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IBTEX No. 92 of 2019 May 09, 2019

USD 69.83| EUR 78.22 | GBP 90.98 | JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21962	45900	**83.69**
Domestic Futures Price (Ex. Warehouse Rajkot), May		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21790	45541	**83.04**

International Futures Price	
NY ICE USD Cents/lb (July 2019)	72.31
ZCE Cotton: Yuan/MT (September 2019)	15,505
ZCE Cotton: USD Cents/lb	103.69
Cotlook A Index – Physical	**82.75**

Cotton Guide: The Big Bang yesterday by President Trump has compressed cotton prices to new low figures. Yesterday, the United Stated of America announced an increase in duty on Chinese goods from 10% to 25% applicable - 10th May 2019. The ICE July contract finally breached the 72 cents/lb mark which we anticipated earlier. The ICE July futures settled with changes of -87 points. The interesting element for market participants is ICE July and ICE December are at par. The ICE December settled at 72.52 cents/lb with a change figure of +30 points. The other months settled from 4 points lower to 33 points higher. Total volumes have shown some good improvement with figures of 44,789 contracts. From here it does not seem difficult for cotton to breach 71 cents/lb for the nearby month.

On the other hand, the MCX contracts ended in tandem with the ICE cotton futures. The MCX May contract settled at 21,790 Rs/Bale with a change of -150 Rs. The MCX June and MCX July Contract settled at 22,060 and 22,270 Rs/Bale with change figures of -150 and -110 Rs. The volumes seen at MCX were up by 1544 lots and amounted to 6872 lots.

The cotlook Index A was adjusted more down south at 82.75 with a change figure of -0.40 cents/lb. Prices of Shankar 6 are steady at an average of 46,000 Rs/Candy. Daily arrivals are at an average of 35000 lint equivalent bales. Indian mills have shown keen interest in African and US Cotton and imports are rising steadily.

Despite the fact of the US China new tariff news. The Chinese vice Premier Liu He has arrived in Washington DC for further negotiations.

China's Reserve auction had a 4th day of 100 percent "sale" and their total sales this week have been almost 190,000 bales (41,128.768 tonnes)

Uncertainty is at the highest today with the two superpowers scheduled for a meet. Here Geopolitical factors are weighing more than the fundamental factors. For today we would stick to our consolidated – bearish view and wait for more news on the US China Front. On the other hand, on the fundamental side, the Monthly WASDE report will be something the market participants will be keenly waiting for. We expect bearish numbers.

On the Technical Front, As shown in the daily chart, ICE cotton futures continues its sell off mode with a bearish candle and the prices are making lower lows with lower highs suggest the base trend is downside. Prices are below its short term Dema(9,13)=74.31,75.02 indicating the momentum on the downside. Immediate support is at 70.94 (76.4% Fibonacci extension of the downward swing) and the resistance is at the value zone of 74.30-75. DMI (Directional Movement index) is –DMI>+DMI ,ADX= 28.22 showing the downside trend strength in prices. Sell on rise strategy is recommended around 73.20-73.50 for the Target of 71.50/70.90 SL 74.30
MCX COTTON : Sell around 21900-21920 TP : 21650 SL 22050.

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

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INTERNATIONAL NEWS

China says it will retaliate if Trump raises tariffs

Beijing responded with penalties on $110 billion of American imports, but is running out of goods for penalties due to their lopsided trade.

China said on Thursday it will retaliate if President Donald Trump goes ahead with more tariff hikes in a fight over technology and trade, ratcheting up tensions ahead of negotiations in Washington.

Beijing will be forced to take "necessary countermeasures" if the increases go ahead on Friday as planned, the Commerce Ministry said. It gave no details of possible penalties.

Mr. Trump threw global financial markets into turmoil with his surprise threat Sunday to raise import duties on $200 billion of Chinese goods from 10% to 25%. Mr. Trump complained talks were moving too slowly and Beijing was trying to backtrack on earlier agreements.

"China deeply regrets that if the U.S. tariff measures are carried out, China will have to take necessary countermeasures," said a Commerce Ministry statement.

Mr. Trump has raised import duties on $250 billion of Chinese goods starting last July over complaints Beijing steals or pressures companies to hand over technology.

The negotiations also include complaints about China's trade surpluses and plans for government-led creation of global competitors in robotics and other fields. Washington, Europe, Japan and other trading partners say those violate Beijing's market-opening commitments.

Beijing responded with penalties on $110 billion of American imports, but is running out of goods for penalties due to their lopsided trade.

Chinese authorities already have extended retaliation beyond imports by targeting operations of American companies in China. Regulators have slowed down customs clearance for their shipments and delayed issuing licenses in finance and other industries.

Beijing has an array of other weapons including launching tax, anti-monopoly or other investigations that can hamper a company's operations.

Source: thehindu.com- May 09, 2019

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Thailand emerging as a new textile and garment hub

Several competitive advantages, often overlooked, are making Thailand a global production hub. The country is perfectly positioned to benefit optimally from China's export problems. Besides, it also has an amazing demographic of young workers as against China who faces a chuck of ageing population.

Increasing tariffs and US recession to pose challenges

Although the US-China conflict offers many benefits to Thailand, the country also faces certain challenges. For instance, the increasing tariff rates is likely to impact industries that supply goods of intermediate nature as they are a part of the planetary value chain.

To deal with this issue, Thailand needs to implement sound policies. A weakening of the US markets is likely to negatively impact new investments in Thailand. To avoid this, the country needs to diversify its exports. It is already increasing its trade with the world which helps it to have more diversity.

The Thailand advantage

As per well-established import and export companies it is a lot easier to move products around Thailand compared to China where there areThailand emerging as a new textile and garment hub many restrictions and a lot of interprovincial tariffs which can make things complicated as far as exports are concerned. However, higher labor rates are a cause of concern as they make production at competitive rates difficult.

Another advantage that Thailand boasts of is, Bangkok is more exposed to Western influences and that influence is more evident every day. As far as advertising agencies are concerned there are many who claim that Thailand has a significantly more sophisticated marketing industry than China. Even basic things such as radio and the outdoor advertising seen on the streets is also a substantially higher quality in Bangkok compared to Beijing.

The nationalistic fervor is less forceful in Thailand. The country also offers superior quality of workmanship as against China, where though the labor is low, the quality of workmanship is also inferior.

A boost to the textile and garment industry

Thailand's textile & garment industry, worth over $5 billion in exports in 2018, is expected to grow 5 per cent in 2019, spurred on by the US-China trade dispute. SUPA International based in Thailand is one of Asia's largest garment manufacturers, with clients including Under Armor & Nike.

It is benefiting optimally from Thailand's skilled workforce and low labor costs in the garment manufacturing industry.

This company has acted swiftly to benefit from the drastic move by President Trump – with a plan in place to expand its factory operations to ensure that it can benefit optimally from the situation. They will thus be able to accommodate many of the US clothing brands are looking to move production from China to Thailand.

Thailand's sophisticated export facilities can handle a wide variety of export products such as electronics, machinery, motor vehicles and many other high-quality products.

Also, the professional standards, service levels as well as education are of a better standard in Thailand, making it a preferred nation over China.

Source: fashionatingworld.com- May 07, 2019

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China can keep calm and carry on despite Donald Trump tariff threat, says state media

China is confident in its ability to cope with the threat of raised tariffs from the United States and other challenges in the US-China trade talks, Chinese state media said on Wednesday.

Blaming Washington for the uncertainty over the talks, a commentary by state-run Xinhua said US President Donald Trump's announcement on Sunday that he would increase tariffs on Chinese products was "regrettable and against the will of the people".

Chinese Vice-Premier Liu He will be in Washington on Thursday and Friday to continue the talks. Hopes that the two nations were close to a deal to end their tariff war receded abruptly after Trump tweeted on Sunday that he would raise tariffs on US$200 billion of Chinese imports from 10 per cent to 25 per cent.

Liu's trip was delayed by a day as Beijing reconsidered whether to send the vice-premier to the US, before proceeding with a shortened visit.

Xinhua's commentary said that after a year of negotiations, China was more familiar with the complexity of its trade relations with the US and was determined to keep its "bottom line".

"China is prepared for different scenarios," it said. "It will resolutely defend the core interests of the nation and the people, making no compromise on issues of principle, but will also try hard for a mutually beneficial result. China is well prepared for any possibility of changes."

A commentary by Communist Party mouthpiece People's Daily, published under the pen name Zhong Sheng – meaning China's voice – said raising tariffs was not a solution. China had faced the threat of tariff increases before, and could handle the situation calmly, it said.

"China's market is agile and its economy is growing," it said. "China is also expanding its trade and economic partnerships around the world.

"China has full confidence in handling different possible difficulties and challenges in the economic and trade negotiations with the US, which is why China is able to stay calm."

It said China's economy was resilient, citing a GDP increase of 6.4 per cent in the first quarter and nearly 10 per cent growth in imports and exports in March.

