



**IBTEX No. 175 of 2019**

**September 07, 2019**

US 71.68 | EUR 79.80 | GBP 88.03 | JPY 0.67

<b>Cotton Market (Sept 06, 2019)</b>		
<b>Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
20000	41800	<b>74.23</b>
<b>Domestic Futures Price (Ex. Warehouse Rajkot), October</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
19480	40713	<b>72.30</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb (December 2019)		59.12
ZCE Cotton: Yuan/MT ( January 2020)		12,650
ZCE Cotton: USD Cents/lb		80.27
<b>Cotlook A Index – Physical</b>		<b>69.65</b>
<p><b>Cotton Guide:</b> Due to a US holiday on Monday, the export sales data will be released today – 6th September 2019 at 6 pm IST.</p> <p>The ICE December prices touched a fortnight high and later settled at 59.12 cents per pound with a change of +91 points. The ICE March 2020 contract settled at 59.82 cents per pound with a change of +99 points. The other ICE contracts across the board were all positive in the range of +39 and +99 points. The major reason was for this surge was attributed to Hurricane Dorian and an optimistic wave blowing in due to the October Scheduled US CHINA Trade Talks.</p>		

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The total volumes were again shoddy at 23,480 contracts higher than the previous figure of 18,873 contracts. Total Open interest increased by 1,764 contracts to 224,871. The December OI and March OI increased by 1,054 and 878 contracts, respectively to 141,934 and 48,817 contracts. Certified stocks amounted to 12,802 bales which has remained unchanged from the previous 3 days.

The MCX contracts settled slightly higher. The MCX October contract settled at 19,480 Rs per bale with a change of +60 Rs. The MCX November contract settled 19,230 Rs per Bale with a change of +30 Rs. However, this upsurge was not strong enough to keep the prices up for a long time as the total volumes were at a mere 673 lots.

The Cotlook Index A was changed to 69.65 cents per pound with an increase of +45 points. The prices of Shankar 6 remained unchanged at 41,800 Rs per Candy (as per CAI's Website). Domestic spot prices of Shankar 6 are quoted as low as 41,000 Rs per Candy(as per our sources).

On the fundamental front we are of the view that the ICE prices would remain consolidated with a negative bias. Only the US Hurricane Dorian could take the prices higher. For the MCX contracts we maintain our negative outlook.

On the technical front, ICE Cotton Dec future hit the higher band of the downward sloping channel near 59.50 during early hours of trade. Meanwhile, price is hovering near the crucial resistance zone of 60.00-60.50, form where it has reverse on multiple occasions. On the downside price is trading above the 5 and 9 DEMA, which would provide immediate support for cotton futures.

In a broader picture price is still trading in the downward sloping channel with higher band of the channel resistance near 60. Moreover, RSI is hovering below 50 levels which may limit further bullish momentum in price. So only a close above the resistance zone would bring confirmation in bearish trend reversal in price, else it would remain in the consolidation phase of 60.00-57.50 range..

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## INTERNATIONAL NEWS

### **US consumers prefer the ‘Made in USA’ label in clothes to boost domestic sector**

Gone are the days when around 95 per cent of the clothes sold in the US were also manufactured in the country. Now, finding apparels made in the US is almost like finding a needle in a haystack as around 97 per cent of all clothing and 98 per cent of all footwear is imported.

However, even today, more than half of all consumers prefer clothes ‘Made in the USA’. As noted by a recent survey by Cotton Incorporated Lifestyle Monitor™, nearly 74 per cent consumers check the country of origin of their clothes before buying them. It is also surprising that more men than women do this. Those over 35 years of age are more prone to check than their younger counterparts.

#### **A fillip to the domestic economy**

These consumers believe, it is important for them to buy clothes “Made in the USA” as it helps them to support US consumers prefer the Made in USA label in clothes to boost the US economy. Around 53 per cent also believe clothes made in the US are of better in quality, while 37 per cent believe they are more environmentally friendly.

Over 53 per cent consumers also emphasise on the brand’s transparency in their manufacturing process. Additionally, 51 per cent stated that they are more likely to buy from a clothing brand that honestly communicates about its environmental and societal impacts, compared to one that doesn’t.

Sustainability and quality Moreover as per the Monitor™ research, 90 per cent consumers emphasised on the feel good factor that cotton grown in the US offered. About 74 per cent believe cotton grown in the US is more sustainable than cotton grown in other countries and 62 per cent were also willing to pay more for clothes made with cotton grown in the US.

A lot of appreciation for US-grown cotton stems from consumer’s expectations about the quality of cotton. As the survey noted, around 79 per cent consumers expect the cotton produced in the US to be of extremely good and high quality. This was significantly higher than their expectations for

cotton produced in other countries, such as Egypt, Australia, Turkey, Brazil, India and Africa.

Source: fashionatingworld.com- Sept 06, 2019

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## **USA: Jeans Imports From China Tumble as Sourcing Gets Increasingly Diverse**

Denim apparel importers are ramping up their flight from China and bringing their sourcing to many points on the globe.

U.S. blue denim apparel imports—the vast majority of which are jeans—from China fell 11.01 percent in the year to date through July, to a value of \$461.82 million, according to new data from the Commerce Department’s Office of Textiles & Apparel (OTEXA).

The drop is dramatic compared to overall apparel imports from China in the same period, which were up 2.33 percent to \$14.47 billion ahead of this month’s imposition of 15 percent tariffs on apparel imports from the country.

Carlos Alberini, CEO of Guess Inc., said last week, “For next year, we expect to reduce the estimated tariff risk from China production into the U.S. to only 12 percent of our total apparel production. We are still working on this to further reduce our dependency on China.”

Similarly, Bob Madore, chief financial officer of American Eagle Outfitters, said, “We continue to make progress in further reducing our exposure to China tariffs through a combination of partnering with vendors and diversifying our geographic production capabilities.”

