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IBTEX No. 151 of 2018 July 20, 2018

USD 68.90| EUR 80.38 | GBP 89.77 | JPY 0.61

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22517	47100	**87.00**
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22580	47232	**87.25**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	87.55	
ZCE Cotton: Yuan/MT (Jan 2019)	15,850	
ZCE Cotton: USD Cents/lb	**90.20**	
Cotlook A Index – Physical	**94.45**	

Cotton Guide: Cotton futures continued to trade in the range of 86.6-88.90 c/lb for the active Dec futures on ICE. The active future contract declined by 53 points tracking the weak weekly export sales number. The number for last week was at 260 vs. 373 in previous week. This led to the selling during the session.

The china cotton sales form the reserve witnessed a sale of 58% from the offered quantity of 30001MT.

On the technical front it was an inside day, no major changed took place however; the overall trend is still bullish. We think market might continue to trade in the range of 86 to 90 cents in the near term and either side breakout shall justify fresh move in the price. We also believe that the current structure indicate soon it might break on to higher side. However, daily momentum remains neutral.

On the domestic front, prices for the MCX cotton July future declined by 230 points and settled at 22430. Price declined with higher trading volume and the aggregate open interest declined by 400. This morning ICE cotton is seen trading positive by 13 points.

The weak USD/INR is expected to keep domestic cotton supported as declining Indian rupee will make the export cheaper. The July future is expected to trade in the range of 22200-22500 for the trading session.

Indian rupee- Indian rupee opened on a weaker note today and hit a fresh record low level of 69.1275 against the US dollar. Rupee is pressurized by political uncertainty as BJP government faces no confidence motion today.

Also weighing on rupee is weakness in equity market amid trade war worries. Brent crude has recovered from recent lows as Saudi Arabia indicated that it will not oversupply global market. The US dollar index however corrected from 1-year high as US President Donald Trump said higher interest rates and a stronger dollar put the US at a disadvantage.

Rupee may remain under pressure on political uncertainty and weaker equities. USDINR may trade in a range of 68.8-69.3 and bias may be on the upside.

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

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INTERNATIONAL NEWS

How is U.S. cotton faring in trade disputes?

A report from the 2018 Southern Cotton Ginners Association Meeting

As trade disputes and negotiations continue to roil key points of the U.S. agricultural landscape, where does cotton stand?

Gary Adams, president and CEO, National Cotton Council of America, had some answers for those attending the 2018 Southern Cotton Ginners Association meeting held July 10 in Biloxi, Miss.

“This is the (Trump) administration’s trade policy,” said Adams, flashing slides on a screen behind him. “It’s up and down, depending on the day, maybe the hour. There are a couple of key things we’re following.”

- National sovereignty.
- Reduce trade deficits.

“President Trump has been very strong with his objectives on what he looks at in trade policy. Some have been somewhat unpredictable in some cases in terms of tweets. But it’s pretty clear that sovereignty and trade deficits are first and foremost what he looks at in a positive trade deal.

“He has a lot of advisors weighing in determining trade policy. Some are very protectionist — (Peter) Navarro (Assistant to the President, Director of Trade and Industrial Policy, and the Director of the White House National Trade Council) and Robert Lighthizer (current United States Trade Representative Ambassador) are taking a very strong stand on trade and trade policy.”

- Reciprocal trade access/benefits.
- Unconventional negotiating strategies.
- Trade negotiation by committee — multiple departments/officials.
- Unprecedented use of trade enforcement tools — Section 232 and Section 301.

Navarro and Lighthizer "are taking a very strong stand on enforcement of Section 232 and 301. Those are the vehicles by which we now have tariffs on steel, aluminum and, when we talk about China, a range of products with proposed tariffs back on July 6."

- Less focus on World Trade Organization.

The administration "is also not a fan of the WTO. I share that sentiment with them from a cotton perspective."

- Most recently at G-7 Summit: "No tariffs, no barriers, that's the way it should be, and no subsidies."

NAFTA

The NAFTA renegotiations have been under way for several months.

"I'd say they've worked through some of the easier issues. There hasn't been a lot of progress yet on more difficult issues.

"There's been more engagement between the United States and Mexico than there has been with Canada. Some of the stickier issues like how to deal with Canadian dairy haven't seen much progress."

- Mexico — 1 million-bale market for U.S. cotton and near 1 million bales for U.S. cotton yarn and fabric.
- U.S. imports 1 million bales of cotton textiles and apparel from Mexico.
- Important to maintain duty-free benefits.
- Opportunity to close some loopholes in textile rules of origin.

"Mexico is a big market for U.S. cotton, yarns and fabrics. A lot of it comes back from Mexico to the United States — so a lot of two-way trade.

"Our message through this process has been 'do no harm' and maintain the NAFTA benefits. There are probably some to close a couple of loopholes ... but, for the most part, just staying status quo with cotton and textile trade would be a positive."

How quickly could the NAFTA renegotiations be done?

"It's possible completion could be done in 2019. It won't happen (in 2018). It's already too late for this Congress to take it up. I think the (Mexican) presidential election several weeks ago further complicates the negotiations."

China

Where do things stand with China?

"We're essentially in a situation where the United States imposed tariffs and China has retaliated. We were working hard hoping cotton wouldn't be on that list."

Those hopes weren't realized and China announced they'll retaliate against agricultural commodities. "Soybeans are on the list, cotton is on the list. (The NCC) has continued to do outreach with U.S. officials at the USTR and USDA concerns. We also have excellent contacts in China."

Currently, "if you look at Australian cotton, Indian cotton or West African cotton, the landed price is between $1.05 to $1.10. If you come in and add the 25 percent tariff to U.S. cotton and you're looking at $1.34 to $1.35. That's the concern with making U.S. cotton competitive."

What about China's cotton stocks?

China has moved from 58 million bales in 2015-16 to an expected 33 million in 2018-19.

"We've heard in terms of the government reserves — all stocks — somewhere in the range of 12 million to 15 million bales will be considered a normal level. So, they're going to be in a position where they'll have to come back to the market in a big way."

Source: deltafarmpress.com - July 19, 2018

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USA: A Closer Look at How Tariffs Will Actually Impact Apparel

The threat of a total $250 billion in tariffs against China may have thrust the apparel industry into a bit of a tailspin, but the omission of apparel end products from the target list could mean the impact may be more moderate than major.

When President Trump prompted the United States Trade Representative to assess another round of tariffs on China last week—this time to the tune of $200 billion—he released a list of more than 1,100 tariff lines that would face an additional 10 percent tariff. That list covered a swath of textiles and other apparel inputs, but largely left apparel products and clothing accessories (the majority of which are covered under chapters 61 and 62 of the Harmonized Tariff Schedule) off the list.

Goods that did make the list of to-be-tariffed products include nearly all raw materials used to make textiles, from cotton to cellulosics, polyester and even vegetable fibers. Woven and nonwoven fabrics, handbags, hats, travel goods and shoelaces will face the new tariffs, too. When it comes to finished goods, just apparel and clothing accessories of plastic, vulcanized rubber, furskins and cellulose fiber, could face the duty changes.

While some experts in the industry believe the overwhelming omission of apparel could be cause for at least tempered celebration, others warn companies shouldn't be too quick to count themselves lucky.

"The U.S. Trade Representative has been careful to minimize impact on the consumer and there has been a purposeful effort to exclude product categories that will either have a major impact on the consumer or have few alternatives to China production," said Rick Darling, executive director of Li & Fung's LF Americas.

"So, the impact on the apparel industry at this stage is minimal. However, if the USTR and the administration increase tariffs on an additional $200 billion of Chinese product, we have to assume that apparel, footwear and many other consumer products will be included and that will have a significant impact on our industry."

Considering apparel alone, and looking only at the immediate present, the industry emerged somewhat unscathed.

“Apparel importers, brands and retailers can absolutely—at least for now—breathe a sigh of relief as nothing from chapters 61 through 64 was included in retaliations,” said Gail W. Strickler, president of Global Trade for Brookfield Associates, LLC., a consulting group that helps organizations, governments and businesses develop and coordinate their global trade policy. “Out of 195 pages, they completely eliminated chapters 61 through 64. That did not happen by accident.”

