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# IBTEX No. 152 of 2018 — July 21, 2018

USD 68.74| EUR 80.64 | GBP 90.28 | JPY 0.62

| Cotton Market (20-07-2018) | | |
|---|---|---|
| **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**

## NEWS CLIPPINGS

# INTERNATIONAL NEWS

## Trump Says He's "Ready" to Tariff All $500B Worth of Goods the US Imports From China

President Trump has said he's "ready" to add tariffs to every good the U.S. imports from China—all $500 billion worth of it.

In an interview with CNBC's Squawk Box that aired Friday, when asked whether he'd really double the tariffs from the $250 billion he's already outlined, Trump said, in short, yes.

"I'm ready to go to $500 billion," he told CNBC. "I'm not doing this for politics. I'm doing this to do the right thing for our country. We've been ripped off by China for a long time."

The United States has already enforced 25 percent tariffs on $34 billion worth of imports from China, and another $16 is expected to come due in short order.

China has responded in kind with $50 billion worth of its own tariffs on U.S. goods. Another $200 billion in 10 percent tariffs against China is already under review with the United States Trade Representative, and to that, China has promised it will "make the necessary countermeasures."

Now the president wants to escalate things further, rather than acquiescence, China has opted to retaliate.

"I raised $50 billion and they matched it," Trump told CNBC. "I say, 'You don't match us, you can't match us because otherwise we're always going to be behind the 8 ball."

Tariffs on $500 billion—the value of all the goods China shipped to U.S. shores last year—would mean new duties are attached to everything the U.S. imports from China.

And what's already included in the released tariff lists will have a sizable impact on the U.S. textile industry, as fibers, yarns and fabrics are included in the hopes of bolstering the domestic industry amid curbed imports from China.

Apparel had so far been set to enjoy relatively minimal impact, but another round of tariffs would mean all China-origin apparel and clothing accessories would face the new duties.

If that happens, the industry could face higher prices at retail, which could translate to lower sales and ultimately, lost jobs.

"We all want to participate in a trading system that creates more jobs in America and respects our intellectual property, but tariffs will not do this," American Apparel & Footwear Association president and CEO Rick Helfenbein said in a statement Friday.

"It's time to stop using the American consumer as a pawn in this conflict. Tariffs are taxes. Period. This is a short-sighted approach that will hit low-income Americans the hardest, imposing new hidden taxes on everything they must buy for themselves and their families."

Source: sourcingjournal.com - July 20, 2018

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## British Retail Up in First Half Though Brexit Clouds Apparel's Future

The British summer of 2018 can't take any more plot lines. With the longest prolonged heatwave in 40 years, a cabinet in disarray over Brexit, a royal wedding, England's best shot at the World Cup in three decades, and thousands of Donald Trump protesters lining the streets in fury, the country has been on a feverish high since May.

But have these splashy headlines had any impact on Britain's depressing annual retail forecasts? A KPMG/Ipsos Retail think tank report published late last year gave the British high street a bleak prognosis for 2018.

It argued than an inflammatory cocktail of political upheaval, economic uncertainty, lower disposable incomes and regulatory compliance issues would lead to a lackluster year for U.K. retailers.

This came on the back of an already poor year of sales. British disposable incomes were squeezed due to a jump in inflation coupled with stagnant wage growth—2017 saw inflation rise to 3 percent, while wages remained stuck at 2 percent.

The transformation of working life was also cited as a factor for 2017's low retail sales—particularly the rise of self-employment (due to generous tax cuts for freelancers), part-time jobs and zero-hours contracts. A lack of investment by British business played its part, which was largely believed to be a result of nationwide Brexit uncertainty.

A survey by Visa found that consumer spending shrank by 2 percent last year, the fastest year-on-year decline since 2013—a fall driven by an even more worrying 5 percent decline in spending on the high street.

However, the mid-year 2018 results show better news for the economy, as retail sales jumped by 1.3% in May from the first quarter—easily beating January expectations—according to KPMG. Inflation also held steady at 2.4% until July.

The unusually hot weather has been cited as a factor in tempting the public out of their homes and into the shops—as have the excitement surrounding the royal wedding and England's unexpected semi-final place in the World Cup.

Together, these factors have kept the British economy on an even keel, although sales remain far from sensational. Major British retailers such as Marks & Spencer, Mothercare and House of Fraser are all closing brick and mortar shops around the country, cutting jobs and downsizing their design teams to stay afloat. Although there are other issues at play (in particular a failed attempt by M&S to remarket themselves to younger shoppers), lower levels of consumer spending across Britain are generally believed to be due to uncertainty.

There are mounting fears across British society over potential job losses from a hard Brexit. Prime Minister Theresa May is failing to push through plans for a soft Brexit, even though the economy is largely dependent on Britain being able to trade freely with the EU. The far right of her Conservative party—which believes the need for sovereignty and lower levels of immigration trump economic policy—blocks her at every turn.

