Cotton Market

<table>
<thead>
<tr>
<th>Spot Price (Ex. Gin), 28.50-29 mm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs./Bale</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>19983</td>
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</tbody>
</table>

Domestic Futures Price (Ex. Gin), May

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>21470</td>
<td>44910</td>
<td>81.67</td>
</tr>
</tbody>
</table>

International Futures Price

| NY ICE USD Cents/lb (July 2018) | 87.46 |
| ZCE Cotton: Yuan/MT (Jan 2019)  | 17,875 |
| ZCE Cotton: USD Cents/lb        | 106.84 |

Cotlook A Index – Physical

<table>
<thead>
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<th>Cotlook A Index – Physical</th>
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<tr>
<td>95.9</td>
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Cotton guide: In the gone by week Ice cotton posted a positive weekly close. The July ended at 89.21 cents up by 3.10% from the previous week’s close. Likewise, the December future has also advanced to end the week at 86.65. However, the spread between July and December has narrowed down to 2.56 cents from recent high of 4.50 cents. Although July contract has sufficient time to reach its 1st notice period the open interests are higher in December contract and major participation is taking on the same.

Open interest has been up for the past 7 sessions, adding a cumulative 17,893 contracts at 300,837 contracts. The all-time-ever record is 320,744 contracts which were reached this year on January 25th. On average daily trading volumes were around 40 to 45K contracts. However, we believe, may be the idea of heavy Chinese speculative participation is correct. Certainly ZCE cotton futures have been wildly active the last 8 sessions, too. ZCE prices have soared and open interest hit an all-time-ever high as well.
With the surge in ZCE and ICE Cotton in last one week, Chinese State Reserve Auction had its first week with sales at 100 percent of offers. No other days have had 100 percent sold in this series. The cumulative turnover rate is 61.23 percent (offered versus sold). Cumulative sales since the beginning on 12th March holds at 4472720 bales and estimated remaining reserves are 19669403 bales.

The start of the week Monday the ICE market is closed, no electronic session to trade. Only Chinese ZCE market is on today along with Indian cotton futures at MCX. This morning the ZCE active contract is seen trading flat with marginal negative price. However, we expect market to remain sideways. The MCX cotton price for June contract ended the week at Rs. 21440 per bale might trade in the range of Rs. 21300 to Rs. 21570 per bale.

Currency Guide:

Indian rupee appreciated by 0.4% to trade near 67.47 levels against the US dollar. Rupee hit a low of 68.4525 last week, the lowest level since Nov.2016, but has recovered almost 1.5% since then. Sharp correction in crude oil price has helped rupee recover from recent lows. Crude oil has plunged over 9% from recent high on expectations that OPEC and allied may raise output to compensate for supply loss from Iran and Venezuela and to allay consumer concerns. We expect weakness to continue in crude oil and this will help rupee appreciate further. USDINR may trade in a range of 67.1-67.75 and bias may be on the downside.

Compiled By Kotak Commodities Research Desk, contact us: research@kotakcommodities.com, Source: Reuters, MCX, Market source
Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

<table>
<thead>
<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.75</td>
<td>3.05</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.38</td>
<td>2.77</td>
</tr>
<tr>
<td>Turkey</td>
<td>3</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: CCF Group

China yarn

Cotton yarn still increased by 50-1000yuan/mt, mainly conventional varieties. Polyester yarn still increased and rayon yarn also tracked the rise of feedstock. Polyester/rayon yarn showed stable while polyester/cotton yarn and cotton/rayon yarn rose.

International yarn

The cotton yarn market has been fairly lackluster, in reflection of the raw cotton market. Spinners in Pakistan have been tight sellers owing to high raw replacement costs. China was the major recipient of India’s yarn exports in the season to February. The value of Egypt’s textile exports during the first three months of the year showed a rise of 4.5 percent on the same period in 2017. Spinners in Turkey have complained of poor liquidity.

Source: CCF Group
# NEWS CLIPPINGS

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EU set to negotiate FTAs with Australia & New Zealand

The European Union is all set to begin negotiations for free trade agreements (FTAs) with Australia and New Zealand. The European Council this week authorised the European Commission to open negotiations and adopted negotiating directives for each of the negotiations. Commissioner for Trade Cecilia Malmström will visit these countries to launch negotiations.

“Today’s decision to open trade talks with Australia and New Zealand sends a strong signal to both countries that we value our partnerships with them and want to strengthen our existing ties. But it is also a reminder to the world of the EU’s commitment to openness, free trade and global cooperation,” said Emil Karanikolov, minister of economy of Bulgaria, which currently holds the presidency of the Council of the EU.

EU’s trade agreements with both countries would aim primarily at further reducing existing barriers to trade, removing custom duties on goods, and giving better access for services and public procurement in Australia and New Zealand.

The mandates are particularly concerned to protect vulnerable sectors such as agriculture by maximising the benefits of market opening without harming local producers. The mandates do not envisage full liberalisation of trade in agricultural products, which are foreseen as benefiting from specific treatment.

The mandates provide for a comprehensive and modern framework, based on the highest standards of labour, safety, environment, climate and consumer protection.

“These agreements will build on the recent successful agreements with Canada, Japan, Singapore, Vietnam, as well as Mexico among others, expanding the alliance of partners committed to open and rules-based global trade,” president of the European Commission, Jean-Claude Juncker, said in a statement.
Having trade agreements with Australia and New Zealand would provide EU businesses with a valuable entry point into the wider Asia-Pacific region. They will also put European companies on an equal footing with those from the other countries in the area that have signed up to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or that already enjoy better access to Australia and New Zealand through other preferential trade agreements.

Commissioner Malmström will travel to Australia and New Zealand in June to open negotiations at the political level. The first negotiation rounds between the teams of negotiators are then envisaged to take place in Brussels in July.

The EU also has bilateral agreements with both countries on mutual recognition of some technical certificates which, by reducing the costs of testing and certifying of exports and imports, facilitate trade in industrial products. Although generally limited, trade barriers for some sectors, such as agriculture or textile products, remain quite substantial.

The EU is Australia’s third largest trading partner. Annual bilateral trade amounted to more than €47.7 billion in 2017, with a positive trade balance of more than €21 billion on the EU side, the Council said. EU’s exports to Australia are predominantly manufactured goods while Australia’s exports to the EU are dominated by mineral commodities and agricultural products. EU companies supply commercial services worth nearly €20 billion to Australia and hold investments in the country worth more than €160 billion (in 2016).

With annual bilateral trade amounting to more than €8.7 billion in 2017, the EU is New Zealand’s second largest trading partner after Australia. New Zealand’s exports to the EU are largely dominated by agricultural products while EU’s exports to New Zealand are focused on manufactured and industrial goods.