Taking things strategically rather than politically, adding apparel to the tariffs levied against China for its so-deemed intellectual property infringements, could prove to plague an already ailing retail industry. With 97 percent of all clothing sold in the United States being made overseas—more than 36 percent of which came from China last year, according to data from the Office of Textiles and Apparel—the U.S. isn’t in a position to account for what would surely be reduced apparel imports from China with domestic production. Or to even source it from other countries. Looking at sweaters, for one, where as much as 82 percent of what’s imported comes from China, there are few, if any, other sourcing options to supplement, in short order, what would have come from China.

The likely scenario here, is that product would simply be available at an increased cost, retail sales would suffer, and so would jobs if consumers aren’t shopping.

Though apparel isn’t yet taking a hit, it’s the big picture companies need to consider, according to Sandler, Travis & Rosenberg president of international trade and government relations, Nicole Bivens Collinson.

“Once you look at the overall impact, it’s going to be more than people think it is,” Bivens Collinson said, explaining that peripheral items on the tariff target list, like poly bags and hangers, will cost companies that are importing the goods from China. “There are hidden items in there that [companies] don’t realize they’re importing because they’re focused on chapter 61 and 62.”

In reviewing their own Automated Commercial Environment (ACE) customs data, which reports all imports and exports, Bivens Collinson said some companies have already found that a 10 percent duty on China-origin poly bag, hanger and like imports could cost them into the millions.

With shipping containers also on the tariff list, major shippers that may be paying more for containers could send those cost increases down to apparel brands and retailers bringing goods in, too.

For Strickler, however, neither scenario poses cause for alarm.

“The cost that the average retailer assess for boxes and plastics bags per garment is 3 cents. It’s a 10 percent duty, so you’re talking about three-tenths of a percent,” Strickler said. And because shipping companies aren’t likely to bring many containers in as products to the U.S., leaving them in-process or in bond at the ports, they wouldn’t be paying much in the way of additional duties which means, according to Strickler, that impact would be “miniscule.”

The cons ahead

With near-daily developments in the trade war and resulting tariffs, the apparel industry still can’t consider itself out of the dark.

Trump’s steady aim has been to rebalance trade with China, and the tariffs could continue until he gets there.

“I think it’s going to get worse,” Bivens Collinson said. “I think the Chinese are going to retaliate…and then Trump is going to say ‘I want another $200 billion.’”

There’s only $500 billion worth of U.S. imports from China for Trump to target, and he’s already tackled a first $50 billion and started the process on another $200 billion, calling out the bulk of China’s U.S.-bound exports.

“There’s not a whole lot of chapters left with respect to goods that we’re getting from China. I think apparel and footwear is a logical next tranche,” Bivens Collinson said.

"If the goal is to raise $200 billion in tariffs and you look at the tariffs that are already applicable to footwear and clothing, they're higher. You could get to that number faster if you're targeting the higher tariff items."

If the Trump administration opts for targeting more products with lower tariffs rather than fewer products at higher tariffs, it could mean new duties could climb from the current 10 percent to 20 percent or 25 percent.

Either way, little is expected to happen on tariffs before the midterm elections on Nov. 6, according to Bivens Collinson, as members of Congress may be concerned contesting Trump on trade could cost them their seats.

As such, the impact this trade war will have on the apparel industry remains uncertain and preparation will be the best move forward.

"I would be cautiously optimistic," Strickler said. "It's a really good time to assess your China plus one, China plus two, China plus four strategy and start to leave yourself less vulnerable."

Source: sourcingjournal.com - July 19, 2018

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USA: Protectionist Policies and Rising Costs Top Concerns for Fashion Execs

Whether intended or not, President Trump's tariff battles with key trading partners has apparel and textile executives dealing with high anxiety.

For the second straight year, "protectionist trade policy agenda in the United States" was ranked as the top challenge for the U.S. fashion industry in the recently released fifth annual U.S. Fashion Industry Association (USFIA) "Fashion Industry Benchmarking Study."

In the survey of executives from nearly 30 leading fashion brands, retailers, importers, and wholesalers, more than 60 percent of respondents ranked this issue among their top five business challenges, with more than one-third placing it as No. 1 or No. 2, far exceeding concerns about other issues on the list. Between 2014 and 2016, respondents consistently ranked trade protectionism between eighth and 11th in terms of challenges.

Conducted in conjunction with Dr. Sheng Lu, associate professor in the University of Delaware's Department of Fashion & Apparel Studies, the survey asked respondents about the business outlook, sourcing practices, utilization of Free Trade Agreements and preference programs, plus views on trade policy.

The pressure of "increasing production or sourcing cost" rose this year, with 54 percent of executives ranking cost among their top five business challenges in 2018, a notable increase from 34 percent in 2017.

Lu said in an accompanying report that there are two possible explanations: one, that cost could be rising in absolute terms, and two, that the intensified trade tensions caused by the protectionist trade policy agenda may force companies to switch to more expensive sourcing destinations.

Julia K. Hughes, president of USFIA, said in the report that at the time the survey was being conducted in April and May, "we were waiting to see whether the Trump Administration would launch a trade war."

"As we release the study, it appears the trade war could be here, with the United States and several key trading partners—including, and especially, China, the industry's top-ranked supplier of textiles and apparel—trading jabs and new, punitive tariffs on a variety of products, including some fashion and home products," Hughes continued. "What's next? Let's just say 'uncertainty' is one of the most popular words for brands and retailers right now."

Looking at sourcing strategies, diversification was top of mind for many executives. Most respondents said they continue to maintain a diverse sourcing base, with 60.7% currently sourcing from 10 or more different countries or regions, up from 57.6% in 2017.

Reflecting the U.S. fashion industry's growing global reach, respondents reported sourcing from as many as 51 countries or regions overall in 2018, the same as in 2017. Asia continued to be the dominant sourcing region, however, with the growing importance of speed-to-market and flexibility, the Western Hemisphere is becoming a more vital sourcing base.

Roughly 46 percent of respondents sourced from the U.S. in 2018, putting it in 10th place, and down from 70 percent in 2017.

"As an apparel sourcing base, the United States enjoys the competitive advantage in 'speed to market' and 'low risk of compliance,' but cost is a notable disadvantage," the report noted.

The most popular sourcing strategy remained "China plus Vietnam plus many," according to the report, but more companies plan to further diversify their production in response to the changing business and trade policy environment—particularly regarding China.

The country now accounts for about 11 percent to 30 percent of companies' total sourcing value or volume, compared with 30 percent to 50 percent in previous surveys.

"Although China's position as the top sourcing destination is unshakable, companies are actively seeking alternatives to Made in China," the report noted. "This does not seem to be due to concerns about cost, but rather the worries about the escalating U.S.-China trade tensions. Benefiting from the diversification away from China, Vietnam and Bangladesh are expected to play a bigger role as apparel suppliers for the U.S. market in the near future."

As the industry becomes more globalized and speed becomes more important, companies' sourcing decisions will be about striking a balance. Three criteria–speed to market, sourcing cost and risk of compliance–have the most significant impacts on sourcing decisions, according to the survey. Vietnam, China, Mexico and Central America Free Trade Agreement countries are regarded as the most balanced, giving them competitive advantages as preferred sourcing destinations.

Likely boosted by the strength of the U.S. economy, executives were more confident about the five-year outlook for the U.S. fashion industry in 2018 than they were a year ago, despite the concerns about trade policy and cost. However, that confidence has not fully recovered to levels seen in 2015 and 2016, according to the report.

A full 100 percent of respondents said they plan to hire more employees in the next five years, compared with 80 percent to 85 percent in previous studies. Jobs expected to be the most in-demand in the coming years are market analysts, data scientists, sustainability and compliance-related specialists or managers, and supply chain specialists.

With roughly 76 percent of survey respondents coming from organizations with more than 1,000 employees, including 64 percent with more than 3,000, USFIA said this suggests the findings reflect the views among the most influential players in the domestic fashion sector.

Source: sourcingjournal.com - July 19, 2018

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How the China Textile Information Center Speeds Up the Supply Chain

With the sports business in China on the increase, the demand for quality accredited performance fabrics is growing. With this in mind, speedy testing at the China Textile Information Center (CTIC) ensures functional fabrics certified 'Fabrics China'.

The China textile industry is a competitive one, standing out from the crowd is key, and the ongoing development of functional fabrics continues to push through, evident with textile exhibitors at ISPO Shanghai.

