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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 238 of 2017 November 29, 2017

USD 64.41 | EUR 76.39 | GBP 86.04 | JPY 0.58

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
17641	36900	**73.01**
Domestic Futures Price (Ex. Gin), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18380	38447	**76.06**
International Futures Price		
NY ICE USD Cents/lb (Dec 2017)	74.05	
ZCE Cotton: Yuan/MT (Jan 2018)	15,020	
ZCE Cotton: USD Cents/lb	**87.66**	
Cotlook A Index – Physical	**81.6**	

Cotton & currency guide: The ICE cotton future traded mixed but the bias was onto the positive side. The most active March future ended the session higher at 72.14 cents per pound highest settlement since it made a high of 73.41 cents on 8th September. The December expiry made a high of 74.05 cents. From the trading perspective the volumes were thin on Tuesday at 26,699 contracts and cleared were 33,033 contracts. On the open interest front Tuesday was up 1168 contracts to 234,499 contracts. For knowledge the 2017 high open interest was 282,834 contracts in March.

The cash sale and inquiries are steady. However, overall scenario is better. We believe the upcoming weekly export sale figure may show another strong number. The last week's export sales figure stood at 400.10K running bales. Cert stocks have remained unchanged for a week-and-a-half, at 47,951 bales with zero bales awaiting review. There is still time for bales to be added to make December delivery. Last notice day for December is on 13th and last delivery day is 20th.

On general market the USD index continues to be weak, the US stock markets are on vigor mood trading at new record high must be adding strength to cotton market. Also mills participation has been good in the market.

On the other side of the world, the Indian cotton market setup is different. It's all about getting new good crops into the market. The average arrivals are increased from 160K bales a day to almost 180K bales a day. There is little effect on the spot price which have corrected from a recent high of Rs. 38K per candy to currently trading at Rs. 37600 per candy ex-gin. Also new crop Punjab J-34 prices are moderately lower at Rs. 3873 per maund.

On the supply front earlier market has estimated crop number to be pegged around 385 lakh bales but by seeing the recent crop estimate from Maharastra and possible crop loss due to pink bollworm the overall supply is now pegged a bit lower around 375 lakh bales. Further on the futures front there has been good volatility.

The November contract that is due expiry on 20th of this month has witnessed sharp decline in the price in last four trading sessions. The price has corrected from Rs. 18660 to about Rs. 18190 per bale moving invert to December. Nonetheless, December price has also declined and as of Tuesday it posted a close at Rs. 18480 per bale. For the day trading range for December would be Rs. 18620 to Rs. 18440 per bale.

We are seeing a little disconnect as of now between US and Indian cotton price and believe it may be for very short period of time while domestic MCX December future may continue to in line with ICE futures price.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

USA: Asia-Pacific leads in global textile yarn market: report

Asia-Pacific leads in the global textile yarn market followed by North America with polyester and cotton being the widely used textile yarn products, says a report, which sees changing consumption pattern, rising population, disposable income and the rise in demand for clothing and home furnishing products in the Asia-Pacific as the major growth factors.

Increasing investment from multinational manufacturers in the United States and Canada will propel the growth of the North American market, whereas the market in Latin America and the Middle East are flourishing due to the developing apparel industry and high levels of product development, says the report by US-based Zion Market Research.

Rapid urbanization and the shift in consumer preference towards affordable and comfortable clothing have raised the demand for high-value fabrics such as viscose, silk, and hemp. Blended varieties of fibres are also witnessing immense growth owing to significant features of both artificial and natural yarn thus opening up new growth opportunities.

However, instability in the production of plant and animal source yarn and the strict regulation imposed on the trade of textile yarn products are barriers, a company press release says citing the report.

The major players included in the report are Parkdale Mills Incorporated, Hengli Group, Kairuide Holding Co. Ltd., Vardhman Textiles Limited, and Birleþik Koyunlulular Mensucat TIC. V., Weiqiao Textile Company Limited, Low & Bonar Plc., Raymond Limited, Huvis Corporation, and Grasim Industries Limited.

Source: fibre2fashion.com - Nov 29, 2017

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Why Donald Trump must grab this opportunity to get US trade policy right

US president Donald Trump's withdrawal from the Trans Pacific Partnership (TPP) on his first day in office left the TPP highly uncertain. After several attempts to clarify the way ahead, the rest of eleven TPP economies (TPP11) have recently agreed to continue the momentum to conclude the agreement, with some amendments. In particular, they have excluded certain topics of specific interest to the US (e.g., IPR), but the other text is intact including several issues that are important for the US.

The name of the new agreement will be the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The renewed agreement CPTPP, with a changed name and somewhat different content, provides an opportunity for president Trump to develop his own legacy with a new trade agreement that meets the economic and strategic interests of the US, embodying his vision.

This would be a good complement to his recently-concluded trip to Asia, and will provide a substantive basis to connect economies in the region within a forward-looking framework of a new, amended agreement. Trump is presently engaged in renewing NAFTA, the US trade agreement with Canada and Mexico (both members of TPP11).

If the US considers engaging with CPTPP, perhaps there could be a basis to see the emergence of a Comprehensive Asia Pacific Free Trade Agreement (CAPFTA), which takes account of the sensitivities of both the US and the eleven economies that are a part of CPTPP.

The approach has to be for all parties to recognise that the CPTPP provides a framework for an evolving agreement where just like the transition periods it provides for reducing tariffs, the mechanisms and approaches in the agreement could be used by Trump to begin developing a new Asia Pacific Trade Partnership Agreement by the second half of 2018, by which time the contours of a revised NAFTA would be clearer. This would help give a significant effect to Trump's emphasis on a "free, fair and reciprocal" trade agreement in the form of a new agreement, CAPFTA.

