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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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SD 68.87| EUR 77.73 | GBP 86.68 | JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21531	45000	**83.26**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21400	44726	**82.76**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	67.29
ZCE Cotton: Yuan/MT (September 2019)	13,930
ZCE Cotton: USD Cents/lb	91.93
Cotlook A Index – Physical	**77.60**

Cotton Guide: The ICE December futures is not able to find a definite path to follow. The trading range yesterday was around 2 cents with a high figure of 67.70 cents/lb and a low figure of 65.70 thus settling at 67.29 cents/lb. The other cotton contracts also settled all in positive figures with modest gains. T

he volumes were somewhat decent showing a figure of 27,070 contracts. Today we can expect some good amount of trade to happen as tomorrow will be a holiday at ICE due to the Independence Day Holiday in the USA. Therefore we can expect markets to be jittery today. This will also further postpone the release of the weekly US Export sales data to Friday.

The MCX contracts on the other hand settled lower with declines ranging from -290 Rs to -10 Rs. The most active MCX July contract settled at 21,400 Rs/Bale with a change of -260 Rs. The MCX August contract settled at 21130 Rs/bale with a change of -290 Rs whereas the MCX October contract settled at 20460 Rs/bale with a change of -100 Rs. The total volumes saw a huge dip thus summing up to 2,033 lots as compared to the previous figure of 3,153 lots. One reason for this price decline is the outset of rains.

The Cotlook Index A was adjusted at 77.60 cents/lb with a change of +0.60 cents/lb. The Cotlook Index A 2019/2020 was adjusted at 76.85 cents/lb with a change of 0.75 cents/lb. The pries of Shankar 6 is hovering around the 45,000 Rs/Candy range with a change of ±100 on either side.

As per the data published by the Directorate of Agriculture – Government of Gujarat, the area under cultivation amounted to 1,435,246 hectares with 55.50% over normal. This means plantings are on running ahead of schedule. While speaking about the supply availability of cotton, the stock has almost exhausted in the United States. Brazilian cotton continues to be sold to Indonesia.

Crude Oil is steady at the moment and is currently trading in the 56 $/Barrel area, which may not affect cotton's competitor- polyester to a big degree.

For today we expect the prices of the ICE Contracts to be volatile with a short term positive bias. On the other hand the MCX might trade towards the downside for the short term. While speaking for the remaining week, we may see a bit of positivity but overall trend after this week can be towards the downside due to demand concerns. Also while we speak about the spot market in India, ginners have now started to sell their stocks after taking the advantage of weight gain from the moisture present in the air. This selling can further drag the domestic prices down.

On the technical front, ICE Cotton failed to hold on to yesterday's rally and witnessed decline towards 9 day EMA at 66.70 level. As shown in the charts price is still going nowhere and consolidating in the same range of 68-65. Meanwhile RSI in the daily charts has moved above the 50 level, suggesting sideways trend in the market. However, price need to sustain above the crucial resistance zone of 68-69, to move further higher towards 70-72 levels. Likewise, crucial support exists around 66.70, followed by 65.50 level. For MCX the trading range is 21260-21620.

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

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INTERNATIONAL NEWS

China Confident That Trade War Won't Mean Massive Factory Moves

China is still a competitive location for investment, according to Premier Li Keqiang, even as some companies look to move production out of the country to avoid tariffs and damage from the trade war with the U.S.

"The relocation of the global industrial chain is a natural trend during globalization, and global industries will improve during the process," Li told a group of foreign and domestic business leaders at the World Economic Forum's summer meeting in Dalian.

"You move some industries outside China, while leaving some others in China, or even increase the investment to China," he said. "As long as we can build the industrial chain according to commercial and market principles, China, with its complete industrial clusters and huge market, will be competitive."

The rising tariffs and tensions between the U.S. and China over the past year have led companies to move some production out of China to Vietnam or other countries. Even with the truce agreed over the weekend, both China and the U.S. are still tariffing much of the items they buy from each other, and there is no certainty for business that this won't increase if talks break down again.

The government also indicated it was fine with some firms moving low-end manufacturing business overseas, with a commerce ministry official saying only a few companies are leaving due to the trade war.

"China's role in the global supply chain reflects its comparative advantage, as well as division and cooperation in the context of globalization. It is a natural choice of the market, and it is the effect of economic rules," the official, Chu Shijia, said at a briefing in Beijing on Tuesday.

Chinese companies are going global and moving part of their supply chains to cheaper places, but as China makes progress in its technology and opening up, there are also new domestic industry areas such 5G or integration in overseas supply chains such as Tesla Inc., he said.

"China's comprehensive advantage in the supply chain can't be replaced by any other country currently," he said.

Source: sourcingjournal.com- July 02, 2019

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USA: Global Manufacturing Slump Puts Reality Check on Trade Truce

Global manufacturing took another knock at the end of the second quarter, signaling a worsening economic growth outlook as U.S.-China trade tensions continue to simmer.

Across Asia and Europe, factory activity shrank in June, while the U.S. showed only meager growth, according to purchasing managers' indexes. A global measure pointed to a second straight contraction, the first time that has happened since 2012.

Signs of weakness were widespread in reports on Monday, with Chinese manufacturers seeing declines in sales and production, and Germany suffering from weaker foreign demand. Exports from South Korea plunged almost 14%, and Japan's Tankan confidence index dropped to a three-year low.

Even so, global stocks rallied as investors took their cue from a trade cease-fire announced by President Donald Trump and Chinese leader Xi Jinping at the Group of 20 meetings in Japan.

But broader gloom won't be easy to dispel if the economic numbers continue to weaken. Morgan Stanley captured that view by downgrading its forecast for world growth, saying the truce wasn't enough to remove the uncertainty around trade, which will weigh on the outlook.

For many, the situation is already poor enough—or soon will be—to force the world's major central banks into action. Investors are pricing in a Federal Reserve interest-rate cut this month and Goldman Sachs says the European Central Bank will lower its deposit rate by 20 basis points and restart asset purchases in September.

“Focusing on trade, perhaps there’s been some easing in the tensions. But if we step back and look at the economic data, what do we see? Bad news from China, nasty news from the Tankan, and in South Korea another poor export number,” said Jane Foley, head of currency strategy at Rabobank. “All this is really quite worrying, it reasserts that picture of a slowdown in global growth.”

In the U.S., IHS Markit’s PMI was better than a preliminary reading, but still near a decade low. The Institute for Supply Management’s factory index fell to the lowest since October 2016, and there was no growth in new orders.

Euro-zone manufacturing shrank for a fifth month in June, with the “challenging economic environment” leading to another drop in orders. In the U.K., the reading dropped to a six-year low. That’s partly an unwinding of Brexit stockpiling earlier in the year, but the report showed a decline in business optimism.

Sector-specific issues are also taking a toll. Germany is feeling the pain of turmoil in the auto industry, while waning demand in the electronics is hitting an industry that’s vital to many Asian economies.

That’s on top of the trade friction between the world’s two biggest economies that’s far from being resolved despite the weekend agreement to resume negotiations.

“While the latest agreement to re-open negotiations is a positive at the margin, there have as yet been no concrete proposals that would address both sides’ fundamental concerns,” said Oliver Jones at Capital Economics in London. “We still judge it more likely than not that this will prove to be just another temporary reprieve.”

Source: sourcingjournal.com- July 02, 2019

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Protracted Trade War Raises Stakes for South Asia Sourcing

Supply chain diversification may have been a savvy business move a decade ago, but today, amid the heated and hasty handling of global trade relations, where longstanding relations can turn into tenuous ties overnight, it's closer to mission critical for those in global sourcing.

Despite this weekend's truce, the saga of unsettled trade relations between the U.S. and China continues—plaguing an apparel industry already suffering from margin pressures and store closures—and one region in particular stands to benefit from the fallout: South Asia.

"People are really interested in exploring a new sourcing option other than China, and also a direct FOB business," said Guido Schlossman, Group CEO of Synergies Worldwide, a global sourcing company known for its low cost and fast fashion sourcing.

Synergies—which operates out of Bangladesh, Pakistan, India, China, Thailand and Vietnam—just wrapped a weeklong visit in New York City, meeting with U.S. brands and retailers ever ready to test or expand their sourcing from the region in light of the current market conditions.

According to Schlossman, the region is just as ready to receive them.

"Bangladesh has expanded its product offering and improved its lead times. India has become more efficient and has added new apparel categories. Pakistan has had a major currency devaluation and the FOB prices are lower. Vietnam is a natural benefactor of China woes," he explained.

