lb	**91.51**
Cotlook A Index – Physical	**92.6**

Cotton guide: Four days past this week cotton price continued to trade sideways and moved in the range of 82.50 to 84.50 cents per pound. Thinnest trading volume witnessed this week in last few months and average daily volumes were less than 30K contracts.

However, the aggregate open interests are adding up gradually and standing above 270+K contracts. The mentioned price data is of active May contract at ICE platform. The subsequent contracts also moved in the similar trend. No major activity this week except that the weekly export sales figure released Thursday in the US showed a bit of decline from the previous week's number. However, the broad understanding suggest the exports in the US are good in last few months supporting cotton price to trade positive.

For reference, weekly export report showed combined net sales for the week ended March 8th at 528,000 bales (upland 520,600/pima 7,400). That included cancelations of 11,200 bales. Total 2017-18 sales have reached 14,405,200 bales, 2.3 million bales ahead of same week sales last year. Weekly shipments were 439,900 bales (upland 414,400/pima 25,500). Total shipments stood at 7,002,900 bales (upland 6,653,500/pima 349,400); 465,900 bales behind last year.

On the price front whole this week market has been strongly respecting 82.50 as key support level. This morning ICE cotton for May is seen trading at 83.40 cents per pound and the July is at 83.46. The spread between the two contracts have further narrowed down to only 6 points which was earlier maintaining around 30 points. Earlier this week we had emphasized on the spread movement between this two contracts citing if the market moves into inversion (July turning backwardation to May) then the near term trend for cotton would turn completely positive and the most reaction would be felt on the near month May contract. For the day we expect market to trade within the range of 82.50 to 84 cents per pound.

Coming onto domestic market the spot price of Shankar-6 continued to trade near Rs. 41000 per candy ex-gin approximately 80.50 cents per pound at parity. Likewise, J-34 is quoted at Rs. 4160 per mound (about 78 cents per pound). Interestingly the domestic future for the near month contract March is quoted on Thursday close at Rs. 20430 per bale which translates to 84 cents per pound.

This signify that the spread between spot and future is widened to more than 4 cents where in the latter is seen expensive. So we expect if the ICE cotton or the spot cotton S-6 holds steady in next few trading sessions then March future contract might observe good correction in the price onto the downside. While we associate the domestic future price chart with technical study we see market is looking moderately bearish and may move towards Rs. 20250 to Rs. 20300 per bale. So the trading range for Indian cotton future for March would be Rs. 20300 to Rs. 20600 per bale for the day.

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

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INTERNATIONAL NEWS

U.S. pressing China to cut trade surplus by $100 billion: White House

The Trump administration is pressing China to cut its trade surplus with the United States by $100 billion, a White House spokeswoman said on Wednesday, clarifying a tweet last week from President Donald Trump.

Last Wednesday, Trump tweeted that China had been asked to develop a plan to reduce its trade imbalance with the United States by $1 billion, but the spokeswoman said Trump had meant to say $100 billion.

The United States had a record $375 billion trade deficit with China in 2017, which made up two thirds of a global $566 billion U.S. trade gap last year, according to U.S. Census Bureau data.

China reported its 2017 U.S. trade surplus as $276 billion, also about two thirds of its reported global surplus of $422.5 billion.

The White House spokeswoman declined to provide details about how the administration would like China to accomplish the surplus-cutting goal - whether increased purchases of U.S. products such as soybeans or aircraft would suffice, or whether it wants China to make major changes to its industrial policies, cut subsidies to state-owned enterprises or further reduce steel and aluminum capacity.

In a Thursday editorial, widely-read Chinese state-run tabloid the Global Times said the United States was trying to play the victim.

“If the U.S. wants to reduce its trade deficit, it has to make Americans more hard-working and conduct reforms in accordance with international market demand, instead of asking the rest of the world to change,” it wrote.

“Once a trade war starts, capable countries won’t bow to the U.S. China has tried hard to avoid a trade war, but if one breaks out, appeasement is not an option.”

Speaking to reporters in Beijing, Chinese Foreign Ministry spokesman Lu Kang said history showed that trade wars are in nobody's interests, but that China would protect its legitimate rights if "something happens we don't want to see".

"We believe that China and the United States can use friendly consultations to resolve our disputes. We have the good faith to do it this way," Lu said.

The U.S. request comes as the Trump administration is said to be preparing tariffs on imports of up to $60 billion worth of Chinese information technology, telecoms and consumer products as part of a U.S. investigation into China's intellectual property practices.

It is also unclear if the requested $100 billion reduction would address U.S. complaints about China's investment policies that effectively require U.S. firms to transfer technology to Chinese joint venture partners in order to gain market access.

The issue is a core part of the probe being conducted under Section 301 of the Trade Act of 1974, a provision seldom invoked since the World Trade Organization was founded in 1995. Trade experts have said tariffs imposed as a result of the China intellectual property probe may fall outside of WTO rules.

U.S. TARGETS INDIAN SUBSIDIES

But Washington showed on Wednesday that it has not abandoned the global trade body, launching a WTO legal challenge to India's export subsidies for domestic companies, including producers of steel, chemicals, pharmaceuticals, textiles and IT products.

U.S. Trade Representative Robert Lighthizer said India had failed to remove the subsidies as required by WTO rules after the country reached certain economic benchmarks.

The United States is expected to invoke a national security exception to WTO rules in imposing import tariffs of 25 percent on steel and 10 percent on aluminum announced by Trump last week.

U.S. Commerce Secretary Wilbur Ross told lawmakers on Wednesday his department would soon publish procedures for product-specific exemptions from the steel tariffs for items that are not available from domestic producers or in short supply. The procedures are due by Sunday.

Anne Forristall Luke, president of the U.S. Tire Manufacturers Association, said the group would be “pressing very hard” for an exemption from tariffs for high-strength wire rod used to make cord for steel tire belts that is not produced by U.S. mills.

The largest sources for the material are Japan and Brazil, she said, adding that U.S. tire producers will lose business to foreign competitors if their steel costs rise.

“We are working this from the product side and the country side. We think we have a very good case,” she told Reuters.

Source: reuters.com- Mar 14, 2018

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China's cotton stocks to fall significantly: USDA

Cotton stocks in China are expected to fall significantly in 2018-19, similar to the current season, according to the US department of agriculture (USDA). Continuous rise in consumption at a rate faster than the world average, slight decline in production, and limited imports will result in continued reductions in China’s cotton State Reserve.