With the sports business in China on the increase, the demand for quality accredited performance fabrics is growing. With this in mind, China textile mills are readying themselves for business, qualifying their products at development stage.

With over two hundred members, the China Textile Information Center (CTIC), part of the China Textiles Development Service, offers a speedy testing and accreditation process for a vast range for performance, from easy care to cool touch, moisture management and UV protection, prior to being certified with the 'Fabrics China' hangtag.

Simple Statements and Performance Symbols for B2C and B2B

The China textile industry has made great inroads in generating more sophisticated performance collections, shifting from its big volume basics to a new level of functionality, not just for the overseas market but for the growing domestic market too.

The increase of performance fabrics for the China market is a result of the growing interest from consumers in sports brands but also for the increased interest in varying levels of performance infiltrating ready-to-wear as 'active living' takes hold.

For the China market, the inclusion of the hangtag system is appealing to China sports brands, including Anta, Erke, Kailas and Li-Ning among the many, incorporating the system and highlighting the performance aspects of the textile for B2C communication. The joint hangtag program between textile suppliers and brands adds another level of confidence to the consumer.

For international brands, sourcing functional fabrics from China that are already accredited with the 'Fabrics China' hangtag, the system confirms the level of performance, speeding up the supply chain in eliminating additional testing at the sampling stage

Efficient Lab Testing

Members of the China Textiles Development Center can submit their new developments to the CTIC and have them tested with a turn around of between three to five days before receiving final approval. The test centre is kitted out with the latest equipment, with a wide range of tests undertaken before the textile is accredited with the relevant hangtag.

A four step process applies. Step one: the applier mails the samples and products instruction to CTIC. Step two: CTIC experts evaluate the products. Step three: the product is tested following the technical requirements of Fabrics China. Step 4: issue certificate and hangtag.

The 'Fabrics China' hangtag system is backed up by a strong marketing campaign for business members and consumers in the form of a bi-annual publication highlighting textile developments through to workshops with members.

Source: ispo.com- July 19, 2018

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Ahead of China, India to remain fastest growing economy in FY19 and FY20, says ADB report

India will continue to be the fastest growing major economy, ahead of China, with 7.3 per cent growth rate in 2018-19 and 7.6 per cent in 2019-20, the Asian Development Bank (ADB) said today.

The growth in India will be driven by increased public spending, higher capacity utilisation rate and uptick in private investment, said its supplement to the Asian Development Outlook (ADO). While retaining India's growth rate for current fiscal and the next, ADO said economic growth in China will decelerate to 6.6 per cent in 2018 and further to 6.4 per cent in 2019. China's growth rate was 6.9 per cent in 2017.

On India, it said: "In sum, the GDP growth forecast for FY2018 (ending March 2019) is maintained at 7.3 per cent. Growth in FY2019 is expected to rise to 7.6 per cent as measures taken to strengthen the banking system bolster private investment and as benefits kick in from the goods and services tax.

Any further increase in oil prices poses a downside risk to growth." ADB said India is the dominant economy in the South Asia sub-region with its growth gaining momentum at 7.7 per cent in the last quarter ended March of 2017-18, the highest rate of growth since first quarter of 2016-17. This pushed full-year growth to 6.7 per cent (2017-18), a tad higher than estimated in ADO 2018 , largely driven by government spending for both consumption and public administration.

"In the first half of 2018-19, the growth rate is expected to benefit from a low base. Other key drivers of growth include an uptick in public consumption, which is typical before elections, and a recovery in exports following shortages of working capital related to a new goods and services tax," said the ADO supplement.

In India, the private consumption is expected to grow at a healthy rate as disruption caused by demonetisation in 2016 fades. Capacity utilisation rates are at their highest in 4 years and should provide incentives to firms to invest. Growth in Asia and the Pacific's developing economies for 2018 and 2019 will remain solid as it continues apace across the region, despite rising tensions between the US and its trading partners.

"South Asia, meanwhile, continues to be the fastest growing sub-region, led by India, whose economy is on track to meet fiscal year 2018 projected growth of 7.3 per cent and further accelerating to 7.6 per cent in 2019, as measures taken to strengthen the banking system and tax reform boost investment," it said further.

Developing Asia is largely on track to meet growth expectations as set out in April in Asian Development Outlook 2018 (ADO 2018), said the report. The regional gross domestic product (GDP) is forecast to expand by 6 per cent in 2018 and 5.9 per cent in 2019, the rate envisaged in April, ADO supplement said.

In April, ADO had said that India's economic growth will rise to 7.3 per cent this fiscal and further to 7.6 per cent in the next financial year, retaining the fastest-growing Asian economy tag, on back of GST and banking reforms.

"Although rising trade tensions remain a concern for the region, protectionist trade measures implemented so far in 2018 have not significantly dented buoyant trade flows to and from developing Asia," said ADB Chief Economist Yasuyuki Sawada.

"Prudent macroeconomic and fiscal policy-making will help economies across the region prepare to respond to external shocks, ensuring that growth in the region remains robust," he said. ADO has also retained the combined growth forecast for the major industrial economies — the US, the Euro zone and Japan — as growth in the US and the Euro area remains robust. In Japan, though, unanticipated contraction in the first quarter prompts slight revision of the 2018 growth forecast, it added.

However, ADB said that the rise in protectionist trade measures from the US and countermeasures from China and other countries "poses a clear downside risk to the outlook for developing Asia".

The ADO supplement has factored in the tariffs imposed by July 15. "The risk of further ratcheting up of protectionist measures could undermine consumer and business confidence and thus developing Asia's growth prospects," ADB said.

On price rise front, ADO has raised the South Asia inflation forecast to 5 per cent from 4.7 per cent, mainly to accommodate an increase in the forecast for India, but kept at 5.1 per cent for 2019. "The upgrade in the 2018-19 inflation forecast for India from 4.6 per cent to 5 per cent responds to higher oil prices, significant depreciation of the Indian rupee in the past few months, and generous increases announced on 4 July in minimum support prices for summer crops," the ADO said.

For developing Asia, it has revised down inflation projections from 2.9 per cent to 2.8 per cent in 2018 and from 2.9 per cent to 2.7 per cent in 2019 citing domestic factors to help contain inflationary pressures. "As the US monetary policy normalises, central banks in the region act to spare their currencies' sharp depreciation and to subdue inflation. Further, some governments have reintroduced subsidies to contain the effects of rising food and oil prices."

Source: financialexpress.com- July 20, 2018

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Vietnam's exports to CPTPP up 16 per cent

Vietnam's apparel exports to member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) rose 16.49 per cent in the first half of the year.

Although the CPTPP has yet to come into force, exports to its member countries increased 23 per cent. The respective growth rates in Japan, the European Union, South Korea and China were 24.6 per cent, 13.2 per cent, 28 per cent and 50 per cent.

Export turnovers were recorded for many high-demand products across major export markets. The United States remained the largest market for Vietnam's apparel products, accounting for over 46 per cent of the total turnover.

Vietnamese enterprises have adapted to changes in export markets and applied modern technologies to production. Some have invested in robots, each of which can replace up to 60 workers, enabling the company to better meet export orders.

However, the sector is under pressure, prompted by the US-China trade war. It now faces risks involving the exchange rate because of the devaluation of the Chinese yuan.

For sustainable development of the sector, enterprises are enhancing their competitiveness with technological applications to complete orders in shorter periods of time and provide quality products for customers, besides working to meet environmental and labor requirements.

Source: fashionatingworld.com- July 19, 2018

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Bangladesh refuses to extend the tenure of Accord and Alliance

The Bangladesh State Minister for Labour and Employment has said the government will not extend the tenure of Accord and Alliance as the Remediation Coordination Cell (RCC) is capable of running inspection and monitoring of workplace safety in garment factories.

RCC was set up in May last year through the collaboration of the Bangladesh government, the Bangladesh Garment Manufacturers and Exporters Association, and the Bangladesh Knitwear Manufacturers and Exporters Association, with technical support from International Labour Organisation.

The government has already recruited 130 inspectors to run the cell, which will work as the permanent body for the inspection of workplace safety.

The government has extended the tenure of the Accord and the Alliance for Bangladesh Worker Safety for six months so that they can take preparations for departure from the country. As per the decision, the buyer-driven groups will run their operations upto December 31, 2018.