China’s jeans market share came down to 22.48 percent, just a tick above Mexico’s 22.27 percent, according to OTEXA. For the first seven months of the year, jeans imports from Mexico grew 12.53 percent in value to \$483.58 million, topping China’s shipments so far this year. This was notably in contrast to Mexico’s overall apparel shipments in the period, which were down 2.94 percent to \$1.89 billion.

Among the suppliers gaining ground this year from Asia were Vietnam, with imports to the U.S. up 30.24 percent to \$192.74 million, and Pakistan, with shipments rising 8.72 percent to \$148.3 million. Losing ground in the region were Bangladesh; with imports down 1.51 percent to \$306.82 million, Cambodia, which saw shipments decline 9.48 percent to \$60.76 million, and Indonesia, which dropped 13.89 percent to \$40.21 million. Sourcing executives have pointed to labor and quality issues in these countries as the reasons for brands shying away from manufacturing there.

Production picked up in the Western Hemisphere, where Nicaragua saw its shipments to the U.S. increase 28.57 percent to \$67.71 million, and Guatemala, with shipments up 13.25 percent to \$20.37 million. Overall Western Hemisphere jeans imports to the U.S. were up 10.66 percent in the period to \$605.13 million. For the year through July, the region saw its market share reach 28 percent.

Africa continues to get more attention from denim apparel producers, too. Countries showing substantial gains this year include Egypt, Jordan, Madagascar, Kenya, Mauritius, Tanzania and Ethiopia.

Source: sourcingjournal.com- Sept 06, 2019

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## **Delaying Tariffs Is Not the Answer to China's Trade Practices**

For the past two years, President Donald Trump has argued that China was paying the cost of the trade war. Following a delay in some of the tariffs from the latest round in the dispute with China, however, the president has acknowledged for the first time that tariffs have an impact on American families.

“What we’ve done is, we’ve delayed it, so they won’t be relevant in the Christmas-shopping season,” Trump noted in an interview, adding, “Just in case they might have an impact on people.”

The latest round of tariffs went partially into effect on Sept. 1, taxing \$112 billion worth of imports from China. This round covers consumer goods including school supplies, sporting goods, and eyewear.

In less than a month, existing tariffs on \$250 billion in imports will increase from 25 percent to 30 percent. And Americans will face an additional 15 percentage-point tax hike on Dec. 15—just days before Christmas—on \$160 billion worth of imports.

That last round applies to products such as cellphones, laptops, video game consoles, certain toys, and computer monitors.

When it comes to apparel and footwear, it depends upon the types of materials. It's estimated that 77% of all apparel, footwear, and home-textile imports were hit on Sept. 1, and the remaining products in these categories will face higher tariffs in December.

Simply put, by the end of 2019, nearly every product from China will be subject to new taxes. While White House trade adviser Peter Navarro calls the delay of some tariffs the president's "Christmas present to the nation," Americans should not be facing these taxes in the first place.

According to an analysis by Goldman Sachs, consumer prices of the products affected by the 2018 tariffs have risen at a faster rate than other products. Another analysis by the Peterson Institute for International Economics also showed that the cost of the trade war is being paid by Americans in that there was no clear decrease in the prices charged by Chinese exporters.

The peak import months of the year are just around the corner. The biggest retail days, like Black Friday and Cyber Monday, are in November and after that follows Christmas.

U.S. firms are likely to pass the higher costs on to consumers by increasing prices, especially as uncertainty grows about the prospects for a trade truce between the U.S. and China.

According to Bloomberg Economics, the level of trade-policy uncertainty in the U.S. is at the highest level since the 1990s. U.S. importers and consumers are not sure how long the tariffs will last. That might delay their key decisions and, worse, distort the market.

The tariff delay was not enough to appease China, either.

The two nations had agreed to resume trade talks after the Group of 20 meeting in Osaka, Japan, in June, but it has not worked out well.

In response to Trump's latest tariff measure, China announced 10% retaliatory tariffs on \$75 billion worth of U.S. goods. China has also filed a case with the World Trade Organization.

The new round of negotiations was going to take place this month, but now it's delayed till October. No one knows what might happen to interrupt the mood again.

Imposing tariffs is not a successful negotiation tactic, as proven thus far. Instead, it hurts U.S. importers and consumers by forcing them to pay the cost of the trade war.

In a recent report, Heritage Foundation analyst Riley Walters detailed seven ways the administration could directly address concerns over Chinese trade practice, including sanctions on companies that violate U.S. intellectual-property laws and filing additional cases at the World Trade Organization.

The Trump administration should reverse its tariffs and use more effective nontariff strategies that refrain from taxing American families and businesses.

Source: dailysignal.com- Sept 06, 2019

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## **US, China agree to meet in Oct for high-level trade talks**

The United States and China agreed to hold high-level trade talks in early October in Washington, China's commerce ministry said recently.

The announcement followed a meeting between Chinese vice premier Liu He, China's central bank governor Yi Gang, US Trade Representative (USTR) Robert Lighthizer and US treasury secretary Steven Mnuchin.

"Both sides agreed that they should work together and take practical actions to create good conditions for consultations," the ministry said.



Trade teams from the two countries will hold talks in mid-September before the high-level talks next month and both sides agreed to take actions to create favourable conditions, the ministry said.

An USTR spokesman also confirmed that Lighthizer and Mnuchin spoke with Liu and they agreed to hold ministerial-level trade talks in Washington, according to global newswires.

President Donald Trump recently warned he would be tougher on Beijing in a second term if trade talks dragged on.