What's more, whether the G20 borne truce holds or proposed tariffs ultimately materialize, China's own internal shifts—be it rising wages or the push to a consumption-driven growth model—will continue to see manufacturing go to other sourcing countries keen to capitalize.

Bangladesh

No stranger to manufacturing, Bangladesh has secured its spot as the second largest garment exporter in the world after China, with investments in place to see its apparel and textiles exports cross $50 billion (up from what was nearly $33 billion in 2018) by 2021. And the country may be well on its way to realizing that goal.

Companies that were once waffling on their decisions to source in Bangladesh are now taking more deliberate actions.

“Customers have tried to test out various programs with us to see the lead times…and to get some experience,” Sadruddin Hirji, director of Synergies Sourcing Bangladesh, said.

While lead times may still be a thorn in the side of American wholesalers chasing quick-to-market options, Bangladesh could benefit in that department thanks to China’s Belt and Road Initiative (BRI).

One project within the much-discussed BRI is expected to create a Bangladesh-China-India-Myanmar Economic Corridor, easing land connectivity between the countries. Though it’s not entirely clear whether or when the project will begin, it could cut the time it takes for Bangladesh to bring in its raw materials by two-thirds.

“Now, if you’re importing raw materials out of China by sea, it takes 12-14 days on the water, and five to 10 days to clear customs,” Hirji said. “Once we have that road it would take only one week.”

Beyond logistics, Bangladesh has taken the disaster that was the Rana Plaza building collapse in 2013, and turned it into an opportunity to overhaul compliance in the country.

“Bangladesh does have the most registered compliant factories in the world,” Hirji said, adding that of the 24 platinum-rated Leadership in Energy and Environmental Design (LEED) certified factories in Bangladesh, six are among the top 10 in the world.

In line with that shift, Hirji said there’s an influx of Chinese investment in Bangladesh—they’re improving factories, building up vertical capabilities and bringing in more raw materials—all of which will help improve infrastructure and capacity in the country.

"They will still have semi-finished goods in China and then partly finish in Bangladesh and ship to the U.S. to avoid the duties," Hirji said. "Now instead of manufacturing, they would ship the goods themselves, so they would still hold on to the product development and R&D and outsource the production to a country that suits its customers best."

Pakistan

A similar pattern is taking shape between China and Pakistan.

"The only way they can survive is by investing in this way into these countries," Monty Mashooqullah, the head of Synergies Sourcing Pakistan, said of Chinese manufacturers with investment money to spend. "All this infrastructure has to be built, so the Chinese are investing in these countries and it's no small investment."

As with Bangladesh, U.S. brands and retailers are increasingly mulling more sourcing from Pakistan.

Among U.S. buyers he met with this week, Mashooqullah said he could "sense the concern and anxiety" many have about keeping too much sourcing in China.

"A group of people were here [Wednesday] and spent nearly three hours just trying to see how they could shift something to India to Pakistan to Bangladesh," Mashooqullah said. "That concern is there."

Shifting sourcing typically isn't easy, but in recent years, as companies have looked to skirt China's rising costs, they've already started the shift to Southeast Asia. And they're also looking to India.

India

"We've seen a massive shift from China to India, and fortunately the Indian rupee has been supporting of export," said Ramit Aggarwal, CEO of Synergies Development & Sourcing in India. "The Indian government has also given incentives to get the benefit of the shift."

Though some have expected India's removal from the United States' Generalized System of Preferences (GSP) program to be a hit to the country's exports to the U.S., Aggarwal said while there will be an impact, it won't be wide-reaching.

"India losing GSP is definitely going to have an impact on Indian exports but I feel that the GSP was on products which are not easy for any other country to replicate, so the exports for those products will definitely not suffer to the extent that the feeling is in the market," he said.

Regardless, Indian factories are also investing in Bangladesh, both to accommodate the regional market and as an alternative for reaching the U.S. market.

All signs, it seems, point to a region poised to pick up whatever China puts down, whether voluntarily or because tariffs forced their hand.

"We see a silver lining, because if the business shifts, it could impact 5 percent growth in Indian exports," Aggarwal said.

Source: sourcingjournal.com- July 02, 2019

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Christine Lagarde nominated as president of European Central Bank

International Monetary Fund Managing Director Christine Lagarde was on Tuesday nominated as the president of the European Central Bank, following which she announced to temporarily relinquish her responsibilities as head of IMF.

The nomination means Lagarde will step down two years before the end of her second five-year term at the helm of the IMF.

I am honoured to have been nominated for the Presidency of the European Central Bank, Lagarde said in a statement issued at the IMF headquarters here.

In light of this, and in consultation with the Ethics Committee of the IMF Executive Board, I have decided to temporarily relinquish my responsibilities as Managing Director of the IMF during the nomination period, Lagarde said.

Lagarde would succeed Mario Draghi, whose term ends on October 31.

Lagarde's second term in office coincided with the rise of US President Donald Trump and a wave of confrontations among major economies over trade, which the former French finance minister described as a singular threat to the world economy.

Lagarde has at the same time acknowledged the strains caused by globalisation, which has disrupted industries and marginalised some workers.

Source: business-standard.com- July 03, 2019

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Trade wars: US proposes tariffs on another $4 billion of EU goods

The U.S. added more products from the European Union to a list of goods it could hit with retaliatory tariffs in a long-running trans-Atlantic subsidy dispute between Boeing Co. and Airbus SE. Stock futures fell after the announcement.

The U.S. Trade Representative's office on Monday published a list of $4 billion worth of EU goods the U.S. could hit with duties as retaliation for European aircraft subsides.

The products range from cherries to meat, cheese, olives and pasta, along with some types of whiskey and cast-iron tubes and pipes. It adds to a list of EU products valued at $21 billion that the USTR published in April, according to the release.

The latest targets were identified following a two-day hearing in Washington in May when 40 stakeholders made their cases about the countermeasures. The USTR said a public hearing on the proposed additional $4 billion worth of products will be held Aug. 5.

The USTR estimates the EU subsidies to Airbus cause approximately $11 billion in economic harm to the U.S. annually. The World Trade Organization has found the EU subsidies violate international trade rules and it's expected to decide this summer on the amount of countermeasures the U.S. can impose.

"The final list will take into account the report of the WTO Arbitrator on the appropriate level of countermeasures to be authorized by the WTO," USTR said Monday.

'Negatively Impacted'

While senior EU officials expect the U.S. to move forward with retaliation once the WTO authorizes it, the imposition of the proposed tariffs would threaten to further strain ties as the U.S. and EU try to sit down to negotiate a trade deal.

U.S. industry groups were quick to oppose the tariffs. "U.S. companies — from farmers, to suppliers to retailers — are already being negatively impacted by the imposition of retaliatory tariffs by key trading partners on certain U.S. distilled spirits resulting from other trade disputes," the Distilled Spirits Council of the United States said in a statement after USTR's announcement.

The EU has its own pending WTO case against Boeing. The EU in April published its preliminary list of U.S. goods being targeted in a $12 billion plan for retaliatory tariffs over subsidies to Boeing, with a focus on farm products from areas that help form President Donald Trump's political base. Other items in the wide-ranging target list included ketchup, nuts, video game consoles and bicycle pedals.

Source: financialexpress.com- July 02, 2019

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Vietnam: Apparel sector urged to develop supporting industry to optimise EVFTA

Insiders have recommended Vietnam pay attention to developing weaving and other production activities supporting the textile-garment sector to make best use of the EVFTA, a freshly-inked free trade agreement with the European Union.

In 2018, the textile-garment sector posted year-on-year exports growth of more than 16 percent to surpass 36 billion USD, making Vietnam the world's third biggest exporter of these products, after China and India.

Based on these figures, the Vietnam Textile and Apparel Association (VITAS) believes the export target of 40 billion USD for 2019 is achievable, thanks in part to FTAs, including the one with the EU – the second biggest market for Vietnamese textile and garment products.

VITAS Chairman Vu Duc Giang said the EVFTA, signed in Hanoi on June 30, promises apparel export potential of more than 100 billion USD annually. Textiles and garments shipped to the EU are currently subject to export tariffs of 9.6 percent, but when the EVFTA takes effect, the rate will be gradually reduced to zero percent in seven years.

He noted most of the countries exporting textiles and garments to the EU don't have FTAs with the bloc. Therefore, if Vietnamese firms meet origin requirements, the EVFTA will open up enormous opportunities for exports.

Managing Director of the Vietnam National Textile and Garment Group Cao Huu Hieu said that to be exempt from tariffs, apparel products must satisfy two conditions: the fabric used to make apparel must hail from Vietnam or the EU, and the production process must be carried out in Vietnam or the EU.