The structural trade disputes between China and the US should be settled through negotiations rather than issuing threats, it added.

"Do not underestimate the resilience and determination of China," the commentary said. "Both sides should work hard together and be accommodating to each other. That is the way to achieve a mutually beneficial agreement on the basis of mutual respect."

Source: scmp.com- May 08, 2019

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Trade rupture

A US-China trade deal doesn't matter anymore

Global stock markets may continue to gyrate on every dodge and parry in trade talks between the US and China, but the unacknowledged reality is that a deal no longer matters much.

Sure, it would be better to have one than not. Yet the relationship between these two powers has changed so much since negotiations began a year ago that they have become a sideshow in a greater confrontation that no trade pact can resolve.

Especially this one. The agreement under discussion appears to contain a few tasty tidbits that might aid US companies in China. As far as we know, though, major points of contention will not be fully addressed most of all, Beijing's market-distorting subsidies for cutting-edge industries. If a deal is reached, the so-called enforcement mechanism looks destined to degenerate into endless rounds of claims and counter claims. That means repeated threats of tariffs and chronic uncertainty for US business.

Even a more comprehensive pact would remove only a couple of issues from what has become a lengthy list of disputes. There was a perception when the trade spat first erupted that an agreement might reset relations to normal, or at least something close to it. That meant letting businesses do business, and compartmentalising diplomatic or ideological scuffles as far as possible.

Now that seems all but impossible. US Secretary of State Mike Pompeo has been travelling the world warning allies that getting too close to China will harm relations with Washington. Buying telecom equipment from Huawei Technologies Co. would compel the US to curtail intelligence-sharing, Pompeo has said, while participating in Beijing’s Belt and Road infrastructure bonanza was sanctioning debt traps and predatory business practices.

Add in fresh curbs on US visas for Chinese scholars and heightened rhetoric over Beijing’s disputed territorial claims in the South China Sea.

A trade deal perhaps could reduce tensions if it was a sign of Beijing’s willingness to step back from an increasingly assertive foreign policy. There is little indication of that. China’s leaders may have stopped mentioning the controversial Made in China 2025 state-led industrial program a prime target of US ire. But the substance of the plan upgrading Chinese manufacturing and technology remains a primary ambition.

What has unfolded over a year of trade talks is a new view in Washington that China is the primary strategic threat to US dominance. Now that the geopolitical cat is out of the bag, there is no way of getting it back in. Even if a trade agreement brings a pause, the smiles and handshakes will probably prove fleeting.

Meanwhile, the trade disputes damage has already been done. For much of the past 30 years, greater economic integration with China was taken for granted in political and business circles. No longer. Uncertainty over their future relationship is prodding US companies to rethink their reliance on China for manufacturing. Chinese companies, meanwhile, are not rushing in the other direction. Chinese investment in the US sank 60 per cent in 2018, according to the American Enterprise Institute.

While China and the US may not be fully decoupling from one another, further integration may be restrained if relations continue on their current path. Investors need to get beyond their 'tariffs off, tariffs on' fixation and digest the medium-term consequences of a disrupted US-China relationship. Trade talks will continue to have their ups and downs. The big picture is not changing.

Source: thehindubusinessline.com- May 09, 2019

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First quarter orders for Italian textile machines decline

The order index for Italian textile machinery carried out by ACIMIT, the Association of Italian Textile Machinery Manufacturers, for the period of January-March 2019, has dropped by 3 per cent compared to the same period of the previous year.

ACIMIT's promotes Italian textile machinery sector and supports its activity via innovative and promotional means.

Italian textile machinery manufacturers, thus, recorded declining orders on foreign markets, where orders fell by 11 per cent. On the domestic front, orders increased by 84 per cent compared to the first quarter 2018, according to a press release by ACIMIT.

"The domestic market is experiencing a dynamic showing similar to late 2017. Investments in the textile sector have benefitted from the push towards a greater degree of digitalisation in production processes, thanks to the fiscal incentives.

Regarding foreign markets, on the other hand, the slowdown is a result of a deep rooted feeling of uncertainty currently permeating the global economy with multiple pressures on global trade in different geographical areas," ACIMIT president Alessandro Zucchi said.

"We had already predicted a slowdown for early 2019, in line with what was observed in 2018. The entire sector is waiting to see what happens at ITMA, the leading world trade fair for our sector, which will be held in Barcelona from June 20-26, 2019. There will verify whether a recovery is effectively under way in global demand for textile machinery," he added.

Source: fibre2fashion.com- May 08, 2019

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Chinese textile giant to invest in Rwanda

Jiangyin BaoRui Textile, one of China's biggest textile companies, on Tuesday signed a deal that will see the Chinese giant start producing fabrics and finished clothes in the country through a local partner, Apparel Manufacturing Group (AMG).

The signing ceremony was held in China.

Dianne Mukasahaha, Chairperson of the AMG, signed on behalf of her company while Hua Huang the chairman of Jiangyin BaoRui Textile Company signed on behalf of BoaRui.

A statement from the Private Sector Federation indicates that Chinese textile experts will also provide new technology and capacity building to Rwandans in the textile sector, as per the new deal.

This is seen as a new move that will reduce the importation of high-end clothes from abroad.

"This is a great milestone for our sector. We have been facing the challenge of inadequate fabrics and importing finished clothes from different countries but now this will be done locally," said Dianne Mukasahaha, Chairperson of the AMG Company.

The local partner, AMG, is one of the companies formed by the PSF with the main aim of promoting collective investment.

According to the agreement, AMG will officially represent the Chinese garment company.

Warehouses will be set up to cater for effective production of fabrics and clothes.

A delegation of Rwanda business operator's textile industry is currently in china to look for potential investment partnerships.

Members of AGM are mostly small and medium enterprises who were brought together under the same Company.

With the parentship, the produced clothes will be sold locally and in other African markets at a competitive price.

Eric Kabera, the head of Communications and Marketing at PSF, said it is important to promote collective investment with the aim of finetuning and enhancing performance of the sector.

He said: "The whole idea is to produce these goods locally but also provide trainings to Rwandans. That's why we are promoting collective investment by targeting different sectors.

"We have other companies that have been established such as Joint Exporters Group, Heart of Africa Ltd (H.A.T), and Nine United Traders Ltd that deals in cement.

Kabera said the PSF is also targeting other sectors to promote collective investment.

The Joint Exporters Group (JEG) deals in exports while H.A.T is a clearing and forwarding agency that deals in a travel and tour service as well as financial advisory.

The Jiangyin BaoRui Textile Company boasts a set of big production equipment, including crochet machines, stranding machines, flower twisting machine and playing machines. With A 40,000 square metres modern workshop of productivity of more than 2500 tonnes, the products are exported to more than 30 countries. They are used in making knitted fabrics, weaving, carpets, bathrobes, shawls, scarves, hats, gloves, socks and other decorations.

Source: newtimes.co.rw- May 08, 2019

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Egypt's Q1 garment exports grows two per cent

Egypt's readymade garment exports increased two per cent in the first quarter of 2019 compared to the same period of 2018.

The United States tops importing countries of Egyptian readymade garments. Apparel created within the Egyptian Qualified Industrial Zone (QIZ) is duty free to the US.

Goods made in Egyptian QIZs can use fabrics imported from third countries and remain eligible for duty-free entry into the US market, provided 35 per cent of their value is added in Egypt, including a minimum of 10.5 per cent of Israeli content.

Costs incurred in the US also count towards the 35 per cent threshold. Egypt's readymade garment exports to the UAE were up 334 per cent in the first quarter. Exports to Canada were up 84 per cent.

Egypt's textiles and clothing sector is the most integrated on the African continent.

The apparel sector is the country's most important industrial sector; it represents 6.5 per cent of total non-petroleum.

Apparel exports in 2018 rose ten per cent compared to 2017. Fifty 50 per cent of the country's apparel production goes to the US and 30 per cent to Europe. Egypt also enjoys duty-free market access to the EU.

With its fabric base and sourcing proximity to Turkey, exports to the EU are likely to increase.

Source: fashionatingworld.com- May 07, 2019

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Indonesia to rule billion-dollar industry?

The State of Global Islamic Economy Report 2018/2019 states that fashion consumption among Muslims across the world is currently valued at US$270 billion and is projected to continue to increase at a growth rate of five percent. By 2023, the consumption will be worth US$361 billion.

A little over a year ago, United States (US)-based business magazine, Fast Company, noted that despite the fact that the Muslim fashion industry is worth hundreds of billions of dollars, top brands such as Burberry, Dolce & Gabbana, DKNY have been unable to penetrate that market.

The magazine quoted Islamic Fashion and Design Council (IFDC) founder Alia Khan – who is based in New York – as saying that she felt it was, instead, many of the emerging designers who were more in tune with their target audience than the fashion bigwigs. Designers like Blue Meets Blue's Shahd Alasaly, for instance, are Muslim women themselves and since Alasaly is based in Chicago, her tastes are also inflected with American culture and fashion.

