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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 110 of 2018 May 29, 2018

USD 67.74| EUR 78.82 | GBP 90.25 | JPY 0.62

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20413	42700	**80.39**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
21530	45036	**84.79**

International Futures Price

NY ICE USD Cents/lb (July 2018)	87.46
ZCE Cotton: Yuan/MT (Jan 2019)	18,555
ZCE Cotton: USD Cents/lb	**106.84**
Cotlook A Index – Physical	**94.9**

Cotton guide: The US markets were closed on Monday due to Memorial Day Holiday. Chinese markets were on but mostly muted. However, all kind of erratic action is being witnessed this morning on Tuesday during early Asian session. The ZCE cotton for the active contract is up by 715 points and trading at 18555 Yuan/MT. The effect is clearly visible on the ICE future contracts.

The July contract is up by 4.50% and trading around 93.20 cents per pound. No respite to December contract as the same is also up but marginally higher than the July future and hovering around 90.65 cents. By which the spread between July and December has further declined to 2.60 cents. We believe as we progress the weather premium is going add more prices to December contract and the spread might continue to narrow down. In fact the open interest in December contract is already higher by few thousand contracts over July future. There is high probability to see a complete inversion between the said contracts this season.

The trading pattern remains same for the ICE future as markets were closed on Monday however, ZCE contracts continue to witness heavy volume and open interests.

Coming to domestic market, there has been increase in the spot price of cotton and the S-6 is hovering around Rs. 42,250-42400 per candy ex-gin. The both domestic demand and exports trend are likely to keep the cotton price higher. With the ICE cotton for front month July moving above 93+ cents a pound has made Indian ginners and exporters to make aggressive sales at the discounted price which has generated high volume into several markets including China. Also Indian rupee depreciating has made exporters to go aggressive in their trade. On the futures front, the June contract has posted a close on Monday at Rs. 21530 and the trading range for the day would be Rs. 21400 to Rs. 21850 per bale.

FX Guide:

Indian rupee depreciated by 0.35% to trade near 67.66 levels against the US dollar. Rupee is pressurized by general strength in US dollar against major currencies and mixed trade in equity markets amid geopolitical uncertainty. The US dollar index has hit a 6-month high as Fed's gradual rate hike stance counters with cautious tone of other central banks. Political uncertainty in Italy has also pressurized euro against the US dollar.

However, supporting rupee is recent correction in crude oil price. Crude oil has slipped over 9% from recent highs on expectations that OPEC may raise supply to ease tightening in global market. Rupee may witness choppy trade on mixed cues but we could see some recovery as outlook for crude remains weak. USDINR may trade in a range of 67.45-67.9 and bias may be on the downside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

USA: Commerce Finds Fine Denier Polyester Fiber Dumped on US Market From Four Asian Nations

The U.S. Commerce Department has made affirmative final determinations in the antidumping duty (AD) investigations of imports of fine denier polyester staple fiber from China, India, South Korea and Taiwan.

Commerce determined that exporters from the four Asian nations sold fine denier polyester staple fiber in the U.S. at less than fair value. Foreign companies that price their products in the U.S. market below the cost of production or below prices in their home markets are subject to AD duties.

The dumping margins determined by Commerce were 65.17% to 103.06% from China, 21.43% from India, zero to 45.23% from South Korea and zero to 48.86% from Taiwan. In the China investigation, Commerce calculated a dumping rate of 72.22% for Jiangyin Hailun Chemical Fiber Co. and 65.17% for Jiangyin Huahong Chemical Fiber Co., Ltd.

The China-wide entity received a dumping rate of 103.06%, based on adverse facts available. An additional 14 companies demonstrated that they are independent from Chinese government control and Commerce granted them a separate rate equal to the simple average of the dumping rates.

In the India investigation, Commerce assigned a dumping rate of 21.43% to Reliance Industries Limited and Bombay Dyeing & Manufacturing Company, and to all other producers and exporters of fine denier polyester staple fiber from the country.

In the South Korea investigation, Commerce calculated a dumping rate of zero percent for Toray Chemical Korea Inc. and assigned a dumping rate of 45.23% to Down Nara Co. and Huvis Corp., and 30.15% for all other producers and exporters of fine denier polyester staple fiber from the country.

In the Taiwan investigation, Commerce calculated a dumping rate of zero percent for Tainan Spinning Co. and assigned a dumping rate of 48.86% to Far Eastern Textile Ltd., and determined a dumping rate of 24.43% for all other producers and exporters of fine denier polyester staple fiber from the country.

The petition was filed by North Carolina companies DAK Americas LLC and Auriga Polymers Inc., and South Carolina firm Nan Ya Plastics Corp.

Commerce will now instruct U.S. Customs and Border Protection to collect cash deposits from importers of fine denier polyester staple fiber those countries based on the final rates. In 2017, imports of fine denier polyester staple fiber from China, India, South Korea and Taiwan were valued at an estimated $61.4 million, $23.7 million, $11.9 million and $7.4 million, respectively.

The U.S. International Trade Commission (ITC) is conducting investigations to determine whether the domestic industry is harmed by imports of fine denier polyester staple fiber from China, India, South Korea and Taiwan. The ITC is scheduled to make its final injury determinations on or before July 9.

If the ITC makes affirmative final injury determinations, Commerce will issue AD orders. If the ITC makes negative final determinations of injury, the investigations will be terminated and no orders will be issued.

Commerce noted that it has initiated 114 new antidumping and countervailing duty investigations since the beginning of the Trump administration.

The AD law provides U.S. businesses and workers with an internationally accepted mechanism to seek relief from the harmful effects of the unfair pricing of imports into the country. Commerce currently maintains 440 antidumping and countervailing duty orders.

Source: sourcingjournal.com- May 26, 2018

HOME

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EU bed linen market poised to grow with Germany in the lead

The recent IndexBox study 'EU: bed linen analysis and forecast to 2025' reveals the size of the bed linen market in the EU reached approx 495,000 tons in 2016, which is or 6 per cent more than previous years. Over the period from 2007 to 2016, the market experienced mixed trend patterns.

From 2007-2010, there were somewhat pronounced fluctuations, followed by a dip over the next two years; however, it increased slightly from 2013 to 2016. In wholesale prices, the market also increased over the last four years, finally amounting to €3.1 billion in 2016.