Six points are worth keeping in mind in this context to help build a practical, step-wise approach to consolidate and further develop economic and strategic partnerships in Asia and the Pacific with members of the CPTPP. One, the tariff reductions incorporated in CPTPP would substantively meet the US concern that other economies have not adequately provided market access similar to that provided by the US. Since the agreement has both developed and developing economies, covering a wide range of GDP per capital, it will provide the possibility for others to learn from the experience of less developed economy members taking on ambitious market-opening commitments.

Two, much of the concern about non-level playing field in international trade relates to non-tariff barriers (NTBs). The provisions in CPTPP that enhance transparency, and establish a mechanism which allows member countries to raise their concerns regarding NTBs of other members for a timely resolution. These are important steps for addressing NTBs in external markets, and need to be developed together with other economies. Importantly, efficient operation of such mechanisms requires feedback based on experience.

Therefore, based on their experience, members of the agreement participating in this process would help improve the system to better address specific concerns relating to NTBs, and also determine the extent and direction of change in these procedures. Without a country being part of the revised agreement, there would not be such an opportunity to do so.

Three, the provisions of the CPTPP include a process for review and evolution in the agreement based on experience. That is a very powerful mechanism which also includes the possibility of potentially raising new issues relevant to members, and discussing ways of finding solutions for them.

Significantly, the CPTPP mentions some new areas which may soon require additional discussions or negotiations. In a potential CAPFTA, this could include new policies or issues considered to adversely affect the level playing field. Experience suggests that such new concerns will continue to arise over time, and a forum such as CAPFTA, including a large part of the global economy to discuss them would be very useful to address them. Four, an ambitious CPTPP agreement has been made possible by allowing longer than usual transition periods.

This makes it easier to carry a larger burden that may arise due to the agreement. Without such flexibilities enabling the management of the difficulties faced by different members, it would not be possible to achieve either a high ambition or a wide membership of such an agreement. Thus, the framework of existing and potentially new flexibilities within an agreement would help provide a basis for expanding the scope of the agreement to a much wider set of countries than the original members.

Five, the new trade agreement could be developed through incremental steps towards the final revised agreement. Thus, for example, some parts of the agreement which relate to addressing NTM concerns and regulatory coherence, could be some "early harvests".

Thus, some benefits of CAPFTA could become available even before the final agreement is concluded. Six, the potential agreement CAPFTA could provide in a single step, the possibility of enlarging the scope of its trade regulations, as with US as a member, additional economies would be more likely join the agreement over time.

Such a process had begun after the conclusion of TPP itself. Thus, president Trump has the possibility of building on the momentum from a revised NAFTA, to extend his approach and legacy to a much larger potential agreement, the CAPFTA, and more substantively addressing concerns relating to a "free, fair and reciprocal" trade agreement.

Source: financialexpress.com - Nov 29, 2017

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Is TPP Dead without America?

Perhaps no trade deal has been agreed to more times than the Trans-Pacific Partnership (TPP) has, firstly in 2005 taking the form of the Trans-Pacific Strategic and Economic Partnership, and then in 2016 as the enlarged U.S.-led TPP-12, and (hopefully) finally in November 2017 with the renamed "Comprehensive and Progressive Agreement for Trans-Pacific Partnership" (CPTPP). The CPTPP, once a legal text is fully worked out, will take effect when six of the eleven remaining countries ratify it.

Staring at some still-born, historical arrangements like the Asian Monetary Fund, the Free Trade Area of the Americas and Transatlantic Free Trade Area, one would marvel at the pertinacity of the deal itself and the perseverance of policy makers this time to press on with trade integration despite growing sentiments in many participating economies that call on government to "protect" rather than to "liberalize."

Geoeconomics of the CPTPP

Economic success in today's competitive environment requires countries to proactively reduce trade barriers and win over mobile international capital that flows to freer and more secure markets. But the interlocking nature of modern economic relations and domestic oppositions to unilateral trade disarmament often render that national interests are best served through coordinated and reciprocal regional efforts. The CPTPP is such a mega-scale free trade agreement (FTA) that aims to leverage the collective economic potential of more than eleven countries around the Pacific Rim, whose trade totaled about $350 billion in 2016.

Our updated simulations using the multiregion, multisector GTAP model suggest that a deal without the United States in it would raise the combined real gross domestic product (GDP) of the eleven countries by about 0.7 percent in the long run.

More importantly, as a "natural trading bloc" with intra-FTA trade share exceeding the groupings total share of the world's GDP, the CPTPP's trade diverting effects are not as alarming as some have feared. The net global welfare amounts to approximately $57 billion according to our analysis.

With respect to content, suspension of some twenty provisions inserted only at the demand of the United States (e.g. extended protection for biologics) and addition of revised articles on withdrawal, accession and review procedures notwithstanding, the reworked CPTPP preserves all the core elements of the TPP-12. It remains a high standard regional trade liberalization blueprint that set regionally acceptable standards and write enforceable trade rules in emerging policy areas, such as digital economy, public procurement, competition and regulatory coherence, in a forward-looking manner.

Country-specific benefits of the CPTPP, too, are worth highlighting. For instance, the value of the deal as an insurance policy against any potential breakdown of the North American Free Trade Agreement (NAFTA) renegotiation are increasingly picked up on by Canadian and Mexican leaderships. Japanese and Vietnamese liberal reformers would stay relieved that the prize of locking in difficult domestic structural reforms, whether it is in agriculture or state-owned enterprises, is still within grasp. Above all, the withdrawal of the United States seems to have made the CPTPP a more equitable grouping wherein partners, instead of dictating the terms, show more sensitivity to each other’s concerns and interests.