Source: fashionatingworld.com- July 19, 2018

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Use international pacts to end US-China trade war: Vietnam

Vietnam believes that all countries involved in the ongoing U.S.-China trade war should resolve issues in accordance with international agreements.

The resolution of issues should also take each party's benefit into account and strive to contribute to regional and global development and prosperity, Foreign Ministry spokeswoman Le Thi Thu Hang said at a regular press briefing Thursday.

The latest trade spat began on July 6, with the United States slapping a 25 percent tariff on more than 800 Chinese product categories worth around $34 billion, claiming that China had violated intellectual property rights and escalated the U.S.'s trade deficit.

The U.S.'s trade deficit with China ballooned to a record $375.2 billion last year.

Shortly after, China retaliated in kind, accusing the U.S. of starting "the largest trade war in economic history."

Escalating the dispute, US Trade Representative Robert Lighthizer issued a statement last week, saying: "As a result of China's retaliation and failure to change its practices, the president has ordered the U.S. Trade Representative (USTR) to begin the process of imposing tariffs of 10 percent on an additional $200 billion of Chinese imports."

The list of goods facing the 10 percent punitive duty includes frozen meat, live and fresh fish and seafood, butter, onions, garlic and other vegetables, fruits, nuts, metals, apart from a large list of chemicals, tires, leather, fabric, wood and paper.

This dispute has happened alongside the U.S.'s confrontation with other allies and major trading partners including Canada, Mexico and the European Union.

Source: e.vnexpress.net- July 19, 2018

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Africa's apparel exports to the US on the rise

African countries posted solid growth in apparel exports to the US during the first five months of 2018. Kenya remained the largest exporter from the continent followed by Lesotho, Madagascar, Mauritius, Morocco, Ethiopia and Tanzania.

Kenya's apparel exports to the US grew 11.57 per cent year on year. Lesotho's apparel exports to the US noted a decent growth of 9.27 per cent.

Madagascar too showed impressive growth of 28.16 per cent on a year on year basis. Mauritius and Morocco were also up by 5.64 per cent and 9.96 per cent in their respective exports. Ethiopia's exports to the US grew 106.55 per cent.

One major reason for booming garment exports from African nations to the US is investments by giant Bangladeshi garment groups to avail of duty privileges under AGOA.

African countries enjoy duty-free and quota-free access for certain goods, including garments, to the US.

As China transitions towards higher value-addition in manufacturing and services, the African textile industry has a chance to take a share.

Fashion products from Africa benefit from a tariff free access to the UK market as part of the EU trade policy, which makes them significantly cheaper than products imported from Asia.

Source: fashionatingworld.com- July 19, 2018

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Vietnam ready to receive South Korean investment in textile & garment sector

A new investment wave is expected to hit Vietnam's textile & garment industry in the time to come, triggered by the Vietnam-South Korea FTA.

Vietnam's textile and garment exports to South Korea have been growing very rapidly since 2015.

Textiles and garments received big benefits from the trade agreement, with 24 product categories enjoying preferential tariffs lower than the tariffs applied to other ASEAN countries.

An analyst, citing reports of the Ministry of Industry and Trade (MOIT), affirmed that exports of some products have been increasing steadily by 3-4 percent each year in the last three years.

Textiles & garments now account for 17.8 percent of Vietnam's total exports to South Korea.

However, Vietnam's textiles and garments only account for 30 percent of South Korean market share. This means there are still opportunities for Vietnam to boost exports to the market.

This, plus the CPTPP, of which Vietnam is a member, have prompted South Korea to invest in Vietnam and make products for export to South Korea.

The Korean Trade & Investment Promotion Agency (Kotra) has confirmed a South Korean investment wave heading for Vietnam.

A survey of the agency found that Korean investors in China are considering moving to Vietnam. Investment is expected to become stronger in two or three years.

Meanwhile, Le An Hai, deputy director of the Asian & African Markets Department, reported that 62 percent of South Korean textile & garment companies in Vietnam plan to expand the production scale and make diverse products from fibre and cloth to finished garment products.

An analyst commented that there are still many problems that need to be solved. Many provinces have refused textile and dying projects for fear of pollution. In addition, the policy on encouraging investments into the textile and garment sector remains unattractive.

Hai said in order to receive the investment, the MOIT of Vietnam and the Ministry of Industry, Trade and Energy of the Republic of Korea have signed an agreement on cooperation in many fields, including textiles & garments.

The two sides decided to join forces to build up the policies to encourage South Korean enterprises to make investment in the industry in the most effective way.

MOIT recommends South Korean enterprises prioritize investing in support industries, especially in textile and dying, affirming that Vietnam will create favorable conditions for South Korean investors to access land and labor, and fulfill procedures.

Source: vietnamnet.vn- July 19, 2018

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NATIONAL NEWS

Exporters from knitwear hub of Tirupur set to increase prices by 10%

Since competition is intensifying from Cambodia, Vietnam and other countries, they have decided to raise the prices by just 10 per cent

Exporters from the knitwear hub of Tirupur are planning to increase prices by around 10 per cent against the backdrop of higher cost of raw materials, mainly cotton and other expenses. The price increase comes after nearly 5-6 years.

Industry representatives have said that they need to go for an at least 15 per cent price increase, but since competition is intensifying from Cambodia, Vietnam and other countries, they have decided to raise the prices by just 10 per cent.

The only saving grace is that with cotton rates increasing globally, some competitors are also planning to raise prices, though not to the extent of the exporters from Tirpur.

Exporters from Tirpur are already at a price disadvantage of around 10-12 per cent after drawbacks were withdrawan, said a leading trader.

Raja M Shanmugham, president, Tirupur Exporter Association, said that the decision to increase prices was taken after a series of discussions on raising cotton yarn prices, job working charges and accessories' prices, including other related expenses.

Shanmugham added that the continuation of the same prices would have certainly led to a difficult situation.

It was unanimously decided to ask the buyers for a 10 per cent increase while finalising new orders to compensate for the increase in prices.

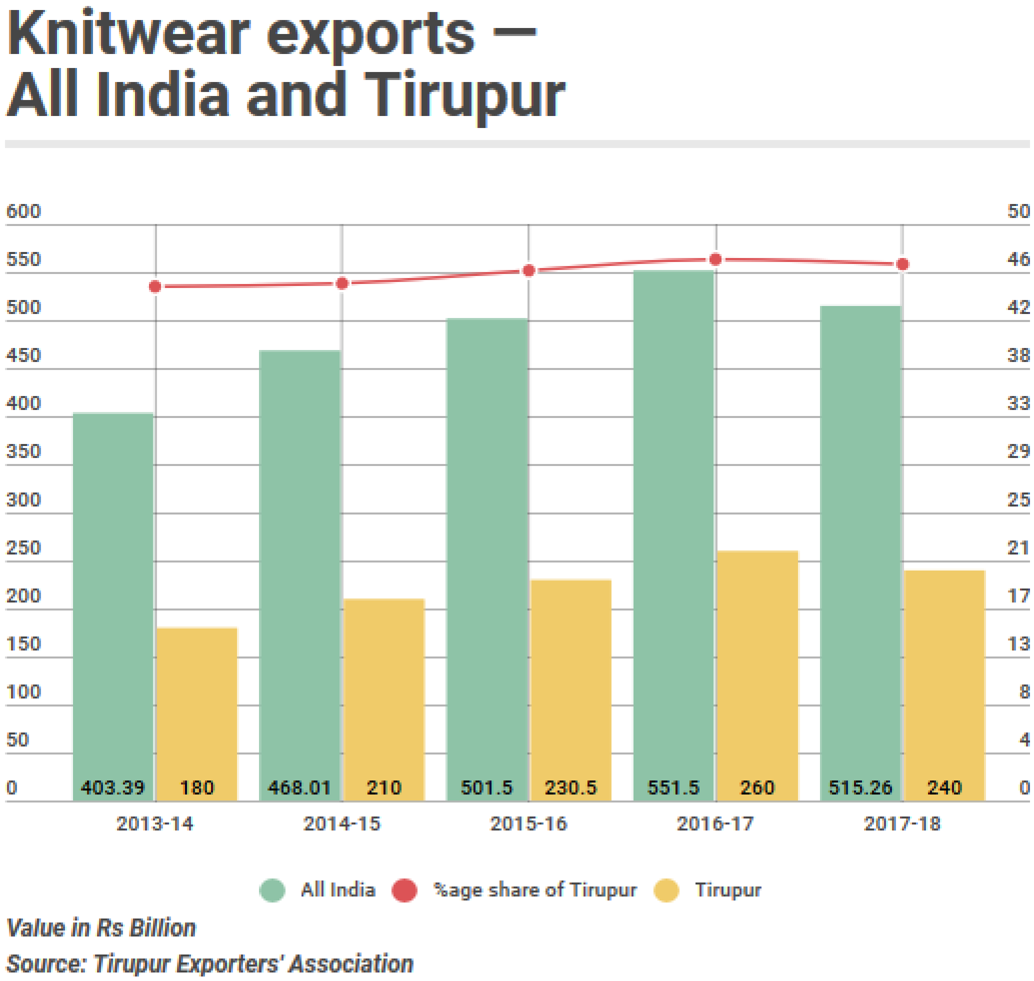
The decision comes after costs went up in the entire supply chain starting from raw materials, including cotton, which rose nearly 10-12 per cent or Rs 24 a kg to Rs 250-260 a kg.