For the EU, trade with New Zealand results in a positive trade balance of €1.9 billion (in 2017), and EU companies hold more than €10 billion in foreign direct investment in New Zealand.

Source: fibre2fashion.com- May 26, 2018
U.S. imposes anti-dumping tariffs on Taiwan textile firms

The U.S. Department of Commerce (DOC) has decided to impose anti-dumping tariffs on fine denier polyester staple fiber suppliers in Taiwan and three other countries, according to Taiwan's Bureau of Foreign Trade (BOFT).

In a final ruling issued on Thursday, DOC said those products from Taiwan, China, India and South Korea were being sold in the U.S. market at unfairly low prices, the BOFT said.

Far Eastern New Century Corp., one of the two Taiwanese mandatory respondents in the case, was slapped with a punitive duty of 48.86 percent due to its failure to respond to the DOC's questions, the bureau said.

However, no tariffs were imposed on the other mandatory respondent Tainan Spinning Co., as it had responded to the DOC's questions, the bureau said.

Other Taiwanese exporters of fine denier polyester staple fiber will be subject to a tariff of 24.43 percent, the BOFT added.

The anti-dumping tariffs imposed on Chinese firms ranged between 65.17 percent and 103.06 percent, while South Korean companies were slapped with tariffs of up to 45.23 percent, according to the DOC ruling. India exporters, meanwhile, were given a flat rate of 21.43 percent, the ruling showed.

The U.S. government launched investigations into dumping allegations against suppliers of fine denier polyester stable fiber from the four countries after DAK Americas LLC, Auriga Polymers Inc., and Nan Ya Plastics Corp., America filed a petition in March 2017.

According to the DOC, the U.S. International Trade Commission (USITC) will issue final rulings in July on whether the imports from the four countries had hurt U.S. manufacturers.

Fine denier polyester stable fiber looks like cotton wool and can be woven into yarn to make textiles such as clothing and bed linen or used in its raw form to make products such as baby wipes and diapers.
The U.S., because of its relatively high consumption of hygiene and medical care products, is a major market for Taiwanese suppliers of fine denier polyester stable fiber, according to the BOFT.

In 2017, fine denier polyester stable fiber exports from Taiwan to the U.S. totaled US$7.43 million, accounting for 4.99 percent of the U.S.' total imports, which made Taiwan its sixth largest supplier, the BOFT said.

Source: focustaiwan.tw- May 26, 2018

U.S., Philippines Discuss Trade Issues, Potential FTA

A press release from the Office of the U.S. Trade Representative suggests that the U.S. wants to resolve several outstanding trade issues before it will seriously consider a potential free trade agreement with the Philippines.

After meeting with senior economic ministers, business leaders, and senators in the Philippines May 23, Deputy USTR Jeffrey Gerrish said the U.S. looks forward to “resolving outstanding issues and exploring the best arrangement for strengthening and expanding our trade relations.”

According to USTR, Gerrish’s visit followed up on a November 2017 meeting between President Trump and Philippine President Rodrigo Duterte during which the U.S. “welcomed Philippine interest in deepening the bilateral trade relationship through consideration of a potential free trade agreement.”

Future talks will take place under the bilateral trade and investment framework agreement.

USTR notes that the U.S. had trade deficits of $3.2 billion in goods and $3.5 billion in services with the Philippines in 2017. The goods trade deficit was up 71.3 percent from 2016 as exports grew 3.3 percent but imports jumped 15.8 percent.

U.S. foreign direct investment in the Philippines was $5.9 billion in 2016, a 9.4 percent increase from 2015, and was led by manufacturing, non-bank holding companies, and wholesale trade.
Issues of concern regarding the Philippines included in USTR's 2018 trade barriers report include sanitary and phytosanitary permits for agricultural products, approval requirements for imports of genetically engineered crops, high tariffs on finished automobiles and motorcycles, corruption and irregularities in customs processing, fiscal incentives for export-oriented investments, the continued availability of pirated and counterfeit goods, and significant restrictions on foreign investment.

Source: strtrade.com- May 28, 2018

S. Korea, Mercosur agree to launch trade talks

South Korea and the South American trade block Mercosur agreed to begin formal negotiations for a trade deal in the latter half of this year to facilitate commerce and investment, the Seoul government said Friday.

South Korea signed an agreement to launch the negotiations with four Mercosur member states -- Brazil, Argentina, Paraguay and Uruguay -- during a ceremony held in Seoul. Mercosur expelled Venezuela in 2016 for failing to meet its basic standards.

"This represents a significant step toward deepening the important relationship between the Mercosur Member States and the Republic of Korea," the joint statement said, referring to South Korea's official name. "Strengthening ties through enhanced trade and investment flows is an expression of our shared interest in prosperity and shared commitment to trade liberalization and open markets."

The Korean government expressed hope for expanding its trade network in countries in the fast-growing part of Latin America.

"If the trade deal is struck, South Korea is expected to expand its FTA network beyond North America and Central America," the Ministry of Trade, Industry and Energy said. "It is expected to boost South Korea's exports of auto, auto parts and electronics to Mercosur member states."

South Korea exported $6.6 billion worth of goods to Mercosur states in 2017, up 20.6 percent from a year earlier, mostly electronics parts and autos.
The nation imported $4.52 billion from the South American nations, purchasing agricultural products and steel.

Mercosur, which means Southern Common Market in Spanish, has a total population of 290 million people, and its economic size is estimated at US$2.7 trillion, according to the ministry. The subregional economic bloc accounts for 45 percent and 52 percent of the South American continent's population and gross domestic product, respectively.

South Korea has been widely focusing on expanding free trade agreements (FTAs) with many economies since 2003, when it first signed an FTA with Chile.

It now has FTAs with world economic powerhouses, such as the European Union, the United States and China, including the latest FTA with six Central American countries.

Source: yonhapnews.co.kr- May 26, 2018

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Ghana: MoFA seeks Chinese assistance to revamp cotton industry

A thirteen-member delegation, led by the Minister of Food and Agriculture (MOFA), Dr Owusu Afriyie Akoto, was in China to explore the possibilities of entering into the Chinese market with Ghanaian products.

The delegation also sought partnerships with Chinese counterparts to invest in the various sectors of the economy of Ghana.

Additionally, it explored partnership in the cotton, cocoa products, the shea nut processing and fertiliser production as well as other areas of common interest.

Delegation

Other members of the delegation were the Technical Advisor to the minister, Mr Emmanuel Asante Krobea, Ghana’s Ambassador to China, Mr Edward Boateng, the Chief Executive of the COCOBOD, Mr Joseph Boahen Aidoo,
the Chief Executive of the Ghana Cotton Development Authority, Mr James W. B. Yesseh, the Managing Director of the Cocoa Processing Company (CPC), Nana Agyenim Boateng, the Chief Executive Officer of the Cocoa Marketing Company (CMC), Dr Mensah Aborampah.