The vote to leave the European Union is generally seen as bad news by the fashion industry, which relies heavily on an international workforce and a global supply chain. More than 90 percent of creative directors in London voted to "Remain" in June 2016, according to a survey by the British Fashion Council.

And in a recent Fashion Roundtable white paper, an overwhelming 80 percent of respondents—which included British Vogue editors and tutors from the Design Council and London College of Fashion—said that they felt Brexit would be bad for fashion in the UK and EU.

These fears are not unfounded. According to the Organisation for Economic Co-Operation and Development, Brexit could reduce the UK's GDP by £40 million ($52.7 million) by 2019.

Ending free movement would also cause major problems for the creative industries, which rely on freelancers to sign on to last-minute projects in various countries around the continent. It would also cut Britain out of a Europe-wide fashion supply chain, where goods are shuttled between international manufacturers.

Retailers are also currently having to prepare for a worst-case scenario situation. If Britain crashes out of the European Union with no deal in March 2019—which is looking increasingly likely as ministers fail to find a solution to the Irish border question—World Trade Organization rules would come into effect.

This means tariffs on clothing made in countries such as Bangladesh, Cambodia and Vietnam will rise from 0 percent to as high as 25 percent. This would wipe out most retailer's margins overnight. And while the British government is clearly aware of the impact this would have on big business, Brexit hardliners continue to claim that 'No deal is better than a bad deal.'

"Fashion has to have a louder voice when it comes to Brexit," says Tamara Cincik, the founder of Fashion Roundtable and a Remain campaigner. "The fashion industry brings billions of pounds into this country and we all know that Brexit will be an unmitigated disaster for it—and yet not nearly enough people are speaking out. Fishing brings in less money than we do and yet the fisheries are discussed constantly in relation to Brexit.

The fashion industry needs to stop talking to itself, realize its value and get galvanized into action. Particularly now we are potentially facing a no deal."

However, many city commentators have said that while Brexit is bad, a Labour win under opposition leader Jeremey Corbyn could be even more dangerous for the economy. As politics have become polarized in the Brexit era, Corbyn's aims, which include significantly raising taxes and nationalizing industry, have been embraced by the younger generations.

So, while the British high street can be heartened by the improved 2018 retails results, major brands will remain in perilous waters until Westminster and Brussels find a business-friendly solution to Britain's biggest political crisis in a generation.

Source: sourcingjournal.com - July 20, 2018

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## US cotton exports to Bangladesh plagued by difficulties

The American cotton industry seems to be plagued with many difficulties such as the age-old fumigation rules on import of US commodity in Bangladesh. These rules not only impose an additional cost burden on importers and spinners in Bangladesh but also results in increased lead time.

Apart from this, the US cotton industry leaders also noted phytosanitary requirement as a major hurdle for the import of cotton in the country. In addition, they also identified the distance between the two countries and the congestion at the Chittagong port as major hurdles for increasing US cotton shipment in Bangladesh.

China recently imposed 25 per cent retaliatory duty on the import of cotton from the US as part of the 'trade war' between the two countries. Reflecting on this, the US cotton industry insiders said that the move might result in slight changes in the trade flow of cotton across the world.

Source: fashionatingworld.com - July 20, 2018

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# TPP adds more members, Thailand and Colombia to join in

Thailand and Colombia may join the Trans-Pacific Partnership. The UK is seeking public feedback on the idea, wanting to prevent its isolation from the rest of the world after it exits the European Union.

South Korea is said to have contacted multiple members about joining, while Taiwan, eager to counter mainland China's push for its own trade sphere, has shown interest as well.

Mexico, Japan and Singapore have already ratified the agreement, with Vietnam and two others set to do so by year-end. The bloc comes into force 60 days after at least six members ratify it. The Trans-Pacific Partnership has a membership of eleven countries.

A dedicated committee will be set up to iron out the exact process for bringing in newcomers. The bloc will not renegotiate its rules on intellectual property and other trade issues, but tariff rates will be worked out between each existing and new member.

The US pulled out of the original 12-member TPP in 2017 before it could even be ratified.

The agreement has now been revived as the TPP-11. Along with reducing tariffs, the agreement will set rules for a wide range of fields, including e-commerce and intellectual property, making exports from members like Vietnam or Chile more competitive within the bloc than those from nonmembers.

Source: fashionatingworld.com - July 20, 2018

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# A plan to save WTO

*The American-led trade order is in danger. But it may yet be saved*

THE headquarters of the World Trade Organisation (WTO), on the banks of Lake Geneva, once belonged to the League of Nations. That ill-fated body was crippled by American isolationism. The building's occupant today is also at the mercy of decisions taken in Washington.

President Donald Trump has circumvented the WTO to impose tariffs on steel and aluminium imports, including those from America's allies. Complaining of unfair treatment, the administration is blocking nominations to seats on the WTO's appellate body, which could leave it unable to hear cases after 2019. Most ominously, America is embroiled in a trade war with China. Both sides have imposed tariffs on goods worth tens of billions of dollars and are threatening worse.