Dyers have also increased prices by around 15 per cent with effect from June as the cost of raw materials for dyes have gone up by 30-50 per cent.

Similarly, Tirupur Elastic Manufacturers and Traders Association, which is catering to these export units, has increased prices by 15 per cent after raw material prices rose by 10-25 per cent.

The Knit Cloth Manufactures Association told exporters that it would also be increasing prices.

Exports from Tirupur stood at Rs 240 billion in 2017-18 as against Rs 260 billion in 2016-17. Tirupur accounted for around 46.57 per cent of the total knitwear exports from India, which is estimated to be around Rs 515.26 billion in 2017-18.



Source: business-standard.com-July 20, 2018

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Move to make export sops WTO-compliant

New norms for incentives to exporters that are compliant with the World Trade Organisation are expected to be in place within a year's time, Union commerce secretary Rita Teaotia said here on Thursday.

The decision to revise the guidelines comes amid the US raising objection in the WTO on the incentives offered by India to its exporters as its per capita gross domestic product has crossed the threshold of $1,000.

"We are going to look at a completely different environment in terms of incentives. This is a transition that we will have to live with. The foreign trade policy is up for review next year and by then the new framework will have to be in place," Teaotia said at the AGM of the Indian Chamber of Commerce (ICC).

Later at an interactive session, she said an expert group is examining the WTO-compliant support mechanism in light of global best practices. "The exercise is almost complete. Hopefully, we will have a draft set of schemes for discussions in the next month or so," she said. "There is a real possibility that this is one dispute we may lose because India has crossed the income threshold. What we are trying to do is to figure out what is WTO-compliant."

Exporters, however, can expect the continuation of some schemes such as the incentives on service exports, duty-free import of inputs, statutory levies which are legitimate for the purpose of exports as well as refund of uncovered taxes under the GST regime .

She said the government is looking to frame regulations for the logistics sector. "We will look at an integrated multimodal logistics legislation which covers all stakeholders. Logistics is largely an unregulated sector in the country."

She said there was a need to promote the tea auction platform. "Auctions have not had the kind of acceptability (that is desired). Hundred per cent of the tea does not come to auction," she said.

Source: telegraphindia.com-July 20, 2018

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ECGC to halve export credit cover for banks

In the backdrop of record claims payment of ₹1,283 crore in FY2018, government-owned ECGC has decided to reduce export credit cover for banks to 50 per cent of the outstanding amount, against 65-75 per cent earlier, and revise insurance premium upwards.

The export credit agency has also asked banks to seek its approval in cases where the working capital limits of their large exporter clients exceed ₹600 crore.

Of the total claims of ₹1,283 crore paid out by ECGC in FY2018, banks accounted for a chunk (₹1,131 crore). In FY2017, the corporation paid claims amounting to ₹885 crore.

Referring to the move to reduce export credit cover, Geetha Muralidhar, Chairman and Managing Director, ECGC, said: “We have already discussed this with the Indian Banks’ Association. We have told all the bank chiefs clearly how the (ECGC) portfolio has moved...

“As you all know, for the last three-four years things have been on the decline with banks. So, we have told them that our covers will come down to 50 per cent for all large exposures.”

A sector-wise break-up of ECGC’s claims payment to banks shows that it paid claims amounting to ₹568.78 crore to the gems and jewellery sector, ₹308 crore to the cotton sector (fibre, yarn, fabric, including handloom), and ₹107 crore for readymade garments and hosiery goods.

“We don’t want MSMEs (micro, small and medium enterprises) to get affected. Our claim payouts are not because of SME failures – there have been some but value-wise they don’t affect us.

“So, we would like to reduce our exposure to 50 per cent on all large-value accounts. That has already been communicated (to the banks),” explained Geetha at a press meet to announce the corporation’s FY2018 financial results.

Depending on the claims experience with each bank, the corporation will up the export credit insurance premium.

The corporation, whose net profit declined to ₹74 crore in FY2018 against ₹282 crore in FY2017, expects claims payment in FY2019 to be either of the same order or slightly more vis-a-vis FY2018.

Source: thehindubusinessline.com-July 20, 2018

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Washington meet: India, US to hold more talks for trade package

Senior officials from India and the US met in Washington last week and agreed to hold further deliberations on a mutually-acceptable trade package, which will take some more time to materialize, a source told FE.

The meeting was held amid escalation of the global trade war, with the US and China having already imposed additional tariff on each other. India has proposed an additional tariff worth $235 million on 29 US goods, including almonds and apples, in retaliation to the additional duty on Indian steel (25%) and aluminium (10%) by the US. In the absence of a solution soon, India could implement its proposed retaliatory tariffs from August 4.

While India wants exemption from the additional duty that the Trump administration has imposed on steel and aluminium, the US is seeking to use a special tariff regime — generalised system of preference (GSP) — it offers to India and some others to extract greater market access from New Delhi.

The trade package is also aimed at fixing specific goals for improving the Indo-US trade through greater market access and removing irritants. The latest meeting was a follow-up of a similar huddle late last month in New Delhi, which was attended by an American team, led by assistant US trade representative Mark Linscott.

“Both the sides have decided to continue exchanging notes on all the relevant issues and work out a solution,” said the source. For India, a greater access to the American market for its food, farm, engineering goods and auto and auto parts segments hold promise in the long term (over five years), said the official. The US sees good prospects for its companies in Indian civil aviation, oil and gas, education service and agriculture segments.

Any successful outcome of this meeting could later be announced by the leaders of both the nations. India also wants delinking of the GSP from market access talks.

For its part, the US wants greater market access to reduce the trade imbalance with India and remove price curbs on stents and other medical equipment.

Under the GSP programme, select developing countries are allowed duty-free export of specified products to the US. According to sources, India was a major beneficiary in 2016, as it shipped out goods worth $4.7 billion to the US under the GSP, which were equal to more than 11% of its exports to the world's largest economy.

Exports of select items in the textiles, engineering, gems and jewellery and chemical sectors are allowed duty-free access to the US. India made up for just 2.8% of US goods trade deficit and occupied the 9th spot on the list of nations with which the Trump administration seeks to pursue a trade balance agenda.

However, India is the only major country whose goods trade surplus with the US narrowed in 2017 — a fact New Delhi recently highlighted in its talks with Washington.

Source: financialexpress.com- July 20, 2018

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Cotton farmers asked to use pheromone traps to curb pink bollworm menace

The farmers in Marathwada have planted cotton on over 17 lakh hectare, notwithstanding the advice from agriculture experts who had suggested to avoid the cultivation of the 'cash crop', at least for a year, to break the life cycle of pink boll worm (PBW).

The PBW had damaged the cotton crop in Marathwada last year, to the extent that the state government intervened by doling out compensation to affected farmers.

To protect the cotton plant from getting infested with the pest, the state agriculture department has now advised farmers to use pheromone traps to curb the possible menace of the monophagous pest which multiplies only on the cotton crop. In an advisory issued to farmers, the state agricultural department has asked farmers to install pheromone traps within 45 days of sowing.

