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IBTEX No. 133 of 2018 June 28, 2018

USD 68.95| EUR 79.71 | GBP 90.37 | JPY 0.62

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22063	46150	**86.26**

Domestic Futures Price (Ex. Gin), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22260	46563	**87.02**

International Futures Price	
NY ICE USD Cents/lb (July 2018)	84.87
ZCE Cotton: Yuan/MT (Jan 2019)	16,020
ZCE Cotton: USD Cents/lb	**93.88**
Cotlook A Index – Physical	**93**

Cotton guide: Two working days are left for the month June to end. As of now Cotton for December contract at ICE the most acceptable exchange in the world has registered a loss of 7+ cents per pound. The price has topped at 94.82 and this morning while writing this report on 28th June at 8:30 AM IST the aforementioned contact is quoted at 84.86 cents.

We have seen several factors weighing cotton in the month of June. A) Revival of rainfall in the West Texas region became supportive for cotton and cotton growers in the US, made the sentiment of better crop and eventually pulled price down. B) Heavy long liquidation witnessed in the month of May. The same can be implied with sharp cut in the aggregate open interest at ICE futures. C) Speculative positions and fund houses have cut their longs along with built fresh short positions.

This is also being cited in CFTC's weekly commitment of Traders' Report (COT). D) Chinese cotton price moved up sharply in mid-May to early June with the expectation that that the price crop number would be lower, ending stocks are lower than the average. However, price again corrected sharply and currently trading near the levels where it had begun its rally. E) The technical charts had reached to an overbought phase hence adequate price correction was needed and the same has been witnessed in entire June. For detailed comprehensive report please get in touch with Kotak Commodities Research Desk.

Currency Guide: Indian rupee has depreciated by 0.5% to trade near 69 levels against the US dollar. Rupee hit a record low level today weighed down by Brent crude trades near $77 per barrel today after a sharp 2% rally yesterday on bigger than expected decline in US crude oil stocks and supply worries relating to Iran, Canada and Libya.

Chinese equity market has entered bear territory amid worries about trade war and disappointing economic data. The US dollar index has scaled back above 95 levels benefitting from increased expectations of Fed's two more rate hikes.

Rupee may continue to remain under pressure unless we see significant improvement in risk sentiment or sharp correction in crude oil. USDINR may trade in a range of 68.6-69.2 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

Economists are Watching These Indicators to Gauge Trade War Pain

The global economy is showing the first signs of damage as a brewing trade war rattles financial markets and hurts corporate confidence.

The escalating actions and threats between the U.S. and its major trading partners, including China and the European Union, pose one of the biggest threats to global growth. We asked economists which indicators they are watching most closely to gauge the stress points.

Here's what some of them said:

IFO

As Europe's largest economy and a top global exporter, Germany would be particularly exposed to any trade slowdown. The Munich-based Ifo Economic Research Institute produces leading confidence indicators for the country and the euro area.

The measures so far announced by the U.S. and others would dent trade growth by no more than a few percentage points, said Holger Schmieding, chief economist at Berenberg in London. "The major impact will be on confidence," Schmieding said. "Hence I am watching forward-looking confidence indicators such as Ifo expectations and French companies' own production outlooks."

South Korea

Readings on exports from South Korea, one of the world's leading manufacturers, are a favorite of analysts seeking to gauge where global growth is headed. Taiwan's export orders are also cited as ones to watch.

"As the starting point for many of the inputs into Asia's electronics supply chain, South Korea is the canary in the global trade coal mine," said Tom Orlik, chief economist at Bloomberg Economics. "Exports for the first 20 days of June already look dismal -- with a 4.8 percent year-on-year contraction reversing a 14.8 percent gain in the same period in May.

It’s tough to say if that’s monthly volatility or fading demand, but it’s not a good sign."

Numbers for the full month give a fuller picture, with the next reading due July 1. The chart below shows a clear link to China’s cycle.

New Export Orders

To get a handle on demand, keep an eye on the new export orders component of the JP Morgan Global Manufacturing purchasing managers index.

"This has come down sharply of late, and may already reflect growing uncertainty around trade policy, though other cyclical factors are at work as well," said Frederic Neumann, co-head of Asian economics research at HSBC Holdings Plc in Hong Kong. He’s also watching Chinese imports of processing goods, which are ..

China

Economists routinely cite China trade data as a key measure of global demand and what it means for the health of the world’s second-biggest economy.

Overall trade appears to be holding up but there are some signs of softening. A sub-index on export orders can be volatile due to seasonal effects and other factors, but it’s likely to be among the first data points to register a slowdown.

US Producer Prices

Vishnu Varathan, head of economics and strategy at Mizuho Bank Ltd. in Singapore, is watching three main indicators to get a handle on the global trade trajectory: PMI manufacturing indexes, mainly in Asia and Europe; global exports in volume terms, as “validation” of the PMI readings; and producer prices, especially in the U.S., for the impact of tariffs on the supply chain.

Electronics

Given that “a lot of the targeting of tariffs” is aimed at Made in China 2025 and electronics industries cited in that strategy, Selena Ling of Oversea-

Chinese Banking Corp. is keeping an eye on electronics gauges from her seat in trade-reliant Singapore.

Ling acknowledges that it'll be difficult for electronics exports to accelerate in 2018 at a year-on-year pace, given last year's stellar performance. She'll look for any further deterioration in electronics exports as a sign that trade tensions are taking a toll. A sub-index of the city's PMI focused on electronics has weakened this year, but is holding in expansion territory -- where it should remain for another couple months, in Ling's view.

"The question now is whether the story's going to change as of July 6," when a new round of U.S. tariffs could take effect, said Ling. And from there, U.S. midterms should ensure that President Donald Trump keeps everyone on their toes.

Trade Volumes

Economists are also looking at direct measures of trade volumes such as cargo traffic. They've held up so far but it may be too early to record the impact of the flare-up in tensions. For example an index of container traffic in 88 major ports worldwide showed no sign of declining trade volumes as of May.