The United Arab Emirates (UAE) is currently the world's largest producer of Muslim fashion, but ASEAN's own Indonesia is targeting to emerge as the world's leading Muslim fashion mecca by 2020. At the opening of the recent 2019 Muslim Fashion Festival, Indonesian Industry Minister Airlangga Hartarto said that the market for Muslim wear is big, both outside and inside the country, and that "it needs to be dominated" by the Indonesian Muslim fashion industry.

Current status

Indonesia is currently home to the largest number of Muslims in the world. This should put it in a good position to become the leader for Muslim fashion but the Thomson Reuters' State of the Global Islamic Economy Report 2017/18 seems to suggest otherwise.

Indonesia's large population has helped it in terms of ensuring it has a strong market size. According to the report, it currently holds fifth place for market size at US$13.5 billion after Turkey, UAE, Nigeria and Saudi Arabia. Unfortunately, Indonesia does not even make the top 10 when it comes to having the best developed Islamic economy for fashion.

The report measures countries by looking at the amount of clothing exported to the Organisation of Islamic Cooperation (OIC), awareness of modest fashion through news and events, and social factors such as pricing and labour fairness. The two ASEAN countries which did make the top 10, in fact, were Malaysia and Singapore which earned scores of 31 and 33, respectively.

Opportunities

Nevertheless, there are also several factors that could work in Indonesia's favour towards its target of becoming the centre for Islamic fashion, apart from its large population and significantly huge market.

Despite the fact that other countries may have better developed economies for the Islamic fashion industry, Indonesia; along with Bangladesh, Turkey, Morocco, and Pakistan; still holds a spot for one of the largest clothing producers and exporters within the OIC.

According to a 2016 report from the Islamic Chamber of Commerce, Industry and Agriculture (ICCIA), entitled "Textiles and Ready-made Garments: Sector Overview for the OIC Countries", in 2015, Indonesia exported US$12.3 billion worth of textiles, and US$7.3 billion worth of ready-made garments.

Something else working in favour of Indonesia is the sheer demand of modest wear, especially in Southeast Asia. This was apparent following a study conducted by J Walter Thompson's (JWT) creative think tank, Innovation Group.

In the 2017 study, some 1,000 Indonesian and Malaysian Muslim women were surveyed. The majority polled in the study were defined as millennials (77 percent) aged between 18 to 39 and 23 percent were aged 40 and over; most respondents (90 percent) lived in urban and suburban areas. The study found that young Southeast Asian Muslim women were not only more religious, they were also more progressive.

In the study, religion is cited as a key aspect of life for most women, with many saying Islam is "very" important to them (94 percent). About a third of the women say they travel outside their country at least once a year, and nearly all felt that there are many more opportunities available for women now than in the past. However, many surveyed also felt that young women should have more freedoms than they now do, and also a stronger voice in their communities and in local and national government.

It would be safe to assume that among the things that religious and progressive Southeast Asian women may be interested in is modern albeit modest fashion. Indonesia, being placed in Southeast Asia and boasting the largest Muslim population in the world, would be in a good position to take advantage of this demand.

While there are certainly obstacles in the way of Indonesia becoming the mecca of Muslim fashion, there are also many opportunities for it to achieve its goals by 2020. The question is, how badly does the country want it.

Source: theaseanpost.com- May 08, 2019

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Fall in value of Turkish exports in 2019

In the January to March period of 2019, Turkey's textile exports declined by seven per cent in value and increased 3.9 per cent in quantity. The export unit value of the ready-to-wear industry declined by 10.1 per cent.

The share of textiles and raw materials in Turkey's total exports decreased to 5.6 per cent from 6.3 per cent compared to the same period of last year.

Woven fabrics are the most important export product group of Turkey's textile industry. In the first quarter of the year, woven fabrics were 23 per cent of Turkey's total textile exports.

Turkey's total exports increased by 3.3 per cent over January to March 2019 in which textile exports have declined, while apparel exports made no headway.

The EU is the biggest market for Turkey's exports. However in the first three months of this year Turkish textile and apparel exports to the EU fell by 10.9 per cent.

Similarly exports to the Middle East fell by 10.4 per cent. But exports to Asia and Oceania in the January to March period increased by 5.5 per cent. And

Turkey's exports to the former Eastern Bloc countries increased by one per cent. Textile exports to the US decreased by 3.6 per cent while exports to Bulgaria decreased by 19.6 per cent.

Source: fashionatingworld.com- May 08, 2019

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Eastern Europe could be a lucrative market for Vietnamese exporters: forum

Eastern European markets offer great potential to exporters given their relatively high GDP growth and less stringent quality requirements compared to Western European countries.

But to succeed in exporting to these countries, Vietnamese firms must have long-term strategies, improve product quality and study the market carefully to make suitable products, the Việt Nam-Eastern Europe Trade Forum heard in HCM City yesterday (May 8).

Deputy Minister of Industry and Trade Hoàng Quốc Vượng said Eastern Europe is Việt Nam's traditional and important market.

The two sides have created solid legal frameworks for bilateral co-operation, including 14 intergovernmental committees, the Việt Nam-Poland economic co-operation consultation mechanism and the free trade agreement between Việt Nam and the Eurasian Economic Union (EAEU).

"The Việt Nam-EAEU FTA, which came into force in 2016, has brought economic benefits to all parties, with two-way trade reaching nearly US$5 billion last year, a year-on-year increase of 26 per cent."

The proposed EU-Việt Nam FTA would further boost trade between Việt Nam and Eastern European countries, especially key Vietnamese exports such as seafood and vegetables, fresh and processed fruits, electronics and electronic components, textiles and footwear, he said.

But trade between Việt Nam and Eastern Europe countries was worth only $10.1 billion last year, very low compared to the potential of the two sides.

Nguyễn Khánh Ngoc, deputy head of the European and American Market Department, said, “Việt Nam's exports to and imports from Eastern Europe account for nearly 3 per cent of its exports and 1.5 per cent of its imports.”

But the export of key products to these markets has not been stable, she said.

She urged exporters, especially of rice, seafood and tea, to focus on improving their product quality and carrying out promotions to penetrate these markets.

Russian market

Dmitry Makarov, head of the HCM City office of the Trade Representation of the Russian Federation in Việt Nam, said trade between Việt Nam and Russia topped $6 billion last year, up 16.4 per cent from 2017 and 58 per cent from 2016.

While Russian exports to Việt Nam are growing faster every year, in Việt Nam’s case it is slowing down, he said.

A change in Russian consumption habits and the less competitive prices of Vietnamese seafood are among the reasons for the latter, he said.

There are many famous Vietnamese garment and footwear brands with good quality and competitive prices, but they are not known in Russia, he said.

Russian businesses want to move their garment and textile factories from China to Việt Nam and others are subcontracting Vietnamese clothing and leather shoe companies, he said, adding this is a good opportunity to increase Vietnamese garment exports to Russia.

Challenges

Representatives of business groups and exporting firms at the forum said the potential notwithstanding they have difficulties in exporting to Eastern Europe, including payment issues, inconsistent regulations in these countries, small size of orders, and lack of market information.

Phan Thị Thanh Xuân, vice chairwoman of the Việt Nam Leather, Footwear and Handbags Association, said: “In the past Eastern Europe was Vietnamese leather and footwear industries’ key export market. But Vietnamese exporters have shifted to focus on the US and EU. Therefore, when they return to these markets, they face difficulties in payment methods and business culture.

“We have sent many business delegations to explore the markets, but businesses are afraid to change a culture they have established for decades with the US and EU.

“Businesses often introduce what they have not what the market needs.

“These are the biggest obstacles to accessing the markets.”

Business executives said authorities should regularly organise meetings to provide them with the latest market information.

Trần Đăng Chung, chairman of Milton Company in Russia and former president of the Vietnamese Business Association in Russia, said Eastern European markets offer both challenges and opportunities for Vietnamese firms, which require them to have appropriate market strategies.

Source: vietnamnews.vn- May 08, 2019

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Cambodian exports to EU may plunge

Cambodia's exports to Europe could see a huge decline if the European Union suspends Everything But Arms (EBA) trade preferences for the country.

If EBA is withdrawn, tariffs on garment, footwear, and bicycle products will increase 12 per cent, 16 per cent and ten per cent respectively. The EU has already imposed tariffs on Cambodia's milled rice.

The EU is a major trading partner for Cambodia, particularly for garments and footwear. As a least developed country, all of Cambodia's exports to the EU, except arms and ammunition, have faced zero per cent tariff since 2001.

Cambodia's exports to the EU account for more than one-third of Cambodia's total exports. In any case Cambodia has already taken measures to counteract the possible withdrawal of the EBA.

The measures include cutting production and export costs to support local manufacturers and exporters. The measures are aimed at reducing operating costs for producers and exporters by about 400 million dollars a year.

The garment and footwear industry is one of the pillars of Cambodia's economy.