If the trap catches minimum eight to 10 male PBW per day for three consecutive days, the use of pesticide is highly recommended. “The traps must be placed at the height of one feet above the cotton plant,” the advisory reads.

The pheromone traps are available for sale at authorised sellers of Maharashtra Agro Industries Development Corporation Limited. As per the advisory, at least two traps must be placed on per one acre of cotton farm.

The authorities have reiterated the need for the installation of traps at cotton ginning and pressing mills also. “The agricultural universities in the state are slated to carry out survey of PBW with help of pheromone traps installed at farmers and mills,” it was said. Notably, around 41 cotton ginning and pressing mills in Aurangabad district were told by the Agriculture department in January to contain the spread PBW by installing traps and taking other measures.

Authorities had also undertaken a sensitisation programme for the owners of ginning mills so as to rope them to end the life cycle of the PBW.

Deepak Lande, a farmer from Beed district, who has sowed cotton in his farm, said, “Farmers get relatively better return for cotton yield as compared to other kharif crops. It is a cash-crop and therefore we cannot afford to avoid the practice of its cultivation. “The government should ensure pheromone traps are available easily and at reasonable price,” he said.

PBW infestation starts at bud development stage because of which the flowers do not open and often exhibit rosette shape flower. The larvae bore into bolls, feeds on inner content and developing seeds and subsequently affecting the cotton yield.

Source: timesofindia.com- July 19, 2018

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Only weak rupee not enough to tip the scale in favor of India exports

Along with rising oil prices and Indians' love for electronic goods made abroad, an adverse terms of trade position could widen the country's current-account deficit.

A weak currency is good for exports. In India's case, the script is not so straightforward. While the rupee is Asia's worst-performing major currency this year, a demand-killing trade war threatens Indian exports that have already been hurt by policy disruptions over the past two years. History shows the currency's moves have hardly impacted shipments. If anything, a slide in the rupee has ended up inflating the nation's import bill.

"The situation for export prospects is weak given the kind of trade war happening in the world," said N.R. Bhanumurthy, an economist at Delhi-based National Institute for Public Finance and Policy and a co-author of a 2013 paper on whether rupee's weakness matters to Indian manufacturing exports.

Unlike China, Taiwan and South Korea, India isn't part of big supply chains globally. Trade tensions between the U.S. and China have prompted export-reliant countries like Vietnam to guard against Chinese products flooding their local markets. India's goods exports contribute only about 12 percent of gross domestic product and government officials have blamed its poor showing on the rupee's strength.

The currency slumped to an all-time low of 69.0925 per dollar last month as prices of crude oil — the nation's top import — climbed and foreign funds exited stocks and bonds amid an aversion to riskier assets. The rupee touched 69 on Thursday and is down over 7 percent this year.

The rupee continues to be overvalued on a real effective exchange rate despite the slide, and there was no question about being nervous about the depreciation, said Rajiv Kumar, vice chairman of think-tank NITI Aayog. Modi's chief economic adviser, Arvind Subramanian, also welcomed the rupee's decline, adding that it was a natural adjustment that was taking place.

Along with rising oil prices and Indians' love for electronic goods made abroad, an adverse terms of trade position could widen the country's current-account deficit.

"The rupee's weakness against the dollar along with rising oil prices has increased India's import bill," said Rohan Chinchwadkar, an assistant professor of finance at the Indian Institute of Management at Tiruchirappalli in southern India. "Despite the depreciation, export growth continues to be weak because of rising protectionism, sluggishly recovering global growth and disruption of domestic supply chains."

Source: financialexpress.com- July 20, 2018

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India's retail sales to cross $1,244.58 bn by 2018: study

Growing at a rate of about 15 per cent and registering a double digit growth figure every year, the total retail sales in India is likely to rise from $717.73 billion during calendar year 2014 to $1,244.58 billion in 2018, says a study by the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and financial advisory services provider Resurgent India.

In 2017, about 100 million consumers purchased online and the number is expected to cross 120 million by 2020 with the rise of digital natives, better infrastructure in terms of logistics, broadband and Internet-ready devices to fuel the demand in e-commerce, an ASSOCHAM press release said citing the study.

Bangalore has left behind all other cities in India shopping online in the year 2017. While Mumbai ranks second, Delhi ranks third in their preference for online shopping, the study says.

In 2018, mobile commerce will become more important as most of the companies are shifting to m-commerce. Mobile already accounts for 30-35per cent of e-commerce sales, and its share will jump to 50 per cent by 2020, the report says.

Online shopping has been embraced by Indians with close to 25-30 million adults making a purchase via the internet in the last year. There is a surge in the number of people shopping on mobile across India with tier 2 and 3 cities displaying increased dominance.

The year 2018 will see large scale growth in the Indian e-commerce sector, which will continue to drive more employment opportunities and contribute towards creating more entrepreneurs through the e-commerce marketplace model, the study adds.

Source: fibre2fashion.com- July 20, 2018

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Ahmedabad emerges as key garment manufacturing hub

Once called as Manchester of the East, Ahmedabad is emerging as a major centre for manufacturing cotton garments across India. Low overhead costs and conducive city infrastructure are drawing key manufacturers to the city.

The city, now home to around 5,000 manufacturers, has seen a significant spurt in the number — from about 500 — over a decade. While the local manufacturers have expanded their operations over the last couple of years, manufacturers from outside the state have also poured into the city because of the low cost of production.

"No other major Indian city has so low overhead cost as Ahmedabad. Retail and wholesale buyers, as well as players of organized retails, have set their eyes on Ahmedabad to source products," said Vijay Purohit, president of Gujarat Garment Manufacturers Association (GGMA) which began three-day GGMA Garment Fair at Gujarat Universtiy Exhibition Ground on Thursday.

Products are cheaper by about 30 per cent as compared to those in larger cities like Mumbai, also called Mecca of fashion in Inda or National Capital Territory, the largest manufacturing hub in the country.

"The overheads are lower in Ahmedabad. The land is cheaper than in Mumbai or Delhi.

The internal design of the city is such that the time to commute between workplace and residence is significantly lower than in other cities. Moreover, manufacturers here are working on lower margins. Gujarat's share in garment manufacturing in the country rose from 4-5% about a decade ago to about 14-15% now," said Purohit.

The city offers all the segments within Garments. Aditya Singh, VP of V-Mart and heading kidswear vertical said that Gujarat has a monopoly in womenswear, particularly ethnicwear.

Menswear is the most soughtafter product category from Ahmedabad. Manufacturers also make womenswear and kidswear. Satender Kumar Rao, a senior official in Citykart, which has 40 stores, mostly in northern India, said that 30-35% of company's purchases are from Gujarat.

"Manufacturers here help in keeping price competitive while offering quality products," said Rao. Gujarat is also one of the top producers of cotton in the country. With ample availability of migrant labour force, manufacturers from other states are also setting up their units in Ahmedabad.

Originally based out of Bikaner, Mukesh Samsukha, owner of Mukesh Appeals, said overall conduciveness in doing business and work-life balance that Ahme-dabad offers had prompted him to start a full-fledged manufacturing unit about five years ago. Now, he is manufacturing 30,000-35,000 units of men's trousers every month.

"My relatives have manufacturing facilities in Punjab and Delhi. But, I chose Ahmedabad as it is peaceful and one can wind up the unit by evening and enjoy the rest of the day with family," said Samsukha. Following him, one of his relatives, Dilip, also started a kidswear manufacturing facility in Ahmedabad.