"Given Germany's export focus, I would always start with German data," said Carsten Brzeski, chief economist at ING-Diba AG. "Ifo export expectations are clearly a good start but I also found some smaller indicators like Fraport traffic figures or the DHL world trade barometer."

PMIs

The negative impact of the fight over trade appears to be already showing up in sentiment indicators, according to Torsten Slok, chief international economist at Deutsche Bank in New York. "It is striking that the significant tailwind from corporate tax cuts is now being offset by other forces, most likely the uncertainties associated with the ongoing trade war." In a note to clients, Slok highlighted recent drops in PMIs.

Source: bloomberg.com- June 26, 2018

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China to cut tariffs on products from India, Asian nations

China will cut import tariffs on goods from India, South Korea, Bangladesh, Laos and Sri Lanka from July 1, its central cabinet announced. It will reduce tariffs on soybean from 3 per cent to zero.

Chemicals, agricultural products, medical supplies, clothing, steel and aluminium products will also see tariff reductions, according to official Chinese media.

All imported products from these five countries will adapt a tariff rate of the Second Amendment of The Asia-Pacific Trade Agreement, the State Council said.

The announcement comes amidst tariff spat between China and the United States, following pressure by US President Donald Trump to cut down $375 billion deficit in bilateral trade.

India has been pressurising China to open up more for Indian products, specially in information technology and pharmaceuticals, to reduce $51 billion in over $84 billion trade.

During the India-China strategic dialogue in April, Rajiv Kumar, vice chairman of Indian government think tank NITI Aayog, had pitched for export of soybean and sugar to China from India, according to an Indian news agency report.

Early this month, Premier Li Keqiang had announced that China will reduce the average tariff rate for clothing, shoes and hats, kitchenware and sports and fitness supplies from 15.9 per cent to 7.1 per cent from July 1.

He has spoken about balanced development of trade by opening the domestic market wider and offering more choices for Chinese consumers.

Source: fibre2fashion.com- June 27, 2018

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How free-traders blew it

Canada is considering its own round of tariffs on goods from China and other exporters, Bloomberg reports, to stop imports no longer welcome in America from swamping its markets. If Canada takes this drastic step, President Trump's trade policy may no longer simply threaten American consumers with higher prices or penalize American companies that have foreign producers in their supply chain.

He may be threatening the whole global trade infrastructure that has lifted hundreds of millions of people out of poverty, improved the quality and quantity of the goods we all consume, and built tightly integrated trade networks of mutual advantage to replace adversarial military posturing.

Some part of me can't quite believe it. I started my career at the Economist in 2003, a giddy time for a magazine founded to promote the principles of free trade. China, the world's largest nation, had just been admitted to full membership in the World Trade Organization; the notorious Multi-Fiber Arrangement, which governed the world trade in textiles, was on the verge of ending, and the Doha round of WTO talks in Qatar was off to a promising start.

Oh, we free traders understood that there were protectionist voices here and there, but it seemed as if they were fighting rearguard actions on the road to defeat. The world economy was simply too deeply integrated, the benefits of trade too obvious and well-known.

Looking back, I think we were reading too many economics papers and not enough W.H. Auden: " . . . Remember when / Your climate seems a permanent home / For marvelous creatures and strange men, / What griefs and convulsions startled Rome, / Ecbatana, Babylon."

The Doha round's 2003 ministerial conference in Cancun, Mexico, collapsed after four days. Attempts were made to revive the talks, but prospects dimmed over the next few years. Then it became clear: The patient had been dead since 2003.

For the next decade, it was free-traders who were fighting a holding action, earnestly debating the merits of better-than-nothing bilateral or regional trade agreements. Then came Brexit. And Trump.

Suddenly we're no longer even thinking about minor advances; we're thinking about how to manage the retreat.

Free-traders, I now realize, made two basic mistakes, one analytical and one more fundamental.

The analytical mistake was underestimating the effect that China's accession to the WTO would have on domestic industries in the rich world. When workers complained about trade displacement, we free-traders pointed out that trade creates jobs as well as destroys them, leaving workers generally better off. That's usually true.

But China was a special case. Most trade liberalization occurs slowly, giving workers time to adjust, but when trade barriers to Chinese goods fell, manufacturing workers in the 37 nations of the Organization for Economic Cooperation and Development were suddenly exposed to competition from millions of low-wage workers. Recent research by economists David H. Autor, David Dorn and Gordon H. Hanson suggests that the "China shock" destroyed jobs faster than they could be created.

In our defense, this was a unique situation. There is no other country with a comparable population and a comparable pace of industrialization. It won't happen again. But that isn't easy to explain to people who can see what it did to their town, not much comfort to those who lost their jobs.

Which brings me to free-traders' second, more fundamental mistake: We forgot, in all our pro-trade rhetoric, that people care more about their identities as producers than they do as consumers.

Well into the China shock, people like me rather glibly pointed to all the cheap goods that trade with China had made available. Somehow, it didn't occur to us that someone who has gone from making $20 an hour as a machinist to making $9 an hour as a Walmart associate doesn't much care that his new employer now offers fabulous deals on flat-panel televisions.

Our rhetoric had worked when changes were slow and the relatively few people displaced could find reasonably similar employment. But when the changes were fast and harmed large numbers of people, this rhetoric seemed — and was — incredibly callous.

I haven't changed my mind about free trade. It remains the surest way to improve human prosperity. But I have revised my opinions about the wisdom and tactics of free-traders. We were right about trade but also unconscionably arrogant. If we'd had a little more humility, we might have been able to manage China's WTO accession so that rich-world workers had more time to adjust. And we could have talked less about what trade made possible for people to buy and more about what it could help them produce.

Alas, we can't go back and rectify our mistakes. But we can certainly remember them and try to do better, as we fight to keep the current retreat from free-trade principles from turning into a full-fledged rout.

Source: washingtonpost.com- June 27, 2018

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The Future of Recycled Cotton Denim Leans on Innovation

Everything old is new again, at least where the denim industry is concerned. Mills are churning out fabrics made from castoff clothing and brands and retailers are relishing these so-called "recycled" jeans as they move from niche to norm.

