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IBTEX No. 239 of 2019 December 09, 2019

US 71.12 | EUR 78.75 | GBP 93.78| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19043	39800	**71.30**

Domestic Futures Price (Ex. Warehouse Rajkot), December

Rs./Bale	Rs./Candy	USD Cent/lb
19140	40003	**71.67**

International Futures Price

NY ICE USD Cents/lb (March 2020)	66.70
ZCE Cotton: Yuan/MT (May 2020)	13,140
ZCE Cotton: USD Cents/lb	84.72
Cotlook A Index – Physical	**73.90**

Cotton Guide- Geopolitical optimism has again driven the market north. This was the second highest figure of the Crop Year 2019-2020. The March 2020 contract settled at 66.00 Cents per pound with a change of +149 points. The High figure seen was 66.32 cents per pound and the low figure was recorded at 64.51 cents per pound. The May contract settled at 66.85 cents per pound with a change of +135 points. Volumes were better as compared to the ones seen in the entire 10 days, they summed up at 35,803 contracts.

The MCX contracts ended positive as that of all the ICE contracts. The MCX December contract settled at 19,140 Rs per Bale with a change of +90 Rs. The MCX January 2020 contract settled at +80 Rs. The volumes were seen at 819 lots.

The Cotlook Index A has been updated at 73.90 cents per bale with a change of -25 points. The spot price of Indian domestic Shankar 6 is at 39,200 Rs per Candy [up by 400 Rs]. Therefore the Export prices amount to 74 cents per pound CIF Far Eastern Ports for today. The Basis was seen to have shown a slight decline at +800 on [based on the price of 39,200 Rs per candy.] The prices seen on CAI's website are at 39,800 Rs per Candy.

An export demand for the North Indian shorter staple cotton has spiked up. On the other hand Indian exporters are finding it difficult to export Indian Medium Grade Cottons. The Vietnamese and the Bangladeshi Mills have been putting forward new enquiries to test prices. However, sellers seem unwilling [or rather do not find it profitable] to sell at the lowers prices asked by these Buyers.

While analysing last week's events once again, the two factors which drove the market north were:

A. Optimism seen on the US China front.

China is expected to reduce import tariffs on Soybeans and Pork as a measure inviting to Strengthen the Phase one Deal which has impacted all financial and commodity markets. The positivity was strengthened by US President Donald Trump's Comments.

B. Positive US Employment Numbers.

The US Department of Labour added 266,000 jobs in the month of November which is seen to be above predictions of many analysts.

On the fundamental front, we expect the prices to show consolidation for both ICE and MCX. For ICE we presume that the price will retrace back by around -50 points. Whereas For MCX we expect the prices will remain firm for a week.

On the technical front, in daily chart, ICE Cotton March is trading within a range bound manner, after it breakdown from an upward sloping channel. However, price now has the immediate resistance of the downward sloping trend line around 66.50-66.70, along with the support of 64.90 which is 38.2% Fibonacci retracement level of an intermediate up move. Meanwhile, price is below the daily EMA (5, 9) at 65.28, 65.22, along with the momentum indicator RSI is at 52, suggesting sideways to negative bias for the price. Thus for the day we expect price to trade in the range of 66.70-64.90 with sideways to negative bias. In MCX Dec Cotton, we expect the price to trade within the range of 19100-19320 with a sideways to negative bias.

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

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INTERNATIONAL NEWS

USA: Trade Deficit Down Again as Imports, Exports Continue Slide

The U.S. trade deficit in goods and services tumbled 7.6 percent in October, according to trade statistics released Dec. 5 by the Department of Commerce. The monthly deficit of $47.2 billion reflected a 0.2 percent decrease in exports to $207.1 billion and a 1.7 percent decrease in imports to $254.3 billion. The deficit is up 1.3 percent for the year to date compared to the same period in 2018, with imports up 0.2 percent and exports down less than 0.1 percent.

