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IBTEX No. 2 of 2019 January 03, 2019

USD 70.50| EUR 80.10 | GBP 88.42 | JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20741	43350	**78.46**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
20970	43827	**79.32**

International Futures Price

NY ICE USD Cents/lb (March 2019)	70.84
ZCE Cotton: Yuan/MT (May 2019)	14,830
ZCE Cotton: USD Cents/lb	**98.03**
Cotlook A Index – Physical	**80.85**

Cotton Guide: We had predicted in our daily report of December 24, 2018 about cotton prices touching a low of around 70 cents/lb and yes we have witnessed that yesterday. A massive drop with a range of (-105) and (-136) was seen yesterday in the ICE contracts. ICE march futures touched a high of 72.59 and a low of 70.76 thus settling near to the low figure at 70.84 i.e. a dive of (-136).

Similarly ICE May futures also settled around (-125) lower at 72.25 and ICE July contract with (-105) at 73.58 cents/lb. The Open interest figures increased by 1830 contracts to 215,148. The ICE March and ICE May contracts' open interest was seen at 125,586 and 38,248 that is a rise of 523 and 501 contracts respectively.

MCX January contract settled at 20970 Rs/bale with a negative change of (-130) Rs, whereas MCX February and MCX March settled at 21220 and 21480 with negative figures of (-130) and (-100) respectively. MCX April contract settled at 21780 Rs/Bale with (-140). MCX January Volume was at 2020 lots and the open interest at 8147 lots.

Arrival figures in India are around 155,000 lint equivalent bales. Average prices of Shankar 6 are around 43,350 Rs/Candy, whereas Punjab J-34 is at around 4,430 Rs/Maund. Cotlook Index A has been adjusted to 80.85 cents/lb i.e. 0.05 CFR main Far Eastern Ports. The Brazilian Cotton Index is at 79.38 cents/lb which has increased by 1.146% as compared to 78.78 cents/lb of the previous close.

The major reason attributed to yesterday’s drop in ICE Cotton Prices were linked to strong dollar and volatility in the Crude Prices along with unstable equity markets. Last evening at around 8 pm the WTI Crude prices were trading at 44.48 $/Barrel and spiked to 47.58 $/Barrel within 90 minutes.

While I am writing this report at 8:30 am the WTI Crude is trading at 45.61 $/Barrel. When we compare the correlation of ICE prices with Indian Domestic Prices we should foresee changes in disproportionate amounts in a bear market.

The reason being – MSP would come into play thus restricting Indian Domestic Prices from falling further. On the other hand when there is a bull run at ICE we can expect proportionate amounts of positive changes at the Indian Domestic Prices.

On the Technical Front, ICE Cotton Mar futures is trading below the crucial support of 71.90 zone (76.4% Fibonacci level), with RSI in daily charts is hovering around 26 levels. Both price and momentum suggest weakness in base trend for very near term.

Meanwhile immediate support exits around 70.30 levels, only decline below could weaken further towards 69 levels (100% Fibonacci extension). From the above it is expected that price could trade in the range of 72.60 to 70.30 with sideways to negative bias.

On the higher side above 72.60, 74.00, 75.50 are the crucial resistance levels. In the domestic markets trading range for Jan future will be 20740-21180 Rs/Bale.

Currency Guide

Indian rupee has opened weaker by 0.2% to trade near 70.31 levels against the US dollar. Rupee is pressurized by weaker risk sentiment amid concerns about slowdown in Chinese economy and partial US government shutdown. China's manufacturing PMI slipped below 50 in December showing contraction in the sector. While US President Donald Trump showed willingness to end the US partial government shutdown, no agreement came out of a meeting between President Trump and US congressional leaders.

Risk sentiment weakened further as Apple cut its first-quarter guidance for the first time in almost two decades, citing an unforeseen slowdown in China and fewer upgrades to iPhone models. Volatility in crude oil price is also affecting rupee. Crude price weakened today after a 2% gain yesterday. Crude is choppy as weaker risk sentiment is countered by signs of decline in OPEC's production.

Also weighing on rupee are reports that RBI will allow one-time restructuring of loans to micro, small and medium-sized companies that are in default. To be eligible for the program, the loan should not exceed 250 million rupees ($3.6 million). Rupee has weakened sharply and may remain under pressure unless risk sentiment improves. USDINR may trade in a range of 70-70.55 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	Protectionist US roils world trade order
2	Reviving Textile Manufacturing in the United States
3	US Stays Mum on China Trade Concessions Ahead of Beijing Talks
4	Cotton and Fiber Outlook 2019: Prices Holding Steady But Volatility Persists
5	The Implications of the U.S.-China Trade War on Asia
6	Bangladesh exports to EU faces challenge
7	Sri Lanka to review feasibility studies of all proposed FTAs
8	Pakistan saw EU GSP+ approval, new workers' federation in 2018

NATIONAL NEWS	
1	Cabinet allows inclusion of merchant exporters under Interest Equalisation Scheme (1ES) for Pre and Post Shipment Rupee Export Credit
2	Weak global prices, poor crop to push cotton imports by 80%
3	Indian textile firms face higher trade barriers in EU, US: Government
4	RBI releases guidelines on restructuring MSMEs loans
5	RCEP to facilitate India's MSMEs and export
6	Extend loan restructuring scheme to MSMEs not yet registered under GST: Industry

INTERNATIONAL NEWS

Protectionist US roils world trade order

Even as global trade has suffered, emerging economies are fast entering into new partnerships and creating trade blocs

In 2018, huge changes in the global economic order created an upheaval among both developed and emerging economies. Business fundamentals were challenged, resulting in an imminent global economic slowdown. Global trade as a percentage of GDP has now fallen to around 56 per cent as against its peak of 61 per cent, achieved in 2008 and 2011.

The year 2018 altered relationships between global economies as well as notions of trade and investment.

Structure of world economy

It all started with the "America First" orientation under which US withdrew from TPP (Trans-Pacific Partnership), imposed huge tariffs on imports from China, framed the mutually beneficial USMCA (United States-Mexico-Canada Agreement) in lieu of NAFTA, and blocked appointment of judges in WTO's Appellate Body, leading to a crisis in the dispute-settlement process.