Outside of China, despite forecast lower production, rest-of-world stocks are expected to rise for the third consecutive year as an expected modest growth in consumption and relative weak import demand by China leave supply higher than demand, the Foreign

Agricultural Service of the USDA said in its March 2018 report 'Cotton: World Markets and Trade'.

Meanwhile, US cotton exports are projected at a 13-year high of 16 million bales of 480 lb each in 2018-19, due to expectations of a large exportable surplus. The US share of world trade is projected to rise. Ending stocks are projected at 6 million bales, which would be the highest level since 2008-09.

Greater supplies outside of China are expected to pressure cotton prices in 2018-19 with the average price received by producers falling within the range of 58-68 cents per pound, compared with the 2017-18 current forecast of 69 cents.

For 2017-18, global cotton production and trade are both raised. Production is raised due to expected higher production in Australia and Sudan, partially offset by lower production in Uzbekistan and the US. Trade is up on higher imports in Turkey, Vietnam, Bangladesh, and China.

The US exports are raised. World consumption is marginally higher with world ending stocks up reflecting the increased production. The US balance sheet has lower production, higher exports, and lower ending stocks.

Source: fibre2fashion.com- Mar 15, 2018

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USA: Moody's Warns of Default Spike, Mounting Maturities for Retail and Apparel

While apparel retail executives are pinning their hopes on the strong economy, the benefits related to tax reform and the willingness to spend that consumers demonstrated during the holidays, Moody's says not so fast.

Though the credit ratings agency agrees that retail is "absolutely" improving, the firm also said the recovery will be uneven.

"While some sub-segments of U.S. retail will improve in 2018—even including department stores—weaker issuers will continue to struggle," Moody's noted in a report released Wednesday.

The firm said the pattern is illustrated by its current list of distressed retail and apparel companies, which shrunk from 26 to 20. Of the six that are no longer on the list, four companies were upgraded while two filed for bankruptcy.

Moody's forecasts the default rate for 2018 at 6.34% for retail and apparel, compared to 2 percent for corporate America in general.

The credit agency lists Bon-Ton, Charlotte Russe and Charming Charlie among the most recent to default. And it predicts the rate will peak this month at 12.4%.

"Our forecast translates to at least six retail & apparel issuers defaulting over the next 12 months, with most occurring in the first half of the year," Moody's said.

Of the companies that remain on Moody's distressed list, many wound up there as a result of leveraged buyouts.

"Retail has always been more vulnerable to high leverage given its inherent cyclicality, which has become more acute in recent years with the rapid push online, greater price transparency, changing needs around infrastructure and financial flexibility," the report noted.

The most recent example is the $5 billion debt load Toys R Us carried as a result of a leveraged buyout in 2005 that dried up liquidity and drove the toy store into bankruptcy in September. The retailer announced plans to close all U.S. doors and liquidate assets on Wednesday.

For small retailers in particular, Moody's said the problems are magnified, leaving them unable to adapt to the changing retail environment while simultaneously maintaining their stores and competing with lower prices from competitors.

Compounding these issues, Moody's said maturities will "spike" in 2019.

Source: sourcingjournalonline.com- Mar 15, 2018

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USA: Is Amazon Missing a "Prime" Opportunity in Apparel?

Though Amazon seems to have big plans for fashion, the vast majority of apparel on its e-commerce platform are listed by third parties, overlooking the potential to reach more of its valuable Prime member base by increasing trusted, first-party, Prime-eligible listings.

A new Coresight Research report, "Amazon Apparel: Who Is Selling What? An Analysis of Nearly 1 Million Clothing Listings on Amazon Fashion," also evaluates Amazon's nascent private labels as well as national brands including Nike and Calvin Klein to determine the kinds of brands that are performing well on the site—for the moment.

Among the most critical insights in the report: more brands would likely be willing to sell through Amazon if the e-commerce giant fulfilled items itself rather than relying on sometimes unreliable third parties, which consumers don't trust when it comes to shipping and returns charges, and returns policies. Consumers also regard first-party listings as correlated to product authenticity, which could be especially important for high-cost, high-end fashion items.

Indeed, more than one third (38 percent) of those shopping Amazon for apparel said they'd rather buy directly from the e-commerce giant versus third-party sellers. Amazon-owned apparel would automatically be eligible for free two-day shipping via Prime, making these products significantly more attractive to high-value Prime customers.

For now, just 13.7% of men's and women's apparel is listed and fulfilled by Amazon; the rest, 86.3% percent, is executed by third parties, which is fairly evenly split across men's and women's, coming in at 87.1% and 85.7%, respectively.

If Amazon intends to become a serious player in fashion, and not just apparel, there's considerable opportunity to bring a greater share of apparel inventory in-house and under tighter control to provide a truly customer-centric, and brand-friendly experience.

Coresight found that Amazon, ever mindful of profits and margins, seems to be focusing its first-party inventory on higher-value categories like suiting and blazers, jeans and activewear in its women's wear holdings.

Despite the closely watched, stealthily launched private-label rollout last year, to date Amazon's private brands account for just 0.1% of total apparel available for sale on the site. Like the industry overall, 80 percent of Amazon's private labels focus on women's apparel.

Women's brand Lark & Ro, leads by far with the greatest number of products, 454, on offer. Mae, an intimates and sleepwear label, comes in a distant second with 91 items. Trailside Supply Co. includes less than two dozen (21) products.

Though their numbers remain relatively small, Amazon's private labels very much are finding their way into customers' shopping carts and closets, perhaps due to these products' prominent positioning in on-site search results. According to the report, one in nine shoppers reported purchasing Amazon private-label apparel in the past year, driving Amazon to the position of fourth-most-purchased clothing brand on its e-commerce site.

Among the national brands available on Amazon, many familiar names, as well as some lesser known ones, occupy the top 10 list of labels with the greatest number of products registered. Though premium athletic brand Nike comes in at the top of the most-listed brands, with 16,764 products on offer, Interstate Apparel, which offers kitschy, in-your-face women's activewear, is virtually neck-and-neck with 16,743 listings.

Also among the most-listed are the usual suspects such as Gildan (No. 4; 14,085 product listings) and Hanes (No. 6; 12,854), reflecting consumers' reliance on Amazon for basics. However, Adidas ranks No. 10 with little more than half of Nike's product pages (8,579) while landing in the middle of the pack is No. 5 Calvin Klein (13,623), which famously announced its exclusive-product partnership with Amazon for Holiday 2017.