Indo-Pacific Doctrine

Denouncing the TPP as a job killer, Donald Trump pulled his country out of the deal three days into his administration, invoking economic reasons. Trump’s newly announced Asia strategy enshrining a “free and open Indo-Pacific region,” however, makes the scrapping of the TPP more emblematic of his firm departure from the Obama administration’s “Pivot to Asia,” that defined Asia more narrowly as “Asia-Pacific.”

Ostensibly, the catchphrase is a political shorthand to reflect India’s rising role in Asian and global affairs and tightening U.S.-India bilateral ties since Narendra Modi took office in 2014. Rhetoric aside, it is clear that the new strategy, in so many aspects, shares the pivot’s fundamental goal of dealing with the swelling influence of China. Through outlining a single geoeconomic and geopolitical space bookended by the United States and India, Washington stretches the boundary of the region, and therefore economic center of gravity, westwards. In effect, this dilutes China’s overwhelming economic dominance.

Trump wants to promote trade and prosperity in the Indo-Pacific theater and this will require multilateral infrastructure financing for roads and ports. After all, it is no coincidence that key players in Trump's Indo-Pacific vision—Japan, Australia, India, and to a lesser extent South Korea and Thailand—are those who are either sidelined by or unsympathetic to China's massive Belt and Road Initiative.

Withering APEC?

Apart from the TPP, the twenty-one-member Asia-Pacific Economic Cooperation (APEC) is certainly another institution that does not fit well with Trump's "Indo-Pacific Dream." The most noticeable difference between Asia-Pacific, a community from which APEC draws strength, and Indo-Pacific is that India is excluded from the former but not from the latter. Although non incorporation of Asia's third largest economy in APEC was famously compared to "enacting Hamlet without the Prince of Denmark," New Delhi's twenty-year quest for APEC membership still bears no fruit. Even when the extended moratorium on APEC membership expired in 2010, India's bid was met with fierce oppositions from a host of prominent personnel, including APEC's intellectual architect Fred Bergsten, who argued against recognizing India as a Pacific nation.

While Trump's recast of the region as "Indo-Pacific" seemingly solves India's identity dilemma and paves the way for its long-awaited accession, it could paradoxically reduce the incentive for India to join the APEC grouping. If, for instance, New Delhi is emboldened by Trump's new strategic thinking, it could "plot" to replace the fading Asia-Pacific organization with an Indo-Pacific equivalent where India and America take the center stage.

That being said, perhaps it is Trump's "allergy" to multiparty trade cooperation and affection for bilateralism with "many strings attached" that could strike a heavy blow to the institution that is already hollowed out by its inability to push through voluntary and nondiscriminatory trade liberalization. So long as Trump continues to double down on APEC as a loose assemblage and not as a communal forum to advance common purposes and orderly economic integration, the chances for APEC to live up to its mission of building "a dynamic and harmonious Asia-Pacific community" are extremely slim.

Source: nationalinterest.org - Nov 26, 2017

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Pakistan: Rs11.44bn disbursed for textile sector under PM 's Trade Enhancement Package

The government has dispersed Rs 11.44 billion among the textile sector against claims for Rs 20 billion through the State Bank of Pakistan under the Prime Minister's Trade Enhancement Package till November 22 ,2017, a commerce ministry's senior official said here on Tuesday.

The Rs 162 billion Trade Enhancement Package was aimed at helping the textile sector to gain competitiveness in the international market in order to enhance the country's exports, the official told APP.

"The government wants to revive confidence of the textile sector through the package," he said, adding that the package would be expanded to other industrial sectors, including the pharmaceuticals.

"We are committed to providing an enabling business environment to all the industrial sectors," he added.

The government, the official said, had also given procedural and tax relaxations on the import of textile machinery for the modernization of industry and to enhance the capacity of the sector.

The official said that through this package cost of doing business would come down in the country.

While talking to APP, All Pakistan Textile Mills Association (APTMA) General Secretary Anis-ul- Haq stressed on the need for providing a competitive business environment to the textile sector to enhance exports.

Source: brecorder.com - Nov 28, 2017

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Togo expects 20% increase in 2017-18 cotton output

Togo, a West African nation on the Gulf of Guinea, is expecting production of 130,000 tons of cotton during the ongoing season 2017-18 that began in May this year. This will be an increase of 20.37 per cent over last season's cotton output of 108,000 tons, according to the estimates released by the Nouvelle Société Cotonnière du Togo (NSCT).

The expected increase in production is due to cotton being sown on 170,000 hectares compared to the planned sown area of 160,000 hectares. In addition, the Togolese government is also making efforts to boost the country's cotton sector.

Meanwhile, NSCT has announced the minimum price of CFA240 ($0.44) for first grade cotton and CFA220 ($0.40) for second grade cotton, a news agency reported.

In view of the expected increase in output, a fifth ginning plant has also opened this year in addition to the four ginning plants already operational at Notsè, Atakpamé, Kara and Dapaong.

The Togoloese government is aiming to increase the country's cotton output to 220,000 tons.

Source: fibre2fashion.com- Nov 29, 2017

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Railway to increase India-Bangladesh connectivity

Construction of a new rail link between Akhaura, Bangladesh, and Agartala, India, is under way to help cut transit time and costs for shippers.

The connectivity will facilitate trade between Bangladesh and the landlocked Indian states of Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland, and Tripura in the country's northeast by connecting the two countries rail networks with a 15-kilometer (9.3 mile) link.

"Bangladesh has a good market of [agricultural] products to these seven-sister states. The rail connectivity will facilitate carrying goods there quickly," said Kamruzzaman Kamal, director of marketing for food processor PRAN-RFL Group.