This figure reflects the total revenue of producers and importers (excluding logistics costs, retail marketing costs, and retailers' margins, which will be included in the final consumer price). Over the last nine years, the market value expanded at an annual average growth rate of +1.7 per cent.

Germany and UK the frontrunners

Amongst the EU members, Germany (17 per cent), the UK (17 per cent), France (13 per cent), Italy (12 per cent) constitute the countries with the largest volumes of bed linen consumption.

The highest annual rates of growth in terms of bed linen consumption from 2007 to 2016 were recorded in the UK, with an average annual rate of +1.9 per cent. Meanwhile, consumption in France (+0.8 per cent), Italy (+0.4 per cent) and Germany (-0.5 per cent) remained relatively stable from 2007 to 2016.

Levels of per capita consumption in the leading consuming countries were equivalent to the EU-average level of 1.0 kg/year; the highest per capita consumption was recorded in the UK (1.3 kg/person), where it grew steadily from 2007-2016.

In 2016, the volume of total production for bed linen stood at 134,000 tons. Overall, the volume of bed linen production decreased from 2007 to 2016, however, it rebounded slightly over the last three years; prior to that, it declined steadily from 2007-2013. Portugal (32 per cent of the total output), Italy (19 per cent) and Germany (14 per cent) constituted the countries with the highest levels of production in 2016, together accounting for 65 per cent of the total volume of production. In Portugal, bed linen production increased by +3.5 per cent annually from 2007 to 2016.

Meanwhile, in Italy, production (-3.5 per cent per year) decreased over the period under review, and in Germany, it remained relatively stable over the period under review.

Major markets

The share of extra-EU imports in European consumption reached 80 per cent in 2016, against 71 per cent in 2007; indicating increasing reliance of European consumers on imported products, mainly from Pakistan, China and Turkey.

Despite improved production figures over the past three years, high reliance on imports is expected to continue in the medium term. In 2016, bed linen exports in the EU was 208,000 tons, which was equal to €1.9B. Germany (43,000 tons), the Netherlands (24,000 tons), Portugal (23,000 tons) and Belgium (22,000 tons) constituted the main suppliers of bed linen among the EU members, with a combined share of 54 per cent of total exports in 2016.

Among these countries, the Netherlands (+16.0 per cent per year) and Germany (+12.6 per cent per year) were as the fastest growing suppliers from 2007 to 2016, while exports from Portugal reduced on an average -2.2 per cent over the same period.

While the share of Germany (+12 percentage points) and the Netherlands (+8 percentage points) increased significantly, the shares of Portugal (-6 percentage points) and Belgium (-3 percentage points) illustrated a negative dynamic.

Import scenario

In 2016, bed linen imports into the EU were 559,000 tons, which equated €3.8 billion. Germany (20 per cent of the total figure), the UK (16 per cent) and France (12 per cent) remain the main destinations of bed linen imports.

Germany recorded the highest rates of growth in terms of EU imports, with a CAGR of +2.8 per cent. It was followed by the UK (+1.6 per cent) and France (+1.3 per cent).

In 2016, the volume of extra-EU imports for bed linen stood at 394,000 tons, 8 per cent more than the previous year.

Source: fashionatingworld.com- May 28, 2018

HOME

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Rwanda, US in dispute over second-hand garments

In March 2018, the USTR had warned Rwanda it would lose some benefits under the African Growth and Opportunity Act (AGOA), America's flagship trade legislation for Africa, in 60 days after it increased tariffs on second-hand clothes to support its local garment industry.

The row is further straining Washington's relations with Africa at a time when it is being aggressively courted by America's global competitors, not least China.

The Rwanda government is trying to attract companies targeting the export market, like US designer Kate Spade which assembles high-end handbags in Rwanda.

This strategy nation has flourished elsewhere in Africa under AGOA, with duty-free exports from the continent to the US market almost quadrupling to over $1 billion since the law was enacted.

The ultimatum from the office of the USTR, however, has thrown up a potential roadblock to further growth.

Source: fashionatingworld.com- May 28, 2018

HOME

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Hello CPTPP 11

An overview of Canada's Trans-Pacific trade deal

The long-awaited Trans-Pacific Partnership trade agreement – now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP – was signed in Santiago de Chile on March 8 by its 11 member countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

The United States pulled out of the negotiation process when Trump took office and until then, the agreement was referred to as the TPP 12.

Once the CPTPP enters into force, it will be one of the largest free trade agreement in the world, representing 495 million people and a combined GDP of $13.5 trillion, accounting for about 13 percent of the global economy. Before it can be implemented, each member country has to undertake its own domestic ratification process. The agreement will enter into force 60 days after six (or 50 percent) of the signatories have completed their ratification procedures.

Before looking into its content, let's take a brief look at its history. Many people believe the TPP was started by the United States in their attempt to counter the rising predominance of China in the region. Yet, it had nothing to do with the U.S. at the beginning, as negotiations began as early 2002 between New Zealand, Chile and Singapore. It was then known as the Trans-Pacific Strategic Economic Partnership or P-3, then to become the P4 when Brunei joined in 2005. It was only in 2008 that the US came into the picture. Then Malaysia joined in 2010, Canada in 2012 and Japan in 2013.
Benefits for Canada

The Agreement is expected to generate significant economic benefits for Canada, including access to Japan, the world's third-largest economy and fast-growing Asian markets like Malaysia and Vietnam. More than three quarters of Canadian agriculture and agri-food products will benefit from immediate duty-free access. Tariffs on meat will be reduced or eliminated within 10 to 15 years, on canola oil within five years, while a number of other products like cranberries, blueberries and pet food will get immediate duty-free access.

Tariffs will be eliminated on fish and seafood products immediately for the majority of products and the balance willl be phased-out over periods of up to 15 years. For forest and value-added wood products, tariffs will be eliminated either immediately or within up to 15 years, depending on the country.

For industrial goods and consumer products, 100 percent of tariffs will be eliminated, mostly immediately, or within 10 years, again depending on the country and the category. For example, there are different transition periods for industrial machinery, chemicals and plastics, metals, minerals and cosmetics. Regarding automobiles and automotive parts, a phased tariff elimination has been agreed upon, with variations according to the country.