All this buzz is thrilling to the Alliance for Responsible Denim, an initiative based out of the Amsterdam University of Applied Sciences, which works to mitigate the environmental impact of the denim industry. Instead of being relegated to a small rack in the back of a room, recycled styles are now "front and center" in the conversation about sustainability, said Hélène Smits, initiator and lead of the Circle Textiles program at Circle Economy, one of the organizations involved in the alliance.

Kilim, Orta and Tavex are members of the small but growing fraternity, as are the Arcadia Group, Asos, Gap, Nudie Jeans and Mud Jeans. All of these companies see the "need to make denim more sustainable, and they want to be a part of that," Smits said.

Denim, as many critics have noted, is a filthy, dirty business. Just growing the cotton that goes into a pair of Levi's 501 jeans consumes about 2,570 liters of water, according to a life-cycle assessment by the denim giant. That's seven times more than fabric production, cutting, sewing, and finishing combined. Replacing 20 percent of the cotton in denim with fibers from post-consumer sources, on the other hand, can save up to 500 liters per garment, Smits said.

“There’s a lot of innovation in the dyeing process and in the finishing process, which is great,” she said. “But those water and chemical savings are only a small percentage of the savings you get by using recycled material.”

Indeed, a 2016 study commissioned by H&M found that employing recycled cotton “for the stages up to when the fiber is ready for spinning” reduces climate and water impacts by up to 90 percent.

Made-By, a European fashion not-for-profit that has partnered with the Alliance for Responsible Denim, rated recycled cotton more highly than even organic cotton in its environmental benchmark for fibers. Besides requiring less energy, water and land, as well as fewer chemicals than its virgin counterpart, recycled cotton also generates fewer greenhouse-gas emissions during production.

Using reclaimed materials tackles an additional problem: the prodigious volume of textile waste that ends up in the landfill or incinerator. Americans alone toss aside 13 million tons of textiles—about 310,000 truck-loads’ worth—every year, according to Secondary Materials and Recycled Textiles, an international trade association for companies that sort post-consumer textiles for recycling. “These textiles are valuable materials that can be used again,” Smit said.

Overcoming obstacles

There are limitations to using recycled cotton, of course. For one thing, it costs more. Amassing used clothing, then combing through a sea of polyester and rayon blends is labor-intensive work. (Some mills prefer to collect only secondhand jeans for this reason). So is the process of mechanically chopping up garments into pulp for spinning.

Plus, mills have caps on how much recycled cotton they can use. Because the shredding process reduces the fiber’s staple length, which can weaken the integrity of the resulting fabric, manufacturers have to bolster the recycled cotton slurry with other, stronger fibers—virgin cotton, say, or in the case of

Lindex's Even Better Denim, a mix of virgin cotton and polyester derived from post-consumer recycled plastic bottles.

"Right now, it's only possible to have a maximum 20 percent of the garment in post-consumer recycled cotton," said Anna-Karin Dahlberg, Lindex corporate sustainability manager. "After that, the fibers get too short and the quality of the fabric will be inferior and it will rip easily."

The provenance, and chemical composition, of other people's throwaways can also complicate matters. "You don't really know where the denim comes from," Dahlberg said. "And they could come from a country or brand where the legislation of chemical content is not as tough as the one that we follow."
Next steps

Potential contamination is why mills like Candiani in Italy opt to use pre-consumer fibers, their own cutting-floor scraps among them, in their recycled denim. Candiani works with Lenzing to blend its recycled cotton with Refibra, a type of Tencel that the Austrian fiber manufacturer creates using cellulose and post-industrial cotton waste.

Lenzing makes Refibra using a closed-loop chemical process, a tack the company says neither compromises fiber strength nor limits the amount of recycled content.

Candiani's Re-Gen denim, for instance, comprises 50 percent Refibra and 50 percent pre-consumer recycled cotton in both its warp and weft. "There is no fresh, raw cotton woven into this denim," said Marykate Kelley, the mill's marketing manager.

H&M is another company eager to overcome mechanical recycling's constraints. The retailer has partnered with the Hong Kong Research Institute of Textiles and Apparel to develop a way of recycling blended textiles into new fabrics and yarns without any loss in quality. It has also tapped Re:newcell, a firm that dissolves waste cotton and viscose into high-quality raw materials, for future collaborations.

"So even if there are challenges, we see great innovation breakthroughs," said Cecilia Strömblad Brännsten, acting environmental sustainability manager at H&M.

As talk of a "circular economy," where products are made to be reused and recycled rather than thrown away, grows more vociferous, the spotlight on recycled denim has also become brighter.

Mud Jeans, for one, has crafted a business model based on selling jeans, taking them back at the end of their life, and then recycling those old jeans into new ones. Through trial and error, the company has honed its logistics to an art.

Still, the brand is keen to increase the proportion of recycled cotton it uses per garment—40 percent, which is higher than the industry average. It's hopeful, though.

"We're just starting to come to a tipping point where we get economies of scale," said Dion Vijgeboom, co-owner of Mud Jeans. "So, we're getting to the point where it's becoming interesting to work like this.

Source: sourcingjournal.com- June 27, 2018

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Bangladesh needs to up its technology quotient to lead the game

"Bangladesh export earnings from the US has been dipping at the rate 4.46 per cent to reach $5.07 billion in 2017 from $5.30bn a year ago, as reported by the data by OTEXA. Owing to this, its share in the US apparel market came down to 6.31 per cent from 6.58 per cent.

While Vietnam registered over 7 per cent growth in the US apparel market, followed by Mexico at 5.33 per cent, India at 1.19 per cent, and Pakistan at 1 per cent in the same period.

China, the largest exporter of apparel products, also saw a decline in export earnings as well as market share in the US. Rising labour costs in China and the country pushing towards service-based economy are some of the reasons behind its decreasing export share. However, with the ongoing trade war between China and the US, Bangladesh and Vietnam are the strong contenders to fill the gap."

Who would win ultimately?

