### Cotton Market

**Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm**

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<tr>
<th></th>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td></td>
<td>20239</td>
<td>42300</td>
<td>77.04</td>
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**Domestic Futures Price (Ex. Warehouse Rajkot), March**

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<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<td></td>
<td>20970</td>
<td>43827</td>
<td>79.82</td>
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**International Futures Price**

- NY ICE USD Cents/lb (May 2019): 74.21
- ZCE Cotton: USD Cents/lb: 103.37

**Cotlook A Index – Physical**: 82.65

**Cotton Guide**: The ICE cotton futures settled in red figures yesterday. The most active ICE May contract settled at 74.21 cents/lb with a negative slide of -40 points. The high and the low figure for ICE May 2019 contract was 74.90 cents/lb and 74.05 cents/lb respectively. There was yet another attempt to break the 75 cents/lb figure but failed. There still seems to be a threshold here at the ICE May contract. A further break may pave the way for a steady rise in prices.

The total volume seen at ICE was 30,904 contracts as compared to the previous 32,628 contracts. The Total open interest decreased by 1,095 contracts to 223,290. May 2019 and July 2019 interest decreased by 703 and 199 contracts, respectively, to 120,881 and 44,473.
On the other hand the MCX contracts all ended up with positive figures unlike ICE contracts. The MCX March contract settled at 20970 Rs/Bale with a positive change of +160 Rs. The MCX April contract settled at 21260 Rs/Bale with a positive change of +150 Rs, whereas the MCX May contract settled at 21520 Rs/Bale with a positive change of +200 Rs. The Total volume seen at MCX yesterday was 4347 lots as compared to the previous figure of 3065 lots which is a change of +1282 lots. The open interest also on the other hand was seen at 16,596 lots as compared to the previous 16,209 lots which is a slight change of 387 lots.

The arrivals in India are estimated to be around 120,000 lint equivalent bales (private estimates). The prices of Shankar 6 are up by Rs 100 to 42,300 Rs/Candy. The Cotlook Index A has been adjusted towards the positive side at 82.65 cents/lb which is a change of +1.50 cents/lb.

Yesterday’s gains in the International and domestic cotton futures was basically attributed to the unconfirmed optimistic news of US China settling their trade relations with each other. We expect the prices to slowly elevate and trade positive today and tomorrow.

On the technical front, ICE Cotton May futures witnessed recovery after holding the supports at 13 day EMA and lower band of the upward sloping channel. Meanwhile price also got supported by RSI as positive divergence between price and RSI limited the downside. RSI in the daily charts is hovering above 50, indicating a change in bias for the near term. So in the near term price is expected to rise towards 75.20-75.80 levels. Only a sustained move above 76.20 could bring fresh buying interest in cotton futures. On the downside support exists around 73.40-71.90 levels. In the domestic market trading range for the March futures is Rs. 20800-21100.

Currency Guide

Indian rupee- Indian rupee may witness mixed trade against the US dollar but overall bias remains positive. Supporting rupee is correction in crude oil price, easing geopolitical risks relating to India-Pakistan and healthy investor inflows. However, weighing on rupee is general strength in US dollar and weakness in equity market amid global growth worries. Rupee has strengthened sharply in last few days but the gains may not sustain for long if risk sentiment remains weak. USDINR may trade in a range of 69.85-70.25 and bias may be on the downside.

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

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INTERNATIONAL NEWS

OECD cuts global economic growth forecasts again

Brexit, multiple trade disputes can derail the global growth, warns OECD

The OECD cut forecasts again for the global economy in 2019 and 2020, following on from previous downgrades in November, as it warned that trade disputes and uncertainty over Brexit would hit world commerce and businesses.

The Organisation for Economic Co-Operation & Development forecast in its interim outlook report that the world economy would grow 3.3 per cent in 2019 and 3.4 per cent in 2020.

Those forecasts represented cuts of 0.2 percentage points for 2019 and 0.1 percentage points for 2020, compared to the OECD’s last set of forecasts in November.

“High policy uncertainty, ongoing trade tensions, and a further erosion of business and consumer confidence are all contributing to the slowdown,” said the OECD in its report. “Substantial policy uncertainty remains in Europe, including over Brexit. A disorderly exit would raise the costs for European economies substantially,” added the OECD.

Europe remains impacted by uncertainty over Britain's plans to exit the European Union, the US-China trade spat and other weak spots, such as signs of a recession in Italy.

For Germany, Europe's largest economy, the OECD more than halved its 2019 GDP growth forecast to 0.7 percent from 1.6 percent previously. It predicted a light recovery to 1.1 percent growth in 2020. Germany's export-reliant economy is particularly affected by weaker global demand and rising trade barriers.

Meanwhile, data earlier this month showed that US personal income had fallen for the first time in more than three years in January while consumer spending dropped by the most since 2009 in December, putting the world's biggest economy on a relatively weak growth trajectory early in the first quarter.
China, the world's second-biggest economy, has also faced signs of stuttering growth. China is seeking to shore up its slowing economy through billions of dollars in planned tax cuts and infrastructure spending, with growth at its weakest in almost 30 years due to softer domestic demand and a trade war with the United States.

Source: thehindubusinessline.com- Mar 06, 2019

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**Brexit: Government to slash up to 90% of trade tariffs if UK leaves EU with no deal**

Sky sources say that many trade tariffs for the UK could be removed entirely.

The Government will slash Britain's trade tariffs to more than at any point in history if the UK leaves the European Union without a deal, Sky News has learnt.

The Department for International Trade (DIT) intends to cut 80-90% of all tariffs imposed on goods imported into Britain, according to Whitehall sources.

The cuts, which will be outlined in documents published if the prime minister fails to get parliamentary backing for her EU withdrawal bill next week, represent a bombshell for many manufacturers and farmers in the UK.

Since tariffs are a charge on thousands of types of goods entering the country, they protect domestic producers from overseas competitors.

According to government sources the 10-20% of more sensitive items which will retain their protection includes cars, beef, lamb, dairy and some lines of textiles.

However, the vast majority of tariffs, including those on the component parts used to make cars, many finished food products and even some farm produce including cereals, will be eliminated entirely.
The radical blueprint, which has been agreed by the Cabinet, is intended both to keep goods prices in the shops from increasing dramatically and to signal the UK will remain an open, liberal economy even after leaving the EU.

However it will ignite furious rows among producers, since the abolition of tariffs may eliminate their margins and make business unsustainable.

According to insiders, the process to decide these tariffs, which has been carried out in secrecy by DIT, the Treasury and select other departments in a cabinet sub-committee over the past months, has been extremely fraught.

Agriculture Secretary Michael Gove repeatedly intervened to ensure some farmers would continue to be protected from an influx of imports, while the Business Secretary Greg Clark insisted car imports should continue to have the 10% tariffs they currently face in the EU.

However, the Treasury insisted that rather than begin from their current levels, all tariffs should be zero unless there was a pressing argument for protection.

Although the UK has reduced its tariffs by significant amounts at various points in its history, those moves were mostly carried out multilaterally alongside other nations.

According to insiders, this move would represent the single biggest liberalisation in British history. The most notable comparison would be the repeal of the corn laws - barriers on agricultural imports - in the 19th century - though that was far narrower in scope.

Some will raise questions, however, as to why such a crucial process, one central to the question of what kind of an economy the UK is to be in the future, was carried out in such secrecy.

Indeed, if the prime minister secures a deal, Whitehall insiders say the template for new tariffs is unlikely to be published at all.

Trade experts have warned that by slashing tariffs without waiting for reciprocation elsewhere, the UK is undermining its ability in future to strike effective trade deals, since it loses much of its leverage.
However, the news implies that were the UK to leave the EU without a deal it will go far further than simple "WTO terms" in trade, but seek a far more open relationship with the rest of the world.

The zero tariffs would come into place when the U.K. left the EU on March 29, and insiders believe they still have enough time to implement them.

However the working plan is for them to be in place for 12 months, during which period officials will monitor the impact on the economy.

After that period the tariffs will revert to the EU norms unless the government decides otherwise.