**Chinese Chamber of Commerce**

During a meeting with the Vice-Chairman of the Chinese Chamber of Commerce for Import and Export Textile and Apparel, Mr Zhang Xi-An, Dr Akoto explained that he was liaising with the chamber to get Chinese companies interested in the cotton industry to consider investing in the production, processing and marketing of the cotton both locally and into the Chinese and other African markets.

He told Mr Xi-An that the government had a discussion with two Chinese companies two years ago for the possibility of setting up a cotton processing facility in Ghana.

Dr Akoto, who said the discussion with the two companies began during the President Mahama-led administration, explained that when he took over the ministry, “I felt that this is an important project and, therefore, decided to re-establish communications between Ghana and the chamber.”

He said he followed up with an invitation of the representatives of the two companies to Ghana who, during the meeting, reminded the ministry that there was already a memorandum of understanding (MoU) between them and the ministry.

Dr Akoto said the government of Ghana had set aside 100,000 hectares of land for cotton production in the northern part of Ghana as a way of revamping the cotton industry.

He, therefore, invited the Chinese investors, especially those in the cotton industry, to take advantage of the opportunity to invest in the sector from the farm to garments, to feed the local market and the international market as well.

**How cotton is produced in Ghana**
The Chief Executive Officer of the Cotton Development Authority, Mr Yesseh, took members of the chamber through how the cotton was produced and used in Ghana.

He said currently what pertained in the cotton production was that small-scale farmers interested in farming cotton were supported by interested cotton companies with improved seeds, fertilisers and other resources.

Mr Yesseh added that when the farmers produced the cotton, it was sold to the cotton companies which in turn processed it, sold some to the local textile industry and exported some.

**Commercialising cotton production**

“But now, we want to modify the system to make sure that we do commercial farming,” he explained, adding that what Ghana was looking forward to attract Chinese companies to establish a plant in the country to process the cotton and also manufacture garments.

Mr Yesseh explained that the idea was to make cotton production viable and more commercial than what was going on currently in order to revamp the industry.

**Chinese business community excited**

Mr Xi-An expressed excitement with the decision by Ghana to redirect its attention to Chinese companies, explaining that his association was directly in charge with the production, manufacturing and marketing of garments in China. He said the association was expanding its activities outside the South Asian countries to African countries and Ghana, where he described as potential ground for cotton production.

Mr Xi-An pledged to mobilise Chinese businesses to explore the possibilities of investing in Ghana through the association, adding that the association, which was already operating in some African countries, was glad to include Ghana.

Source: graphic.com.gh- May 26, 2018
**Myanmar-Singapore trade reaches 3.8 bln USD in FY 2017-18**

Trade between Myanmar and Singapore reached 3.8 billion U.S. dollars in the 2017-18 fiscal year which ended in March, up 833 million dollars or 28 percent from the 2016-17 fiscal year, according to statistics of the Commerce Ministry Sunday.

Of the total, Myanmar's import from Singapore amounted to 3.1 billion U.S. dollars, an increase of 590 million dollars from 2016-17, while its export to Singapore took 753.5 million dollars, up 280.7 million dollars against the previous fiscal year.


Myanmar exports to Singapore agricultural products, footwear, textile and clothing, minerals and animal products, while it imports from Singapore food, rubber and plastics, fuel, capital goods, intermediate goods, consumer products, metals and chemicals.

Source: xinhuanet.com- May 27, 2018

**Pakistan: Sustained growth is possible only with export of higher value-added goods**

“Sustained growth of Pakistan economy is possible only with export of higher value-added goods”, says a policy brief issued today by the Institute for Policy Reforms. To achieve this, Pakistan must increase its focus on science and technology.

IPR’s Brief written by the renowned Dr. Attaur Rahman former federal minister and Chairman HEC, recommends that the country must commit in earnest to a Science and Technology strategy. This is critical for the country’s future or else “Pakistan risks being left behind permanently”.
Pakistan’s main export product is textiles. While textile constitutes 60% of Pakistan’s exports, it has a mere 6% share in world exports. Overall, manufactured goods are 67% of world trade. Resultantly, Pakistan’s role in world trade is limited because it does not have the value-added products to participate in bulk of the world market. That is the main reason that its exports do not increase.

Also, no economy grows on a long-term basis without a dynamic and continually modernizing manufacturing sector. The share of manufacturing in Pakistan’s GDP is under 14%, whereas it ranges between 37% to 43% of GDP in middle income East Asian economies. India and Bangladesh have a share of 30 and 28% of GDP respectively.

To boost manufacturing and economic growth, the S&T strategy must integrate into all aspects of the economy: industry, agriculture, SDGs as well as government.

For effective implementation, it must be led at the highest government level, by the Prime Minister. Support through S&T is the only way for the private sector to productively use the external and internal knowledge needed to manufacture and export value added goods.

Source: dailytimes.com.pk- May 27, 2018

Australia company keen on fabrics made from microbial cellulose derived from coconut waste

The earliest days of health foods in a big supermarket consisted of looking for a special sign "natural or health" foods and then walking down one narrow aisle, out of a dozen more, to get low-sugar, low-fat groceries usually free of additives and boasting of natural grains, juices and pesticide-free produce. What if you will be walking into clothing malls of the future and ask the shop manager where to find the "health" racks of clothes made of bamboo, and hemp?

Textile makers are turning a tide and an Australia-based company is a sign that we are moving, in addition to cars, to other daily items in our lives that need sustainable alternatives.
Long story short, Australian company Nanollose is now focused on a plant-
free fabric aimed at the sustainable fashion trade. The company made news
on Wednesday at Planet Textiles 2018 event in Canada when they launched
their microbial cellulose fabrics. The fabrics are derived from natural
coconut byproducts—coconut waste.

The company is talking up the eco-friendly nature of their material. The
apparel industry is the second largest consumer and polluter of natural
resources on the planet, with an urgent need for sustainable alternatives.

Their microbial cellulose is grown through natural fermentation. The
company said, "Nanollose Technologies, which uses industrial organic and
agricultural waste products to produce plant-free cellulose, does not involve
the felling of trees or require the use of arable land or its associated use of
irrigation, pesticides and other resource intensive inputs making it a
sustainable product with potential for industrial scale manufacture."

It can be grown all year round, no waiting for "crop seasons." Also, their
numbers show microbial cellulose has a significant yield-to-field advantage.

Their development speaks to those in the industry who are on the trail of
finding sustainable alternatives to rayon and cotton.

