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IBTEX No. 216 of 2019 November 07, 2019

US 71.04 | EUR 78.57 | GBP 91.22| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19617	41000	**73.54**

Domestic Futures Price (Ex. Warehouse Rajkot), November

Rs./Bale	Rs./Candy	USD Cent/lb
19370	40483	**72.61**

International Futures Price

NY ICE USD Cents/lb (December 2019)	63.69
ZCE Cotton: Yuan/MT (January 2020)	13,090
ZCE Cotton: USD Cents/lb	84.84
Cotlook A Index – Physical	**74.95**

Cotton Guide: As predicted yesterday, the sideways trend continues at ICE. Global Market participants await for further fundamental and geopolitical news. The Bulls tried to pull the ICE prices toward the higher side, but could not sustain, as the bears brought the prices down. There had been a big effort to push the prices up till 8 in the evening, but the bears managed to bring prices back to square one. This can be mirrored while looking at the high and low figures of 64.11 cents per pound and 63.45 cents per pound respectively.

The ICE December contract settled at 63.69 cents per pound with a change of -12 points, whereas the ICE March 2020 contract settled at 65.27 cents per pound with a change of -20 points. While looking at the spread between the two contracts months, it's noticed that they are in contango at 1.58 cents per pound [almost unchanged as compared to the previous figure]. While speaking about volumes, healthy figures exceeding 50,000 contracts have been seen continuously in the last fortnight, with yesterday's volume figures summing up at 52,734 contracts.

One of the largest long only speculative fund is scheduled to begin its position rollover today. Therefore the December 2019 is set to lose its position to the March 2020 contract. Total Open Interest (OI) decreased by 1,513 contracts to 247,699 contracts. December 2019 interest decreased by 5,912 contracts to 103,167 while March 2020 interest increased by 1,463 contracts to 90,942 contracts.

The MCX contracts on the other hand, emanated a downward slide. Demand concerns coupled with news of a massive crop has been the cause of this negative slide [although the crop damage is yet to be considered]. The most active MCX November contract settled at 19,370 Rs per Bale with a change of -40 Rs, whereas the MCX December contract settled at 19,310 Rs per Bale with a change of -70 Rs. Volumes were better at 1,257 lots.

The Cotlook Index A has been updated at 74.95 cents per pound with a change of +25 points. The Prices of North Indian cotton are again reported to be steady.

On the fundamental front, a sideways movement is expected to continue up till this evening at 6 pm for ICE. Post 6 pm based on the export sales data the prices might move in either direction. We are not expecting the export sales to show remarkable figures. Therefore are of the view that the sideways trend would continue till tomorrow evening i.e. till the release of the WASDE report.

On the technical front, in daily chart, ICE Cotton after giving an Inverse Head & shoulder pattern breakout is trading within an upward sloping channel. However, price is testing the lower end of the channel, which coincides around 50% Fibonacci extension level (62.98). Meanwhile, price is below the daily EMA (5, 9) at 63.87, 64.06 having a negative crossover, implying some sideways to negative bias. The momentum indicator RSI is at 51.62, also indicating sideways bias for the price. The immediate resistance for the price would be at 64.78-65.00, 76.4% Fibonacci extension level. Thus for the day we expect price to trade in the range of 65.00-62.90 with sideways to negative bias. However, bears will push the price towards the support of 61.20(23.6% Fibonacci extension level) if the price sustains below given support. In MCX Nov Cotton, we expect the price to trade within the range of 19300-19500 with a sideways to bearish bias.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Worst may be over for global economy amid signs of stabilisation
2	USA: Trade Deficit Falls as Exports, Imports Both Decline Amid Trade Tensions
3	Report: Mexico, Taiwan and the EU are Winning the US-China Trade War
4	China Denim Exports to the US Plunged 17%. Here's Who's Winning Instead.
5	Sri Lanka turns eyes to Ethiopia's Industrial Parks
6	USA: Tariff Effect Sends Tremors Through US Apparel Imports
7	India, China likely to see slower growth till 2024: OECD
8	Pakistan's textile industry faces serious liquidity crunch
9	Why Indonesia failed to cash in on the China-U.S. trade war
10	Kenya aims to eliminate import of cotton raw materials in next five years

	NATIONAL NEWS
1	India gained $755 mn in additional exports to US due to Washington's tariff war with China: UNCTAD
2	View: India needs RCEP to push much-needed domestic reforms
3	India may be looking at a dry spell for FTAs if RCEP falls through: Experts
4	CBIC mandates quoting of Document Identification Number in all communications from November 8
5	Khadi gets separate HS code
6	RCEP members will work with India to sort its sensitivities: New Zealand Trade Minister
7	RCEP: No competition please, this is India
8	It takes 75 litres of water to make your jeans. Can it be brought down to zero?
9	Rising apparel imports from Bangladesh to hurt industry
10	It's time for textile tourism in Erode

INTERNATIONAL NEWS

Worst may be over for global economy amid signs of stabilisation

The worst may be over for the world economy's deepest slowdown in a decade. A wave of interest-rate cuts by central banks including the Federal Reserve and mounting hopes of a US-China trade deal are buoying confidence in financial markets just as key economic indicators show signs of stabilization after recent declines.

While a robust rebound may still not be on the cards, the relative improvement could put an end to the fears of just a few weeks ago that the world economy was barrelling toward recession. Such an environment looks for now to be enough for Fed Chairman Jerome Powell and fellow monetary policy makers to take a pause from doling out monetary stimulus.

Global growth

"We do see multiple reasons for a stabilisation in global growth in 2020 versus 2019," said David Mann, chief economist for Standard Chartered Plc in Singapore, who shares the International Monetary Fund's expectation that global growth will accelerate next year. Among the reasons for confidence: While JPMorgan Chase & Co's global manufacturing index contracted for a sixth month in October, it inched closer toward positive territory as both output and orders firmed.

In the US, the Institute for Supply Management's gauge of factory activity stabilised in October while the government's jobs report on Friday showed payroll gains exceeded forecasts and hiring in the previous two months was revised much higher. The ISM's gauge of services is also showing signs of improvement.

In Europe, there are also tentative signs of health after it was squeezed by the trade war as well as Brexit. The euro-area economy expanded more than forecast in the third quarter and while Germany may already be in recession, the Ifo Institute reported that expectations among its manufacturers edged up in October. As for Asia, inventories of semiconductors in South Korea fell the most in more than two years in September in a sign a slump in global technology is ending.

US stock benchmarks climbed to all-time high

Financial markets are tuning into the optimism. US stock benchmarks climbed to all-time highs on Monday and the yield on the 10-year Treasury note rose. European and Asian stocks have also advanced. “I just look at the fiscal/monetary mix, it’s the most stimulative that I think I have ever seen,” said billionaire hedge fund manager Paul Tudor Jones on Tuesday. “It’s no wonder that the stock market’s hitting new highs. It’s literally the most conducive environment, certainly in the short run, for economic growth and strength that I’ve ever seen.”

One key reason for the potential turn is the wave of interest-rate cuts from global central banks. Of the 57 institutions monitored by Bloomberg, more than half cut borrowing costs this year with the Fed doing so three times and the European Central Bank pushing its deposit rate further into negative territory. Rate cuts also operate with a lag so the positive effects of easier monetary policy have yet to fully flow through, meaning a further impulse likely awaits.

Borrowing cost

Powell last week hinted the US central bank may be done reducing borrowing costs as he said the stance of policy was now “appropriate” to keep the economy growing moderately. “It would take a material change in the outlook for me to think that further accommodation would be required,” Fed Bank of San Francisco President Mary Daly said on Monday.

Trade talks also driving sentiment is that President Donald Trump and President Xi Jinping are on the cusp of signing “phase one” on a trade deal, which could be enough for global commerce to find a footing. China is reviewing locations in the U.S. where Xi would be willing to meet with Trump to sign a pact.

Meantime, US Commerce Secretary Wilbur Ross said Washington has also enjoyed “good conversations” with automakers in the European Union, raising hopes that the Trump administration may not slap tariffs on imported automobiles this month. Morgan Stanley economists reckon the contraction in global trade volumes likely narrowed in October, declining 0.6% compared to 1.3% in September. Retail, auto and semiconductor sales are all stabilizing, they said in a report this week.

Deadline ExtensionElsewhere in Europe, the risks of a so-called no-deal Brexit have also diminished after the EU extended the deadline on the UK's departure until the end of January and Prime Minister Boris Johnson called a December election in the hopes of breaking the impasse between politicians.

Trade talks

The soft landing scenario is not fully sealed. In May, similar hopes were building, only for Trump to ramp up tensions with China. While Washington and Beijing have signalled they're getting closer to agreeing on the first phase of a deal, it's not clear whether trade talks would continue toward a comprehensive agreement.

