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# INTERNATIONAL NEWS

## China's Exports Slump as Coronavirus Forces Shutdowns

China's exports fell more than expected in the first two months of this year as the coronavirus outbreak led to extended holidays, depressed factory output, and blocked transport and movement across the country. Imports also declined, although increases in commodities purchases offset some of that.

The drop in exports was a bigger-than-expected 17.2% in dollar terms, while imports declined 4%, according to a statement from Chinese customs Saturday. While the trade surplus with the U.S. shrank, it's probably too early to see a strong effect from the deal with the Trump administration, which was signed in January but only went into effect in mid-February.

### Exports Plummet as Virus Hits

The first two months are normally volatile for China's economic activity due to a week-long lunar new year holiday, and this year is more unusual due to the coronavirus epidemic. The holiday, as well as quarantine and containment measures, shut down much of the economy for weeks, disrupting travel, production and transport, and the economy is still struggling to return to pre-virus levels even as the government pushes companies to restart.

"It's hard to forecast the trend based on January-February data because these two months are quite special, but given that the coronavirus is now spreading across the world, March data won't look so good either," according to Larry Hu, chief China economist at Macquarie Group Ltd in Hong Kong. "China's economic growth mainly relies on exports, real estate and infrastructure. The outlook of exports and the property market this year isn't so optimistic, so China will likely ramp up infrastructure investment."

### Trade Deficit

Imports of commodities rose, with purchase of soybeans up 14.2%, iron ore rising 1.5%, coal climbing 33.1% and liquefied natural gas increasing 2.8%. The overall trade balance fell to a deficit of $7.1 billion for the first two months.

**What Bloomberg's Economists Say...**

The outlook for trade will hinge on China's progress in getting its economy restarted and exports should rebound to growth in the coming months as exporters start delivering existing orders. However, a lot depends on what happens with external demand, and the impact of the virus on imports will become more evident in the coming months.

The disruptions from the virus may also jeopardize China's ability to meet its commitments to the U.S under the terms of the trade deal, as it could affect Chinese demand for American goods. China agreed to increase its imports of U.S. goods and services by $76.7 billion over the level in 2017 in the first year of the deal, and then by $123.3 billion in the second year, increasing imports by a total $200 billion.

Exports to the U.S. fell almost 28% in the first two months of the year, while imports rose 2.5%. That meant the trade surplus narrowed about 40% to $25.4 billion. Data released Friday U.S. time showed that the U.S. trade deficit with China narrowed in January as imports dropped and exports rose slightly.

"The growth in imports from the U.S. is pushed by the phase-one deal," according to Zhou Hao, an economist at Commerzbank AG in Singapore. "The reason that imports were better than exports overall is that the main problems for China are on the production side."

It's hard to forecast whether that will continue to be the case as external demand could also decline due to the spreading outbreak, even if China's production ability recovers, according to Zhou.

The contraction in trade in the first two months was mainly due to the virus outbreak and the extended lunar new year holiday, and the impact on imports is not yet significant, according to a statement on the customs administration's website.

Almost 81% of 2,552 companies involved in trade have resumed operations, according to a customs administration survey. There were no more details on that, but other reports have shown that even if companies have returned to work, their capacity hasn't returned to the level it was before the extended holiday and disease outbreak.

This was the first time that customs has combined the data for the first two months of the year, and not released figures just for January.

Source: bloomberg.com -Mar 07, 2020

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## China January-February exports tumble, imports down as coronavirus batters trade and business

China's exports contracted sharply in the first two months of the year, and imports declined, as the health crisis triggered by the coronavirus outbreak caused massive disruptions to business operations, global supply chains and economic activity.

The gloomy trade report is likely to reinforce fears that China's economic growth halved in the first quarter to the weakest since 1990 as the epidemic and strict government containment measures crippled factory production and led to a sharp slump in demand.

Overseas shipments fell 17.2% in January-February from the same period a year earlier, customs data showed on Saturday, marking the steepest fall since February 2019.

That compared with a 14% drop tipped by a Reuters poll of analysts and a 7.9% gain in December.

Imports sank 4% from a year earlier, but were better than market expectations of a 15% drop. They had jumped 16.5% in December, buoyed in part by a preliminary Sino-U.S. trade deal.

China ran a trade deficit of $7.09 billion for the period, reversing an expected $24.6 billion surplus in the poll.

Factory activity contracted at the fastest pace ever in February, even worse than during the global financial crisis, an official manufacturing gauge showed last weekend, with a sharp slump in new orders. A private survey highlighted similarly dire conditions.

The epidemic has killed over 3,000 and infected more than 80,000 in China. Though the number of new infections in China is falling, and local

governments are slowly relaxing emergency measures, analysts say many businesses are taking longer to reopen than expected, and may not return to normal production till April.

Those delays threaten an even longer and costlier spillover into the economies of China's major trading partners, many of which rely heavily on Chinese-made parts and components.

China's trade surplus with the United States for the first two months of the year stood at $25.37 billion, Reuters calculation based on Chinese customs data showed, much narrower than a surplus of $42.16 billion in the same period last year.

Soybean imports in the first two months of 2020 rose by 14.2% year-on-year as cargoes from the U.S. booked during a trade truce at the end of 2019 cleared customs.

After months of tensions and tariff hikes that dragged on bilateral trade, the world's two biggest economies agreed an interim trade deal in January that cut some U.S. tariffs on Chinese goods in exchange for Chinese pledges to massively increase purchases of U.S. goods and services.

The U.S. expects China to honor these commitments despite the coronavirus outbreak, a senior U.S. official said in February.

**VIRUS THREATENS GLOBAL RECESSION**

The supply and demand shocks in China are likely to reverberate through global supply chains for months, and the rising number of virus cases and business disruptions in other countries is raising fears of a prolonged global slowdown or even recession.

In response, global policymakers have stepped up efforts to cushion the economic blow of the epidemic, with the U.S. Federal Reserve delivering an emergency rate cut last week.

Shortages of vital parts and components from China last month cost other countries and their industries $50 billion, a United Nations agency said on Wednesday.

The virus outbreak escalated in late January just as many businesses were winding down operations or closing for the long Lunar New Year holidays, and as hundreds of millions of Chinese were returning to their hometowns.

China customs said last month it would not release separate figures for January and would combine January and February instead, in line with how some of the country's other major indicators are released early in the year, which is intended to smooth distortions created by the holidays.

Tough public measures such as restrictions on travel and quarantines meant many of these people were unable to return to their jobs in offices, factories and ports until only recently.

Some firms which have reopened have faced shortages of parts and other raw materials as well as labor, while others report inventories of finished goods such as steel are piling up as downstream customers like car plants slowly crank up production again.

Iron ore imports rose 1.5% over the first two months, supported by firm demand at steel mills even though the coronavirus outbreak had disrupted downstream sectors.

Parts of central Hubei province, the epicenter of the outbreak and a major transport and manufacturing center, are expected to remain under lockdown well into March.

Analysts at Nomura estimate only 44% of the businesses worst affected by the outbreak had resumed operation as of March 1, and 62.1% across the economy as a whole. As such, they forecast economic growth will slump to 2% in the first quarter year-on-year, from 6% in the previous quarter.

Beijing has already stepped up support measures, including offering cheap loans to affected businesses, and policy sources have told Reuters that more steps are expected as authorities try to cushion the epidemic's impact on the economy.

China's commerce ministry said on Thursday that more than 70% of foreign trade companies in the coastal provinces have resumed work.

But financial magazine Caixin reported this week that some companies were keeping machines running and lights open throughout the day even though they have no goods to produce, in a bid to allow managers and local officials

to inflate the official work resumption rate. Reuters wasn't able to verify this report.

Source: m.investing.com- Mar 07, 2020

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## US Home Textiles Imports May Remain Sluggish In 2020

US is the single largest market for India's home textiles, with almost 50% of home textile exports going to this market. US however still sources 50% of its home textiles and made-ups requirements from China.

In 2019, at the peak of the US-China trade war, China's share in US made-ups imports was 50.46%, 1.65% lower than in 2018. India supplied 22.45% of US made-ups imports, 1.21% highher than in 2018.