Source: fibre2fashion.com- Sept 06, 2019

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## **ASEAN Countries Want Free Trade Agreements to Develop Russian Trade**

Numerous ASEAN member states called for improvements in the region's free trade status with Russia at this week's Far East Economic Forum in Vladivostok. Nearly all members with the exception of Vietnam, which has a free trade agreement (FTA) with the Russia-inclusive Eurasian Economic Union (EAEU), suffer from low bilateral trade volumes with Russia.

But the Vietnam experience has seen Viet-Russian bilateral trade jump from practically zero to US\$10 billion in three years. Other ASEAN nations are understandably keen to duplicate this.

The nearest point to Russia for most ASEAN members is, in fact, Vladivostok in the Russian Far East. Although the kilometer distance is significant, Singapore and Vladivostok are connected by fast shipping routes, while Vladivostok is well integrated with Japan, South Korea, Northern China via shipping and rail, and with Eurasia via the Trans-Siberian rail, which also provides access to Central Asia and Europe.

This means a re-think is needed on how to better integrate this corner of Northeast Asia with Southeast Asia trade and development, as well as how to take advantages of these new market opportunities.

## **Indonesia**

Bilateral trade between Russia and Indonesia is currently running at about US\$50 million, with a similar amount of investment by Russia into the country being made in the past three years. Kamaz, the Russian truck manufacturer, has established a production unit in Indonesia and are developing service centers across the country. However, as Bambang Brodjonegoro, the Indonesian Minister for National Development and Planning pointed out, both Indonesia and Russia are G20 nations, and given the sizes of their respective economies really ought to be doing better. He cited tariffs as being too high and called for a quick resolution to a Russia-Indonesia Free Trade Agreement “either bilaterally or multilaterally” in a reference to an agreement with the EAEU.

## **Malaysia**

The Malaysian Prime Minister, Mohammed Matahir, was present at the forum and was honest when we said that very little was known about the potential for Russian Far East trade back in the Malaysian capital, Kuala Lumpur. Trade volumes were insignificant and not many Malay nationals traveled to Russia. However, he did acknowledge some opportunities existed in agricultural produce and tourism could be developed. However, Datuk Seri Azmin Ali, the Malaysian Economic Affairs Minister, did state that the Joint Malaysia-Russia Commission for Economic, Scientific, Technical and Cultural Cooperation (ESTC), which has effectively been dormant the past five years, would be reactivated, and has identified working groups and areas for possible future collaboration.

## **Singapore**

The EAEU Minister of Trade, Veronika Nikishina, had unofficially announced that Singapore would be signing a FTA with the EAEU on October 25, though the date was not confirmed by the Russian Trade Representative to Singapore later. However, it seems a deal has been agreed on trade items, with just the official announcement to be made. Singapore is a major port and distribution hub for ASEAN and Asia as a whole, and an EAEU FTA will boost Russian business ties in the region. Combining Russian component parts with ASEAN produced parts in Singapore, and then reexporting them across the ASEAN market, makes a lot of sense for Russian manufacturers looking to expand into Asia.

## **Thailand**

Thailand also suffers from low volumes of trade with Russia but did state quite clearly it was in the market for hi-tech machinery, but that Russian companies had not yet explored the market potential. Thailand's electricity consumption will rise from 28 million megawatts now to 80 million megawatts by 2030 and the country needed help with dealing with this. Thailand can export fruit, rubber, rice, and component parts for solar energy, it was stated.

## **Vietnam**

Vietnam has already benefited from a huge increase in Russian bilateral trade via the FTA it has with the EAEU; however, improved logistics and communication steps needed to be taken to support and develop this further, it was stated. However, it is understood that direct flights between Vietnam and Vladivostok will shortly be introduced, reducing business travel times.

## **Potential For ASEAN-Russia Free Trade Agreements**

It is understood that ASEAN individual member states and the ASEAN secretariat are involved in discussing FTAs with Russia, and especially the EAEU, of which Russia is also a member along with Armenia, Belarus, Kazakhstan and Kyrgyzstan. Vietnam, as mentioned, signed off such an FTA nearly three years ago and has benefited from the largely Russian bilateral trade and investment this has produced.

Clearly there is a desire to add the EAEU as a trading partner with ASEAN, the question is whether this will be concluded on an individual ASEAN state basis or as bloc to bloc. Longer-term, it appears clear such an agreement will come into practice.

If so, following the example of Vietnam's experience, ASEAN free trade with the EAEU has the potential to develop into a US\$50 billion trade corridor within five years of such an agreement coming into effect, and US\$100 billion within by 2030. Logistics, operating businesses and market researchers should be looking now at the possibilities.

Source: aseanbriefing.com- Sept 06, 2019

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## **India should hurry RCEP trade pact to attract Chinese investment**

India faces fierce and opposing pressures when it comes to negotiations on the Regional Comprehensive Economic Partnership -- a 16-member free trade pact comprising ASEAN, China, Japan and others.

On the one hand, other countries see it as the major obstacle because it is not letting the negotiations on RCEP conclude and are demanding it now do so.

On the other, Indian industry, struggling to compete with Chinese merchandise, is strongly opposed to freer trade with China. To make matters worse, New Delhi is clueless about how to deal with its \$59 billion trade deficit with China, an economy five times as big as it by gross domestic product.

There is a way through: Narendra Modi must engage with Beijing to get a mutually beneficial trade deal. China is likely to be more accommodating to India's market access concerns given its defensiveness on Huawei, its foreign direct investment and its Belt and Road Initiative, which New Delhi can leverage to its advantage.

India has recently been taking desperate actions: the government has been raising tariff barriers and relying on safeguards and anti-dumping investigations to rein in imports of cheaper Chinese merchandise, supporting indigenous manufacturers.

China's reluctance to genuinely open up its market for Indian exports, relying on non-tariff barriers such as cumbersome regulatory approvals for Indian exports such as pharmaceuticals, does not help either.