This leads us to the unusual aspect of this trade agreement, in that it's not just one big single agreement but it also includes several individual pieces. Aside from the master agreement which applies to all, the full text of which was released on February 21, 2018, with its 30 chapters and numerous annexes, there are a number of side agreements between countries on a range of issues. They are sometimes referred to as side letters or side instruments.

For example, Canada has such agreements with all countries on cultural industries; with most countries on geographic indicators; with Australia on beef, motor vehicles, dairy and food processing; with Chile on agriculture and chemicals; with Japan on standards, forest products and dispute resolution; with Malaysia on motor vehicles and the oil industry; with Mexico on cooperation; with New Zealand on distinctive products, wines and spirits; with Peru on biodiversity; and with Vietnam on e-commerce, labour, patents and trademarks.

New Zealand has other side agreements with Chile, Malaysia, Mexico, Peru and Singapore, and so on. And some countries have tariff rate quotas for certain products, like Vietnam for vehicles, Malaysia for animals, Canada for dairy products, eggs and poultry, Japan for wheat and barley, etc.

Like all trade agreements, the CPTPP contains classic rules of origin built around originating goods, wholly obtained or produced goods, regional value content and further production.

Product-specific rules of origin are organized by HS codes and are relatively complex for automotive products, textiles and apparel. There is no specific document required for the origin certification, just minimum data requirements and the certification of origin can apply for a single shipment or multiple shipments of identical goods not exceeding 12 months.

The 'de minimis' limit for non-originating materials is 10 percent, similar to CETA, our trade agreement with the European Union, and more liberal than the seven percent under NAFTA. Shipments must be direct, but indirect shipments or trans-shipments, as they are called, are possible as long as the goods don't undergo any operation or treatment outside the parties and remain under Customs control or in bond in the territory of a non-party country.

The record-keeping requirement period is five years. Claims for preferential treatment and refunds of duties paid can be made up to one year after the date of the original importation.

In addition to the tariff reductions, which is the area of most interest to exporters, manufacturers and importers, the CPTPP contains commitments on standards and regulations, financial services, investment, environmental and labour issues. Certain professional and business visitors will benefit from improved access, but this varies depending on the country.

Future developments

U.S. president Donald Trump is said to be open to rejoining the TPP, providing it accommodates U.S. demands but it's not easy to tell how serious this is. In Asia, Thailand, Indonesia, the Philippines, South Korea and Taiwan have been reported to be debating whether to join the pact. The UK Government has floated the idea that it too should join the TPP, which is odd because the UK is nowhere near the Pacific. But this could be explained by a post-Brexit UK being somewhat isolated, it may therefore be eager to join any new trade agreement. China, so far, has remained skeptical of the deal.

Canadian companies must now incorporate the opportunities provided by the CPTPP into their international strategy and be ready to capitalize on them when the agreement comes into effect. The next step now is the ratification process.

How long should this take is a very good question and it's reasonable to guess that given its complexity and the number of countries involved, it may take a little longer than NAFTA did. That agreement was signed in October 1992 and put into effect in January 1994, a little over a year later.

CETA was signed in October 2016 and was provisionally implemented in September 2017, with full implementation still a few months away. Maybe the CPTPP will surprise us and come into effect faster than we think, providing there is enough political will to make it happen.

Source: mmdonline.com- May 28, 2018

HOME

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The free trade myth

First, in 2016, the United Kingdom turns it back on the European Union after 43 years, ignoring the benefits of unrestricted access to a market worth over $17 trillion. More recently, United States President Donald Trump hiked tariffs on steel imports and other products, escalating trade tensions with China that have culminated in this month's trade negotiations to defuse the situation.

Meanwhile, in Africa, Nigeria and South Africa turned down the opportunity to join the African Continental Free Trade Area. Then, in April, President Buhari refused to sign the Economic Partnership Agreement (EPA), a deal intended to integrate African, Caribbean, and Pacific countries with the European Union. When did protectionism become so popular?

According to the International Monetary Fund (IMF), global economic growth averaged 3.6 percent annually in the last 35 years, and in that time, global trade grew by 5.7 percent each year. Post-2010, those two figures stand at 3.6 percent and 3.9 percent. As the idea of free trade has grown unpopular, global trade growth has slowed.

The appeal of free trade rests on the logic of specialisation and division of labour: each country should specialise in the items that they are best at producing (or have a comparative advantage in) and countries should trade among themselves.

The result of this simple two-step process is that all products are made at the lowest obtainable cost, allowing consumers to enjoy low prices while also encouraging innovation.

These principles of trade are ancient, but their modern incarnation can be traced to the 19th century. However, it was not until the end of the Second World War that the free trade train took off, precipitating the longest sequence of economic development in history – at least in the West.

By the end of the 20th century, free trade was the accepted doctrine, manifesting in the creation of the World Trade Organization (1995), the enactment of the North American Free Trade Area (1994), and the formation of the Eurozone, the European monetary union that now accounts for a third of global trade.

Meanwhile, the rise of the free trade brigade birthed a new school of economic development thought, led by the IMF and World Bank, exporting the doctrines of privatisation, free markets, and free trade to developing countries. In Nigeria, the Structural Adjustment Program was enacted in the 1980s but never delivered on its promise to reorient Nigeria's economy, even while citizens bore the brunt of painful liberalisation reforms.

That experience is no anomaly; developing countries, in particular, have suffered from embracing free trade, albeit as a result of their own failures. The explosion of commodity exports propelled Sub-Saharan economies like Nigeria but led to Dutch Disease – the attractiveness of dollar earnings from commodity exports dissuaded leaders from investing in other parts of the economy, eventually leading to wider inequality and under-development.

We cannot ignore the simultaneous rise in protectionism and nationalism. President Trump and Brexit were about a lot more than trade, but we should not understate the impact of anti-globalisation sentiment in the biggest electoral upsets in modern Western democracy. Many Britons were fed up of perceived overreach from European Union (EU) officials in Brussels, but perhaps nothing united the Brexit brigade more than the false claim that the EU cost Britain £350 million a week – a figure that would be spent on the National Health Service.

Populist politicians have realised that anti-trade sentiment aligns with nationalist urges, particularly among low-income groups who tend to be most affected by trade liberalisation. The extent of their success can be seen in the fact that it is hard to tell which came first: economic or political nationalism.