US imports of made-ups and home textiles in 2019 stood at US$ 14424.37 million, 1.52% higher than in 2018. This is a steep fall in growth rate from the previous year.

In 2018, US imports had increased by 7.31% over 2017. US textile & apparel import growth could remain stagnant in 2020 too due to the varied impact of the coronavirus, & the numerous store closures happening in this market.

### China, India dominate US home textile imports

Main items of home textile and made-ups imports by the US include cotton terry towels, other cotton manufactures (which includes among others table and kitchen linens, bedspread, curtains, upholstery, etc), cotton sheets, cotton bedspreads and quilts, MMF floor coverings, other MMF furnishings, wool floor coverings. India is the top supplier of cotton sheets, terry towels and wool floor coverings, to the US market. In other important products, China is the lead supplier.

In cotton sheets, India is the top supplier to the US market, followed by China and Pakistan.

In 2019, US imports of cotton sheets fell by 2.54%. India's exports to the US fell by almost 2% to US$ 691.01 million in 2019. In 2018, India's exports of this item to the US had dropped 1.65%.

China is the second largest supplier of cotton sheets to the US, and suffered a setback due to the US-China trade war. China's exports of cotton sheets worth US$ 269.13 million fell 11.57% in 2019, after recording a growth of 3.95% in 2018. Exports from Pakistan grew 10.21% in 2019, while registering a growth of 6.37% in 2018 too.

US imports of cotton bedspreads and quilts fell 2.89% in 2019, to US$ 959.26 million. In 2018, imports had increased by 10.07%. China, top supplier, exported goods worth US$ 557.34 million, down 6.4% in 2019. In 2018, China's exports had registered a growth of 14.68%.

India's exports of US$ 160.05 million grew 10.68% in 2019, a slightly higher growth than 10.59% registered in 2018. Imports from Pakistan, at US$ 152.92 million, fell marginally by 1.62% in 2019. US cotton terry towel imports in 2019 were US$ 1616.345 million, 1.16% lower than in 2018. India exported terry towels worth US$ 636.71 million, a small growth of 0.32%. India accounts for the majority share of 39.39% of total US imports of cotton terry towels.

China enjoys a 23.74% share of US imports of this item. China's exports of US$ 383.77 million, were 5.58% lower than in 2018. Pakistan's exports witnessed a growth of 2.28% to US$ 340.04 million.

US imports from Turkey were up 7.45%, from Colombia 12.36%, from Salvador 17.8% and Jordan 67.91%. Other cotton furnishings and home textiles imports into the US stood at US$ 2892.55 million in 2019, a fall of 3.6% compared to 2018.

Top supplier China did not fare too well last year, with exports falling almost 15% to US$ 1148.62 million. China accounts for 39.71% of total US imports in this category. China witnessed an erosion of its market share from 45% in 2018.

India has a share of 26.8% in this category, up from 25% in 2018. India's exports went up by 3.35% to US$ 775.09 million in 2019. Third supplier Pakistan suffered a fall of 3.5% in exports of the goods, which stood at UUS$ 452.60 million.

US imports from Vietnam were 19.63% higher than in 2018, from Cambodia 239% higher, and from Portugal 22.67% higher than in 2018.

## US floor covering imports down

US imports of wool floor coverings fell 13.76% in 2019, to US$ 654.32 million. India's exports of this item worth US$ 378.56 million to the US, was 4.3% lower than in 2018. India is the top supplier of wool floor coverings in the US, accounting for 57.86% share in total US imports.

There was a noticeable improvement in India's share from 52.14% in 2018. China's exports fell 27.86% to US$ 55.94 million. Pakistan's exports of this commodity at US$ 43.38 million showed a marginal growth of 0.49%. MMF floor covering imports into the US amounted to US$ 1749 million, a fall of 4.43% compared to 2018. In 2019, Turkey overtook China to become the top supplier in the US market. Imports from Turkey at US$ 648.61 million increased by 18.37% in 2019.

China's exports at US$ 389.89 were 32.16% lower than in 2018. India maintained its position as the third largest supplier with exports of US$ 187.87 million, 9.75% higher than in 2019. Among emerging sourcing destinations are Mexico , Korea and Vietnam.

## China dominates US MMF home furnishings imports

Other MMF home furnishings is the most important item in the US home textiles import basket, accounting for a share of 35% of total home textiles and mad-ups imports.

US imports of MMF furnishings increased 12.22% in 2019 to US$ 5153.20 million. Here China is the dominant supplier with a share of 83.23% of total US imports. This is the only category where China's exports grew in 2019, by 12.65% to US$ 4288.81 million. India is a far second here, with a share of 1.56% of the US imports; imports from India grew 4.38% to US$ 80.17 million. Pakistan's exports in this category grew 6.37% to US$ 79.26 million.

Among emerging suppliers are Ukraine – US imports from Ukraine have grown exponentially in the last two years; Salvador, Vietnam, among others.

Source: textileexcellence.com- Feb 28, 2020

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## USA: In Denim, Investing in Sustainable Technology Is the New Normal

Eco-friendly denim is more ubiquitous than ever, but bringing it to market hasn't been easy. Nor cheap, for that matter.

While planet-pandering technologies—think Jeanologia's water-sipping denim-finishing systems, Tonello's bleach-less OBleach or Archroma's botanically derived EarthColors—are increasingly available, they also require upfront costs from the mills that employ them.

"Sustainability is really linked to research and innovation," said Francesca Polato, marketing manager at Berto in Italy. "If the company doesn't invest, there is no innovation and, as a consequence, there is no sustainability."

Indeed, going green requires a fair amount of green, though precise numbers can vary significantly from mill to mill depending their age, size, level of sophistication and buy-in from the C-suite.

Certainly, organic cotton fibers, nontoxic dyes and other sustainable components are all more expensive than their conventional counterparts, according to Steve Maggard, president of North Carolina's Cone Denim. Even machinery upgrades that allow for water, energy and chemical efficiencies require "constant investment." Mills may rack up additional costs to have their processes and products audited and certified by third parties to verify claims.

"In a perfect world, it would be cost neutral to operate sustainably," Maggard said. "But that is not the case currently."

In December, the mill began installing Jeanologia's ozone-finishing G2 Dynamic equipment in its Mexico and China facilities, with the goal of using no harmful chemicals and markedly less water to create fabrics that are more laser friendly. It has also been collecting pre-consumer scraps from its

cutting floor and returning them into its supply chain, expanding Oeko-Tex certification at facilities worldwide and experimenting with lower-impact fibers and less-polluting forms of indigo, the chemical that makes the vast majority of blue jeans blue.

Maggard declined to specify how much Cone Denim spends on sustainable improvements, but he described the company as “committed” to maintaining its leadership in the denim market through continual investment in emerging technologies.

In fact, it’s Cone Denim’s R&D incubator, known as Cone 3D, that drives much of the mill’s proprietary eco-friendly lineup, which includes S Gene with Repreve, a dual-core denim made with post-consumer recycled plastic bottles, and Ciclo Stretch, which reduces microfiber pollution from synthetic textiles.

Cone Denim seeks, explores and fuels new opportunities, Maggard said—and it has the firm backing of Elevate Textiles, its parent company, to thank.

“We stay up to date by continuously working with machinery makers, vendors and raw material suppliers to stay aware of their new projects,” he said. “And we strive to identify ways we can partner with them to bring new ideas and initiatives to the marketplace.”

For Besim Ozek, strategy and business development director at Bossa in Turkey, balancing the books with sustainability is a delicate act. The mill invests an average of 10 percent of its profits into improving its green bonafides through a mix of more eco-friendly fibers, such as Tencel, and dyeing techniques like Saveblue, which uses 85 percent less water than conventional methods.

“We are financing all these costs in order to be [the] market leader of the industry,” Ozek said.

Since 2018, Bossa has become a “zero waste” operation, one that has recovered and reutilized more than 2 million kilograms of post-production waste to date. The company is currently transitioning all of its virgin cotton to 90 percent Better Cotton—which Ozek notes is comparable in price to conventional cotton but carries less social and environmental baggage—and 10 percent organic cotton.