Overland trade between the two countries relies largely on road infrastructure that must be upgraded. In particular, roads near the Akhaura inland port are very narrow and need to be widened and paved, Kamal said.

Most of the link, 10 kilometers, will be in Bangladesh, with the remainder in India, where work began in late October, while Bangladesh is scheduled to award the contract for its portion of the work in December.

"The work is expected to be started by February," said Md Shahidul Islam, director of the Bangladesh part of the project. A portion of required land acquisition has already been completed and the construction cost of Bangladesh part involves some Tk 478 million ($5.6 million), he said.

The link will be the fifth connecting the two countries' rail networks, which have been slowly restored since they were severed in a 1971 war between what was then East Pakistan and West Pakistan.

"The present governments of Bangladesh and India want to enhance connectivity and promote rail since transportation through train is comparatively cheaper," said Islam.

Goods arriving by sea at the port of Kolkata to reach the northeastern Indian states must travel 1,700 kilometers (1,056 miles) if they bypass Bangladesh, but going through Bangladesh cuts that to 350 kilometers.

Most goods bound for those northeastern states move from the port of Kolkata in India to Bangladesh's Ashuganj river port where trucks handle the final leg of the journey. Much of that cargo, mainly cement, rods, and agricultural products, is expected to shift to rail upon the project's completion.

India secured transit rights through Bangladesh across all modes of transport in 2010 following a visit of Prime Minister Sheikh Hasina to New Delhi.

Trade ties between the two have strengthened in the meantime, and in 2015 the countries signed a memorandum of understanding to use the Chittagong and Mongla ports to ship goods to and from India.

Bangladesh is No. 8 in terms of India's export trade, receiving $6.5 billion in goods from its larger neighbor in 2016, according to IHS Markit Global Trade Atlas.

Bangladesh is No. 69 in terms of India's imports, sending $724.2 million worth of goods to India in 2016. Indian exports from Bangladesh rose 2.4 percent year-over-year, as imports from Bangladesh inched up 0.2 percent.

Bangladesh exports woven garments, knitwear, home textile, agri-products, frozen food, leather and leather products, footwear, raw jute, jute goods, and bicycles to India, while Bangladesh imports cotton, cotton yarn, cotton fabrics, vehicles, nuclear reactor, boilers, machinery and mechanical appliances, cereals, edible vegetables, and iron and steel.

Source: joc.com- Nov 27, 2017

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Bangladesh: RMG factories turn to technology to maintain competitive advantage

Around 70% of the manufacturing cost of an apparel product is fabric and this cost can be reduced by around 10% by introducing new cutting technology.

Bangladeshi apparel makers are introducing cutting edge software technology in a bid to upgrade production processes and reduce fabric waste by raising measurement accuracy.

According to industry insiders and technical experts, around 70% of the total manufacturing cost of an apparel product is fabric.

This single cost can be reduced by around 10%, however, with the introduction of new cutting technology.

“It saves fabric, time and money, and improves quality by ensuring accuracy in measurements during the cutting,” Atiqul Islam, general manager (admin, HR and compliance) of Metro Knitting and Dyeing Mills Limited, told the Dhaka Tribune.

“For example, if an inch of fabric is saved in cutting a shirt, manufacturers will be able to save 100 inches of fabric in making 100 shirts. It would give a maker a cushion and reduce production costs.”

Atiqul said it costs $250,000 to $300,000 to set software based technology in cutting fabrics. “It will take up to two years to get returns on the money invested, or within a year if it is used efficiently,” he said.

M B Knit Fashion Ltd Managing Director Mohammed Hatem explained to the Dhaka Tribune how the technology works.

“After the input of a product measurement, it analyses all the possible angles to cut the fabric so that it can ensure best uses. After analysis, the software gives a layout and marker on which the makers will cut the fabric either manually or by automated system,” he said.

"As directed by the software, we can cut the fabric with lasers, which saves times and fabric. As a result, it helps me negotiate prices with buyers as I can get a quick measurement of fabric as well as the cost."

Manasij Ganguli, co-founder of a Singapore-based Indian technology company called Threadsol, told the Dhaka Tribune that saving even 1% on fabric costs can increase the profitability of a company. Threadsol is a supplier of IntelloCut, a cutting software which helps RMG makers increase productivity and profitability by reducing fabric waste.

"It optimizes the usage of fabric and is said to also comparatively reduce the time and labour required for order planning," he said. Currently, 25 garment factories in Bangladesh are using Threadsol's software, including Beximco, Pacific Jeans, Dekko Group, Unifil Group, Fakir Fashions, Epic Group, Urmi Group, Ananta Group, and Hirdaramani's Kenpark and Regency.

Alternative options include Lectra, a leader in integrated technology solutions for fabrics, technical textiles and composite materials which is used by Envoy Textile and other RMG makers. "The advantages of adapting technology in the garments sector are very clear," Envoy Textile Managing Director Abdus Salam Murshedy told the Dhaka Tribune. "It draws the attention of global buyers as Bangladesh is in focus as the second-largest manufacturer of apparel products (in the world)."

Salam, who is also a former president of BGMEA, added that the production costs of apparel products is increasing in Bangladesh due to rises in wages and raw materials, as well as new investment required for compliance. "Introduction of technology can be a great solution to being cost effective and to remain competitive," he said. "The global market is very competitive and it is only going to become tougher. In retaining the competitive edge in the global market, Bangladesh has to adopt new technology."

M B Knit Fashion boss Mohammad Hatem said it was not enough to only apply the technology without proper planning. "China, the number one exporter of apparel products, has adopted technology in the RMG sector so we (also) have to be prepared in taking the challenge. But, we lack experience with the introduction of new technology so training is very important," he said.