All these do not seem to bode well for the global economy. TPP not coming through will also mean that American exporters will not have enhanced access to foreign markets in the wake of new trade agreements. In addition, it will also pave the way for China to exert its long lasting influence on Asian economies.

Imposition of trade penalties by any nation may not only damage its downstream industries but will also encourage foreign counterparts to retaliate, adversely impacting global growth, disrupting supply chains and denting consumer and business sentiment.

Global economies are far more inter-dependent right now than they were during the Great Depression.

Hence, such "my country first" trade policy could have disastrous consequences on the liberal international trade order. The structure of the world economy, which the US had only helped to create in the past, seems to be under threat as never before.

Relationship among economies

A chain of executive orders, policy adjustments seem to have created an invisible wall around America, which has made the US immigration policy look more like the xenophobic 1920s.

While the US imposes harsh measures on new immigrants wishing to enter the country for work, latest news from Japan shows the opposite.

The contribution of immigrants to start new businesses in the US, generating more than expected percentage of US patents, leading to global growth amid intense global competition in previous decades is probably being overlooked.

Against this backdrop of growing protectionist measures in many developed economies, emerging economies are, by contrast, actively cultivating their trade partnerships and are transforming global trade patterns through intra-regional trade tie-ups.

China, for example, is the top export destination for Brazilian products. Similarly South Africa, India and Russia are top export destinations for China. Further, trade blocs such as the RCEP, ASEAN, USAN, EFTA, AU, CARICOM, etc., are likely to generate considerable internal trade momentum and outside trading links with developed markets.

Trade and investment

In globally connected economies, with isolated supply chains and blurred boundaries, there is always a possibility that different policies can trigger battles within. The spat between Harley Davidson and US administration, triggered due to policy difference between US and EU is an example.

Brexit negotiations is another such example. The contours of the exit are not yet clear as both the 'hard' and 'soft' exits shall have implications for the EU and Britain. All these developments are, and will be, impacting trade and investment across the global space.

India's total merchandise trade with EU28 is around 14 per cent of the total merchandise exports, with UK alone it is around 2 per cent and with EU27 it is 12 per cent.

These figures clearly amplify one thing; that EU27 would still be a major trading partner of India, post Brexit. However, unless the terms and conditions of Brexit are clear, India can only wait and watch.

Undoubtedly, 2018 was a year of uncertainty, challenges and opportunities on matters relating to international cooperation and global development.

Though it is not feasible to know the expected outcomes from these developments, the recent popularity of protectionism is indeed worrisome.

It is only by transforming challenges into opportunities that emerging economies will probably stand to gain.

Source: southehindubusinesslinel.com- Jan 02, 2019

HOME

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Reviving Textile Manufacturing in the United States

A revival for textile manufacturing in the United States is getting a fresh look.

Professor Eric Hequet, an internationally-renowned cotton fiber quality expert at Texas Tech University, says the United States can do a better job of bringing back its textile production by focusing on high quality textiles, complete automation and improved cotton breeding programs.

While the country's advanced textile industry – including nonwovens – is showing steady growth and investments, conventional textile manufacturing has continued to decline since 1997. According to Hequet, this is largely due to consumption of cotton in domestic mills dropping to 3.4-3.8 million bales per year, while about 80% of the cotton produced in the United States is exported.

Commenting on the current state of international spinning, Hequet noted that the trend is towards finer yarns and ring spinning technology, while U.S. mills mostly focus on coarser yarns.

Cotton breeding programs need to focus on length, enhanced length uniformity and strength, according to Hequet. Today, cotton's strength, he noted, can reach 40 grams/tex, but efforts must be streamlined to go up to 50 grams/tex. He recognized that as a bold, but possible, goal. The United States is still the most cost effective place to produce cotton yarns, and these advantages must be properly capitalized. Such high strength cottons could help pave the way for the high production vortex spinning.

In recent remarks about improved production efficiencies, Kanti Jasani, president of Performance and Technical Textile Consulting in Harrisburg, PA, also emphasized the importance of less manual handling, sustainable practices and automation in the production sectors in developed economies.

Hequet recently visited the National Institute of Cotton Research in Anyang, China. He stated that China is concentrating on high quality textile products, while the commodity industry is moving toward Vietnam and Bangladesh.

Skilled labor, cheap energy and the availability of high quality cotton within its borders should encourage the United States' textile sector to take a serious look at revitalizing its spinning and the upstream textile sector.

Source: cottongrower.com- Jan 02, 2019

HOME

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US Stays Mum on China Trade Concessions Ahead of Beijing Talks

U.S. government officials are publicly withholding judgment on China's efforts to ease trade tensions ahead of talks next week, raising the prospect that Beijing's latest economic-reform announcements won't go far enough to satisfy President Donald Trump's demands.

China in recent weeks has announced steps to open up its economy since Trump and President Xi Jinping met over dinner Dec. 1 to diffuse tensions. But they mostly fall short of U.S. Trade Representative Robert Lighthizer's demands for big structural changes on alleged forced technology transfer and theft of intellectual property, analysts said.

"The Chinese have done nothing along the lines of what he says he wants—fundamental reform," said Derek Scissors, a China expert at the American Enterprise Institute in Washington. With two months remaining in the trade war cease-fire that ends March 1, "it was hard to imagine that happening in 90 days and it gets harder with every day that goes by," he said.

A spokesman for Lighthizer's office didn't respond to a request for comment on China's recent pledges to open its economy.

'Big Progress'

The leaders on Dec. 1 agreed to pause a further ratcheting up of tit-for-tat tariffs for three months while they try to negotiate a deal. Trump on Saturday sounded optimistic on the prospects, writing on Twitter that the deal "is moving along very well" and that "big progress" was being made.

Still, he left open the possibility that negotiations could fall apart, while signaling that any deal would have to address all of his concerns. "If made, it will be very comprehensive, covering all subjects, areas and points of dispute," Trump tweeted.

Pressure is building on both countries to deescalate the feud, which is starting to weigh on their economies and financial markets.

China's manufacturing purchasing managers index dropped to 49.4 in December, the weakest since early 2016 and below the 50 level that denotes contraction. Measures of new orders and new export orders slipped—a bearish signal for future demand.