Perhaps because they pose less of a risk in terms of fit, women's tops and tees earn the designation of most-listed apparel category, with 138,001 products. Similarly, for men, shirts—which include polo shirts, casual shirts and tees—account for 109,043 listings, emerging as the second-biggest category.

Not surprising, given Nike's and adidas' prominence across the site, activewear makes a strong showing, accounting for 76,930 men's items and 51,992 listings for women. In fact, active apparel listings far outpace those in categories considered to be "staple" items, such as jeans and sweaters.

In line with the popularity of athletic apparel, one quarter of surveyed consumers indicated purchasing activewear on Amazon over the past year. Though there's a vast amount of choice when it comes to apparel inventory on Amazon, there are far fewer brands in the mix. Coresight's data revealed that 30 brands are responsible for nearly 30 percent of all apparel across the e-commerce site.

Even fewer appear to be executing a comprehensive product and category strategy. Of 2,798 apparel brands active on Amazon, just 72 list upwards of 2,000 products, while 189 list greater than 1,000. It's reasonable to assume that Amazon is but part of the channel mix for many brands, though there's a clear opportunity for labels to broaden their presence and grow sales.

Of note, included in that "30 for 30 percent" group are a number of premium brands, such as Ralph Lauren (No. 12), Tommy Hilfiger (No. 24), Columbia (No. 27) and Hugo Boss (No. 29), which could indicate Amazon's increasing importance to brands beyond mass-market basics.

Last year, Calvin Klein put the fashion world on notice when it partnered with Amazon on a holiday strategy that saw the e-commerce giant hosting a dedicated store, offering exclusive products, for the iconic American brand on its website.

Given that vote on confidence, it makes sense that Calvin Klein seems to have a larger wholesale agreement with Amazon, with 38 percent of its apparel products listed and fulfilled directly by the e-commerce company, with the remainder executed by third parties. By contrast, just 12 percent of Adidas listings, 21 percent of Tommy Hilfiger, 59 percent of Columbia and 15 percent of Hugo Boss are first party listings. Note that just 1 percent of Gildan and 6 percent of Hanes products are listed directly by Amazon.

Coresight's research indicates that Amazon's private-label strategy seems to target not just specific product categories—such as the dress-heavy listings for Lark & Ro—but also distinct consumer demographics.

In recent years, Amazon has made no secret of its fashion ambitions, debuting its in-home try-before-you-buy Prime Wardrobe service and the Echo Look device, which takes photos and videos of the user's outfits and offers fashion feedback and advice.

What's more, a small number of brands, sensing the opportunity, have added their own skills to the popular Alexa voice assistant. Using the Perry Ellis skill, for example, men in need of style advice who want to be dressed appropriately for a specific occasion can query Alexa to be sure they're event ready.

Source: sourcingjournalonline.com- Mar 15, 2018

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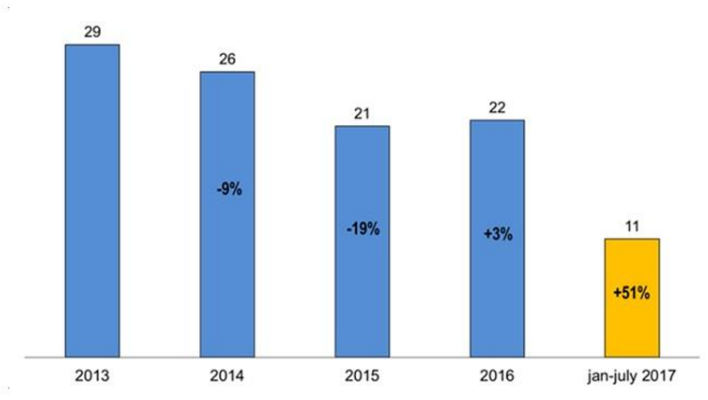
Italian textile machinery builders target Russian market

ACIMIT, the Association of Italian Textile Machinery Manufacturers, and the Italian Trade Agency for the promotion and internationalisation of Italian businesses abroad, will be organising an exhibition space at the upcoming edition of Techtextil Russia, the specialised trade fair dedicated to technical textiles and nonwovens, to take place in Moscow next week.

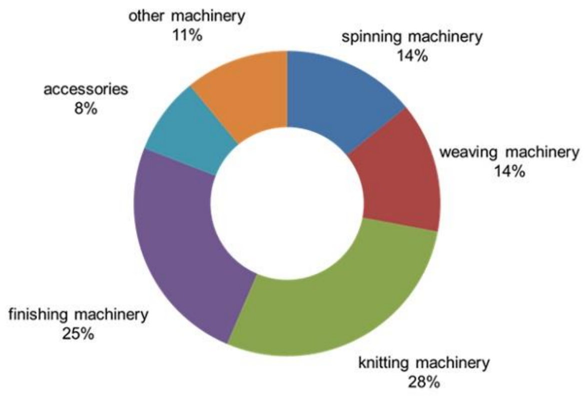
A total of 23 companies will be on hand at Italy's exhibition space, including the following ACIMIT associated members: A.T.F. Automations, Beta Machinery, Bombi Meccanica, Bonino Carding Machines, Cibitex, Cogne Macchine Tessili, Durst Phototechnik, Fabotex Tecnology, Fadis, Ferraro Spa, Guarneri Technology, MCS Officina Meccanica, Nuova Cosmatex, Pugi Group, Ratti Luino, Salmoiraghi, Sariel, Reggiani Macchine, Santex Rimar Group, Smit, Sicam Soc. It. Costruzioni Aeromeccaniche, Tessil Gomma Di Sergio Buson, and Toscana Spazzole Industriali.



The trade fair event arrives at a time of growth for Russia's textiles sector. The Russian government has recently initiated pilot projects specifically targeting the modernisation of existing technology in the textiles sector and increasing the supply of local products on the Russian market.

The production of technical textiles, in particular, is deemed by competent government authorities to constitute a driver in reviving the fate of Russia's textiles industry.

"This restructuring phase provides an opportunity to further strengthen existing relations between Russian textile manufacturers and Italian technology suppliers, which are already in good stead thanks to the promotional initiatives launched by ACIMIT and the ICE-Agency over the past few years," commented Alessandro Zucchi, ACIMIT President.



"The result of this interaction between Italy's textile machinery manufacturers and Russian producers, is the Russian market's constant presence among primary destinations for Italian exports of textile machinery."

In 2016, Italy exported EUR 22 million worth of textile machinery to Russia, whereas figures updated to the first seven months of 2017 show a 51% increase compared to the same period for 2016, for a corresponding value of EUR 11 million.