"If the US-Chinese trade escalates again, or if the US starts a new trade war against the only other economy of almost equal size, the EU, it could all still go wrong," said Holger Schmieding, chief economist at Berenberg Bank. "But in the absence of such new political shocks, chances are that the global downturn could peter out in early 2020 and make way for a modest upturn thereafter."

The strength of any revival may ultimately depend on the health of China's economy, which expanded in the third quarter at its weakest pace in decades and where evidence of a bottoming out in demand remains tentative. A gauge of Chinese manufacturing dropped this month to the lowest level since February while a measure of new export orders contracted at a faster pace.

At the same time, construction, real estate, consumption and services are holding up, buoying expectations that officials are managing a gradual slowdown.

Source: thehindubusinessline.com- Nov 06, 2019

HOME

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USA: Trade Deficit Falls as Exports, Imports Both Decline Amid Trade Tensions

The U.S. trade deficit in goods and services fell 3.7 percent in September, according to trade statistics released Nov. 5 by the Department of Commerce. The monthly deficit of $52.5 billion reflected a 0.9 percent decrease in exports to $206.0 billion and a 1.7 percent decrease in imports to $258.4 billion.

Country/region	Deficit	% Change	Surplus	% Change
China	$28.0 billion	-3.1		
European Union	$15.7 billion	+0.6		
Mexico	$9.1 billion	+8.3		
Japan	$5.9 billion	-3.3		
Germany	$5.0 billion	-27.5		
Italy	$3.0 billion	+15.4		
Canada	$2.5 billion	+56.3		
Taiwan	$2.1 billion	-8.7		
India	$2.0 billion	-16.7		
France	$1.7 billion	+13.3		
South Korea	$1.2 billion	-42.9		
South/Central America			$5.0 billion	0
Hong Kong			$2.1 billion	-4.5
Brazil			$1.0 billion	-28.6
United Kingdom			$0.7 billion	-16.7
Singapore			$0.9 billion	+28.6
Saudi Arabia			$0.3 billion	0

The deficit is up 5.4 percent for the year to date compared to the same period in 2018, with imports up 0.8 percent and exports down 0.4 percent, as the Trump administration's trade restrictions continue to impact global trade patterns.

The deficit in goods trade was down 3.7 percent in September to $71.7 billion. Imports of goods dropped 2.1 percent to $208.6 billion, including decreases of $1.1 billion in automotive vehicles, parts, and engines, $800 million in cell phones and other household goods, and $600 million in toys, games, and sporting goods.

Exports of goods fell 1.3 percent to $136.8 billion, including decreases of $1 billion in soybeans, $700 million in civilian aircraft, and $600 million in civilian aircraft engines.

The services surplus slipped 0.5 percent to $19.3 billion. Imports were up 0.2 percent to $49.9 billion while exports were down 0.1 percent to $69.2 billion.

Source: strtrade.com- Nov 07, 2019

HOME

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Report: Mexico, Taiwan and the EU are Winning the US-China Trade War

The lose-lose and still lingering trade war between the United States and China has cost both sides billions, and consumers and components importers are footing the biggest part of the bill.

Though holding onto a promise to protect consumers and a largely misaligned belief that tariffs on Chinese imports would only hurt China, President Trump' and his four tranches of tariffs have fueled a multitude of adverse impacts for U.S. consumers and businesses alike.

"U.S. consumers are paying for the tariffs…in terms of higher prices," said Alessandro Nicita, an economist at the UN trade agency, UNCTAD and author of the agency's Trade and Trade Diversion Effects report released Tuesday. "Not only final consumers like us, but importers of intermediate products–firms which import parts and components from China."

As such, punitively dutied product imports from China fell 25 percent in the first half of 2019, according to the report. But this may ultimately be more damaging for the U.S. than China, too.

"While substantial, this figure also shows the competitiveness of Chinese firms, which despite the substantial tariffs, were still able to maintain 75 percent of their exports to the United States," the report noted.

Though some apparel brands and retailers are actively curbing their reliance on China for sourcing, many are still finding that they can't get exactly what they want done in other countries.

However, as the U.S. and China continue to self-inflict economic wounds while they work toward some consensus on trade, some of those other countries are emerging victorious.

"The trade diversion effects increased imports from countries not directly involved in the trade war for the first half of 2019 at about $21 billion, implying that the amount of net trade losses corresponds to about $14 billion," UNCTAD noted. "Trade diversion effects have bought substantial benefits for Taiwan (province of China), Mexico and the European Union."

Where textiles and apparel are concerned, tariffs on Chinese imports have boosted the European Union sector by $66 million in the first half of the year, Mexico has brought in an additional $47 million, and Taiwan picked up $8 million in additional textiles and apparel business as a benefit from the trade war.

The favor from the fallout, however, may not continue at the same rate, as Chinese exporters have started to lower export prices to help companies bear the tariff burden.

"For the second quarter of 2019 prices appear to have declined significantly more for product subject to tariffs," the UNCTAD report noted. "In magnitude, the results for Q2 2019 indicate lower Chinese export prices by about 8 percent on goods subject to tariffs."

The trade war isn't making a winner out of either of its contenders, particularly now that the signing of a phase one trade deal could be delayed until December, a senior Trump administration official told Reuters on Wednesday. What's more, the drag-out trade war has bigger ramifications for more than just the U.S. and China.

"The results of the study serve as a global warning; a lose-lose trade war is not only harming the main contenders, it also compromises the stability of the global economy and future growth," Pamela Coke Hamilton, UNCTAD's director of international trade and commodities, said. "We hope a potential trade agreement between the U.S. and China can deescalate trade tensions."

Source: sourcingjournal.com - Nov 06, 2019

HOME

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China Denim Exports to the US Plunged 17%. Here's Who's Winning Instead.

The erosion of China as a supplier of jeans for American brands continued in September, while Mexico maintained the top spot it achieved the prior month when it leapfrogged China for the first time in recent memory.

At the same time, imports of blue denim apparel, the vast majority of which are jeans, surged among top tier suppliers Vietnam and Pakistan. In the second tier, the diversification of denim sourcing was apparent in substantial increases of shipments from Egypt, Nicaragua and Jordan.

With the U.S.-China trade war and resulting tariffs causing major sourcing shifts to avoid risk and higher prices, such as the tariffs that went into effect on Sept. 1, year-to-date jeans imports from China dropped 17.02 percent to a value of $564 million. For the year through September, China's U.S. import market share declined 11.67 percent to 21.22 percent.

Discussing the impact of the U.S.-China trade war on Guess's business, CEO Carlos Alberini recently said, "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."

Imports from Mexico, which saw a precipitous drop in overall apparel shipments in the month, rose 5.56 percent in the first nine months of the year to $625.84 million worth of goods.

For the year, Mexico held a 21.98 percent market share, up 6.73 percent from the same period in 2018, a sign that while some companies might be seeking lower-cost Western Hemisphere production for more basic apparel, their longstanding relationships with Mexican factories remain critical.

This is likely particularly true in a somewhat soft cycle for jeans. Imports from the world were up just 0.43 percent to $2.83 billion for the first nine months of the year. For the 12 months through September, denim apparel imports grew 2.81 percent to $3.87 billion in value.

It was a mixed picture among the major Asian suppliers. Imports from Vietnam spiked 28.52 percent in the year to date to $263.05 million, Pakistan's shipments increased 8.97 percent to $194.95 million and Bangladesh imports ticked up 0.46 percent to $420.36 million. But Cambodia's shipments declined 3.49 percent to $85.17 million and imports from Indonesia fell 9.51 percent to $56.04 million.

Nicaragua was a winner in the period with a gain of 25.83 percent to $94.19 million, as were Egypt, up 13.29 percent to $130.63 million, and Jordan, increasing 11.12 percent to $47.18 million.

The desire for closer-to-market production and generally tariff-free trade helped boost the Western Hemisphere to a 5.36 percent increase in the nine months to $790.84 million, including a 21.38 percent gain from Central American Free Trade Agreement countries for a value of $122.71 million.

Sub-Saharan African countries continue to present duty-free alternative sourcing opportunities, with a 4.16 percent increase in the period to $117.1 million. The region was led by gains by Madagascar, Kenya, Ethiopia, Mauritius and Tanzania.

Source: sourcingjournal.com - Nov 06, 2019

HOME

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Sri Lanka turns eyes to Ethiopia's Industrial Parks

In his exclusive interview with Walta TV, Sri Lanka's Ambassador to Ethiopia, Sumith Dassanayake, said that Sri Lanka is already participating in Hawassa Industrial Park in apparel textile industries.