A publication's title reflects the times. Ecotextile News is an "environmental
magazine for the global textile and clothing supply chain."

It reported that the Planet Textiles event marked the first time that its
'Nullabor' branded fabrics have been shown in public. Nanollose chief
executive Alfie Germano told over 400 Planet Textiles delegates: "We
identified a source of cellulose raw material (coconuts) and made a fibre in a
very quick time-frame.

But there's nothing like a deadline, and so to be in front of you all today, I'm
very happy to say that not only do we now have a fibre, we've used industrial
methods to spin this fibre into a yarn and produced the very first batch of
fabrics to bring to this event."

Meanwhile, one can note a news story last month which appeared in
signing a Memorandum of Understanding (MoU) with Indonesian food
producer, PT Supra Natami Utama, a subsidiary of PT Niramas Utama, to develop a commercial scale factory and supply chain solution for cellulose production."

PT Supra Natami Utama is a producer of coconut food, beverages and cosmetic products. It has facilities across Indonesia with access to quantities of coconut bi-product and waste stream. The report said "Nanollose intends to access these waste streams for use in the production of textile grade microbial cellulose on an industrial scale."

Source: techxplore.com- May 27, 2018

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Nepal-Bangladesh trade talks to focus on barriers

Nepal and Bangladesh will discuss trade facilitation and elimination of tariff and non-tariff barriers at the fourth commerce secretary-level trade talks scheduled to start on Wednesday in Kathmandu.

According to the Ministry of Industry, Commerce and Supplies, Nepal will ask Bangladesh to address hurdles to exporting acrylic yarn to Bangladesh, harmonise sanitary and phytosanitary (SPS) measures and review the list of 108 Nepali products which have duty free access to the Bangladesh market.

The two-day meeting will also discuss preferential treatment for Bangladeshi products in the Nepali market, said the ministry.

Ministry spokesperson Rabi Shankar Sainju said a 11-member Bangladeshi delegation would be arriving in Kathmandu to participate in the meeting. “The discussions will mainly focus on solving issues related to trade and transit facilities, which are the main hurdles to enhancing trade between the two countries,” Sainju said.

The two countries agreed to hold annual trade talks at the secretary level in 2008. Following the opening of Kakarbhitta-Phulbari-Banglabandha transit route in 1997, Bangladesh has permitted Nepal to use the port facilities in Mongla. Bangladesh has also provided an additional rail transit corridor to Nepal via Rohonpur-Sighbad.
However, Nepali exporters are still facing a number of hurdles while exporting goods to India and third countries including Bangladesh.

According to a study conducted by South Asia Watch on Trade, Economics and Environment (Sawtee) in 2012, SPS and technical barriers to trade (TBT) make up 80-85 percent of the non-tariff barriers to Nepali exports.

Exporters need to submit separate radiation free certificates for a number of exports to Bangladesh. Similarly, Bangladesh allows the import of acrylic yarn only by sea. Nepali traders who have been dispatching acrylic yarn to Bangladesh via Bangalabandh now need to send their shipments through Chittagong which has raised their trading costs, as per the ministry.

Nepal has long been asking Bangladesh for easy visa facility for Nepalis, preferential treatment for a number of Nepali goods and access to Bangladeshi ports for exporting good to third countries. Sainju said the trade talks would concentrate on concluding major items on the agenda that could not be resolved during previous talks, particularly on duty free access for Nepali goods.

According to the ministry, reviewing the list of Nepali exportable goods for duty free access to Bangladesh will be in the wish list of the Nepali side. During the last trade talks held in Dhaka in 2013, Bangladesh granted duty free access for 108 items. “However, it does not include Nepal’s major exportable items,” Sainju said.

Bangladesh has also been demanding similar facility for 64 Bangladeshi goods to the Nepali market. The items for which Bangladesh has sought duty free access include fish products, medicines, juice, soft drinks, raw jute and some agricultural products.

Similarly, Nepal will be asking Bangladesh to allow unrestricted entry for traders. Currently, operators of loaded containers are permitted travel only up to the Inland Container Depot situated in Banglabandha. “The ministry will be asking Bangladesh to simplify entry permit and visa procedures for the cargo and drivers,” Sainju said.
Bangladesh is one of the main export destinations for Nepal. Lentils, fruits and fruit juice, wheat, oil cakes, hide and skin and vegetables are the major exports to Bangladesh. Nepal’s exports stood at Rs1.04 billion last year, down 13.3 percent from the previous year.

Similarly, Nepal has been importing pharmaceutical goods, electronics, juice, medicines, cotton, solar batteries, readymade garments, cosmetic items, raw jute and plastic furniture from Bangladesh. In 2016-17, Nepal imported goods worth Rs4.22 billion from Bangladesh.

Source: ekantipur.com- May 26, 2018

The door for Vietnamese products to US market narrows

Vietnamese exporters have been warned that it will be more difficult to export products to the US as the US administration has increased local production protection and tightened control over imports.

According to the General Department of Customs (GDC), the US remained Vietnam’s biggest export market in the first four months of the year which consumed $13.8 billion worth of Vietnam’s exports, an increase of 11.4 percent over the same period last year.

Vietnam-US bilateral trade turnover, which was $1.4 billion only in 2001, has been increasing steadily since the Bilateral Trade Agreement (BTA) took effect, reaching $50.8 billion last year.

The big challenge for Vietnam is the strict regulations that export products have to observe. In addition to the federal law, each US state has different rules and regulations of its own.

Meanwhile, Deputy Minister of Industry and Trade Do Thang Hai warned that the US tends to tighten imports by setting up new requirements on product quality, food hygiene and product traceability.

“The US’s big changes in its trade policies will have a big impact on the export of many Vietnam’s key items,” Hai said.
“It will be not an easy task to maintain current export turnover or boost exports to the US,” he warned.

The businesspeople present at the Vietnam-US Trade Forum held in HCMC several days ago confirmed that more Vietnam’s export products now bear anti-dumping duties or have to satisfy higher technical requirements. Any export product, from shrimp, fish to steel nails, and any business could be subject to anti-dumping or anti-subsidy lawsuits.

Meanwhile, the majority of Vietnam’s businesses are small and medium sized which have little experience with lawsuits. They find it difficult to satisfy the requirements set by the US. Prolonged lawsuits and high lawyer fees also discourage them.

Seafood companies have more experience than others in protecting themselves in lawsuits raised by the US.

Truong Dinh Hoe, secretary general of VASEP (Vietnam Association of Seafood Exporters and Producers) said since 2003-2004, when Vietnam began exporting seafood products to the US with export turnover of $1-2 billion a year, seafood companies have been facing a lot of anti-dumping lawsuits against catfish exports.

The US policy to protect local production had tightened recently, which means the high possibility of Vietnamese exporters becoming defendants in lawsuits.