But the idea that the case against free trade is entirely populist is untrue. In reality, even the staunchest free trade advocates admit that trade comes at a cost; they just underestimated how large and lasting these could be. For one, free trade creates winners and losers: the economy may benefit from lower steel prices as a result of reduced tariffs, but the local steel industry would likely suffer.

While economics can help us assign monetary values to these costs and benefits, it is silent on their real-world consequences. For example, would a new $10 billion industry or 10% cheaper textile imports compensate for 100,000 redundancies or an increase in the permanent unemployment rate from 3% to 4%? International trade theory cannot give us answers to these questions. Once people realised that economists knew the price of everything but the value of nothing, they began to speak up.

In addition, free trade advocates expect short-term costs concentrated in specific industries, but have always expected these to dissipate in the long run. Their argument is three-fold. First, labour is versatile so people that lose their jobs can always retrain for other roles. Second, the government ought to redistribute resources to the losers out of a larger economic pie. Finally, the benefits of lower prices and better products should outweigh the costs. Neither of these will always hold.

As early as 1941, Paul Samuelson, a future Nobel Prize in Economics winner, showed that trade liberalisation could depress wages in some industries by more than prices even in the long-run, meaning that some groups would permanently lose out from trade. Furthermore, when we look at Nigeria, we can see how a concept like labour versatility is highly idealised.

When trade liberalisation causes worker entrenchment, those workers are unlikely to find alternative unemployment in a county with a rising unemployment rate of 19 percent, population growth rate of 3 percent, and comatose institutions meant to support education and labour market development.

None of this means that trade is bad for us, but simply reminds us we can no longer accept free trade on any terms. We need to define our terms of trade, and in that respect, eschewing the ACFTA and EPA may be a blessing in disguise.

The Nigerian government is intent on reducing the country's export dependence on oil & gas; would those agreements have changed Nigeria's current trade patterns or further entrenched them?

Nigeria can still trade its way to economic development, just not in the manner that has often been preached. To do this, we must invest in infrastructure to ensure competitiveness, push for stronger trade relations with respect to non-physical goods (labour, services, etc.), and seek to exploit our strategic advantage in regional trade.

It may sometimes be confusing trying to figure out the right path to chart in international trade. Still, it is important to remember that free trade is neither good nor bad, but fetishising it makes it so.

Source: businessdayonline.com- May 28, 2018

HOME

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Pakistan: Cotton buying remains moderate amid better grades in focus

The cotton trading remained modest amid firm spot rate and around 1,500 bales changed hands. The Karachi Cotton Association (KCA) spot rate remained intact at Rs 7,500 per maund, the traders said.

They said the buyers bought all qualities of lint offered by the ginners during the trading session besides spinners and mills purchased quality cotton on slightly higher prices during the session while leading ginners sensing future demand of quality lint offered fewer stocks on higher prices to the buyers.

Ghulam Rabbani, a senior trader said the buyers were accepting a bit higher prices as the leading millers and spinners bought around 600 bales at Rs around 7,525 per maund during the session.

He said the leading buyers would remain eager for quality lint on slightly higher prices on the back of growing demand of garments and yarn. He said there leading end users would likely to go for further import of quality cotton in near future for meeting foreign and domestic end-products demands.

A senior broker said the private sector commercial exporters of Sindh and Punjab made deals for quality cotton at around Rs 7,550 per maund while ginners of Sindh offered raw lint to the buyers around Rs 5,975 per maund, depending on trash level.

Around 200 bales of upper Sindh changed hands at Rs 7,050 per maund, 200 bales of Mirpurkhas at Rs 6,975 per maund, 100 bales of Yazman at Rs 7,225 per maund and 100 bales of Multan changed hands at Rs 7,200 per maund. He said market remained steadier tones as the buyers were looking for better lots for Rs 7,500 to 7,575 per maund. New York Cotton July 2018 Future closed at 86.18 cents per pound and October 2018 Future closed at 86.36 cents per pound.

Source: dailytimes.com.pk- May 29, 2018

HOME

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Iran: Cotton Boll Production Reaches 180K Tons

Some 180,000 tons of cotton bolls were produced in Iran in the last fiscal year (March 2017-18), of which close to 60,000 tons of carded and refined cotton were made, the head of Cotton Project carried out by the Agriculture Ministry said.

Ebrahim Hezarjaribi also told Young Journalists Club that the production volume meets 47% of domestic demand.

“It is estimated that about 200,000 tons of cotton bolls will be produced in the current fiscal year. Plans are to achieve self-sufficiency by 2026 (the end of 20-Year Vision Plan),” he said.

Source: xinhuanet.com- May 27, 2018

HOME

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Pakistan: Textile industry awaits release of funds under PM's package

The textile industry is going through a cash flow crisis as it is waiting for the release of funds under the government's export package as well as long outstanding tax refunds.

Of the Rs180-billion prime minister's incentive package for the textile sector, the central bank has processed Rs50 billion worth of funds, but the industry has received only Rs18 billion.

"The industry is going through a cash flow crisis as it has already extended the incentive promised by the government in its export package to buyers abroad in order to enhance exports," textile tycoon Zubair Motiwala, who also heads several textile bodies, told The Express Tribune.

According to Motiwala, industry players have not been able to deliver export orders since they could not produce the desired volume due to lack of cash for the purchase of raw material.

After the PML-N came to power in 2013, export receipts improved just 1.1% to $25.08 billion compared to the receipts in 2012. However in 2015-16, exports recorded a steep decline of 12.36% to $21.97 billion. Global exports also fell in that year, but they dropped only 1%.

Shipments from Pakistan fell despite the Generalised Scheme of Preferences (GSP) Plus status that the country got from the European Union in December 2013. The status certainly gave an advantage as Pakistan's exporters enjoyed better market access to the European bloc.

The textile sector, which accounts for 57% of total exports and 8.5% of Pakistan's total size of economy, was among major contributors to the low exports.

In order to boost exports and improve foreign exchange reserves, then prime minister Nawaz Sharif announced trade enhancement incentives to the tune of Rs180 billion in January 2017.

Initially, there was no condition on claiming duty drawback for the first six months from January to June 2018. But for the next fiscal year, the exporters are required to register an increase of 10% in exports in order to qualify for the incentives.

The target has apparently been achieved as exports increased to $8.85 billion from July to February FY18 compared to $8.18 billion in the same period of previous year.