ACIMIT represents an industrial sector comprising around 300 manufacturers, employing close to 12,000 people and producing machinery for an overall value of about EUR 2.7 billion, with exports amounting to more than 85% of total sales.

Source: innovationintextiles.com - Mar 15, 2018

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Pakistan: Textile and chemical conflict – PTA & PSF

The unhappy symbiotic relationship between the chemical and textile sector has been discussed earlier in this space ("Textile and chemical conflicts – H2O2" published 13 March, 2018).

While the sectoral woes of hydrogen peroxide are creating waves currently, the tribulations of PTA and the resultant trials of its downstream product polyester staple fiber (PSF) continue meandering along their course as they have been doing so for the last decade.

The primary manufacture of PTA in Pakistan is Lotte Chem. A recent conversation with its CEO highlighted its reasons behind its abysmal bottom line between 2012 and 2016 when it experienced losses at worst and 2 percent net profit margin at best. PTA prices are governed by international trends due to the imports of its key raw material paraxylene which is not manufactured in Pakistan.

Unlike EPCL, that can link the price of its petrochemical PVC to international prices, Lotte is led by domestic forces. Dumping from China allow its consumers, PET and PSF alike, to set the prices due to intense international competition making Lotte depend heavily on its tariffs at 16 percent for protection.
If those tariffs were removed, as demanded by the PSF sector, Lotte would be forced to shut down and the.

Lotte's capacity of production of PTA is 500,000 tons whereas the demand is about 800,000 tons.

The gap is filled through imports which become expensive due to tariffs. Lotte contends that if tariffs were removed, it would be forced to shut down and that will allow Chinese exporters to charge exorbitant prices. However, these tariffs increase the cost of fabric and impact the growth of the polyester fibre industry since for one MT of polyester fiber production, around 85 percent of PTA is used.

While tariff protection of PTA is protested against by the PSF industry, it too in turn needs protection from low priced PSF imports. Till last year, the local PSF prices were more than $1.25 per kg whereas the cost of the Chinese product was less a dollar.

Currently, it is protected by anti-dumping duty in the rage of 2.8 percent to 11.5 percent in addition to 11 percent tariffs. Similar to Lotte, the PSF industry contends that if protectionist measures were removed, the industry would collapse and Chinese exporters will take advantage and drive up prices.

Further down the petro-chemical and textile chain are the textile manufacturers and exporters who blame the PSF industry for having local prices significantly higher than international prices. As a result, while the world moves towards polyester based apparel ("Changing trends in textiles", published on October 26, 2017), Pakistan's textile industry ratio of man-made fibers to cotton is still at 80:20.

Throughout the textile value chain there is protectionism that the downstream industries protest against while demanding similar measures for their own sectors.

Source: brecorder.com - Mar 14, 2018

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Pakistan: Strengthening ties: Turkey expects boost to trade after FTA

The two countries are currently negotiating the FTA, but have been unable to convince each other on different issues. There is growing anxiety among Pakistan's exporters due to a fast decline in exports to Turkey.

Pakistan's exports to Turkey dived 69% to $282 million in 2017 from $906 million in 2011. Meanwhile, Turkey's exports to Pakistan rose to $352 million in 2017 from $214 million in 2011.

FPCCI Senior Vice President Syed Mazhar Ali Nasir said Pakistan and Turkey were time-tested friends and their deep-rooted bilateral relationship provided economic and political support for each other.

"There are tremendous opportunities and trade potential between the two countries that can be exploited with the help of the FTA," he added.

Nasir said unfortunately Turkish authorities increased duties on Pakistan's export goods from 6% to 24%, which he called a great barrier that caused a drastic reduction in exports to Turkey.

He expressed serious concern over what he called discriminatory approach towards Pakistan by restricting benefits of the GSP Plus, which had been granted by the Turkish authorities to various countries except Pakistan.

Source: tribune.com.pk - Mar 15, 2018

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Vietnam remains largest winner from Trans-Pacific trade pact without US: experts

Vietnam is likely to benefit the most from a landmark Asia-Pacific trade deal signed by 11 countries on March 8, according to international experts.

Vietnam remains the largest "winner" from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which replaced the previous Trans-Pacific Partnership (TPP) after the U.S. pulled out, Deborah Elms, executive director of the Asian Trade Center in Singapore, told VnExpress International.

"This is true even with the withdrawal of the U.S. and the gains that would have come from better access to the American textile, apparel and footwear markets. For Vietnam, the new market access in these sectors to the other 10 members remains significantly better than the current situation," she said.

Vietnam will also benefit in other sectors such as electronics, autos and food. These gains will be substantial and should be of significant interest to investors looking to move supply chains to match the CPTPP, Elms added.

The CPTPP will reduce tariffs in countries that together amount to more than 13 percent of the global economy - a total of $10 trillion in gross domestic product. With the U.S., it would have represented 40 percent.

Even without the United States, the deal will span a market of nearly 500 million people, making it one of the world's largest trade agreements, according to Chilean and Canadian trade statistics.

In addition to boosting exports, the trade deal is expected to attract more foreign investment to Vietnam.

Elms said the country is well positioned to capture companies that want to invest for export into CPTPP markets like Japan. “The use of Vietnam as a platform for exports is bright. This includes the building of robust supply chains with more intermediate suppliers and parts manufacturing.”

Many of these firms are finding other locations in Asia too expensive or too complicated and are looking for new investment opportunities. In addition, of course, Vietnam is increasingly attractive as a market in its own right as consumers become wealthier. By getting the policy frameworks aligned with CTPP now, Vietnam is instead being visionary, she stressed.

Elms is not the only international expert who is optimistic about the impacts of CPTPP to Vietnam.

Virginia B. Foote, co-founder and board president of the non-profit U.S-Vietnam Trade Council, said: “With the U.S. dropping out of TPP, certainly Vietnam loses by not having lower tariffs to sell into the U.S. market under CPTPP. [...] But there are strong economies in the CPTPP and much to be gained for Vietnam by upping its game and reputation.”

“Being part of the global economy has been good for Vietnam. I am confident it will continue to be,” she noted.

A U.S. return

For developing economies like Vietnam, Malaysia, Peru and Chile, the most attractive part of the TPP was the possibility of boosting exports to the United States. With the U.S. dropping out of the trade pact, they've lost that opportunity.