The WTO was supposed to contain trade disputes and prevent retaliatory pile-ups. Today it appears to be a horrified bystander as the system it oversees crumbles. Free-traders are right to be deeply worried, but not yet right to despair. For the outlines of a plan to save the system are discernible. It's the end of the WTO as we know it

That might seem fanciful, given Mr Trump's belligerence, but for two things. The first is that the president is not the only person forging American trade policy. The European Union and Japan have been talking to Robert Lighthizer, his low-profile chief trade negotiator, about WTO reform. Mr Trump's tirades make headlines, but Mr Lighthizer wants to remake the WTO, not abandon it entirely.

He could use the president's threats as leverage to make deals. Think of it as a good cop/bad cop routine, albeit one in which the bad cop has only a faint grasp that he has been allotted the role.

The second thing to understand is that the focus of much of America's ire, China, arouses deep suspicion elsewhere, too (see Briefing). Since joining the WTO in 2001, China has not turned towards markets, as the West expected.

Instead, it has distorted trade on a scale that is far bigger than the dumping and other causes of disputes between market economies that the WTO was designed to handle.

The EU and Japan share America's desire to constrain Chinese mercantilism. China's state-owned firms and its vast and opaque subsidies have distorted markets and caused gluts in supply for commodities such as steel. Foreign firms operating in China struggle against heavy-handed regulation, and are required to hand over their intellectual property as a condition of market access.

But holding China to account is hard with the existing rule book. The reforms being talked about by the EU, Japan and America could plug many of the gaps. They would set out how to judge the scale of government distortions to the market, make it easier to gather information on wrongdoing and set the boundaries for proportionate retaliation.

They would also define what exactly counts as an arm of the government, and broaden the scope of banned subsidies. And they would lower the burden of proof for complainants, which, given the opacity of the Chinese system, is too high.

Even the sunniest optimist will be able to identify the obstacles to this plan. Most obviously, why would China ever accept a reform that jeopardises its state-run economic model? Put plainly, because America could wreak havoc otherwise. It is in China's interests to preserve the global trading order because, if China is isolated, the Communist Party cannot achieve the prosperity that cements its legitimacy.

The benefits to China of its WTO membership have come not from lower tariffs in America—they were already low—but from the certainty of stable trading relationships. Its "Made in China 2025" plan to boost vital industries sounds threatening, but if China were obliged to produce everything at home, its time frame would be delayed by decades. Sure enough, China and the EU agreed on July 16th to co-operate on WTO reform (see article).

Reaching a global agreement that covered every one of the WTO's 164 members would also be extremely difficult. The last big round of global trade talks stalled over demands by developing economies such as India for more leeway to protect farmers.

New negotiations may be held hostage to these old disputes. Luckily, negotiators can skip around them if necessary, by securing a "plurilateral" agreement between a group of big economies. The WTO would still enforce the terms, though they would not apply to its other members.

Last comes the greatest block to a grand bargain, Mr Trump himself. The president is a fierce critic of the WTO and a believer that bilateral deals suit American interests better. This week he called the EU a "foe" on trade. If he thinks Mr Lighthizer is manipulating him, he will strike back.

And I feel slightly more upbeat than you might expect

A better idea than the Trump administration's wrecking strategy would have been to unite most of the world around a set of rules in America's interest, forming blocs so large that China would have had to choose between compliance and isolation. That was the idea behind both the Trans-Pacific Partnership (TPP), a pact from which Mr Trump withdrew within days of taking office, and also a stalled trade deal with Europe.

Wrecking strategies do not always fail, however. Sometimes they pay off handsomely. A WTO fit to handle complaints about unfair competition would be a gift to the world. The genius of the rules-based system is that it has torn down barriers by persuading producers that the prize of access to foreign markets is worth the accompanying global competition.

When that competition is deemed lawless, political support for free trade withers. A world in which China is pursued by its critics through the WTO, and faces proportionate retaliation when necessary, is far preferable to one in which a tit-for-tat trade war can escalate without limit.

Mr Trump is hard to predict. He may yet abandon the WTO. If he does, other powers will probably go on building links and writing rules—witness the trade deal that the EU and Japan signed this week.

But if Mr Lighthizer is able to present Mr Trump with an agreement that the president likes, the world trading system may yet be saved. It might even be improved.

Source: economist.com - July 21, 2018

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# Indonesia looks to mitigate impacts of US-China trade war

As the US and China are locked in a trade spat through mutual hiking of tariffs, Indonesia looks likely to be dragged into what may escalate into a global trade war.

Experts of the East Asia Summit said that in a bid to address the trade surplus of around 9 billion USD enjoyed by Indonesia against the US, President Donald Trump reportedly wants to revoke the special tariffs his country applies to Indonesian products, especially in textiles, which is bound to be detrimental to the Indonesian economy.

Despite not ruling out retaliatory tariffs, Indonesian Trade Minister Enggartiasto Lukita said he would first prioritise trade diplomacy. In contrast, those in the textile industry want to see a more militant approach.