However, some analysts believe that the growth might have been falsely recorded by the exporters, who have shown inflated receipts in order to receive government incentives.

On back of textile and cement's demand, gross advances improve

Motiwala did not agree with the notion, saying exports from Pakistan had increased by extending monetary gains of the export package to buyers abroad. Lower prices of Pakistan's products in the international market have been the reason behind higher exports.

But according to an analysis, the international textile industry is highly competitive and Pakistan's competitors in textile trade, who are mainly from China, India, Vietnam or Bangladesh, would not let the country enter their established markets.

Handing over cotton body's control: Bypassing cabinet, Textile Division issues notification

The competitors are expected to respond to the short-term price reduction from their Pakistan counterparts.

According to textile industry players, the government over the past five years has made efforts to come up with schemes and plans, but failed in their strategic implementation.

Delay in payment of tax refunds has also disappointed the industry.

APTMA puts forward proposals for textile industry

"Exports didn't get better due to government efforts, but due to depreciation of the rupee against the US dollar. This is not the right way to increase exports. It would have been an achievement had exports increased with a stable rupee," Motiwala remarked.

Although the exports rose following the rupee's depreciation by nearly 10%, the country's external debt also went up.

Source: tribune.com.pk- May 29, 2018

HOME

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Sri Lanka: EU's long winters dampen apparel exports in Q 1

Retail demand in the European Union for Sri Lankan apparel was at a mere 5 per cent increase in the first quarter of this year compared to 2017. This was a drop in expectations on the back of the GSP plus trade facility that resumed in July 2017.

Sri Lanka Exporters Association (SLEA) President Felix Fernando told the Business Times on Friday that due to the long winter season in Europe the industry had observed a drop in retail demand for apparel as a result of which local exporters were unable to reach the expected increase in sales of 12 per cent. The industry was only capable of achieving a 5 per cent growth in apparel exports during the Q1 compared to the same period last year.

He noted that spring garments could not be released as most of the Europeans were slow on purchasing clothing and would rather remain indoors than go out shopping.

Reports have stated that Europe was in the grip of a "cold snap, which has sent temperatures plunging below their usual late-February levels, and sparked heavy snow showers in unusually southerly spots like Rome." And expectations are that there could be severe weather with flooding and rains in Europe this month.

In fact another report highlighted that even April was giving the chill with temperatures dropping even in the US.

"Usually by March it clears up," Mr. Fernando explained and noted that however, this year the situation has not been the same.

He pointed out that in 2017 they had observed a "big growth" in the EU market during the first quarter compared to 2016. April however, he pointed was a relatively low month.

During the first three months of this year the industry expected to achieve a growth of 12 per cent in apparel exports compared to last year.

However, the figures during the first quarter was up by only 5 per cent for both the US and the EU compared to last year's sales as a result of which earnings were at US$1.269 billion.

Meanwhile, Mr. Fernando noted that the exports to other sectors like China, India and Japan had however, dropped by about 2.3 per cent.

The industry expects to achieve an increase of US$500 million more in earnings for this year compared to last year.

Source: sundaytimes.lk- May 28, 2018

HOME

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NATIONAL NEWS

Dispute panel set up at WTO to decide on India's export subsidies

Move follows US complaint that New Delhi is no longer entitled to give exporters direct sops

The World Trade Organisation's Dispute Settlement Body (DSB) has agreed to establish a panel to rule on a US complaint on certain programmes in India which Washington claims are prohibited export subsidies.

India was not given an opportunity to object to the first request for a dispute panel by the US, as is the usual practice, because the dispute involves prohibited subsidies.

"The panel was established under special provisions of the WTO's Agreement on Subsidies and Countervailing Measures allowing panels to be established on first request for disputes involving alleged prohibited export subsidies," according to a note from the WTO.

Popular schemes

The programmes targeted by the US include most popular incentive schemes such as the Merchandise Exports from India Scheme, Export-Oriented Units Scheme and sector-specific schemes, including Electronics Hardware Technology Parks Scheme, Special Economic Zones, Export Promotion Capital Goods Scheme and Duty-Free Imports for Exporters Programme.

The US, in its representation, argued that the programmes provided financial benefits to Indian exporters, which allowed them to sell their goods more cheaply to the detriment of American workers and manufacturers.

It alleged that while the exemption given to India from the ban on export subsidies had expired (as the country had surpassed the $1000 threshold for per capital gross national product), it was yet to withdraw its schemes.

New Delhi, however, is not convinced that the time it is entitled to for a phase-out of the schemes has lapsed and wants more discussion on the issue.

Source: thehindubusinessline.com- May 26, 2018

HOME

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The decline of the concept of GDP

GDP number rarely reflects the true picture in any sector and the discrepancy can be significant

The GDP growth rate is probably the most commonly used variable to denote the state of the economy. A higher rate is often taken as being a vindication of the success of any regime. While it does have theoretical limitations — such as exclusion of, say, the services of housewives which are not valued or illicit activities like gambling and prostitution, which actually generate income and spending power — it has turned out to be a less than satisfactory indicator of general state of affairs.

This has been observed to be true, especially after the new methodology of calculating GDP was brought in when it was valued at market prices. While this approach appears to be comparable to concepts used by multilateral agencies, there is not much conviction when we say that GDP growth is on the recovery path at, say, 6.6 per cent or 7 per cent. Where are the anomalies?

A fundamental challenge when calculating GDP is that it is based on the use of several proxies and imputations which change regularly as they come out with various lags. For example, there is no official monthly statistics on livestock and other allied activities, which comprise around 40 per cent of agriculture activity.

IIP is used for the unorganised manufacturing sector while corporate results are used for the organised part, which is around 70 per cent of output. Clearly, there is a schism in the data which is used. The same holds for hotels and real estate where corporate results are used.

While we are presently in the month of May all corporate results are still not out, while the annual data on GDP is to come out on 31st. There will hence be several imprecise imputations.

To add to the confusion, for some reason the CSO brings out the first advance estimates which are based on extrapolating the first six months' data, which may sound bizarre. But these numbers nevertheless generate a lot of discussion.

State of the economy

Now let us try and look at the state of the economy and link it with the GDP growth rate. The last advance estimate put growth at 6.6 per cent for the year which has been considered to be good even though it came well below the 8 per cent and 7.1 per cent registered in the previous two years. But does this headline number tell the real story?