Meanwhile, five U.S. Federal Reserve indexes of regional manufacturing all slumped in December, the first time they've fallen in unison since May 2016.

Trade officials from the two countries will sit down in Beijing next week for the first face-to-face negotiation since the leaders' dinner. Deputy U.S. Trade Representative Jeffrey Gerrish will lead his country's delegation, which will also include sub-cabinet officials from other agencies.

Announcements coming out of Beijing in the past month included a pledge to treat state, private and foreign firms equally, a new round of tariff cuts on agricultural goods, cars and other products, and reports that the country was mulling legislation to curb forced tech transfer. China also announced it would resume buying U.S. soybeans, rice and liquefied natural gas starting in December.

Steps China Is Taking to Address U.S. Concerns: China Pledges to Treat State, Private and Foreign Firms Equally China Cuts Tariffs on More Than 700 Goods Amid Open-Trade Drive China Mulls Law to Curb Forced Tech Transfers: People's Daily Trump Gets Win as Xi Makes Good on Pledge to Buy U.S. Soy China Resumes U.S. Crude Imports; Saudis Become Top Sellers

Scott Kennedy, China analyst at the Center for Strategic and International Studies, said the new legislation could be meaningless. The informal guidance that's being given to officials locally on how to treat foreign technology and IP is more important than a law, he said.

Lighthizer, who Trump named as his lead for the negotiations, said in December that March 1 is a hard deadline for Beijing to come up with commitments it has promised to fulfill for the past decade.

"We need structural changes on this fundamental issue of non-economic technology transfer. It can't be just vague promises that we've seen over the last 25 years," Lighthizer told CBS's Face the Nation on Dec. 9. "There is a long history of having things not work out."

Chinese officials are voicing a complaint that has accompanied the trade war for months: They're not sure what is asked of them and it's not clear the U.S. side knows what it wants, people familiar with the matter said. Officials are planning for alternative retaliatory measures in case talks collapse, they said. Trump administration officials on the other hand said they have clearly laid out their demands to Beijing.

"The key obstacle to a deal is whether the U.S. demands are a bottomless pit," said Lu Xiang, an expert in bilateral ties at the state-run Chinese Academy of Social Sciences in Beijing.

According to Kennedy at CSIS, the White House is unlikely to comment on any of China's economic announcements before it's presented with a final package of commitments, and "Lighthizer's bar is extremely high."

"I expect the White House to keep a poker face up until the end. There will be no reassurance until there is a lot coming," he said. "The question is how much more will come? We need to take a wait-and-see approach with a skeptical eye."

Source: sourcingjournal.com- Jan 02, 2019

HOME

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Cotton and Fiber Outlook 2019: Prices Holding Steady But Volatility Persists

When it comes to cotton price forecasts, two key factors matter most: China policy and the weather.

While China's controlled economy has made its decisions on supply and demand less reliable on market conditions in recent years than in a free enterprise model involving a globally traded commodity, the trade war that developed with the U.S. this year has exacerbated the situation.

The Trade Factor

Cotton Incorporated's December monthly analysis of market conditions said, "Central questions for prices in 2019-20 center on trade, specifically will China begin to increase its imports in a big way and what will the outcome be to the U.S.-China trade dispute."

So far, the accumulation of supply outside of China has not had a significant downward effect on prices, Cotton Inc. said, probably because the market anticipated an increase in Chinese imports.

However, if Chinese imports do not rise as expected, a further buildup of stocks among exporters could push prices lower. On the other hand, if Chinese imports do rise to a volume needed to stabilize its stocks and meet China's domestic production deficit of 14.5 million bales for 2017-18, "prices could be expected to move in the other direction," the report said.

Another burgeoning factor for the upcoming crop year is the threat of slowing economic growth that could lead to lower growth in mill use. The International Monetary Fund's recent downward revisions to world gross domestic product (GDP) estimated that the growth forecast for 2018 and 2019 are to stay flat with 2017's 3.7 percent global GDP growth.

"While the latest projections are less optimistic, growth rates of 3.7 percent still represent the strongest rates of expansion since 2011," when the Great Recession was said to have ended, Cotton Inc. said.

The expected combination of higher production and slower growth in mill use next crop year could narrow the production gap of 6.9 million bales that exists in 2018-19, which has implications for global stocks and some relevance for prices, the report noted. Since the price spike in June that sent cotton prices above $1 per pound, however, "the allocation rather than the volume of world stocks has carried more significance for prices," the report said.

Weather Matters

Then there's the weather. There was also a bump in prices in early fall when Hurricanes Michael and Florence whipped through the Southeast Cotton Belt, damaging crops and property.

Cotton Inc. said, "At least one major weather-related challenge from the current season has abated. The drought in the important West Texan region of the U.S. has been eliminated by precipitation in recent months.

A return to adequate moisture conditions in West Texas alone could add a couple million bales to the global harvest next year."

Movement in global cotton prices has been mixed of late. Values for New York futures moved slightly higher to stand at about 80 cents per pound, values for Chinese prices moved slightly lower to $1.01 per pound and the Cotlook A Index, an average of global prices, has been stable at around 87 cents per pound.

According to the U.S. Department of Agriculture (USDA), spot prices averaged 73.12 cents per pound for the week ended Dec. 20. The weekly average was down from 75.37 cents a week earlier, but up from 71.04 cents from a year earlier.

Polyester and Other Fibers

The fiber market mantra long has been, “As cotton goes, so goes the rest of the market.” At the beginning of the global economic crisis in 2008, supply and demand, financial conditions and weather woes combined to bring cotton prices above $2 a pound for the first time in decades, and polyester and other manmade fibers followed suit.

Kevin Hall, chairman and CEO of Unifi Inc., on a recent conference call with analysts, said, “Raw material costs have been rising over the last four quarters and there was a dramatic jump in polyester costs in September that will place even more pressure on our second-quarter profitability. While this rise is clearly a headwind, we anticipate a better relationship between pricing and cost in the second half of the year:”

Hall said the company, which produces recycled polyester under the Repreve brand and a range of other polyester and nylon fibers and yarns, said the company “will continue to address input cost pressures with responsive pricing actions.”