Country/region	Deficit	% Change	Surplus	% Change
China	$27.8 billion	-0.1		
European Union	$14.3 billion	-8.9		
Mexico	$7.8 billion	-14.3		
Germany	$5.0 billion	0		
Japan	$4.9 billion	-14.1		
Canada	$3.4 billion	+36.0		
Italy	$2.6 billion	-13.3		
India	$2.0 billion	0		
France	$2.0 billion	+17.6		
Taiwan	$1.6 billion	-23.8		
South Korea	$1.5 billion	+25.0		
South/Central America			$4.7 billion	-6.0
Hong Kong			$1.8 billion	-14.3
Brazil			$1.2 billion	+20.0
United Kingdom			$0.8 billion	+14.3
Singapore			$0.6 billion	-33.3
Saudi Arabia			$0.6 billion	+100.0

The deficit in goods trade was down 5.2 percent in October to $68.0 billion. Imports of goods dropped 2.2 percent to $204.1 billion, including decreases of $800 million each in pharmaceutical preparations and automotive parts and accessories, $500 million each in passenger cars and trucks, buses, and special purpose vehicles, and $400 million in cell phones and other household goods.

Exports of goods fell 0.6 percent to $136.1 billion, including decreases of $600 million each in civilian aircraft engines and industrial supplies and materials and $400 million each in pharmaceutical preparations and gem diamonds.

The services surplus increased 1.0 percent to $20.8 billion after months of decline. Imports were up 0.2 percent to $50.2 billion while exports rose 0.4 percent to $71.1 billion.

Source: strtrade.com - Dec 09, 2019

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USA: Apparel Imports Outlook: Expect More Flight from China and a Search for New Sourcing Standouts

Apparel's flight from China to dodge stiflingly high tariffs is in high gear with no end to the exodus in sight. As trade talks sputter on in fits and starts, fashion companies realize diversifying their sourcing can be the way to curtail costs and reduce risks.

U.S. apparel imports from China dropped 35 percent in October to a value of $2.03 billion compared to $3.12 billion a year earlier, according to the latest data from the Commerce Department's Office of Textiles & Apparel (OTEXA). In volume, apparel imports from China fell 30 percent to 926.03 million square meter equivalents (SME) from 1.33 billion SME in October 2018.

Experts believe the steep drop, while part of a pattern, was likely exacerbated by companies bringing goods in early ahead of the Sept. 1 imposition of 15 percent tariffs on Chinese apparel entering the U.S., as noticeable plunges were all posted in September.
Tariff impact

"Everyone has been focused on what they could do about the tariffs and the data continues to show that," Julia Hughes, president of the U.S. Fashion Industry Association, said. "People tried to lock on and get their product in early this year."

G-III has been accelerating inventory receipts ahead of the last round of tariffs implemented in September, making the impact of tariffs in the third quarter "somewhat negligible," chairman and CEO Morris Goldfarb. However, tariffs will dampen fourth-quarter results, he added, and if they continue, "there will be a way of life for the future," and there will be a greater impact next year "as we deplete our low-cost inventory."

Many companies are trying to executive legal workarounds to the tariffs, Laura Siegel Rabinowitz, a shareholder in the international trade practice at Greenberg Traurig, said. This includes so-called "first sale," which allows importers to declare goods to Customs as between the manufacturer/factory and the vendor, rather than the vendor and the importer, thereby excluding the vendor's markup and lowering the customs value of the goods and the amount of duties payable.

"Apparel has always had high duties, now these are additional onerous high duties, and even smaller companies…are looking at the first sale option," Rabinowitz said. "Companies are also looking at sharing the burden of the duties with the factories. Companies are also applying for exclusions to the tariffs, although I haven't seen any be successful yet."

An exclusion petition needs to demonstrate that products can't be found in the U.S. market or in a third country or that the tariffs are inflicting economic harm.

The China factor also impacted overall apparel imports in the month that's normally vital to the flow of merchandise for fourth quarter holiday selling. U.S. apparel imports from the world declined 15.99 percent to 2.4 billion SME in October from a year earlier, with all Top 10 suppliers posting lower volume except Bangladesh and Pakistan.

Tariffs not only add costs to finished goods but disrupt the entire supply chain end to end, Dr. Rafay Ishfaq, associate professor of supply chain management at the Raymond J. Harbert College of Business at Auburn University, said.

"Apparel is one of the fastest-changing supply chains," Dr. Ishfaq said. "It faces challenges in speed to market and cost efficiencies because there's such a wide range of products."

While the cycle of fashion seasons are getting shorter, the production leads times are not, Dr. Ishfaq said, noting that digital and omnichannel "have shifted the goal posts and made them even closer."

"So the tariffs are hurting the profitability side because it raises the cost of goods, but the China issue is broader than just tariffs," Ishfaq said. "China is investing in modernizing its manufacturing base that makes costs higher. The labor market has also shifted upward and that has also eroded the cost advantage that attracted retailers and brands from the U.S. to go there in the first place.

"So tariffs," he said, "become a tipping point."