India's commerce minister Piyush Goyal skipped a recent ministerial meeting about RCEP in Beijing at the start of August. That showed India was not in hurry to let the trade negotiations conclude any sooner, despite international pressure.

With India's increasing focus on electrical vehicles and solar energy, India will be importing more solar panels and batteries, the latter to be used in electrical vehicles.

Consequently, the prospects for cutting its trade deficit with China remain bleak. Thus it is not difficult to understand why India has been dragging its feet on the free trade pact.

Quitting the talks should not be an option. India needs to engage with China -- and other RCEP partners -- to protect its commercial interests, and it can use the U.S.'s hostility to Huawei supplying its fifth-generation telecom technology globally to its advantage.

Beijing wants New Delhi to ignore U.S. pressure and allow Huawei gears in its 5G rollout, which gives Modi leverage in talks.

Xi's pet project, the Belt and Road Initiative, offers another opportunity. BRI is facing headwinds from countries that have borrowed Chinese money to finance their extravagant infrastructure projects, meaning China can no longer depend on BRI to deploy its surplus capital and expertise in infrastructure building. Instead, it could deploy its surplus in India, still one of the fastest growing large economies.

Getting India to somehow join BRI would be a big diplomatic coup for Beijing. For India, Chinese capital will help in bridging its saving-investment gap just as its domestic savings are declining and populist, unproductive spending is on the rise. As domestic savings are declining, the only way to boost overall investment is through tapping foreign savings and here China could be a large source.

India must somehow attract this investment, to help upgrade its roads, rail networks and ports, without officially joining BRI, which it opposes for Pakistan's role in it. Increased Chinese investment would increase Beijing's stake in India's well-being, and discourage it from encouraging Pakistan's adventurism.

RCEP countries account for a quarter of global GDP, a quarter of foreign direct investment and almost a third of world trade, according to think tank the National Institution for Transforming India.

It makes sense for India to belong as trade and investment become more regional. Supply chains are now sourcing more locally and regionally than before.

Rising wages and the growing American and European boycott of Chinese investment, especially in their tech industries, will induce China to look for regional opportunities. India, given its stable government, large market size and cheaper labor, can be an attractive investment destination for Chinese outward FDI.

Moreover, India cannot ignore the potential benefit of a deeper engagement with China, which imported \$2.1 trillion of goods in 2018. This is especially true when the U.S. is turning protectionist; the EU is struggling to deal with the Brexit mess; and the Middle East is troubled by its overreliance on oil.

The recent removal of India from the U.S. list of countries some of whose imports are allowed duty-free and the tightening of immigration rules will further hurt India's exports.

Thus, India has little choice but to look for alternative markets such as China. China remains the most price-competitive supplier of key industrial inputs and equipment including pharmaceutical ingredients, electronics and telecom gears. For all of these India does not have adequate domestic capacity or alternative suppliers who can match China in price or scale.

To safeguard indigenous business from the influx of Chinese imports, India needs to effectively address the internal impediments to manufacturing such as basic infrastructure, quality of regulations and red tape.

Given RCEP's market size, it can be a vehicle to double India's global export share from below 2% to 4%, needed to make India a \$5 trillion economy by 2022, as Modi has declared his intention. That calls for a pragmatic approach on RCEP on the part of New Delhi.

Source: asia.nikkei..com- Sept 06, 2019

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## **Bangladesh denim show in November**

Bangladesh Denim Expo will be held from November 5 to 6, 2019. The expo covers all aspects of the denim supply chain. Exhibitors display fabrics, garments, threads, machinery, finishing equipment and accessories.

Its underlying concept is to fulfill the needs of the international denim community, offering the opportunity to make new contacts, discover new products and gain a comprehensive overview of the latest developments available from the region.

Nearly a 100 denim industry exhibitors will be presenting latest denim developments and innovations for autumn/winter 2021. Bangladesh Denim Expo offers the ideal environment for discovering the latest in denim trends and advances in sustainable denim production techniques within the country.

Now in its fifth year, the expo has grown from all angles, with increases in attendees, exhibitors, and international recognition from visitors and trade press.

It's now widely regarded as the most prestigious denim trade event in the region, helping promote Bangladesh and its denim industry to a broader national and international audience.

Each expo presents a theme to promote discussion among exhibitors, guests and invited speakers, intended to inform attendees and the trade about issues surrounding sustainability, transparency, circularity and better business practices for adoption by the local and international denim community.

Source: fashionatingworld.com- Sept 06, 2019

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## **Pakistan: ‘Govt making all-out efforts to revive textile sector’**

The government is taking all steps to attract foreign and domestic investment for new plants and operationalisation of sick units of the textile sector on a competitive basis, said Adviser to Prime Minister on Commerce, Textile, Industries, and Production Abdul Razak Dawood.

In a meeting with textile exporters on Thursday, the adviser stressed upon the need to increase the existing installed capacity of the manufacturing sector to enhance the industrial base of the country.

The meeting was aimed at discussing issues pertaining to the textile industry in order to enhance exports of the country, stated a press release.

He underlined that Pakistan had increased exports in quantity, therefore, it was the need of the hour to optimally utilise existing production capacity and operationalise closed units on a competitive basis.

It was highlighted during the meeting that as a result of business-friendly policies initiated by the current government, exports of ready-made garments increased 32.77% in 2018-19 while export of knitwear witnessed a rise of 15.52% in the same period.

Participants were informed that sick textile units had a chance to reconnect to their past glory owing to the positive steps taken by the government regarding business facilitation.

“Moreover, US-China trade war has positively impacted textile exports from Pakistan,” the adviser said. “The global value chains (GVCs), especially in the textile sector, are realigning in the US market due to high tariff against Chinese imports.”

He lauded that this realignment was providing immense opportunity to Pakistan’s textile industry to integrate into GVCs, which would contribute exponentially in enhancing exports of the country.