He noted that Sri Lanka is keen to build strong relations with many nations, and Ethiopia comes in the forefront. At present, over 800 Sri Lankans are working in Ethiopia. Issabella and Hydramani Sri Lankan companies have established their operations in Hawassa Industrial Park in textile sector.

Currently, Sri Lanka's textile companies have created job opportunities for 4,000 Ethiopians. "This cordial relation of Sri Lanka and Ethiopia has now become more advanced in political and economic cooperations symbiotically," he added.

According to him, Sri Lanka has comprehensive experiences in textile, agro-processing, tea production and tourism industries; in this regard, he has planned to arrange a visit to Ethiopian delegates to Sri Lanaka so that they can draw lessons and bear fruits from these sectors as Ethiopia has untapped potential.

Ambassador Sumith has called up on Africans and others to visit and enjoy in Sri Lanka and in turn use the possible and favorable opportunities that Ethiopia has offered to investors.

The Embassy of Sri Lanka in Addis Ababa held its first ever Mobile Consular Service for about 400 Sri Lankan community members living and working in Hawassa to create conducive, successful atmosphere in Ethiopia and make life easier during their time in Ethiopia.

The 2019 Nobel Peace Prize that Prime Minister Abiy Ahmed won is a huge boost to contribute to consolidate peace initiatives in the African continent, according to Ambassador Sumith Dassanayake. The prize is for Ethiopians, Africans and the entire peace devotees of the world.

The award is a recognition to the Prime Minister's commitment to maintain peace and sustain prosperity in the region. It is also a prize of trust and hope to the outstanding role he played in ending decades of Ethio-Eritrea border conflict and efforts to realize multifaceted regional cooperation, he added.

Sri Lanka is to conduct presidential election on 16th November 2019; meanwhile, Ethiopia is set to conduct national election in 2020, this is a coincidence that the two countries are at a great ambition to realize and experience democracy. He wished a successful election for both countries.

He is also thankful for Ethiopians for their hospitality at large.

Walta has learnt that diplomatic relation between Ethiopia and Sri Lanka was commenced in 1972. The Embassy was officially established in February, 2017 in Addis Ababa.

Source: waltainfo.com - Nov 06, 2019

HOME

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USA: Tariff Effect Sends Tremors Through US Apparel Imports

Oh, how the mighty have fallen.

U.S. apparel imports from China in September—when 15 percent tariffs went into effect—nosedived 18 percent to $2.55 billion worth of goods compared with a year earlier. In volume, China shipped 13 percent fewer goods in the month to 1.17 billion square meter equivalents (SME) compared to September 2018, according to new data released Tuesday by the Commerce Department's Office of Textiles & Apparel (OTEXA).

Nearly every major apparel company has reported slashing its sourcing from China to reduce risk as the raging trade war between the U.S. and China has triggered steep punitive tariffs and even one call by President Trump for all U.S. companies to cease doing business there.

"We received the majority of our Fall 2019 product prior to the Sept. 1 tariff increase, resulting in minimal financial impact to 2019," Tim Boyle, president and CEO of Columbia Sportswear, speaking on a conference call last week, said. "Based on our projected 2020 production, base products sourced in China for the U.S. market is expected to represent a low-double-digit percent of the total estimated imported value."

For the year to date through September, apparel imports from China were down 1.1 percent to a value of $20.1 billion, according to OTEXA, illustrating the steady erosion of sourcing from the top supplier for U.S. fashion companies.

The other major supplier that has fallen out of favor is Mexico, partially over geopolitical concerns such as the fate of its free trade status and rising costs in the country. U.S. apparel imports from Mexico were down 5.22 percent year to date through September to a value of $2.42 billion, OTEXA reported, and also dropped 18 percent for the month to $245.55 million from a year earlier.

Last week, Gildan Activewear said it was moving ahead with plans to close its textile and sewing operations in Mexico and relocate the equipment to its operations in Central America and the Caribbean Basin.

Glenn Chamandy, president and CEO of Gildan, said Mexican production represented about 8 percent to 9 percent of capacity, which will now be moved to Central America and Honduras and "be absorbed pretty quickly."

"We'll have a better cost structure, as well," Chamandy said. "We're also aggressively moving ahead with our expansion in Bangladesh."

In May, Gildan announced the completion of a $5 million land purchase in Bangladesh as part of a major Asian capacity expansion initiative to develop large-scale vertically integrated manufacturing in the region to support expected sales growth.

Bangladesh was one of five Asian countries that saw their apparel shipments to the U.S. rise in the period. No. 2 supplier Vietnam notched a 12.7 percent year-to-date gain to $10.36 billion, with its shipments up 16.8 percent from September 2018 to $1.29 billion.

Apparel imports from Bangladesh increased 9.96 percent year to date to $4.57 billion, but were down 3.5 percent to $484.92 million in the month compared to a year earlier. India's shipments rose 8.37 percent so far this year to $3.24 billion, Cambodia's were up 11.13 percent to $2.03 billion and imports from Pakistan advanced 9.41 percent to $1.1 billion.

Elsewhere within the Western Hemisphere, imports from Honduras increased 11.19 percent year to date through September to $1.09 billion and Nicaragua's shipments were up 19.9 percent to $166.16 million.

Despite the trade turmoil that in part is meant to stir interests in U.S. manufacturing, the U.S. imported 4.76 percent more apparel year to date through September in 2019 to $65.08 billion worth of goods compared to last year.

However, reflecting the move to get Chinese goods into the country ahead of the September tariffs, the U.S. imported 2.1 percent less apparel in the month for a value of $7.7 billion compared to September 2018.

Source: sourcingjournal.com - Nov 06, 2019

HOME

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India, China likely to see slower growth till 2024: OECD

India, Southeast Asia and China are likely to grow at a slower pace in the next five years than earlier projected due to uncertainty over trade disputes, geopolitics and climate crisis, according to the Organisation for Economic Cooperation and Development (OECD), which presented its economic outlook at the Association of Southeast Asian Nations (ASEAN) Summit in Bangkok.

The outlook predicts a regional gross domestic product (GDP) growth of 5.7 per cent over 2020-24, down from 6.7 per cent in 2013-17, according to a news agency report.

"Growth in the region is expected to remain buoyant in the medium term, although less impressive than in previous years," the biannual report said.

India''s expected growth over the next five years is put at 6.6 per cent, compared to 7.4 per cent in 2013-17, while the OECD said that ‘the banking sector regains its footing’. For Southeast Asia, it forecast a growth of 4.9 per cent over 2020-24, slightly down from 5 per cent over 2013-17.

Meanwhile, China''s expected growth over 2020-24 shows a wider gap at 5.6 per cent, down from 7.1 per cent in 2013-17. Investment in the country has slowed while consumption has not picked up ‘in a lack of structural reforms to reduce precautionary savings’, the outlook said.

The OECD highlights that the 12 countries in the region have offset lacklustre export earnings with lower spending on imports, and have contained the volatility in financial flows, exchange rates and equity prices.

Although the region's exports were affected by broadening economic weakness in advanced economies, ‘compounded by the US-China trade tensions’ and Brexit uncertainties, its growth is anchored by the resilience of private consumption, it added.

Source: fibre2fashion.com- Nov 07, 2019

HOME

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Pakistan's textile industry faces serious liquidity crunch

The yarn manufacturers have expressed inability to pay taxes due to liquidity crunch, aggravating the tax collection situation for the government, which remains dismal so far.

The International Monetary Fund (IMF) has relaxed the tax collection target by Rs233 billion under its $6 billion loan programme for Pakistan following Islamabad's failure to pace up tax collection at the required level.

The taxes paid by the textile export sectors are refundable, but such collections for documenting them do impact total collection numbers. The yarn manufacturers have lamented that they are unable to pay wages to employees as they are facing acute liquidity shortage partly due to massive delay in release of tax refunds by the government.

"We may not pay due taxes to the government for the ongoing month (of November) due to liquidity crunch," All Pakistan Textile Mills Association (Aptma) Chairman Dr Amanullah Kassim Machiyara said at a press conference on Tuesday.

The refund claims of the five leading textile export sectors in pending total at Rs180 billion. "They have eroded the financial viability of textile export sector, which is tantamount to slaughtering the only available hen that lays golden eggs."

The textile industry pays the refundable taxes under the heads including duty drawback (Customs rebate), income tax, income tax credit and provincial sales tax.

He complained that the new refunds claim procedure has been made so complicated that the industrial players remained unable to file errorless refund claim form (Annexure H). The situation was causing unnecessary delay in release of the due refunds.