Chairman of the Indonesian Textile Association Ade Sudrajat told the Jakarta Globe news outlet that if a higher tariff is imposed, it will create a huge obstacle for the textile industry, which must be countered.

He suggested that Indonesia could use its sizeable imports of US agricultural produce as a bargaining chip, given that American soybeans make up about 70 percent of the national consumption.

However, experts said imposing a high import duty on soybeans would naturally result in price hikes for its derivative products, thus affecting local lives. With the national legislative and presidential elections coming up next year in Indonesia, the Government will without fail try to curb inflation, especially for daily staples, as best as it can.

Indonesian authorities have taken diplomatic endeavours to deal with difficulties, negotiating with the US government at all levels and pursuing a multilateral effort through ASEAN to maximise trade diplomacy with the US.

The current US-China trade showdown is estimated to result in a cascading effect throughout Asia as goods made in China, electronics for instance, often incorporate components manufactured elsewhere on the continent, notably in the Southeast Asian countries of Thailand, Vietnam, and Malaysia.

A full-blown trade war between the world's two biggest economies may also see global trade traffic decimated, affecting port cities like Singapore.

Source: en.vietnamplus.vn- July 20, 2018

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## Pakistan: Textile exports increase 9pc to $13.53bln in FY2018

Textile exports rose around nine percent to $13.53 billion for the fiscal year ended June 30 as financial incentives improved competitiveness of the key export-oriented sector, official data showed on Friday.

Pakistan Bureau of Statistics (PBS) data showed that textile exports amounted to $12.45 billion in the last fiscal year of 2016/17.

Analyst Ahmed Lakhani at JS Global Capital said growth in exports was mainly due to higher volumes sold during the last fiscal year. "We believe this indicates higher competitiveness of Pakistan's textile exports amid a weakening local currency against major currencies," Lakhani said.

Rupee lost around 20 percent against the US dollar since December last year. Last year, the previous government announced Rs180 billion of various tax concessions for export-oriented sector.

PBS data showed that knitwear exports increased 15.2 percent to $2.719 billion in the fiscal year of 2017/18. Exports of bedwear rose 5.8 percent to $2.3 billion. Readymade garments exports fetched $2.6 billion during the last fiscal year, up 11.22 percent year-over-year.

In June, textile sector's exports clocked in at $1.194 billion, down 0.84 percent compared with $1.204 billion in May and falling 1.94 percent as compared to $1.217 billion exports in June.

Zubair Motiwala, chairman of the Council of All Pakistan Textile Associations said production was low in June due to Ramazan effect while several transactions were delayed due to Eid holidays.

"Going forward, we will be able to maintain the current export levels and might be able to register nominal gains," Motiwala said. "However, unless government brings the cost of doing business down desired results would not be achieved."

Motiwala further said the government should follow the Chinese model and reduce cost of utilities through concessions and subsidies.

Pakistan's textile industry is the eighth largest manufacturer in Asia, contributing 8.5 percent to the country's GDP, while employing about 45 percent of the total labor force – 38 percent of it being manufacturing workers.

An exporter said the country is only getting spillover orders and that too would stop coming once the competitors increase their capacity. The government should come with a concrete and sustainable policy to facilitate exporters.

"Due to weak global demand, the nation's exporters were unable to boost margins significantly as a result of the depreciation of the local currency and had to pass on the benefits to their foreign customers," Lakhani added.

In June, cotton yarn exports increased 13.4 percent year-over-year to $124.023 million. Knitwear exports were up 0.97 percent to clock in at $257.423 million, while bed wear exports declined 2.35 percent to $205.49 million in June.

Readymade garments exports declined 2.94 percent to $235.68 million in June over the same month a year earlier, while cotton cloth fetched $188.26 million, up 7.6 percent.

Pakistan is the fourth largest producer of cotton with the third largest spinning capacity in Asia after China and India and contributes five percent to the global spinning capacity. At present, there are approximately 1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units producing textiles.

Source: thenews.com.pk- July 21, 2018

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## NATIONAL NEWS

# RCEP: Higher level of commitments in services is needed, says Teaotia

Commerce Secretary Rita Teaotia has said that a speedy and successful conclusion of the Regional Comprehensive Economic Partnership (RCEP) between the 10-member ASEAN and its six free trade partners, including India and China, would be possible only with a higher level of commitment in services and investment.

"Today, the conversation is that the agreement on goods is easy and therefore the ambition should be to move from 86 per cent (of total traded items) to 92 per cent.

On the other hand, the argument is not to go beyond 60 per cent of services and that too with several caveats," Teaotia pointed out speaking at the plenary session on 'ASEAN-India Trade, Investment and Technology' at the tenth edition of the Delhi Dialogue on Friday.

Teaotia stressed that services account for half of the GDP of the negotiating countries and therefore leaving services at a low level of ambition could not result in a balanced and complete outcome of the partnership agreement.