However, the EVFTA is also flexible, he said, elaborating that apparel products can also benefit from preferential tariffs under this deal if the material fabric comes from the countries that have FTAs with both the EU and Vietnam, such as the Republic of Korea.

VITAS Chairman Giang pointed out that although the rules of origin in the EVFTA are not as strict as in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Vietnamese firms still face several challenges because most of them have just engaged in cutting and sewing steps while not producing fabric and yarn.

Additionally, most production materials still come from China, which doesn't have a trade deal with the EU.

To capitalise on the EVFTA, he urged domestic businesses to develop weaving and the supporting industry to provide materials for the sector.

They also need to use more fabric from the Republic of Korea to make use of the trade pact pending the supporting industry's development. Under the EVFTA, companies can also import materials from Europe to improve their products' quality and value, he added.

According to Director General of the Garment 10 Corporation Than Duc Viet, his company has high hopes for the EVFTA, and has made preparations to capitalise on this deal.

Exports now account for 80 percent of Garment 10's total revenue, with 45 percent of export turnover from the US, 35 percent from Europe, and 10 percent from Japan.

These figures will change when FTAs come into force as the firm will receive more orders, he noted, adding that the business has made plans to connect its domestic supply chain to satisfy origin requirements.

Source: en.vietnamplus.vn- July 02, 2019

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EU-Mercosur trade deal opens opportunity for textile and clothing companies

EURATEX, the European Apparel and Textile Confederation, welcomes the conclusion of negotiations for a comprehensive and ambitious Free Trade Agreement between the European Union and Mercosur (Argentina, Brazil, Paraguay and Uruguay).

EURATEX has been actively engaged in the negotiation process to ensure an agreement fit for textile and clothing companies, also preserving social and environmental standards in the manufacturing of high-quality products.

“Despite a challenging trade environment, we are glad rules-based trade has prevailed” stated Alberto Paccanelli, EURATEX President.

The EU-Mercosur FTA is the largest trade agreement ever concluded by the European Union, covering a population of 780 million.

According to the EU, this agreement will save European companies over 4 billion euros in duties. For the textile and clothing industry in particular tariffs have been very high, reaching 35% in Brazil.

“In 2018 EU exports of textile and clothing products to Mercosur were 460 million euros and the elimination of tariffs will open further business opportunities for our sector” added Paccanelli, “We look forward to a swift approval by the European Council and the European Parliament.”

Source: fashionunited.uk- July 02, 2019

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Vietnam's apparel sector fears cost surge as tech giants move in

Nike, H&M and Gap suppliers slow expansion in Southeast Asian nation

Major apparel makers are halting or slowing their expansion in Vietnam amid worries that the trade war will indirectly push up labor costs as tech giants like Apple seek to shift production out of China.

For many of these companies -- who supply some of the biggest brands in the world, including Nike, Adidas, Uniqlo and H&M -- Vietnam is their biggest manufacturing base. But as Apple, Dell, Google and Amazon suppliers seek new production locations to avoid U.S. tariffs on China, competition for land and local talent is expected to heat up.

Makalot Industrial, a leading clothing producer for GAP, Walmart, Zara, and H&M, has said it will slow its expansion plans in Vietnam.

"More and more companies come to Vietnam ... In the foreseeable future, we do foresee a shortage of labors and even fierce competitions in hiring staff there," Makalot Chairman and CEO Frank Chou told the Nikkei Asian Review. For the apparel industry specifically, the best time to invest in Vietnam may have passed, Chou said, and companies will have to adjust to a tougher environment.

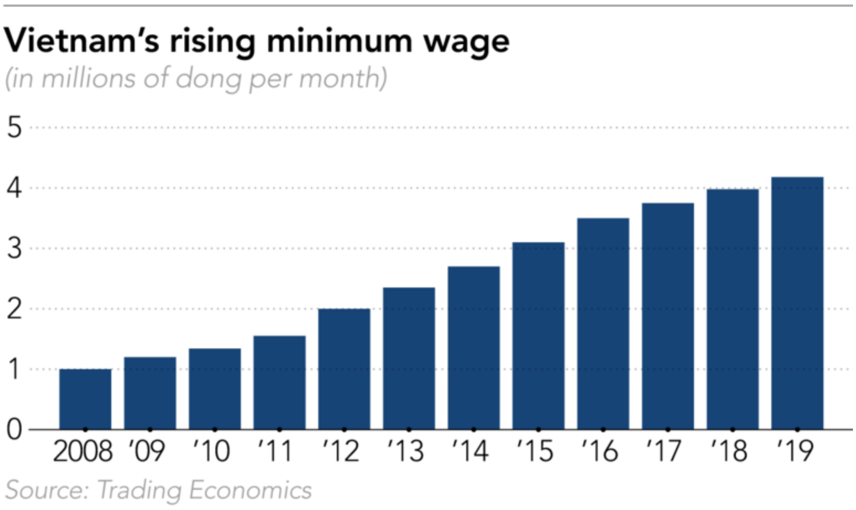
Vietnam is Makalot's largest production base, accounting for 37% of its capacity. But Chou said the company will now focus on expanding more aggressively in Indonesia, which he expects to become Makalot's most significant production base in three to five years.

Eclat Textile, Taiwan's largest sportswear supplier whose clients include Nike, Under Armour and Lululemon, will stop expanding in Vietnam, Vice President Roger Lo told the Nikkei Asian Review. Lo said the company will look elsewhere for future expansion, but did not specify where.

"From this year, we will not add capacity to our Vietnam site and we are still looking for other countries to make further investments," he said. Currently, most of Eclat's production is located in Taiwan and Vietnam.

Thanks to its population of 95 million and its geographical proximity to the world's second-largest economy, Vietnam has long been a popular destination for textile and shoemaking companies hoping to seek lower production cost and a young workforce outside of China.

Makalot currently only has 4% of production left in China, while Eclat Textile closed down its last Chinese factory by the end of 2016. Pou Chen, the world's largest contract footwear maker, has also scaled back its Chinese manufacturing over the years, from 29% in 2014 to 13% in the first quarter of 2019 in terms of total shipments.



However, the minimum wage in Vietnam has risen over the last 10 years from 1 million Vietnamese dong ($43) a month to 4.18 million dong per month in 2019, according to the government, although this is still lower than China.

The Vietnamese government also requires all manufacturers to raise wages by more than 10% each year.

Most foreign companies already offer much higher than the base pay, while the total compensation package should also include insurance as well as other employee benefits and bonuses.

Despite rising labor costs, Vietnam has been one of the beneficiaries since trade war between the world's two largest economies began. The Southeast Asian nation's exports to the U.S. increased 38% on the year in the first four months of 2019, and more tech companies like Apple, Dell, Google and Amazon are considering shifting to the country to avoid the tariffs.

But the production shift from China to Vietnam could make the country the next target for U.S. President Donald Trump, as he hinted last Wednesday that he might impose tariffs on Vietnamese goods. "A lot of companies are moving to Vietnam, but Vietnam takes advantage of us even worse than China. So there's a very interesting situation going on there," Trump said during an interview with Fox Business.

Ethan Harris, head of global economics at Bank of America Merrill Lynch, said there is a "high risk" that the U.S. will target Vietnam with tariffs.

“I would say the number one target will be Vietnam,” Harris told reporters during a Tuesday conference call, citing "a very rapidly growing bilateral surplus" along with factors such as the country's communist rule, state-directed credit and managed currency trade.

Helen Qiao, chief greater China economist and head of Asia Pacific economies at the bank, downplayed the notion of a rapid manufacturing exodus from China, citing constraints in other Asian economies.

"We think the whole process is probably slower than people generally expect," Qiao said.

Nevertheless, a spokesperson for Pou Chen, the sports footwear empire behind Nike, Adidas and most other famous international brands, told Nikkei that the cost of land in Vietnam is rising every year and shows no signs of turning back. "For the long run, we don't think there is much room left for our Vietnam capacity and employees there to continue to grow."

For all 2018, Pou Chen produced 46% of its total 326 million pairs of shoes in Vietnam, its largest manufacturing base. That figure fell to 43% for the January-March period in 2019. In Indonesia, production rose from 37% last year to 41% for the first quarter this year.

Simply shifting production, however, is not the answer, according to the spokesperson.

"It does not mean we need to definitely move to somewhere else beyond Vietnam, which is not realistic, but it means we have to transform ourselves with automation to reduce labor uses in the long run to stay competitive. We will also adjust our capacity flexibly."

An executive at another Taiwanese shoe manufacturer, which has been investing in Vietnam for more than 20 years, voiced a similar opinion.

"We are indeed a bit worried that all those tech companies coming to Vietnam could increase recruitment costs and make it hard for us to recruit labors, but you can't always look for countries with cheaper wages as solutions."