Source: dhakatribune.com- Nov 28, 2017

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Myanmar, EU chamber sign trade and investment deal

A government trade promotion body has signed a deal with the European Chamber of Commerce to promote bilateral trade and investment from European companies.

The Memorandum of Understanding was signed between Myantrade – the Myanmar Trade Promotion Organization, under the Ministry of Commerce – and EuroCham Myanmar in Yangon on Friday.

It is Myantrade's first agreement with a foreign business chamber since the government launched its five-year National Export Strategy in March 2015, Deputy Minister for Commerce U Aung Toe said.

"I am confident that the MoU will enhance bilateral trade corporation between Myanmar and European Union, and promote investment of companies from the EU," he said in his opening remarks.

Business ties between the EU and Myanmar have expanded significantly since 2011 with the lifting of most economic sanctions and reinstatement of the Generalized System of Preferences for Myanmar exports. In 2013, work began on an Investment protection Agreement that is now nearing completion.

U Aung Soe, director general of Myantrade, said the resumption of GSP – which the EU temporarily withdrew in 1997 to punish the military regime – had been particularly important for growing Myanmar exports. European Commission figures show that bilateral trade has grown from just 245 million euros (US$292 million at current exchange rates) in 2010 to 1.559 billion euros ($1.86 billion) in 2016.

Most of the growth has been in Myanmar exports, which increased almost 350 percent in three years, from 223 million euros in 2013 to 993 million euros in 2016. Of this figure, 69.6 percent was textile products, while another 5.7 percent was footwear and hats.

“The main export items to EU countries are clothes, fishery products and forestry products,” Aung Soe said.

But Myanmar is also facing challenges in promoting export volumes to the EU.

“The main problem is most Myanmar products do not meet EU quality standards,” Aung Soe said. “For example, we have abundant agri-products but we can’t export most of them because they contain chemical residues.”

Rakhine concerns

EuroCham Myanmar executive director Mr Filip Lauwerysen said the situation in northern Rakhine State has affected Myanmar’s standing as “an investment destination”, but companies already working in Southeast Asia were less likely to be put off.

“Tourism is the most affected while other sectors are less affected,” he said. “But for the companies that are already active here, they know Myanmar, they know the potential that it has. So I think they plan to stay here, plan to expand.”

He said the impact of the Rakhine crisis on business confidence would be clearer when EuroCham Myanmar publishes its annual Business Confidence Survey next month. The survey covers what activities EU business are doing in Myanmar, as well as their future plans and difficulties.

“That is very important, an important tool to answer questions how European companies feel about this situation,” Lauwerysen said. “In the Business Confident Survey, I think we will see positive forward despite some setbacks.

“As EuroCham, we would like to see as soon as possible the peaceful situation and stability.”

Source: frontiermyanmar.net- Nov 27, 2017

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NATIONAL NEWS

Will exports remain India's Achilles heel?

Before the world became flat in 1990 — to borrow the title of Thomas Friedman's 2004 book on globalisation — developing countries were locked into twin traps of low access to foreign currency and low levels of domestic savings.

India's anxiety about foreign exchange, to fund imports, goes back to those desperate times when export pessimism was rampant and import compression all the rage. India has come a long way since then. Standard and Poor's, the international rating agency (November 24, 2017 rating action), considers India's external position to be the strongest aspect of its aggregate credit profile.

Foreign exchange reserves are more than a year's imports; external debt levels are modest at around 20 per cent of GDP and the foreign exchange gap between earnings from exports and remittances and the outflow on imports has narrowed to less than one per cent of GDP (2016-17). This is a tribute to India's prudent external account managers. Indian goods exports (excluding services) are 12 per cent of the national income.

Manufactured goods (including textiles, clothes and gems) have a share of 76 per cent; minerals and agricultural products account for around 12 per cent. Petroleum products account for the remaining 12 per cent. The dissatisfaction has been with the trend value of exports. Over the last three years, this has lagged GDP growth significantly. The Trade Policy (2015-20) target of increasing our share in world trade from 1.5 to 3.5 per cent is unlikely to be realized anytime soon.

This was never an easy target. World growth is yet to recover from the slowdown. Protectionist barriers, related to the loss of domestic employment and increasing inequality, are finding favour, including in our largest trade partner: the United States.

In this unsupportive ecosystem, increasing our share of world trade pie needs a calibrated strategy to target markets and product lines where Indian goods are most competitive.

Five initiatives can be considered. Expanding bilateral trade within South Asia and with Africa should be the first order of business. Some trade is already roundtripped via the Gulf, adding intermediary margins, which are denied to both the original exporter and final importer. Trade relationships tie regions together.

The Indian Ocean littoral needs targeted attention via specific product chains. Primary products, particularly agricultural goods, were overweight in our export basket in the 1980s. Their share has shrunk post liberalisation. Legalising commercial leasing of large tracts of land for farming can revive agricultural production for export markets and protect domestic jobs.

The recently-launched progressive policy of regional air connectivity offers an opportunity for embedding export orientation even in hitherto inland, poorly connected locations. Air connectivity adds value to the local economy by kickstarting business around newly-serviced airports which are logistic nodes, connected to hubs in metros.

The Economic Survey 2017 notes that India exports a wide range of products. We export 97 per cent of the top 100 items traded worldwide at the four-digit nomenclature level and 83 per cent at the six-digit nomenclature levels. But the volumes exported are low, at just 1.6 per cent of the total value of world exports.

Exports need to be supported by a trade policy developed collaboratively with state governments. The Goods and Services Tax committee provides a role model. A similar federal trade and foreign investment committee, with all state governments on board, could provide a structure for joint policy formulation and implementation.