The U.S. Bureau of Labor Statistics’ synthetic fiber Producer Price Index (PPI) increased 0.2 percent in November from the prior month to an index of 132.1. The synthetic fiber PPI rose 7.6 percent from November 2017. The index has a base of 100 from its origin in 1982.

The Lenzing Group, in reporting financial results for the first nine months of the 2018, said a decline in revenue and earnings compared with the same period of the previous year was the result of lower prices for standard viscose, more unfavorable exchange rates and price increases for key raw materials.

For 2019, Lenzing expects standard viscose markets to remain under pressure because of an ongoing oversupply and very high raw material prices. Lenzing’s specialty fiber business, which includes Tencel, is expected to continue the very positive development seen throughout 2018.

The USDA reported that the Australian Eastern Market Indicator was down 11 cents to $18.49 cents per kilogram. Australian Wool Innovation said merino wool “was highly sought, whereas the crossbred sector fell away significantly as the extraordinary gains of last week were outdone by the remarkably large losses of this week.”

Source: sourcingjournal.com- Jan 02, 2019

HOME

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The Implications of the U.S.-China Trade War on Asia

U.S. trade protectionism has escalated through 2018—with an increasing focus on China. The U.S. so far has imposed tariffs on $250 billion of imports from China, to which China has responded with tariffs of its own on $110 billion of U.S. imports.

The meeting between President Donald Trump and President Xi Jinping in early December has led to a truce, but there is a high risk that frictions will rumble on after the 90-day tariff freeze ends, if not before. A trade war between the two economies is a lose-lose proposition for the world economy and especially for Asia, which is home to some of the most open economies in the world.

However, multinational corporations are nimble, and at a more granular level, there are likely to be some companies, industries and possibly even small economies that benefit from the ongoing trade war. Daniel Gros, director of the Centre for European Policy Studies, recently suggested that the EU could be the big winner from a long U.S.-Sino conflict, citing the old adage, “when two quarrel, the third rejoices.”

Import Substitution and Production Diversion

A narrative is building that countries in Southeast Asia will be able to benefit from an all-out trade war between the U.S. and China. For example, an October 15 Bloomberg report, citing both companies and academics, used such quotes as “This [China-U.S. trade war] is better than the Trans-Pacific Partnership for Vietnam. ...Vietnamese furniture [and] apparel industries are poised to increase market share in U.S.,” and “Thai seafood companies reeling in Chinese customers who want substitutes.”

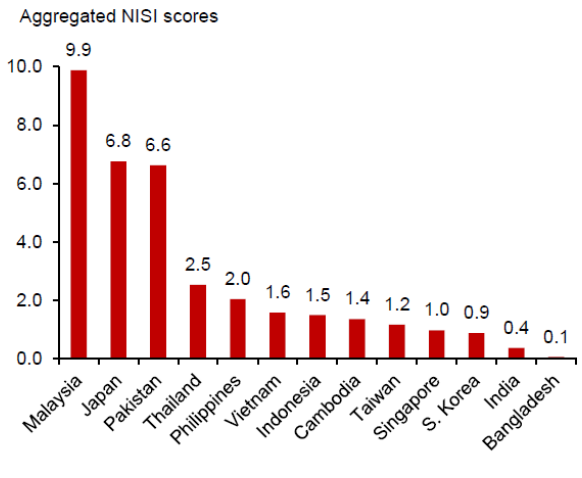
On October 25, The Economist wrote that “Wealthier countries are eyeing some of the high-end manufacturing that they lost to China. Taiwan is trying to lure back computer companies, while Malaysia and Thailand want to expand their footholds in electronics. In low-income countries, the focus is on the cheaper sectors that China has long dominated. Vietnam is strong in food processing; Cambodia in footwear; Bangladesh in clothing."

We quantitatively test these anecdotes by analyzing 7,705 products on the U.S. and China tariff lists. Two channels of potential benefit from this trade war are identified: import substitution (in the short term) and production relocation (in the medium term). How some countries—and more pertinently, companies and certain industries within countries—can benefit from the trade conflict is largely due to these two channels.

In the short term, if the U.S. and China charge higher tariffs on each other's imports, then companies in the two countries will have an incentive to replace these now expensive imports with local production sources or substitute from other countries.

It is likely that Malaysia will emerge as the biggest beneficiary of import substitution by companies in China and the U.S., followed by Japan, Pakistan, Thailand and the Philippines. Of the 13 countries, Bangladesh, India and South Korea stand out as the least likely to gain on a relative basis in terms of import substitution.

Countries that could benefit from import substitution by the US and China

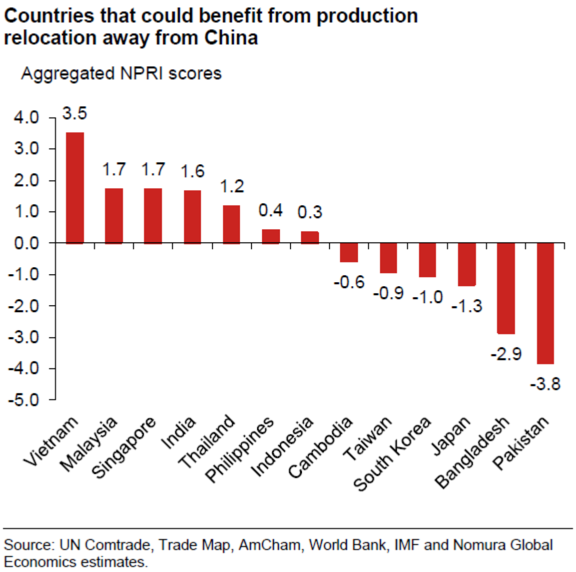


Source: USTR, MOFCOM, UN Comtrade, ITC Trade Map, IMF, UNCTAD and Nomura Global Economics estimates.

Our analysis shows that the biggest benefit to Malaysia is likely to come from electronic integrated circuits, liquefied natural gas and communication apparatus. For others, there is usually one leading product: "Vehicles with only spark-ignition internal combustion reciprocating piston engines" in Japan, cotton yarn in Pakistan, "units of automatic data processing" in Thailand and "electronic integrated circuits" in the Philippines.