The sales tax refund filing procedure has been made so complex that it is impossible for most of the exporters to file the claim in such a way that it fulfils all the requirements prescribed by the Federal Board of Revenue (FBR), which makes the refunds possible, he said.

"For example, toll manufacturing sales tax refund claims cannot be filed because GST (general sales tax) on services is a provincial subject and there is no coordination between provincial revenue authorities and the FBR," he said. He said the government issued promissory bond in place of cash in refunds in the recent past due to shortage of funds with the government. The bond, however, remained invaluable as they cannot be enchased, nor do banks accept them since they lack government guarantee.

"Alternatively cash payment in lieu of promissory bonds should be made immediately," he said. The FBR stated some 10 days ago that the bonds issue would be addressed through a supplementary Finance Bill. "Clarification is requested in this regard," he added.

The prime minister has tasked the ministries of commerce and textiles with a new vision of doubling the textile exports from $13 billion to $25 billion. "We are completely committed to this vision, but to achieve that, the industry needs to be fully facilitated."

Duty-free import of cotton demanded

The Aptma chairman again demanded the government to allow them duty-free import of cotton to overcome shortfall and help achieve set export targets, which remain the single largest export sector of the domestic economy.

"We need to import five million bales (of 170 kilogram each) to achieve our set textiles export target during the current fiscal year 2020," he said.

The high duties and taxes on import of cotton come to the tune of 11% of the import price. The taxes have made the essential import unviable by the yarn manufacturers.

He said there was no other option left, but to import cotton to overcome the short production of commodity in the country. "Import has become a must to manufacture yarn for the fabric and cloth making sectors of the textiles. If the government withdraws the duty and taxes on import then our textile sector may meet the set export target. Otherwise, they may miss the export target by 5-10% for the current fiscal year 2020," he said.

Besides, there is another 17% general sales tax (GST) on yarn, which is refundable. However, "we demand the government to again declare textiles as zero-rated sector," he said.

Machiyara said that cotton production has been badly hit due to untimely raining and pest attacks. The Pakistan Cotton Ginners Association (PCGA) has revised down cotton production by a massive 32% to 10.2 million bales (of 170 kilogram each) during the fiscal year started July 1, 2019. Initially, the Federal Committee on Agriculture (FCA) had set the cotton production target at 15 million bales for the year in progress in April 2019.

Source: tribune.com.pk- Nov 06, 2019

HOME

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Why Indonesia failed to cash in on the China-U.S. trade war

In the Central Java province of Indonesia, amid a patchwork of rice fields and farms where sugar and indigo crops once dominated, garment factories are now bustling.

In one cavernous building of the PT Sri Rejeki Isman factory on the outskirts of the city of Solo, thousands of sewing machines hum and clatter as workers stitch clothes for H&M, Guess Inc, Walmart Inc and others. At a PT Pan Brothers plant just down the road, an assembly line is pumping out thousands of red and white hoodies for Adidas AG.

Indonesia's textile industry, which was slowly being overtaken by lower-cost regional neighbours like Vietnam and Bangladesh, is on the cusp of a new boom, thanks to the seismic shift in global supply chains caused by the U.S.-China trade war. American buyers are looking for alternatives to Chinese suppliers to bypass higher tariffs, and many of them are turning to locations in Southeast Asia.

Textiles and garments are only one bright spot in a manufacturing sector that's otherwise been fairly lackluster. In 2001, Indonesia's manufacturing sector contributed 29% to GDP — now it's below 20%. Its share of Asia merchandise exports is 2.3%, compared with about 3.1% for regional peers like Malaysia and Thailand, according to data from the United Nations Conference on Trade and Development.

There are concrete signs that Indonesia isn't benefiting the way it probably should from the trade war tensions. In a closed-door presentation to President Joko Widodo in September, the World Bank cited research showing that of 33 Chinese companies that announced plans to set up or expand production abroad between June and August, none chose Indonesia. Vietnam was the clear winner, while others like Cambodia, India and Malaysia were also favored over Indonesia.

As a destination for foreign direct investment, Indonesia struggles against its regional peers. FDI to Indonesia stood at 1.9% of GDP in 2018, well below Vietnam at 6.3% and Thailand at 2.6%, according to the World Bank.

The reasons for the poor performance are well documented: inadequate infrastructure, particularly in transport; rigid labour rules; limits on how much foreigners can invest in several industries; bureaucratic red tape and a habit of backtracking on regulations that makes it tricky to do business in the country.

But while competitors like Vietnam, Thailand and Cambodia face similar problems, they've done better than Indonesia over the past few years to attract businesses that were already relocating out of China because of rising wages there.

"Indonesia has done nothing to prepare itself for that shift and the trade war has further exposed Indonesia's industrial policy as a risk if there is no reform," said Edward Gustely, managing director of Penida Capital Advisors Ltd in Jakarta and an adviser to four presidents and finance ministers.

There's now a greater sense of urgency from Widodo to fix those problems. He was sworn into office in October for a second five-year term, promising to overhaul labour and investment rules that have hindered job creation and growth in the US$1 trillion economy.

The stakes are high for Jokowi, as the president is known. With the world's fourth-biggest population and a median age of 30, Indonesia is sitting on a demographic gift or a ticking timebomb.

Indonesia's massive labour pool — 73% of the nation's 270 million people are of working age — will be a key source of economic growth for years to come, as long as young people entering the labour market have the right skills and can find jobs. Data on Tuesday showed growth slowed to 5% in the third quarter, while the unemployment rate rose to 5.3%.

“Right now, we are at the peak of the demographic bonus,” Jokowi said in his inauguration speech in October. “This is a big challenge and also a great opportunity. This could be a big problem if we cannot provide jobs, but it will be a big opportunity if we are able to develop superior human resources, supported by an advantageous political and economic ecosystem.”

If Indonesia’s economy continues to grow at its current pace of about 5%, then it will create about 22 million to 25 million jobs over the next 10 years, according to Bambang Brodjonegoro, former planning minister and now minister for research & technology in Jokowi’s new cabinet. But even with that kind of expansion, “with our level of productivity I don’t think we can be, let’s say the next China,” he said. “We cannot be even the next Japan.”

At the top of the list of the president’s reform priorities is the need to tackle a complex and overlapping system of labour rules and conditions that vary from province to province. Businesses also complain about severance pay conditions that are among the most generous in the world, presenting a major hurdle to investment.

Touring the Pan Brothers factory near Solo in early October, Jokowi said textile and garment industries often complain about the labour laws. He’s vowed to now ease some of the rules by as early as the end of the year. And to win over labor unions, he’s compromised by proposing the rule changes apply to new jobs only, thereby protecting rights of existing workers.

Iwan Setiawan Lukminto, president director of garment maker Sri Rejeki Isman, says the government must work harder to improve Indonesia’s attractiveness as an investment destination, and boosting training and skills in the workforce will be key to that objective.

“If they don’t listen then we would be worried. But now they are listening,” Lukminto said. “We have to wait to see what Mr Jokowi does in his second term. This is the priority.”

Source: theedgemarkets.com- Nov 06, 2019

HOME

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Kenya aims to eliminate import of cotton raw materials in next five years

Kenya plans to revive the cotton industry in order to boost the overall performance of the textile sector, aiming to eliminate the import of cotton raw materials in the next five years, an official said on Wednesday.

Rajeev Arora, cotton, textile and apparel value chain advisor to the Cabinet Secretary of the Ministry of Industry, Trade and Cooperatives, said that farmers used to produce over 30,000 tons of cotton in the 1980s but production has declined to approximately 7,500 tons currently.

"We hope to increase cotton production to 10,000 tons by the end of 2020, through increasing area under cultivation," Arora said on the sidelines of the launch of the Kenya Investment Policy.

The key driver of reducing cotton output is the increasing cost of production that has made the cash crop to become unprofitable.

Arora said the government plans to leverage the cooperative model to revive the cotton industry and create additional jobs for the youth. "We have a pilot project in the coastal county of Kwale where farmers have formed a cooperative, which we hope to replicate to 22 counties across the country," said Arora.

He said that farmers will be provided with certified seeds to ensure they achieve optimum yields. Arora said that Kenya is keen to use locally produced cotton to supply textile factories that export most of their products to foreign markets and the government aims to eliminate import of cotton raw materials in the next five years.

"Kenya loses about 150 billion shillings (1.5 billion U.S. dollars) annually in lost value addition opportunities due to over-reliance on imports of intermediate cotton products that are converted into finished textile products," said Arora.

Source: china.org.cn- Nov 06, 2019

HOME

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NATIONAL NEWS

India gained $755 mn in additional exports to US due to Washington's tariff war with China: UNCTAD

India gained about $ 755 million in additional exports, mainly of chemicals, metals and ore, to the US in the first half of 2019 due to the trade diversion effects of Washington's tariff war with China, a study by the UN trade and investment body has said.