Dawood was of the view that it was imperative to enhance industrial base for the revitalisation of the economy and industrial growth.



He further emphasised that expansion of industrial base was vital for industrial growth, competitive import substitution, export enhancement, employment generation, and revenue generation.

“The government is working out a policy paradigm for the upward growth of the manufacturing sector in general and large scale manufacturing in particular,” he said. “For this, we are developing an industrial policy while focusing on areas which will assist the industrial sector in improving its growth by the effective allocation of resources.”

Source: [tribune.com.pk](http://tribune.com.pk)- Sept 06, 2019

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### **Pakistan China trade: where we stand**

As per the data of the State Bank of Pakistan, Pakistan’s exports to China increased from \$1.8 billion in the fiscal year 2018 to \$1.9 billion in the fiscal year 2019. In percentage terms, the share of exports to China increased from 7.2 percent in total exports in the fiscal year 2018 to 7.7% in the fiscal year 2019.

Major export items include cotton yarn, rice, alcohol and other spirits, copper and related products and chromium ores. It is worth mentioning that these items are contributing over 60 percent of the total exports to China which indicates a low export base of Pakistan.

The detailed figures of these products indicate that Pakistan’s exports of cotton yarn to China were \$753.7 million in 2018, which reflects only 13.7 percent of the market share in China.

Similarly, in rice exports, Pakistan only has 10 percent of the market share in China, as the total imports volume of China from the world in 2018 was \$1.6 billion while Pakistan exported only \$0.16 billion rice to China.

Pakistan’s imports from China decreased from \$11.5 billion in the fiscal year 2018 to \$10.2 billion in the fiscal year 2019. In terms of imports share, total imports share from China stands at 21.1 percent in the fiscal year 2018, which decreased to 20.2 percent in the fiscal year 2019.

Major import items from China include telephone sets, minerals/chemical fertilisers, electric generating sets, semiconductor devices and products related to alloy steel.

However, the recent devaluation of Yuan will affect the trade balance as imports from China will become cheaper and exports of Pakistan will become competitive in the Chinese market. This may cause the further penetration of Chinese products in local markets.

The inflow of investment from China in the fiscal year 2019 declined to \$1.1 billion from \$2.1 billion in the fiscal year 2018. This shows that the FDI from China decreased by 47 percent during last year.

A few months ago, a delegation of Chinese investors met with Prime Minister of Pakistan Imran Khan to show their interest in construction, automobile, power and information technology sectors. However, to materialize the investment in Pakistan, extensive efforts are required to minimise the bottlenecks in ease of doing business and boosting investors' confidence.

Under the revised FTA between Pakistan and China, 313 product lines of Pakistan will have duty free access and unilateral concession in China for the next fifteen years. This is a positive development for exporters to increase their market share in China.

There is a need to develop domestic industries and market in Pakistan in order to obtain maximum benefits from the concessions under the FTA. Furthermore, it is important to develop a regulatory environment to increase investment inflows.

A recent step by the Chinese government of issuing long-term visas to Pakistani exporters should be followed by more such examples, as it will help Pakistani traders to better explore the Chinese markets. The move of declaring tax holiday for the Gwadar Port will help in tax-free import of raw material, which will promote trading activities in domestic markets.

It is important that Pakistan develops those products that are in demand in China along with increasing the export base. Leather is Pakistan's major export item, but the export volume to China was only \$38.6 million in 2018. Products including seafood, fruits, cereals, meat and dairy products also possess potential of export to China.

China has agreed to provide modern technology to improve the agriculture sector of Pakistan, which will not only help in boosting production but also increase exports in products including cotton and rice.

For the overall exports, the FBR recently announced an export facilitation scheme to facilitate exporters under which efforts will be made for ease of doing business and minimising human interaction among exporters and the department. Apart from that, duties and taxes on imported items such as machinery are exempted.

These are positive measures that will help to increase the overall exports of Pakistan and exports to China, along with creating domestic employment opportunities.

Source: [dailytimes.com.pk](http://dailytimes.com.pk) - Sept 06, 2019

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## NATIONAL NEWS

### **Commerce Minister to represent India at the RCEP, East Asia meetings in Bangkok**

To hold bilaterals with Japan, Singapore, China, Indonesia, Australia, Russia

Commerce and Industry Minister Piyush Goyal will represent India at the Trade Ministers' meeting of member countries of the Regional Comprehensive Economic Partnership (RCEP) in Bangkok and the East Asia Economic Ministers Summit in Bangkok between September 8-10.

The Minister is also scheduled to hold bilateral meetings with his counterparts from Japan, Singapore, China, Indonesia, Australia, New Zealand, the Philippines, Thailand and Russia, according to an official release.

“The meetings will be attended by Economic Ministers and senior leaders of the 10 ASEAN member countries and eight East Asia Summit (EAS) countries,” according to an official release.

The Trade Ministers of RCEP countries, which includes the 10-member ASEAN, India, China, South Korea, Japan, Australia and New Zealand, will try to give a final shape to the proposed free trade pact which includes several areas such as goods, services, investments, intellectual property and government procurement.

“Engagement with ASEAN is at the core of India's ‘Act East’ policy. ASEAN is the gateway to the Indian Ocean region and as close partners, there is convergence of views in India's and ASEAN's outlook in the region,” the release stated.

India's bilateral trade jumped threefold from \$21 billion in 2005-06 to \$96.7 billion in 2018-19. ASEAN countries together have emerged as the largest trading partner of India in 2018-19 (followed by the US), with a share of 11.47 per cent in India's overall trade, while India was ASEAN's sixth largest trading partner in 2018, the release added.

Investment flows are also substantial both ways. The foreign direct investment (FDI) inflows into India from ASEAN in the April-March 2018-19 period was about \$16.41 billion which is approximately 36.98 per cent of total FDI flow into India.