RCEP, a proposed pact between the ASEAN and Australia, China, India, Japan, Korea and New Zealand, accounts for 25 per cent of global GDP, 30 per cent of global trade, 26 per cent of global FDI flows and 45 per cent of the total population.

Dato Ramesh Kodammal, co-chair of the ASEAN India Business Council, said bilateral trade between ASEAN and India has crossed the $80 billion mark, which was the highest volume of trade in goods witnessed ever since the India-ASEAN FTA was signed in 2010.

Source: thehindubusinessline.com-July 21, 2018

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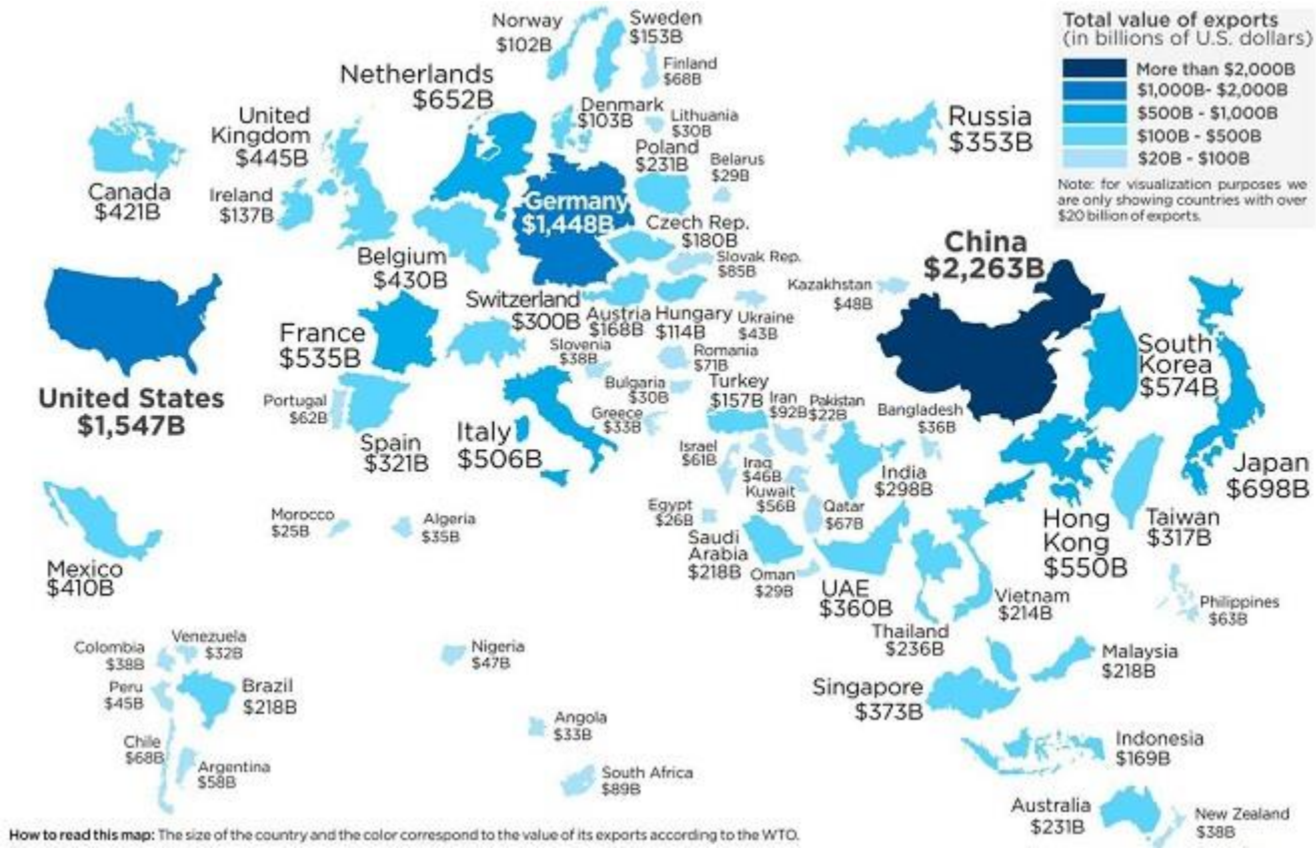
# Can you spot India on this 'world's biggest exporters' map?

*The World Economic Forum has shared a map depicting the world's biggest exporters using different shades of blue. Can you spot India on this map?*

India's exports growth story has been phenomenal lately with double-digit growth registered in the last two months.




Moreover, India's annual exports growth rate is also expected to be healthy, probably the fastest, in coming years, outpacing exports king China. However, India's total yearly exports at $298 billion are far behind not just China, but the United States, Germany and many others.

The World Economic Forum has shared a map depicting the world's biggest exporters using different shades of blue. Can you spot India on this map?

As per 2017 data, the world's top five exporters are China $2,263 billion; United States $1,547 billion; Germany $1,448 billion; Japan $698 billion; Netherlands $652 billion.