Most would like to see the U.S. return to the trade agreement, and U.S. President Donald Trump gave them hope when he told the World Economic Forum early this year in Switzerland that it was possible Washington might return to the pact if it got a better deal. “We do hope the U.S will join, one day," Foote told VnExpress International.

"The agreement was and is designed to be open to new membership and be a living, growing agreement. We hope the U.S will work towards membership eventually."

However, other foreign experts are concerned about the barriers that face a U.S. return.

CPTPP has suspended several proposed clauses in TPP which were important to the U.S, and provides that admission of additional members is dependent on acquiescence by all existing members, said Prof. Gary Hawke from Victoria University of Wellington, New Zealand.

Echoing Hawke, Elms said: “As the largest economy, it (the U.S) would give the agreement a heft that it otherwise lacks in becoming the base rules for trade going forward. But this administration seems rather bent on moving in the opposite direction, so it is unlikely at the moment.”

The 11 CPTPP state members, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, represent a market of 500 million people, greater than that of the European Union's single market.

The pact will come into force 60 days after it is fully ratified by six of the 11 members.

Source: e.vnexpress.net - Mar 15, 2018

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NATIONAL NEWS

Exports in Feb up 4.5% to $25.8 bn; trade deficit narrows

Exports grew by 4.5 per cent in February, the lowest expansion in the last four months, to USD 25.8 billion as shipments of engineering, textiles and gems and jewellery declined while trade deficit narrowed to a five-month low of USD 12 billion.

The trade deficit -- the difference between imports and exports -- stood at USD 9.52 billion in February 2017, as per the data released by the commerce ministry.

Exports growth rate has been steadily declining since November 2017 when it touched a high of 30.5 per cent. The trade gap in September 2017 stood at USD 8.98 billion.

"Exports have been on a positive trajectory since August 2016 to February 2018 except for a temporary setback in October 2017," the ministry said in a statement.

The country's merchandise exports are showing continuous positive growth, , Commerce Secretary Rita Teaotia told reporters here today.

Imports too rose by 10.4 per cent to USD 37.8 billion during the last month.

Cumulative value of exports for April-February 2017-18 period grew by 11 per cent to USD 273.7 billion, while imports grew by 21 per cent to USD 416.87 billion. The trade deficit was USD 143.13 billion.

Commerce Minister Suresh Prabhu in a series of tweets said, "Exports data continue with their upsurge! Merchandise exports during February have exhibited positive growth of 4.48 per cent in dollar terms".

Oil imports during February rose by 32 per cent to USD 10.19 billion, while non-oil import increased by 4.11 per cent to USD 27.61 billion.

Oil imports during April-February 2017-18 were valued at USD 98 billion which was 26.92 per cent higher than USD 77.21 billion in the corresponding period last year.

Exports of chemicals and petroleum products grew by 30.41 per cent and 27.44 per cent respectively in February. However, engineering goods shipments dipped by 1.88 per cent.

Gold imports declined by 17 per cent to USD 2.89 billion in February as against USD 3.48 billion in the same month last year.

Prabhu said that services exports also continued to grow with total exports in January valued at USD 16.33 billion registering a growth of 2.07 per cent. Imports during the month were valued at USD 9.847 billion, registering a negative growth of 0.12 per cent

Federation of Indian Export Organisations said that the exports data are not encouraging as engineering, apparels, gems and Jewellery, cotton textile and carpets are showing negative growth.

"Leaving petroleum exports , the overall growth comes to 1 per cent in February. We are worried about gems and jewellery exports as sector is facing huge liquidity issue as banks are tightening their norms," FIEO Director General Ajay Sahai said.

Source: business-standard.com- Mar 15, 2018

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High fiber: India cotton exports gather pace as global prices rally

India's cotton exports have been gathering pace after global prices jumped to four-year highs, with traders in the world's top producer of the fiber signing contracts in the last three weeks to ship over 1 million bales, industry officials told Reuters.

Increased supply from India could drag on the rally in international prices and would likely compete with shipments to Asia from exporters such as Australia, Brazil and the United States.

"Bangladesh, Vietnam and Pakistan are aggressively buying from us due to lower prices. We have freight advantage over others," said Chirag Patel, chief executive at India's Jaydeep Cotton Fibers Pvt Ltd.

Indian cotton is being offered around 82 to 85 cents per lb on a cost and freight basis (C&F) to buyers in Bangladesh and Vietnam, compared to over 90 cents from the United Sates and Brazil.

“There is continuous export demand at the current price level,” said Atul Ganatra, president of the Cotton Association of India (CAI).

India could export more than 6 million bales in the current season ending on Sept. 30, up a fifth from previous estimates, Ganatra said.

“In January, we were expecting India could end the season with exports of 5 million bales. Now even 6.5 million bales seem quite possible,” said a Mumbai-based dealer with a global trading firm. He declined to be identified as he was not authorized to speak with media.

Indian merchants have contracted to export 4.7 million bales so far this marketing year, of which nearly 3.5 million have already been shipped, industry officials and dealers said.

The country exported 5.82 million bales of cotton last marketing year, according to data compiled by the state-run textile commissioner’s office.

A depreciation in the Indian rupee has also boosted exporter profits, stoking the appeal of sending cargoes abroad, dealers said.

The upturn in exports marks a change from just a couple of months ago, when lower global cotton prices meant there was little incentive to ship overseas.

Demand from Pakistan, which resumed imports from India in January after making no purchases in the previous quarter, has been strong and the country could take as much as 800,000 bales this year, said Patel at Jaydeep Cotton.

India is likely to produce 36.2 million cotton bales in 2017/18, down 1.4 percent from an earlier estimate as the pink bollworm pest has hit some crops in key growing regions such as the western state of Maharashtra, said CAI’s Ganatra.

The nation's cotton stocks could fall to their lowest in 14 years at 2.2 million tonnes at the end of the 2017/18 season, sapped by higher exports and improvement in domestic consumption, CAI estimates.

Source: reuters.com- Mar 15, 2018

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USTR threat to move WTO: Quicker rejig of schemes likely

With an aggressively protectionist United States challenging India's "export subsidy programmes" at the World Trade Organisation (WTO), New Delhi will have to fast-track an ongoing plan to phase out some of these sops that are WTO-incompatible and rejig others in order to put in a place a durable set of successor tax-neutralisation schemes that are multilaterally legitimate.

For the record, however, the Indian government reacted to the US move with gentle firmness: "As a developing country we deserve special and differential treatment… We have assumed a window of eight years would be available to us (to phase out the subsidies)," commerce secretary Rita Teaotia said on Thursday.