FDI inflows from India to ASEAN in 2018 was \$1.7 billion, placing India as ASEAN's sixth largest source of FDI.

Source: thehindubusinessline.com - Sept 06, 2019

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## **Government likely to announce measures to boost exports soon**

India's exports have recorded 2.25 per cent growth in July 2019

The Central Government is expected to soon announce measures for certain sectors, including gems and jewellery, to boost the country's subdued exports, an official said.

Finance and commerce ministries have held several round of talks on these measures, the official said.

As part of a proposal that is under consideration, the government may extend the deadline for removal of tax benefits to units in the special economic zones (SEZs).

In the Union Budget 2016-17, it was announced that income tax benefits to new SEZ units would be available to only those entities that commence activity before March 31, 2020.

For the labour-intensive gems and jewellery sector, the government is looking at cutting import duty on coloured gem stones and polished diamonds from the current 7.5 per cent.

There is also a consideration to increase the insurance coverage by the Export Credit Guarantee Corporation of India for export credit from the current 60 per cent to 90 per cent.

This would enable banks to provide more export credit at competitive rates.

There is a plan for strict implementation of rules of origin criteria to check diversion of imports via free-trade agreement countries. This is aimed at promoting domestic manufacturing and to reduce imports.

A standard operating procedure could be implemented for faster clearance of import and export consignments.

Exporters are demanding several other measures such as enhancing benefits of the Merchandise Exports from India Scheme (MEIS) for sectors like non-basmati rice and textiles, besides interest subvention for large pharmaceutical companies.

“Because exports are passing through tough times amidst global contraction in demand due to economic uncertainties, support measures for exporters would help in imparting further competitiveness to it,” Federation of Indian Export Organisations (FIEO) Director-General Ajay Sahai said.

S C Ralhan, president of the Ludhiana-based Hand Tools Association, said refund of indirect taxes such as on oil and power, and state levies such as mandi tax would help in dealing with liquidity issue.

India’s exports have recorded 2.25 per cent growth in July. Cumulatively during April-July this fiscal, the exports dipped by 0.37 per cent to \$107.41 billion.

Source: thehindubusinessline.com – Sept 06, 2019

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## Decline in cotton yarn exports worries mills

*Shipments fell 35% in April-July period*

The continuing decline in cotton yarn exports from April this year has left textile mills worried. Cotton yarn exports slumped 44% in July this year, compared with the same month last year.

The downward trend continued in the first week of August as well.

According to the Cotton Textiles Export Promotion Council, between April and July, cotton yarn exports fell nearly 35%.

Exports to China, Korea and Bangladesh are down. However, competing countries are increasing their share in exports to markets such as China, South Korea, and Turkey. K.V. Srinivasan, Chairman of the council, urged the government to extend 3% interest equalisation for cotton yarn. "Cotton yarn exports are at a five-year low," Sanjay Jain, chairman of Confederation of Indian Textile Industry, said.

India's share in global textile and clothing exports has also seen a downfall.

While India was the second largest exporter of textile and clothing in 2014-2017, it has come down to the fifth position now. "The space vacated by China in textile and clothing products has been largely consumed by Bangladesh, Vietnam, Pakistan and other least developed countries," he said.

While Indian yarn incurs 3.5% to 4% duty in China, the levy is nil for yarn exported to China from Vietnam, Bangladesh and Pakistan, according to the Southern India Mills' Association.

"India is now seen as a gap-filling segment and not as the main feeder. It is mainly because of tariffs," K. Selvaraju, secretary general of the association, said.

The industry is in dire need of a stable policy for exports, with a proper refund system for all the levies paid by the exporting units. The Rebate of State and Central Taxes and Levies Scheme (ROSCTL) announced by the Centre for garments should be extended to yarn and fabrics too.

Further, the raw materials for MMF and viscose yarn should be available at international prices, so that more spindles convert to synthetic yarn, sources said.

Source: thehindu.com – Sept 06, 2019

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## **Cotton growers, textile industry see hard times ahead**

*Spinning mills cut output as demand from garment makers dips*

From cotton growers to ginners, spinning mills to fabric/garment manufacturers, all in the textile industry chain foresee bad times ahead. Ginners say the demand from spinning mills is expected to remain low, with mills mostly using their reserve stocks.

Spinning mills say there is a sharp decline in demand from fabric and garment manufacturers, forcing them to cut their production. They are also going in for business consolidation, mainly by laying off labour.

Kuljit Pal Singh, a cotton grower from Jatri village in Bathinda, says the prospect of going to mandi with his produce is giving him goosebumps as he expects a much lesser price for his produce than the Rs 5,800 per quintal he got last year.

“The demand for cotton is low as the textile sector is facing a recession as bad as in 2008. Due to weakening demand by the spinning mills, our produce will sell at price than the MSP of Rs 5,425 per quintal. Only Cotton Corporation of India (CCI) buys the crop at the MSP. But the commission agents have decided not to allow the CCI to make direct purchase. As a result, we see a bleak prospect of selling the crop,” he rues.

His apprehensions don't seem unfounded. Rajesh Jain, a commission agent in Maur Mandi, foresees much lesser price for the crop this year. “The arrivals have just begun. Last year, when we didn't allow the CCI to purchase the crop directly, the mills were buying at higher rates. But this year, the crop will not fetch the higher price due to weakening demand,” he said.



Mridula Jain, chairperson, Shawl Club, Ludhiana, said besides domestic market, exports of garments were also down by 20-30%. “Since manufacturers go in for production after getting export orders, they have been forced to restrict the production due to weak demand. On the domestic front also, sales are not picking up despite festival season having started. Retailers are not willing to keep more stocks. As a result, the manufacturers have a little choice but to go in for consolidation and labour layoffs,” she said.