Economic sustainability, he said, is just as important as environmental sustainability, which means any additional production costs are carried over to the customer. It doesn't try to hide this, however. "We are totally transparent about the calculation," Ozek said.

The way Anatt Finkler, creative director of Global Denim in Mexico, sees it, there are three main areas of investment for eco-friendly denim production right now: dyeing, recycling fibers and finishing.

She agrees sustainability is one of the biggest expenditures for mills because it requires "a lot of R&D, new technologies, innovations and education." Mills don't necessarily want to jack up prices, she said, but the unfortunate calculus remains that the "more sustainable innovation a fabric includes, the higher the price point is going to be."

Global Denim pioneered its Ecolojean process—which Finkler says results in zero water discharge, fewer dyes, lower energy consumption and a smaller carbon footprint—as a way to counteract the ill effects of indigo dyeing.

To lighten its reliance on virgin resources, Global Denim boasts a recycled-cotton program, dubbed Ecoloop, for transforming pre- and post-consumer denim into new yarn. (It has just opened a new wing of the mill with the "best state-of-the-art technology and machinery," Finkler said.) The mill has also been tapping into lasers and ozone, which it expects to use more broadly in the future.

All in all, Global Denim's investments in sustainability are "in the order of seven figures," Finkler said. It's only by doing this that a mill can grow, drive change and provide customers with the "best and most relevant product."

Because there is always room for improvement, there is no way any business can be "100 percent sustainable," she said. Mills must therefore stay nimble, both in terms of their strategies and plans for financing.

Finkler wishes customers understood that things that are "made better, cleaner and more sustainably" cost more because they require more effort and investment. The market, however, isn't quite there yet. As such, Global Denim works to keep the prices of its sustainable products comparable with conventional ones, to "help drive the industry into a better path."

But if mills' ledgers are in the red because of sustainability efforts, they may not be for long.

Because sustainability measures often improve efficiency, many, if not most, initial investments are eventually recouped through cost savings. Certainly, implementing investments "properly" can only help mills, said MaryKate Kelley, marketing manager for Italian denim purveyor Candiani. They just have to be patient.

"This efficiency would generate a competitive balance by increasing savings in terms of energy, water and chemicals," she said. "However, this would happen way down the road."

The 80-year-old, family-owned mill has thrown its support behind sustainable elastomers, dyes and polymers, despite the additional expense, because it has a clear vision. As a result, it has developed innovations such as biodegradable stretch denim, literally out of whole cloth.

"Our long-term objective revolves around the creation of regenerative denim and a positive carbon footprint through the final product and the actual industrial process," Kelley said. "It's going to take years, maybe a decade, but if I look at the past two years, the steps we've made in this direction are quite impressive and it leads me to believe we are closer to the target than we may think."

Ultimately, she said, everything "comes down to volume." Customers may theoretically be willing to pony up to as much as 15 percent to 20 percent more on products that are more sustainable, but Candiani has found that only one in 10 will actually do so.

"Right now, most of the sustainable applications aren't scalable and don't generate enough volumes in order to lower the impact of the innovation costs," Kelley said.

Her thesis bears out in the context of the textile industry as a whole. When Clean by Design, a mill-improvement program headed by the National Resources Defense Council and now run under the auspices of the Apparel Impact Institute, rallied 33 Chinese mills to tackle "low-hanging fruit" pollution-reducing, water-conserving and energy-saving measures, they recovered their collective $17.3 million investment within 14 months. The top mill, returns-wise, made back $3.5 million dollars in the first year.

Participants continued to save, too, since they managed to cut water use by an average of 9 percent, energy by an average of 6 percent and electricity by an average of 4 percent. The 2014 cohort, Clean by Design estimated at the time, will go on to save $14.7 million annually.

Maggard from Cone Denim, for one, takes the long view.

“We believe that taking a leadership position in the market on sustainability will result in long term benefits for us as a company,” he said. “People want to buy from ethical companies they trust.”

Source: sourcingjournal.com- Mar 06, 2020

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## US removing Vietnam as beneficiary to have minimal effect

The effect of the removal of Vietnam from the list of nations receiving US preferential trade benefits on the former will be minimal as Vietnam has applied subsidies of 2 per cent to goods in all its countervailing duties (CVD) investigations, according to Le Trieu Dung from the trade remedies department under the Vietnamese ministry of industry and trade (MOIT).

The decision, however, could be problematic in the long run if the US further investigates Vietnamese exports and the subsidies applied is less than 2 per cent, according to a ‘Vietnam Briefing’ document released recently by pan-Asia multi-disciplinary professional services firm Dezan Shira & Associates.

Experts also suggest that the US delisting will have minimal effects on existing duties on Vietnam, though the move means that Vietnam will stop receiving some preferential treatment.

MOIT also said Vietnam’s developing country status with the World Trade Organisation (WTO) remained unchanged and it still enjoyed the GSP.

Vietnam however, will have to be even more careful to deal with origin fraud and trans-shipment as this has been the source of US tariffs on Vietnam in the past. The tariffs were imposed to prevent steel products that originated from China attempting to bypass anti-dumping rules, the document said.

The Vietnamese government, subsequently, issued new regulations related to the origin of exported and imported goods.

Most recently, Vietnam issued Resolution 119 in December 2019 to address trans-shipment and origin fraud. The move was in line to satisfy US rules of origin requirements and address the trade surplus.

Vietnam's exports to the United States have continued to grow. As per WTO data, Vietnam's total import and export turnover reached $235.5 billion in 2019 and $242.6 billion in 2018. In the first nine months of 2019, exports to the US jumped by 34.8 per cent year on year.

The United States is Vietnam's largest export market and China is Vietnam's largest source of imports.

Overall, Vietnam-US trade will likely to continue to increase. However, Vietnam will need to be more careful particularly for industries such as steel, footwear and agricultural products exports to the US that have been growing.

If it does not, the United States is likely to impose countervailing duties on products that it deems to harm its domestic industries, the document cautions.

The US recently slimmed down its list of developing and least developed countries, thus removing Vietnam from receiving preferential trade benefits.

The move, however, was not directed specifically at Vietnam but included several countries such as China, Hong Kong, India, Indonesia, Malaysia, Thailand, and Singapore among others.

Source: fibre2fashion.com - Mar 09, 2020

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## USA: The Cotton Price Roller Coaster is Back. Better Buckle Up.

Plant cotton. The export market needs it.

Our market continues to shadow the world's preoccupation with the coronavirus. The volatile Fear Index, traded in Chicago, continues to demonstrate record volatile trading and appears to accurately track investors' trading activity, as well as the traders' view of blatant undecidedness.

Try as the market does to track and respond to bullish (or bearish) legacy fundamentals such as weather, exports, consumption, key demand indicators, interest rates, and the value of the dollar, it's really just about one fundamental for now – the coronavirus.

The 61-cent, give or take, appears to offer excellent support for now, at least in the charts. However, virus concerns could just as quickly yank the New York ICE cotton contract back down to the 57-cent blowout level.

Fundamentals are difficult to use for predicative price purposes. The same with technicals. The third market view – psychological analysis – is now dictating price activity. It's another case of perception being reality!

This mess is far from over. Cotton's entire supply chain – the path a bale of cotton takes from the farm until the resulting textile goods are sold to the consumer – is facing major turmoil.

Additionally, given the important roles of China and Italy, the turmoil will likely last 6-12 months. In the meantime, cotton prices will remain highly volatile. The turmoil was well noticed this past week on the heels of the USDA weekly cotton export report. Net weekly sales were record high for the marketing year.

Further, weekly shipments established a marketing year high. Both sales and shipments were very impressive, to say the least. The market's response: little to no price movement. Typically, such a report would have been expected to mean a 1-2 cent move higher.

Enough of that! What we know is that only about one half of the major Chinese spinning capacity is operational. Of that, most are operating only

between 25% and 75% of their typical operating hours. The majority of the workforce remains absent, although workers return every day.