Experts, however, wondered whether the WTO rules under the Agreement on Subsidies and Countervailing Measures (ACSM) allowed such a reprieve once a country breached a specified per-capita income threshold. India surpassed that threshold in 2013 and as per the rules, should have terminated the subsidies in 2015.

However, the country, which was facing a slump in exports, has dithered, although some of the actionable smaller schemes have lately been discontinued. Now that the US has taken this up, India can use a WTO window to open consultations with that country for a phaseout schedule but it is possible that this might fail in the face of an obstinate Washington.

In that case, a final outcome might emanate from the appellate tier of the world body's dispute settlement set-up within a year, as the mechanism is now more agile than earlier.

Such an eventuality might affect a cross-section of India's manufactured-goods exporters pretty badly, as they operate on thin margins. It isn't easy for them to quickly regain the cost competitiveness without the sops, given that the relatively high transportation costs, residual red tape, infrastructure bottlenecks like high turnaround time at ports and rigid labour laws jack up their costs.

Under a more immediate threat of being deprived of the subsidies is India's labour-intensive textile and clothing industry, as it crossed the sector-wise threshold (3.25% of global trade) as early as 2010.

An eight-year window to end the subsidies (linked to export obligation) in the sector will expire in December 2018. Most trade experts feel that India is vulnerable to the US threat as many of its export schemes like MEIS, SEIS and EPCG, are contingent on export obligations and won't actually stand the scrutiny of a built-in obligation to actually consume the indirect tax-exempt inputs in the production process.

Others, however, say the real and immediate threat is to direct subsidies while export promotion schemes are defensible; production subsidies indirectly benefiting exports exists even in the developed world, they noted.

The exporter community is more or less reconciled to the imminent removal of the sops but are anxious to know whether the subsidies would go suddenly or be phased out over a period. "It is difficult to maintain many schemes.

The industry will have to adjust (to the scrapping of the subsidies). We should actively engage with the US for a phase-out schedule," said Ajay Sahai, director general and CEO, Federation of Indian Exports Organisation.

According to the special and differential provisions in the ASCM, when a WTO member's per capita GNI exceeds $1,000 per annum (at the 1990 exchange rate) for a third straight year, it has to phase out its export subsidies. There is, however, no clarity over the time-frame of ending such subsidies. Government sources here say countries like Indonesia and Sri Lanka had breached the GNI threshold before India did and are yet to stop such subsidies.

"At the time of the (ASCM) came into force, the developing countries above $1,000 (per capita GNI) were give a period of eight years in order to bring down their export subsidies. We have clearly assumed that the same period of eight years is available to these countries as and when they reach the threshold of $1,000. India submitted a paper in 2011 and has been raising it in the committee," Teaotia said.

The schemes that could face the heat include Merchandise Exports from India Scheme (MEIS), Export Promotion Capital Goods (EPCG,) scheme and interest equalisation scheme for the textiles sector. Zero-rating of exports (indirect tax neutralisation on inputs consumed in export production) is WTO compatible; India's advance licence scheme falls under this category.

Since capital goods are not inputs consumed, the EPCG, scheme is vulnerable. As for special export zones, the problem lies with the direct tax concessions (tax-exempt profits can be used to have price advantage in export markets) and similar is the case with export-oriented units and software technology park schemes.

However, some analysts take a contrarian view. "SEZs, industry and IT parks are a global norm. Even India's MEIS scheme is not a direct subsidy but a promotional scheme. The US keeps subsidies to industry indirectly and there are instances of it violating Agreement on Trade-Related Investment Measures. We have have to rejig some of our schemes and launch new ones to support productivity for patent WTO compatibility," said Ram Upendra Das, head of the Centre for Regional Trade under the ministry of commerce and industry.

On Wednesday, US trade representative Robert Lighthizer in a media statement challenged India's "export subsidy programmes" and threatened to request a dispute settlement panel at the WTO, saying, these schemes extended financial benefits that artificially boosted their price-competitiveness in the US market, harming the American workers.

The scheme challenged by the USTR include MEIS, EOU and sector-specific schemes, Electronics Hardware Technology Parks Scheme, SEZs, EPCG, and duty-free imports for exporters programme. Under MEIS, a key export incentive in India, the government provides exporters duty credit scrip at 2%, 3% or 5% of their export turnover, depending upon products and shipment destinations.

While potential revenue forgone by the government on account of the scheme was estimated at Rs 22,000-23,500 crore a year, in the December review of foreign trade policy a 34% annual rise in the benefits was announced. A similar scheme — SEIS — exists for services exporters.

Source: financialexpress.com- Mar 16, 2018

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Govt begins process to revamp export schemes

The threat of US action has prodded the government to immediately begin a review of export promotion schemes, which the US government believes are subsidies.

Sources said the commerce department has started the exercise and various options are being explored even as the government prepares to address American concerns during consultations at WTO.

Commerce secretary Rita Teaotia said one option was to move from export incentives, which include refund of taxes, to product-specific subsidies that many countries offer. However, this would entail a massive budgetary outgo. Deliberations are planned over the next few days, although officials said a solution may not be readily found.

A transition to the regime would mean that the government will offer incentives to a few textiles clusters, instead of incentives to all textiles exporters. “This will benefit not just exports but also goods sold in the domestic market and improve quality. But for this, we will need additional funds,” said a government official.

The sources said China was depending on product specific support by setting up SEZs to overcome this problem. A section within the commerce department, which was not too keen on NITI Aayog’s plan for coastal economic zones, now believes that the enclaves could offer an option.

The NITI Aayog plan, prepared by former vice-chairman Arvind Panagariya, involved setting up of a zone for textiles and another one for electronics with Andhra Pradesh, Gujarat and Odisha evincing interest.

While the government had been expecting a challenge at WTO for the last few months, it had not begun detailed discussions on a new mechanism to replace the schemes that offered subsidies. The textiles ministry has so far failed to suggest an alternative, although the scheme for the sector — which is WTO non-compliant — is due to expire from January.

Source: timesofindia.com- Mar 16, 2018

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Surat weavers demand scheme for MMF sector on lines of Maharashtra

The power loom weavers in the country's largest man-made fabric (MMF) hub has urged the state government to launch a textile promotion scheme on the lines of Maharashtra government in Gujarat and provide an impetus package, slash electricity tariff and modernization in the weaving units to increase the quality of fabric production.