The executive said his company is aware that many companies from traditional sectors are looking at Cambodia, Indonesia and other lower-wage countries outside of Vietnam.

However, the overall labor quality, working efficiency and infrastructure in Vietnam are still competitive for the shoemaking industry despite labor costs rising by at least 10% annually, per regulations. "The costs are rising. But we could invest in automation, better management to increase production efficiency. It is not easy to find efficient workers elsewhere."

Simon Shen, president of New Kinpo Group, a supplier of Dyson, Casio and HP, told Nikkei that Vietnam's current population simply cannot accommodate a massive production shift from China.

"It's a bit overheated in Vietnam," Shen said. "U.S. President Trump also hinted that he is considering imposing tariffs on Vietnam. Companies that are betting big there may need to think twice." New Kinpo Group has manufacturing sites in the Philippines, Thailand, Brazil and China.

"Companies in traditional industries will be squeezed as tech companies are also heading to Vietnam," said Karen Ma, an analyst specializing in emerging markets at Hsinchu-based Industrial Technology Research Institute.

"Meanwhile, the cost of expansion there will definitely become much more expansive. ... Most of these existing players in the textile and footwear industry will face a dilemma: Where should they go if they are leaving Vietnam? Currently, there are not many choices for them left in the region as Laos and Indonesia have not yet reached Vietnam's level in terms of infrastructure and quality of the workforce."

Source: asia.nikkei.com - July 02, 2019

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Bangladesh: Trade with China trebles in a decade

Bilateral trade between Bangladesh and China trebled to nearly $12 billion in the past decade thanks to the soaring imports by industrialists and businesses.

Source: Data compiled by FBCCI

Trade between the two nations, which was $3.51 billion in 2008-09, rose to $12.38 billion in 2017-18.

And in the first nine months of the just concluded fiscal year trade stood at about $11 billion, with the balance heavily tilted towards China, according to data compiled by Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

The data showed that import from China has been increasing gradually while shipment to the world's second biggest economy have been hovering below $1 billion for the last several years.

Analysts and entrepreneurs said Bangladesh gets duty-free access for nearly 5,000 items but businesses cannot take full advantage of the opportunity owing to the country's small export basket.

"We have nothing but garments while they produce almost everything. They have little to buy from us," said Anwar-ul Alam Chowdhury, president of the Bangladesh Chamber of Industries.

It would be very difficult to increase exports to China unless Bangladesh's exportable products are expanded, said Chowdhury, also a former president of the Bangladesh Garment Manufacturers and Exporters Association.

Data compiled by the FBCCI showed that garment accounted for 56 percent of the total exports of $695 million to China in fiscal 2017-18.

Jute and jute goods accounted for 19 percent of total shipments that year, followed by leather and leather goods at 9 percent.

Exporters also shipped items namely frozen foods, footwear, home textile, optical photographic instruments, plastic and plastic articles, furniture and engineering products as well. These accounted for the remaining 17 percent of the exports to China.

As much as 68 percent of the imports from China were textiles, machinery and mechanical appliances.

A senior official of the commerce ministry seeking anonymity said nearly 50 percent of the products imported from China are meant for export-oriented industries to make products for the export market.

“The rest come for domestic consumption,” he said, adding that trade imbalance between two nations is rising because of a spiral in capital machinery imports.

One way to boost export is to attract Chinese investment to Bangladesh, he said, citing Vietnam and Malaysia as cases in point.

Exports by foreign investors is 52 percent of Vietnam’s export, he said.

Joint ventures between Bangladesh and Chinese investors in sectors such as electronics, engineering, textiles and other areas would be instrumental to diversifying the export basket, Chowdhury said.

He expects investment from China to increase after the completion of special economic zones and the mega infrastructure projects.

Imports from China are spiralling as it quotes a cheaper price than elsewhere, said Ali Ahmed, chief executive of the Bangladesh Foreign Trade Institute.

“On the other hand, our goods for China are very few.”

Source: thedailystar.net- July 02, 2019

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Pakistan: Govt allows duty-free cotton import till July 31

The government has silently granted extension to duty-free import of cotton by another month, contrary to the demands of most of the stakeholders, sources said.

The Economic Coordination Committee (ECC) of the Cabinet last week accorded permission to give total exemption of 11 percent duty and taxes on cotton import. This, the sources added was unlike the previous year's practice, and favoured the textile lobby.

The recommendation came from Abdul Razak Dawood, advisor for textile, commerce, industry and production, and investment. The government silently gave the extension on June 30, 2019, and contrary to previous practices, did not announce the formal decision after the ECC meeting.

The decision was against the recommendations of the non-partisan Parliamentary Committee on Agriculture. In its unanimous recommendations, the Parliamentary Committee asked for restoration of regulatory import duty on cotton to prevent its massive import and dumping, and to enable farmers receive international parity price.

Ministry of National Food Security and Research also supported withdrawal of exemption given on cotton imports to give incentives to local farmers to grow the silver fibre on greater area. Almost all farmer bodies vehemently oppose the import of cotton right in the middle of cotton cultivation season.

Pakistan Kissan Ittehad (PKI) has forcefully backed domestic production of cotton by giving incentives to local farmers. The unabated import of cotton would ruin local growers, as price of lint would crash in the market, warned PKI.

The price of fresh cotton was already below Rs3,000/maund in Sindh, much lower than the due price, it added. The decision might discourage growers from tending their standing crops against pest attacks, which could also impact total output of the silver fibre.

Cotton ginners were also unhappy with the inconsistent policy for dealing with the cotton market. Ihsanul Haq, senior member of Pakistan Cotton Ginners Association (PCGA) said frequent changes in policy for cotton trade made this business riskier, which was always unwelcomed by ginners.

PKI President Khalid Khokhar said the regulatory measures being taken by the federal government were against its policy of increasing cotton production in the country.

Textile bodies, including the All Pakistan Textile Mills Association (APTMA) have hailed the federal government's decision to continue the policy of duty-free cotton import.

APTMA spokesman said cotton import was necessary for meeting the requirement of local industry. He brushed aside the notion that farmers would be adversely affected from the imports. “Local cotton is yet to start arriving in the market,” he added.

Source: thenews.com.pk- July 03, 2019

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Pakistan: Razak emphasis for role of Chinese investors in local textile sector

The Adviser to Prime Minister on Commerce, Textiles, Industries and investment, Abdul Razak Dawood on Tuesday underlined the significance of investment opportunities for Chinese investors in textile sector for industrial cooperation and growth.

Razak appreciated the role of Chinese Companies in textile sector of Pakistan and urged the Chinese delegation to have more extended cooperation in the textile sector, said a press release issued by Ministry of Finance here.

A Chinese delegation of National Textile and Apparel Council (CNTAC) was called on Abdul Razak Dawood to deliberate upon bilateral trade and investment opportunities.

CNTAC is the National Federation of all textile-related industries, as it includes the textile industrial associations and the other economic entities as the registered members.

Members of the delegation showed interest in technology up gradation in Pakistan by investing in Textile Research Centers and Stitching Labs.

Adviser to PM emphasized to enhance know-how regarding Chinese technological advancement in textile sector and urged the delegation to cooperate in the development of textile sector to avail investment opportunities for developing better partnership.

He appraised the delegation that China Pakistan Economic Corridor (CPEC) has opened enormous investment and business opportunities in Pakistan.

In the first phase of the project investment was only attracted to power sector and infrastructure development, he added.

Now “we are entering into second phase of CPEC, as industrial cooperation, which provides enormous opportunities for investment in textile and agriculture. Moreover, in the wake of China-Pakistan Free Trade Agreement (FTA) Phase-II bilateral cooperation between two countries is widening by providing extended market access to Pakistani product in Chinese market which has increased industrial base of Pakistan, adviser highlighted.

Razak said Chinese companies should invest in whole value chain of textile, from cotton to garment, for the development of sector and both countries should work for win-win position.

He apprised the participant that China has already cooperated in manufacturing of polyester yarn in Pakistan and eying for extended mutual cooperation in finished/value added products of textile sector.

Head of CNTAC delegation appreciated the Pakistan’s business friendly environment for better cooperation in industrial development, especially textile industry.

The visit of CNTAC aims to observe the existing business environment for future investment in industrial development in Pakistan.

Source: brecorder.com- July 02, 2019

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Pakistan: The snake has truly bitten

There have recently been a spate of ill-informed articles on the stagnation of textile exports, subsidies to the textiles sector, under-taxed domestic sales, rationale for removing zero rating and APTMA's lack of professionalism. It is time that the record was set straight.