Consider that meat exports have declined as state governments failed to sanction goons extracting “rents” from the movement of cattle — other than even cows — for slaughter. This also imposed a direct loss in domestic income of $1 billion — small beer, perhaps, in the larger scheme of things. But unnecessarily disruptive for one million people employed in the leather, dairy and meat industry. Significantly larger income loss is inevitable if the 40 million rural households who keep milch animals for boosting nutrition and for profit are dissuaded from doing so.

State governments lack incentives to promote exports. The recently constituted 15th Finance Commission could help by tweaking the fiscal devolution to include export effort as a carrot for enhanced devolution. Direct incentives are more empowering for states than Union government-funded schemes.

Landlocked states, which have fewer options for exports than seaboard states, could be incentivised for narrowing the gap between themselves and the exports to GDP ratio at the national level. India has, perversely, become a world leader in initiating action under anti-dumping measures. In 2016, out of a total of 145 actions by all countries, India initiated as many as 69 actions. Maybe, if we were to fix the rupee exchange rate more realistically, so many anti-dumping actions may not be needed.

Domestic producers are already hurting from the turbulence, admittedly temporary, from the recent tax reforms. But they also remain handicapped by an appreciated rupee. A “strong” rupee is bad for exports. It is also bad for domestic producers, since it makes imported goods artificially cheaper.

Prudent management of the external account has chuffed investor confidence so much that surging capital inflows (other than debt) have obscured the desperate need to enhance exports to plug the foreign exchange gap, emanating from the trade imbalance. We have benefited from the continued low prices for imported oil by around $50 billion. But our inflows, via remittances from Indians working in the Gulf and elsewhere, have suffered a collateral damage of $10 billion.

The net effect is a benefit of $40 billion. But betting on oil prices is worse that betting on the monsoon being on time. Our dependence on imported oil, to fuel growth, shall continue, till solar power becomes the primary fuel for transportation. But that future is at least a decade or more away, even in developed economies.

In the near term, we must make our trade balance resilient to the possibility of an oil price increase. Exports, economic growth and good jobs are organically linked. We are ahead on growth. But the two other legs also need to catch up.

Source: deccanchronicle.com- Nov 29, 2017

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Garment makers fear exports will drop 15% to $14 billion this fiscal

Garment manufacturers are apprehensive of an over 15 per cent drop in exports in 2017-18 to $14 billion, from $17 billion a year ago, because of a reduction in duty drawback reimbursement rate and rebate on State levies (ROSL) following the implementation of the Goods and Services Tax (GST). "So many garment manufacturing units are shutting down all over the country, be it in Noida, Okhla, Jaipur or Ludhiana.

Exporters are losing orders because of their loss in competitiveness. If the government doesn't step in to restore the earlier input reimbursement rates, there will not only be a sharp drop in exports, but millions of jobs will also be lost," said PMS Uppal, President, Okhla Garment and Textile Cluster. Industry representatives point out that the total reimbursement under duty drawback and ROSL has been brought down to 7 per cent from 14 per cent, eroding all profit margins.

"We feel let down by the meagre rates of duty drawback and ROSL. The government has assumed that this is being made up by GST refunds but this is not the case as there are a lot of embedded taxes that are not being reimbursed," said Sudhir Sekhri, Chairman, Garments Exporters Association.

While exporters are relieved about the recent decision of the government to increase the rates of incentives under the Merchandise Export from India Scheme for garments and made-ups to 4 per cent from 2 per cent, they say it is not enough to compensate for their losses.

"Our competitiveness has been affected to the extent of 6-7 per cent on account of the reduction in the drawback and ROSL rates. We were earlier working on a profit margin of 4-5 per cent. We have now reached a situation that exporters are losing their orders to producers in Vietnam and Bangladesh because of uncompetitive prices," Uppal said.

The garments industry, which employs over 12 million people, may have to retrench half the workforce by the end of the financial year if the government doesn't redress the situation, exporters said.

India's apparel exports declined 39 per cent in October with an overall decline of 5.94 per cent in the April-October period.

The industry fears a 39 per cent drop in exports of garments in November as well.

Source: thehindubusinessline.com- Nov 28, 2017

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Pradhan Mantri Credit Scheme: Industry cheers incentives to powerlooms

The government has introduced schemes for financial assistance of up to 90 per cent under the Pradhan Mantri Credit Scheme for powerloom weavers.

Under this scheme, the government will provide margin money subsidy to the extent of 20 per cent of the project cost, with a ceiling of Rs 1 lakh, as well as interest subvention at six per cent per annum, both for working capital and term loans up to Rs 10 lakh for a maximum of five years.

Another scheme for the ailing powerloom sector is Sustainable and Accelerated Adoption of Efficient Textile Technologies to Help Small Industries, abbreviated as SAATHI. "This is expected to benefit almost 2.5 million powerloom units, which produce 57 per cent of total cloth in the country. The use of efficient equipment would result in energy savings and cost savings to the unit owner, who would in turn repay in instalments to EESL (Energy Efficient Services Ltd) over a three to four-year period," said Ujwal Lahoti, chairman, The Cotton Textiles Export Promotion Council.

The schemes provide for powerloom units to not only upgrade technology but to install solar power equipment to cut energy costs. "The Union ministry and state governments have announced several promotional schemes for powerloom textiles but there is hardly any awareness in the industry. The highest benefit of these schemes have been taken by entrepreneurs of Gujarat and Tamil Nadu. The solar energy scheme for small powerloom units will help the unit to pay back bank loans within three to four years. After this initial repayment period, the unit shall get practically free electricity," said Kavita Gupta, textile commissioner.