India, which is not in the top ten list, has continued to show healthy exports growth. The country's exports surged whopping 20% in May and 17% in June. The Federation of Indian Exports Organisation said that the 23 out of 30 major products exported from India were in positive territory in the month of May this year.

Other segments such as petroleum, engineering, organic & inorganic chemicals, drugs & pharmaceuticals, cotton yarn/fabs/made-ups, electronic goods and plastic and linoleum have also shown positive growth.

In fact, internationally, India's engineering goods are quite popular. Engineering goods that comprise of cars, automobile parts, spacecraft product etc constituted 24% of the total goods exports in the financial year 2016-17. India's services exports, too, showed remarkable growth last year, with a double-digit growth in the first half of the last year.

Source: financialexpress.com-July 21, 2018

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## Warp and weft

***Effects of import duty hike on 50 textile products hard to ascertain***

Perhaps taking a cue from the climate of protectionism the world over, the Centre has decided to raise import levies on 50 items, from fibre to apparel. Most of the items will attract a rate of 20 per cent, against 10 per cent now.

Readymade garments (RMG) imports increased from ₹2,643 crore in 2013-14 to ₹4,983 crore in 2017-18, which amounts to a CAGR of over 17 per cent — and these are just official numbers. Bangladesh and China, with whom India shares porous borders, accounted for about 64 per cent of India's RMG imports in 2017-18 (26 per cent and 38 per cent, respectively).

The hike in duty will contain direct Chinese imports, but not so much the influx from Bangladesh. Since India has free trade pacts in place with Bangladesh and our less significant RMG import origins, Vietnam and Cambodia, the higher tariffs are unlikely to come into force with respect to these countries.

Lower RMG imports from China over the next few years will open up a section of the domestic market for local players. However, this window of respite may not last for long. China could step up its relocation of apparel making into Bangladesh and ASEAN countries, a process that is already underway as a result of rising labour costs in China and a larger move by its industries to move up the skills and technology ladder into sectors such as electronics.

Despite the size of the Indian market, China has generally preferred to export its way into India rather than set up facilities here, with India too not being entirely comfortable at the latter prospect for strategic reasons. Hence, there can be no getting away from India's RMG sector setting its own house in order.

While China's share in global apparel exports is on a gentle decline (it still controls over a third of the world market), India has been losing out to Vietnam and Bangladesh, with the respective shares of the three countries at 4 per cent, 5 per cent and 6 per cent.

As Economic Survey 2016-17 implicitly suggests, India's textiles and apparel industry has been impacted not as much by labour costs (it observes that monthly wages at $80-120 are on a par with those in Bangladesh but lower than in Vietnam, Indonesia and China) as by logistics and tax-related hassles. Besides, the price of cotton is a factor of concern in an industry where margins are under relentless pressure.

The government could pitch in with housing costs for labour, as in China's clusters. While staying competitive on the global stage, a large domestic market helps the garments sector to ride out shocks arising out of constantly shifting global market trends.

Source: thehindubusinessline.com-July 21, 2018

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# Indian Textile Sector Facing Price and Trade Challenges

India's cotton textile sector is at an important stage, given the trade situation between other major cotton producing and trading countries.

The unsettling trade situation between the United States, the world's leading cotton exporter, and China, one of the world's leading users, should place India's cotton and textile sector in a better situation.

Indian currency has been weakening against the dollar, which should also benefit textile exports.

However, this positive sense is not felt by the textile industry in India.

Earlier this month, the Indian government announced a 28% increase in the minimum support price (MSP) for important crops such as cotton and paddy to help support farmers. While the farm sector support is welcomed by the agriculture, textile and allied sectors, there is some feeling within the textile sector that the farm level support should not have come through market programs. The MSP increase will likely increase the price of domestic cotton and make the raw material relatively expensive, which will impact the textile sector.

Mr. S. Velmurugan, general manager of a large cotton spinning mill in Aruppukottai, India, questions whether spinners will be in a position to absorb higher prices. His mill has about 70,000 ring spindles and produces fine count yarns catering to the home textiles sector.

While the industry benefited due to its established presence as a leading yarn exporter and relatively less expensive skilled labor force, Velmurugan stated that those advantages have been slowly eroding due to countries like Vietnam, Indonesia, and others.

These current situations make it clear that the Indian cotton sector should focus on increasing its productivity, improving its quality, working on its contamination levels and diversifying its strength. Economically feasible and suitable projects that can attract both domestic and export markets are needed.

Enhancing its product offerings, strengthening its downstream processing and developing value-added textile sectors such as technical textiles could offer near- to long-term benefits for India's textile industry.

Source: cottongrower.com-July 20, 2018

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## ECGC to hike export insurance premium as claim payments shoot up

With a sharp rise in payout for claims from banks, Export Credit Guarantee Corporation Ltd's will hike the premium it charges to lenders for insurance cover for credit to exporters. The upward revision will be bank-specific, taking into account claims behaviour.