First of all, increasing exports through devaluation is highly contentious as the bulk of inputs into the textile chain are directly or indirectly linked to the dollar and international markets. This point is very well illustrated by the direct linkage of cotton prices to the New York cotton exchange and the dollar based energy pricing covering 80 percent of the cost base of the sector.

The other fallacy that is being expounded is that exports can be increased or decreased within a short time period just through manipulation of incentives and short term reduction in cost of doing business. For exports to increase meaningfully it requires an exportable surplus which requires modernization, upgradation and expansion of industry. For these to be achieved you need long term stable policy and an internationally competitive cost of doing business.

Alas policy stability was not to be, as each successive governments has disowned policies of the previous governments, even to the extent of disowning the Technology Up-gradation Scheme of 2009-14 for which none of the payments due have been made so far. Payment of Sales Tax Refunds or Duty Drawbacks despite sovereign guarantees, has been an even sorrier story and as a consequence trust in government pronouncements is currently at the lowest ebb ever.

Under these circumstances, the government's claim of honoring any refund commitments can hardly be relied upon. Given the current scenario, substantial immediate increase in exports, large scale investments for the upgradation, expansion or modernization are highly unlikely to be fulfilled.

Furthermore, it is incorrect to state that the textile sector in Pakistan is getting subsidies especially on the energy rates. It is a matter of fact that the cost of inefficiencies and corruption cannot be exported in inflated tariffs and that the true cost of energy has to be charged for exports to remain competitive.

Recognising this, the PTI government provided a level playing field to the sector on a regional basis. Energy is the largest component of the conversion cost in textiles and necessarily has to be competitive if Pakistani exports are to compete in a highly price sensitive market.

The following graph depicts the regional disparities that existed prior to the government's intervention. The fall in yarn exports is not because of any fall in production levels but a very positive signal that more of the yarn was consumed for value addition leading to the higher export of finished goods. Point to note is that yarn production has increased over the same time period. This has always been a long standing goal of policy makers and yet when it has been achieved, there is unjustified criticism.

Regarding the quantum of domestic sales it is highlighted that the total quantity of fibre availability to the sector is known last right down to the last gram. An analysis of the fibre availability reveals that the total value of the output of domestic industries is $ 18 Billion out of which $ 13.5 Billion is exported. The $ 4.5 billion domestic sale of industry underpays sales tax, at only Rs 9 billion which at 6% (the old GST rate) which should have been Rs 41 billion.

The fundamental reason for the under collection of sales tax on domestic production is the prevalence of the unregistered dealers and the cottage industry in the textile sector. The known brands selling in the domestic market are all members of APTMA such as Nishat, Gul Ahmed, Bareeze, Sapphire, Khaadi and Chenone, etc., are all fully sales tax-compliant.

The manner in which these can be brought into the tax net is through enforcement of sales tax at the retail stage and by denying industrial power and gas connections to unregistered industries. It is strange that the entire focus remains on the few industries that are fully compliant rather than tackling the unregistered industries while the compliant industries are now being forced out of business due to the belligerent attitude of FBR.

A cursory glance at the table below will reveal that the domestic sale from local industry is only 40% of the retail sale in quantum terms. The balance 60% in quantity and 80% in value is either under-invoiced imports or smuggled or new clothing in the guise of used clothing.

The value at the retail stage of all textile and clothing can be conservatively estimated to be US $ 40 Billion and if brought into the tax net at a GST rate of 17% can generate revenues of $ 6.8 billion or Rs 1 trillion. This is the real value of domestic sales tax if taxed at the retail stage. A word of caution however as the 17% GST rate is extremely high for a developing economy like ours, this would lead to very strong incentive to smuggling and staying out of the tax net.

It is very strange that in order to collect the anticipated Rs 100 billion sales tax from sale of domestic production the entire industry is being subjected to a Rs 600 billion plus collection of Sales tax, when the better and much higher yielding mechanism would have been to tax all sales at the retail stage and could have been worked out in collaboration with the industry.

It is all very well to state that refunds will be made on time however reality is that the production cycle will take nearly nine months prior to exports so the sales taxes would have been collected and in FBR coffers, for at least that time period, even in the best case scenario.

The sales tax collection would therefore entail an interest cost of nearly Rs. 100 Billion, assuming that the industry could come up with that sort of liquidity in the first place. In the current scenario, this liquidity is unlikely and as a consequence we anticipate closure of a large proportion of the sector leading to a precipitous fall in exports and large scale unemployment.

In an industry where the end product price is dictated by international competition the profit margins are extremely low (3-4%) generating the additional funds for GST would be impossible. So it would have been prudent to start with a smaller rate and gradually increase the rate. Furthermore, the world over baby clothing are exempt from GST and in India clothing for the poor attracts a much lower sales tax rate.

This begs the question as to why FBR is focusing on taxing registered and compliant industry rather than the retailers, where as they say the real "Moolah" is.

Blaming APTMA for a non-professional approach is highly irresponsible as APTMA was the only trade organisation which agreed to work with the government to formulate a system to collect tax on domestic sales in line with national priorities, while balancing the liquidity requirements of the sector.

Furthermore, APTMA has repeatedly informed the government of the menace of smuggling, used clothing and the propriety of taxation at the retail level. Just to set the record APTMA has published more than 40 technical papers in leading journals and newspapers on all aspects of the business in just the last one year.

In a recent article "Ladder and the snake" carried by this newspaper in May 2019, we had written that whenever the sector is on the verge of take-off something or the other strikes and pushes the sector back by quite a few years. "The snake has truly bitten this time".

Source: fp.brecorder.com- July 02, 2019

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Pakistan: Textile exports stagnate despite incentives

The slump in Pakistan’s exports continued in May on the back of overall slowdown in the country’s manufacturing and agriculture sectors.

Data published by the Pakistan Bureau of Statistics (PBS) on Monday showed that the country’s cumulative exports in the first 11 months of the current fiscal year fell by marginal 0.29 per cent to $21.267 billion compared to $21.329bn during the same period last year.

Food, textile, and other manufacturing sectors all declined during the cumulative period despite a massive fall in the rupee’s value against the US dollar.

The government had set an ambitious exports target for FY19, but year-end figures have revealed a major failure to achieve the targets despite extension of the tax benefits to the export-oriented sectors.

However, month-on-month exports during May grew by 0.42pc to $2.10bn — second highest in the ongoing fiscal year.

Almost all export groups — barring petroleum — posted negative growth during the cumulative period as outbound shipments in the food, textile and other manufacturing goods fell by 4.61pc, 0.09pc and 0.45pc to $4.272bn, $12.315bn and $3.108bn respectively.

The decline in the textile sector exports came amid a massive slump in exports of non-value added segments including raw cotton which declined by 67.19pc to $18.876 million, cotton yarn by 16pc to $1.048bn, and cotton cloth 3.65pc to $1.94bn.

On the other hand, value-added segment posted 5pc growth during the cumulative period as exports of knitwear grew by 9pc to $2.45bn, bed wear by 2pc to $2.08bn, readymade by 4pc to $2.44bn whereas exports in the towels fell by 1pc to $731m and tents and canvas by 3pc to $78m.

However, overall textile exports during May grew by 4pc month-on-month led by a 7pc jump in exports of value added segment. However, the government introduced several measures in the budget for the next fiscal year which is likely to stall growth in the textile sector.

The government's imposition of the 10pc sales tax on local ginned cotton, followed by a 17pc sales tax on other raw materials and 17pc increase in the minimum wage rate is likely to increase the sector's cost of doing business.

"Textile sector is expected to bear the negative consequences of the budget which would increase the cost of doing business along with liquidity constraints due to higher working capital requirements," said BIPLS research in an analysis of the country's textile exports. "However, currency depreciation and timely issuance of promissory notes would serve as a saving grace for the sector."

Exports in the petroleum sector managed to help arrest the decline in other sectors as it grew by a massive 20pc during the cumulative period reaching $451.645m compared to $377.117m during the same period last year. Major contribution in the sector came from crude and top naphtha segments which grew by 40pc and 28.45pc to $266.634m and $61.592m respectively.

Source: dawn.com- July 02, 2019

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Scheme to rebate embedded Central, State levies may be extended to more textile sectors

Exporters raise concerns at meeting with Textiles and Commerce Ministers

The government is considering extending the scheme to rebate embedded Central and State levies for the garments and made-ups sector to other textile items in the light of the urgency to do away with the popular merchandise export incentive scheme (MEIS) which is against World Trade Organization rules.

A number of issues raised by the textiles industry, including possible extension of the Rebate of State and Central Taxes and Levies (RoSCTL) to other sectors, expeditious clearance of TUFS and tackling increased imports of garments from Bangladesh, were discussed at a meeting textile exporters had with Textiles Minister Smriti Irani and Commerce & Industry Minister Piyush Goyal on Monday, a government official said.