Currently, Vietnam exports 60,000 tons of shrimp to the US, or just 10 percent of total shrimp products the US imports a year. Vietnam’s capacity is twice as much as the figure.

According to MOIT, Vietnam’s major export products to the US are footwear, textile & garments, wooden furniture and electronics which have low added value.

Source: vietnamnet.vn- May 27, 2018
Ghana makes tax stamp compulsory on imported textiles

To curb illegal imports, Ghanaian authorities will put a tax stamp on textiles entering the country beginning June 1, 2018. And from September 1, after a 3-month grace period, traders will not be able to sell textiles that do not have tax stamp, minister of trade and industry Alan Kyerematen announced after a meeting with representatives of local industry.

The step would ensure that all imported textiles are regulated, and it may also force foreign companies to shift their production base to Ghana, Kyerematen told mediapersons after a meeting with representatives from Textile Manufacturing Companies and Industrial Commercial Workers Union of Ghana.

The shifting of manufacturing to where demand is, would also mean more revenue and employment for Ghana, the minister added.

The minister, however, made it clear that the government does not intend to put a complete ban on textile imports; it only wants to manage/restrict imports so that domestic manufacturers are not pushed out of the business.

The tax stamp, that would be put on every piece of fabric entering the country, would be issued by the ministry of finance.

The government constituted anti-piracy task force would have power to seize textiles that do not have tax stamps.

Source: fibre2fashion.com - May 27, 2018
Bangladesh: Korean export processing zone to add more units

South Korean factories are operating in an export processing zone in Bangladesh. The zone has 25 factories. Nine new factories will go into operation this year.

The plan is to reach a total of 100. Exports earnings of the Korean Export Processing Zone (KEPZ) are gaining momentum. Companies like Samsung and LG are interested in investing in the EPZ.

Out of the 25 factories, one is a shoe factory and the rest are for textiles. The zone offers some 20,000 direct jobs, which is expected to double by 2021. The target is to create 1,00,000 jobs. Indirect jobs will total 2,00,000.

Construction is underway for IT industries, a product research, design and development zone, and a female workers' dormitory.

Other facilities in the making include a university building for 3,000 students, schools, colleges, hospitals and vocational institutions, all expected to be complete by 2021.

In the 2,492-acre zone 48 per cent of the area has been allotted for setting up factories and associated facilities while the rest are for gardens and lakes. This is Bangladesh’s largest private export processing zone.

In 2009, it saw factories begin operations. Some of these are Karnaphuli Shoes, Karnaphuli Garments, Karnaphuli Polyester Products, Evertop Product Development Company, Gaya Product Development Company and Dei-Go Product Development Company.

Source: fashionatingworld.com- May 26, 2018
At current rates, Bangladesh could top India's per capita income by 2020

Also, over the past 3 years, GDP in dollar terms has grown 12.9%, more than twice our rate

After trailing its big neighbour for four decades, Bangladesh has gone ahead of India in economic growth and on social development indicators.

In the three years ending 2016, Bangladesh’s gross domestic product (at current prices) in dollar terms grew at a compounded annual rate (CAGR) of 12.9 per cent, more than twice India's 5.6 per cent. Over the same period, Pakistan grew faster than India too, at a CAGR of 8.6 per cent, driven by a surge in investment and export. The Chinese economy expanded at an annualised 5.2 per cent.

As a result, per capita income (in dollar terms) in Bangladesh is now growing at nearly thrice the pace of income growth in India. At $1,355 in 2016, Bangladesh’s per capita income was up 40 per cent in three years against 14 per cent growth in India and 21 per cent growth in Pakistan. At this rate, Bangladesh’s per capita income would top India’s by the year 2020. Currently, a typical Indian has 25 per cent higher income than her eastern neighbour; in 2011, Indians earned 87 per cent more.

India was the top performing economy in South Asia for the 40 years between 1970 and 2010. Annualised GDP growth of 8.7 per cent in dollar terms at current prices against Bangladesh's 7.6 per cent and Pakistan's 6.7 per cent. (See the adjoining charts)

Bangladesh is also ahead of India in the human or social development indicators of infant mortality rate and life expectancy at birth. A newborn in Bangladesh is more likely to see her fifth birthday than her Indian or Pakistani counterpart. She is also likely to live longer in Bangladesh (72.5 years) than India (68.6 years) and Pakistan (66.5 years).

Bangladesh’s economic success lies in its ability to plug itself into the gap created by the slowdown in the Chinese export engine as policymakers in Beijing shift their focus to pushing domestic demand and investment and away from exports.
Total exports from China declined to $2.2 trillion in 2016 from a record high of $2.35 trillion three years ago, creating space for others in the global market for labour intensive consumer goods.

India missed this bus as evidenced by a contraction in exports during the period. Instead the country’s growth is being largely driven by consumption even as savings, investment and exports reduce. India's total exports of goods & services declined to $433 billion in 2016 from record high of $488 billion during 2013 calendar year.

The contrast shows in the Bangladesh's headline statistics. In last three years, the country’s exports of goods & services grew at a CAGR of 7 per cent in dollar terms against 3.9 per cent annualised contraction in India's export during the period. In the same period, capital formation or investment in Bangladesh grew at a CAGR of 14.5 per cent against investment stagnation in India.

Economic growth in Pakistan is largely driven by capital formation and consumption demand financed by a surge in foreign investments mostly from China as the latter invests close to $60 billion in upgrading Pakistan’s power and transport infrastructure.

Source: business-standard.com- May 28, 2018
Textile sector attracted up to Rs 27,000 cr investments: Union minister Smriti Irani

Union minister Smriti Irani today said the textile sector has attracted up to Rs 27,000 crore investments since the announcement of incentive package last year, and is likely to get more investment from international and domestic markets going forward.

The government in June last year announced a Rs 6,000 crore special package for the textile and apparel sector, which included several tax and production incentives.

“As per the record of textile commissioner’s office, an investment of up to Rs 27,000 crore has come in, and we are hopeful that with the government’s intervention, we will get more investments, both from the international and domestic markets,” Irani said while addressing the textile summit, Texellence 2018, organised by industry body CII here. The minister said that she is positive about the future because the industry and the government have found an ecosystem where the two work together on a day-to-day basis.

“One of the challenges the government and the industry need to address is turnaround time for our goods after the production,” Irani added. The government for the first time created a logistics department within the commerce ministry to reduce the turnaround time significantly, she said.

The minister said that she will be meeting commerce minister Suresh Prabhu in the next three to four days to discuss various issues being faced by the textile industry and the WTO challenge that the country is set to face.

Meanwhile, the textile industry today requested the minister to raise the issue of free trade agreement (FTA) with the commerce ministry for exports growth since the competitive countries were enjoying the duty-free status.