The catch is that until it has secured formal trade deals, it is unlikely to see this tariff reduction mirrored elsewhere, meaning UK exports will face significant barriers when they cross the channel or go to existing EU trade partners.

Source: news.sky.com - Mar 06, 2019

US Trade Deficit Surged to $621 Billion in 2018, Highest in Decade

The U.S. trade deficit widened in 2018 to a 10-year high of $621 billion, bucking President Donald Trump’s pledges to reduce it, as tax cuts boosted domestic demand for imports while the strong dollar and retaliatory tariffs weighed on exports.

The annual deficit in goods and services increased by $68.8 billion, or 12.5 percent, Commerce Department data showed Wednesday.

The December gap jumped from the prior month to $59.8 billion, also a 10-year high and wider than the median estimate of economists.

The merchandise-trade deficit with China—the principal target of Trump’s trade war—hit a record $419.2 billion in 2018.
While Trump frequently cites the deficit as evidence of the failure of his predecessors’ trade policies—even though most economists don’t dwell on the indicator—the gap has increased by $119 billion during his two years as president.

Even if he completes an accord to end the tariff war with China, substantially shrinking the deficit may prove tough as cooling global growth weighs on exports while domestic demand keeps driving shipments from abroad.

For goods only, the U.S. deficit with the world surged to a record $891.3 billion in 2018 from $807.5 billion the prior year. The merchandise deficits with Mexico and the European Union also hit records. Meanwhile, the surplus in services kept rising, hitting a record $270.2 billion last year.

For the full year, exports rose 6.3 percent to $2.5 trillion as shipments of goods including crude oil, petroleum products and aircraft engines increased. Imports jumped 7.5 percent to $3.12 trillion on purchases of items from pharmaceuticals to computers, along with services such as travel.

For December, exports fell 1.9 percent from the prior month, the biggest decline since early 2016, to $205.1 billion, on lower shipments of civilian aircraft, petroleum products and corn. Imports rose 2.1 percent to $264.9 billion, boosted by foods, consumer goods, computers and aircraft. The goods deficit was a record.

**Growth drag**

The figures follow last week’s initial report on fourth-quarter gross domestic product, which showed net exports were a drag on growth for the fourth time in five quarters.

Trump’s supporters point to his talks with China and other U.S. trading partners along with the renegotiation of Nafta as efforts that will help reduce the U.S. trade deficit.

But Trump’s trade policy also contributed materially to the growth of the gap in 2018. The tariffs he threatened and then imposed on Chinese imports caused a rush by importers to get ahead of the new duties that fueled an increase in incoming traffic at West Coast ports last year.
The retaliatory tariffs Trump provoked from China also hit major U.S. agricultural exports such as soybeans: shipments of that item fell $4 billion last year.

Moreover, his attacks and threats to impose tariffs on trading partners from China to the EU has also contributed to the slowdown in those economies and therefore their demand for American goods.

Wednesday’s figures illustrated how the trade war boosted the trade deficit with China: merchandise exports to the Asian nation fell $9.6 billion last year, while imports rose $34 billion. For the EU, by comparison, exports and imports both surged, though imports posted a larger gain.

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After eliminating the influence of prices, which renders the numbers used to calculate gross domestic product, the goods- trade deficit widened to $1.01 trillion in 2018 from $935.3 billion in 2017. The real petroleum gap shrank to $141.7 billion as exports increased.

Wednesday’s figures were delayed a month by the partial government shutdown. January figures are due March 27. Exports and imports of goods account for about three-fourths of America’s total trade; the U.S. typically runs a deficit in merchandise trade and a surplus in services.

Source: sourcingjournal.com- Mar 06, 2019

Making ‘Made in America’ Will Take a Tailored Approach to Automation

It’s been a long time since the days of robust apparel manufacturing in the United States, but in that time, the process has been little evolved.

In 1856, the Sewing Machine Trust was established to pool together patents related to the invention of the chain stitch sewing machine. Combined with steam engine power, these cutting edge technologies of the day brought together and created the advent of the modern apparel industry, as we know it today.
Commercial enterprises were assembled, jobs created, cities prospered and fortunes were made. For the first time in human history, clothing could be manufactured in a mass produced process. Production methods where broken down to specific tasks, patterns were graded and multiple plies of fabric were cut, ready to be sewn.

The sewing machine operator picked and placed single plies of material from a pile and with their skilled hand-eye coordination, sewed together specific parts of the garment. These parts where then past down a human assembly line to produce a finished garment with a specific design, time, quality, and cost.

Jump forward 163 years and if you entered an apparel factory today, you'd witness that same chain stitch sewing machine technology with a human operator repetitively picking and placing single plies of fabric together to produce only parts of a garment. It seems the only innovation the apparel industry has embraced is where those machines and operators geographically sit. At present, upward of 98 percent of apparel purchased in the U.S. has been out-sourced and off-shored to distant lands to take advantage of low wages, lax environmental standards and, at times, questionable labor practices.

The domestic apparel industry has become an apparel marketing business by abdicating its responsibility of investment to upgrading production practices. Today, in real time, the industry simply picks another country with cheaper labor to skirt trade tariffs or environmental burdens. The result has decimated the entire apparel and textile industry in the U.S.

With the current challenges to established supply chains due to rising costs, tariffs or political unrest, the short-term solution of moving production to a different country will not resolve the issue for long.

Consumer demand is unpredictable, full-price sell through is decreasing and environmental costs are challenging the status quo. The antiquated chain stitch machine/human operator model is no longer competitive. To survive market pressures, apparel companies will need to speed up production to react more quickly and produce products that address consumer demands, financial concerns and environmental challenges.
Just look at other manufacturing sectors; transportation, electronics, even agriculture. All have embraced some form of automation to produce goods more efficiently.

And there are ways for the apparel industry to take similar strides, like with the Formafit system, for one. Still in concept phase, Formafit is an automated process for apparel manufacturing, that goes from the bolt of cloth to a finished garment in a 45-second cycle. The system combines 3-D fabric molding and ultrasonic bonding technologies to simultaneously affect the shape of the garment and the cutting/seaming of materials.

The system requires the usage of synthetic fabrics, such as, polyester, nylon, spandex and polypropylene and can accommodate a variety of knit, woven and non-woven textiles, all off-the-shelf materials. Although these technologies have been used throughout the industry and are inherent to synthetic materials, the Formafit system addresses the material handling challenges of traditional cut and sew methods related to automation.

As a futuristic scenario, if a consumer wanted a custom cycling jersey, they could collect a dozen soda bottles and recycle them into a hopper, which would grind them back into polymer pellets, which could then be extruded into fiber, which could then be woven/knit/processed into fabric, which could then be fed directly into the Formafit system, which would have flexible molds to accommodate the varied sizes and styles.

The consumer could then step on a platform to have their body 3-D scanned and with a fashion designers’ input or software suggestions from the consumer, print on-demand graphic patterns on the fabrics, to create a unique garment in real-time and immediate production. At present, all of these processes exist except on the garment production side.

Apparel companies should not be passive when it comes to automation machinery. The solution will be a combination of in-house developed technologies, collaborations with manufacturers and investment in start-up technology companies. These investments and more importantly, the will of apparel industry leaders to follow through on this vision is the only way this will happen.

Source: sourcingjournal.com - Mar 06, 2019
Bangladesh, Russia MoU to boost bilateral trade

Bangladesh and Russia have reportedly decided to sign a Memorandum of Understanding (MoU) to remove all trade barriers between the two countries.

There are currently no banking transactions between Bangladesh and Russia, and trade is done through Telegraphic Transfer (TT), which as per many garment makers, is a major hindrance towards facilitating garment business with Russia.

There is huge demand for Bangladeshi apparel items alongside sea foods, potato and medicine in the Russian markets. The MoU will allow banking transactions between the two countries to reduce difficulties related to trade and commerce thereby giving a fillip to trade with Russia.

Source: fashionatingworld.com - Mar 06, 2019

Turkish February exports up three per cent

Turkish exports rose 3.4 per cent in February. Sales of goods to target markets like India and Mexico also recorded substantial growth.