Weavers have written letters to the chief minister, deputy chief minister, MPs and MLAs in Gujarat for considering the textile scheme for development of textile sector in the state on the lines of Maharashtra.As per the scheme launched by Maharashtra government, the textile units have been given an impetus package to the tune of Rs 4,600 crore and the reduction of electricity tariff by Rs 2 per unit.

This, the power loom weavers believe will encourage even the entrepreneurs from Surat to set up units in Maharashtra as the fabric manufactured there will be 40 per cent cheaper than Surat. Power loom weavers stated that Maharashtra government is providing 25 per cent capital subsidy and there is no cap on investment made in the textile sector.

This will encourage the textile entrepreneurs in setting up power loom weaving units in the textile pockets in Maharashtra, thereby giving a stiff competition to the MMF industry in Surat. President of Pandesara Weavers Cooperative Society Ashish Gujarati said, "The units in Maharashtra are already receiving electricity at the tariff lower than what we are paying in Surat.

Still, the Maharashtra government has slashed the electricity tariff by Rs 2 per unit.

This will make the end production cost of the units in Maharashtra 40 per cent less compared to Surat."Gujarati added, "We have urged the state government to come up with similar scheme to encourage the MMF sector in Surat and Gujarat.

Source: nyoooz.com- Mar 16, 2018

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Export promotion schemes imperative for nations like India

India's export promotion schemes recently came under the scrutiny of the US administration. Reportedly, the argument put forth by the US trade representative (USTR) is that India's export promotion programmes provide financial benefits to exporters which contribute to their price-competitiveness in the global market.

The argument was further extended to suggest that these 'export subsidy programmes' harm US workers by creating uneven playing field. This is a matter which deserves serious attention. It also raises possibly more questions than provides answers. Can 'export promotion schemes' be equated with 'export subsidy programmes'? Are these programmes WTO non-compliant? Has India's exports sector reached a level of development that it must desist from promoting exports?

Do India's exports inflict only harm to US workers? If that is so, why does a US importer import from India? Aren't Indian exports to the US beneficial to the US economy? Are imports always bad and exports always good? Let us begin from the beginning.

First, export promotion programmes cannot be equated with export subsidies. That is why most countries have such programmes. If we do not have an objective view of this, then possibly export promotion organisations in several countries, including the developed ones and their activities, could also be misconstrued.

Secondly, even if a country has a subsidy programme, it can be acceptable such as in the case of Article 2.1(b) of the WTO Agreement on Subsidies and Countervailing Measures (ASCM). According to this, a subsidy programme which adheres to neutral criteria rather than being exclusive and if the eligibility is automatic, that programme is considered non-specific and therefore falls outside the coverage of the ASCM.

The criteria or conditions must be clearly spelled out in law, regulation or other official document, so as to be capable of verification. India's foreign trade policy document has always remained in public.

Thirdly, there is no doubt that India's exports have made rapid strides and have undergone structural transformation, especially since 1991. Nonetheless, India still remains a developing country. It might be in the interest of the global economy that countries such as India do even better in terms of trade and development.

For this, export promotion schemes become an imperative in a country like India. Fourth, an American firm or a company would import only when it is a profitable and economically viable proposition. Imports thus need not necessarily be viewed in a bad light. Fifth, imports of any category of goods – be it raw materials, intermediates, capital and consumers goods – help consumers and producers depending on the category. Moreover, all consumers may not be producers but all producers are consumers. Again, imports cannot be bad as it is being made out to be.

Finally, if all countries consider exports as good and imports as bad and if each country only wishes to export; trade cannot take place. This is 'Trade Impossibility Theorem'. Every unit of export of one country by definition is a unit of import for the partner country.

Exports and imports are two sides of the same coin. In short, both the US and India would have to view both the exports and imports in a balanced perspective rather than in a framework of combating each other and cancelling out the mutually beneficial potential trade and economic linkages!

Source: financialexpress.com- Mar 16, 2018

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Narendra Modi may decide on course of RCEP trade talks

The development comes after a meeting convened by the prime minister's office saw growing opposition to RCEP FTA from the secretaries of various government departments

Prime Minister Narendra Modi is likely to take the final call on whether India needs to remain engaged in the ongoing negotiations for the contentious Regional Comprehensive Economic Partnership (RCEP) free trade agreement (FTA) or not, after a meeting convened by the Prime Minister's Office (PMO) saw growing opposition to the deal from secretaries of various government departments.

The meeting was called by principal secretary to Modi, Nripendra Mishra on 6 March to chalk out India's strategy in the ongoing FTA negotiations such as with RCEP, Canada and Australia. A majority of around 15 secretaries present in the meeting including defence, economic affairs and agriculture opposed the proposed RCEP deal, holding that it may hurt India's interests in their respective fields, a government official with knowledge of the meeting said, on condition of anonymity.

While the finance ministry has opposed the investment chapter in RCEP which is more liberalized than the model bilateral investment treaty proposed by India, the agriculture ministry is against giving market access in dairy sector to member countries such as Australia and New Zealand. "Nripendra Mishra is likely to communicate the overwhelming view among secretaries not to move ahead with the RCEP deal to the prime minister who will take the final call on the matter," the official cited earlier said.

RCEP members have been putting pressure on India to open up its market for more than 90% of their traded goods, while they remain reluctant to India's proposal to allow free movement of Indian skilled professionals in the RCEP region. There is growing clamour from industries such as iron and steel for India to either exit RCEP or resist its early conclusion.

The consultation by the PMO and outcome of the meeting comes at a time when former foreign secretary S. Jaishankar and chief economic adviser in the finance ministry Arvind Subramanian have openly advised caution in moving ahead with RCEP.

RCEP is a grouping of the Asean's (Association of Southeast Asian Nations) 10 members plus India, China, Japan, South Korea, Australia and New Zealand. It envisages regional economic integration leading to the creation of the world's largest regional trading bloc, accounting for nearly 45% of the world's population with a combined gross domestic product of $21.3 trillion.

In an interview last month, Subramanian said India needs to be extra cautious and take into account geostrategic issues while moving ahead with the RCEP trade deal as it will also mean opening up the market to its adversary China.

"I am a little bit ambivalent about RCEP, as it will involve a lot of opening up to China. We have a natural complementarity vis-à-vis Europe. We export labour-intensive goods to Europe and they export capital-intensive goods to us.

In case of the Asean and China, it's not the same thing. So what's the advantage for us (in RCEP)? I am not saying it's bad or it's wrong, but I am saying we need to think more carefully about that. There is also the geostrategic dimension we need to take into account. So, that's a more difficult and richer discussion that the government needs to have," Subramanian said.