Yet, some mills remain totally closed. While cotton is being shipped to Chinese ports (imports), only a limited number of Chinese exports (textiles) are leaving China. This seriously complicates the backhaul shipping arrangements that have been the backbone of just-in-time shipping agreements on which textile contracts are based.

Again, no one knows how long this will last, but the entire supply chain is operating only at a snail's pace. Actually, it is being dismantled as other countries que up for textile manufacturing operations that have been mostly in China the past 20 years. Thus, look for world cotton demand to slip another 300,000 bales in USDA's March supply demand report.

**To close, let me simply repeat some of last week's comments:**

- Cotton's future in the U.S. calls for increased plantings. Period. Just not in 2020. The coronavirus will control everything.
- U.S. planting will drop from the previously projected 13.0 million acres to between 12.4 and 12.6 million – even possibly to 12.2 million acres, all cotton.
- Cotton prices will lag during the remainder of the 2019-20 marketing year.
- Pent-up demand for cotton will explode in 2022-23. Be ready. Plantings could grow to 13.5-14.2 million acres. However, the U.S. cotton industry must wake up and decide to fight for market share. The U.S. cotton industry has all but abdicated that responsibility.
- Textile mills are exiting China as fast as they can – running, not walking. It will take 12-24 months to rebuild the supply chain.
- China will perform on its obligations, although their economy is being brought to its knees.
- U.S. cotton exports are booming and will continue, but prices will be very, very slow to benefit. If the U.S. does not continue to produce cotton, its markets will be lost. There will not be a second chance.
- Price volatility will continue. This could be wild – from a low of 57 cents to a high of 68 cents during the coming season.

Source: cottongrower.com - Mar 08, 2020

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## Time runs out for Vietnam's firms to meet EVFTA rules

Time is running out for Vietnamese garment, textile and footwear businesses to get prepared to face difficulties and take advantage of the opportunities arising out of the European Union-Vietnam Free Trade Agreement (EVFTA), which may officially come into force in July. The government too needs to continue promoting restructuring and facilitating the adaptation.

Textile stocks in Vietnam witnessed a temporary upswing last month following the ratification of the EVFTA, but textile enterprises continue to face difficulties due to heavy dependence on imported raw materials and machinery as well as reduced demand worldwide. Vietnam’s textile and garment industry is heavily dependent on imported machinery and raw materials.

EVFTA is opening up a great opportunity for Vietnamese enterprises and many products that Vietnam already exports to this market, including garments and textiles, coffee and footwear, still have a huge room to expand, according to media reports in Vietnam.

The EU is spending nearly $280 billion annually on importing textiles and garments from suppliers across the world, while Vietnam's market share occupies less than 2 per cent of EU’s total textile and garment imports.

Executive director of Vietnam Textile and Garment Group (Vinatex) Cao Huu Hieu said the country’s textile and garment export turnover to the EU market reached about $4.5 billion in 2019, up 2.23 per cent compared to 2018 figures. When the EVFTA comes into effect, 42.5 per cent of tariff lines imposed on Vietnam's textiles and garments will be abolished and the rest will be eliminated after three to seven years.

Chairman of the board of directors of TNG Investment and Trading JSC Nguyen Van Thoi said enterprises who can meet the rules of origin will have great advantages to enjoy tax incentives and boost exports. TNG exports more than $100 million worth of garments to the EU market every year.

The agreement sets very high requirements relating to origin, certification of origin, food safety, information transparency and production environment. Vice chairman of the Vietnam Textile and Apparel Association (VITAS) Truong Van Cam said although the country can produce yarns, it is yet to meet the requirements set in the new generation FTAs.

The Ministry of Industry and Trade said that mechanisms and policies on the development of supporting industries will continue to be reviewed in accordance with the contents of EVFTA to facilitate sectors that will benefit the most from the agreement.

Source: fibre2fashion.com - Mar 09, 2020

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## Fashionably late: The apparel industry's shift toward sustainability

Designer looks captured the catwalks at Fashion Weeks around the world. But beyond the runways, recycled clothing, thrifting and renting apparel are growing in popularity and reshaping the market.

**Why it matters**: Fashion is a massive polluter. According to the United Nations, fashion produces 20% of the world's wastewater and 10% of the world's carbon emissions — calling the habit of quick closet-turnover into question.

- Green fashion is becoming increasingly mainstream.
- Celebrities are ditching one-and-done fashion looks, opting to up-cycle or re-wear their looks at major events.
- Recycled brands took over the runways in January at Men's Fashion Week.
- Consumer interest in sustainability is causing major brands to shift their business practices.

**Where it stands**: Market niches that favor the trend are emerging in the clothing industry.

### Recycled materials

Some companies are producing apparel made from recycled materials ranging from water bottles to previously worn garments.

- **Rothy's**, a popular shoe brand, makes flats, sneakers and loafers 100% from post-consumer water bottles.
- **Hanes**, an undergarment staple, has increased the use of recycled cotton and polyester.

- **H&M**, a prominent fast-fashion retailer, has committed to using 100% sustainable cotton this year and offers discounts to customers who recycle their old clothing with the company.

**Apparel renting**

A number of companies offer subscriptions that allow shoppers to rent pieces, often of high quality, and return them for new stock.

- Consumers cycle through a wear-and-return closet, rather than buy individual items. The industry produces less and, in turn, pollutes less.
- Some individual retailers — Urban Outfitters, American Eagle, Express — are creating their own rental services, while others offer an array of brands.
- Rent the Runway, one of the leaders in rentable apparel, was valued at $1 billion last March, according to Business Insider.

**The revival of thrift**

Thrifting has made a comeback, with digital outlets offering re-sellers a new avenue for profit.

- Social media has allowed thrift stores to market their content online and offer shipping services, vastly expanding access to customers.
- Self-selling apps like Poshmark and Mercari have also allowed individuals to start listing pieces in their own closets for secondhand sale.
- Thrifting reduces the production of new clothing and the amount of used apparel stuffed into the back of closets and trash bags.

**The bottom line**: There's innately something less sexy about renting or reusing clothes. However, there's also something particularly unattractive about a polluted, warming planet for the sake of a stylish fit, making the former worthy of consideration.

Source: axios.com - Mar 07, 2020

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## Weak Chinese cotton trading due to Coronavirus

Trading in the Chinese cotton yarn market remains weak. Market activity has been low. The epidemic has put a burden on the global cotton industry. Operating rate of fabric mills is still only 20 per cent. Orders currently catered to by weavers are mostly pre-holiday orders. Weavers mostly produce conventional varieties and open-end ones with lower value and less capital, which is commonly referred to as low-end fabric stocks. Most companies are now more worried about the epidemic.

International cotton yarn prices are weaker than domestic prices. Domestic yarn supply and demand are weak. Yarn mills have little inventory and there will be not much burden in the short term. Yarn mills have recovered much better than fabric mills.

Prices of international cotton yarns fell significantly faster than domestic ones. The imported yarn market will still have price advantages, or may still have a place in the Chinese market. In short, due to weak demand, the decline in cotton prices and the fall in imported yarn prices, the overall market price of cotton yarns in China is predicted to be weak. As the epidemic has spread to Japan, South Korea and Europe, there is a possibility of further spread, and the international market has become increasingly worried.

Source: fashionatingworld.com - Mar 08, 2020

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## EU extends GSP-Plus status for Pakistan, announces Razak Dawood

Adviser to Prime Minister on Commerce, Industry and Investment Abdul Razak Dawood on Friday announced that Pakistan would continue to enjoy tariff preferences in European Union (EU) under Generalized Scheme of Preferences-Plus (GSP+) status.

Taking to Twitter, Adviser to the Prime Minister Razak Dawood thanked the EU institutions for the extension. “This will strengthen our resolve to continue to improve the social and economic conditions of our people,” the adviser said, asking the business community to “diversify your exports to capitalise on this opportunity to the optimum”.

The adviser also applauded federal and provincial authorities, ministry of commerce's treaty implementation cell for striving hard to meet the GSP plus obligations.