Major comparative advantages of Bangladesh apparel industry are lower wages, high capacity suitable for largeBangladesh needs to up its technology quotient to lead the game 001 volume orders, and lean manufacturing. Bangladesh has inherent supply of local cotton, yarns, and fabrics, even though it is not sufficient to cover the entire demand of the apparel export sector. The high dependence on importing most of cotton and fabric to sustain apparel manufacturing contributes to longer lead times. To add to the woes are the poor infrastructure, inefficient logistics, and unstable energy supply.

Vietnam on the other hand has much higher labour cost (twice or thrice of Bangladesh) but this disadvantage is nullified by higher productivity of skilled and better trained workers. Hence, Vietnam can produce intricate styles with agile and flexible manufacturing. Its infrastructure, logistics services and reliable energy supply are state-of-the-art, resulting in shorter lead times. However, Vietnam lacks in domestic raw materials and primarily relies on imported textiles. But Vietnam's proximity to China makes transporting raw materials easier and convenient. In terms of product portfolio, Bangladesh has much less diversified product portfolio than its Vietnamese counterparts.

Of Bangladesh's total exports, 79 per cent are concentrated in five basic products: trousers, T-shirts, sweaters, shirts, and jackets. In comparison, Vietnam has a more diversified product portfolio. 63.1 per cent of Vietnam's apparel exports to the US comprise of these top 10 product categories: women's knit shirts and blouses (MMF), women's trousers (cotton), women's knit shirts and blouses (cotton), women's trousers (MMF), men's knit shirts (cotton), dresses (MMF), men's trousers (MMF), men's knit shirts (MMF), men's trousers (cotton), and women's coats (MMF).

Playing it safe

Rather than banking on just one market, Vietnam has diversified its reach and because of that, despite the abandonment of the Trans-Pacific Partnership (TPP) last year, Vietnam's textile and garment industry exceeded its 2017 target of $30bn with an export turnover of over $31bn, registering an increase of 10.23 per cent from the prior year.

While the US, EU, Japan, and South Korea maintained good growth, China, Russia, and Cambodia registered a strong export lead.

Vietnam has also invested big in the development of shuttle less looms and the biggest investor in ring spindles and open-end rotors, amongst the ASEAN countries. The lesson for Bangladesh is clear that one cannot compete on low-cost advantage alone. The country needs to move away from mass market commodities to higher value-added fashion goods or increase productivity. Its garment factories must re-engineer their operations to increase worker skills.

Embracing technology, up-skilling workforce to meet new technology needs, moving up the value chain in its product-portfolio from basic commodity to high end fashion, diversification of markets, developing a conducive climate for attracting foreign investment, improving ranking in the global competitive index on all pillars, developing our infrastructure, developing our own textile sector to reduce over-dependence on raw-materials and thus reduce lead times would all ensure that Bangladesh can retain its number two spot as the apparel exporter to the world.

Source: fashionatingworld.com- June 27, 2018

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Global apparel giants raise orders from Turkey

Several global apparel buyers, including Newlook, Near East Manufacturing, Colveta, Hermes Otto and Varnern, recently announced that they would increase their orders from Turkey by about 20 per cent. The announcement came at the Turkish Clothing Manufacturers' Association's (TGSD) 5th Procurement Strategies and Prospects Panel meeting in Istanbul.

Apparel exports of $17 billion would increase to $18 billion this year, and would reach around $25 billion in five years, TGSD chairman Hadi Karasu told the meeting.

Karasu and top domestic textile sector players stressed the importance of environment-friendly and quality production to make the rise in demand sustainable, according to a report in a Turkish daily.

Country manager Hayrettin Uysal of Colveta, which every year purchases €40 million worth products from Turkey, said the company plans to raise that figure to €65 million within five years.

Hermes Otto wants to raise purchases from Turkey to over €100 million in 2018, a 7 per cent growth. Verner, a major buyer, will also reportedly increase its apparel order from Turkey, currently €55 million, by 5-10 per cent this year. Near East Manufacturing will increase its $100 million order by 10 per cent.

Source: fibre2fashion.com- June 27, 2018

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Taiwan to join CPTPP next year

Taiwan is planning to join CPTPP as soon as the agreement comes into force early next year. Canada this month introduced legislation to ratify the CPTPP.

Japan and New Zealand are planning to complete the ratification process by the end of this year. Mexico has already ratified the agreement. The CPTPP will come into force once six countries have completed ratification.

As per John Deng, Taiwan's trade negotiator and cabinet minister without portfolio, Taiwan would begin to be locked out of the network of trade agreements in the region, which could become a burden for Taiwanese companies and create export diversion.

Regional trade pacts involving the Association of Southeast Asian Nations and the European Union's trade deal with South Korea had already begun to be implemented.

Taiwan was planning to continue market liberalisation on its own and touted increased transparency efforts including allowing foreign companies to comment on new regulations.

Source: fashionatingworld.com- June 27, 2018

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Tax hiked for garment manufacturers in Bangladesh

Readymade garment manufacturers in Bangladesh have to pay a higher corporate tax. The tax rate has been raised from 12 to 15 per cent.

However, certified green factory owners will enjoy a three per cent rebate and pay 12 per cent, while publicly traded readymade garment manufacturers will have to pay 12.5 per cent.

At present a certified green factory pays ten per cent tax, which will be increased to 12 per cent.

The RMG industry in Bangladesh plays an important role in generating employment and fostering economic growth.

In the budget the 100 per cent export-oriented textile industry gets duty exemptions on raw material imports. Exemption of import duty is proposed for textile raw materials such as flax fiber and flax tow.

Efforts are on to ensure congenial working environment in the readymade garment industry. Safety evaluation work has been completed in 3,780 factories.

In addition, a public accessibility database has been prepared, containing information on 3,743 export-oriented readymade garment factories. Also creating a database with information on another 27,000 factories is under way.

About 65 Leadership in Energy and Environmental Design (LEED)-certified factories have been operating in Bangladesh. Among these, 13 have received platinum status, 20 gold status and 34 silver status.