The sector has helped improve labor standards and workers' living conditions, reduce poverty and promote sustainable growth. Cambodia's garment sector employs some 7,00,000 workers, whose jobs could be in question if EBA is pulled.

Source: fashionatingworld.com- May 07, 2019

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Bangladesh takes lead in global denim markets

Bangladesh, the second largest exporters of apparel goods, has taken lead in the global denim export markets by grabbing more market and securing a double-digit growth.

As of now, Bangladesh is the number one exporter of denim goods to the European Union, while the third largest in the United States.

According to eurostat, statistics directorate of the European Commission, Bangladesh in 2018 exported denim products worth $1.65 billion, up by 11.46% from $1.47 billion in 2017.

However, Bangladesh's closest competitor Turkey has posted an 8.18% negative growth to $1.16 billion, which was $1.26 billion in 2017.

On top of that, Bangladesh has established its strong footage in the US market after China and Mexico with a gradual rise in market share and occupied 14.68% in 2018.

Denim Exports to EU

(Source: eurostat)
Year Export value in $billion
2014- 1.25
2015 -1.30
2016- 1.43
2017- 1.48
2018- 1.65

According to the US Office of Textiles and Apparel (OTEXA), Bangladesh's denim export to US market registered an 11.72% growth to $566.39 million in 2018, which was $506.94 million in the previous year.

China, on the other hand, the largest exporter of denim goods to the US saw 1.51% rise to $937 million, which was $923 million, while Mexico has seen 3.11% increase in export from 2017 to $817.82 million.

Vietnam, a close competitor of Bangladesh in the US market registered a 43% rise to $296.47 million which was $207.28 million during 2017.

Cambodia saw a 20.50% rise in export to $112.86 million followed by Pakistan 15.26% growth to $246.40 million.

Denim export to the US

(Source: Otexa)
Year Export value in $ million
2014- 426.45
2015- 439.73
2016- 463.53
2017- 506.94
2018- 566.39

Secrets behind the success

New investment to update technology, branding to the retailers, increased capacity in fabrics manufacturing made the denim makers more competitive in the global markets.

In addition, shorter lead and reasonable prices expedited the export earnings.

“In the global market, Bangladesh now more prominent as a supplier of denim products market, this is because of manufacturer’s continuous machinery upgradation. Right now, the sector people are using the latest technology to produce denim jeans and other products,” Abdus Salam Murshedy, managing director of Envoy Textile, a denim fabrics manufacturer told.

All the fabrics manufacturers have increased their capacity, which helped the jeans makers to meet the demands locally cutting lead time, said Salam, also president of Exporters Association of Bangladesh (EAB).

Currently, there are 32 denim mills with a capacity of 450 million meters of fabrics per annum, as per the Bangladesh Textile Mill Association (BTMA) data. Bangladesh can meet over 50% of denim fabrics with local capacity.

On top of that, prices and quality of products were other factors to bring the buyers to source denim good from here.

“US denim products buyers want reasonable prices and shorter lead time in shipping goods. So, Bangladesh’s opportunity in US market is very high as the country can meet over 50% demands of fabrics, which reduces lead time,” Anwar-Ul-Alam Chowdhury Parvez, Managing Director of Argon Denim told.

Import duty in the US market is higher compared to our competitors and if we can work here effectively in reducing tariff rate, the sector will continue to grow more, he added.

We are grabbing more from the Chinese as they are leaving basic items, while the capacity of Bangladesh increased, said Anwar, also a former Bangladesh Garments Manufacturer & Exporter Association (BGMEA).

“In the denim industry, fabric and washing are two key elements to perform well, where Bangladesh is doing better,” former BGMEA senior vice president Faruque Hassan told.

Bangladeshi denim makers have introduced the latest technology both in washing and fabrics manufacturing in improving the quality of goods, said Hassan, also Managing Director of Giant Group.

On top of that, the makers of denim are producing different types of denim products, while value-added products area is developing gradually here, he added.

How to grab more share

In the US market, there is more space to grow as Bangladesh is still the third largest exporters. While in the EU markets, Bangladesh enlarged its markets beating the competitors.

According to Zion Market Research, the report, the global denim jeans market was valued at around $66.02 billion in 2018 and it is expected to reach approximately $85.4 billion by 2025, at a CAGR of around 3.7% between 2019 and 2025.

In the US market, there are lots of opportunity for Bangladesh as it has more capacity.

“And the last point cheaper is the obstacle to sustain the growth. Because you cannot be any longer cheaper. But who will give you extra for producing basic denim? So innovation is the solution to sustain the growth.”

“Imports duties in the US market is higher for Bangladesh comparing to our competitors. If Bangladesh can work here effectively in reducing tariff rate, the sector will continue to grow,” said Anwar Ul Alam.

In coming up with an effective solution, we have to develop apparel diplomacy and increase the negotiation capacity to avail trade facilities, he added.

According to Cotton Incorporated, consumers in the US, buy approximately 450 million pairs of jeans every year, while on average, US consumers have seven pairs of jeans in their wardrobe.

On the other hand, 71% of people in Europe and Latin America enjoy wearing denim, followed by 70% in the US, 58% in China, and 57% in Japan.

Make the growth sustainable

Now Bangladesh can offer quality products at a reasonable price, while it has the capacity to execute bulk order. To this end, Bangladesh has to move for products diversification and technology upgradation.

“In producing value-added goods, Bangladesh does not have enough skilled and experienced workforce. Allowing foreign investments will create the opportunity to acquire knowledge and create a skilled workforce from the foreign companies,” former caretaker government advisor AB Mirza Azizul Islam told.

He also urged the manufacturers to move for producing products, what are being left by the Chinese makers and going to value addition.

“And the last point cheaper is the obstacle to sustain the growth. Because you cannot be any longer cheaper. But who will give you extra for producing basic denim? So innovation is the solution to sustain the growth,” Mostafiz Uddin, Managing Director of Denim Expert Limited told.

In getting higher prices and to enter higher valued products, Bangladesh has to concentrate on tech-driven manufacturing. To this end, there is no alternative to introduce technology in washing, dyeing and also making goods, he added.

Meanwhile, denim makers demanded policy support regarding the gas and electricity connection at reasonable prices to increase the production capacity of fabrics.

For the last few years, production cost went up significantly. But the buyers did no increase the prices of goods rather cut to some extent," Mohamed Nasir, an ex-director of BGMEA.

That is why Bangladeshi makers are losing a competitive edge in the global market to their competitors. So, it's an earnest call from the manufacturers to give more attention to reduce the production cost, said Nasir.

Source: dailyindustry.new- May 09, 2019

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Can Cambodia Balance China with the West?

The recent statement by China's Wang Huning, a member of the Political Bureau of the Chinese Communist Party, that China would find ways to help Cambodia to mitigate the risks deriving from the removal of Everything-but-Arms (EBA), was certainly a welcome piece of news.

However, it would not have gone down well with the European Union and the United States who already possess a prior assumption that Cambodia is a vassal or client state of China. Wang Huning's message would probably aim to send a signal that China is prepared to assist Cambodia in all circumstances to counter against external pressures to be imposed by the EU.

Such a signal of overly showing coziness with China, despite how necessary it is, does not augur well for Cambodia's efforts to convince the West that Cambodia is not a vassal or client state of China. The main objectives of Cambodia's foreign policy are to stay independent and neutral, protect national sovereignty and interests through economic diversification strategy.

Economic diversification strategy here does not mean that Cambodia plays down the significant role of the EU and the US, given these are the two main export markets that China cannot replace at least in the next five years. The EU and the US will remain the main economic partners of Cambodia.

There is an increasing need for Cambodia to diversify its infrastructure development partners and maintain preferential trade treatment schemes from the EU and the US. The more development options the better for future development of the country.

Recently Cambodia has reached out to nontraditional trading partners such as Russia, the Eurasian Economic Union (EEU), India, Africa and the Middle East. This certainly indicates that the country is indeed trying to create leverages with countries to begin the process of hedging.

Cambodia is thriving to stay relevant in the international system by leveraging its international role. Taking side with any major power could push Cambodia into a geopolitical trap.

Some Cambodian leaders are aware of the risks stemming from over-reliance on any single major power. That is no such a thing as a “free lunch”. Hence, Cambodia must be cautious and has to adapt and adopt a strategy to mitigate geopolitical risks posed by over-reliance on China, either real or imaginary.

The $90 million defence deal with China, made public at the official meeting between Cambodia and China in Beijing in late April, needs to be more transparent so that suspicion and misunderstanding could be reduced.

The latest defence deal adds fuel to the brouhaha over the imaginary naval base, which in turn could further increase geopolitical risks for the Kingdom.

No matter how the optics look, the ongoing geopolitical rivalry between the US and China, which is set to escalate, will surely affect Cambodia. The US and its allies might choose to exert collective pressures on Cambodia, if they are not convinced that Cambodia is not a truly client state of China.