On February 17, the GSP-Plus status given to Pakistan has come under discussion at the European Parliament on Monday as it reviews the country's request to extend the facility.

In February 2018, the European Union (EU) extended Pakistan's Generalised System of Preferences plus (GSP-Plus) status after the

European Parliament's Committee on International Trade expressed satisfaction on the progress achieved by the country in enacting new laws for implementation of 27 core conventions of GSP plus.

The facility was extended for a period of two years then and for another extension, a report detailing compliance from Pakistan on the conditions required from the country for extending the GSP Plus status was tabled before the European Parliament today.

The main sectors that benefitted from GSP-Plus have been textile and garments, which besides earning foreign exchange for the country, provided employment opportunities, especially to women.

The duty-free access has been crucial for Pakistani products to maintain their edge in the EU market vis-à-vis similar products originating from India, Turkey, Vietnam and China. It grants full removal of tariffs on over 66 per cent of product categories for exports to the EU.

According to the Ministry of Commerce, Pakistani exports to European markets increased by 66% after GSP+, and GSP + support for Pakistan will continue till 2024.

Officials said that Pakistan's next GSP+ will be reviewed in January 2022, while the European Commission will visit Pakistan next month.

Source: dailytimes.com.pk- Mar 07, 2020

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## Pakistan: Govt working to increase exports, says commerce ministry

Pakistan's exports to 10 countries dropped during the first eight months of the current fiscal year from a year ago, while exports revived to six destinations, according to data released by commerce ministry.

No explanation was given by the Commerce Division to explain the decline. However, the ministry said it will continue to work on improving exports in these destinations.

Pakistan's exports to India dropped by almost 97 per cent to $8 million during the July-Feb from $246m a year ago. But at the same time, imports from India dipped by 69pc to $318.25m from $1.03bn over the last year.

Pakistan had suspended trade relations with India since August 2019 in the wake of Pulwama attack. However, Islamabad has allowed import of medicines and pharmaceutical raw materials from New Delhi.

Trade analysts believe Pakistan continues to trade with India via a third country. The only justification in support of this argument came from substantial increase in exports to the United Arab Emirates. Pakistan's export to the UAE surged by 54pc during the period under review mainly led by rice.

Pakistan's exports to Afghanistan, once Pakistan's second biggest export market after the United States, dropped by 32pc. However, exports to the neighboring country have declined due to tensions especially border closure diverting the trade to Iran and India via Chabahar port.

Between July and Feb, Pakistan's exports to Vietnam declined 32pc, South Korea 23pc, Indonesia 32pc, Guinea 85pc, Philipines 33pc , Belgium 7pc, Papua New Guinea 96pc, and Madagascar 31pc.

Pakistan's export to the UAE went up by 54pc, USA 4pc, Netherlands 17pc, China 9pc, Germany 11pc, Saudi Arabia 38pc, Malaysia 49pc, Thailand 44pc, Yemen 96pc and Oman 37pc. Product-wise details showed value-added textiles led the growth with impressive quantum jump in exports. The exports of ready-made garments went up by 13pc in value and 16pc in quantity while knitwear went up by 8pc in value and 12pc in quantity. Similarly, bedwear exports were up 4pc in value and 10pc in quantity.

Food and agriculture exports also increased during the period under review indicating upturn in export-oriented sectors. The exports of basmati rice went up by 37pc in value, while vegetables exports were up 71pc, meat and meat preparations 52pc, fish and fish preparation 12pc. However, exports of wheat and sugar went down by 90pc and 24pc respectively due to voluntary government ban following a shortage in the local markets.

Leather garments exports were up 13pc, surgical and medical instruments 7pc, leather gloves 9pc and footballs 12pc.

Contrary to these, exports of petroleum products dipped 62pc, petroleum crude 28pc, oil seeds 58pc, plastic materials 10pc, gloves 20pc and cement 6pc. The exports of cotton cloth dipped by 2pc, tanned leather 18pc and made-up articles 5pc. Decline in raw cloth and leather is positive omen for value added industry.

On the flip side, data released by the ministry showed Pakistan's imports increased from 10 nations during eight months under review including Netherland by 130pc, Iran 93pc, Egypt 156pc, Brazil 6pc, Vietnam 38pc, Taiwan 26pc, Algeria 185pc, Denmark 61pc, Nigeria 16pc and Canada 8pc.

At the same time, some decline in imports was also seen from UAE, down 20pc, followed by India at 69pc, Japan 45pc, Saudi Arabia 27pc, Qatar 25pc, Thailand 40pc, Indonesia 13pc, Germany 2pc, and UK 22pc.

Product-wise, top imports products during period included electrical machinery and apparatus, up by 34pc, mobile phones 81pc, raw cotton 39pc, iron and steel scrap 8pc, liquefied petroleum gas 19pc, power generating machinery 3pc, pulses 5pc, aircrafts, ships and boats 7pc, worn clothing 12c and spices 7pc.

However, import of petroleum crude dipped by 27pc during July-Feb from a year ago, petroleum products 14pc, other machinery 25pc, iron and steel 32pc, motor cars (CKD/SKD) 53pc, fertiliser manufactured 32pc, parts 50pc, all other metals and articles 24pc, motor cars 73pc and LNG 6pc.

The data showed import of other textile items declined 41pc, and all other food items 10pc during the period under review.

Source: dawn.com - Mar 08, 2020

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# NATIONAL NEWS

## Textile exports from nearly 15 states shrink in last five years; these states see maximum contraction

As India's textile sector aimed to grab an opportunity amid the US-China trade war, the textile exports from around 15 states contracted in the last five years.

In FY15, the textile exports from many states including Maharashtra, Tamil Nadu, Punjab, West Bengal, Andhra Pradesh, and Delhi were more than what they were in FY19, according to a written reply given by Textile Minister Smriti Irani in Lok Sabha.

From Delhi, the textile exports halved from $542 mn in FY15 to a mere $270 in FY19 while in Punjab and Andhra Pradesh, the contraction was on account of 20 per cent and 16 per cent respectively.

The overall exports in the textile sector grew at a much slower pace than the imports grew in the last five years.

The textile exports rose 2.2 per cent while textile imports shot up by 13.1 per cent between FY15 and FY19, according to the parliament papers. India's top 5 textile export destinations are the USA, Bangladesh, China, Pakistan, the UK, while the top 5 import destinations are China, the US, Australia, Bangladesh, and Taiwan.

The textile industry is a labour-intensive industry thus the growth plays a vital role in job creation.

The textile industry is also one of the industries that have major participation from the informal sector as well. Hence, a fall in the industry causes loss of jobs from the informal sector that is hardly measured.

However, the government had earlier said that to curtail imports of textiles and to boost domestic production, it has doubled the Basic Customs Duty from 10 per cent to 20 per cent on 383 apparel HS lines from 16 July 2018.

Source: financialexpress.com- Mar 08, 2020

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# Textile mills rejoice increase in power subsidy

Textile mill owners had a reason to rejoice on Friday after the state government increased the power subsidy for textile mills by Rs 1.15 per unit. Deputy chief minister and state finance minister Ajit Pawar, in the maiden budget of Maha Vikas Aghadi (MVA) presented on Friday, said that the subsidy grant for the power load more than 27 horse power or 20 kilo watt has been increased by Rs 1.15 per unit. The effective tariff for power consumed by the textile mills is Rs 5.45 per unit.

Textile mill owners claim that increase in the subsidy will effectively result in more savings and thereby they can opt for more investment and hire more employees.

In Ichalkaranji, the textile town of the district, around 3,000 connections have a power load of 27 HP or more and the monthly consumption of power is around 15,000 units to 1.5 lakh units.

Last year, during floods, textile mill owners incurred damages around Rs 125 crore after over 400 textile units housing around 4,000 power-looms were shut down.

Satish Koshti, president of Ichalkaranji power-loom association, said, “The sector is going through the worst phase since last six years due to the bad policies such as demonetisation.

Earlier, the subsidy grant was reduced by Rs 1.22 per unit which further affected the sector badly and investment was totally stalled further causing job losses in the sector which provides huge number of employment to people. With increase in the subsidy, more money will be saved.”