Export Credit Guarantee Corporation Ltd's (ECGC) payout for claims rose by 45 per cent at Rs 12.83 billion during the FY 2017-18, as against Rs 8.85 billion in 2016-17.

The claims from banks for defaults in gems & jewellery, cotton covering fibre, yarn and fabrics, Textile and Garments sector had the highest share in payout in Fy18.

The level of claims payment is expected to stay elevated in Fy19 due to continuing stress in the banking sector, said Geetha Muralidhar, Chairman-cum-Managing Director of ECGC.

The government-owned insurer has told Indian Bank's Association (IBA) that it will revise premium rates and reduce the extent of cover for export credit for large borrowers.

It will reduce export credit cover, for large borrowers for banks, to 50 per cent of the outstanding amount. Earlier, ECGC used to provide over 65 per cent export credit cover.

At present, ECGC charges premium between six paise to 13 paise per month for Rs 100 of cover, depending on claims behaviour and stress in the sector. Rates would be within the upper-end of band (rs 13 paise).

She said the gross claims payout during the year exceeded that of gross premium income owing to the settlement of claims to banks. The total claims paid during the year to both banks and exporters amounted to Rs 12.83 billion. In addition, provisions of Rs 60 billion have been set aside for future payouts.

ECGC said the Gross Premium earned in Fy 2017-18 was Rs 12.40 billion as against Rs12.67 billion in the 2016-17. The investment and other income increased to Rs 6.96 billion in FY 2017-18 up from Rs 6.56 billion in the previous Financial year.

Its Profit After Tax (PAT) available for appropriation in the FY 2017-18 dipped sharply at Rs 0.74 billion, against Rs 2.82 billion in FY2016-17.

Appropriate risk mitigation measures were continued in respect of sectors with high claim ratios namely, Gems, Jewellery and Diamond sectors to protect the interest of ECGC as well as that of banks, she added.

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

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## Centre to take measures to resolve GST issue for MMF sector: Industry leaders

The central government on Thursday hinted at taking proactive decisions in favour of the man-made fabric (MMF) sector in order to resolve the issues and problems under the goods and service tax (GST) latest by July 21.

A delegation from the city's textile sector led by Navsari MP CR Paatil was summoned by Union Textile minister, Smriti Irani to New Delhi on Thursday morning to discuss the issues related to GST faced by the sector.

The textile industry leaders along with Southern Gujarat Chamber of Commerce and Industry (SGCCI) made representations to Irani and met union finance secretary, Hasmukh Adhia in the afternoon, where it was decided that the government will take proactive measures at the upcoming GST Council meeting to solve the issues of MMF textile sector.

The powerloom weaving sector has been demanding refund of accumulated input tax credit (ITC) from a very long time, while the textile traders are demanding simplification of GST law, relief under e-way bill and the problems faced by the trade in filing the ITC-04 form.

It must be noted that the Central Board of Indirect Taxes and Customs (CBIC) had organised GST open house at city's Surat International Exhibition and Convention Centre (SIECC), where they had to face the ire of the people from the textile sector, over the pending issues under GST.

Leader of powerloom weaving industry, Ashish Gujarati, who was present in the meeting at New Delhi said, "The meeting was held in positive atmosphere and we are hopeful that the central government will take measures to resolve our ITC refund issue on July 21. The ITC refund will give a new lease of life to the dying powerloom sector."

SGCCI president, Hetal Mehta said, "There is some good news waiting for city's textile sector. This time the government is very proactive towards our demands related to GST, especially ITC refund."

Source: timesofindia.com- July 20, 2018

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## Reduce contamination of cotton at source

The Indian Texpreneurs Federation (ITF) has decided to concentrate on contamination-controlled cotton from the source, said D. Prabhu Damodaran, convenor, here on Friday.

### Awareness drive

To achieve this goal, the ITF will create awareness by way of short films, posters and education tours for the ginners and cotton producers to reduce contamination at source.

For this purpose, select ginning members of ITF will closely work with the producers and introduce them to best practices in all possible areas.

As part of this process, ITF cotton team will be handing over 10,000 caps and wearable cotton bags to the workers of the ginning factories to make them responsible partners.

**Technical team**

It also plans to send a technical team to the source aimed at better training, adopting standard systems of purchase and delivery, he added. ITF, a consortium of cotton mills and ginners had procured nearly 1.85 lakh bales during its first year of operation directly from the cotton growers, eliminating the middlemen to a certain extent.

It has so far procured 3.8 lakh bales during the current cotton year (2018-19) and it hopes to procure further 20 lakh bales.

Timely and good rainfall has raised the hopes of ginners that during next cotton year (2019-20), it could procure 4.5 lakh to 5 lakh bales.

Maharashtra was the highest supplier of cotton with 45 % of the total supply to ITF and Telangana with 32 % and Karnataka with 20 %.

This could be possible due to the building of trust by the ITF between the cotton mills and ginners, as they are partnering with the mills to get clear-cut information on market intelligence, Mr. Damodaran said.

As part of the drive, 64 top ginners visited cotton mills to gain first-hand experience of cotton production.