Economic pressures, such as revocation of the EBA might be used first. The EBA trade scheme allows Cambodia to export products other than weapons to the EU duty-free and quota-free. In 2017, Cambodia exported roughly

$5.8 billion worth of goods to the EU, accounting for around 40 percent of Cambodia's exports.

Over 99 percent of Cambodian exports to the EU, Cambodia's largest export market, were eligible for EBA preferential duties, which included textiles, footwear, and agricultural products, such as rice. Since joining the trading scheme in 2001, the textile industry in Cambodia has experienced tremendous growth, and today employs around 700,000 workers.

The US and China have chosen Cambodia to be their competing ground. Recently US embassy and the Chinese embassy faced off over conflicting remarks on matters pertaining to historical issues from the military coup in 1970 to Khmer Rouge era to trade and foreign policy.

Cambodia's ability to implement hedging strategy to dilute and mitigate geopolitical risks is crucial for long-term peace and stability in the country. Competition between China and the West will continue to influence Cambodia's foreign policy and will chart the nation's course as it navigates through turbulent times ahead.

Cambodia is vulnerable to geopolitical rivalry and a potential game changer in Southeast Asia and the Indo-Pacific region. The US and the EU might have calculated that by putting pressures on Cambodia they could force Cambodia to keep distant from China.

Reality proves the other way. The threat to revoke the EBA, which costs Cambodia up to 650 million dollars a year, will force Cambodia to fall completely into China's camp and this might be an irreversible trend.

Source: khmertimeskh.com- May 09, 2019

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Bangladesh: Apparel exports grow by 12.59% in 10 months

According to the Export Promotion Bureau (EPB) provisional data, in July-April of FY19 readymade garment sector earned $28.49 billion

Bangladesh apparel exports to global markets have seen a 12.59% rise to $28.50 billion in the first ten months of the current fiscal year.

According to the Export Promotion Bureau (EPB) provisional data, in July-April of FY19 readymade garment sector earned $28.49 billion, up by 12.59% from $25.30 billion during the same period of the previous fiscal year.

Of the total export earnings by the apparel sector, knitwear products earned $14.08 billion, which is 12.32% higher than the $12.54 billion earned during the same period of FY2017-18.

Woven products earned $14.40 billion, up by 12.85% from $12.76 billion during the same period of the previous fiscal year.

The specialized textile sector saw a 36% growth to $125 million from $92, while home textile products saw a negative growth of 3.74% to $723.60 million, down from $752.67 million.

Talking to Dhaka Tribune, trade analysts and industry people have cited improved safety standards in the apparel sector and political stability as reasons for the growth.

“The present growth rate is quite good as December-March was peak season for closing the shipments. Safety improvement in the sector and political stability after the election were positive indicators for the country’s business environment,” Faisal Samad, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told the Dhaka Tribune.

"But", he said, "the work order flow is not so good."

"So, I cannot rest assured that the growth momentum will continue in the months to come as the sector is going through competition due to rise in wage and production cost," said Faisal, also managing director, Surma Garments Ltd.

Amid challenges, the new board just took charge of the BGMEA and it was working to identify new areas having more opportunity to grow, he added.

Economists, however, are hopeful about continued growth momentum as the trade war between the USA and China was still heating up.

“In beginning of the year, the government projected single digit growth but there has been a double digit growth. It is a positive sign for the apparel sector,” Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue (CPD), told the Dhaka Tribune.

What needed to be looked into was if the buyers increased prices of products or not as it was crucial to adjust new cost caused by the new wage structure, said the economist.

He also expressed hope about sustaining the double digit growth as the demand for Bangladeshi goods would remain higher due to the China-US trade war.

“It was assumed that the trade war would calm down but recent developments do not show that,” he noted.

Meanwhile, the sector people want continuation of government policy support in the upcoming budget to sustain the growth.

“In the last few years, production costs went up but the prices did not increase and rather fell both in EU and the US market,” Exporters Association of Bangladesh (EAB) President Abdus Salam Murshedy told Dhaka Tribune.

He urged the government to continue the existing fiscal policy support for the sector as it had to spend a lot of money to improve the safety standard as per the retailers' requirement.

Source: dhakatribune.com- May 08, 2019

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Pakistan: Implementation of CPFTA-II to begin from 1st July: Razak

Advisor to the Prime Minister on Commerce, Textile, Industries and Production, Abdul Razak Dawood has said that the implementation of China Pakistan Free Trade Agreement-II (CPFTA-II) is expected to begin from July 1, 2019.

Addressing a press conference sans video cameras, the advisor took responsibility for not achieving the export target, citing slower growth in exports against his expectation.

He expressed the hope that exports will touch $24 billion mark. He also acknowledged that Pakistan had not done any market research on its export capacity for China.

Secretary Commerce, Sardar Ahmad Nawaz Sukhera and Joint Secretary Shafeeq Shehzad Baloch were also present during the press conference. The advisor gave credit of FTA-II to former Secretary Commerce, Younus Dagha (now Secretary Finance) and Joint Secretary Shafeeq Shehzad Baloch but at the insistence of a journalist, he acknowledged the role of former Commerce Minister, Engineer Khurram Dastgir Khan.

Dawood stated that FTA is a very complex document, adding that he expects a mixed reaction with some industries hurt due to FTA-II whereas some industries would be happy after the pact becomes operational.

He said Pakistan has gained incentives to what are available to ASEAN countries without giving China import facilities as given by ASEAN nations.

He further stated that initially China refused to give duty free access to 313 Pakistani items but later accepted Pakistan''s'' request. The list of items has been placed on the website of Commerce Division.

Dawood said that Pakistan will open its economy to China after 15 years. He further stated that in FTA-II, Pakistan''s defence instruments are very weak but in case of any injury Pakistan can take provisional defence measures for 180 days after which the case will be analyzed.

He argued that the government has to strengthen National Tariff Commission (NTC) which takes nearly 30 months to finalise an injury case. He said real time data exchange has started with China which would minimize under invoicing. For instance, he said, Chinese claim $15 billion exports to Pakistan but Pakistani custom claims $10 billion imports which implies that there was under invoicing of $ 5 billion.

He said a delegation will visit China in September/October this year including representatives of SMEs and hold meetings with the Chinese. In reply to a question that there is speculation that Abdul Razak Dawood may be removed due to poor performance, the advisor stated that he absolutely does not have any issue with his removal, adding that it makes no difference for him. "I have no issue. I never think about it in that way. I am doing my job well and FTA-II is one example," Dawood confidently added.

He stated that China has hurt Pakistan in textile and shoe industries. He said this was not the fault of the Chinese but it was Pakistan''s fault. For example, the previous government imposed 5 per cent duty on imported shoes and 25 per cent on raw material. This government changed such ''silly'' tax measures and Bata is again starting shoe manufacturing in Pakistan.

To a question on the performance of Ministries falling under him, he replied that several policies are under process and will be completed very soon. Answering anther question, he said, millions of Chinese are expected to come to Pakistan but so far nothing has started and concerns are high but he requested to ''let the vehicle start first''.

"There are certain benefits for the Chinese. I know how they hurt us. I know how they hurt me so I am watchful. It is game/strategy, we have to get the benefits," he maintained. He said, Chinese industries are thinking relocation. He said that lacks of jobs will be created especially for women with the establishment of Chinese garments companies.

Two big parties have already in Pakistan to establish their industry and exports of one of them are $20 billion. Both parties have already met with the Prime Minister. He further stated that there are issues like water, gas, electricity and affluent in Special Economic Zones (SEZs).

Source: fp.brecorder.com- May 08, 2019

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NATIONAL NEWS

Closer economic ties with neighbours vital

Despite the geopolitical challenges, India must work towards closer economic ties with Bangladesh, Myanmar and Nepal

Over the past decade, India has marginally increased its regional trade with its neighbours, specifically Bangladesh, Bhutan, and Nepal. Currently, India's actual trade in South Asia accounts for $19.1 billion, which is just three per cent of its total global trade at $637.4 billion and around $43 billion below the potential.

It has recently been estimated that by reducing man-made trade barriers, trade within South Asia can grow three times, from $23 billion to $67 billion.

Replacing the old days of burden, when India's proximity was peppered with geopolitical strongholds and economic insecurities, India is now advocating a "free, open, and prosperous Indo-Pacific." India is determined to bring down non-tariff trade barriers so as to enable seamless cross-border trade and connectivity with its neighbours.

In this scenario, three emerging avenues of bilateral cooperation are gaining economic momentum for India's story of economic growth.

Trade through border haats

From being mere diplomacy tools, border markets between India and Bangladesh are currently exhibiting tremendous economic potential. Border haats were initially designed to rejuvenate the traditional cross-border trade through informal markets to support the livelihoods of communities living along the remote border areas.

Interestingly, the first Memorandum of Understanding (MoU) between India and Bangladesh, signed in 2010, expired in 2013. However, on the ground, border haat continued functioning on "good faith" among the haat committees until 2017.