Meanwhile, a prolonged U.S.-China trade conflict, in the medium term, would encourage multinationals to start diverting some of their production to factories in other countries to escape tariffs or even relocate entire manufacturing processes if the trade war continues.

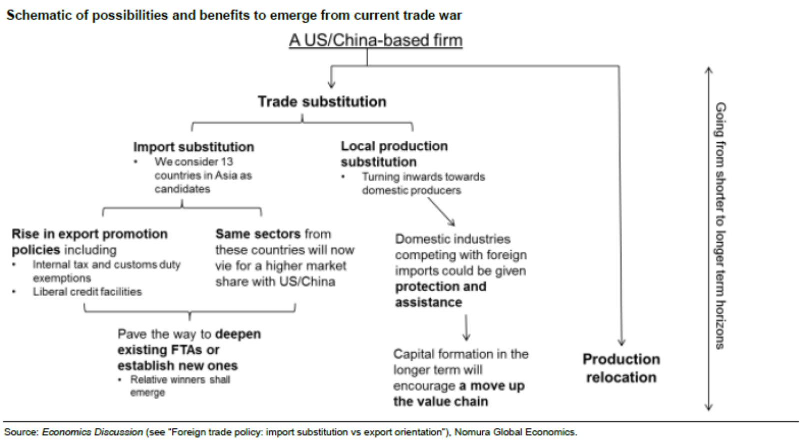
From a diversion of production and FDI perspective, our findings show that in the medium term, Vietnam is the Asian country that will benefit the most, followed by Malaysia, Singapore, India and Thailand.



Nimble Companies Have Been Quick in Identifying Opportunity

Globalization has led to an explosion of multinationals operating around the word, resulting in increasingly fragmented global supply chains. China sits at the center of this global goods trade network.

Indeed, it makes little sense to refer to "Chinese exports" given that last year, 43 percent of China's exports were produced by foreign-invested enterprises in China.



Economists tend to consider FDI to be slow-moving and sticky, but multinationals, often aided by new technologies, are much more nimble than they are sometimes given credit for.

For example, in January 2018, when the U.S. imposed anti-dumping duties on washing machines manufactured in China, this did result in a decline in China's exports of washing machines to the U.S.—but its washing machine exports to other countries remained strong.

At the same time, South Korean multinationals were prompted to shift their washing machine production from China to Vietnam and Thailand, allowing them to grow their market share in the U.S.

Looking for Winners in Asia—Certain Caveats

Irrespective of any positive substitution effects, Asian countries are large suppliers of parts and components to China that are then assembled into exports, for which the U.S. is a major final destination.
Asian economies indirectly face large negative impacts from higher U.S. import tariffs on China.

Largely because of Asia's elaborate supply chain—which so often ends at China—Asia, as a region, is likely to be a loser in a full U.S.-China trade war scenario.

Once scaled by GDP of the country of origin, eight of the 10 largest contributors of value-addition to China's gross exports are Asian, namely Taiwan at 6.3 percent of its GDP, followed by Malaysia (4.1 percent), South Korea and Hong Kong (3.2 percent), Singapore (3.1 percent), Vietnam (2.8 percent), Thailand (2.5 percent) and the Philippines (2.3 percent).

Asia is also a large exporter of capital goods and could therefore be heavily affected if rising protectionism causes more companies globally to delay their investment plans.

If China responds by depreciating the RMB, other Asian countries that have export structures similar to China's could face greater competition, while China's own purchasing power to buy imports from the rest of the region would be dented.

On the other hand, in the longer run, winners in Asia may emerge at a more macro level if the U.S. continues to turn inward and China fills the void by taking a greater leadership role in currently negotiated regional free trade agreements and revamping the Belt and Road Initiative, its multitrillion dollar overseas infrastructure initiative.

Source: brinknews.com- Jan 03, 2019

HOME

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Bangladesh exports to EU faces challenge

Bangladesh's export receipts in fiscal 2018 were up 5.81 percent from a year earlier. But constraints hindered it from exploiting its full potential.

The major constraints were low productivity, poor infrastructure and low price negotiation capacity.

Bangladesh may lose 1.6 billion dollars' worth of apparel business from the EU once the country graduates from the least-developed country bracket to developing country in 2027 as local exporters have to pay eight percent to ten percent duty upon export to the EU.

Currently, the EU is the largest export destination for Bangladesh, accounting for 21 billion dollars' worth of shipments.

Every year Bangladeshi exporters face a five percent higher cost of production for different reasons and secondly buyers always pay five per cent to six percent lower prices due to the exporters' low price negotiation capacity.

Currently, Bangladesh garment shipments face 15.62 percent duty in the US and yet they perform well.

Garment manufacturers are therefore confident that if they can perform well in the US, they will also be able to perform strongly in the EU even after facing a ten percent duty upon graduation.

Bangladesh hopes to capture a significant share of the garment business that is moving out of China.

Source: fashionatingworld.com- Jan 02, 2019

HOME

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Sri Lanka to review feasibility studies of all proposed FTAs

The Development Strategies and International Trade Ministry has decided to review all feasibility studies carried out for proposed Free Trade Agreements (FTAs) with the assistance of experts in international trade at the Department of Commerce (DoC), following heavy criticism levelled at the Sri Lanka-Singapore Free Trade Agreement signed last year.

The Ministry Secretary S.T. Kodikara told Mirror Business that this is a fresh effort to ensure that Sri Lanka enters into future FTAs without causing any harm to the national economy, while gaining the maximum benefits out of them.

“We have decided to review the feasibility studies prior to entering into FTAs. It’s a new effort by the ministry,” he stressed.

Moving forward, Kodikara said that as an expert organisation in foreign trade policy formulation and all related coordination and implementation matters, DoC will have a greater involvement in the process of entering into future FTAs.

Kodikara noted that the ministry has already tasked several experts in the field of international trade to submit a report on the benefits of the proposed the Economic and Technology Co-operation Agreement (ETCA) to Sri Lanka.

According to the Development Strategies and International Trade Ministry, a feasibility study on ETCA has already been concluded by a study team in collaboration with the Institute of Policy Studies (IPS).