First, agriculture should be doing well with a good monsoon. But farmer distress is visible in several pockets and the sugar episode is probably the bitterest one. Farmers have confronted declining prices during the year for pulses in particular due to overproduction, which has impacted their income.

The government has kept this in mind when arguing for higher MSP (minimum support price) for the 2018 kharif season. Therefore, the so-called rural story of spending after a good harvest post a good monsoon has not quite played out.

Manufacturing has been a disappointment for another year, with growth at just 4.5 per cent compared over 4.4 per cent in FY17. The economy was used to seeing growth rates of between 8-10 per cent in the post financial crisis years and hence this continued stagnation is not good news.

Both consumer and capital goods have underperformed in the last two years. The corporate results too suggest that growth is fairly stagnant at 8 per cent for sales, which is not reflective of buoyancy. Third, investment has stagnated for the third successive year and the high rate of 34.3 per cent in 2011-12 looks like a song from the past. Low capacity utilisation levels in industry and absence of interest in investment in infrastructure characterise a rather anaemic sector.

Fourth, while there is no clear data on jobs created, the general impression is that the pace of employment creation has slowed down. Corporates are not recruiting and are downsizing to control expenses and the government bodies are not replacing the lower levels of staff.

The services sector has been affected by a trough in construction sector for unskilled labour and uncertainty in the skilled IT sector. This is one reason why spending has not increased to boost industrial growth. Fifth, the transport sector is supposed to be doing well as the sales tax proxy or GST is being used. But the GST data show abundant volatility and could be disguising the true picture.

Bank sector in a mess

Sixth, the banking sector is supposed to be growing at a healthy rate as it is a combination of deposits and credit growth, which by the end of the year has averaged 8-9 per cent. But this would be contrary to the grim picture at the bank level where both PSBs (public sector banks) and private banks are going through tough times.

Losses have eroded the net worth of some banks and the growing NPAs (non-performing assets) have cast a shadow on capital availability for future lending. Also, with several banks being put under PCA (prompt corrective action), prospects of this sector have come down sharply. Yet, the imputed growth in GDP does not reflect this pain point.

Seventh the real estate segment is typified by performance of companies in this sector which captures a very small part of the largely unorganised sector. Given that the sector is still going through a metamorphosis post RERA, the value-added numbers emanating from this sector does not seem to be in consonance with the reality.

Last, the public administration sector, which is the fastest growing one, is based on Central government spending, which again does not reveal the stress on attaining the fiscal deficit target for the year or the severe compromise made on capex of at least ₹30,000 crore in FY18. Also, some States are heavily stressed with the UDAY debt and are having trouble meeting the FRBM norms.

The point really is that the GDP number rarely reflects the true picture in any sector and the discrepancy can be significant. Hence the concept can just be a number that is widely used because of the absence of alternatives.

Source: thehindubusinessline.com- May 29, 2018

HOME

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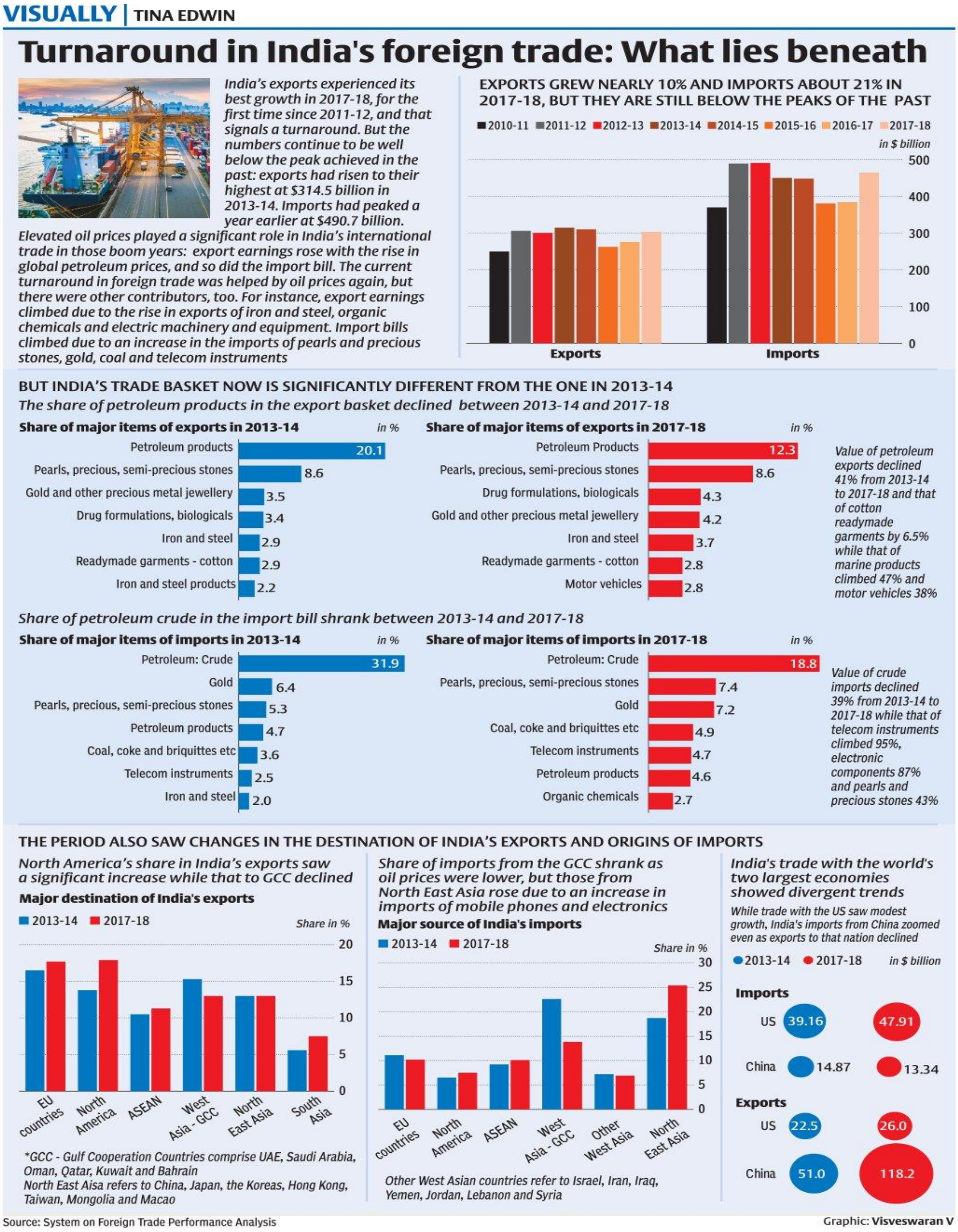
Turnaround in India's foreign trade: What lies beneath



Source: thehindubusinessline.com- May 29, 2018

HOME

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India, Iran review bilateral, regional, global issues

India and Iran on Monday reviewed bilateral, regional and global issues during a meeting between External Affairs Minister Sushma Swaraj and her Iranian counterpart Javad Zarif here.