Meanwhile, industrialists are not happy with reduction in duty on power consumption from 9.3% to 7.5%. Energy minister Nitin Raut has claimed that it will lead to loss of Rs 2,500 to the state exchequer, but will help the ailing core industries.

Atul Patil, president of Shirol Manufacturers Association, said, “Reduction in duty will not lead to overall savings in power bill. We expected reduction in the tariff charges which stands at average Rs 12 per unit — highest in India.”

Source: timesofindia.com- Mar 07, 2020

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## What ails India's Free Trade Agreements?

Lately, India's trade policy seem to lack a vision. After actively pursuing it for over a decade, India decided against joining RCEP at the eleventh hour. The official version is that India runs a large trade deficit with RCEP countries, and was expecting specific protection for its industry and farmers from a surge in imports, especially from China. Since that did not materialise, the government of India does not foresee any gain from joining RCEP. Moreover, it may hamper India's Make in India programme.

In hindsight, this may be an afterthought of signing several free trade agreements (FTAs) with Far East countries/blocs (Korea, ASEAN, Japan) in the past (under UPA), the gains of which are not clearly visible. In fact, the official view is that poor negotiations of FTAs under previous governments have harmed Indian industry, and led to a distorted trade balance. While the outcome variable (distorted trade balance) is shown by statistics, the factor behind this trend needs in-depth introspection.

The question is whether these FTAs escalate the non-tariff measures (NTMs), leading to higher trade deficit. This is indeed a possibility if policymakers didn't pay enough attention to creating a complementary ecosystem, in terms of trade facilitation measures for efficient functioning of the trade regime, at the time of signing of FTA.

Let me explain with evidences from the India-Sri Lanka FTA (ISFTA), one of the earliest FTAs India singed, and for which more evidence is available from our recent in-depth study. In 2005, 98% of Sri Lankan exports availed the FTA route. This has declined to about 50% in recent years.

On the other hand, only 13% of India's exports are routed through FTA. Surely, no one expects this trend to be exhibited after signing an FTA. Some argue that this fall in the share of utilisation of the FTA route is due to the implementation of the SAARC Free Trade Agreement (SAFTA) post 2006, and most Indian exporters are using the SAFTA route. This logic falls apart since the rate of tariff concession is higher under ISFTA (up to 100%) than under SAFTA (up to 20%). The question, then, is why exporters on either side are reluctant to avail benefits of ISFTA.

In general, an FTA, by changing the rule of the existing trade regime, may increase the transaction cost of trading unless complementarity steps are taken so that the ecosystem of trading doesn't turn out to be inefficient due to additional complexity.

All FTAs are bound by the additional rule of the game, which needs to be adhered to if one is to benefit from the tariff concessions. For that reason, concerned officials for enforcing the rules need to be well-versed with their intricacies. Rarely do policymakers pay attention to this. Another shortcoming in the architecture of India's FTAs is the avenue of discretionary power of officials in judging tariff concession claims. Both these add to transaction costs.

It is also true that NTMs need more introspection while signing an FTA. ISFTA, for instance, specifies that customs shall not keep goods for more than three days, and shall obtain an undertaking from the importer and release the goods.

In reality, samples are often drawn by customs for testing after arrival of goods, and it takes 20-30 days to obtain report from the laboratory and overall 30-40 days to release the goods. While exporters are charged testing fee for each sample, importers must pay heavy demurrage and storage charges.

Packaging and labelling issues are also not well-defined under ISFTA, raising the compliance cost of availing concessions under the agreement. This is particularly true of high value commodities like Regular Black and Green Tea (loose tea, and tea bags), Flavoured Black and Green Tea (loose tea and tea bags), Assorted Flavoured and Regular Black and Green Tea (tea bags), Herbal Tea (regular/flavoured), etc. Therefore, if the labelling regulations are clearly defined and made available to traders, it makes compliance easy, and would not cause problems in clearing shipments during entry into India.

On the export side, fragile products like sanitary-ware are usually packed in straw to insulate them from shock and impact. But, Sri Lanka does not accept products packed in straw. Instead, it demands that such products be packed in five-ply corrugated boxes. Since, India does not manufacture enough of such boxes to meet the existing demand, they need to be imported. This increases the cost of packaging, and affects competitiveness in the international market. These kinds of issues need to be accounted for when introspecting why an FTA leads to an adverse trade balance.

Currently, any food item exported either from India or Sri Lanka is tested twice —once at the port of origin, and again at the destination port—which unnecessarily increases trading time.

This happens because no attention was paid to harmonising standards for food items. Since there is also a shortage of proper storage facilities at ports, especially for items requiring cold storage, the possibility exists that traders suffer loss due to damage of goods.

Certification is an issue that needs attention at the time of signing of FTA if the interests of traders/manufacturers are to be protected. For example, the Sri Lanka Standards Institute has entered into an agreement unilaterally with the Export Inspection Council (EIC) of India on recognition of test reports/certification issued by reliable Indian authorities accredited to provide these. Therefore, Indian products do not face unnecessary delays, or additional costs in this respect while entering Sri Lanka.

On the contrary, as Sri Lanka's authorities have not entered into an agreement that provides for acceptance of test reports/certification issued by Sri Lanka with their Indian counterparts, Sri Lankan products face unwanted hurdles. Since government authorities function at their own pace, there is a need for a system of third-party certification from private entities in partner countries.

What we have argued here applies to other FTAs as well. There is a need for analysing them before drawing the conclusion that FTAs are harmful to Indian industry! The least one can do is to revisit all FTAs, and introduce an autonomic decision-making process to strengthen principle-based economic judgments, thereby reducing transaction costs of trading.

Source: financialexpress.com- Mar 09, 2020

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# More GST funds for states: New imposts, cess hikes preferred ways

The Goods and services tax (GST) Council, at its next meeting likely by the end of this month, will devise a mechanism on how additional funds would be found to bridge the states' GST 'revenue shortfall', given that the designated corpus has fallen short of the requirement, according to official sources.

The obvious options are to restructure the GST slabs and raise the aggregate rate to the revenue-neutral level envisaged before GST's launch or hike the cesses, through which the compensation funds for states are mobilised or introduce new such imposts.

As a comprehensive GST rates overhaul may be postponed for a later date — finance minister Nirmala Sitharaman recently said she preferred the system to stabilise before another major rates rejig — there is greater chance of the Council resorting to the cess route.

Speaking at the Indian Express group's Idea Exchange programme recently, finance secretary Ajay Bhushan Pandey said the relevant law was clear that the Centre could make payments only from the compensation proceeds generated out of cesses levied on items under GST, for bridging the states' revenue shortfall.

"Whatever money comes in that (compensation) fund, only that money can be paid (to states). Now, if there is a shortfall (against states' guaranteed revenue growth of 14%) which is more than what could be overcome by compensation fund, the GST Council will take a decision on what measures can be taken to either increase the cess amount or consider the rates or take any other measure".

The Centre has recently said it will use about Rs 28,000 crore of the Rs 47,271 crore absorbed by the Consolidated Fund of India in FY18-FY19 period as 'surplus' revenue from the GST compensation cess to reduce the state governments' GST revenue shortfall in FY20.

Even after this, the states' GST revenue (SGST) in FY20 will be some Rs 28,000 crore short of the level they would have achieved under the 14% guaranteed annual growth formula. Some Rs 20,000 crore of the surplus

that merged with the CFI was used to bridge states' shortfall in the final months of FY19.

While states wanted the Centre to meet its 'constitutional obligation,' the Centre remained ambivalent on how the issue would be tackled. Clarity on the Centre's stand emerged when, in her Budget speech, finance minister Nirmala Sitharaman said: "It is decided to transfer to the GST compensation fund balances due out of collection of the years (2017-18 and 2018-19), in two instalments. Hereinafter, transfers to the fund would be limited only to collection by way of GST compensation cess."