DL Sharma, MD, Vardhman Textiles, said one-third of the spinning mills’ installed capacity remained unutilised due to the weak demand. “This is because our biggest market for yarn — China — has started sourcing cotton from Vietnam. The demand from China has fallen by 35%. Also, our competitiveness at the global level is low because of embedded taxation. We have requested the Niti Aayog to give rebate on embedded taxation in yarn so as to boost exports,” he added.

Source: [tribuneindia.com](http://tribuneindia.com) – Sept 07, 2019

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### **CCI ready to enter Punjab after 4 years to procure cotton**

With speculation that private players may not show enthusiasm in purchasing cotton, central government agency Cotton Corporation of India Limited (CCI) has started preparations to enter the market in Punjab after four years. It expects the quality of raw cotton to be reasonably good to make procurement at the MSP. Weak international demand and higher support price of cotton in India has made ginners and textile sector reluctant to buy cotton this season.

The Union government had announced the MSP of long staple (27.5-28.5mm) cotton, commonly grown in Punjab, at Rs 5,450 per quintal for 2019-20 (September 1-August 31). After facing inclement weather in July, cotton crop is progressing well and growers feel if no more rains lash the region in the coming days the crop is expected to remain good and they may get a yield of nearly 770kg of lint per hectare.

Raw cotton arrivals have been reported in small quantities in some mandis in the last two days and have fetched rates above the MSP. Market analysts said these were expected to come down when arrivals go up in the coming weeks.

Area under cotton in Punjab in the 2019-20 crop year is estimated to be around 4 lakh hectares, up from the provisional figures of 2.84 lakh hectares in the last season. According to the Punjab agriculture department data, the estimated output of raw cotton in 2018-19 was 12.22 lakh bales while the CCI had put the figures at 11.50 lakh bales.

The CCI is ready to enter the market to procure cotton directly from farmers without any middlemen. Last time, the central agency had done the procurement in 2014-15.

The CCI will have to settle issues with the strong lobby of arhtiyas in Punjab, who are opposed to direct procurement. The agency has already floated tenders for labour, godowns, transport and ginning. There are 61 ginning factories in Punjab. Till Wednesday, the CCI had got the consent from 32 ginning factories for purchases.

CCI's Bathinda branch manager Neeraj Bhankhar said that, "We are fully prepared to make purchases directly from farmers from the first week of October. Tenders for various services related to cotton purchase have been floated. Everything is expected to be in place before the start of the season in October."

On the other hand, Federation of Arhtiyas Association Punjab president Vijay Kalra said that, "We are sticking to our demand of purchases to be made through commission agents. Our fingers are crossed and we are waiting to see how things unfold."

Trade body Indian Cotton Association Limited president Mahesh Sharda said the increase of 27% in the MSP of cotton in 2018-19 as compared to the previous year proved dear to the textile industry.

"Now, cotton in the international market is cheaper than in India, which is making our textiles industry uncompetitive. In such a scenario, private players may avoid making bulk purchases in the domestic market," he said.

Source: timesofindia.com – Sept 07, 2019

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## **Solapur terry towel makers bullish on exports to US**

The ongoing trade war between the US and China and the subsequent slowdown in Chinese economy is expected to boost terry towel exports to the US, which imports about ₹22,500 crore worth the product every year.

India accounts for ₹5,200 crore of the US' imports.

Recently, the US hiked duty on towel imports from China to 15 per cent, while it is 10 per cent on shipments from India. Of the overall terry towel sales, Solapur accounts for the lion's share generating sales revenue of ₹1,200 crore from exports and domestic sales.

Boosting capacity

Rajesh Goski, President, Textile Development Foundation, said that terry towel manufacturers from Solapur are hoping to increase capacity with a target to grow their revenue to ₹5,200 crore by 2022.

The industry along with Co-operative, Marketing and Textile, Maharashtra and Global Network, an International Trade Advisor, will organise Vibrant Terry Towel Global Expo and Summit 2019 between September 25 and 27 in Solapur to bring cotton growers, manufacturers, traders, exporters and importers under one platform to harness market and export opportunity.

Global buyers will negotiate with shortlisted Maharashtra suppliers directly. "We have a better chance as our product will now be cheaper for importers from the US. Our labour cost is also cheaper compared to China," he said.

India is the third largest home textiles market in the Asia-Pacific and estimated to log world's fastest at CAGR of 7.2 per cent to touch \$5.6 billion by 2020. Bed linen and spreads accounts for 58 per cent of the Indian home textiles market and will touch \$3.3 billion by 2020.

Source: thehindubusinessline.com – Sept 06, 2019

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## **AmCham delegation suggests India-US FTA, meets Irani**

US apparel firms, in search of more investment opportunities in India due to the US-China trade war, want a free trade agreement (FTA) between both sides. Representatives from 15 US companies met Indian textiles minister Smriti Irani recently and suggested improving ease of doing business, said Tara Joseph, president of American Chamber of Commerce (AmCham) Hong Kong.

According to Joseph, an FTA between the United States and India would promote business in the textiles sector.

The team also suggested Irani for providing higher skills to workers and drawing up a sustainable growth plan for the apparel sector, according to Indian media reports.

“We are at an inflexion point. Manufacturing is moving away from China. There is a window of opportunity for India to attract investments in manufacturing. However, there is a lot of competition from countries like Bangladesh, Vietnam and Indonesia, and India needs to do all it can to increase its relevance,” Joseph told a press conference.

In the last four years, investments worth \$30 billion in textiles had moved out of China because of various factors including rising input costs, but very little had come to India, Gautam Nair, chair of the Confederation of Indian Industry (CII) Textiles Task Force said.

The delegation, which had representatives from US companies like Ralph Lauren, the PVH Group and Carter's Inc, also discussed business possibilities with Niti Aayog chief executive officer Amitabh Kant and met the faculty of the National Institute of Fashion Technology (NIFT) to exchange ideas on the latest trends in design.