On a sectoral basis, the automotive industry came first in February exports. Turkey’s export champion industry was followed by chemicals, and the textile and garment sector. The highest sectoral increase was seen in the shipping and yacht sector, whose exports rose by 35.4 per cent.

Exports of manufacturing goods accounted for 81.3 per cent of Turkey’s total exports last year.

The exports-to-imports coverage ratio based on the general trade system advanced to 88.6 per cent in February, up from 69.4 per cent in the same month last year.

The ratio formed on the special trade system also increased from 69.4 per cent to 86.1 per cent last month.
Germany, the UK and Italy were the top three destinations for Turkish exports in February. The sale of goods to the European Union recorded a 2.3 per cent rise.

The share of the EU in Turkish exports totaled 51.7 per cent. Spain and the US ranked fourth and fifth, respectively, in the top export markets list of February. Strikingly, exports to Malta rose by 18 times and exports to Niger and Gabon tripled.

Source: fashionatingworld.com - Mar 06, 2019

S African firms interested in a Mozambique textile unit

South African textile firms are eager to reactivate the factory in Mozambique’s Chimoio belonging to the former Textáfrica – Sociedade Têxtil de Vila Pery, according to Manuel Rodrigues, governor of the latter’s Manica province. The representatives from such firms expressed the interest while visiting textile facilities in Chimoio, he said.

The interest of foreign enterprises had increased over the last three years and the facility had been visited by entrepreneurs from India, China, and Japan, Rodrigues, who paid a visit to the factory that closed more than 25 years ago, said.

In February last year, Mozambique’s Prime Minister Carlos Agostinho do Rosário said he had visited the company’s premises to understand the situation and take suitable measures to revive the factory, according to a report in a portal dedicated to news items from Africa.

The closure of two textile mills, Textáfrica and Empresa Moçambicana de Malhas (EMMA), both owned by the same Portuguese group, led to a drop in cotton production in that part of Mozambique.

Source: fibre2fashion.com - Mar 07, 2019
Sri Lanka, Italy review bilateral relations

Sri Lanka’s Minister of Foreign Affairs Tilak Marapana visited Italy from 01 - 03 March 2019, and held bilateral discussions with Undersecretary of State for Foreign Affairs and International Cooperation of the Italian Republic, Manlio Di Stefano on 01 March in Rome.

The talks allowed to review the status of bilateral relations between the two countries and during discussions Minister Marapana thanked the Italian government for the cooperation and assistance rendered to Sri Lanka.

He reiterated that the two countries have maintained excellent relations over the years and that it is time to build and strengthen this relationship.

The Foreign Minister stated that Sri Lankan expatriate workers in Italy are required to make a pension contribution amounting to around 9 percent of their salary and that they qualify for a pension after working for 20 years. The Minister observed that they collect this contribution together with the employer’s contribution only upon their reaching 68 years of age. He stressed that in such circumstances many of the workers do not get to enjoy this benefit as most of them work only for about 4-5 years in the country.

Minister Marapana requested the Italian authorities to consider adjusting this scheme so that a person would receive his contribution immediately upon relinquishing his employment in Italy, irrespective of the number of years worked and without having to wait until he has reached 68 years. He requested the Italian authorities to consider exempting expatriate workers from contributing to this pension scheme, if there were no legal constraints.

The Minister also brought to the attention of the Italian authorities the difficulties faced by Sri Lankans to submit their visa applications through the outsourced processing agency to obtain visas to enter Italy as tourists or to visit relatives. The Italian Undersecretary agreed to ease the difficulties encountered by Sri Lankan visa applicants.

Minister Marapana further requested that the Italian government consider providing employment to Sri Lankan skilled workers, especially the IT professionals, nurses, and healthcare supporters as Sri Lanka provides special certifications and training in these areas for the workers aimed at foreign employment.
The Minister highlighted and appreciated the support extended by Italy as a member of the European Union towards the lifting of the ban on fisheries exports of Sri Lanka to the EU in 2016 and restoration of GSP plus facility to Sri Lanka in May 2017.

During discussions, both sides emphasized the excellent people to people relations that have grown stronger over the years. Minister Marapana stated that the Sri Lankan community in Italy continues to play an important role in further strengthening bilateral ties. He also stressed the fact that Italy in turn plays an important role within the Sri Lankan Catholic community who have brought back with them to Sri Lanka a part of Italian culture.

In the area of trade and economic cooperation Undersecretary Di Stefano stressed that the Italian business community is willing and open towards reaching new markets and in the case of Sri Lanka it is very necessary to build and project the market trust in order that the Italian business sector may establish businesses in Sri Lanka.

The Undersecretary also reiterated Italy's support within the framework of the European Union in favor of the success of the process of national reconciliation in Sri Lanka.

The Foreign Minister requested the Italian side to encourage the small and medium enterprises to set up operations in Sri Lanka for the sectors identified, such as textile and apparel, leather footwear, confectioneries, gem and jewellery and food processing.

The Foreign Minister later met the members of the Sri Lankan community in Italy at a community meeting and discussed a range of issues pertaining to their social and economic aspects of the community members.

The Sri Lankan community in Italy presently comprises around 120,000 residing in different parts of the country.

Source: colombopage.com– Mar 06, 2019
Bangladesh demands fair prices from US and EU brands

Recently Bangladesh Commerce Minister Tipu Munshi and Bangladesh High Commissioner to the United Kingdom Saida Muna Tasneem demanded fair prices for garment exported to the USA and EU as the local apparel exporters spend billions of dollars to strengthen workplace safety leading to an increase in the cost of production.

Of the top 11 LEED-certified factories in the world, 8 are from Bangladesh. These eight are “Platinum” rated, which is the highest category that can be reached under this globally recognized certification. 20 factories are in the LEED Platinum category and 40 are in LEED Gold. Indeed, there are 73 Bangladeshi LEED Green garment factories certified by the USGBC. There are some 320 factories in the pipeline waiting for LEED certification.

Recently Bangladesh government increased its workers’ minimum wage to 51 per cent. All of these have increased the production cost by almost 20 per cent in the last few years.

Bangladesh continues to offer products at reasonable prices. For the last few years, the country has been offering value-added products. However, continuous pressure from buyers is slowing down manufacturers’ growth.

Source: fashionatingworld.com - Mar 06, 2019

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Bangladesh knitwear sector gains a great momentum in 2018

Bangladesh knit sector saw great growth in 2018. According to economists and business leaders, calmness in the country’s political arena, the US-China trade war, and improvement in safety conditions in the ready-made garment factories were main reasons behind the increase of knit export.

Bangladesh knit sector produces top quality knit garments at lowest costs. There are a total of 4,560 garments factories in Bangladesh exporting apparel products in the global market, of them about 2500 are knit garment factories.
With almost all major retailers, Bangladesh has a significant market share in cotton & cotton-rich knit products for the last 16 years. World’s leading brands are sourcing knit garments from Bangladesh like H&M, Walmart, C&A, Zara etc.

Bangladesh exports numerous popular knit items to the global market. Recently Bangladeshi knit manufacturers have concentrated on making value-added items to sustain strongly in the global arena.

Source: fashionatingworld.com - Mar 06, 2019

Pakistan: Exporters call for ease of tensions with India

Foreign buyers of Pakistan’s value-added textiles are apprehensive about the tense situation between Pakistan and India, hoping for de-escalation soon, textile exporters said while speaking to Dawn on Tuesday.

“Our European and American buyers are getting nervous. We are receiving calls from our European buyers almost on a daily basis since the February 26 Indian airstrikes (in Balakot, Khyber Pakhtunkhwa) in a major escalation between the two countries; they’re anxious about a timely delivery of their summer shipments (because of escalations),” said Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Leader Ijaz Khokhar.

Pakistan’s sagging textile exports that form almost three fifth of the country’s total foreign sales have recently edged up slightly on the back massive rupee devaluation of 30 per cent in last year and significant reduction in the electricity and gas prices for Punjab's textile exporters.