Of the 2.5 million powerlooms, half are in Maharashtra. There are 108 powerloom clusters in the country and 72 textile parks. While welcoming the increase in the Merchandise Exports from India Scheme (MEIS) from two to four per cent, Lahoti urged the government to include cotton yarn under it. And to similarly raise the MEIS on cotton fabric. “While every other segment in the textile value chain has been provided with MEIS benefits, cotton yarn has been excluded for some inexplicable reason, though it was included in the Focus Market Scheme and Incremental Export Incentive Scheme under the earlier Foreign Trade Policy,” he said.

The spinning sector is passing through difficult times and losing market share to Vietnam and Indonesia due to increasing costs. Withdrawal of export incentives for cotton yarn has reduced India’s competitive edge, as local prices have increased by five to six per cent, is the complaint. More of cotton yarn export will benefit not only the spinning sector but also cotton farmers and the value-added segments of fabric and made-ups/garments, said Lahoti.

Source: business-standard.com- Nov 28, 2017

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Garment exporters demand restoration of pre-GST rates

Garment exporters demanded the restoration of duty drawback and Remission of State Levies (ROSL) rates to pre-GST levels, claiming that a whopping six million jobs may be lost in the sector if urgent remedial measures were not taken.

India's apparel exporters are facing intense competition from countries like Bangladesh, Pakistan and Vietnam, owing to lower competitiveness.

"The average duty drawback that we were getting per-GST was 11.5 percent and the Remission of State Levies (ROSL) was an average of 3.5 percent. Post GST, the average drawback has come down from 11.5 percent to 2.25 percent. "Last week, the government has been very magnanimous in increasing the ROSL from the 0.39 percent which was announced in July to 1.7 percent, but we are still short of the 3.7 percent which we were getting earlier," said Sudhir Sekhri, Chairman, Garment Exporters Association.

Addressing a press conference, garment exporters alleged that the government was "making it difficult" for them to run their businesses and they had to incur additional compliance costs due to the "tardy implementation" of the Goods and Services Tax.

"We had a decline of 41 percent in (garment exports) in October. There may be a 30 percent decline in November. April-October there is a downfall of 5.8 percent. If this trend continues, for the entire fiscal it could be 15-20 percent," said Vinod Dhawan, President of Apparel Exporters and Manufacturers' Association.

Ready-made garment exports dipped by about 40 percent to USD 829.44 million in October.

The garment exporters fear that 6 million jobs may be lost in the sector, which is currently giving direct employment to 12.9 million people, going by the fall in exports.

The exporters also demanded speedy conclusion of a free trade agreement with Europe for India to regain its export competitiveness, as the industry had to pay 9.8 percent duty for shipping to Europe.

Besides, the garment exporters demanded clarity on the e-wallet mechanism, full refund of blocked taxes and that fabric and other inputs be made available to the garment industry at lower rates.

The government last week announced the post-GST rates for claiming a rebate of state taxes under the scheme for ROSL on exports of readymade garments and made-ups.

It also doubled the rates for incentives under an export promotion scheme -- MEIS -- to 4 percent for readymade garments and made-ups.

India's Apparel exports rose to USD 17.5 billion in 2016 -17 from USD 16.8 billion in 2014-15.

Source: moneycontrol.com- Nov 28, 2017

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A cotton crisis is looming large in Maharashtra

There is a major crisis in the cotton county of Maharashtra and the government is blissfully unaware of the looming disaster they could soon be faced with.

Field after field in the various districts of Vidarbha, planted with cotton during the rabi sowing season a couple of months back, have been infested with the Pink Bollworm (gulabi boand in Marathi) and farmers are at their wits' end combating the pest.

They had recently taken to Bt Cotton after years of fierce resistance when they were finally persuaded that this biotechnologically modified seed could resist all pests and diseases. But, last year, farmers in the adjoining districts of Telangana noticed that the Pink Bollworm had now become resistant to pesticides and the Bt Cotton vulnerable to these pests. Yet, with the Central Institute of Cotton Research (CICR) headquartered in Nagpur, no steps were undertaken to warn farmers against the spread of the Pink Bollworm to neighbouring Vidarbha.

The Pink Bollworm is a species of moth and there seems to be large scale breeding of the pests as people are reporting infestation not just from their cotton fields but across homes and other areas. According to Professor Ghanshyam Darne, who works closely with farmers in the region, these farmers have gone out on a limb spraying pesticides over and over again but the Pink Bollworms show no signs of receding.

In many cases they have spent over a lakh of rupees on pesticides and fertilisers to no avail. "Farmers now realise that they have lost 80 to 90 per cent of their crop. So they have given up and are running tractors over their standing cotton crop. Their yields this season are going to be at the most five to six per cent," Prof. Darne told me.

According to the CICR, which has been unable to home in on a pesticide that will prove effective, the best way to combat the moth is to set pheromone traps across their fields and catch enough of the male of the species to prevent any further breeding. But this primitive method of catching the Pink Bollworm is simply beyond the comprehension of the farmers. I am told that, firstly, you need at least 40 such traps per acre for these to be effective.

Pheromones, mixed with natural ingredients like glossyplure, confuse the male moths who mistake the traps for females but farmers who have used it reported poor results.

Some farmers say the Union government was aware in August that parts of Andhra Pradesh, Gujarat, Karnataka and Maharashtra had been infested with the Pink Bollworm and ordered the seed companies to compensate the affected farmers for their loss. However, it is November-December when the moths really begin to breed in profusion (it takes only three or four days for the eggs to hatch) and the CICR had tips on avoiding the infestation - sowing at optimum heat and using a 12-week variety of seed as these moths begin to infest the crop at 15 weeks.