Source: fashionatingworld.com - June 27, 2018

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Australia produces bumper harvest

The cotton industry in Australia is on track to produce about 4.6 million bales or over a million tons of fiber. Cotton prices are particularly attractive but plantings are likely to be significantly down due to water shortage. Next season there could be a crop of around 2.2 million bales, 50 per cent down on last year.

A lot of winter crop hasn't gone in. The northern areas are hitting the last available date for planting cereals. So, some of that country may be put to summer crops, especially if there is rain in August. So sorghum and dry land cotton are on a lot of people's minds.

Cotton production in the Murrumbidgee and Murray valleys of southern New South Wales has hit a record 8,00,000 bales, with 53 new growers joining the region's existing cohort of 110 to grow a record area of 72,000 hectares. The average yield for this all-irrigated area was around 11 bales per hectare.

There are plenty of new growers sending cotton to the gins this year. The shift has been due largely to the high cost of irrigation water. When the price of water goes up, the margin is worse on rice, and that makes cotton look better, especially when the price of cotton is high.

Source: fashionatingworld.com - June 27, 2018

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NATIONAL NEWS

Trade events in Africa, S America to explore new markets for exports: Commerce Ministry

Trade events are being organised in African, Central and South American countries to explore new markets with a view to boost the country's exports, the commerce ministry today said.

"Because of these measures, exports are continuously registering growth," it said.

These issues, among others, were discussed in a meeting chaired by Commerce and Industry Minister Suresh Prabhu last week.

In the meeting, the minister reviewed a strategy for revitalising India's exports.

"The minister reviewed development of USD 100 billion additional export strategy focussing on champion and promising products and market retention," it added.

It said that commodity specific strategy includes products like gems and jewellery, leather, textile, pharmaceuticals, electronics, engineering, chemical, marine products and agriculture goods.

India's exports grew by 9.78 per cent to USD 302.84 billion in 2017-18.

Source: business-standard.com- June 28, 2018

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India must explore new strategies to counter Pakistan's hostility, and do it without firing a single bullet

India and Pakistan have been in a state of covert and overt aggression against each other since their partition in 1947. There have been sporadic efforts at peace, but Pakistan remains ideologically and irreconcilably hostile to India's growth and prosperity. With conventional war no longer an option between the nuclear-armed rivals, India needs to explore more effective methods of neutralising this threat. In his classic treatise The Art of War, Sun Tzu had argued that the perfect strategy would be to subdue the enemy without fighting. Novel strategies need to be explored to make the cost of Pakistan's unrelenting hostility literally unaffordable.

In a recent report on the state of Pakistan's economy, the International Monetary Fund (IMF) questioned its macroeconomic stability. Surging imports have led to a widening current account deficit and a significant decline in international reserves despite higher external financing. Pakistan's net international reserves in mid-February 2018 were in the negative by $ 7 million. The report highlighted the high likelihood of the country defaulting on its loans from the IMF. On several occasions over the past three decades the agency has issued similar warnings, but Pakistan has averted complete disaster. However, the situation that Pakistan finds itself in today is particularly grave, and even the slightest setback could plunge it into full-blown economic crisis.

Pakistan's economy has a historical vulnerability in the form of current account deficit. It has a burgeoning import bill for petroleum, consumer products and capital goods while 57 percent of its exports mainly comprise of textiles and cotton. The country bridges this deficit through foreign remittances, foreign aid and loans. Pakistan's current account deficit, which stood at $2.5 billion in 2015-16 has ballooned to $12.4 billion in 2016-17. Its exports that year stood at $20.45 billion while its imports were two and half times that figure at $53 billion. Remittances of $19.3 billion from Pakistanis working abroad helped close the gap.

Historically, the United States has been Pakistan's biggest donor and the IMF has been extending the country loans to tide over dollar shortages. Some estimate that Pakistan has received between $30 billion and $35 billion in aid from the US since the 1950s. A major part of this has been in the form of military aid. But, more recently as the US has begun to withdraw its support, Pakistan has been looking to China to fill its coffers. Their flagship joint venture, the China-Pakistan Economic Corridor (CPEC) is a $60 billion programme to construct ports, roads, power plants, telecoms and railway infrastructure. These fund flows are helping to boost the economy and, in the short term, ease its balance-of-payments problem. But these are loans bearing an interest of 6 percent-7 percent or assured high-return equity. Servicing them is going to put increased pressure on its balance-of-payments situation if CPEC investments do not generate commensurate exports. Thus, the CPEC could become another economic vulnerability.

Given its economic frailties, Pakistan is an extremely vulnerable situation. Being largely an agrarian economy, with its exports dominated by cotton, textiles, and apparel, a hostile country needs only to increase the supply of textiles in international markets to make Pakistani exports non-competitive and shake its macroeconomic stability. Squeezing the flow of remittances from its workers in the Gulf states would completely undermine Pakistan's economy.

The key question is: can India resort to such peacetime economic combat without expending too many resources? The first leg of this strategy is to increase competition for Pakistan's textile exports in international markets. India's textile sector contributes to about 13% of its exports. The Indian textile industry is diversified, with hand-woven textiles at one end of the spectrum and production through capital intensive mills at the other. Pakistan's textile exports are low value-added products. India does have the ability to undercut Pakistan's textile export prices by pumping in targeted subsidies to its textile-export sector.

India can pump cheap capital into textile companies and create conducive environment to encourage Indian exporters to follow a predatory-pricing model. For instance, if Pakistan exports a textile product at $1 per piece to Europe, Indian companies can be encouraged to sell the same product at $0.95 per piece.

European markets would prefer the cheaper product. This will reduce forex earnings of Pakistan and put an additional strain on its balance of payments. Over time, Indian companies could develop the economies of scale and efficiencies to sustain sales at $0.95, but initially the government must make up for lost profits through subsidies and credit.

Such a strategy will have its own cost for India. Pakistan's textile manufacturing is dominated by labour-intensive processes. Labour is much cheaper in Pakistan than in India. Hence, unless India acquires economies of scale, it does not have a natural competitive advantage viz-a-viz Pakistan in the segments of textile goods that Pakistan specializes in.