They also held interaction meeting with MD s of 32 cotton mills in the State.

Source: thehindu.com- July 21, 2018

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# Ethiopia, Kenya, Uganda participate in Tiruppur seminar

Representatives from Ethiopia, Kenya and Uganda recently participated in a seminar in Tiruppur in India's Tamil Nadu state to discuss increasing investments from the zone in textile and garmenting sector in their countries.

The seminar was organized by the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Tiruppur Exporters' Association (TEA).

The seminar was conducted under the banner of 'Supporting Indian Trade and Investment for Africa' (SITA) project, implemented by the International Trade Centre (ITC) in Geneva.

Four knitwear companies from Tiruppur have already started their factories in Ethiopia in the last one and half years.

The African delegates later met the owners of spinning mills affiliated to the Southern Indian Mills Association (SIMA) in Coimbatore, according to a report in a top Indian English-language daily.

According to TEA president Raja M Shanmugham, policies of those African governments are flexible in providing infrastructure and agricultural land to Indian companies and the labour cost is much lower as well.

Source: fibre2fashion.com- July 20, 2018

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## Cotton MSP hike will lead to 10% rise in garment prices

Garment manufacturers in Gujarat have predicted a rise of 10 per cent in the price of garments after the Central government raised the Minimum Support Price (MSP) of cotton.

The central government raised the MSP on medium-staple and long-staple fiber cotton by 28 per cent and 26 per cent, respectively. The MSP of cotton (medium staple) was raised to Rs 5,150 per quintal from Rs 4020 per quintal and that of cotton (long staple) to Rs 5,450 per quintal from Rs 4,320 per quintal.

“The increase in MSP will have a big impact on the prices of garments. In the run up to the upcoming festive season that extends till Diwali, we foresee a 8-10 per cent rise in cost of garments,” said Vijay Purohit, president of Gujarat Garment Manufacturers Association (GGMA), a body that manages 5,000 garment units in the state.

“We source most of our raw materials cotton fabric from Gujarat. We have also started sourcing from Karnataka,” Purohit said. The manufacturing units under GGMA mostly produce cotton garments for men.

According members of GGMA, even the larger cotton processing units who will have stocked up low price cotton will tend to increase the prices of their produce, which in turn will be passed on to the customers at the end of the value chain. “The effect on the price rise will be felt from end of August,” he remarked.

The selling rate of cotton shirts manufactured in Ahmedabad currently ranges between Rs 150-550 for a single piece in the wholesale market. Similarly, the prices of cotton pants produced by the garment manufacturers is about Rs 350-650, while that of denim is between Rs 450-900.

“The garments produced here are among the cheapest in India... The rest of the cost that you see on the price tag in retail outlets is the cost of marketing and brand,” Purohit said. In Gujarat, where cotton crop commands the maximum acreage, this year is expected to be no different. In 2018 Kharif season, farmers in Gujarat are expected to sow more cotton than last year.

Though the sowing has just begun due to delayed onset of monsoon, farmers in the state have already sown cotton crop on 17.22 lakh hectares which is almost 71 per cent more, compared to last year.

Source: indianexpress.com- July 20, 2018

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## Collective buying to focus on lowering trash in cotton

In a bid to provide quality cotton and boosting the supply chain, the ITF (Indian Texpreneurs' Federation) Cotton Team has showcased the "power of collective buying of cotton".

From purchasing 1.85 lakh bales (of 170 kg) of cotton (on behalf of the 32 member mills that are partners to this consortium) during its first year of operation (2016-17), the ITF Cotton Team has doubled the volumes till date during the current cotton year to touch 3.8 lakh bales.

### Quality awareness

"Our upcoming (2018-19) season target is to procure 4.5-5 lakh bales," said Prabhu Damodaran, Secretary, ITF. Stating that the focus this year would be "contamination controlled cotton," he said, "the quality of the Indian cotton is good, but it is spoilt due to wrong practices from farm to bale stage."

ITF Cotton Team is on a mission to create awareness about the effects of contamination and its impact in further process. The Federation has released a short film on introduction of best practices in all possible areas.

Giving a copy of the video to the 64 ginners from Maharashtra, Telangana and Karnataka — who are now on a visit to the mills here — he said, "the trash content is now 3 per cent. There is scope for bringing it down further."

### Sourcing the fibre

Highlighting the benefits of collective buying, Damodaran said: "Members are able to share market information, get quality cotton as specified by each of the mills, avoid disputes such as weight shortage. There is payment security for ginners and round the year supply."

To a query on how spinning mills source cotton, he said, “mills generally call 5-6 agents on a daily basis and based on the rate that the agent quotes, place the order.

In the process, the trade gets driven by price. This partnership with ginners has helped the mill sector source the fibre to suit their requirement.

Repeated orders with the select ginners has helped eliminate mistrust in the system.

They visit the mills to understand our requirement. This helps address some ground realities.”

Source: thehindubusinessline.com- July 20, 2018

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