The MoU signed in 2017 between the two countries recognised the economic potential of border haats. Hence, the current purchasing limit within the haat has been increased to $200 and the validity of the MoU is now automatically extended for successive tenures of five years.

In 2019 alone, it is estimated that India-Bangladesh will establish six more border haats along the international borders in Tripura and Meghalaya. India plans to set up around nine border haats along the India-Myanmar international border. Border haats have successfully demonstrated that trust deficits (even among local communities) can be dismantled in India's contemporary relationship with old neighbours like Bangladesh.

Waterways connectivity

India shares multiple rivers and tributaries with its neighbours — Bangladesh, Bhutan, and Nepal. As roadways choke with congestion and fuel prices increase, waterways are being rejuvenated as an alternate and environmental friendly mode of transport among the BBIN countries.

Strategising its maritime connectivity in the Indo-Pacific, India has initiated multiple waterway development efforts along its riverine international borders. Bhutan and Nepal are keen to access the large-scale markets in the Bay of Bengal region through waterways in India. The recent MoU on waterway use between Bhutan and Bangladesh through the Narayanganj river port is evidence for this emerging economic interest.

Traditionally, India has faltered on multiple fronts with respect to "hydro-diplomacy" when cooperating with Bangladesh and Nepal. Hence, allowing its neighbours to utilise its waterways for access to sea could be an ideal opportunity to build trust on mutually beneficial trade arrangements.

For instance, Nepal currently employs a rent model at the Kolkata port to utilise India's seaport for maritime trade. Similarly, Nepal can utilise India's Sahebganj multi-modal river port to access India's waterways. Bhutan can access the Pandu river port in Assam to access further waterway connectivity to the Chittagong port in Bangladesh.

Similarly, river tourism has been a stronghold for riverine communities along the India-Bangladesh protocol river route aiming for sustainable and localised economic growth.

Energy networks

India is keen on expanding its LNG pipeline networks to Myanmar through Bangladesh. The Hydrocarbon Vision 2030 for the North-East has identified increasing gas pipeline capacity to Sittwe (in Myanmar) and Parbatipur (in Bangladesh). South Asia's first transnational petroleum pipeline, the Motihari-Amlekhganj pipeline, is also aimed at building sustainable economic cooperation between India and Nepal.

Alternatively, India has also developed positive economic relations with Nepal and Bhutan for hydro-power electricity generation. India's signing of the Power Trade Agreement with Nepal in 2014 has further strengthened the framework for imports by Indian entities of surplus power generated from future hydroelectric plants in Nepal. India has constructed three hydroelectric projects in Bhutan (Chukha, Kurichhu, and Tala) for domestic consumption, which also export surplus power to India.

As the BBIN countries emerge as distinct economic powerhouses, energy demands for infrastructure development is bound to increase. India is ideally placed, geographically and economically, to support and buy into its neighbours' economic boom.

If trade stops, wars start

After India ratified the WTO Agreement on Trade Facilitation in 2016, it set up the National Committee on Trade Facilitation. The committee now has a fast-track agenda for a ₹4,500-crore border business plan to increase trade and improve ties with India's old neighbours.

As part of this initiative, upgrading Land Custom Stations (LCSs) to the improved Integrated Check Posts (ICPs) along its land borders alone has enhanced the quantum of border trade two-folds. Hence, India is bound to increase its domestic budget to enhance trade infrastructure with the land borders that it shares with Bangladesh, Bhutan, and Nepal.

The outlier in the cross-border trade of India is its trade equations with Pakistan. India and Pakistan, have recorded a minuscule $2 billion trade value which has the potential to increase, without impeding artificial barriers, up to $37 billion.

Due to political conflicts, most of the formal trade between the countries is routed through a third country, thereby depriving the trade benefits to the regional value chain. As a result, mending trade relations with Pakistan shall continue to be an uphill task for India.

India is also keen to shed its image of the weak link in the Quadrilateral Security Dialogue. The Asia Reassurance Initiative Act of 2018 (ARIA) combined with the Better Utilization of Investments Leading to Development Act of 2018 (BUILD) indicate the increased US interests in the Indo-Pacific region.

ARIA and BUILD are closely aligned with India's verbatim of "advancing a free, open, and inclusive Indo-Pacific region." Therefore, India's new economic partnerships in trade, connectivity, and energy networks with its old neighbours in the region would also contribute to a stronger security presence in the region.

India is certain to engage in exponential infrastructure development for facilitating trade with Bangladesh, Bhutan, and Nepal. In an increasingly unstable globalisation era, India recognises that it should keep its overseas partners close and its adjacent neighbours closer.

The Hobson's choice that creates this need is the choice between seamless connectivity for trade and transit or bending to strategic geopolitical security hang-ups. As South Asia gallops towards economic boom, it is categorically India's prerogative to develop new businesses with its old neighbours.

Source: thehindubusinessline.com- May 08, 2019

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India to press for export of more products as Commerce Secretary meets Chinese delegates

India's trade deficit with China has been bridged by about $9.5 billion in FY19 to $53.5 billion, but New Delhi wants deeper cuts this year.

Pushing for more action from the Chinese side to increase imports of agricultural commodities and certain other goods from India, Commerce Ministry officials will meet representatives from the General Administration of Customs of China (GACC) on Thursday in New Delhi to discuss ways to raise exports and close the bilateral trade gap further.

"The Chinese Vice-Minister of GACC will meet Commerce Secretary Anup Wadhawan on Thursday and the two are expected to discuss the extent to which the steps taken to increase India's exports of farm goods to China have yielded results and what more needs to be done. Some protocols for agriculture exports may also be signed," a government official told BusinessLine.

Trade deficit

In FY19, India's trade deficit with China narrowed a bit to $53.5 billion compared to $63 billion the previous fiscal, but that was partly due to a decline in China's exports to India to $70.31 billion from $76.38 billion the previous year and an increase in Indian exports of some items such as organic chemicals, plastic raw materials and cotton yarn.

This followed assurances given by Chinese Premier Xi JinPing last year that his country would take concrete measures to address the problem of trade imbalance with India.

China has also adopted a friendlier approach towards India after it got entangled in a trade war with the US. The Trump regime has threatened China with more retaliatory tariffs to be imposed on Friday.

"While India's exports to China in FY19 went up to $16.75 billion from $13.33 billion, there wasn't any significant increase in exports of agriculture and allied products except for certain items such as spices and marine products," the official said.

Eye on potential exports

New Delhi believes that a bulk of the existing trade gap between India and China can be rectified through an increase in trade of not just the items already doing well, but where potential exists.

The Commerce Ministry, which has done a detailed analysis of the areas where there is scope for China to import more from India, submitted a list of 380 items earlier this year where export from the country could go up. These include agriculture, horticulture, pharmaceuticals, textiles, chemicals, tobacco and some engineering products.

While China has started importing grapes from India, a number of other fruits such as pomegranates, bananas, copra, pineapple and chillies are in the pipeline. Soyabean is another product where there is a huge scope for exports.

“We hope that the Chinese Minister takes forward discussions on at least some of these items and exports start soon,” the official said.

Source: thehindubusinessline.com- May 07, 2019

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Rising cotton prices to shrink operating margins of cotton yarn spinners, says CRISIL

CRISIL thinks that lower cotton production is expected to shrink India’s cotton stock to a two-year low of 1.2 months by the end of CS 2019.

Ratings agency CRISILNSE -1.18 % expects the operating margins of domestic cotton yarn spinners to shrink 100-150 basis points (bps) in fiscal 2020 amid lower cotton output, rising cotton prices and moderating demand, reversing the recovery seen the previous fiscal.

A release from the agency said: "That, however, is unlikely to materially impact the credit profiles of spinners, given the continuation of three major spurs of fiscal 2019 – modest capex intensity, prudent working capital management, and strengthened balance sheets.

India’s cotton production is expected drop by over 5% in cotton season 2019 (CS; from October 1, 2018, to September 30, 2019) because of low water availability and inadequate south-west monsoon in key cotton producing states and lower yields owing to increase in incidents of pest attacks."

CRISIL thinks that lower cotton production is expected to shrink India’s cotton stock to a two-year low of 1.2 months by the end of CS 2019, leading to firming up of domestic cotton prices to Rs 128-140 per kg this fiscal, marking a rise of 7-8% over fiscal 2019.

"Global cotton prices, meanwhile, are expected to remain steady at Rs 128-134 per kg as lower production in India, US and Australia will be offset by higher production in China and Brazil. This would narrow the gap between domestic and global cotton prices. Demand for cotton yarn is also seen turning south due to moderation in domestic as well as exports demand," the release mentioned.

CRISIL estimates that overall cotton yarn demand (volume terms) will grow at a slower pace of 4.5% in fiscal 2020 compared with 5.6% last fiscal. The slowdown will be mainly driven by tepid growth in domestic demand (comprising three-fourths of overall demand) at 2.9-3% in fiscal 2020.