Most exporters of value-added textiles – garments, knitwear, home textiles, made-ups, etc – from Punjab claim that they are booked to their full capacity until May this year, expecting a major turnaround in revenues.

But some say the delay in de-escalation could hurt the country’s chances of procuring orders for autumn and winter seasons. “The continued aggressive stance of India in spite of consistent peace overtures from Islamabad could force some of buyers to other countries,” Mr Khokhar said.
M.I. Khurram, a knitwear exporter, said, “Apart from the delay caused by the closure of Pakistan’s airspace in the import of textile trims – buttons, zippers, labels, etc –, we are okay so far.

Foreign companies are nervous about the situation but they are hopeful that it will return to normal in a couple of days. We are also hopeful that sense will prevail.”

Source: dawn.com- Mar 06, 2019

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**Pakistan-India trade is only $2 bn against $37 bn potential**

Trade between Pakistan and India has experienced many upheavals since partition of Sub-Continent, and after lapse of almost 72 years; the trade between the two countries hardly surpassed the figure of just over $2 billion knowing the fact that both the nuclear states have the potential of annual trade of $37 billion between them, a top official at commerce ministry told ‘The News’.

“Soon after the partition, in 1948-49, 23.6 percent of Pakistan’s global exports went to India and 50.6 percent imports of Pakistan’s global imports came from India, but over the years and decades on account of wars the trade between the states went down and currently stands at just over $2 billion,” he said.

History shows, the official said, that first trade bickering between the two countries started when Pakistan Finance Minister Ghulam Muhammad in October 1949 announced to remove some articles imported from India from the exemption list for import duty and in return Indian Commerce Minister KC Neogy told the Lok Sabha that India suspended export of coal to Pakistan because Pakistan had deliberately detained enormous quantities of jute purchases paid by Indian nationals. After 1965 war and then 1971 war, bilateral trade tumbled to zero.

The official while quoting the World Bank report titled A Glass Half Full: The promise of Regional Trade in South Asia, said that the current trade between the two nuclear states is just $2 billion and it could touch the staggering figure of $37 billion if the trade barriers are removed.
Prior to Pulwama incident the trade between the two neighbouring countries stood at $2.5 billion out of which imports from India were at $1.7 billion and exports from Pakistan were at $350 million. Following war like situation, India imposed 200 percent customs duty on Pakistani products virtually ending to tariff concessions under MFN status earlier extended to Pakistan.

The one sided imposition of 200 percent duty on Pakistani products also ate up the tariff concessions earlier available under SAFTA (South Asia Free Trade Agreement). Now Pakistan’s export to India is subject to lifting of 200 percent duty.

Soon after India imposed 200 percent duty on Pakistani products, the top authorities in the Commerce Ministry had worked out tit-for-tat strategy. Under the strategy it was proposed to place Indian 90 items in the negative list under which import from India will immediately be curtailed by $500-600 million. Ministry also proposed to ban Indian items worth $600 million being exported to Afghanistan under transit trade agreement. But the top leadership did not accord approval to it.

However, both countries currently have no bilateral trade agreement, rather it was SAFTA accord signed between SAARC countries and being WTO member, under which all countries give MFN status to each other and under that status, India was giving to Pakistan the tariff concession which it is giving to all trading countries. However, under WTO regime, member countries can have bilateral agreement such as Preferential Trade Agreement and Free Trade Agreement.

The South Asian Free Trade Area (SAFTA) is an agreement reached on January 6, 2004, at the in Islamabad and the said agreement came into force on January 1, 2006 creating a free trade agreement of 1.6 billion people in Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka (as of 2018, the combined population is 2.08 billion people, about 27% of the world’s population). India and Pakistan ratified the treaty in 2009, whereas Afghanistan as the 8th member state of the SAARC ratified the SAFTA protocol on 4 May 2011.

In case of Pakistan, India has withdrawn MFN status and tariff concessions under SAFTA regime which is why export to India at the moment came to halt. Pakistan established the negative list under which India cannot export 1209 items to Pakistan.
India granted MFN status to Pakistan in 1996, a year after the formation of WTO. But India under Prime Minister Narendra Modi has withdrawn the MFN treatment to Pakistan. Pakistan still hasn’t granted MFN status to India. Pakistan argues it has no benefit of MFN status as NTBs are creating hurdles for smooth exports of Pakistani products to Indian market.

The official said Pakistan switched over to Negative List regime for trade with Pakistan in March 20, 2012 and to this effect an SRO (Statutory Regulatory Order) was issued under which 1209 items were included in the Negative List (Over 500 of which were auto, iron and steel products). Only 137 item were importable from India. Major items included in the list of importable items are livestock, vegetables and newsprint in rolls or sheets.

For the manufacture of pharmaceutical products, the manufacturer also import raw material (except basic manufactured locally) and packing material approved by the Director General Health Government of Pakistan.

Pakistan, currently, trades with India under positive list regime and imports items through other countries which increases the cost of the items in the local market. To a question, official said that trade with India in negative list regime was allowed only to protect our local industry and the phasing out of negative list had been linked with removal of Non-Tariff Barriers (NTBs) by India ensuring the access of Pakistani products in the Indian markets. The official said that neither India removed NTBs nor Pakistan phased out Negative List.

Pakistan is currently exporting 74 products to India. Pakistan export in 2015-16 stood at $312.2 million, in 2016-17, exports were at $348 million and in 2017-18 export were at $ 350 million. However, Pakistan imports 137 products through wagha. The import from India remained in 2015-16 at $1.66 billion which slightly came down to $1.64 in 2016-17 and slightly went up to $1.79 billion in 2017-18.

Click here for more details

Source: thenews.com.pk - Mar 06, 2019
NATIONAL NEWS

India considers moving WTO against US over withdrawal of import sops

Trade experts said that India has the option to drag the US in the WTO dispute over the GSP issue.

In 2003, India had won a case in the WTO against the European Commission following its denial of GSP incentives for textiles and drugs exporters.

India is exploring various options, including approaching the WTO dispute body, to deal with the US decision to withdraw import incentives for about 2,000 domestic goods under the trade preference scheme, sources said.

Providing fiscal support to domestic exporters of those sectors hit by the US decision and imposing retaliatory duties are also among the options considered by India, they said.

On March 5, the US decided to withdraw import duty benefits, which was in the range of 1-6 per cent, under its Generalized System of Preferences (GSP) programme.

The GSP programme provides non-reciprocal, duty-free imports of certain products from certain developing countries. Currently, about 121 developing countries including India, Brazil, Afghanistan and Botswana are availing these benefits.

The decision could impact India's exports worth USD 5.6 billion under this scheme. Removal of the benefits would result in imposition of duties by the US on these 2,000 products, making them uncompetitive in the American market in terms of pricing.

However, another source said that it might be a long drawn process in the World Trade Organisation (WTO) & the better option would be to resolve the issues through bilateral dialogues, as India has trade surplus with the US.

India approaching the Geneva-based WTO's dispute settlement body would depend whether the US is differentiating among the developing countries by excluding India based on WTO's non-compatibility criteria.
In 2003, India had won a case in the WTO against the European Commission following its denial of GSP incentives for textiles and drugs exporters.

Besides, India has an option to impose retaliatory tariffs on the 29 US products, deadline for which has been extended until April 1. India has extended the deadline to impose these duties for six times.

Trade experts said that India has the option to drag the US in the WTO dispute over the GSP issue and impose retaliatory tariffs.

"India can file a complaint to the WTO's dispute settlement body. But I think bilateral negotiations are the best options to find a solution to the issue," Professor Biswajit Dhar of Jawaharlal Nehru University (JNU) said.

According to Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta has said that the US decision to withdraw duty benefits will have a impact on few domestic sectors such as processed food, leather, plastic, and engineering goods.

The other sectors that were enjoying the duty benefits include building material and tiles; hand tools (spanners, wrenches, drilling equipments); engineering goods such as spark ignition, turbines and pipes, parts of generators, cycles; made-ups (pillow and cushion covers); and women's woven dresses, he has said.