The study, Trade and trade diversion effects of United States tariffs on China, shows that the ongoing US-China trade war has resulted in a sharp decline in bilateral trade, higher prices for consumers and trade diversion effects - increased imports from countries not directly involved in the trade war.

Trade losses

The study puts the trade diversion effects of the US-China tariff war for the first half of 2019 at about $ 21 billion, implying that the amount of net trade losses corresponds to about $ 14 billion.

The US tariffs on China have made other players more competitive in the US market and led to a trade diversion effect. These trade diversion effects have brought substantial benefits for Taiwan (province of China), Mexico, and the European Union.

"Trade diversion benefits to Korea, Canada and India were smaller but still substantial, ranging from $ 0.9 billion to $ 1.5 billion," it said. The remainder of the benefits were largely to the advantage of other South East Asian countries.

The US tariffs on China resulted in India gaining $ 755 million in additional exports to the US in the first half of 2019 by selling more chemicals ($ 243 million), metals and ore ($181 million), electrical machinery ($ 83 million) and various machinery ($ 68 million) as well as increased exports in areas such as agri-food, furniture, office machinery, precision instruments, textiles and apparel and transport equipment, UNCTAD said.

While it does not consider the impact of Chinese tariffs on US imports, the study indicates that qualitative results are most likely to be analogous: higher prices for Chinese consumers, losses for US exporters and trade gains for other countries. Of the $ 35 billion Chinese export losses in the US market, about $ 21 billion (or 62 per cent) was diverted to other countries, while the remainder of $14 billion was either lost or captured by the US producers.

Economically hurting

The study found that tariffs imposed by the United States on China are economically hurting both countries and that consumers in the US are bearing the heaviest brunt of Washington's tariffs on Beijing, as their associated costs have largely been passed down to them and importing firms in the form of higher prices.

However, the study also finds that Chinese firms have recently started absorbing part of the costs of the tariffs by reducing the prices of their exports. "The results of the study serve as a global warning. A lose-lose trade war is not only harming the main contenders, it also compromises the stability of the global economy and future growth," UNCTAD's director of international trade and commodities Pamela Coke Hamilton said. "We hope a potential trade agreement between the US and China can de-escalate trade tensions."

The analysis shows that US tariffs caused a 25 per cent export loss, inflicting a $ 35 billion blow to Chinese exports in the US market for tariffed goods in the first half of 2019. This figure also shows the competitiveness of Chinese firms which, despite the substantial tariffs, maintained 75 per cent of their exports to the US.

Office machinery hardest hit

The office machinery and communication equipment sectors were hit the hardest, suffering a $ 15 billion reduction of US imports from China as trade in tariffed goods in those sectors fell by an average of 55 per cent. Though the study does not examine the impact of the most recent phase of the trade war, it warns that the escalation in summer of 2019 is likely to have added to the existing losses, UNCTAD said.

"US consumers are paying for the tariffs in terms of higher prices," said Alessandro Nicita, an economist at UNCTAD. "Not only final consumers like us, but importers of intermediate products — firms which import parts and components from China." Since mid-2018, the US and China have been locked in a trade confrontation that has resulted in several rounds of retaliatory tariffs.

Source: thehindubusinessline.com- Nov 06, 2019

HOME

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View: India needs RCEP to push much-needed domestic reforms

India must recognise that the Chinese economy is being rebalanced from exports to domestic.

The Regional Comprehensive Economic Partnership (RCEP) grouping of 16 countries represents half the world population and two-fifth of GDP and trade. It's also the fastest growing part of the world. Over the past four decades, the world's economic centre of gravity has decisively shifted from west to east. That is why India embarked on the 'Look East' policy, which Prime Minister Narendra Modi upgraded to 'Act East'.

It is a natural progression then to 'Embrace East' by signing up to RCEP. Alas, India chose not to sign, because of apprehension about the flood of Chinese imports, & perceived threat to small producers, agriculture, including dairy.

Hopefully, this is a temporary respite, and concerns will get sorted out by negotiators before the formal signing in March 2020. It is important that we don't miss the RCEP bus, and don't exit even before joining.

Not signing up now would give us even less leverage on the terms of the treaty were we to join later. By engaging now, we can ensure that most of the tariff reduction commitments are backloaded and become fully operational almost 25 years later. Surely, that's a long enough period for domestic industry to become competitive enough to withstand the pressure of imports.

Most of our competitive disadvantage stems not from tariff or non-tariff barriers in destination countries, but from lack of domestic reforms. Our producers face higher cost of energy and electricity, credit and capital, and logistics. Until recently, even our corporate tax rates were out of sync with East Asia. Thankfully, that's been corrected.

The indirect tax regime is still too burdensome and needs to reduce. Goods and services tax (GST) covers only about one-third of GDP, with multiplicity of rates leading to serious issues like large proportion of unusable input tax credits. Just ask the telecom, metals or synthetic textiles sector. The unutilised tax credits are deadweight and reduce our competitiveness.

Many parts of industry still suffer from inverted duty structures, in which the raw material is subject to higher import duty, and the finished product can come in at zero duty. The current special economic zones (SEZ) framework is such that an Indian entrepreneur located, say, in Aurangabad SEZ faces a much higher duty barrier while selling to the domestic market than a producer from Thailand. Surely, that discourages investment here in favour of India's free trade agreement (FTA) partner countries. The cure is not to un-sign the FTA with Thailand, but rather fix the domestic anomaly. Our exports and domestic industry also suffer from an overvalued exchange rate.

More Than Nudge Theory

The domestic reform agenda can get a huge fillip and urgency with the signing of RCEP. The crisis-induced 1991 reforms under International Monetary Fund conditionalities, or signing up to the World Trade Organisation (WTO) in 1995, despite countrywide protests, are examples of how domestic reforms need external alibi. Indeed, India was forced to give up the quantitative restrictions on imports in 1999, thanks to losing a case in WTO.

Similarly, just last month, India lost another case in the WTO on a complaint by the US. This means our export incentive schemes like the Merchandise Exports from India Scheme (MEIS) and Export Promotion Capital Goods (EPCG) have to be dismantled since they have been ruled to be illegal. Did we not know this? Or were we just buying time for domestic industry to stand up without illegal subsidy props?

Indeed, informally, commerce ministry officials had warned industry that the export subsidy schemes would soon be wound up. The idea is not to introduce yet another subsidy scheme, but to become globally competitive.

In signing up to RCEP, the following points need reiterating.

First, no country has been able to achieve high manufacturing growth without commensurate growth in exports. Hence, a successful export strategy and performance is required for us to reach the $5 trillion target sooner than later. Exports are hampered much more by domestic handicaps than by anything else.

For instance, the coal cess of Rs 400 a tonne represents an increase of 15-20% cost in energy, which is not in GST and hence no input tax credit is available.

Same is true for electricity duty on captive power and mining royalty. No wonder domestic production of metals like steel or aluminium is stymied against cheaper Chinese imports that don't have the cost disadvantage.

In textiles and clothing, since we don't have a cluster approach of fibreto-fashion in one place, we have a fragmentation leading to logistics costs.

Lack of scale is due to a variety of constraints like cost of capital and inflexible labour laws.

Second, RCEP allows us tariff quota restrictions. So, we can restrict quantity that can come duty-free. Amul should be assured that New Zealand dairy is not going to flood the country.

Jump Over the Great Wall

Third, we must recognise that the Chinese economy is being rebalanced from exports to domestic, from investment to consumption, from industry to services, and from old to new economy. China hosted the world's first import expo, pledging to import nearly $12 trillion worth of goods and services in the next five years. Are we not looking to tap into that market? Apart from software and para-medical services, the biggest opportunity lies in tourism, which needs domestic reforms alone to flourish. Why is our attitude only defensive when it comes to FTAs?

Fourth, let's not ignore the employment, value addition and export potential of joining global value chains. This opportunity is lost if we don't join RCEP.

Fifth, the sector most likely to gain from trade liberalisation is agriculture. The person who supported joining WTO when all parties were opposed was Sharad Joshi, the leader of Shetkari Sanghatana. It is by deregulating agriculture exports that farmers' income will rise substantially.

Finally, spare a thought for the silent mass of billion consumers who benefit from cheaper and quality imports due to trade liberalisation. They are not as vociferous as the producer lobby, but beneficiary nonetheless.