Growth in exports is also expected to be slower at 9-10% in fiscal 2020, compared with 13.5% in fiscal 2019, amid trade tensions between US and China, and commissioning of yarn capacities in Vietnam, which enjoys preferential access to Chinese markets. “This is not good news for Indian spinners,” said Hetal Gandhi, Director CRISIL Research.

“Higher cotton cost and moderate demand outlook mean they may not be able to get commensurate increase in yarn prices, which would reduce their operating margins by 100-150 bps in this fiscal.” CRISIL rates 309 cotton spinners.

Considering lower profitability, Debt/Ebitda (earnings before interest, tax, depreciation and amortisation) of CRISIL’s portfolio is expected to be 3.5-4 times in fiscal 2020, compared with ~3.5 times in fiscal 2019 and 4.6 times in fiscal 2018.

"The credit profiles of spinners are not expected to be impacted materially, as capital spending is likely to remain moderate given current capacity utilisation levels of ~75-80%," said Gautam Shahi, Director, CRISIL Ratings. "Spinners are also expected to continue managing their working capital prudently."

Besides, strengthening of balance sheets owing to healthy demand and softer cotton prices, and moderate capex in fiscal 2019 will help spinners absorb impact of lower operating profits in the current fiscal. However, small cotton spinners (spindles less than 20,000) with leveraged balance sheets could face some challenges because of higher cotton prices.

Source: economictimes.com- May 08, 2019

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Godrej Agrovet launches new cotton herbicide

Godrej Agrovet has launched Hitweed Maxx, a herbicide that controls most of the major weeds in cotton, giving the crop weed-free growth of 25-30 days. The herbicide promises weed control at low cost as compared to conventional methods.

The launch follows the success of the indigenously developed and patented cotton herbicide Hitweed.

Hitweed Maxx will be available in all cotton growing States: Punjab, Haryana, Rajasthan, Madhya Pradesh, Maharashtra, Gujarat, Odisha, Andhra Pradesh, Telangana, Karnataka and Tamil Nadu.

Marginal farmers are struggling with low cotton productivity due to lack of awareness about nuances of technology and reliance on manual/mechanical weed management.

The growth of weeds during the early stages of the crop poses a major problem since they compete for vital nutrients. As a result, the crop yield reduces and does not meet the farmer's expectations, said the company.

Hitweed Maxx checks weed competition during the critical period of crop growth and effectively controls both broad- and narrow-leaved weeds and results in higher productivity. It protects the crop for longer periods thus delivering economy of scale to farmers.

Balram Yadav, Managing Director, Godrej Agrovet, said the newly launched herbicide is a one-shot solution to control all major weeds in the cotton crop, leading to a higher productivity and efficient weed management.

The use of Hitweed Maxx eliminates mechanical or manual weed management and enables cotton farmers across India to adopt a high-density planting system, he added. It is effective under all planting systems, including high-density planting, where the plant population is kept relatively high, resulting in higher productivity and enhanced profit per acre.

Source: thehindubusinessline.com- May 08, 2019

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Varying cotton estimates put mills in quandary

Speculation on prices does not bode well, say industry players

At a time when the capacity utilisation levels of textile spinning mills have been reduced to well below 40 per cent, the speculation about cotton crop estimate appears to have aggravated the situation. The lower capacity utilisation is primarily due to two reasons -- poor off-take of yarn and labour shortage.

“Investment bankers and traders have started speculating on the price front, while ginners are holding on to huge inventory of high-priced cotton. This is good neither for farmers nor for the industry,” said an industry insider.

Stating that the cotton situation is good globally, J Thulasidharan, Managing Director of Coimbatore-based Rajaratna Group of Mills, said: “In India, there has been a slight shift to use of man-made fibre.

Consumption of cotton, therefore, is expected to be less, apart from the drastic cut in the utilisation levels by many mills.”

“Speculation about the cotton crop by different bodies does not augur well at this juncture. The Cotton Advisory Board (CAB) has not met in the last six months. The Board in the normal course will meet at least 2-3 times between December and May to assess the crop situation.

The Government has failed in its duty and this is affecting the farmer and the industry,” said Thulasidharan, who is also the President of Indian Cotton Federation (ICF)

The Cotton Association of India (CAI) in its April estimate has pegged the crop for 2018-19 season (beginning October 1, 2018) at 315 lakh bales. This is far lower than the CAB’s estimate of 361 lakh bales (on November 22, 2018) and the Confederation of Indian Textile Industry’s (CITI) estimate of 343 lakh bales (on April 15, 2019).

Questioning the veracity of CAI’s estimate, industry sources stressed the need for putting a full stop to such speculation and enforcing the April 26, 2017 notification issued by the Ministry of Textiles on submission of all related statistics (from manufacturers and traders of textile items) to the Office of the Textile Commissioner.

“Even after a year of the issue of such a notification, it continues to remain on paper, not been enforced,” said G Selvaraju, Secretary General of the Southern India Mills Association (SIMA).

Official data on the cotton crop show the inventory pile up at the beginning of the season (October 1, 2018) at 47.12 lakh bales, whereas the CAI estimate has put it at 28 lakh bales.

This difference, coupled with fall in production estimate, has only led to confusion. “Changing Government data can be misleading. How can they (CAI) tinker with the opening stock?”.

According to Selvaraju, this uncertainty and panic have pushed the mill sector here to import the white fibre. “Mills have already contracted to import around 18 lakh bales as international prices are attractive. Rising imports will have an adverse impact on the crop acreage next year. That’s not all.

As the domestic cotton is priced high (compared to international price), exports will slide; increased supply and drop in consumption will result in inventory pile up," he said, adding that "a conservative estimate of the cotton balance sheet indicate that we will be left with abundance at the end of the season, almost at the 2014-15 closing stock level of 66.23 lakh bales, if not more."

A comparison of the data on cotton arrivals shows a drop of 8 lakh bales at 278 lakh bales during the current season against 286 lakh bales during the corresponding period of the earlier season.

This corresponds with the drop in production estimates from 370 lakh bales in 2017-18 season to 361 lakh bales in 2018-19 season, the SIMA Secretary General said, adding that "there were quality issues due to pink bollworm infestation last year, but the quality of cotton has been very good this season. Drought did impact the crop in the Maharashtra and Gujarat cotton belt, but it was not huge."

Sanjay K Jain, Chairman, CITI, urged industry stakeholders not to panic, as the supply position is very comfortable. "Thanks to a big opening stock, huge imports and smaller exports, the production deficit is well covered. India will have no shortage of cotton in 2018-19."

Thulasidharan impressed upon the need to usher in policy changes. "The government should consider a policy for easing the financing norms. The amount required will be around ₹70,000 crore to ₹80,000 crore.

Rising prices will benefit traders and multinationals. While a few mills have the wherewithal to cover cotton during the season, the have-nots tend to suffer. The Cotton Corporation of India should come up with a policy for the have-nots."

Source: thehindubusinessline.com- May 08, 2019

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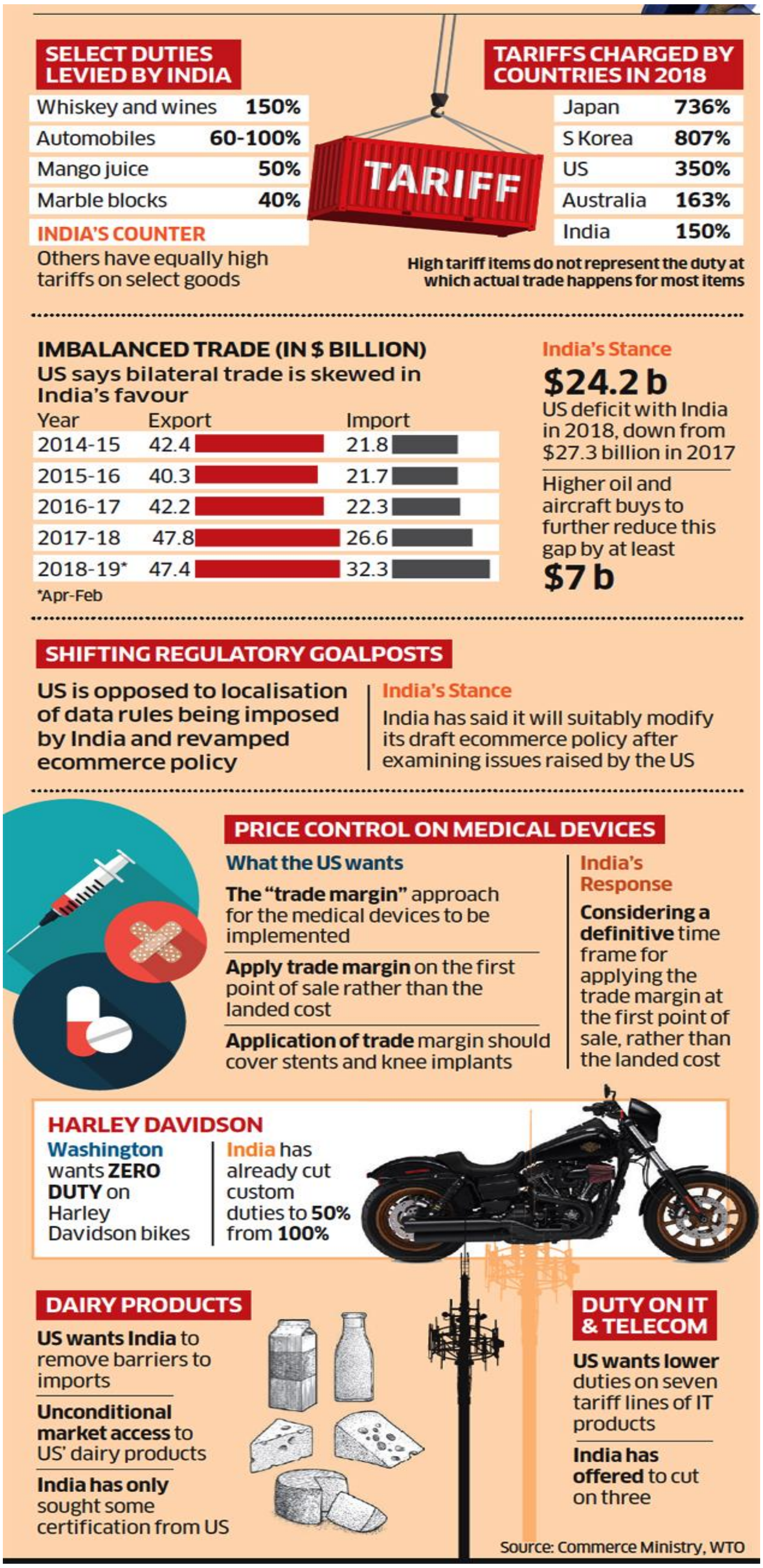
A look at US charges on India tariff and facts