Some states are threatening to move the Supreme Court against the Centre's decision. Kerala finance minister Thomas Isaac said the state government would approach the apex court under Article 131 to secure the pending GST compensation from the Centre. West Bengal finance minister Amit Mitra had said it was for the Central government to devise a mechanism for payment of compensation to states under GST, if the fund set up for the purpose ran dry, given the silence of the relevant law on an alternative mechanism.

The guaranteed level of SGST revenue in the current fiscal is Rs 6.70 lakh crore. The Centre's budgeted GST revenue (CGST, compensation cess), according to the revised estimate, is Rs 6.12 lakh crore, against the original estimate (BE) of Rs 6.63 lakh crore. The collections fell woefully short of estimates in earlier months, but have picked up in December-February.

In aggregate, GST collections are still way below the targets set by the authorities, but their efforts to improve compliance, check excessive use of input tax credits and frustrate frauds like fake invoicing are paying off, albeit gradually.

Since the Centre cut its own budget estimate for GST by over 8%, it would likely meet the revised estimate, even with the current pace of collections; but in order to be able to meet the gross collections target, which includes fully compensating the states for any revenue shortfall from the assured annual growth level of 14%, the March mop-up requires to be an impossibly high Rs 1.4 lakh crore.

Some of the suggestions presented before the Council in last meeting included rationalising GST rate structure to just two rate slabs of 10% and 20%, and a special higher rate on sin and luxury goods and imposing cess on additional items like cosmetics, gambling and recreational services. Further, a committee of officials suggested that some of the items currently exempt

like health and education could be selectively taxed. Another option of revisiting rates of certain items that were brought to 18% from 28% earlier.

However, while the committee presented an analysis of different options for the Council to augment revenue collection, it said any increase in compensation cess rate or base would not yield significant revenue if collection growth remained subdued.

The Council, according to sources, could look at imposing cess on items in the 18% tax bracket if there is a consensus that these items can be classified as non-essential. Nearly half of GST revenue comes from items in the 18% slab. The cess is now there on a handful of items that aren't in the 28% tax slab while all items in the 28% slab attract cess.

Source: financialexpress.com- Mar 09, 2020

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## Plans afoot to promote Chamarajanagar as textile hub

In a move that could give an impetus to the industrial development of Chamarajanagar, there are plans to promote the district as a textile and garment hub as it is close to cotton cultivating areas and to create jobs in the district hinterland.

One of the leading players in technical textiles has already evinced interest in establishing a unit at the industrial area at Badanakuppe –Kellamballi at a cost of ₹900 crore.

Though discussions are in the preliminary stages, Chamarajanagar Deputy Commissioner M.R. Ravi told The Hindu that the private enterprise was serious about setting up the unit to manufacture technical textiles that has industrial applications.

Only last month the Union government approved the constitution of a National Technical Textile Mission to promote the variety that is reckoned to be a sun-rise sector with the global market value pegged at around ₹17.75 lakh crore of which India's share is estimated to be around ₹1.14 lakh crore.

“The private enterprise was awaiting the launch of the new textile policy and now that it has been rolled out we intend to take forward the discussions on the launch of the project,” said Mr. Ravi.

This is in tune with the current efforts to promote and develop Chamarajanagar as the knitwear hub of Karnataka.

“Our focus is textiles as it is not only labour intensive but also needs semi-skilled or unskilled workers who could be trained. Given the vast manpower in Chamarajanagar, the textile units could help generate jobs, especially for women,” Mr. Ravi added.

Agriculture is the main occupation in the district which was identified as among the most backward regions in the Nanjundappa Committee Report on Regional Imbalances.

Besides, more than 60% of the district is under forest cover and agriculture is the main occupation of the people. While cotton is one of the major crops in Chamarajanagar, its proximity to other cotton-growing areas, like H.D. Kote in Mysuru , besides connectivity to Tamil Nadu, which is a major textile and industrial manufacturing hub, are the reasons for promoting textile industries, according to the district administration.

Also, the industrial areas in Kadakola and Nanjangud in the neighbouring district of Mysuru, is saturated. Feedback from the local industrialists in Mysuru indicated that they were serious about entering Chamarajanagar.

“We have nearly 1,400 acres of well-developed industrial park in the district which has been provided with roads, power connectivity, water etc. It is also about 20 km from Nanjangud industrial area and hence ideally situated,” according to the Chamarajanagar Deputy Commissioner.

The industrial area was inaugurated 3 years ago and has granite units as well but the focus on textile is expected to create jobs on a large scale.

Source: thehindu.com- Mar 09, 2020

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# Exporters are entitled to AIR Drawback though the processing is carried out at 100% EOU: Madras HC [Read Judgment]

The Madras High Court has held that the exporters are entitled to All Industry Rate (AIR) drawback though the processing is carried out at the 100% Export Oriented Unit (EOU).

In the case of M/s GTN Textiles Ltd. vs. The Commissioner of Customs observed that where the parts of the process are carried out in different locations and it is very difficult to conclude that this operational difference would result in the denial of the benefit to the exporter. And the only purpose of the stipulation is only to ensure that no double benefit is availed.

The petitioner namely M/s GTN Textiles Ltd. is engaged in the manufacturing and export of readymade garments. The petitioner claimed the drawback of excise and customs duty paid on all the raw material pertaining to the manufacture.

This claim was made under All Industry Rate (AIR). However, the claim of the petitioner was denied by the respondent on the grounds that the petitioner is carrying out the processing at the unit which is 100% Export Oriented Unit (EOU) and by an order asked the petitioner to reverse the drawback granted and recover the same.

The issue raised in this case was whether the exporter is entitled to All Industry Rate (AIR) drawback though the processing is carried out at the 100% Export Oriented Unit (EOU) or not?

The single bench of High Court of Madras comprised of Justice Anita Sumanth held that where the parts of the process are carried out in different locations and it is very difficult to conclude that this operational difference would result in the denial of the benefit to the exporter. And the only purpose of the stipulation is only to ensure that no double benefit is availed. Therefore, the exporters are entitled to All Industry Rate (AIR) drawback though the processing is carried out at the 100% Export Oriented Unit (EOU).

Source: taxscan.in- Mar 07, 2020

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# Time to tell the India story right: WCD and Textiles minister Smriti Irani

Union Minister for Women and Child Development Smriti Irani, speaking at the ET Global Business Summit, on Saturday said that her ministry has been engaging with global agencies that comment on Indian health parameters to "set the India story right, and in proper context."

"We have reached out to global agencies that look at Indian health parameters only from the prism of maternal mortality rate. Even then, when we were calculated on the Global equality index we have been evaluated on NMR of 174 when the MMR is actually 122. They have told us they will correct it next year," the minister said.

She said the government is "steadily and steadfastedly" engaging with global agencies that comment on Indian matters, particularly with regard to gender. "When they look at economic empowerment of women they only look at those in labour and not those who run small businesses...even the women what part of 59 lakh self help groups don't get counted."

Stressing that the "India story has to be told in the right context," she said, "Nobody is perfect but you can't deny that we have taken the right steps in the last few years."

Talking about recent legislations such as the one allowing the right of a woman to terminate pregnancy till 24 weeks, the minister said, have shown "how progressive we are as a country."

She also said the proposal to set up separate help desk in every police station has been accepted, and thanked Home Minister Amit Shah to have put in place administrative protocols for the same.

Irani said for three decades the MSME sector had not received the subsidy it deserved and now the government is overhauling the 60- year-old legacy of the textile sector by bringing in necessary reforms.

"It is only in 2016 that we got a Statistics officer so that you have hard data. Till then we had no official statistics on production capacity or distribution networks."

The Minister said that the government is in conversation with States to reach out to farmers to ensure they have better certified seeds.

She also said while scalability and production are challenges in the sector there are environmental norms that have to be followed. The Ministry is open to anyone with legislative issues, she said.

Source: economictimes.com- Mar 07, 2020

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## Industry 4.0 Ready: Modern tech for modern manufacturing

With Industry 4.0 on the horizon, it is now the turn of manufacturing companies to speak about the massive impact of modern technologies—Internet of Things (IoT), 5G, Artificial Intelligence (AI), Enterprise resource planning (ERP) and virtual reality/ augmented reality (VR/AR). The manufacturing sector is looking at stiff competition in terms of cost cutting, enhanced efficiency and quality. There is no surprise that they see these technologies as their lifeline, using them optimally to survive and thrive.