Source: dnaindia.com- July 20, 2018

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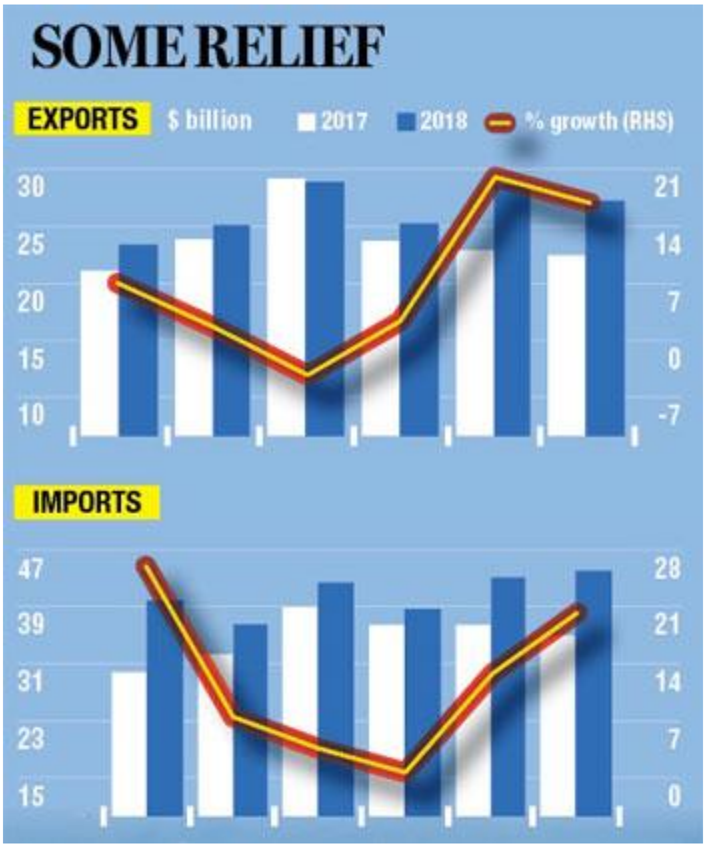
GST drawback scheme likely from Oct 1 as exports slip

The government may soon roll out duty drawback on goods and services tax (GST) to benefit small and medium exporters as fault lines increasingly surfaced in India's exports despite high growth in May and June this year.

This rollout is expected from October 1, along with an e-wallet scheme, as job creating exports sectors such as leather, handicrafts, handlooms, carpets, textiles and gem and jewellery have continued to decline despite merchandise exports clocking 20% growth in May and nearly 18% in June this year.



Ganesh Kumar Gupta, president, Federation of Indian Export Organisations, told DNA Money Gupta said a three-member committee headed by G K Pillai, former home and commerce secretary, is working out the GST duty drawback rates and is expected to submit its report in the next few weeks. After vetting, the government is likely to roll them out out by October 1.

The Pillai committee was set up after a parliamentary standing committee pitched for fresh concessions to labour-intensive exporting sectors to mitigate compliance burden in transitioning to the GST regime.

Gupta said e-wallet scheme too is expected to be announced by October 1. Under the e-wallet mechanism, a notional credit would be transferred to exporters' accounts based on their past record and the credit can be used to pay taxes on inputs.

Earlier duty drawback, a popular scheme to refund taxes like excise, customs and countervailing duties paid on intermediary items for exports, was withdrawn with the launch of GST on excise and countervailing duties. It was, however, continued for customs.

The large exporters may still prefer GST where one gets offset for taxes paid on intermediaries. Small exporters find it difficult and cumbersome to pay GST as it involved additional expenditure on auditing and the like.

India achieved highest ever merchandise exports of over $320 billion in 2013-14. In the face of global recession, exports declined, touching a low of $275 billion in 2016-17, but picked up to $300 billion in 2017-18.

Since April this year, growth has been in double digits, touching 20% in May. India sustained over 20% exports growth during 2004-09, when GDP growth too averaged over 9% annually.

Gupta said that high exports growth in the last couple of months was mainly due to exports of petroleum products, chemicals and pharma. As global oil prices were high, Indian petroleum exporters reaped benefits and overall exports looked impressive in dollar terms.

"The concern in India's exports is that employment generating sectors such as textiles, handlooms, leather and handicrafts continued to witness the declining trend. Gem and jewellery, another employment generating sector, too has been doing badly though there is a small pick-up in recent months," Gupta said.

"This is not good," he said, adding the trade deficit is widening mainly because of oil, gold and electronics imports and there are fears that it will touch a record $200 billion this financial year.

So the government will have to look at measures to prop up exports. Re-introduction of a duty drawback scheme along with e-wallet scheme will small and medium exporters to reverse the falling exports in these sectors, experts said.

About 45% of India's exports are from MSME sector, which has been badly hit due to demonetization and the rollout of GST. MSME exports create jobs as well.

The parliamentary panel had asked the finance ministry to allow exporters to use the old system of refunds through the so-called duty drawback scheme. It also said GST compliance burden was causing job losses in labour-intensive export sectors.

Gupta said a delay in GST refunds too created a huge problem to small and medium exporters.

After FIEO's representation and Prime Minister Narendra Modi's concern over falling exports, GST refunds have picked up since March this year.

Till June, GST refunds of Rs 43,000 crore have been made to exporters. This delay in refunds was blocking working capital for small and medium exporters. Rotation of funds became difficult for them.

Two GST refund drives of a fortnight each have already been conducted and the third began this week.

E-sealing of containers is a major problem for exporters in all the Indian ports, as they are yet to acquire scanners. As a result physical examination of containers is being done and this was putting a lot of exporters into difficulty and delaying shipments, Gupta said, adding, continuing with the earlier practice of physical examination by customs officials at factory site will prevent this duplication of work and delay in shipment.

The old practice could continue till scanners are procured at ports.

Source: dnaindia.com- July 20, 2018

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Export Or Perish: Why India must achieve a quantum jump in exports to drive growth

A quantum jump in exports presents a tremendous opportunity for India. Nearly two-thirds of the world's production takes place in global value chains. Integrating with these supply chains will not only bring welfare gains, they will also increase efficiency and drive growth. Conditions are ripe for India to enhance exports to boost economic growth.

India's economy cannot survive without exports. In 2017-18, exports of goods and services contributed about 12% of India's GDP. In contrast, exports made up over 42% of South Korea's GDP. Similarly, in 2006, when China was growing at nearly 13%, the share of exports in GDP was more than 37%. For India to achieve double digit growth, exports will be a crucial part of the strategy.

Although India's exports have been rising of late, there remains ample room for further growth. In 2017-18, exports of goods and services grew by nearly 13%. Exports grew by over 20% in May 2018 compared to May 2017. It seems as if the dip in exports witnessed over the last five years may be behind us. This is an opportune time to shift gears and pursue exports more aggressively, building on the government's existing initiatives.

Several measures, such as ensuring exporters receive GST refunds for raw materials in a timely manner, are undoubtedly critical to raising exports in the short term. At the same time, higher exports must be sustained in the medium and long term. This will not be possible if we don't remove the barriers to firms' scaling up.

Larger firms not only witness lower per-unit costs, they also benefit from global competition that drives them to continuously increase productivity levels. We don't need to look far from home to see this in practice. India's automotive sector has been successful in large part due to the ability of domestic firms to scale up.

Promoting clusters and zones of production will facilitate firms becoming larger. The government is focusing on manufacturing clusters, especially around coastal areas so that exports can be dispatched faster given their proximity to ports. Cluster-based manufacturing will allow firms to save on costs while the location close to coastal areas will save transportation cost and time.

In 2010-11, 72% of India's manufacturing workforce was employed in firms with less than 20 workers each. However, they contributed less than 12% of manufacturing output. Removing barriers faced by micro, small and medium firms (MSMEs) with respect to accessing capital, hiring workers and acquiring land will help these firms expand and increase productivity.

In 2017, India ranked 146th out of 190 economies on the World Bank's "trading across borders" component of doing business, which measures the time and cost (excluding tariffs) associated with documentary and border compliance and domestic transport procedures for trading goods. Indian exporters on average took nearly four times the time taken by Chinese exporters to comply with border compliance requirements in 2017.

We can reduce border and port turnaround times and lower the cost of trading through a number of measures. First, we need to focus on digitisation across ports. Last mile online access and moving processes completely online will help cut down compliance times drastically. Second, we should ensure that major non-Electronic Data Interchange (EDI) ports are converted to EDI ports urgently for faster clearances. The EDI message exchange system facilitates documentation related activities such as authorisations across departments.

Third, we must ensure policy consistency to reduce informational barriers. The Central Board of Excise and Customs (CBEC) issued about 173 tariff-related notifications between April 1, 2015 and June 27, 2018. The large number of additional notifications increases the complexity of trade rules.

States govern many issues related to ease of doing business. For example, they grant firms electricity and water connections. They also govern property registration. Thus, states play an important role in helping firms operate smoothly.

Studies have found Indian states that engage in foreign and interstate trade are richer than non-exporting states. Thus, states also need to play a major role in boosting exports by easing the business environment, enhancing digitisation and strengthening infrastructure and connectivity.