Source: financialexpress.com- May 26, 2018
Huge potential to boost trade, investments with Russia: Suresh Prabhu

"India and Russia share strong trade and investment ties with more potential. We shall work together to strengthen our economic ties to create win-win for all," Prabhu said in a series of tweets.

Commerce and Industry Minister Suresh Prabhu on Saturday met his Russian counterpart Denis Manturov in St Petersburg and discussed ways to further promote trade and investments between the two countries.

“India and Russia share strong trade and investment ties with more potential. We shall work together to strengthen our economic ties to create win-win for all,” Prabhu said in a series of tweets.

He said that businesses of both the countries have immense untapped potential of cooperation in several areas including agriculture, defence and logistics.

The minister was on an official visit to Russia to participate in the St Petersburg International Economic Forum (SPIEF) 2018. Prabhu also held discussions with governor of Stavropol Vladimir Vladimirov, Russian minister for the development of far east Alexander Kozlov, and met delegations from different sectors.

To promote trade, India wants Russia to explore opportunities for diamond trade here and use of national currencies for trade purposes in areas like pharmaceuticals, textiles, agricultural commodities and machinery and engineering products.

According to government data, the bilateral trade between the countries increased to USD 7.5 billion in 2016-17 from USD 6.2 billion in the previous fiscal. But the trade is in the favour of Russia.

Source: indianexpress.com- May 26, 2018
Rising crude oil price hits India's synthetic yarn industry

From April, most petrochemicals have seen a price rise of 4-18 per cent; so have polymers, the raw material for plastic goods.

Increase in crude oil prices have led to a sharp rise in its derivative petrochemicals, plastic-making raw material polymers and feedstock like Naphtha.

Rise in prices of petrochemical raw materials such as purified terephthalic acid (PTA) and mono-ethylene glycol (MEG) along with the rupee fall has made synthetic yarn costlier by 10-15 per cent.

The price rise in the international market for all petrochemicals, polymers and solvents has been sharp since April; their import into India has been costlier still to the extent of the rupee's depreciation. From April, most petrochemicals have seen a price rise of 4-18 per cent; so have polymers, the raw material for plastic goods.

Janak Ladhani, managing director of Sonkamal Enterprise, a big player in acetone and phenols, says imports are turning unviable and have slowed; also, the market has turned volatile.

As for PTA and MEG, they are the key raw material for synthetic yarn, especially polyester. Jayesh Pathak of the Bombay Yarn Merchants' Association says other reasons for the price rise of yarn are, apart from the inflation in crude oil and the depreciation in rupee's value and reduction in cutback in Chinese production.

"The industry has become entirely global and prices are based on international market comparison," he notes, adding that it is also a period of slacker demand.

As the share of domestic sales in synthetic yarn is substantially more than export, the industry has much less of the benefit from a falling rupee. The impact is even more in the textile hub of Surat, where capacity utilisation has fallen below 60 per cent, says Narain Aggarwal, chairman, The Synthetic & Rayon Textiles Export Promotion Council.
"PTA/ MEG and benzene are crude oil derivatives and have seen a price rise of 25-30 per cent and 30-35 per cent (respectively) in six months. Demand has also been poor. Be it spinning, weaving or even finished products, the synthetic yarn value chain is unable to forward the price rise to buyers," he adds.

Synthetic yarn export has grown in 2017-18, by about five per cent. However, say observers, this is only due to a rise in global demand while China cut production. "The industry as such has not done anything substantial to see export grow. We are globally uncompetitive in terms of prices, compared to China, Korea, Thailand, Taiwan, Indonesia and Malaysia," says Aggarwal.

Source: business-standard.com- May 26, 2018

Cotton exports could hit 4-year high on price rally, weak rupee

_Industry body sees 2017-18 exports up nearly 30 per cent from year before_

Cotton exports for the year 2017-18 are likely to jump nearly 30 per cent from the year before to a four-year high of 7.5 million bales, as climbing global prices and a weaker rupee boost overseas demand, the head of an industry body told Reuters.

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

“We can end the season with exports of 7.5 million bales,” said Atul Ganatra, President of the Cotton Association of India (CAI), adding that higher international prices would drive up shipments.

The country has exported 6.3 million bales so far in the marketing year that started on October 1, he added. Each bale contains 170 kg of cotton.

India shipped 5.82 million bales of cotton overseas last marketing year, according to data compiled by the state-run textile commissioner’s office.
ICE cotton futures hit four-year highs earlier this week on buying from Chinese hedge funds, amid expectations of an increase in exports from the United States after trade war fears with China receded.

The Indian rupee has fallen more than 6 per cent in 2018, making Indian cotton cheaper for overseas buyers, said Nayan Mirani, partner at leading cotton exporter Khimji Visram and Sons.

“There is export demand but supply of good quality cotton is limited as the season is coming to an end,” he said.

Pakistan, Bangladesh, China and Vietnam are the main buyers of Indian fibre.

Indian cotton is being offered around 84 to 86 cents per lb on a cost and freight basis (C&F) to buyers in Bangladesh and Vietnam, compared to over 92 cents from the United States and Brazil, said a Mumbai-based dealer with a global trading firm. He declined to be identified as he was not authorised to speak with media.

Meanwhile, the country’s cotton imports could drop to 1.2 million bales in 2017-18 from 3 million bales the year before, said Ganatra at CAI.

India usually imports long staple cotton from the United States and Egypt.

And a pick-up in local consumption amid higher exports is likely to erode India’s cotton stockpile, Mirani said.

India’s cotton consumption is likely to rise 5.3 per cent in 2017-18 from the year before to 32.4 million bales, CAI estimates.

The country could end the 2017-18 season with closing stocks of less than 2 million tonnes, the lowest in decades, Ganatra estimates.

Source: thehindubusinessline.com- May 26, 2018

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Angel investors in start-ups get income tax exemption

The tax department today exempted angel investors from income tax on their investments in start-ups with effect from April 11.

The tax concessions are subject to certain conditions laid down by the Department of Industrial Policy and Promotion last month, which said that the share capital and share premium of the start-up should not exceed Rs 10 crore after such investments.

Also the angel investor who plans to subscribe the shares in the start-up will have to fulfil prescribed criteria and the start-up will have to procure a report from a merchant banker, specifying the fair market value of the shares in accordance with income tax rules.

The Income Tax Department, on May 24, issued a notification, superseding its June 2016 notification.

“...The Central Government, hereby notifies that the provisions of clause (viib) of sub-section (2) of section 56 of the said Act shall not apply to consideration received by a company for issue of shares that exceeds the face value of such shares, if the consideration has been received for issue of shares from an investor in accordance with the approval granted by the Inter-Ministerial Board of Certification,” the Central Board of Direct Taxes (CBDT) said in the May 24 notification.