Sri Lankan and Indian FTA negotiators have already completed 11 rounds of negotiations on ETCA. However, Kodikara said that there were still sectors and areas to be finalised.

Meanwhile, Kodikara also revealed that several selected experts and expert organisations have already reviewed the feasibility study of Sri Lanka – Thailand FTA, and the ministry has passed down the experts’ reports to DoC to compile a comprehensive report with their views.

"We have selected a number of experts and expert organisations such as the Central Bank and the Department of Trade and Investment Policy for this task and we have already received their views. Consequently, we have passed down all the reports to the Department of Commerce and requested them to submit their views on comments made by those agencies and experts," he said.

He noted that the ministry will decide on the future course of actions on the proposed Sri Lanka – Thailand FTA once the DoC submits a comprehensive report.

Sri Lanka and Thailand in July last year launched FTA talks for the proposed FTA. The Department of Trade Negotiations (DTN) of Thailand recently stated that Thailand plans to complete the drafting of the terms of the FTAs with Sri Lanka by the end of 2019 with expectations of signing and enacting the FTA in 2020.

Sri Lanka and Bangaldesh are also exploring the possibility of inking a FTA, for which the two countries have commenced a joint feasibility study. However, Kodikara said that the joint feasibility study is yet to be completed, and once completed the ministry will conduct a review on it.

Source: dailymirror.lk- Jan 02, 2019

HOME

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Pakistan saw EU GSP+ approval, new workers' federation in 2018

The European Union (EU) approval in February of the generalised system of preferences plus (GSP+) scheme for Pakistan for two years, formation of the Pakistan Textile Garments Leather Workers Federation to jointly fight for workers' rights, and a decision to set up the first weaving city in Faisalabad were the highlights of the textile-garment sector in Pakistan in 2018.

The European Parliament's Committee on International Trade in February approved generalised system of preferences plus (GSP+) scheme for Pakistan for two years. Pakistan's first biennial assessment report of GSP+ benefit was conducted in 2016.

The Indonesian parliament in November passed free market access to 20 tariff lines originating in Pakistan under the preferential trade agreement between the two nations. The tariff lines that will entail zero-duty with immediate effect include some types of yarn, woven fabric, T-shirts, vests, trousers, shorts, bed linen and terry towels.

The value of textile and garment exports from Pakistan increased by 8.67 per cent year-on-year in dollar terms in fiscal 2017-18 ending June 30, according to the Pakistan Bureau of Statistics.

Attributing Pakistan's growing trade deficit to low exports, the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) urged Prime Minister Imran Khan in August to declare an 'export emergency' to tackle the exports sector decline. Pakistan's current account deficit rose by more than 40 per cent in fiscal 2018-19 to $18 billion.

The government in May allocated ₹2.5 billion to boost the production of cotton during fiscal 2018-19 and ₹100 million to establish an Institute of Fashion and Design in Karachi.

The area under cotton sowing in Pakistan reduced by 26 per cent due to the absence of appropriate crop zoning in the country, posing a serious threat to the production of the cash crop, cotton commissioner Khalid Abdullah told the Senate Standing Committee on National Food Security and Research in December.

Cotton arrival in the domestic markets reduced by 700,000 bales this fiscal compared to the last, he said. The Central Cotton Research Institute's cotton variety Bt CIM-632 received commercial license in December.

The country signed an agreement in May with Afghanistan to facilitate bilateral trade and import Afghan cotton. The cabinet in November approved import of cotton from Afghanistan and central Asian countries through the land route to meet its shortfall.

An MoU was signed in July between the Faisalabad Industrial Estate Development and Management Company and the All Pakistan Cotton Power Looms Association to set up the first weaving city in Faisalabad.

The Federal Board of Revenue (FBR) in January withdrew 5 per cent sales tax and 4 per cent customs duty on cotton imports. The move, however, was resented by cotton growers. In July, it withdrew sales tax zero-rating facility on the import of raw and ginned cotton and imposed 5 per cent sales tax on this item at import stage.

FBR imposed regulatory duties on the import of various textile items in October. Fifty per cent duty was imposed on the articles of apparel and clothing accessories, of leather or of composition leather.

The Pakistan Hosiery Manufacturers and Exporters Association in January expressed concern over increasing taxes on the import of polyester yarn, saying the step directly affected the sportswear industry of Sialkot. The government had imposed a 5 per cent regulatory duty on such import with an average 7 per cent anti-dumping duty.

The Pakistan Textile Exporters Association in December demanded immediate release of outstanding duty drawback of taxes claims to enhance exports. The cash crunch had squeezed the financial stream, making it tough for exporters to meet commitments, it claimed.

Textile exporters have also voiced strong reservations over the government plans to float security bonds for clearing tax refund claims of businessmen.

All Pakistan Textile Mills Association (APTMA) members said in March they were ready to set up 1,000 garment manufacturing plants in cities like Lahore, Sheikhupura, Faisalabad, Kasur, Multan, Sialkot, Rawalpindi, Karachi and Peshawar with an investment of $7 billion to resolve the crisis in the sector. The planned units will install half a million stitching machines, which will boost annual production to three billion pieces.

Textile companies in April signed 63 deals worth $245 million with foreign firms at the 19th Textile Asia Exhibition in Karachi. With agreements worth $150 million, Chinese companies had the greatest share.

According to a study released in May by the Federation of Pakistan Chambers of Commerce and Industry, multiple taxes and surcharges of up to 11 per cent, lack of complete implementation of government's support in Strategic Trade Policy Framework (STPF) and textile package, low cotton bales production, uncompetitive utility and issues related to raw materials were some of the key problems related to the textile sector.

Pakistan's textile export declined by close to 10 per cent between 2011 and 2018, while exports from India, China, Bangladesh, Vietnam and Sri Lanka have increased at a compound rate of 20 per cent, it said.

PRGMEA in September urged the government to set up Pakistan trade houses, i.e., display centres, in Dubai and Rotterdam to help domestic exporters.

Member companies of China's Chongqing Federation of Industry and Commerce decided to invest $400 million in trade and industrial projects, including those in the textile sector, in Hyderabad and other parts of Sindh province after the federation signed an MoU with the Hyderabad Chamber of Commerce and Industry in September.