Source: economictimes.com- Nov 07, 2019

HOME

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India may be looking at a dry spell for FTAs if RCEP falls through: Experts

The government's strategy to secure bilateral deals with the United States, the European Union (EU) and other economies may be a difficult exercise if talks with the Regional Comprehensive Economic Partnership (RCEP) fall through, say experts.

Commerce and Industry Minister Piyush Goyal has batted for a bilateral deal with the US, while also stressing that India is keen to restart free-trade agreement (FTA) talks with the EU. But with institutional reform being a slow process and domestic industry unwilling to adjust to foreign players in the domestic market, India may be looking at a long dry spell for these FTAs, experts contend.

"The RCEP drama may lead to many déjà vu experiences for the government if the domestic scenario doesn't change drastically, as the same issues have and will continue to creep up," trade expert and Jawaharlal Nehru University professor Biswajit Dhar, said.

Even if domestic industry is brought on board, the government has to deal with the unenviable task of deciding which exports can be leveraged to boost outbound trade with so few sectors commanding an export advantage, he added.

Case in point, traditionally strong export sectors such as textiles, gems and jewellery and leather continue to face sectoral challenges and low competitiveness because of competition from emerging economies such as Vietnam and Bangladesh, he added.

A full FTA — one of the key demands of the Donald Trump administration — has seen Washington DC pushing for lower duties for high-value US goods such as electronics, wine and motorcycles. It also wants fewer restrictions on American medical devices and solar panels. The talks with the EU on a trade and investment pact are also stuck on similar issues.

Bilateral talks with trade partners such as China have also hit roadblocks on Beijing's demand to open up India's lucrative consumer market.

Slow pace

DRY SPELL

- No FTA was signed in first term of the Modi government
- Experts say trade deals are important for trade growth
- In all ongoing talks, demands by other nations that India reduce import duties have remained common
- Bilateral talks with major economies like the EU, the US and China have stalled on same issues
- Opposition from domestic industry towards trade deals may escalate if India gives RCEP a miss

The government has clarified that India will remain out of the RCEP pact for now, until it gets better offers from other participating nations that safeguards its national interest. This includes protection for domestic industry from import shocks, and gradual tariff reduction. But experts point out that foreign partners have pushed for tariff reduction aggressively in all current trade negotiations. On the other hand, in all its engagements India has pushed for more market access for a narrow category of products.

In the first term of the Modi government, New Delhi has initiated FTA talks with only a single economy, the small nation of Georgia. Situated in the Caucasus region, the nation had a total trade of only $132 million in 2018-19. Even then, discussions had stalled more than three years since the beginning.

On the other hand, export promotion councils as well as industry bodies like Swadeshi Jagran Manch have repeatedly objected to new FTA engagements arguing that existing pacts haven't helped India.

They have pointed to a NITI Aayog report which showed that the utilization rate of current trade deals by Indian exporters remain very low (between 5 per cent and 25 per cent). As a result, the trade deficit with the proposed RCEP nations has increased from $7 billion in 2004 to $78 billion in 2014.

In July, the Finance Ministry started assessing the shortcomings of each existing FTA deal, which have led to revenue being foregone due to spiraling trade deficit. India's major FTAs constituted only 11 per cent of the total trade and up to 23 per cent of trade deficit.

Good or bad

But this view has been countered by experts.

"The current narrative that FTAs are inherently disadvantageous for India's exports is false. The fact remains that India's trade (and exports) have gone up with every FTA partner, albeit at a slower pace than imports," Sachin Chaturvedi, director general at the Research and Information System for Developing Countries (RIS), a foreign trade think tank, said.

The RCEP experience may lead to lower appetite for trade talks, he said.

"Negotiations don't only focus on tariff reduction. They also talk about market access, non tariff barriers and standard, all of which are guided by institutions which need to back reforms in the domestic space as well," Chaturvedi added.

The question remains whether India can effectively counter the might of Chinese exports independently or by being a part of a bloc like RCEP, he stressed.

Source: business-standard.com- Nov 07, 2019

HOME

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CBIC mandates quoting of Document Identification Number in all communications from November 8

Starting November 8, all search authorisation, summons, arrest memo, inspection notices and letters issued by Central Board of Indirect Taxes and Custom (CBIC) to taxpayers will have computer generated 'Document Identification Number' (DIN).

CBIC is the apex policy making body for indirect taxes in the Central government. It has implemented this mechanism after its counterpart for direct taxes (Income Tax, Corporate Taxes etc), Central Board of Direct Taxes (CBDT) implemented it from October this year.

"In keeping with the government's objective of transparency and accountability in indirect tax administration through widespread use of information technology, the CBIC is implementing a system for electronic (digital) generation of a Documents Identification Number (DIN) for all communications sent by its office to taxpayers and other concerned person," the indirect tax policy body said in a circular.

Further, it stated that this measure would create a digital directory for maintaining a proper audit trail of such communication. Importantly, it would provide the recipients of such communication a digital facility to ascertain their genuineness. Subsequently, the DIN would be extended to other communications. Also, there is plan to have the communication itself bearing the DIN generated from the system.

Though DIN is mandatory requirement, still in exceptional circumstances communication may be issued without an auto generated DIN. However, this exception is to be made only after recording the reasons in writing. These circumstances include technical difficulties, notices to be issued at short notices or officer in-charge is away. Nonetheless same needs to be regularised within 15 working days of its issuance.

Most importantly the circular states that "any specified communication which does not bear the electronically generated DIN and is not covered by the exceptions mentioned above shall be treated as invalid and shall be deemed to have never been issued."

Commenting on the development, Pritam Mahure, a Chartered Accountant, said that along-with CBDT now CBIC has also moved towards creating a digital audit trail of all the communications. “This initiative is certainly a transformative initiative and will help CBIC in increasing transparency,” he said.

Tanushree Roy, Director- GST, Nangia Andersen Consulting said that the Circular would help the taxpayers verify the genuineness of the communication along with creating a digital directory for maintaining a proper audit trail of such communication. Simultaneously, the taxpayers would also be able to track tax officers who have issued such communication, while keeping frivolous communication from the tax authorities at bay.

Source: thehindubusinessline.com- Nov 06, 2019

HOME

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Khadi gets separate HS code

Khadi has been allocated a separate harmonised system code by the commerce and industry ministry, a move that is expected to boost its exports in the coming years.

Harmonised system (HS) is a six-digit identification code developed by the World Customs Organization (WCO) and custom officers use this code to clear every commodity that enters or crosses any international border.

Khadi and Village Industries Commission (KVIC) Chairman Vinai Kumar Saxena said this decision of the government will open a new chapter in Khadi export.

"Earlier, Khadi did not have its exclusive HS code. As a result, all the data regarding export of this signature fabric used to come as a normal fabric under the textile head. Now, we will be able to keep a constant eye not only on our export figures, but it will also help us in planning our export strategies," Saxena said.

In a statement, the micro, small and medium enterprises ministry said, "Khadi has once again come out of its customary veil, marking its presence in the exclusive HS code bracket, issued by the central government on November 4, 2019, to categorise its products in export".

The KVIC comes under the administrative control of the MSME ministry.

Khadi and Village Industries products are eco-friendly and natural, and are in great demand in the international markets. Recognising its potential to generate exports and its eco-friendly importance, the commerce ministry had accorded deemed Export Promotional Council status to the KVIC in 2006, to boost the export of Khadi products.

However, in the absence of separate HS code, the export of Khadi products was difficult to categorise and calculate, the MSME ministry said.

Source: timesofindia.com- Nov 06, 2019

HOME

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RCEP members will work with India to sort its sensitivities: New Zealand Trade Minister

New Zealand's Minister of State for Trade Damien O'Connor has said that his country would love to see India as part of the Regional Comprehensive Economic Partnership (RCEP) agreement and all fifteen countries had agreed to work with New Delhi to sort out its sensitivities before a final agreement is reached.

"We understand sensitivities of India (on RCEP) domestically. All fifteen RCEP countries are committed to work with India through those (sensitivities) before final agreement can be reached," he said talking to the media following an interaction organised by CII on Wednesday.

India announced on Monday, after the RCEP Leaders Summit in Bangkok, that it had exited the RCEP agreement being worked out by sixteen countries as its core concerns were not being addressed. The RCEP includes the ASEAN, India, China, Japan, South Korea, Australia and New Zealand.

India's External Affairs Ministry's statement came as a surprise as the RCEP Leaders joint statement, endorsed by the leaders of all sixteen countries including Prime Minister Narendra Modi, stated that other members would continue discussions with India to sort out its differences. A decision can be taken later based on the results of the talks, it said.

Explaining the statement, Commerce and Industry Minister Piyush Goyal at a press conference on Tuesday said that while India's decision to quit RCEP was final at the moment, India was open to further discussions if its problems are addressed.