This notification comes into effect retrospectively from April 11, 2018, it said.

The CBDT has also amended Rule 11 UA (2)(b) of I-T Act, thereby making merchant banker valuation compulsory for the purpose of determining fair market value of unquoted equity shares, and omitted the word ‘accountant’

Nangia & Co Partner Amit Agarwal said the notification states that ‘angel tax’ shall not be levied, where the business is an approved start-up and has obtained valuation from a merchant banker.

“The notification is a welcome move in allaying fears of start-ups in relation to angel tax and providing the much-needed clarity with respect to non-applicability of angel tax.
“Another key takeaway from the notification, is withdrawal of power from chartered accountants to issue valuation reports for purposes of angel tax. This is perhaps designed to bring in more sanctity to issuance of valuation report,” Agarwal said.

The decision to give investors in start-ups exemption from income tax was aimed at addressing a key issue faced by angel investors who put money during early growth stage, and would also provide level-playing field for all investors.

The Commerce and Industry Ministry had on April 11 said that a start-up can seek tax concession under the section 56 of I-T act. The section 56 provides for taxation of funds received by an entity.

According to the notification, an angel investor with a minimum net worth of Rs 2 crore or an average returned income of over Rs 25 lakh in the preceding three financial years would be eligible for 100 per cent tax exemption on investments made into start-ups above fair market value.

Several start-ups had raised concerns over taxation of angel funds under Section 56 of the Income Tax Act, which provides for taxation of funds received by an entity. As many as 18 start-ups had received notices from tax authorities.

This section provided that where a closely held company issues its shares at a price more than its fair market value, the amount received in excess of the fair market value will be charged to tax the company as income from other sources.

Start-ups incorporated before April 2016 can seek exemptions from section 56 of the Income Tax Act.

However, the three-year income tax concession would be available to only those that are incorporated after April 1, 2016, and before April 2021.

Start-ups also enjoy income tax benefit for three out of seven consecutive assessment years under section 80-IAC of the Act. The government has so far extended tax benefits to just 88 start ups out of 8,765 that have been recognised by DIPP since January 2016.
To avail both the concessions (under section 56 and 80 IAC of the Income Tax Act), start-ups would have to approach an eight-member inter-ministerial board of certification.

An angel investor is the one who put funds in a startup when it is taking baby steps to establish itself in the competitive market. Normally about 300-400 start-ups get angel funding in an year. Their investment in a unit ranges between Rs 15 lakh to Rs 4 crore.

The government launched the ‘Start-up India’ initiative on January 16, 2016, to build a strong ecosystem for nurturing innovation and entrepreneurship.

Source: thehindubusinessline.com- May 26, 2018

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**Apparel exporters raise GST refund, RoSL issues with FM Goyal**

Representatives from Apparel Export Promotion Council today raised issues related to blockage of GST refunds and delay in disbursal of Rebate on State Levies (RoSL) dues in a meeting with Finance Minister Piyush Goyal and Textiles Minister Smriti Irani here.

The country’s textile and apparel exports have witnessed a down slide in the last eight months.

A statement issued by the AEPC said that in the two-hour long meeting, the finance minister noted the concerns of the apparel industry with regard to the huge blockages in GST refunds and the slow disbursements in RoSL.

Finance minister has instructed his team to urgently identify central and state embedded taxes and work out a reimbursement mechanism. Also, Ministry will expedite GST and RoSL refunds in a time bound manner, AEPC claimed.

The body further said that Goyal assured all possible support from his ministry to enable growth in exports and job creation by the employment intensive apparel, made ups and textile industries.
According to Apparel Export Promotion Council (AEPC), due to the blockages of working capital arising because of the blocked GST refunds and slow disbursements in RoSL - the industry has not been able to book orders in the peak season and hence is losing out to its competitors in a big way.

Industry apprised finance minister about the crisis faced across industry in embedded and inverted taxes not being considered for refund as well as the huge delays in receiving GST/ROSL claims.

Since over 90 per cent of apparel manufacturers are in the MSME sector with limited financial capability, this has created crippling pressure, said HKL Magu, Chairman, AEPC.

AEPC claimed that the apparel industry has witnessed a reduction in the drawback and RoSL benefits by over 5 per cent of (Freight on Board) FoB since the pre-GST period. This, coupled with the disadvantage of around 10 per cent faced by the industry vis-a-vis its competitors in the major markets like EU, due to lack of preferential access, had led to India losing out to Bangladesh and Vietnam in a big way, it said.

Source: business-standard.com- May 27, 2018

Has GST hit states growth? Here’s the truth

Most states’ pre-GST tax growth was lower than the 14% guaranteed under GST regime

It may appear that the goods and services tax (GST) hasn’t given a big boost to states governments’ tax revenue (or for that matter, the Centre’s) so far, but there’s little reason for them to complain.

The constitutionally guaranteed compensation mechanism under GST ensures, in effect, a 14% annual growth in the states’ revenue. A cursory look at their past performance will reveal that most states had previously registered growth rates much lower than 14% from the taxes that later collapsed into GST.
The chart shows how some states’ own tax revenue (OTR) — a major component of which (roughly 60% in most cases) are levies like state VAT, entry tax, octroi, purchase tax, luxury tax etc that are now subsumed in the GST — grew in the three years prior to the launch of the new comprehensive indirect tax. OTR is a good proxy for GST and the two’s growth rates are comparable.

Recently, several non-BJP ruled states including Kerala, Andhra Pradesh, Punjab and West Bengal blamed the ‘shabby implementation’ of the GST for their lower-than-expected tax collections and sought amendments to the terms of reference of the 15th Finance Commission to factor in the impact of GST on the states’ revenues.

Sources had told FE that Tamil Nadu, Andhra Pradesh and West Bengal saw 20% ‘shortfall’ (gap between actual collections and what 14% annual growth over 2015-16 base would entail) in July 2017-February 2018 period. The shortfall was even higher at around 30% in case of Odisha and Madhya Pradesh, 40% for Bihar and Punjab and 50% for Himachal Pradesh.

Kerala finance minister Thomas Isaac recently bemoaned that the state’s GST revenue growth is less than 10% as against an expected 20%. “The reason is a (properly designed) GST system is not in place,” he said. But Kerala’s OTR had grown an average of 9.65% only between FY15 and FY17.
“The initial period of GST introduction saw several changes in rates, returns, time-lines etc and also the dilution / delayed introduction of anti evasion measures such as invoice matching, reverse charge etc. These could have, in part, led to lower collections in the initial phase. With the introduction of the e-way bill and other measures on the anvil, the GST revenues are expected to increase,” MS Mani, partner, Deloitte India, said.