“The meeting was attended by all officials apart from the two Ministers. Each and every issue raised was immediately looked into. Whatever could be addressed was addressed with deadline while an assurance was given that the rest had been listed and would be looked into later,” said Sanjay K Jain from the Confederation of Indian Textile Industry.

An assurance was given to textile exporters that their demand of extending the RoSCTL to other textile sectors, including yarn and fibre, will be addressed soon, another exporter, who did not wish to be identified, said.

“Commerce Minister Piyush Goyal had said at the recent Board of Trade meeting that his Ministry was seriously considering the Textiles Ministry’s proposal of extending the RoSCTL to all textiles sectors. The Minister has said that a decision on the matter will be taken soon as the MEIS scheme for textiles needs to be withdrawn,” the exporter said.

The Cabinet, in March, approved the RoSCTL scheme to rebate all embedded State and Central Taxes/levies for apparel and made-ups, through an IT-driven scrip system. The scheme replaced the existing Rebate of State Levies (RoSL) scheme that provided rebate of only certain State taxes.

The embedded taxes include Central excise duty on fuel used in transportation, embedded CGST paid on inputs such as pesticides and fertilisers used in production of raw cotton, purchases from unregistered dealers, inputs for transport sector and embedded CGST and compensation cess on coal used in the production of electricity.

Now that the MEIS scheme, which offers incentives based on the markets the goods are being exported to, has to be withdrawn as Indian textiles have graduated out of the group of items allowed to extend export sops at the WTO, the RoSCTL is a workable alternative.

Clearance of funds

The two Ministers also agreed to the expeditious clearance of funds for exporters under the Technology Upgradation Fund Scheme (TUFS), address GST issues on textiles and clothing ,including inverted duty structure in the man-made fibre sector, and reduce hank yarn obligation from 30 per cent to 15 per cent.

The fall out of duty-free imports of garments from Bangladesh on India's apparel industry and the opportunities arising from Vietnam reaching saturation in textile production were also discussed.

According to industry figures, India's textiles & clothing exports declined from $38.60 billion in 2014 to $37.12 billion in 2018 while imports increased from $5.85 billion to $7.31 during the same period.

India slipped to the fifth position amongst garments and textiles exporters in 2018 from the second position it enjoyed in the 2014-17 period. China, Germany, Bangladesh and Vietnam are the top four exporters of garments and textiles.

Source: thehindubusinessline.com- July 02, 2019

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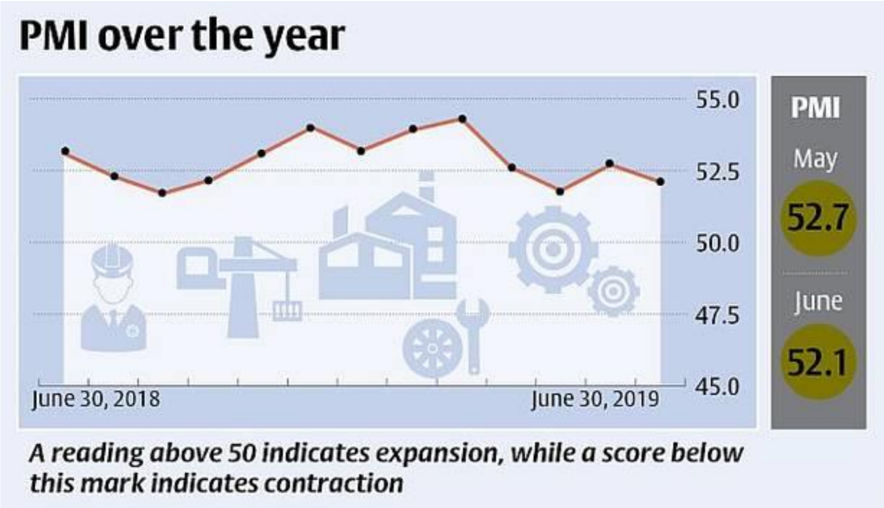
India's manufacturing sector loses momentum, PMI slips to 52.1 in June

Gauges of factory orders, production, employment and exports were up, but the rates of expansion softened in all cases

India's factory production lost momentum in June as the Manufacturing Purchasing Managers' Index (PMI) slowed down to 52.1 in June, as against 52.7 of May.



Source: Nikkei, IHS Markit

This index is prepared on the basis of a survey which is conducted among purchasing executives in over 400 companies. These companies are divided into 8 broad categories: basic metals, chemicals and plastics, electrical and optical, food drink, mechanical engineering, textiles and clothing, timber and paper, and transport.

An index over 50 shows expansion, while below 50 mean contraction.

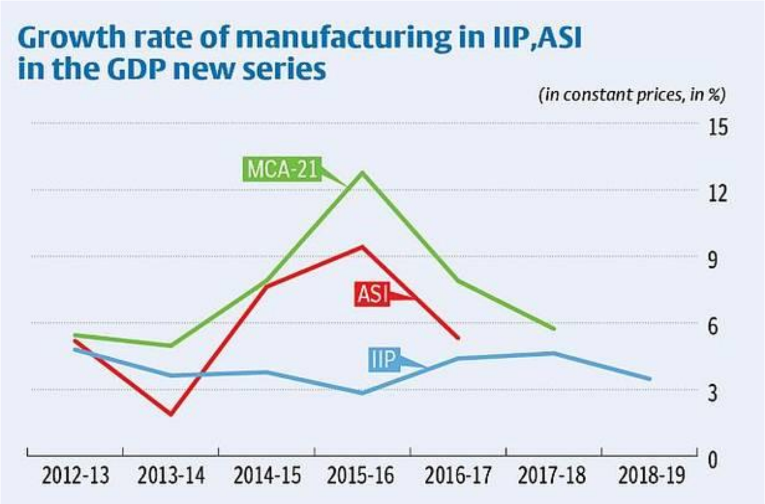
It is prepared by IHS Markit and released along with a detailed report. This index is widely quoted to explain the latest industrial situation and known as the IHS Markit India Manufacturing PMI.

The June 2019 data were collected 12-24 June 2019.

'Slight setback'

Pollyanna de Lima, Principal Economist at IHS Markit, said that the PMI data highlighted a slight setback in the Indian manufacturing sector during June. Gauges of factory orders, production, employment and exports remained inside the growth territory, but the rates of expansion softened in all cases as domestic and international demand showed some signs of fading.

Upbeat growth projections continued to underpin job creation and the stockpiling of inputs, but cracks appeared in the form of a softer rise in employment and waning optimism.



"A further decline in unfinished business points to excess capacity among goods producers, meaning that job creation may come to a halt in the near term should demand growth fail to revive. Firms tried to boost sales by offering price discounts for their goods, considering subdued rises in cost burdens. Tamed cost inflation may assist competitive pricing and lift demand to a meaningful extent as we head into the second half of 2019," she said.

All eyes on the Budget

This report, which comes four days before the presentation of General Budget for 2019-20, shows the pressing need for a comprehensive package to boost investment and consumption demand.

It is expected that this budget might give relief to remaining one per cent companies which are still paying corporate tax at the rate of 30 per cent, along with cess and surcharge. Corporate tax rate for other 99 per cent is 25 per cent plus cess and surcharge.

According to the report, the manufacturing sector lost growth momentum in June, following an acceleration in May.

A softer increase in new work intakes translated into slower rises in output and employment, while the upturn in quantities of purchases strengthened. The June data continued to show only a moderate increase in input costs, which in turn, supported another round of selling charges discounting.

Positive sentiment

Consumer goods was the key source of growth, where robust increases in sales, output and employment were registered.

The report recorded modest expansions in production and new work was noted in the intermediate goods category, but then, jobs had stagnated. At the same time, operating conditions in the capital goods sector were broadly unchanged, the report mentioned.

Meanwhile, according to survey, the good news is that manufacturers remained upbeat about growth prospects in June, with marketing initiatives, stable political conditions and forecasts of a pick-up in demand underpinning the positive sentiment.

However, the degree of optimism weakened slightly from that recorded in May.

Source: thehindubusinessline.com- July 01, 2019

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Tariff worries for India

India must not buckle under Trump's pressure

US President Trump recently called for the withdrawal of India's high import tariffs, calling them unacceptable. He said India must give greater and 'equitable' access to US products in Indian markets. The question is whether India should heed his call.

In this connection it is important to know the theory of the German economist Friedrich List (1789-46) detailed in his book 'The National System of Political Economy'.
List's prescription

When he wrote this book Germany was not as industrially developed as England and France. List wrote that when England was doing its own early industrialisation it did so under heavy protectionism of its industries.