Source: economictimes.com- May 08, 2019

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Tamil Nadu textile belt output down as migrants return home to vote

The drop accentuates a prevailing shortage in labour, a perennial condition in the western cluster.

Migration of low-skilled workers from Bihar, Jharkhand, Uttar Pradesh and the Northeastern states to Tamil Nadu's factories has become a permanent fixture.

Yarn spinners, garment makers and finished fabric manufacturers of Tamil Nadu's western belt have been producing less over the past few weeks as a significant portion of their workforce returned home to cast votes in the parliamentary elections underway, a disruption signalling significant dependence on migrant labour for production.

An internal survey conducted by the Indian Texpreneurs Federation, which has over 500 mills in Coimbatore, Tirupur — the exporters' hub — and other regions of TN showed a majority of the mills running at a 10-20% loss in capacity utilisation.

The survey took into account mills that make up 75 lakh spindles of capacity in the under -two-crore spindle capacity in the state.

The drop accentuates a prevailing shortage in labour, a perennial condition in the western cluster. "For the past two years, worker shortage is continuing in our industry — this is happening even without any new big factories.

With a burgeoning service sector absorbing workforce, getting labour for factories has become a challenge. There is a supplydemand mismatch," said Prabhu Damodharan, convenor of ITF.

"They usually go in batches to visit their families. In a mill of 600 workers, we used to send 25 workers at a time. Compared to the 2014 elections, the migrant labour ratio has increased and its effect has begun to affect production this season," said Raja M Shanmugham, president of the Tirupur Exporters Association.

"In terms of real numbers, their count cannot be less than 2.5 lakh in Tirupur alone," he estimated.

The drop in production arrives at a time of fragile European market recovery, which has ensured decent order flows to Coimbatore and Tirupur, dubbed Dollar City for its active exports scene.

The Tirupur cluster is expected to have crossed Rs 50,000 crore in business, including supply to the domestic market, in the fiscal 2018-19 year. Exports alone should have crossed Rs 26,000 crore, estimated Shanmugham, with targets set for Rs 30,000 crore in the current fiscal.

Migration of low-skilled workers from Bihar, Jharkhand, Uttar Pradesh and the Northeastern states to Tamil Nadu's factories has become a permanent fixture. Entrepreneurs have embraced the influx enthusiastically, building hostels and offering flexible work contracts, ringing in change in a once-unionised industry cluster.

Textile mill owners say the high demand for workers, addressed largely by migrants, has had a debilitating effect on unionism in Coimbatore: Ridden with conflicts and strike-calls in its heyday, unionism in the western belt's textile factories is now plateauing off, say local leaders with CITU in Coimbatore.

"It has been a struggle to sustain existing unions as the nature of labour force has changed drastically. Migrants are here today and the next month in another state. We are unable to sell unions to a floating workforce," said S Krishnamoorthy, district secretaty for CITU in Coimbatore.

Source: economictimes.com- May 08, 2019

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Creating a high-skills ambience in India

It is crucial to ramp up the demand for skills in the small and informal sector

The small and informal sector is the backbone of the Indian workforce. Over 82 per cent of the workforce is engaged in the informal sector which, by definition, comprises small enterprises. Nearly 40 per cent of these informal workers are also single, own-account workers.

As we move ahead, the small and informal sector will continue to be the primary source of employment and entrepreneurship. At the same time, despite engaging such a large proportion of the workforce, the productivity of such enterprises remains low.

Despite the massive workforce, the informal sector contributes to only about 50 per cent of India's GDP. Improving access to formal skills can be a transformative lever for the informal sector. It can also help create mass entrepreneurs who are not single, subsistence-driven, but have the capacity to be job creators and help the workforce transition steadily from the informal to formal.

At present, small, often informal, enterprises face some unique impediments in availing themselves of formal skilling.

Limited awareness of the need and lack of incentives for engaging in formal skilling: Small and informal business owners often see limited benefit of formally skilled workers due to a lack of awareness of the productivity and income gains that can accrue because of skilling.

This problem also extends to parts of the formal sector, which is experiencing increased 'contractualisation of labour'. These formal employers might not see any incentive to invest in training, given the temporal nature of the occupation and high attrition rate for the 'contract employees'.

Cost and time of training: Around half of the workers employed in the non-agriculture sector work in enterprises that employ less than two people on an average. This low number increases the opportunity cost of training per worker and discourages small and informal enterprise owners from investing in training.

Entrepreneurs also find it difficult to upskill themselves as they already face time and financial constraints in their business. Finally, potential workers who do get formally skilled, demand a wage premium that small enterprises are unable to afford.

Lack of alignment between current formal programmes and the skilling needs of small and informal enterprises: Small enterprises often depend on workers who perform multiple tasks and thus need their employees to be trained in multiple skills.

The current formal skilling programmes are often not designed for this and tend to be specific to a job role. The current programmes also provide full-time and non-local solutions while firms need flexible, hyper-local models. This combination limits the effectiveness of the initiatives.

Boosting demand

We see three categories of interventions that can help catalyse demand for formal skills.

Provide incentives and increase awareness to drive demand for formal skills training: Giving financial and non-financial incentives to enterprises in the informal sector has the potential to mitigate the cost and time pressures of engaging workers in formal training and increasing uptake of skilling programmes.

Further, as small firms experience the productivity gains from investments in skill building, the demand for skilling of their workforce will increase. For example, Kenya launched the Jua Kali Skill Voucher Program to catalyse adoption of skill training programmes among micro and small enterprises (MSEs) through demonstration effect.

After experiencing more than double the average sales, the MSEs increased their permanent training resources and staff. However, it is important to note that a detailed impact study showed that the programme was a high cost one and could not sustain without external funding support.

Any incentives, therefore, must be designed with the goal of sustainability, with firms eventually transitioning to skilling their workforce without needing external support.

Foster tailored models of skill provision: There is a significant need to create an enabling environment and dedicate resources to support testing of new models across the sector.

The ‘micro-training’ provider model in Rwanda is a case in point. It is a hyper-local and flexible training model operated by small enterprises that engage in production and sale of goods and services and provide training as a parallel service.

Introduction of this model resulted in an enrolment rate of twice as many trainees, compared to formal public training systems.

Recognise skills required through traditional apprenticeships or other non-formal channels: Workers and entrepreneurs in the informal sector often get trained by observing or working under master crafts persons or owners of small businesses.

Since they might not have any record of their training, developing mechanisms for formal recognition of an informal worker’s existing skills can benefit them tremendously.

Some platform aggregators, such as UrbanClap, are already supporting formal recognition and upskilling efforts in India, indicative of a rising trend. It helps formalise the service provider’s informally-acquired skill by providing a short-term up-skilling course and offering a certificate for the training.

Efforts in the skilling ecosystem so far have mostly focussed on serving the existing demand effectively. If we want India to transition to a high-skills equilibrium, it will be crucial to exponentially increase the demand for skilling. A concerted focus on the small and informal sector, will be the first step to achieving this.

Source: thehindubusinessline.com- May 08, 2019

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