"They, inter alia, discussed bilateral, regional and international issues of mutual interest," the External Affairs Ministry said in a statement.

It said the two sides positively assessed the implementation of decisions taken during the visit of Iranian President Hassan Rouhani to India earlier this year.

"These included bilateral cooperation in the areas of connectivity, energy, trade and promotion of people to people contacts," it said.

Monday's meeting comes after the US withdrew from the nuclear deal signed in 2015 between Iran, the European Union and the P5+1 group (five permanent members of the UN Security Council, plus Germany).

According to the External Affairs Ministry statement, Zarif briefed Sushma Swaraj about the discussions that Iran has undertaken with parties to the nuclear deal following the US decision to withdraw.

It said Sushma Swaraj conveyed that all parties to the deal should engage constructively for peaceful resolution of the issues that have arisen with respect to it.

Earlier on Monday, at her annual press conference, Sushma Swaraj made it clear that India does not recognise country-specific sanctions.

"Our foreign policy is not made under pressure from other countries.. We recognise UN sanctions and not country-specific sanctions," she said.

India and Iran have friendly relations and significant trade ties in many areas, particularly in crude oil imports into India and diesel exports to Iran.

Iran is the second largest supplier of crude oil to India, supplying more than 425,000 barrels of oil per day, and India is one of the biggest foreign investors in Iran's oil and gas industry.

India, along with Ian and Afghanistan, are jointly developing the strategic Chabahar port in the southeastern coast of Iran that will give access to Afghanistan bypassing Pakistan.

According to the ministry statement, the other members of the delegation accompanying Zarif had separate meetings with their Indian counterparts earlier in the day "where they discussed measures for practical cooperation between the two sides".

Source: business-standard.com- May 29, 2018

HOME

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Centre to work out reimbursement scheme for textile industry

The Union Government has assured the textile and clothing industry that it will identify Central and State embedded taxes and work out a reimbursement scheme soon.

HKL Magu, chairman of Apparel Export Promotion Council, has said in a press release that representatives from apparel, made up, and textile segments met the Union Finance and Textile Ministers and officials of the two ministries on Sunday.

In the two-hour meeting, the industry explained the issues of concern, pending GST refunds and slow disbursement of rebate of State levies (ROSL). The embedded and inverted taxes were not considered for refund and there was a delay in receiving the GST refunds, they said.

Over 90 % of the textile and clothing industry was in the MSME sector and these delays had affected the financial capability of the units. The exporters were unable to book orders during the peak season.

The industry had seen reduction in drawback and ROSL by over 5 % of FOB since the pre-GST period. Further, Indian textile and clothing exporters did not have preferential access in countries markets such as the European Union which countries such as Bangladesh and Vietnam had. These had an impact on the exports.

Mr. Magu said the Finance Minister had instructed the officials to immediately identify the Central and State embedded taxes and work out a reimbursement mechanism. The Ministry would also expedite refund of GST and ROSL in a time-bound manner, the release said.

Though annual apparel exports are at 17 billion $ now, the industry is confident of 20 % growth this financial year if there a level-playing field.

Source: thehindu.com- May 28, 2018

HOME

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Duty-free import entitlements made part of foreign trade policy

But relief on select sectors restricted to basic customs duty from July 1, 2017

The government has incorporated duty-free import entitlements for select employment generating sectors such as handlooms, handicrafts and leather through customs notifications, in the existing Foreign Trade Policy (2015-20).

It has, however, said the entitlements will be restricted to only customs duty with effect from July 1 2017, to align it with the GST regime.

"The Commerce Ministry has re-introduced the duty-free import entitlement of sector-specific inputs which were available in the FTP (2009-14) in the current FTP (2015-20) as well.

This was already available to exporters through customs notifications. However, it has been clarified that only basic customs duty would be exempted with effect from July 1 2017, when the GST was implemented," a government official pointed out.

The duty-free import entitlements provide a substantial relief to the chosen sectors — handlooms, handicrafts, leather, sports goods, toys and marine.

"Duty-free import entitlement is an important incentive scheme for exporters. Incorporating it in the Foreign Trade Policy (2015-20) was required as it completes the picture of all benefits available to specific sectors," the official said.

Exports from labour-intensive sectors such as handlooms, handicrafts, gems and jewellery, ready-made garments and marine have all taken a hit over the last few months.

Source: thehindubusinessline.com- May 29, 2018

HOME

****

Surat textile traders urge PM to analyse impact of GST

Textile traders from the man-made fabric hub of Surat have urged Prime Minister Narendra Modi to create a special committee to study and analyse the impact of the Goods and Services Tax (GST) on the textile sector.

They have urged that the government should remove traders and weavers from the purview of GST, which should be levied only at the yarn stage.

The output of man-made fabric has come down from around four crore metres per day to less than two crore metres in the July-April 2017-18 period, i.e. post implementation of the GST, the Federation of Surat Textile Traders' Association (FOSTTA) office-bearers said in a letter to Modi.

The sale of polyester fabric, including saris and dress material, has reduced by nearly 40 per cent, and the export of finished fabrics has decreased by around 28 per cent in the first ten months since GST was implemented on July 1, 2017, the letter added.

More than 90,000 powerloom machines have been sold in scrap during the ten-month period, as import of fabric from China and other countries has become cheaper, FOSTTA said, according to a report in a national daily.

Since July 1 last year, over 60,000 embroidery machines have been shut rendering thousands of women jobless, the letter added.