Pakistan also enjoys 'GSP+' preferential tariff treatment in its exports to the Europe which India does not. But Bangladesh enjoys the same preferential tariff treatment in the Europe. Wages in Bangladesh are low, and the country is already a global textile-export hub. So, any increase in Bangladeshi textiles exports also directly undercuts Pakistani exports to the Europe. Thus, in addition to boosting its own textile industry, India should promote Bangladeshi textiles by providing cheap credit and equity to it.

The second leg of the strategy is to create substitutes for manpower exported by Pakistan to the Gulf Cooperation Council countries. GCC countries have a longstanding relationship with Pakistan and they have encouraged the import of labour from Pakistan. But this relationship is fraying. The views of Lt. Gen. Dhahi Khalfan Tamim, head of Dubai's General Security, is a case in point. On 1 April 2018, in a series of tweets, he disparaged Pakistanis living in the United Arab Emirates as "smugglers, drug peddlers and criminals" and called upon Dubai authorities to stop hiring Pakistanis. By comparison, he said that Indians are disciplined.

As India also exports a significant number of skilled and semi-skilled workers to GCC countries, this presents a significant opening. While increasing its manpower exports to the Gulf countries, India should also try to promote Bangladeshi workers in GCC countries using its diplomatic resources. As Pakistan manpower exports to the Gulf are in the lower end of the skillset spectrum, Bangladeshi manpower will directly undercut it. India and Bangladesh working in tandem will also work as a bulwark against Pakistan using the religion card against India with the Gulf countries.

Such measures will have other benefits for India. Promoting Bangladesh's economy has direct consequences for India's national interest: it will reduce the distress migration of Bangla citizens to Assam and West Bengal through the long, porous border. It will also increase cooperation and goodwill with a neighbour that does not have any major strategic misalignment with us.

There are other factors in play currently which are likely to facilitate this strategy. The surge in global oil prices has put increased pressure on Pakistani reserves. The US has, in a major policy reversal, not just turned off the aid tap but is making it difficult for Pakistan to borrow in international markets. Due to violations of money-laundering and counter terror financing laws, the Financial Action Task Force has also put Pakistan on its 'grey' list, making its international financial transactions costlier, time consuming and difficult. In the meanwhile, Pakistani rupee has been devalued by nearly 20% in the last 6 months. Pakistan hopes that currency devaluation will boost its exports by making them cheaper, but its structural inefficiencies and growing dependence on China will increase its import bill and lead to inflation. Pakistan is facing a general election and is under a caretaker government. Its internal security and political situation remains fragile.

But even if India has the capacity to ravage Pakistan's economy, how wise would such a course of action be? What are the likely risks and benefits associated with it? No hostile action is devoid of risks and neither is this. Destabilising Pakistan's economy, and the resulting chaos, could increase support for extremist organisations and increase their ability to recruit. The military establishment in Pakistan may become desperate enough to sell nukes to the biggest bidder. This argument plays to the madman fiction created by Pakistan's propaganda machinery, that promotes fears that the Pakistani state does not behave rationally and can act unpredictably and recklessly when facing an existential threat.

The second unintended consequence is that an economic crisis of such a magnitude will push Pakistan deeper into China's embrace and create a more formidable enemy on our western borders. But, the benefits of waging an economic war is that an economic crisis will deepen conflicts and fissures within the subject society. The resultant anarchy and political dissonance will put pressure on the Pakistani establishment to reorient its India-centric focus to a more development-centred one. That could spur faster economic growth in South Asia and bring peace to the subcontinent.

Source: firstpost.com- June 27, 2018

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Disruptive thinking - the new norm for SMEs: Experts

Suresh Prabhu, Minister of Commerce & Industry supported the celebrations with video messages for the audience comprising India's leading MSMEs and SMEs.

"MSMEs need to adopt disruptive thinking to take better advantage of the growth dividend opportunity," opined an expert panel at the Edelweiss SME Lending BSE MSME Day.

The theme this year "Limited to Unlimited Celebrating Entrepreneurship, Unlocking Value", was an initiative to salute the spirit of the Indian entrepreneurs and acknowledge their immense contribution in driving India's growth story on India's first International Micro, Small and Medium-sized Enterprises (MSME) day today.

The event inauguration was done with the ceremonial "Ringing of the bell" by Rashesh Shah, Chairman and CEO, Edelweiss Group and Ashish Kumar Chauhan, MD & CEO, BSE.

Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation and Sudhir Mungantiwar, Minister of Finance & Planning, Forests, Government of Maharashtra, supported the celebrations with video messages for the audience comprising India's leading MSMEs and SMEs, many of which are listed on the exchange.

Mr Prabhu said, "MSMEs are the backbone of the Indian economy, are the largest contributors to employment in India, provide significant output and also help exports. Most importantly, they enable development of the Indian society inclusively. Small Industries are key to many large scale Industries as they provide support in terms of components and other allied services essential for these industries to survive. I wish to congratulate you and wish you all the best for the future."

Mr Mungantiwar said, "Our society is growing rapidly. MSMEs are very big chunk of our GDP growth.We need to support these businesses in their growth journey. On this International SME day, as the Finance Minister of Maharashtra, I assure our SME players that we will stand alongside them and make sure they get the required support for their businesses."

Source: newindianexpress.com- June 27, 2018

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Non-BT seeds to be mixed with BT to fight pink bollworm

The year 2017 had seen pink bollworm (PBW) attacks on cotton, especially in Maharashtra, Telangana, Andhra Pradesh and Karnataka.

The war against Pink Bollworm is getting stronger in Maharashtra. The year 2017 had seen pink bollworm (PBW) attacks on cotton, especially in Maharashtra, Telangana, Andhra Pradesh and Karnataka.

The infestation of this insect pest — whose larvae bore into cotton bolls through the lint fibre to feed on the seeds — happened during October, just when the crop was maturing and almost ready for its first-flush pickings, and further aggravated by unseasonal rains.

To overcome this problem, the union government has recommended a unique RIB (Refugia In Bag) concept, wherein 25 grams of non-Bt Cotton seed is mixed with 450 grams of Bt Cotton seeds.