India has said that the US government's move to withdraw duty concessions will not have a significant impact on exports to America as the benefits amount to only about USD 190 million annually.

The bilateral trade between the countries has increased to USD 74.5 billion in 2017-18 from USD 64.5 billion in 2016-17. The US is one of the few countries with which India has a trade surplus, which stood USD 21 billion in 2017-18.

Source: economictimes.com- Mar 07, 2019
US trade snub, a wake-up call for India

The GSP move is the latest in the US-India trade skirmishes. Both countries need to figure out what they want from each other.

It is hard to find anyone willing to say — on the record — that anything could be wrong with the relationship between India and the US. Over the past 20 years, the world’s two largest democracies have grown steadily closer. But, the truth is that this has happened in spite of the economic linkages between the two countries, not because of them.

The last few years have been particularly bad and they have just been capped by news that US President Donald Trump intends to remove imports from India (and Turkey) from the Generalised System of Preferences programme that allowed some goods tariff-free access to US markets.

India has downplayed the move, claiming that the GSP only provided $190 million or so worth of benefits to Indian exports. But, this is misleading. India was the largest beneficiary of the GSP scheme, with about $5.6 billion worth of its imports qualifying. Many of these will lose a crucial degree of competitiveness as a consequence of Trump’s decision — particularly when compared to competitors from countries such as Mexico that have free trade agreements with the US.

The US administration’s argument is simple: India is not lowering its trade barriers enough. To the contrary, it is raising new ones. US dairy imports into India aren’t being allowed for religious reasons by a government that has increasingly focused on protecting the sacred cow. New Delhi is worried, for example, that American cows may have been given bovine somatotropin, a growth hormone that is extracted from the pituitary gland of other cattle.

India’s crackdown on US-made cardiac stents mobilised yet another American sector, medical equipment. And the last straw may well have been India’s aggressive moves against US tech giants, forcing many of them to store data on Indian servers. Its also constantly changing rules to make it harder for foreign online retailers such as Amazon.com Inc. to operate in India.
India’s turn towards protectionism may have gone relatively unremarked in the rest of the world so far, but there was always going to be damaging blowback.

Many of the exporters that will suffer as a consequence of the GSP withdrawal are in sectors such as engineering — precisely the sort of value-added manufacturing businesses that India needs to see more of if it is to create jobs for the millions of young people who join its workforce yearly.

Indian exports have done remarkably poorly under Prime Minister Narendra Modi, who was elected five years ago amid widespread expectations of an economic revival. Exports have, in real terms, been largely flat over his term.

This should be a wake-up call for the government. The world trading system is in a state of flux. The weight of China’s manufacturing sector has bent it out of shape. Now it is being hammered into a new configuration. An India that is busy putting up barriers will be in no position to benefit.

**China factor**

Compared to China, India is still a largely poor, developing country. It naturally should be allowed to benefit from the special arrangements set up for such economies but won’t if it tries to throw its weight around on the assumption that it is the only game in town.

Manufacturing that is moving away from China doesn’t need to shift to an India that is notoriously unfriendly to foreign business. It can go elsewhere — and is doing so, to Bangladesh or countries in South-East Asia such as Vietnam. Both those nations have seen exports grow at a smart pace while India’s have stagnated.

The US, too, is missing a trick. A Trump administration obsessed with fixing trade with China needs allies — and not just in the developed world; alienating India is an extremely short-sighted strategy. Washington would be wise to retain a sense of proportion: India’s trade surplus with the US is a measly $23 billion — barely seven per cent of China’s $323 billion.

If Washington wants to force Beijing to play by the rules, India could help. Instead, the impression the US is giving is that any attempt to fix the trading system to spread the benefits more fairly will end up hurting India.
Both India and the US need to think harder about what they want to get out of each other. The US needs to remember that a close relationship with a prosperous India is the best way to ensure the survival of a world order that has long benefited the US above all.

And New Delhi needs to remember that the US can only be pushed so far — and that India’s own best interests lie in participating fully in the trading system that has made so many other countries rich.

Source: thehindubusinessline.com - Mar 06, 2019

US talks tough on trade, India will have to fall in line

Given the total Indian export basket affected by the US decision to eliminate GSP preferences is just $5.6 billion out of India’s total exports basket of $300 billion—of which that to the US is $48 billion—it is possible to argue, as the Indian government has, that the impact of president Trump’s decision to scrap GSP benefits to India is actually quite limited.

That view gets reinforced when you look at the value of the benefits India gets—by way of concessional import duties into the US—since that adds up to under $200 million.

Indeed, the obvious question that comes to mind is why India even continued to avail of these benefits that are really meant for countries with a much lower per capita income.

And since India knew it was ineligible for these benefits—US goodwill ensured the benefits were not immediately withdrawn—it had to prepare for their withdrawal; that meant either improving the competitiveness of Indian exports so that the benefits were not required or negotiating with the US for more time.

Right now, with Indian exports not so competitive—due to poor labour and other policies in the country—and margins on them wafer-thin, withdrawal of the benefits could ensure that a large number of Indian products can be priced out of the US market.
What is important about president Trump’s decision to deny India GSP benefits is that this comes at a time when most Indian policymakers and analysts were looking at big gains emanating from the escalating US-China trade tensions that, at one point, looked like they were spiralling out of control; even figures of $500 billion on which trade sanctions would be imposed were being talked of after the initial sanctions on $60 billion of Chinese exports to the US.

But with the Chinese government realising that it had too much to lose from the hostilities, a US-China pact may soon be signed, with the Chinese likely to agree to, amongst others, live by US rules on intellectual property protection. In other words, forget about India getting a larger share of the US imports market, the hope that US manufacturers would relocate out of China—into India—to escape punishing US import duties, on, say, Apple phones made in China has been belied.

And while India does have a $21.2 billion trade surplus with the US in FY18—and $10.5 billion between April and November FY19—it needed to remind its US interlocutors that a lot of this was made up by, for instance, Indian tourists spending $13-14 billion in the US each year, by Indian students spending upwards of $5 billion in tuition and living expenses each year, of large aircraft orders such as the $22 billion by SpiceJet; all of this, and more, were part of a fact sheet put out by the US government when prime minister Modi visited the US in 2017, a sign of how much the US valued India at that point.

Indeed, if large US manufacturers were located in India, chances are India would get a better deal from the US in much the same manner that China did for so many years; India has not, in this context, even been able to finalise a deal for Apple coming into the country to set up manufacturing facilities here.

Apart from the U-turn in the e-commerce policy that hurt US investors like Amazon and Walmart, India adopted an unnecessarily hard line on prices of high-cost US stents that only the well-heeled in India use. Its policy on Monsanto—putting price controls, saying the patent was illegal and also trying to control royalties—was also ill-conceived since Indian farmers lost out as well due to this.
In short, while not every US demand for lower tariffs is legitimate, India’s stand was unnecessarily provocative; and if India is looking at building a strategic partnership, such as one to contain Pakistan, it has to realise that some strategic deal-making is the order of the day.

Source: financialexpress.com- Mar 06, 2019

Industry upbeat over new Textile Policy

The New Integrated Textile Policy 2019 has been hailed by every section of the textile industry as a unique one and one that would ensure the sustenance of the industry in the long term.

P Nataraj, Chairman, the Southern India Mills’Association, thanked the government for extending 2 per cent interest subsidy for modernising spinning machines that are over 15 years old.

“Out of the 24 million spindles in the State, around 11 million are over 15 years old. This will, therefore, benefit the spinning sector by enabling them to modernise,” he said.

The association has hailed the benefits extended for the weaving and garmenting sector, including the 10 per cent capital subsidy for all new machines.

“The 10 per cent capital subsidy for wider width fabric processing, 5 per cent interest subsidy for common effluent treatment plant, 15 per cent capital subsidy for the individual ETP and ₹1 crore R&D assistance for ETP will greatly benefit the processing segments in the State,” he said.

He also appreciated the incentives for setting up mini textile parks, such as extending 50 per cent subsidy or ₹2.5 crore per park. “Such incentives will help small-scale units to consolidate their capacity and modernise.”