But when it had completed it and had become the most industrialised country in the world, it was preaching free trade and laissez faire to other countries, including Germany, which was then far less developed.

List said that without protectionism (in the form of high import tariffs) the relatively smaller and weaker German industries could not compete against the bigger English industries.

If a child is made to fight with a giant the latter will floor the former in no time.

The smaller and weaker German industries would be destroyed by competition with the English and French giants, unless protected by heavy import tariffs. Hence while ensuring internal free trade there should not be external free trade, until German industries are developed enough to withstand the competition of English and French industries.

Till then, if external free trade is permitted it will only result in subjugation of Germany by England and France.

List's theory of 'national economics' differs from Adam Smith's theory of 'individual economics'.

List contrasted the economic behaviour of an individual with that of a nation.

An individual promotes only his personal interest, but a state fosters the interest of all its citizens. An individual may prosper from an activity which harms the nation.

Hence the state should prohibit such harmful activities of individuals, so that all its citizens may prosper.

At the same time, the national interest requires that if the domestic industries are weaker than those of foreign countries they must be given protection against destructive competition with the latter.

In my opinion India should follow the theory of List.

There was no doubt a certain limited degree of industrialisation in India after Independence, but we are still far behind North America, Europe, China and Japan.

Protecting industry

Our industries are still small compared to the industries of those nations, and if tariff duties are withdrawn, as Trump calls for, they may not be able to face the foreign competition and may collapse, leading to increased unemployment and other evils.

Already China has penetrated our markets. We will then be reduced to 'hewers of wood and drawers of water', as we were under the East India Company and British rule.

The Indian government therefore should take this into consideration.

Source: thehindubusinessline.com - July 02, 2019

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Budget 2019: Exporters' body for employment-linked tax benefits, cut in corporate tax

Exporters' body FIEO on Tuesday urged the government to announce various measures such as employment-linked income tax benefits and set up a fund for marketing purposes to boost the country's outbound shipments in the upcoming Budget.

Federation of Indian Export Organisations (FIEO) also demanded tax deduction on R&D investments, cut in corporate tax, reducing customs duty on capital goods which are not produced in the country, and higher budgetary allocations for the Department of Commerce.

"We would urge the government to provide income tax relief to units which provide additional employment in export sector," it said in a statement. Incentives should also be provided based on twin criteria of incremental growth in exports and workers, it added.

For small exporters, it said marketing and showcasing of their products in global markets require substantial expenditure and the current support extended through various schemes is grossly inadequate.

“We require an export development fund with a corpus of 0.5 per cent of export value, so that MSMEs aggressively participates in international exhibitions and trade shows,” it said. Further the organisation said the budget should encourage domestic manufacturing with a focus on imports substitution. “On customs front, the instances of inverted duty structure needs to be looked into,” it said.

It added that the corporate tax reduction may be extended to all entities. The country’s exports grew by 9 per cent to $ 331 billion in 2018-19.

Source: thehindubusinessline.com- July 02, 2019

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Trade talks: India, US officials likely to meet next week

Senior officials of India and the US are likely to meet next week here to discuss trade related issues, sources said Tuesday.

A team of US Trade Representative (USTR) is expected to hold the meeting with senior officials of the commerce department, they said.

This would be the first meeting on trade issues after the meeting of Prime Minister Narendra Modi with US President Donald Trump in Japan at the sidelines of the G20 summit.

The trade talks between the two countries slowed down after the US rolled back export incentives from India under their GSP programme.

India too has imposed additional customs duties on 28 US products.

There are certain irritants which both the countries wants to sort-out to push the bilateral trade.

The US wants greater market access for its dairy products and cut in customs duties in ICT products. The American companies have also raised concerns over price cap on certain medical devices by India.

Stating that the US has taken a "unilateral position" in rolling back export incentives from India, the government has asserted that it would not allow trade negotiations to overtake issues of national interest.

Source: business-standard.com- July 02, 2019

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Export-promotion forum, trade fair to boost farm cooperatives: Govt

The international trade fair will be held by the agriculture ministry and will be supported by the commerce and external affairs ministries

The government has announced that an export-promotion forum for the cooperative sector will be created soon. An international trade fair will also be organised on October 11-13.

The forum will be set up under the National Cooperative Development Corporation (NCDC), after consultations with 20 states and three Union territories, said Commerce and Industry Minister Piyush Goyal and Agriculture Minister Narendra Singh Tomar on Tuesday.

The government hopes this will work as an exchange platform for the cooperatives. Both ministries have committed to establish a framework to double farm exports from Rs 2.75 trillion to about Rs 7 trillion by 2024-25.

There are more than 800,000 cooperative institutions in India; 94 per cent of 1.5 million farmers in the country are members of at least one cooperative.

Along with this, a trade fair will be held by the agriculture ministry and will be supported by the commerce and external affairs ministries. The latter is expected to ask India's diplomatic missions abroad to get foreign participants for the fair.

While cooperatives from the farm sector will be the primary participants, cooperatives from other fields such as textiles and leather may also be allowed.

The trade fair, to be organised jointly by commerce, agriculture and external affairs ministries with support of cooperative bodies such as the NCDC and the Agricultural and Processed Food Products Export Development Authority, will provide direction to exporting value-added agriculture products.

Goyal said the fair will be instrumental in disseminating global demand and engaging with industry players from other nations. “Technology has not yet comprehensively reached our farm sector. The fair will provide our cooperatives ways to do this,” he added.

Last year, the government had unveiled an ambitious agriculture export policy that seeks to double agriculture exports to $60 billion by 2022 and do away with arbitrary curbs on exports. However, the policy found little support from experts who termed the target “highly ambitious”, given how exports had fallen from nearly $40 billion five years back to $36 billion in 2017-18.

Despite India occupying a pole position in global trade of these products, its total agriculture export basket still accounts for only a little over 2 per cent of world agri trade, estimated at a $1.37 trillion.

Aiming to push India into the list of the top 10 agri export nations, the policy has been backed by the Prime Minister’s Office.

The aim to remove curbs on exports also had not found much traction among experts. If previous experience is any indication, the government tends to clamp down on exports at the slightest hint of rising inflation, they said.

The commerce department has suggested tying the policy to logistics support, a better trade regime, and states-led product development to connect farmers to global markets.

Source: business-standard.com- July 02, 2019

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Govt may impose anti-dumping duty on imports of nylon multi-filament yarn from 4 nations

The government may impose anti-dumping duty on imports of certain types of filament yarn from China, Korea, Taiwan and Thailand as the commerce ministry has started investigation into alleged dumping of the product following complaints from domestic players.

The Directorate General of Trade Remedies (DGTR), under the commerce ministry, has initiated the probe as it has found "sufficient evidence" of dumping of nylon multi-filament yarn from these countries.

"The authority hereby initiates an investigation into the alleged dumping, and consequent injury to the domestic industry... to determine the existence, degree and effect of alleged dumping," the DGTR said in a notification.

If the DGTR will establish that dumping is impacting domestic players, it would recommend imposition of a certain amount of anti-dumping duty, which if levied, would be adequate to remove the injury to the domestic industry.

The finance ministry will take final call on imposition of the duty after considering recommendations of the directorate.

Two firms, including Century Enka Ltd, have filed application for imposition of anti-dumping duty on the imports.

The period of investigation covers 2018-19. However, for the purpose of injury investigation, the period will also cover data for 2015-18 period.

Dumping occurs when a foreign company sells an imported product at an artificially low price.

Countries carry out anti-dumping probe to determine whether their domestic industries have been hurt because of a surge in cheap imports.

As a counter measure, they impose duties under multilateral regime of the World Trade Organisation.

The duty is aimed at ensuring fair trade practices and creating a level-playing field for domestic producers with regard to foreign producers and exporters.

Source: business-standard.com- July 02, 2019

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Ludhiana-based garment makers a worried lot

Seek protection against cheaper imports from China

Ludhiana-based readymade garments and textile manufacturers are a worried lot as China continues to spread its wings in India, this time through Bangladesh by sending garments and synthetic and polyester cloth.

The local manufacturers apprehend that if the Indian markets continue to be flooded with Chinese garments like this, it will not only hurt "Make in India" initiative but also ruin them. The domestic garment market is pegged at around Rs 3.25 lakh crore and it is almost three times bigger than exports market

Ajit Lakra, head (Textile Division), Federation of Industrial and Commercial Organisations, said the government needs to take preventive measures to save the local industry.

He said the synthetic and blended cloth was very cheap in China but India has imposed import duty on Chinese products, thus making it costlier for the Indian raw material exporters.