The various unions in Pakistan's textile and garment industry formed the Pakistan Textile Garments Leather Workers Federation in September to jointly fight for workers' rights.

Asia's biggest international trade exhibition, Textile Asia-2018, in Lahore in September witnessed signing of agreements for joint ventures (JVs) worth $175 million. Chinese companies at the show from places like Shanghai, Guangzhou, Jiangsu, Fujian and Shandong showed interest to relocate their textile, garment and accessories production units to Punjab, with investments of at least $25 million for each unit.

In the major cotton producing province of Punjab, total cotton arrivals increased by 3 per cent year-on-year to 3.123 million bales.

In October, Pakistani manufacturers and exporters of knitwear garments planned to adhere to environmental laws in their factories within a year through technical support from the Punjab Environment Protection Department.

US-based Tukatech opened three computer design labs in October for digital pattern, textile, and apparel design, including 50 TUKAcad stations for digital pattern-making and several TUKA3D stations for virtual sample-making at the National Textile University (NTU) in Faisalabad.

The Pakistan Yarn Merchants Association (PYMA) in November criticized imposition of anti-dumping duties between 3.25 and 11.35 per cent on import of polyester filament yarn (PFY) from China and 6.35 per cent on such imports from Malaysia. Three-fourths of the domestic requirement of such yarn is met through imports. The anti-dumping duties are unjustified as the domestic industry in Pakistan is incapable of meeting the yarn demand, PYMA said.

NTU joined as a founding member of the 'Belt and Road World Textile University Alliance' at the World Textile and Fashion Education Conference held in Donghua University in Shanghai in December. The alliance includes 38 textile universities from 27 countries.

Organic cotton cultivated in Pakistan, primarily in Balochistan, will be certified by global agencies from next year, the World Wildlife Fund-Pakistan (WWF-P) and the Karachi Cotton Association (KCA) announced in February. WWF-P will supervise the procedure and a certified verifying body will inspect the crop's quality.

Archroma, a global leader in colour and specialty chemicals, signed an MoU with WWF-Pakistan in Karachi in February for water conservation in the textile sector. The company signed another MoU with the University of Engineering & Technology, Lahore, for textile research collaboration.

Source: fibre2fashion.com- Jan 02, 2019

HOME

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NATIONAL NEWS

Cabinet allows inclusion of merchant exporters under Interest Equalisation Scheme (1ES) for Pre and Post Shipment Rupee Export Credit

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval to the proposal of the Department of Commerce for including merchant exporters under the Interest Equalisation Scheme (IES) for Pre and Post Shipment Rupee Export Credit by allowing them interest equalisation rate of 3% on such credit for export of products covered under 416 tariff lines identified under the scheme. These products are largely in MSME/ labour intensive sectors such as Agriculture, Textiles, Leather, Handicraft, machinery, etc.

The proposal will entail benefits of around Rs 600 crore to exporters on interest equalisation, for the remaining period of the scheme.

Inclusion of merchant exporters in the scheme is expected to make them more competitive, encouraging them to exports more products manufactured by MSMEs adding to country's exports. Additional exports by them will increase production by MSME giving a fillip to employment generation as MSME are generally in the employment intensive sectors.

The present scheme, which is in-force from 1.4.2015 for five years, provides interest equalization rate of 3% on Pre and Post Shipment Rupee Credit tor all manufacturing exporters exporting identified 416 four digit tariff lines and 5% on all merchandise products manufactured and exported by MSMEs.

Merchant exporters were hitherto not covered under the scheme.

Exporting community has been persistently demanding inclusion of the merchant exporters also in the ongoing scheme.

Merchant exporters play an important role in finding overseas markets, getting export orders, communicating to MSME manufacturers the current preferences, trends and demand for products in international export markets.

Merchant exporters also play a pivotal role in exports of MSME manufacturers as MSME manufacturers export significant quantity of products through merchant exporters.

High cost of credit equally impact their competitiveness also as they factor the high interest costs in their export costing.

Source: pib.nic.in - Jan 02, 2019

HOME

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Weak global prices, poor crop to push cotton imports by 80%

Uncertain crop conditions, a stronger rupee and weak international prices are some of the factors that are set to push India's cotton imports for the year 2018-19 to a record in recent years.

Trade estimates suggest India may end-up importing cotton in excess of 27 lakh bales (each of 170 kg) on the dismal crop outlook following water scarcity in the growing regions of Gujarat, Maharashtra and Karnataka.

Lower global prices

As per the estimates put up by the Cotton Association of India (CAI), the cotton crop for 2018-19 may hover around 340 lakh bales, which is about 7 per cent lower than the 365 lakh bales recorded in 2017-18. The CAI sees imports at a record 27 lakh bales against last year's 15 lakh bales — indicating a sharp jump of 80 per cent on a year-on-year basis. This is supported by weak global prices, which have touched their lowest levels in more than a year at 72.1 cents per pound for ICE futures on January 2.

"This year, we will see more imports than we saw in recent years. But the trend will depend on multiple factors. Even if imports are higher than last year, they will face quality limitations. All the good quality cotton of the US, Australia and Brazil has already been sold. For the remaining cotton, not all the Indian mills can consume that," said Atul Ganatra, President of the Cotton Association of India.

However, with the global market being at lower levels, cotton imports appear attractive for mills. This may further push down domestic cotton prices thereby making it less remunerative for farmers.

In the wake of this, unconfirmed reports from government corridors indicated the possibility of an additional duty being imposed on cotton imports. Already import contracts have started taking place. About 3 lakh bales of the fibre are believed to have arrived till December 2018, while 2 lakh more are being contracted for the next 2-3 months.

Sharp fall

On the rise
(Cotton imports by India)

Period	Imports (lakh bales)	India's crop (lakh bales)
2012-13	16.00	356.75
2013-14	11.75	407.25
2014-15	12.00	382.57
2015-16	22.00	337.75
2016-17	27.00	337.25
2017-18	15.00	365.00
2018-19*	27.00	340.25

*Estimates Each bale = 170 kg
Source: Cotton Association of India

While exports are at a sluggish pace, at about 18 lakh bales till December end, another 7 lakh bales of cotton exports are committed for January. Hence, as against the estimate of about 50-53 lakh bales, 25 lakh bales of exports will take place by January end.