The letter urged the Prime Minister to reconsider the government's decision to include the textile sector in the GST regime.

Source: fibre2fashion.com- May 28, 2018

HOME

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One variety, one brand: Govt's new norm for Bt Cotton seeds

In a bid to tighten the vigil over Bt Cotton varieties being sold in the market under different brand names, Maharashtra Government has made it mandatory for original seed producer companies and co-marketing companies to sell one variety of Bt Cotton seeds with one brand name only. After a review, the Government has allowed only 370 varieties of 42 companies to be sold in the State in Kharif-2018 season.

The widespread attack of Pink Bollworm on Cotton crop in Kharif-2017 had affected the production. The issue had got wider attention after 63 farmers/farm-workers died due to poisoning during pesticide spraying as a measure to counter Pink Bollworm attack.

When the Government machinery swung into action, it came to know that even the Bt Cotton seeds of varieties un-approved by Genetic Engineering Approval Committee (GEAC) were being sold in the market. Further, there were instances in which one variety of Bt Cotton seeds was being sold using different brand names.

The latest move by the Government to allow 'one variety, one brand' from Kharif-2018 season is a fallout of what had happened last year in cotton belt of the State, most of which is in Vidarbha region.

As much as 98 per cent of cotton area in Maharashtra is under Bt Cotton varieties. These Bt Cotton varieties are approved by GEAC. The seeds of only these approved varieties are allowed to be sold in Maharashtra.

Till last year, apart from the original producer company, the co-marketing companies also used to sell these approved varieties of Bt Cotton seeds.

However, the Government noticed that these co-marketing companies used to sell these seeds under various brand names. For, last year, 402 approved varieties were sold with 624 brand names!

This had created confusion among farmers. Hence, now, the State Government has decided that the Bt Cotton seeds shall be sold using the name approved by GEAC, from Kharif-2018 season.

The original producer company of seeds should print in bold letters the GEAC-approved name of a variety on its packet. The original producer company can print its own brand name also. However, for one variety, there should be only one brand name. The co-marketing companies also should use the packing and label used by the original producer company. As such, henceforth, each variety will be sold with only one brand name.

Further, from this year onwards, Agriculture Universities have recommended varieties having short to medium duration for harvesting, that is, 180 days since sowing. Therefore, the varieties with growth period of more than 180 days have not been allowed to be sold in the State from this year onwards.

Considering these factors, the Government has allowed only 370 varieties of 42 companies to be sold in the State during Kharif-2018 season.

The list of these companies and varieties has been made available on State Agriculture Department's website as well as at the offices of Taluka Agriculture Officer and Panchayat Samiti concerned.

The officials of Agriculture Department have appealed to the farmers to inform the nearest Panchayat Samiti or Taluka Agriculture Officer if varieties of Bt Cotton seeds other than those in the list are being sold.

Source: thehitavada.com- May 28, 2018

HOME

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India's cotton yarn imports stabilise in March 2018

India's cotton yarn imports stabililsed at 2.77 per cent to around 3.2 million tonne in March 2018 as against 1.69 per cent in February 2018. Pakistan witnessed the highest growth in March 2018 with 32 per cent to reach 3.5 million tonne.

China imported 2.34 million tonne in 2015, which was the peak of the over five years. And then declined in 2016 and 2017, its imports were both less than 2 million ton. In the first quarter of 2018, China imported 460,000 ton of cotton yarn, declining by 13.24 per cent year-on-year. Imports for Vietnam also slowed during the period. The country's imports had stabilised at 5.82 per cent in March from 3.38 per cent in February 2018.

In terms of volumes, the country's imports declined to 3.3 million ton in February 2018 from 6.8 million tonne in January 2018 and again increased to 5.8 million tonne in March 2018.

Source: fashionatingworld.com- May 28, 2018

HOME

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India must invest in connectivity, not in more ports: World Bank expert

India needs more investments in multi-modal connectivity to existing ports than new deep-sea ports, the World Bank has said, flagging concerns on the country's ambitious plan to build new ports as part of the Sagarmala programme.

"There is enough port capacity available prime facie; what is not available is the multi-modal connectivity to the ports," said Biju Ninan Oommen, Senior Port and Maritime Transport Specialist, Transport & ICT Global Practice at the World Bank. "What India needs is investment in the land side in multi-modal logistics than more deep-sea ports at this point," Oommen said at a recent Indo-Dutch Forum on Smart and Sustainable Port-led Development.

The 12 major ports run by the Central government have a capacity to handle 1,359 million tonnes (mt) of cargo a year. The dozen ports handled a combined 679.35 mt of cargo in the year to March 2018, operating at a capacity utilisation of 50 per cent.

Several new ports built with private funds have added to the capacity and many are struggling for cargo as growth remains subdued due to a decade of weak global trade. The Shipping Ministry has identified six locations to build new ports — Vadhavan (Maharashtra), Enayam (Tamil Nadu), Tajpur (West Bengal), Paradip Outer Harbour (Odisha), Sirkazhi (Tamil Nadu) and Belekeri (Karnataka).

“The techno-economic feasibility reports have been prepared for five locations and is under preparation for Tajpur. Detailed project reports are under preparation for Vadhavan, Enayam and Paradip Outer Harbour Projects. In-principle Cabinet approval has been obtained for a transshipment port at Enayam,” a Shipping Ministry official said.

Sagarmala project

The government plans to invest ₹91,371 crore to expand port capacity by 884 mt by 2035 as part of the ambitious Sagarmala programme, according to the Shipping Ministry. The plan includes 39 road connectivity projects for improving and strengthening the connectivity of major ports to national and state highways, the Ministry said.

Like the World Bank, concerns had been expressed by global port operators such as DP World Ltd and PSA International Pte Ltd, which run multiple facilities in India. In February, Sultan Ahmed Bin Sulayem, Group Chairman and CEO of DP World, said the country “needed more cargo and fewer ports”.

“India already has a lot of economic activity in the hinterland; it’s just that they are not well connected,” Tan Chong Meng, Group CEO, PSA International Pte Ltd, had said during a visit to Mumbai in February.

The opening of the dedicated freight corridor (DFC) would partially offset these concerns, but that is still a few years away, according to a port industry executive.

Source: thehindubusinessline.com- May 29, 2018

HOME

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