There has been a growing recognition of standards as a driver of trade and technical development.

The commerce and industry ministry has been promoting use of international standards by Indian exporters, recently releasing a National Strategy for Standardisation.

Adjusting to these standards will help firms tap international markets. In certain sectors – such as agriculture and food processing – the lack of compliance with standards has prevented exporters from penetrating markets such as the US, EU and Japan. Conformity with sanitary and phytosanitary measures will help Indian food products become globally acceptable.

Global standards are continually evolving. In addition to compliance by Indian manufacturing firms, identification of specific standards and regulations across different sectors by industry bodies and relevant ministries will help India participate in global value chains.

Indian firms should ensure they stay abreast of international developments in the space of standards and technical regulations. Conforming to changes in a timely manner plays a prime role in shaping market access of Indian goods and services.

While the rest of the world is looking inwards, India needs to take a contrarian view and focus on exports by targeting large global markets. To drive its own development with vigour India needs to boost exports through promoting size and scale, ease the business environment and adjust to global standards. These measures will help India integrate with global value chains and achieve robust and sustained economic growth.

Source: timesofindia.com- July 20, 2018

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India could lose trade dispute with U.S. at WTO over subsidising exports: Commerce Secretary

Commerce Secretary Rita Teaotia on July 19 said there was a “real” possibility that India could lose the trade dispute that the U.S. had filed in the WTO [World Trade Organization) on export subsidies. This, she said, was because income levels in India had crossed the threshold for exports to be subsidised.

“There is a real possibility that India will lose the trade dispute with the U.S. at WTO over subsidising exports,” she said at an ICC (Indian Chamber of Commerce) interaction in Kolkata. However, India had been responding “very strongly” to the U.S. allegations, she noted.

While direct subsidy to exports could not be given, the government could legitimately support regulatory compliances required in other countries. “Benefits to services exports will remain untouched, and GST [Goods and Services Tax]refunds to exporters will continue as well,” she said.

Expert group formed

Support for input subsidy was also legitimate. “However, incentive only for exports is not eligible. There must be a cost incurred and then compensation.” The government had set up an expert group to look at WTO-compliant support to exports, and a draft set of schemes would be announced for discussion. Ms. Teaotia said that the existing export subsidy schemes were continuing, as the dispute was yet to be resolved.

In March 2018, the U.S. dragged India into the WTO’s dispute settlement mechanism over export subsidies, saying that these incentives were harming American companies. Washington challenged India’s export subsidy programmes such as Merchandise Exports from India Scheme in the WTO, asserting that these initiatives harmed its companies by creating an uneven playing field. The U.S. said that thousands of Indian companies were receiving benefits totalling over $7 billion annually under various export promotion programmes.

Source: thehindu.com- July 20, 2018

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Cotton farmers not using adequate fertilisers: Survey

While the area under cotton cultivation has already witnessed a drop in the Malwa region this year, a PAU survey has revealed that a large section of farmers is not following the university recommendation when it comes to the use of fertilisers and sprays, which may affect the yield.

Talking to The Tribune, PAU's senior farm economist Dr GS Romana said: "We recommend the use of potassium nitrate, which works as a tonic for the cotton crop during hot weather conditions, but our survey has revealed that only 14 per cent farmers are following our guidelines regarding its usage.

More than 30 per cent farmers are not using fertilisers in adequate quantity. As a result, the cotton crop is not getting the required nutrients, which may well take a toll on its growth."

The survey has also revealed that around 20 per cent farmers resorted to excessive spray last year. It has also come to the fore that 51 per cent of the farmers seek the advice of traders, dealing in sale of fertilisers/pesticides and 31 per cent of them take decisions on their own.

Merely a handful of farmers stated that they consulted the farm scientists. Besides, a whopping 72 per cent of the farmers said they purchased sprays/pesticides on credit. The survey also disclosed that 93 per cent farmers have opted for the cotton varieties recommended by the PAU.

According to Romana, the area under cotton cultivation has declined by 25 per cent as compared to last year. Most of the area has got diverted to paddy, which is not a good sign for the state where water table is depleting at an alarming rate.

The survey was conducted among 100 farmers having 1,200 acres of land in different villages of the region. Not more than four farmers from each of the village were included in the survey.

"Overall, the survey shows that the cotton crop is not getting the right nutrition. On the contrary, it is underfed," he said.

Reacting to the findings, Ashok Kapur, former president of North India Cotton Association, said the cotton productivity might be adversely hit, as the survey pointed out that farmers were not following the university's recommendations. He, however, said though the crop was doing okay, the weather conditions would play a crucial role in the coming days.

Source: tribuneindia.com- July 20, 2018

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Government aims to promote Khadi as global fabric, says Suresh Prabhu

The government aims to promote Khadi as a global fabric as it has the potential to boost economic growth, Commerce and Industry Minister Suresh Prabhu said today. To achieve this aim, new designs and styles in Khadi are essential, he said.

His remarks came through a video message at a conclave jointly organised by Ficci, IIFT and Khadi India. The minister said district-level development is the key to promote Khadi as a global fabric which in turn will promote economic growth. For this, 6 districts in 5 states have been identified and taken up as pilot projects.

Besides, Directorate General of Foreign Trade Alok Vardhan Chaturvedi said Khadi sector employs 80 lakh people and government assistance and promotions can provide once-in-a-while push, but long-term sustainability requires inherent demand. He said there is huge opportunity for Indian fashion industry in textile sector, both in domestic and international market, and Khadi needs to create demand.

Ashwani Lohani, Chairman, Indian Railway Board, said there is a need to make Khadi a symbol of national pride. Lohani said the railways on a daily basis require four lakh bedrolls and would be willing to partner Khadi and Village Industries Commission (KVIC) in developing a strategy to provide disposable Khadi bedrolls and towels at economical rates.

Source: financialexpress.com- July 19, 2018

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India under pressure from Singapore, Indonesia to agree to early RCEP pact

India is under diplomatic pressure from countries such as Singapore and Indonesia to agree to a speedy conclusion of the ambitious Regional Comprehensive Economic Partnership (RCEP) negotiations, the 23rd round of which is currently on at Bangkok.

"The Prime Minister of Singapore and the Indonesian President, in their recent meetings with Indian Prime Minister Narendra Modi, are learnt to have pushed for the RCEP in a big way urging India not to hold up the agreement. Commerce Ministry officials participating in the negotiations are now facing the Herculean task of meeting expectations of other RCEP members on market access for goods while protecting interests of the Indian industry," a government official told BusinessLine.

The RCEP, which includes the 10-member ASEAN, India, China, Japan, South Korea, Australia and New Zealand, is likely to be the largest free trade bloc covering about 3.5 billion of the world population and 30 per cent of the gross domestic product.

Interestingly, while India had initially placed the condition that the offers in services under the RCEP have to match the offers in goods, the argument seems to be losing steam.

Goods offer

"The ASEAN is just not interested in giving substantial offers in the services sectors. India is being urged to improve its offers in goods despite the fact that there is not much improvement in services offers," the official said.

Singaporean Prime Minister Lee Hsien Loong and Indonesian President Joko Widodo's stress on early conclusion of the RCEP talks in their meetings with Indian Prime Minister Narendra Modi during his visit to their country, has increased pressure on Indian negotiators.

India, however, is finding it difficult to adequately respond to the steep demand for tariff elimination on 92 per cent of items made by the ASEAN.

It is finding it especially hard to negotiate with China as the Indian industry is already reeling under pressure from cheap Chinese imports and trade deficit with the country has touched $63 billion.

It is also difficult for India to make substantial offers to Australia and New Zealand as it does not have any free trade pact with these countries.

“What is making matters worse for India is the fact that the ASEAN does not seem interested in budging from its demand of tariff elimination for 92 per cent of items. India’s reluctance to agree to such a large number is being interpreted as obstructionism,” the official said.

Select deviations

Although certain deviations in tariff cut commitments would be allowed to India for dealing with partners including China, Australia and New Zealand, it cannot be much lower from what is extended to the others, the official added.

Based on the progress in negotiations in the on-going round which will end on July 27, Trade Ministers from all 16 member countries will try to move negotiations on various chapters towards a conclusion when they meet in Singapore in end-August.

Source: thehindubusinessline.com- July 20, 2018

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