O'Connor assured that New Zealand's dairy industry would not pose a direct challenge to India's dairy sector.The proposed opening up of the dairy sector to New Zealand by lowering/ eliminating tariffs was one of the issues strongly opposed by Indian farmers and the dairy industry.

"India's dairy industry is larger than New Zealand's. We have exported dairy products to India only to complement Indian dairy sector in times of drought and times when our products were needed," he said.

The biggest challenge to Indian industry and farmers from the RCEP pact comes from China which runs a trade surplus of over $ 50 billion with India annually. India wants adequate rules of origin and safeguard duties in place to protect the domestic sector from import surges.

The 15 RCEP countries (not counting India) have agreed to sign the pact sometime next year.

All sixteen members together account for 39 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment flows and 45 per cent of the total population.

Source: thehindubusinessline.com- Nov 06, 2019

HOME

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RCEP: No competition please, this is India

India's backing off from RCEP is not surprising. What is surprising is that it took it so long to do so. As a reluctant participator, India hardly had a constructive strategy for the talks. For several years, and most of the early rounds, it relied on the old strategy of lingering the process. But, as other countries started piling up pressure for concluding talks from about a couple of years ago, India realised it was being pushed into a corner. The deal was to be concluded in the last ASEAN Summit itself, in 2018. But, India's general election, as well as those in other RCEP members like Indonesia, Thailand, and Australia, came to India's rescue. The group decided to defer the conclusion to this year's ASEAN Summit at Bangkok.

It is only during the last one year or so that India got serious about RCEP. Elaborate consultations took place in the past few months, along with extensive engagements with other members. The deal, though, was already at a substantially advanced stage. Other countries were not sympathetic to reopening discussions on India's 'core' demands: bringing up the base year for cutting tariffs to 2019 from 2014, automatic safeguard trigger for stopping surge in imports, and the insistence on greater market access for its professionals. At the end, India was left with little choice but to back out.

India's opportunity to return to RCEP remains. The joint statement of RCEP ministers mentions other members working with India for resolving outstanding issues. But, this would require India being realistic about its 'own terms,' and 'core demands'. It has been excessively reliant on its large economic size, and the hope that size matters so much that it can demand and obtain the impossible. It must note that RCEP is a multi-country, regional trade agreement, where interests of individual members can be accommodated only up to certain extents. It must also note that its paranoia over Chinese imports is not shared by other members. The rest are unlikely to be overtly sympathetic to India's insistence on special protection against Chinese imports.

Why is the Indian industry, and other stakeholders, so defensive on RCEP? It is interesting that the same defensiveness is hardly visible with respect to efforts of an FTA with the US. The answer is obvious. RCEP includes Southeast Asia, China, Japan, and Korea—countries that are miles ahead of Indian producers on competitiveness in manufacturing. The gaps are so much that even with high customs duties, Indian consumers, in many cases, prefer imports from these countries as opposed to domestic substitutes. The same lack of competitiveness prevents Indian exporters from penetrating deep in Asia-Pacific markets in spite of zero or low tariffs. Exports from Vietnam, Philippines, and Malaysia would be more competitive in larger RCEP consumer markets like Japan, Australia, and Korea, compared with those from India.

The competitiveness problem doesn't arise for the US. Indian industry is confident of diving deep in the US market. The post-GSP scenario might be different though, since other GSP-receiving competitors from Asia and Africa are getting their act together by reducing business costs. The US imports also don't threaten Indian manufacturers, except in high-end pharma, and automobiles. The shock, though, will be in dairy and other agricultural products. If Indian dairy producers prefer being hit by American milk imports as opposed to those from Australia and New Zealand, then one needs to see what logic supports such preference!

The overarching sentiment in pulling out of RCEP is Indian industry's fear of imports. But, will a longer phase-out period, and painfully slower cut in tariffs—as India is demanding—get rid of this fear? It won't. For most of Indian industry, the urge to become competitive doesn't exist as long as it is protected. Growth of exports requires being competitive and matching up to better quality standards. From an industry perspective, rather than export, it is better to focus on the protected domestic market, where the miserable Indian consumer will have to accept whatever is cheaply available, regardless of quality and price.

The vision of making India a global manufacturing hub depends on getting access to global and regional production networks. For that, it needs FTAs like RCEP. The logic of engaging in such FTAs only after domestic industry is competitive is fallacious. It will never be competitive unless exposed to competition, which it won't be.

RCEP members might concede more to India if they really value India's economic and geo-strategic might. There is talk of India pursuing bilateral FTAs with some RCEP members like Australia. Unfortunately, rubbing shoulders on the security platform of Quad won't guarantee special visas for Indian professionals through a bilateral FTA with Australia. The dairy sector would need to be stripped of protection, as would more of agriculture. That, though, might be more than a handful to handle. Getting shallow FTAs, as

India has done in the past with Bhutan and Sri Lanka on geopolitical grounds, is very different from working out deep, modern, comprehensive FTAs with advanced economies. Even if India gets FTAs with the US and the EU, getting higher shares of these markets would mean competing with beneficiaries of deep non-reciprocal preferences like EBA. Competitiveness would matter there—a parameter where Indian producers would fall short.

The commerce minister's recent lament on FTAs not needing to create a fear psychosis is unlikely to serve its purpose. However supportive the government is, industry is unlikely to act towards becoming more competitive. Once protected, always protected. No wonder, the relief is so palpable after the pullout from RCEP!

Source: financialexpress.com- Nov 07, 2019

HOME

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It takes 75 litres of water to make your jeans. Can it be brought down to zero?

Textile is one of the largest water consuming industries, next only to power and steel. Manufacturing clothes is water intensive, but technological innovations can make it possible to manufacture your favourite pair of denim without a drop of water.

Reinvention has been their armour of choice and they swear by it. The rationale isn't unfounded. Back in the 80s, when large composite mills in India faced an existential threat due to the coming of power looms, Arvind turned to a business strategy that put an emphasis on international markets and top notch premium fabrics. The result? The company catapulted itself to be among the top three denim producers globally within a decade.

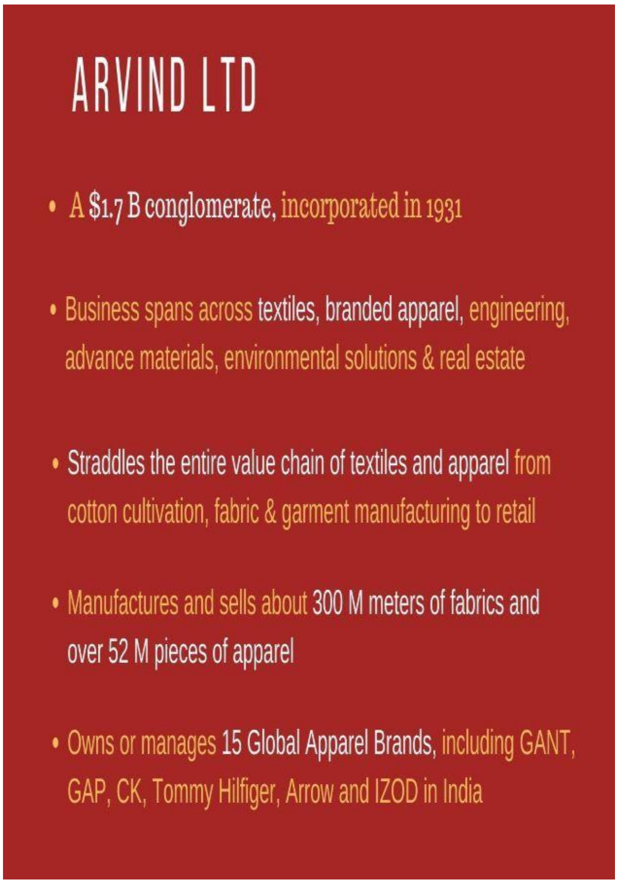
Synonymous with the quintessential Indigo dyed denim clothing, Arvind's first denim manufacturing plant came up in 1986 in its Naroda unit in Ahmedabad. By the end of 1987, the company rolled out high value cotton shirting in its manufacturing as well.

If there is one common thread that has been constant in the company's lineage, it is the utilisation of existing resources in a way which led them to develop intellectual property around a host of their unique inventions.

Going waterless

The company, which has acquired more than 30 global patents by now for its environmental solutions, has been taking the lead in water saving technologies.

Consider this: while, on an average, it takes 75 litres to make one pair of jeans, Arvind can get it done in 15 litres using foam dyeing and different finishing technologies. Their aim, in fact, is to move towards waterless dyeing of denim in the next few years.