T Rajkumar, Vice-Chairman, Confederation of Indian Textile Industry, while thanking the government for incorporating all the suggestions put forth by the industry in the Comprehensive Textile Policy that was announced today, said, “It is good for the State.”
It will ensure the long-term sustenance of the industry,” he said, referring to the slew of incentives offered to the different sectors of the industry.

“The downstream sectors of the textile value chain would definitely get strengthened, with lots of new investments flowing into the weaving and processing sectors. It is expected to give a boost to Technical textiles, particularly in defence,” Rajkumar said.

The policy announcements will give a big boost to all sectors from yarn to finished fabric, said an FIEO spokesperson.

Source: thehindubusinessline.com- Mar 06, 2019

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**Commerce Ministry weighing options of not postponing retaliatory duties on US**

New Delhi had announced the duties in June last year, but deferred it several times

The US decision to withdraw the tariff concessions made available to India under the Generalised System of Preferences (GSP) has prompted the Commerce Ministry to deliberate upon whether it should finally impose retaliatory duties on US goods that it had announced in June 2018 but deferred several times.

“There are discussions on putting off retaliatory duties scheduled to be implemented on April 1 by about a month till early May.

If the US goes ahead with its decision to withdraw GSP in May as planned, India can simultaneously impose its retaliatory duties although the two are not related,” a government official told BusinessLine.

The United States Trade Representative’s office (USTR) had announced on Monday the government’s decision to withdraw GSP status for India which allowed duty-free access for about 3,500 items from India into the American market.
Although India was the largest beneficiary of the scheme designed for developing countries with about $5.6 billion of its exports getting covered in 2017-18, the government said the actual benefit was much lower at about $190 million. The withdrawal will take effect in 60 days.

“India was taken aback by the decision to withdraw GSP as it had been working on a substantial trade package for the US that would have taken care of many concerns voiced by the US industry,” the official said.

The withdrawal follows a review initiated last year by the USTR against India on the basis of complaints of market access problems made by the US dairy and medical equipment industry and which subsequently included numerous other issues such as IT and telecom.

New Delhi wants to continue its discussion on bilateral trade issues with Washington. “Because of all the efforts that were being made by India to accommodate America’s interests, it is hopeful that the US government may change its mind on the matter.

The broad idea is that if the US withdraws the actual benefits from India in 60 days, India should also not spare any thoughts for the American industry and impose its long planned duties on aluminium,” the official said.

US penal import duties

India’s retaliatory duties will be in response to penal import duties of 10 per cent on aluminium and 25 per cent on steel imposed by the US last year on a group of countries, including India, citing security threat.

New Delhi announced its decision to impose retaliatory duties on 29 American products in June 2018 but has been postponing the intended implementation. The new date for implementing the retaliatory duties is April 1.

The US was India’s top export destination in 2017-18 with shipments worth $47.88 billion. India’s imports from that country were worth $26.61 billion.

Source: thehindubusinessline.com- Mar 06, 2019
Cotton delivery in MCX hits all-time high

Cotton deposited in Multi Commodity Exchange accredited warehouse soared to all-time high of 1.81 lakh bales and surged by 56 per cent on Tuesday compared to 1.16 lakh bales logged in the same period last year.

The cotton contract continue to attract increased traction from ginners, traders, farmers and corporates among other stakeholders.

Besides, cotton futures contract recorded second highest intra-day volume of 3.70 lb valued at about ₹764 crore on February 22 with an open interest of 4.30 lb.

With an internationally accepted technical specifications, MCX’s cotton contract caters to over 75 per cent of cotton grown in the country. So far, about 9.77 lb of cotton has been delivered on the exchange platform.

BS Rajpal, Vice President, Cotton Association of India and Director, Manjeet Cotton said the exchange’s cotton futures has been servicing the price risk management needs of market participants such as producers, ginners, millers, yarn manufacturers and exporters, besides facilitating transparent price discovery, he added.

Mrugank Paranjape, Managing Director, MCX said the record deposit of cotton stocks in MCX accredited warehouses is a testament to increasing liquidity and depth in the contract. It demonstrates the contract’s ability to enable cotton stakeholders to effectively manage their price risk, he added.

Narendra Ahlawat, Managing Director, MCX Clearing Corporation said the platform is not only providing efficient risk management tools to the stakeholders, but is also facilitating a robust system for participants to tender and receive delivery.

For next cotton crop season output is estimated to fall to a nine-year low of 330 lb against 365 lb produced in crop year ended September, 2018, according to Cotton Association of India.

Given the annual Indian market size of cotton textiles at about ₹60,000 crore and an annualised volatility of 16.5 per cent in cotton prices last year, the industry is exposed to a price risk of over ₹9,900 crore.
**Why markets should pay attention to the latest India-US trade spat**

There is a trade conflict brewing between India and the US. But it did not seem to matter for India’s financial markets; both the rupee and the stock markets rallied on Tuesday. Of course, the financial markets aren’t always the best barometer to assess the impact of policy decisions, especially those with long-term implications.

The Indian government, too, has played down the impact of the US move to withdraw duty benefits on Indian products under the Generalized System of Preferences (GSP) scheme. But experts disagreed.

“According to some media reports, the government is saying there will be a minimal impact of about $190 million. It looks like they are downplaying the issue. We don’t know the basis of this calculation. Since the US is a key export market for India, any impact is sure to have adverse implications, especially on small firms," said Biswajit Dhar, professor of economics at Jawaharlal Nehru University, Delhi (JNU).

To be sure, the macro impact of this development cannot be ignored. At a time when India’s export growth remains sluggish, and trade deficit remains a concern, any impact on exports can only worsen the scenario.

It could also translate into loss of employment, since the predominant share of exports under the GSP scheme is from small and medium enterprises, which are typically labour-intensive. An Indian government official had said at a US government hearing that “the predominant share of GSP beneficiary items exported from India are intermediaries and semi-manufactured goods".

As far as the impact on overall exports go, it may be fair to conclude that the loss may not be very high. After all, total exports of around $5.6 billion under the GSP scheme amounted to around 12% of total exports to the US in 2017, and a far smaller proportion compared to India’s total exports.
But even if there is a $1-2 billion impact as a result of the withdrawal of GSP scheme, the eventual impact on the country’s balance of payments will be greater, said the head of research at a multinational brokerage firm, requesting anonymity. The gap would need to be made up through higher capital flows, increasing other exports or by reducing imports, none of which can be taken as a given.

As the chart above shows, India’s trade relations with the US have only grown in size over the years. But recent developments could mean a reversal in trend. The withdrawal of the GSP scheme for Indian companies comes on the back of far greater restrictions on visa issuances for Indian firms under the Donald Trump administration. While Indian IT companies have adapted by increasing local hiring, this comes at the cost of lower margins. “Visa issuances are at about a fifth of what they used to be a few years ago,” said an analyst at a multinational brokerage firm.

Coming back to the trade spat, it must be noted that India had challenged a similar move by the European Union (EU). “In 2002, EU rewrote their GSP preferences that discriminated against India. One of the sectors that got severely hit was textiles and clothing. India had then approached the Dispute Settlement Body of the WTO (World Trade Organization) contesting the case of discrimination against us, which was a violation of GSP rules. And considering the slowdown in the global economy, it will be challenging for Indian exporters to compensate for the potential losses in the US,” added Dhar.

India has had a part to play in the strained trade relations as well, point out analysts, with its new restrictions in the e-commerce space, which have curtailed activities of US companies such as Walmart Inc. and Amazon.com Inc.

Indeed, the US review of GSP preferences for India was conducted after complaints by a body of US dairy product makers and a medical devices manufacturer, both of whom said that the country hasn’t reciprocated, and has instead created barriers for entry in these segments.

But the blanket removal of the GSP scheme for India means that about 1,900 products exported by the country to the US will be hit. “Popular items that India exports to the US under the GSP programme includes many intermediary products such as mechanical spare parts, ferro alloys, food
products, gems and jewellery, textile products, electronic products like motors, wires etc.,” said Rahul Khurana, associate partner at Economic Laws Practice, a law firm.