Now with a month more to go when these Bollworms will continue to breed profusely - there is not a single village anywhere in Vidarbha that has not reported the pestilence - it is no wonder that farmers are crushing their cotton under their tractors to cut their losses. Many, according to Prof. Darne, have decided to sow pulses and other crop but what worries him now is the fallout of their economic situation.

Many farmers are yet to receive their loan waiver amounts in actual cash or digital terms. Only farmers who had taken loans of less than Rs 1,50,000 were eligible for these waivers.

Many of the eligible farmers have already spent as much or more in fighting this pestilence. They could thus immediately fall into the cycle of debts and repayments again, particularly as they will not be able to realise their cotton harvest this season. Although they are taking to pulses cultivation, they have not yet forgotten their experience of the last harvest of pulses.

Farmers in the state had produced a bumper crop of tuar daal but the government could not come up with minimum support price for all of their crop. From May to the onset of monsoon, these farmers were sleeping on their gunny bags of tuar daal in the market yards across the state until the first showers soaked and destroyed it all. That contributed to the intensity of their agitation for loan waivers.

Source: hindustantimes.com- Nov 29, 2017

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Global Outlooks: India's Economy on the Rise, While China's Growth Seen Slowing

Driven by its expertise in the service sector, India is on track to achieve strong growth over the next decade and overtake Japan in gross domestic product by 2028 to become the third largest economy after China and the U.S., a Bank of America Merrill Lynch (BAML) report said.

Meanwhile, a report from Global Insight by IHS Markit forecasts a weakening of China's economic growth, as the U.S. and Europe hold steady. The BAML report, "India 2028: The last BRICK in the Wall," noted that the key drivers for India's economic potential are falling dependency ratios, financial maturity and increasing incomes and affordability.

India has already moved ahead of Brazil and Russia to become the second largest BRIC economy after China and is on track to jump over France and the U.K. to land as the world's fifth largest economy after Germany by 2019, the report noted.

With a projected 7 percent real GDP growth, the report said the dependency ratio–defined as unproductive population in the under 14 and over 65 age group–is slated to fall to 46.2% in 2028 from 52.2% currently and from 71.7% in 1990. This should maintain a savings rate of at least 32 percent by 2028 compared to an average 31.4% from 2000 to 2017, and 20.5% in the prior two decades.

A rising savings rate should push the investment rate up to 35 percent of GDP in 2028 from 32.4% percent in 2017. That should lift growth to 10 percent from 7.1% last year, according to the report.

On a global scale, the November World Forecast Flash from Global Insight by IHS Markit chief economist Nariman Behravesh and executive director Sara Johnson that "barring a shock, the global economic expansion has staying power."

The best global growth rate in seven years—3.2% in 2017—is based on firm foundations–macroeconomic policies remain growth-supportive, notwithstanding a gradual "normalization" of monetary policy, they said.

This expansion could continue for at least a couple more years, even though there is no shortage of low-probability and high-impact risks, like North Korea. The biggest threats to world growth are policy shocks. In the past, central banks have tightened policies too much either prematurely or too late. With inflation quiescent, the risk of tighter monetary policy killing off this expansion remains low.

The U.S. third-quarter real GDP growth was reported at a solid 3 percent, despite disruptions stemming from hurricanes Harvey and Irma. Were it not for the hurricanes, third-quarter real GDP growth could have registered 3.5%, indicating “the underlying momentum in the economy is strong,” the report noted.

“We forecast real GDP growth of 2.2% this year and 2.5% in 2018,” Behravesh and Johnson said. “This lowers the unemployment rate to below 4 percent in late 2018.”

In Europe, they expect above-trend and lower-dispersion growth. Year-on-year real GDP growth picked up to 2.5% in the third quarter, from 2.3% in the second quarter. The third quarter benefited from robust expansions in Germany, Spain and Austria, as well as solid performances in France and Italy.

“The near-term outlook is encouraging,” the IHS experts said. “Thanks to better labor market conditions and low inflation, consumer spending will remain a reliable engine of growth. Firms are lifting their investment intentions, encouraged by better access to credit, a more upbeat assessment of the economic situation and a competitive currency. While political and economic challenges remain, our forecast of real GDP growth has been raised to 2.4% this year and 2.1% in 2018.”

Regarding China, Behravesh and Sara Johnson said, “Now comes the hard part. With the fanfare of the 19th Chinese Communist Party Congress over, the country’s structural problems need to be addressed. The only question is how.

The pronouncements by President Xi and other Chinese policymakers suggest a continuation of the top-down, state-led strategy of the past. This strategy led to the explosion of debt and excess industrial capacity during the past decade.”

They said as government stimulus applied in the run-up to the Party Congress is removed, real GDP growth is expected to slow from 6.8% this year to 6.5% in 2018 and 6.2% in 2019. Early evidence shows growth in China's economic activities softened in October, with decelerations in industrial output, fixed-asset investment, retail sales and residential real estate starts.

Looking at other large emerging markets, "The two-year slump is over, but there is no boom in sight," the report surmised. "The recent upturn in global economic growth and commodity prices has helped the emerging world in 2017. Moreover, progress in bringing inflation below targets has allowed some central banks to lower interest rates."

Brazil and Russia are beginning to recover from 2015-16 recessions, but average emerging-market growth will only be around 5 percent during the next three years, less than the 7 percent to 8 percent rates of the mid-2000s in the heyday of the BRIC era.

The bottom line from IHS Markit is growth in 2017 will turn out to be much better than in 2016, and growth in 2018 and 2019 will likely remain in the 3 percent range, without taking into account "unknown unknowns."

Source: sourcingjournalonline.com- Nov 28, 2017

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