"However, China is sending all products — finished garments and cloth — through Bangladesh because India has signed free trade agreement with Bangladesh, thereby enjoying cost advantage. This is hurting the sentiments of local manufacturers.

Not only this, under-invoicing of bills is being done in connivance with Customs officials. We had given a representation regarding this to Union Minister Smriti Irani also and are awaiting response from the Centre," Lakra.

He said China and Bangladesh have already captured markets in Mumbai, Ahmedabad and Chennai. “So, before it ruins the Ludhiana industry, necessary steps should be taken by the government to promote ‘Make in India’ products”, he said.

The local industry maintained that if India wants to boost its economy, the treaty with Bangladesh should be cancelled.

“As the labour is cheap in Bangladesh, readymade garments are stitched there from Chinese cloth and then finished products such as sweaters, ladies jackets and night wear etc are sent to India. We have invested heavy capital in setting up our units and it is very difficult to compete with their rates because of other over-head expenses,” said Tarun Jain Bawa, president, Bahadurke Textile and Knitwear Association.

Many manufacturers alleged that direct smuggling of cloth/garments was being done at ports in connivance with Customs officials. A manufacturer of woollen articles, requesting anonymity, said middlemen were working to make garments available to local dealers at much cheaper rates.

“Suppose the duty on a garment from China is Rs 400 per piece, the middlemen are providing it to dealers for Rs 50-60 (per piece in addition to original price of the garment) and it is hurting the local industry,” said a member of the Ludhiana Woollen Manufacturers’ Association.

The manufacturers alleged that everything was so “streamlined” that even labels were also put up as per convenience of local dealers and buyers by Bangladesh and China.

Source: tribuneindia.com- July 01, 2019

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Export sops that aren't compatible with WTO norms to be replaced

Commerce Ministry invites suggestions on formulating new foreign trade policy

The Commerce Ministry has started work on the formulation of a new foreign trade policy (FTP) and has invited stakeholder suggestions for boosting exports and trade.

"It has been decided to revise the current foreign trade policy (2015-20). Therefore, suggestions/inputs are invited from all the stakeholders for framing the proposed new FTP," the Directorate-General of Foreign Trade (DGFT) said in a notice.

The new policy will be important as the existing export subsidies, including the popular Merchandise Export from India scheme (MEIS), will be withdrawn as they are no longer compatible with the World Trade Organization (WTO) rules.

Export incentives will have to be replaced with incentives that are allowed under the multilateral regime such as rebate of all input taxes paid by exporters at the Central and State levels and subsidies for research & development and modernisation of production process.

Five-year policy

The new five-year foreign trade policy (2020-25), to be applicable from the next fiscal, is expected to be released in September. The US has already challenged a slew of export subsidies given by India at the WTO on the ground that India is no longer eligible to extend these.

According to the US complaint, the targeted measures provide producers of steel products, pharmaceuticals, chemicals, information technology products, textiles and apparel with benefits to the tune of around $7 billion a year. "If export subsidies are not replaced soon, more such complaints may be filed at the WTO against the country and the judgements delivered may not be favourable towards the country. Such a situation needs to be avoided," a government official said.

India's GNI

Under existing WTO rules, a country can no longer offer export subsidies if its per capita GNI (gross national income) has crossed $1,000 for three years in a row. In 2017, the WTO notified that India's GNI had crossed $1,000 in 2013, 2014 and 2015.

Source: thehindubusinessline.com- July 01, 2019

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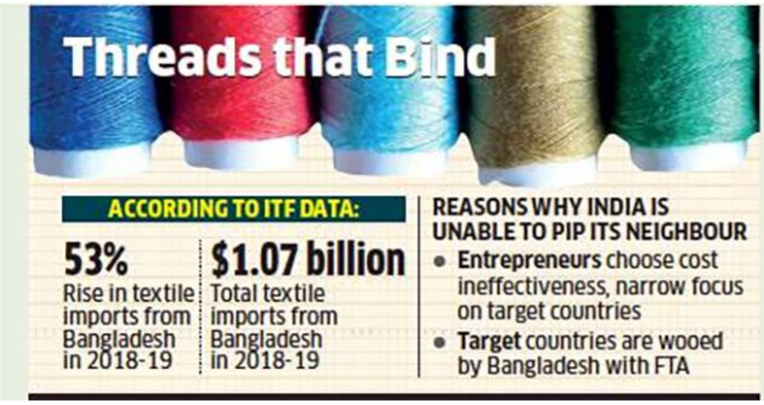
Increasing Bangladesh imports worry Tamil Nadu textile firms

The companies are worried because the increasing imports of readymade garments are hurting them in the local market even as they grapple with tepid growth in exports.

Concerned about increasing imports from Bangladesh, garment makers from the industrial clusters of Coimbatore and Tirupur in Tamil Nadu have approached the central government, seeking its assistance in getting supply contracts from Indian retailers and brands.



The Indian Texpreneurs Federation (ITF), an association of more than 560 textile establishments with a combined turnover of over Rs 40,000 crore, wrote to textile minister Smriti Irani in early June, seeking her ministry's intervention.

The companies are worried because the increasing imports of readymade garments are hurting them in the local market even as they grapple with tepid growth in exports. "Indian clusters can better serve the sourcing needs of both Western and Indian brands than products sourced from Bangladesh, Sri Lanka or Indonesia," the federation said in the letter. ET has seen a copy of the letter.

According to data collated by ITF, textile imports from Bangladesh jumped 53% in fiscal year 2018-19 to $1.07 billion (Rs 7,500 crore). Local entrepreneurs fear neighbours like Bangladesh will edge them out in the Indian market due to the advantages they enjoy such as lower manufacturing costs and free-trade agreements (FTAs) that create a duty-free expressway for their products into this country.

The challenge from Bangladesh is also affecting India's prospects in the international market. According to an ITF survey of more than 320 participants in the Indian textile industry, cost ineffectiveness, narrow focus on target countries and labour shortage are top reasons Indian exporters are unable to pip those from the neighbouring country in the export markets.

"We are hoping that the Indian government will help us engage with brands, retailers who might look at sourcing from India," said Prabhu Damodharan, the convenor for ITF and a mill owner in Coimbatore. After the implementation of GST, India had removed a 12% countervailing duty on imports from Bangladesh.

Source: economictimes.com- July 02, 2019

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Telangana faces deficit as paddy, cotton, maize sowing takes a hit

Reservoir levels have fallen sharply; three districts have received almost no rainfall. With the monsoon playing truant and causing a deficit of 36 per cent in rainfall, Telangana reported very poor sowing in June. Due to the deficit, about 23 districts out of a total of 33 districts covered less than one-fourth of the normal sowing area.

In 20 districts sowing took place on just under 60 per cent of the area normally covered during the month. Three of those districts (Adilabad, Mancherial and Mulugu) have received almost no rainfall so far.

Paddy, cotton, maize and soya -- the major crops in the kharif season, reported a very poor pace of sowing. Other important crops such as redgram, sugarcane, turmeric and castor, too, reported delayed sowing.

The lack of rain also led to a steep fall in the major reservoirs. The aggregate level of water in all the major reservoirs stood at 191 tmc as against 229 tmc in the same period last year.

These conditions have a direct bearing on the pace of sowing. According to the latest reports, the sowing covered an area of 4.50 lakh hectares by the end of June. This is less than half of what should have been covered by now.

Contingency plan

With sluggish sowing threatening to impact the kharif prospects for farmers, the Telangana Rythu Sangham has asked the Government to come out with a contingency plan. "The Government should be ready with alternatives. They should encourage millets and soya," T Sagar, Secretary of the association, said. "Farmers must be waiting for an opportune time," an Extension Officer said.

Forecasting the late arrival of monsoon rains, the State Government had issued an advisory last month, asking the farmers not to go in for early sowing. It said the farmers could wait for a month more. Sporadic rains were not be mistaken for monsoon rains, the government advisory had said.

Cotton farmers have covered an area of 3.44 lakh hectares so far as against the as-on-date average of 5.14 lakh hectares. In a normal season, cotton is grown on 17.25 lakh hectares. The same is the case with paddy, which saw sowing only on 14,600 hectares as against 22,500 hectares. Maize, an important crop for the poultry industry, is among the worst hit. Sowing was reported on only 15,000 hectares as against the as-on-date average of 84,000 hectares. The State grows maize on five lakh hectares.

Drought

Farmers' organisations have alleged that the State has been shying away from declaring a drought in the last three years despite poor rainfall. "They should prepare drought reports and send it to the Centre to get assistance," Sagar said.

Source: thehindubusinessline.com- July 02, 2019

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