India has a $50 billion (around Rs3.2 trillion) trade deficit with China. Tensions between the nations have been high in the past over Chinese military intrusions, most recently in the Doklam area of Bhutan, and the China-Pakistan Economic Corridor, which is proposed to pass through Pakistan-occupied Kashmir.

Former foreign secretary S. Jaishankar, at a recent presentation before the parliamentary standing committee on commerce, called for "observance of due restraint" and not concluding trade arrangements not in India's medium-term interests.

Biswajit Dhar, professor of economics at the Jawaharlal Nehru University said RCEP is simply non-negotiable for India as any further preferential tariffs to its member countries including China will be politically unacceptable.

"The kind of tariff liberalization that member countries are demanding, forget industry, India may not even be able to protect its vulnerable agriculture sector. India now needs to take a political call on the deal," he added.

RCEP is a grouping of the Asean's (Association of Southeast Asian Nations) 10 members plus India, China, Japan, South Korea, Australia and New Zealand.

It envisages regional economic integration leading to the creation of the world's largest regional trading bloc, accounting for nearly 45% of the world's population with a combined gross domestic product (GDP) of $21.3 trillion.

Source: livemint.com– March 14, 2018

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GST refunds will not to be held back for small errors: CBEC

'Refund camp' to be held till March 29

To ensure faster refunds of pending claims of exporters, the Central Board of Excise and Customs (CBEC) has said that such claims should not be held back due to small errors.

"Refunds may not be withheld due to minor procedural lapses or non-substantive errors or omission," it said in a missive to its field officials.

The directive comes at a time when the CBEC is holding a special refund fortnight from Thursday till March 29 to deal exclusively with pending refund claims of Integrated Goods and Services Tax (IGST) and Input Tax Credit.

While the CBEC has processed refunds worth ₹5,000 crore, a similar amount has been pending since GST was rolled out on July 1, 2017. The Prime Minister's Office had also, earlier this week, held a meeting with officials from the Ministries of Commerce and Finance to resolve the issue.

Exporters say that just 30-40 per cent of the IGST claims have been cleared and a mere 10 per cent of the input tax credit refunds have been processed.

"We expect that these claims will be expedited in the camps and a significant amount of the pending dues will be cleared," said Ajay Sahai, Director General, Federation of Indian Export Organisations, adding that the detailed circular by CBEC will help clear ground level confusion.

Other industry leaders have also called for daily monitoring of the refunds processed to ensure that most claims are cleared during the camp.

The CBEC circular also said that substantive benefits of zero rating may not be denied where it has been established that exports in terms of the relevant provisions have been made. "The delay in furnishing of LUT (letter of undertaking) in such cases may be condoned," it added.

Self-declaration

The CBEC also pointed to instances where some field formations have asked for a self-declaration with every refund claim to the effect that the claimant has not been prosecuted.

"This requirement is already satisfied in case of exports under LUT and asking for self–declaration with every refund claim where the exports have been made under LUT is not warranted," it has said.

Further, in case of a mismatch between values of GST invoice and shipping bill or bill of export, the CBEC has said that the lower of the two values should be sanctioned as refund.

Source: thehindubusinessline.com– March 16, 2018

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Tamil Nadu to soon release new integrated textile policy

The Tamil Nadu state government will soon release new integrated textile policy. This was announced by deputy chief minister O Panneerselvam, who also holds finance portfolio, in the state budget 2018-19 presented today in the state assembly. Tiruppur Exporters' Association (TEA) has welcomed the announcement of releasing the long-awaited textile policy.

Welcoming the announcement, TEA president Raja M Shanmugham said the early releasing of the policy with incentives at par with other states will boost investment in Tamil Nadu at a time when other states have come out with attractive textile policies and have been periodically inviting Tiruppur entrepreneurs to invest in their respective states.

Shanmugham also welcomed the increased allocation for Skill Development in the state budget from Rs 150 crore to Rs 200 crore for providing training for two lakh unemployed youth. He also hailed the allocation of fund for removing deficiencies in Industrial Training Institutes (ITIs) and also allocation of more fund to ITIs.

Welcoming the announcement of increasing the loan amount from Rs 1 crore to Rs 5 crore to first generation entrepreneurs, Shanmugham said, "The enhancement of loan amount would encourage more entrepreneurs to enter into knitwear sector."

The budget speech included announcement of implementation of Avinashi-Athikadavu scheme at a cost of Rs 1,789 crore. "This would help address the drinking water and irrigation issue in the Tiruppur region," Shanmugham said.

Source: fibre2fashion.com- Mar 15, 2018

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Taking efforts to accelerate power projects: TN Govt

The Tamil Nadu government has taken steps to expedite the commissioning of various power projects in order to meet the growing demand, Deputy Chief Minister O Panneerselvam said here today.

The government has added 10,777 MW of power generation capacity since 2011 which made it possible to meet the peak demand of 15,343 MW in April 2016, he said while presenting the budget in the state assembly.

"The government is taking efforts to expedite the commissioning of ongoing power projects to meet the growing demand for power in the State," he said.

Giving details on the status of various power projects, he said the works are in progress for the 660 MW Ennore expansion project, 800 MW North Chennai Project Stage-III, two units of 800 MW each in Uppur project and two units of 660 MW each in Stage-I in Udangudi project.

"This government is steadfast in its efforts to tap the full potential of the state in the renewable energy sector and is continuously pursuing with the union government for the development of a dedicated Inter-State Green Energy Corridor to transmit surplus wind energy to energy deficit states," he said.

Panneerselvam said the state-government owned Tamil Nadu Energy Development Agency would enter into an MoU with public sector Energy Efficiency Services Ltd.

"This step is expected to expedite the investments of Rs 11,000 crore in the renewable energy sector over the next three years," he added.

Panneerselvam said an amount of Rs 13,964.08 crore has been provided for the energy sector in the budget 2018-19, which includes Rs 7,537.78 crore as power subsidy for agriculture and other purposes.

New Textile Policy ===================

Panneerselvam said in a move to focus on sunrise sectors, the government would soon come with a "integrated textile policy."

The policy would look at strengthening and developing handloom, powerloom and knitwear and garment sectors, he said.

"The policy will give special focus to sunrise sectors like technical textiles besides coming up with a comprehensive strategy to increase textile exports," he added.

Source: timesofindia.com- Mar 15, 2018

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