Interestingly, one of the reasons the financial markets are doing well lately is the prospect of an end to the US-China trade war. While that would be an event to celebrate, the trade tension between the US and India clearly does not bode well.

Source: livemint.com- Mar 06, 2019

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**Tariff hike to hit exports to U.S.**

Trump notifies U.S. Congress on ending GSP benefits, cites Indian trade barriers

U.S. President Donald Trump has announced that he intends to end preferential trade terms for India under the Generalized System of Preferences (GSP) programme. His intent was conveyed in a letter sent to the Speaker of the House of Representatives and the President of the Senate.

The GSP programme, which sets zero tariffs for certain goods from a set of 121 developing countries to foster their trade and economic development, accounts for some $5.6 billion of India’s exports to the U.S., making India the largest GSP beneficiary. Chemicals, gems and jewellery, engineering and textiles are among the Indian industrial sectors that benefit from the GSP.

“I am taking this step because, after intensive engagement between the United States and the Government of India, I have determined that India has not assured the United States that it will provide equitable and reasonable access to the markets of India...,” Mr. Trump’s letter, which was shared with reporters, said.

From the U.S. perspective, a total of $21 billion in imports entered the U.S. duty-free under the GSP in 2017, of a total of $2.3 trillion in imports from all countries that year, according to the Congressional Research Service.
The United States Trade Representative (USTR) had said in October 2017 that it would review GSP eligibility based on the eligibility criteria, starting with a review of Asian and Pacific Island countries. A review of India’s eligibility was launched last April.

“India has implemented a wide array of trade barriers that create serious negative effects on United States commerce. Despite intensive engagement, India has failed to take the necessary steps to meet the GSP criterion,” the USTR said on its website.

One of the discretionary criteria the President must (as per the GSP statute) take into account while determining GSP eligibility is whether the beneficiary “will provide equitable and reasonable access to its markets and basic commodity resources and the extent to which it has assured the United States it will refrain from engaging in unreasonable export practices.”

India’s new e-commerce rules — which have impacted American companies like Amazon and Walmart (majority owner of Flipkart), price controls on medical devices (cardiac stents), tariffs on ICT products like smart watches and high-end mobile phones and lack of greater market access for the U.S. dairy industry are among the issues that have caused trade friction between the two countries.

Mr Trump has repeatedly taken shots at India’s tariffs, which he views as unreasonable. He called India “tariff king” last October and as recently as last weekend, complained about Indian tariffs on Harley Davidson motorcycles, a long-standing pet-peeve of the U.S. President.

India and the U.S. have been in focused trade talks since Washington imposed tariffs on steel and aluminium early last year, ostensibly on grounds of national security. India had made a list of products for retaliatory tariffs but has withheld taxing these, given ongoing negotiations.

In diplomatic messaging in the U.S., Indian officials have been quick to bring up the declining trade surplus (over just over $21 billion) that India has with the U.S. Mr. Trump is known to look at bilateral trade balances the U.S. has with other countries as a proxy for the “fairness” of trade with those countries.
Oil purchases

Oil is one of the new measures to increase India’s purchase of U.S. goods. Last month Indian Oil Corporation announced a $1.5 billion deal to purchase oil from the U.S. until March 2020. India had imported over $3 billion in U.S. oil in 2018, Indian government sources had told Business Line in December.

A mandatory 60 days must now pass after the notice has been given to the beneficiary countries and to Congress during which time there is, at least technically, the possibility of negotiation. After the 60 day notice period, a beneficiary country can be taken off of the GSP list by Presidential proclamation.

Notably, Mr. Trump’s letter to the two Congressional leaders also says, ‘I will continue to assess whether the Government of India is providing equitable and reasonable access to its markets, in accordance with the GSP eligibility criteria.”

It is not likely though that it will be re-negotiation of India’s place under the system, a source familiar with the process told The Hindu.

Reversals are however possible, including over the longer term. Argentina, which lost GSP benefits under the Obama administration in 2012 for failing to pay arbitration awards in two disputes involving U.S. investors, saw them being reinstated by Presidential proclamation — but not for all product categories — effective January 2018.

Turkey to Lose GSP Benefits

A separate letter was sent to Congressional leaders by Mr. Trump saying he intended to withdraw Turkey from the list of GSP beneficiaries. However, the reasons were different: Mr. Trump said Turkey was no longer at a level of economic development that warranted preferential treatment. “In particular, in the four and a half decades since Turkey’s designation as a GSP beneficiary developing country, Turkey’s economy has grown and diversified,” the letter said.

Source: thehindu.com- Mar 06, 2019

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No major impact of US GSP withdrawal seen: Textile industry panel

There are 15 products in RMG category under US GSP, which contributes to $586.58 million RMG imports of US.

The textile industry has said US’ withdrawal of preferential trade benefits available to India under the Generalized System of Preferences (GSP) will have no major impact on the sector.

“The removal of US GSP on India’s apparel exports will have marginal impact, but we still will be taking up the matter with the Union commerce ministry,” said Sanjay K Jain, chairman, Confederation of Indian Textile Industry (CITI).

Jain said there are 15 products in the ready-made garments (RMG) (HSN 61 & 62) category under US GSP, which contributes to $586.58 million RMG imports of US. India’s share in the segment is $17.97 million.

The most favoured nation (MFN) tariff in 15 products varies from 0.86% to 14.60% in which India gets duty access with 100% margin of preference.

It is to be noted that these 15 products contribute only 0.46% of India’s apparel exports, in which bulk of the benefit is concentrated on the product 62044910 (silk woven clothing of women) which comprises 58.5% of India’s total trade under GSP.

The figures have been identified on the basis of current trade with the US, and 11 products have negligible impact on India’s apparel exports to the country, Jain pointed out.

“Luckily, the GSP preferential items that may lose the status from the US only contributes 0.5% of India’s apparel exports. We are following up with the Centre and hope the status quo is maintained,” he said.

Some of the products eligible for US GSP include gloves, mittens and mitts. Shawls, scarves among other items, not knitted or crocheted, containing 70% or more by weight of silk or silk waste will see moderate impact.
According to Raja Shanmugam, president, Tirupur Exporters’ Association (TEA), “We don’t see any major impact. The move seems to be a knee-jerk reaction to support major online/e-commerce players, who seek to destabilise Indian economy. It is detrimental to India’s free e-commerce policy.

The US always interfere, and try to protect its own interest as well its businessmen. India needs to learn and follow the US principles when it matters more to the country.”

According to him, the game plan of the multinational companies involved in the business is proving out to be dangerous for the country.

India should support domestic exporters and their welfare, he said, adding, “We should not react to pressure tactics by the US as it always has ulterior motive behind it actions. Hence, it is time for the Union government to suitably counter and protect the domestic industry.”

Source: financialexpress.com- Mar 07, 2019

**India's overall textile & apparel sales up 9% in 9M FY19**

In the first nine months (9M) of financial year 2018-19 (FY19), India’s overall textile and apparel sales increased by 9 per cent, according to the latest Wazir Textile Index (WTI).

There has been a revival in the EBITDA with a significant increase of 17 per cent in 9M FY19 as compared to 9M FY18. Raw material cost saw an increase of 8 per cent.

While employee cost saw an increase of 7 per cent in 9M FY19, other costs also saw an increase of 10 per cent for the same period, WTI data showed.

For the top textile and apparel companies, there was an increase in overall sales and EBITDA margins by 9 per cent and 17 per cent, respectively, as compared to 9M FY18. SRF has shown the highest sales growth of 45 per cent, while Indo Rama Synthetics and RSWM witnessed a decline of 28 per cent and 2 per cent, respectively.
India’s overall textile and apparel exports witnessed a growth of 2 per cent, while the apparel exports declined by 8 per cent during the nine-month period, the Index showed.

Meanwhile, textile and apparel imports rose 5 per cent with a significant 52 per cent rise in apparel imports.