Source: fibre2fashion.com – Sept 07, 2019

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## **New cotton crop seen below MSP in north India on demand woes**

Cotton producers in north India could be in for trouble for at least four-to-six weeks, with the crop being harvested in the region likely to be priced much lower than last year, even below the minimum support price, as supply is seen exceeding demand.

Typically, India's cotton marketing year starts on Oct 1. The government, via Cotton Corp, enters the market if and when prices drop below the minimum support price, but even that intervention begins in October. Traders are likely to exploit the period till then by offering lower prices for the new crop.

For the upcoming marketing year starting October, the farm ministry has raised the minimum support price for long staple cotton to 5,550 rupees per 100 kg, 100 rupees higher from the current year, while that for the medium staple has been fixed at 5,255 rupees, 105 rupees higher.

Sowing of cotton in north India—Punjab, Haryana and Rajasthan, which together account for around 15% of the country's total cotton output—normally starts in Apr-May due to availability of irrigation facilities, while in most other producing states, farmers await the monsoon to start sowing.

Harvesting in north India starts by the end of August and the crop normally commands relatively better prices as supplies tend to be low in September, the last month of the marketing year.

Raw cotton has started arriving in small quantities in north India, and is being sold around the support price level.

Mahesh Sharda, president of Bathinda-based Indian Cotton Association Ltd, said daily arrivals are likely to rise to 5,000 bales (1 bale = 170 kg) over the next 8-10 days, and to 200,000-250,000 bales by the end of the month.

"Prices are likely to fall by 1,850-1,900 rupees per bale once new crop supplies rise over the next few weeks," said Balwant Ranka of Rajasthan-based exporters SMC Cotton. Currently, the commodity is being traded at 19,000-19,200 rupees per bale, around 1,200 rupees above the support level price.

The three northern states together are set to harvest 6.2-6.5 mln bales of cotton in the new season starting Oct 1, Sharda said. At the upper end of the range, the crop in this region would be the biggest in five years.

Over the last couple of months, benchmark cotton contracts on Chicago Board of Trade have slumped to multi-year lows of 56-57 cents a pound. However, a smaller domestic crop kept prices in India relatively higher, before a bumper crop forecast in India and a bleak demand outlook for the new crop in the international market started weighing on prices.

Overall output in the country is likely to be at least 10% higher—in a range of 35.0-36.0 mln bales—due to better rains in Maharashtra, Gujarat and Karnataka, among other growers. This is seen weighing on prices.

On the demand side, falling exports and domestic consumption of cotton yarn are likely to drag down prices.

"Apart from a bigger crop, weakness in global cotton prices due to US-China trade (pact) uncertainty, and sluggish demand for raw cotton from the textile industry due to a slowdown in operations are other factors which may keep cotton prices under pressure," said Ranka.

According to the Confederation of Indian Textile Industry, many small-scale units in the spinning industry have shut down, while big players have pruned operations due to slackening overseas demand.

In July, India's cotton yarn exports fell 44% on year to \$186.47 mln, while Apr-Jul exports totalled \$885.01 mln, down 37% on year.

"We are waiting for arrivals of good quality crop. We have around 60 procurement centres in the region and expecting a larger procurement this year due to a complete reversal in the market outlook compared with previous season," a Cotton Corp official said. Last year, the corporation could not buy any cotton due to consistent high prices in the north.

The corporation had procured 1.1 mln bales of cotton in the current season, most of which were in Telangana, Andhra Pradesh, Maharashtra, and Madhya Pradesh.

"This year, prices are likely to fall below MSP (minimum support price) as buying capacity of the mills has weakened due to slowdown in textile industry," the Cotton Corp official said.

Source: cogencis.com– Sept 06, 2019

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## **Surat's textile units ready to control pollution through ETS**

Surat: At least 150 textile dyeing and printing mills in the city will go hi-tech by September 15. For the first time in the country, emission trading scheme (ETS) will be launched in Surat where a daily measure of suspended particulate matter (SPM) being emitted through chimneys of these units will be measured in real time.

Initiated by ministry of environment and forest and climate change (MoEF&CC), Government of India and started by Government of Gujarat, the ETS project workshop will be held at Kevadia Colony on September 11. Regular real-time monitoring of particulate matter (PM10) per milligram per normal metre cube (mg/NM<sup>3</sup>) will take place under this project.

Industrial units polluting the air must not violate the prescribed norm of 150 mg/NM<sup>3</sup> at any time under ETS. To measure this, a specialized device will be placed on the chimneys of the textile units. This device will be connected directly with boiler section of the mills to give real-time emission data to the servers of Gujarat Pollution Control Board (GPCB) and individual users.

The GPCB is the nodal agency for the project under which the units have been divided into small, medium and large categories. A small unit has been made to pay deposit of Rs2 lakh, medium unit Rs3 lakh and large unit Rs10 lakh for joining ETS.

Any unit violating the emission norm of 150mg/NM<sup>3</sup> will have to buy extra amount permit from those units that have not transgressed. It is like an old carbon footprint method wherein units will be able to trade their permits which each other.

Parag Dave, regional officer, GPCB, said, “This is first-of-its-kind pilot project in India. Depending on its success, this project will be replicated in other parts of the state and country. When MoEF&CC launched this scheme, only three states showed willingness to run the pilot project, but Gujarat is the only one to implement it.”

Pandesara Industrial Association president Kamal Tulsiyan said, “This is the right way to control air pollution in textile mills. If emission norm is followed, the issue of overshooting of PM10 will not arise. Units that regularly overshoot their permissible limits create a lot of air pollution in lower and middle strata of atmosphere.”

Source: timesofindia.indiatimes.com- Sept 07, 2019

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