India is home to some fascinating stories where some biggest manufacturing brands have turned a new leaf by re-inventing themselves via digital transformation while keeping their ground values intact. One of them is Hindalco, the world's largest aluminium rolling company and one of the biggest producers of primary aluminium in Asia.

This 62-year-old company understood that being digital means being data-centric and hence the leadership at Hindalco gave their people technology that will help one and all—be it in HR, supply chain or their factories. Their philosophy is simple: Do not start digital if you do not have a problem to solve.

Jagdish Ramaswamy, CDO, Hindalco Industries, says, "It's important to start with point solutions but very soon look at how this technology will help improve business efficiency or customer experience. So, technology is good to learn but it's not good as a solution for the problem. So, start with what problem you are trying to solve and find the right technology which gives you benefit. So it's important to move from point solution to end-to-end business value and with this we've started the journey with Oracle in a big way."

Another well-known Indian success story is Apollo Tyres. The company has come a long way from its first plant in 1977 to four manufacturing units in India and two units on foreign soil (Netherlands and Hungary). Apollo Tyres migrated its IT operations from legacy system to Oracle SCM cloud.

Talking about the transformation, Satish Sharma, president, Asia Pacific, Middle East & Africa, Apollo Tyres, says, “Cloud has given us scale, security, and uptime. Being on the cloud has given us the flexibility of seamlessly managing our business without any disruptions even when we are expanding rapidly. It is available as pay per the use.”

Unilver, a multibillion-dollar multinational consumer goods company operating in 190 countries, is on its way to create a data intelligent work culture, which is a humongous task. The company implemented Oracle Transportation Management (OTM) to revamp its transportation strategy with a view to improving the ‘3Cs’ of logistics—customer service, reducing delivery costs and cutting CO2 emissions, which is in line with its wider corporate social responsibility strategy through Unilever Sustainable Living Plan.

**The technology world is abuzz with terms like Blockchain, AI, Machine Learning. How can companies map their requirements against ever-changing criteria?**

According to Ramaswamy, first and foremost the business needs to run, which would include ERP, as it is the transaction engine for any business. Then comes the technology that will help people make better decisions and after that AI, ML comes, which can take routine decisions and can help people to concentrate on making business better. Last but not least, is uptime, which gives much more reliability.

“Technologies like AI, Automation, IoT are changing the businesses as we speak. Almost all our customers are using these technologies in some form or other depending upon their maturity. We have customers ranging from some big names like Airtel, IOCL, SBI Card to startups like Klay Playschool, Oyo Rooms, etc,” says Prasad Rai, vice-president, applications, Oracle.

“When a company is looking for business transformation, it is looking for efficiency gain, change in the way they deliver their product – whether it is a product as a service or a traditional way of delivering the product.

These technologies help organisations to gain end-to-end visibility across the supply chain, right from sourcing a supplier, uploading tender till the product is delivered to end customers. The biggest change that these technologies have brought in is data-driven decisions."

Source: financialexpress.com- Mar 09, 2020

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## Exporters must leverage gains quickly

India can tap the void created by China in the aftermath of the coronavirus outbreak

he fast spreading coronavirus could help India to strengthen its position in the global supply chain but the decisions have to be taken at a faster pace to make inroads, according to corporate leaders and industry observers.

China commands around 12 per cent of the global trade compared with India's share of 2.1 per cent, making it a much larger supplier to the world than India.

"One of the beauties of globalisation is that the world has got connected supply chains and China took a pole position in becoming a key part, especially in the manufacturing sector. Almost no vertical in the world can do without China in making some components," said Sunil Kant Munjal, chairman of Hero Enterprises.

Speaking at the launch of his book — The Making of Hero: Four Brothers, Two Wheels and a Revolution that shaped India — in Calcutta, Munjal said companies and countries were devising a strategy not to depend on a single supplier even though it is the cheapest.

"The positive side is people are now creating a strategy called 1+1. Many global companies are saying that they will not depend on any one single source for anything at all. So, this is an opportunity for a country like ours to go out and take advantage," said Munjal.

T. V. Narendran, MD and CEO of Tata Steel, concurred.

"I think the virus could be an opportunity for India because it accelerates the derisking of supply chains that originate from China," Narendran said.

"The journey had started with the trade issues between US and China and now with the virus, there would be even more reason for people to not be over-dependent on the country. From an electronics or auto component point of view, many sectors will benefit as a consequence of this," he added.

The company already follows the 1+1 model where it buys consumables from countries other than China.

India's chief economic advsior Krishnamurthy Subramanian had earlier said that the virus outbreak was an opportunity for India even as China recovers from it.

"This is a good opportunity. India can follow up an export driven strategy integrating the assemble-in-India model," Subramanian had said at an IIM, Joka, event last month.

According to Crisil, local manufacturers which compete with the Chinese in sectors such as ceramics and plastics are expected to benefit, with falling imports.

Moreover, India's steel, paper, leather and textile readymade garment segments have an opportunity to expand exports.

"Last time, when the US-China trade war began, people said textiles and garments are businesses for us to tap. But Vietnam, Indonesia and Bangladesh did better than us. This time around there is a unique opportunity," said Munjal.

However, sectors such as aluminium, electronics, and pharma bulk drugs in India will be unable to meet the void created in global trade by China's virus problem as they are either running at peak utilisation or face capability issues, the Crisil note added.

Source: telegraphindia.com- Mar 09, 2020

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## Expert women in the field of textiles feted

On International Women's Day, the Weavers Service Centre, Civil Lines, felicitated women who are experts in the field of textiles on Sunday.

Director of Directorate of Textiles, Madhavi Khode, felicitated the women. Dr Sonali Sharma, Dr Richa Jain, Nidhi Gandhi were also present on the dais. Assistant director of Weavers Service Centre, S Khandare and others were present.

Khode said, "Women's contribution in 'farm to fabric' and 'fabric to fashion' is extraordinary. Women contribute right from selling of cotton to weaving of fabric to fashion industry. Marketing is very important in textile sector. Need is to increase usage of branding and digital marketing," she said.

Khode added all women should chose their interested fields as in present condition women are into all fields.

Gandhi stressed the need for women to avail the benefits of various government schemes available in the textile sector. She also suggested the women to brand their textile products through social connect.

Source: timesofindia.com- Mar 09, 2020

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## Govt approves TCS, DLF proposals to set up SEZs

The government has approved the proposals of software firm TCS and realty major DLF to set up special economic zones (SEZs) for IT sector in Haryana and Uttar Pradesh.

The approval was given by the Board of Approval, the highest decision-making body for SEZs, in its meeting on February 26 here. The inter-ministerial body is chaired by the commerce secretary.

TCS has proposed to set up an IT/ITeS SEZ in Noida, Uttar Pradesh, on 19.9 hectares land. The total proposed investment for the project is Rs 2,433.72 crore.

"The board, after deliberations, approved the proposal for setting up of sector specific SEZ for IT/ITeS at Noida over an area of 19.9 hectare," according to the minutes of the board meeting.

Similarly, the two proposals of DLF also received nod from the board.

DLF has proposed to set up two SEZs in Haryana. The proposed investments for these projects are Rs 793.95 crore and Rs 761.54 crore.

However, the board said that the approval for DLF is "subject to the condition that the letter of approval for setting up of units would be issued only after the requirement of contiguity of the SEZ is fulfilled by the developer as per the relevant rules and instructions"

SEZs are major export hubs in the country as the government provides several incentives and single-window clearance system.

As on November 14, 2019, the government has approved 417 such zones in the country. Out of this, 238 zones are operational.

Exports from these zones grew by about 14.5 per cent to Rs 3.82 lakh crore in April-September 2019-20. It was Rs 7.02 lakh crore in entire 2018-19 financial year.

Source: financialexpress.com- Mar 08, 2020

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