Source: fibre2fashion.com- Mar 07, 2019

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India needs to seize opportunity in RCEP talks

On Saturday, trade ministers from 16 Asia-Pacific countries gathered in the Cambodian city of Siem Reap to resume negotiations over the Regional Comprehensive Economic Partnership (RCEP).

The proposed RCEP, which aims to create one of the world's largest trading blocs encompassing 45 percent of the world's population and 40 percent of global trade, is now at a critical moment. While the participating countries generally hope to reach a final deal by the end of this year, uncertainties should not be overlooked.

Generally speaking, talks between China and Japan, the largest and second-largest economies in the region, have been progressing smoothly, and negotiations over tariffs between Japan and South Korea do not pose a major obstacle to the RCEP.

What's really up in the air is India, whose reluctance has already postponed the target for concluding the talks from last year. The key concern from India over the RCEP is that the free trade deal, once it comes true, will give greater market access to Chinese goods, and that it will be difficult for its domestic market and manufacturing sector to withstand such an impact.

Since India's trade deficit with China has surpassed $40 billion and the RCEP will eliminate tariffs on 80 to 85 percent of goods, it seems understandable for the South Asian country to be cautious toward the high-level trade agreement in the short term in order to protect its domestic market.
In fact, considering that India already has free trade agreements with ASEAN, Japan and South Korea, the RCEP negotiations for India are more like free trade talks with China, and the trade balance between the two is a big problem that cannot be circumvented.

The Chinese side always asserts that its trade imbalance with India is caused by the imbalanced economic structure due to the underdeveloped manufacturing sector in India. But the Indian side believes that the root cause is China limiting access to its markets. In truth, China has been gradually opening up its market to India, especially after the informal meeting between the two countries' top leaders in Wuhan, Central China's Hubei Province last year.

China has indeed started importing some pharmaceutical products and agricultural products like non-basmati rice, fruits, cotton and sugar from India, but many of them have yet to really penetrate the Chinese market. This means there is little change to the trade deficit problem and is a cause of the delicate trade relations between the two countries.

Of course, China can continue to open its market to India, but it is unlikely to see any obvious effect in the short term, therefore India's reluctance toward the RCEP can hardly be changed. Moreover, the South Asian country's economic policies often tend to be nationalistic, as policymakers need to take care of the interests of all parties. If the political leaders cannot show more determination and political courage, it would be difficult to see a breakthrough either in Sino-India free trade issues or the RCEP talks.

Nevertheless, on the other side, India is not willing to be really excluded from the RCEP. In fact, the RCEP is one of the few existing paths for the country to participate in the global value chain, which is mainly Asia-centered or China-centered. Nowadays, amid rising anti-globalization sentiment, regional trade agreements have rapidly emerged as a major tool for promoting trade.

The US did not consider India as a member when it advocated the Trans-Pacific Partnership (TPP), and later the TPP-11 also did not invite India in. If the country again misses the regional trade arrangement centered on China, Japan, South Korea and ASEAN, it may end up losing the opportunity to integrate into the globalized trade system forever.
Yet, as India is holding elections this year, fear of losing votes is very likely to cause politicians to defer the RCEP conclusion again. The conclusion of the RCEP talks will form a true Asia-Pacific free trade zone, which will generate a development dividend worth hundreds of billions of dollars.

For China, a final RCEP deal will be an iconic achievement of the country's participation in multilateral trade, increasing its influence in the multilateral trading system. In this sense, China and Southeast Asian countries are eagerly anticipating concluding the deal by the end of this year.

Currently, India is reported to be negotiating with China and Japan on issues such as a longer period to phase out its tariffs on Chinese goods. If China is especially eager to reach an agreement, there may be some room for concessions, but the problem is that there are too many different voices in India and thus too many uncertainties to be sure of a final deal.

In short, the RCEP is an opportunity for India, but it is still unknown whether it can seize it or not. While China may make certain concessions, that does not mean India can demand an exorbitant price, as its neighbor will not always give in.

Source: globaltimes.cn- Mar 06, 2019

Angel Tax: CBDT gives effect to DPIIT's new regime

To effectively implement the new DPIIT regime, it has now superseded the notification issued in May 2018

The Central Board of Direct Taxes (CBDT) has brought the 'angel tax' exemption provisions in sync with the new revised regime put in place by the Department for Promotion of Industry and Internal Trade (DPIIT) from February 19 this year.

Accordingly, capital received by startups upon satisfaction of the conditions prescribed by DPIIT's February 19 notification will not be chargeable to tax under Section 56(2)(viib)--popularly referred as Angel Tax provision, the CBDT said on Tuesday.
It may be recalled that the Government had on February 19 through DPIIT put in place a new regime that waived an earlier requirement to obtain approval for availing 'Angel Tax' exemption. This was done as part of Government's efforts to remove barriers encountered by startups.

To effectively implement the new DPIIT regime, the CBDT has now superseded the notification it issued in May 2018 and issued a fresh one on Tuesday.

**Experts' take**

Tax experts, however, highlighted that the latest CBDT move --bringing it in sync with DPIIT regime --does not address the woes of those Startups who are already faced with taxman's demands for 'angel tax' (cases prior to February 2019)

Rakesh Nangia, Managing Partner, Nangia Advisors (Andersen Global) said this CBDT latest move is just a procedural notification that was required to be issued to put in place the mechanics for claiming benefits given to Startups vide DPIIT notification dated February 19.

"This notification (CBDT) does not make any new changes addressing the woes of startups", he said. Aseem Chawla, Managing Partner, ASC Legal, a law firm, said that the instant notification recognised the guidance issued by DPIIT on February 19.

"It remains to be seen at the assessment level how the February 19 guidance is interpreted by the tax department in implementing the same in its true spirit and object to grant the reprieve sought", Chawla said. Sreejith, founder of True Elements, said this CBDT notification does not give a blanket exemption for startups who are faced with demand "orders like us".

But gives a hope, because of the retrospective line that one can use at the appeal stage and get an exemption, he said. "A blanket exemption could have solved time and efforts for the Department and us," he said.

Source: thehindubusinessline.com- Mar 06, 2019
Grasim rises after acquisition of Soktas India

Grasim Industries rose 1.43% to Rs 819.90 at 14:58 IST on BSE after the company signed a definitive agreement, to acquire 100% stake in Soktas India for an enterprise value of Rs 165 crore. The announcement was made after market hours yesterday, 5 March 2019.

Meanwhile, the S&P BSE Sensex was up 187.55 points or 0.51% at 36,630.09

On the BSE, 39,000 shares were traded on the counter so far as against the average daily volumes of 57,000 shares in the past two weeks. The stock had hit a high of Rs 821.65 and a low of Rs 804.40 so far during the day.

Grasim Industries (Grasim) signed a definitive agreement, to acquire 100% equity shareholding of Soktas India (SIPL), from its current promoters, for an enterprise value of Rs 165 crore, subject to net debt and working capital adjustments, as of the closing date. The transaction will be funded by the company primarily out of internal accruals. SIPL will become a wholly owned subsidiary of Grasim upon completion of the transaction.

SIPL is currently a wholly owned subsidiary of SOKTAS Tekstil Sanayi ve Ticaret A.S., world renowned producer and marketer of fabrics, with its main facilities in Soke, Turkey. Today, SIPL is in the business of manufacturing and the distribution of premium cotton fabrics. Its manufacturing facility is located at Kolhapur, Maharashtra. Its plant capacity is about 10 million metres per annum of finished fabric.

SIPL sells premium fabrics in India under the "SOKTAS", "Giza House" and "Excellence by SOKTAS" brands. In Fiscal March 2018, SIPL reported revenue and EBITDA of Rs 186 crore and Rs 31 crore respectively.

Grasim Industries' consolidated net profit surged 76.35% to Rs 957.92 crore on 21.66% rise in total income to Rs 18667.44 crore in Q3 December 2018 over Q3 December 2017.

Grasim Industries has a leadership positions in cement, viscose staple fibre, financial services and chemicals businesses.

Source: business-standard.com - Mar 06, 2019