India's cotton exports are likely to be lower by about 30 per cent owing to the unfavourable currency exchange rate and availability of cheaper alternative sources.

Amid the trade war with the US, the world's largest buyer, China, has focussed cotton purchases more on Australia and Brazil due to the cost advantage offered by those countries.

Grim prospects

"Because the rupee is very strong against dollar, international prices have gone down significantly in the last one year. US prices are very competitive, hence our export contracts are not happening. If the US-China trade tensions are resolved, there is a possibility with improved global prices. But, by then our crop will be exhausted," said Vinay Kotak, Director, Kotak Commodities.

CAI's crop projection for the year 2018-19 at 340 lakh bales may go down further given the dismal crop prospects in the key growing regions. Spot prices of the fibre's 29 mm variety were at ₹43,300 a candy (of 356 kg).

Source: thehindubusinessline.com- Jan 02, 2019

HOME

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Indian textile firms face higher trade barriers in EU, US: Government

Indian textile companies face higher trade barriers, compared to other competing countries like Bangladesh, Vietnam and Pakistan, in the US and European Union, Parliament was informed Wednesday.

The average tariff on textile products faced by India in the EU and US is 5.9 per cent and 6.2 per cent, respectively.

In comparison, Pakistan face zero per cent and 5.3 per cent average tariff in the EU and US, respectively; for Bangladesh it is zero per cent and 3.9 per cent; whereas ..

The US is the top export destination for textiles made in India with a share of 17 per cent, followed by the EU, Bangladesh, China, Pakistan, UAE, Vietnam, Sri Lanka, Brazil and South Korea, respectively, Minister of State for Textiles Ajay Tamta said in a written reply to the Rajya Sabha.

Source: economictimes.com- Jan 02, 2019

HOME

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RBI releases guidelines on restructuring MSMEs loans

To facilitate restructuring of micro, small and medium enterprises (MSMEs) accounts that have become stressed, the RBI has decided to permit a one-time restructuring of existing loans to MSMEs that are in default but 'standard' as on January 1, 2019, without an asset classification downgrade. The restructuring has to be implemented by March 31, 2020.

"To be eligible for the scheme, the aggregate exposure, including non-fund based facilities of banks and NBFCs, to a borrower should not exceed ₹250 million as on January 1, 2019," RBI said in a statement.

"A provision of 5 per cent in addition to the provisions already held, shall be made in respect of accounts restructured under this scheme. Each bank/NBFC should formulate a policy for this scheme with Board approval which shall, inter alia, include framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts," the statement said.

"The RBI decision will be a big relief to financially stressed knitwear exporting units in Tiruppur," said Tiruppur Exporters' Association (TEA) president Raja M Shanmugham.

He said the MSME knitwear exporting units were affected due to demonetisation and the subsequent implementation of the GST, in addition to the prevailing adverse factors both domestically and externally. TEA has been representing to the ministries and RBI to treat MSMEs separately and exclude them from following Basel III norms, which is meant for corporate units, Shanmugham said.

Noting the positive garment exports trend observed in October and November months, Shanmugham said the latest decision to permit one-time restructuring would be helpful to the concerned MSMEs in exports business to get revived and continue in the business.

Source: fibre2fashion.com- Jan 02, 2019

HOME

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RCEP to facilitate India's MSMEs and exports

The Regional Comprehensive Economic Partnership (RCEP) would facilitate India's Micro, Small and Medium Enterprises (MSMEs) to effectively integrate into the regional value and supply chains, said C. R. Chaudhary, Minister of State of Commerce and Industry.

In a written reply to Lok Sabha, he said "It is expected to provide market access for India's goods and services exports and encourage greater investments and technology into the country."

He further raised an important point, saying that India is not a member of the Asia-Pacific Economic Co-operation (APEC), a grouping of 21 countries in the region with an aim to deepen and strengthen economic and technological cooperation amongst member countries.

RCEP is a proposed Free Trade Agreement (FTA) between 10 ASEAN member states and their six FTA partners — Australia, China, Japan, New Zealand, South Korea and India.

Source: knnindia.co.in - Jan 02, 2019

HOME

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Extend loan restructuring scheme to MSMEs not yet registered under GST: Industry

The MSME sector Wednesday demanded the RBI's loan restructuring scheme be also extended to the companies not yet registered under the goods and services tax and called for restoration of priority sector lending tag for such enterprises.

The Reserve Bank of India (RBI) Tuesday allowed a one-time restructuring of the existing debt of up to Rs 25 crore for the companies that have defaulted on payments but their loans have continued to be classified as standard assets.

"It would have been far more effective if the scheme covered all MSMEs, GST-registered or not, as a large number of units are adversely affected due to delays in payments owing to stressed economic conditions as a result of twin shocks of demonetisation and GST," said Federation of Indian Micro and Small & Medium Enterprises Secretary General Anil Bhardwaj.

To be eligible for the scheme, the aggregate exposure, including non-fund based facilities of banks and non-banking finance companies, to a borrower should not exceed Rs 25 crore as on January 1, 2019, and the restructuring has to be implemented by March 31, 2020.

"Obviously, this is going to boost the MSME sector. We have also requested the prime minister to give relief to MSMEs whose loans have turned non-performing assets (NPA) or are on the verge of turning NPAs in the last one year," MSME Development Forum Chairman Rajnish Goenka told .

The restructuring of loans will help micro, small and medium enterprises (MSMEs), which are facing cash crunch in the wake of demonetisation and the GST implementation.

"While schemes like 59-minute portal for credit of up to Rs 1 crore and 2 per cent interest subsidy show the government's intent in addressing the sector's concerns, the need of the hour is some big steps including restoring priority sector lending tag for MSMEs and specific incentives to disruptive fintech sector to lend more to the sector," said R Narayan, founder and chief executive officer, Power2SME.

Assocham termed it as a significant measure which will help improve competitiveness of this critical sector and said the move will play a pivotal role in further reviving the ecosystem for small businesses and create an enabling business environment.

Source: timesofindia.com- Jan 02, 2019

HOME

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