The company has been geared towards eliminating the use of freshwater sources for production processes. The Santej manufacturing facility near Ahmedabad which came up in 1998 to produce high value cotton garments and knitted fabric, is spread over a massive 450 acres. The plant has a wastewater treatment plant which recycles up to 98% of the effluent.

Punit Lalbhai, the elder son of Sanjay Lalbhai and Executive Director of the $1 billion conglomerate Arvind looks back at his journey with a wave of nostalgia taking over. Armed with a bachelor's degree in conservation biology and a master's degree in environmental science from Yale University, the glint in his eyes is unmistakable as he narrates the company's philosophy of being 'fundamentally right.'

"The water business was born out of our own need to manage our water consumption better. We were one of the first companies around to use recycling technologies to reduce our water footprint. It was challenging in the beginning and also very expensive and, over the years, we have built a lot of internal competence to manage the sustainability of that operation," he says.

Incidentally, textiles is one of the largest water consuming industries, next only to power and steel. In the midst of finding solutions, the company found that others were faced with similar problems. This is when Arvind Envisol was started in 2011 as a different business that dealt in water treatment, industrial wastewater treatment, sewage treatment and zero liquid discharge solutions for others in the industry facing similar issues.

Eventually, it all fell into place. "From consulting it went to equipment sale and then to solutions and innovation where we started filing patents and developing intellectual property around how to better treat water. One thing led to another and it's proven to be a successful and high value potential future business for us," reveals Lalbhai.

In 2014, Envisol secured a global patent for its Polymeric Film Evaporation Technology, which helps to save 80% energy cost for Envisol's Zero Liquid Discharge water treatment system.

Lalbhai points to their need for saving water, which is going to be in tremendous scarcity going forward. "It makes sense for someone who has struggled and innovated in the space to take that business further ahead. That's the classical definition of reinvention," he shrugs.

Textile innovation

This drive to disrupt the market while also remaining ecologically compliant made the company mull a future course of action using their core competence of textiles. Three areas have been the primary focus at Arvind Ltd in this domain - human protection with solutions that protect human life through fabric technology such as flame retardant wear, splash protection, high visibility and industrial work wear - essentially all kinds of fabrics and garments that can protect in potentially hazardous situations.

Another vertical, advanced composites, makes use of reinforcement fabrics and resins through various processes for products in building construction, and mass transport, sports and industrial processes.

The company - Arvind PD Composites – manufactures glass fabrics for wind energy, marine and other industrial applications.

A joint venture with one of the leading glass fabric manufacturers in Germany, the ‘glass fabrics’ is considered an ideal solution for applications where strength and weight restrictions combine.

The third group is industrial application where the focus is predominantly on filtration of gases and liquids.

The technological innovations comprise unique aspects such as specialty fabric processing, stretch bonding, coating and lamination among others. Lalbhai recalls how the advanced materials division was envisioned. “We are trying to build the future of textiles through this division. The aim is to develop new businesses that match our core philosophy of fashioning possibilities contributing to society and yet creating a business that is needed,” he asserts.

Survival amid ecological threats

Lalbhai doesn’t think that India is anywhere behind in the call for action as far as its environmental responsibilities are concerned. In a country like India, Lalbhai reasons, organisations are bound to face the need for sustainability far more acutely as it is a large population and a severe shortage of resources such as climate change and water scarcity is being experienced.

“I don’t subscribe to the view that Indians do not care about sustainability. I think we are selling ourselves short, if we perpetuate that thinking,” he avers.

Lalbhai illustrates his point by drawing attention to how costs will go up dramatically when there is no clean air or water. While fresh water was earlier relatively freely accessible through ground water and other sources, today's industries have to buy fresh water supplied.

He cites the example of industries in South India paying Rs 60 a cubic metre now for freshwater, up from Rs 4 a cubic metre earlier. "Rs 100 a cubic metre is also not uncommon. So as the prices go up, it is going to make extreme business sense to become more resource efficient and to reuse, recycle.

That's where the sustainability angle comes in. So it's not about thinking how I can be good with sustainability. It is about how I can use these concepts that sustainability brings to the table to do my business better," he candidly states.

Lalbhai flips the argument and says that it is not about making sustainability part of the business practice, but rather it is about making one's business practice sustainable. "Everyone wants to earn a profit 10 years from now - that is sustainability.

So what do I need to ensure that I exist 10 years from now? I will need to ensure that I will have water to use, be the most cost effective company, thereby my material consumption must be efficient. I must have the best people and treat them well; otherwise I will lose my competitive advantage. I must use as little energy possible to produce the maximum result - that is sustainability," he adds.

The future augurs well for this textile conglomerate which has been betting big on its innovation-led technological processes. In fact, Lalbhai doesn't shy away from calling the new business verticals billion dollar ideas. "It's just about how fast we can get to that.

The purpose is about making them large, profitable, sustainable and such that can benefit society. They are at very high rates of growth. Presently, the advanced materials is at Rs 800 crore and water business stands at few hundred crore, but both are growing at 30% plus growth rates," he reveals.

Source: economictimes.com- Nov 06, 2019

HOME

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Rising apparel imports from Bangladesh to hurt industry

In what could be seen as a concerning trend for the financially stressed textile industry, the apparel imports from Bangladesh, the largest exporter to India, have been increasing. Imports from Bangladesh have gone up by 17% from April to August in 2019 as compared to the corresponding period last year.

Government data in a report by The Clothing Manufacturing Association of India (CMAI) suggests exports from countries like Vietnam and Hong Kong are also on the rise, having seen a significant increase of 45% and 50% respectively in the concerned period.

India's apparel imports from Sri Lanka, on the other hand, have shown a decline of 2% from April-August this year. Rahul Mehta, President, CMAI told DH that "Low-cost imports from countries like Vietnam and Bangladesh are worrying because that is impacting the smaller players of the industry and 80% of the industry is still in the MSME sector."

Mehta also explained the entry of China in the picture, saying that the FTAs with Bangladesh are encouraging duty-free imports of Chinese fabrics, with Bangladesh importing duty-free fabrics from China, adding value, and exporting duty-free to India.

With Sri Lanka, India has a duty free agreement, but only up to 8 million pieces. Such regulations, says Mehta, seem to be the pertinent course of action.

CMAI has also pointed it out that the import of readymade garments from Bangladesh has been growing at 50-80% per year, with current imports being close to about $375-$400 million. It is the trend and the rate of growth which is alarming.

If this continues, the imports, just from Bangladesh, will reach $3.6 billion by 2025, said the association.

Source: deccanherald.com- Nov 07, 2019

HOME

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It’s time for textile tourism in Erode

After establishing one of the largest textile shopping centres with 1,599 small weavers and traders, spread across 1.6 million square feet selling everything in the textile space at half to two-thirds the price in retail stores, the business destination of Erode is metamorphosing into a tourist hotspot.

Texvalley, a special purpose vehicle established under the Mega Cluster Scheme on the NH47 in Erode, is becoming a beehive of tourists and institutional buyers.

"Textile tourism is the big positioning we are doing. People will appreciate if they know how a garment or sari is made before they buy one," said C Devarajan, vice-chairman of Texvalley.

The tourism ecosystem is complete with a helipad for chopper services, free shuttle services connecting the railway station and bus station, a crèche and a medical centre.

"We have tied up with hotels next door. Advance information from a tourist or buyer will ensure that our helpdesk takes care of the requirements," Devarajan said. Concerts and speeches are also added to the itinerary making it an experiential tour.

Everything under the textile umbrella is made and sold here, directly by the maker. "There is a no middleman concept. Therefore prices are just half or two-thirds of what you get at retail stores," he said. A tourist can walk through the process and get an understanding of how a product is made.

Once they see the process they can buy from the maker. "Upon completion of the process, we help courier the purchased items to their doorstep to avoid them lugging around the items," he said.

Madurai Sungudi saris, Kancheepuram silk, Rajapalayam nighties, Erode furnishings, lungies are hot selling items here.

"Few Kanchee- puram weavers have set up shops inside and silk saris are sold at `800 onwards. You can never imagine those prices for Kancheepuram silks," he said.

The idea was to bring institutional buyers on a weekly basis, but with several individuals evincing interest, the mode was made daily and even retail buyers were allowed, he said. "A doctor purchased all his hospital linen for the next one year." Last year nearly 1.2 million people visited the super sale area buying merchandise worth more than `500 crore. "The Diwali period saw more than 1.5 lakh visitors," he said.

Texvalley is promoted in public-private partnership by URC Constructions with `40 crore funding by the Centre. It was promoted as a one-stop shop for handloom, powerloom and khadi products, but the product range was expanded.

Source: timesofindia.com- Nov 06, 2019

HOME

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