'Refuge' plots are non-transgenic plants. However, these packs were separate and usually ignored by farmers who put them aside during sowing operations. As a result, the Pink Bollworm attacks became stronger. To combat and weaken the proliferation of Pink Bollworm, the government of Maharashtra may decide to stop the process of separate non-BT packs and instead provide these along with BT Cotton so that the farmers end up sowing these seeds along with BT cotton seeds.

CB Mayee, president, South Asian Biotechnology Centre, had earlier pointed out that one way to reduce pest susceptibility is to plant non-Bt cotton as "refugia" in the vicinity of the main Bt crop. But farmers, especially with small holdings, don't want to lose land in growing non-Bt plants that can act as hosts for the bollworm insects. It is important to note here that PBW exclusively feed on cotton, unlike other bollworm insect species that also attack other crops such as pigeon-pea, sorghum and sunflower.

Without cultivating non-Bt cotton as refugia, PBW is bound to develop resistance to Bt toxins over time, as has happened in Maharashtra. Over the

years, Bt Cotton's resistance to PBW has reduced and during the last season alone the pest has caused 20-25% loss to the crop across the state.
The strategy of growing 'refuge' plants around the GM plants is to prevent or delay the development of Bt-resistant insects. This enables planting non-BT cotton which can host PBW wild insects and prevent resistance build-up in PBW, industry experts pointed out.

Last season onwards, the National Seeds Association of India (NSAI) has taken up the issue on a war footing and revived the RIB concept. Several seed and pesticide companies have also begun to distribute pheromone traps as part of their CSR projects.

Recommending the RIB concept, MG Shembekar, vice president, NSAI, said that this would help weaken the proliferation of PBW on BT Cotton.

He pointed out that since PBW exclusively feed on cotton, unlike other bollworm insect species that also attack other crops such as pigeon-pea, sorghum and sunflower.

Due to RIB, the PBW will not get adequate nutrition and weaken over time, he said. Without cultivating non-Bt cotton as refugia, PBW is bound to develop resistance to Bt toxins over time, as has happened in Maharashtra, he pointed out.

The Centre has granted permission for 5-10% of non-BT Cotton along with the BT Cotton seeds and should the farmers follow these methods for sowing along with other preventive measures, PBW will weaken over the season, he said.

According to him, the cotton sowing is in full swing. More than 20-30% sowing operations have been completed in Yavatmal, Wardha, Amravati and Nagpur regions. However, the dry spell in between may see the need for resowing operations in some regions, he pointed out.

This year, the Met department has been careful in its warning and had also issued an advisory that farmers should start Kharif sowing only by June end after regular spell of rains.

Most farmers in the region seem to have heeded the advice. But in the last one week, districts like Yavatmal in the cotton belt, which received scattered rainfall, saw sowing operations picking up.

Nationally, annual seed market for the legally approved varieties is estimated at around 4.5-4.8 crore packets (of 450 gram each) and the area under the fibre crop hovers around 120 lakh hectares.

This season, Maharashtra is preparing 40 lakh hectares for cotton sowing and normally some 1.6 crore packets of seeds are required for a season. A major portion of the crop is in Vidarbha, Marathwada and Khandesh pockets of the state.

Source: financialexpress.com- June 28, 2018

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Taiwan Textile Federation (TTF) to promote sustainability, innovation at Technotex

The Taiwan Textile Federation (TTF) will promote sustainability, technological innovation and new functional textiles at Technotex India beginning Thursday in Mumbai.

Targeting the growing Indian technical textile industry, expected to grow 20 per cent annually to touch $30 billion in 5 years, Technotex is a global platform to explore opportunities in India.

Exploring new partnerships and business opportunities in the growing technical textiles sector of India, this year 10 leading Taiwanese companies producing innovative technical, functional, performance and industrial textiles and accessories will be showcasing their high-end products along with others at the two-day exhibition. This will be an excellent opportunity for Indian buyers to network with the Taiwanese suppliers.

Technotex India is organized by the ministry of Textiles in association with FICCI. Taiwan’s textile manufacturers will surf the wave at the exhibition by catering to the wellness generation, getting the production more cost-effective and going greener.

"Technotex is an important platform for us to showcase and promote Taiwan's strength in technical as well as functional textiles amongst the Indian buyers across various industry verticals.

India has a huge potential for us and we are looking forward to build new contacts and explore business opportunities in the Indian technical textiles market as well as other sectors such as sports apparel, outdoor gear and wear, home textiles and medical and healthcare sectors. We invite all to come and meet us at Technotex India 2018," Sean Tsai of Taiwan Textile Federation, said.

Source: fibre2fashion.com- June 27, 2018

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Hosiery products turn costlier

The hosiery products that are supplied from Tirupur cluster to the domestic markets have cumulatively become costlier by 123 %, since the first collective decision of entire hosiery manufacturers to increase the prices happened in 2005.

A glance through the cost trend graph accessed by The Hindu shows that the prices of the hosiery products from Tirupur cluster were raised on as many as 14 occasions since December 5, 2005.

Interestingly, the prices were scaled down only once between December 5, 2005 and the latest decision taken a few days back by the South India Hosiery Manufacturers Association (SIHMA) to increase the costs.

“The resolution to bring down the prices on July 11, 2011, by 5 % has been made only because of a significant reduction in the cotton yarn prices during that period, even though the other costs like transportation and labour charges were going higher”, SIHMA sources told The Hindu . The most numbers of price escalations occurred in 2010.

The year saw the hosiery products from Tirupur cluster become dearer on a total of four occasions with the prices collectively going up by 32 %.

"In 2010, the prices of end products have to be raised by 10, 7, 10 and 5 % within a gap of few months due to periodical hikes in input costs", said the hosiery manufacturers.

Source: thehindu.com- June 28, 2018

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Boon in disguise: Lack of migrant workers creates opening for locals

Ludhiana garment units find value in employing Punjabi women

The city's textile and garment industry prefers to hire women over the unreliable migrant workforce that abruptly quits their jobs during the harvesting and sowing seasons.