The GST revenue growth has been hobbled by the absence of a comprehensive return-filing system as the taxpayers continue to file summary return which was originally meant to be an interim measure. Besides, suspension of provisions like reverse charge mechanism for buying from unregistered dealers, tax collected/deducted at source (TCS/TDS) has left the system prone to evasion.

The crucial mechanism of e-way bill — designed to plug revenue leakages in business-to-consumer transactions — was only implemented in April and its benefits will be clear from collections in May. Even the new simplified system of return-filing would take a year to be fully in place. Further, because of technical glitches and cumbersome compliance process, the tax department has been cautious in its enforcement actions.

Source: financialexpress.com- May 28, 2018

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Netherlands, India Trade and Investment Ties Affirmed on Rutte Visit

Netherlands Prime Minister Mark Rutte arrived in India on May 24 for a two day visit. A 200 member delegation accompanied him, the largest Dutch delegation to any country – including the deputy PM, cabinet ministers in charge of health, trade, and infrastructure, representatives from 130 firms, and CEOs from 15 companies, among others.

Despite having to cut his own trip short due to domestic political matters (findings released on the MH-17 air crash over Ukraine in 2014), the Dutch delegation will continue to attend all programs as planned.
The delegates will be visiting Delhi, Mumbai, and Bengaluru to sign several Memoranda of Understanding (MoU’s) to promote cooperation and collaboration between small and medium enterprises and startups in India and the Netherlands.

Trade and investment discussions will focus on the infrastructure, education, healthcare, life sciences research, waste management, water conservation, and agro-processing sectors.

Expanding Indo-Dutch trade ties

Indo-Dutch trade ties date back to 400 years during the colonial era. Since then, relations between the two countries have transformed. At present, the Netherlands is India’s 28th largest trading partner globally, and sixth largest in the EU.

Major Indian exports to the Netherlands include: petroleum products and related materials (19.8 percent); apparel and clothing textile yarns, fabrics, and made-up articles (15.3 percent); organic chemicals (7.9 percent); vegetables and fruits (5.3 percent); and electric machinery (3.6 percent). Dutch exports, on the other hand, consist of metalliferous ores and metal scrap, plastics, and general industrial machinery.

Source: india-briefing.com - May 25, 2018

After 11 months of inception, SEZ Rules yet not aligned with GST laws

It is almost 11 months since the Goods and Services Tax (GST) came into being. Yet, the necessary consequential changes have not been made in the Special Economic Zones (SEZ) Act, 2005, or the SEZ Rules, 2006.

There is no mention of GST in either. References to the repealed laws for service tax, purchase tax, etc, continue in the SEZ laws. For example, Section 26 (e) of the SEZ Act still says every developer and entrepreneur shall be entitled to exemption from service tax under Chapter V of the Finance Act, 1994 (32 of 1994) on taxable services provided to a developer or unit to carry on the authorised operations in a SEZ.
Similarly, Section 26 (f) and (g) of this Act talk of security transaction tax and purchase tax. Similarly so with the SEZ Rules, 2006. Somebody needs to tell the commerce ministry that with the advent of GST laws, many levies such as service tax have ceased to exist.

The SEZ laws also still treat Export Oriented Units (EOUs) as bonded warehouses. For procurement of goods from an EOU, Rule 30 (14) of the SEZ Rules requires the SEZ unit to file a bill of entry and the EOU to file an ex-bond shipping bill. Such procedures ceased to apply from August 13, 2016, when EOUs were de-licensed as bonded warehouses. Since then, EOUs send goods to other EOUs under the same procedures other DTA (Domestic Tariff Area) units follow. Even the Foreign Trade Policy has been amended to give effect to these changes. However, officials dealing with the SEZ laws in the commerce ministry seem unaware of the developments.

The SEZ laws talk only of central excise duty in case of supplies from the DTA to an SEZ. At present, excise duty is limited to select petroleum products, tobacco and tobacco products. All other items attract GST. The SEZ laws should reflect this position but the ministry seems oblivious to that requirement. Section 26 of the SEZ Act lists various exemptions available to SEZ units and developers.

Since this does not exempt Integrated GST (IGST) on goods imported into an SEZ, the finance ministry issued notification 64/2017-Cus dated July 5, 2017, exempting IGST on import into an SEZ. The SEZ Rules still mention the Duty Entitlement Passbook and supplies against a Duty Free Replenishment Certificate -- these schemes were abolished long before. And, many other provisions in Rule 53 on deemed export are not in sync with provisions in the current Foreign Trade Policy.

To align the SEZ Rules with the GST laws, and to remove the various related difficulties, a committee under the chairmanship of L B Singhal, development commissioner at the Noida SEZ, was constituted by the commerce ministry to review the Rules and make recommendations. The committee gave its report and stakeholders were requested to go through these and send their comments by end-December, 2017.

Nothing seems to have happened after that. The commerce ministry should now wake up and suitably amend the SEZ laws.
Focus on export promotion, industrial corridors in next one year, says Suresh Prabhu

The commerce and industry ministry will work on several areas, including formulation of a comprehensive action plan to boost exports and give special thrust on industrial corridors in the last one year of the NDA government, Union Minister Suresh Prabhu said.

Expressing satisfaction over the performance of his ministry in the last four years, Prabhu said several steps were taken to promote exports as well as industrial growth and many more initiatives are in the offing. “We will release agriculture export policy this year, besides creating logistics hubs and bringing a multi-modal (logistics) bill this year,” he told PTI.

He was replying to a question about the completion of four years of the NDA government and areas of focus on the remaining period. “I have told the director general of foreign trade (DGFT) to prepare a country and product specific plan to boost exports.

These plans are being dovetailed into the action plan, collected from concerned ministries.

We have given time to them by end of this month,” he said. The ministry has also asked the Federation of Indian Export Organisations (FIEO) to involve all export promotion councils and prepare their independent plan this year to increase exports.

Exports increased by 9.78 per cent in 2017-18 to USD 303 billion. On the industry side, Prabhu said, the ministry will come out with a new industrial policy and give a special thrust on the industrial corridors, which are under different stages of implementation.

“We will also undertake GIs (Geographical Indications) campaigns and come out with a district level plan to promote economic activities. That is happening this year,” he added.
A GI is primarily an agricultural, natural or a manufactured product (handicrafts and industrial goods) originating from a definite geographical territory.

Typically, such a name conveys an assurance of quality and distinctiveness, which is essentially attributable to the place of its origin. Darjeeling Tea, Tirupathi Laddu, Kangra Paintings, Nagpur Orange and Kashmir Pashmina are among the registered GIs in India.

Source: financialexpress.com- May 27, 2018