The Vardhman Group, which employs more than 5,000 women in their units across Punjab, provides the whole package — from training to accommodation and transport facilities.

Companies take local communities into confidence before recruiting women from a particular region. It is not easy to convince the locals to send their womenfolk to work, Vardhman Yarns & Threads Managing Director DL Sharma said.

"We rope in social organisations, panchayats and gurdwaras and take their help to convince the locals about the safety of the women," he added.

Leading garment manufacturer Sportking prefers women over migrant labourers though women need transport facility. The company has hired buses for transporting women workers from villages. "They are trained for a couple of weeks before they are absorbed in the unit. We encourage women to join the industry," Sportking Founder-Chairman Raj Avasthi said.

Companies prefer women as they turn out to be more committed and better skilled. Starting from cutting to sewing and packing, Punjabi women are much better, said Superfine Industries Managing Director Ajit Lakra. He is also the president of Ludhiana Knitters Association.

"Migrant labourers return to their villages April onwards for harvesting and sowing. Women, especially Punjabis, are doing much better than their male counterparts in the garment industry," he said.

He said that his company did not face labour crisis this season after it hired local womenfolk. The industry has been forced to rely on migrant labour because local youth are not interested to work in factories.

Due to the labour crunch, the industry suffers from cost escalation, quality deterioration and breach of delivery commitment. "In this scenario, it is better to hire women, who prove to be better suited for the garment and textile industry," Lakra said.

The industry has zeroed in on local women also because Punjabi men are obsessed with overseas jobs. "Some men are engaged in agriculture, while some are hooked to drugs," Akash Bansal, Managing Director, Rage Knitwear, said.

In contrast, other industries, including bicycle, auto-parts and hand-tools, are hit hard and their output has plummeted due to non-availability of both skilled and unskilled labourers during harvesting period. With production hit, many exporters are unable to meet commitments.

According to a bicycle manufacturer Bhogalsons, labourers from Uttar Pradesh and Bihar start leaving Ludhiana in April.

"While some inform us, others don't. Although they promise to return 15-20 days after harvesting, they take 3-4 months to return and some choose not to come back," Avtar Singh Bhogal of the company said.

Source: tribuneindia.com- June 27, 2018

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Surat weavers seek more duty on Vietnamese silk

Seeking a level-playing field, silk weavers from the Indian textile hub of Surat have urged the government to impose 10 per cent customs duty on silk fabrics imported from Vietnam. At present, silk fabrics produced in India attract a goods and services tax (GST) of five per cent while silk fabric imports from Vietnam enter duty free in the country.

There is GST of 5 per cent on fabrics manufactured in India, while the imported silk fabrics have zero duty. As a result, the imported silk fabrics are cheaper by Rs 45 per metre as compared to the fabrics made in India, the Federation of Indian Art Silk Weaving Industry (FIASWI) said in a memorandum submitted to Union textiles minister Smriti Irani.

The issue of input tax credit (ITC) refund was also raised by FIASWI in its letter, which was submitted on their behalf by Surat MP Darshana Jardosh.

The non-refund of accumulated ITC is resulting in losses to the industry and drastic reduction in capital investment for machine modernisation, FIASWI said.

Source: fibre2fashion.com- June 27, 2018

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Export push: ECGC, NEIA to get more capital support

₹3,000-cr infusion will help provide insurance cover of up to ₹3 lakh crore for exporters

In an effort to boost exports, the government on Wednesday approved financial assistance of over ₹3,000 crore to the Export Credit Guarantee Corporation (ECGC) and National Export Insurance Account Trust (NEIA). These were among the many proposals approved at the meeting of the Cabinet and the Cabinet Committee on Economic Affairs (CCEA).

ECGC will receive capital infusion of ₹2,000 crore while NEIA will have grant-in-aid (corpus) of ₹1,040 crore. This will help in providing insurance cover approximately up to ₹3 lakh crore.

ECGC provides insurance cover to exporters of goods in case of payment default by the receiving party or in other incidence. Similarly, NEIA provides insurance cover for project export.

Interim Finance Minister Piyush Goyal said more financial assistance will help exporters, especially those belonging to Micro, Small and Medium Enterprises (MSMEs). Echoing similar sentiment, an official statement said that it would strengthen India's exports to emerging and challenging markets like Africa, CIS (Commonwealth of Independent States) and Latin American countries.

"With a stronger underwriting capacity, ECGC will be in a better position to support Indian exporters to tap new and unexplored markets. Increased capital infusion will help ECGC to diversify its product portfolio and provide cost effective credit insurance helping exporters to gain a stronger foothold in the difficult markets," it added.

Covers from the corporation will help in improving competitive position of India exporters in international markets. "More than 85 per cent of customers benefited by ECGC's covers are MSMEs. ECGC covers exports to around 200 countries in the world," it mentioned.

Talking about additional grant to NEIA, another official statement said that the amount of ₹1040 crore is to be utilised during three years from 2017-18 to 2019-20. "An amount of ₹ 440 crore has already been received for the year 2017-18 and ₹300 crore each will be given to NEIA for the years 2018-19 and 2019-20," it said. It would strengthen NEIA to support project exports from the country that are of strategic and national importance.

Govt doctors

In other decision, the Cabinet approved a proposal for shifting of more experienced doctors belonging to Central Government and Central government entities to teaching, clinical or Public Health Programme implementation activities.

The approval seeks to ensure that the doctors belonging to Central Health Service (CHS) and of other Ministries, Departments or Central Government entities, after attaining the age of 62 years, work exclusively in their respective fields of clinical expertise.

Nod for MoU

The Cabinet also approved signing of the Memorandum of Understanding (MoU) between India and Germany on cooperation in the field of civil aviation. This will lead to promotion of safe, effective and efficient development of air transport between India and Germany.

The MoU in the form of Joint Declaration of Intent signifies an important landmark in the civil aviation relations between India and Germany, and has the potential to spur greater trade, investment, tourism, and cultural exchanges between the two countries.

Source: thehindubusinessline.com- June 28, 2018

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