China syndrome

His point is evident in looking at the larger picture for Chinese shipments. For the year to date though October, apparel imports from China declined 5.62 percent to $22.13 billion in value compared to the year-ago period. In the 12-month period, shipments from China were down 4.56 percent to $26.05 billion.

China's market share now stands at 30.75 percent, down from 32.26 percent in August ahead of the new tariff regime and from around 36 percent three years ago, according to OTEXA.

Major gainers for the first 10 months of the year included Vietnam, Bangladesh, Cambodia and Honduras. Imports from Vietnam increased 10.88 percent in the period to a value of $11.67 billion, shipments from Bangladesh were up 9.98 percent to $5.09 billion, Cambodia's rose 10.84 percent and 10.34 percent more goods arrived Honduras for a value of $2.33 billion.

Also posting increases were India, with a gain of 6.9 percent to $3.55 billion, and Pakistan, with shipments up 7.42 percent to $1.23 billion.

Mexico has also seen major declines in apparel imports this year, although its core denim production has remained strong. Overall apparel shipments to its northern neighbor fell 5.55 percent in the period to $2.69 million. Top 10 suppliers Indonesia, down 0.59 percent to $3.82 billion, and El Salvador, declining 1.89 percent to $1.57 billion, saw smaller declines.

Sourcing patterns

As companies look to diversify their sourcing and seek alternative production spots, several countries and regions continue to make steady ground.

Apparel imports from the Western Hemisphere rose 2.03 percent to $12.12 billion for the year to date through October. In addition to Honduras, suppliers on the upswing included Nicaragua, Haiti and Peru.

The Western Hemisphere is also a key source for U.S. textile exports. “The administration’s actions against China could ultimately help lead to sourcing shifts to the Western Hemisphere, which is the U.S. textile industry’s largest export market,” Kim Glas, president and CEO of the National Council of Textile Organizations, said.

U.S. textile mill product exports to the Western Hemisphere declined 2.5 percent for the year-to-date as well as for the year ending Oct. 31, Glas said. However, there were bright spots in the data, she said, citing apparel imports from the region that largely incorporate U.S. textile inputs.

“Early indications in the trade data show that sourcing is shifting,” Glas added. “Apparel imports from the Western Hemisphere that largely incorporate U.S. textile inputs increased modestly and if it continues, this is a trend that will have positive implications for the U.S. textile industry.”

Imports from Sub-Saharan Africa operating under the free trade African Growth and Opportunity Act (AGOA) registered a 17.59 percent increase in the 10 months to a value of $1.2 billion. Kenya, Madagascar, Ethiopia and Tanzania were key gainers from that region. Other suppliers from Africa that also receive free or preferential trade treatment and are seeing increases include Jordan, Egypt, Morocco and Tunisia.

The Jordan and Egypt numbers are “really amazing, as well as Ethiopia and Myanmar, and are “living proof,” Hughes said, with the exception of Myanmar, “of the shifts going on and how the duty-fee options really make a difference.”

As production migrates out of China, many countries and regions such as Vietnam and Central America run are likely to encounter capacity problems, Hughes said.

"We're going to keep seeing the flight from China because the imports that are coming in now were placed as the exodus was underway," Hughes said. "But not everything is going to leave China. You hear from companies that, even if they wanted to, there are certain types of production that are remaining in China. Then you have the big issue of 'how do we manage our production in everywhere that not China?'"

These concerns include labor and civil unrest from Bangladesh and Cambodia to Hong Kong and Central America.

Source: sourcingjournal.com - Dec 06, 2019

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China's trade with US sinks in November amid tariff war

China's trade with the United States sank again in November as negotiators worked on the first stage of a possible deal to end a tariff war. Customs data on Sunday showed exports to the United States fell 23 per cent from a year earlier while imports of American goods were off 2.8 per cent.

Exports to some other countries including France rose, helping to offset the loss. Total Chinese exports were off 2.5 per cent from a year earlier despite weakening global demand while imports were up 0.2 per cent.

President Donald Trump agreed to postpone a planned tariff increase in early October following trade talks but penalties already imposed on billions of dollars of goods stayed in place.

Source: financialexpress.com - Dec 09, 2019

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China‘s pain, Italy‘s gain: high costs push textile buyers west

International textiles buyers are increasingly switching away from China, and back to Western suppliers, as rising labour, raw material and energy costs make the world‘s dominant producer more expensive.

In Biella, a small town in the foothills of the Alps at the heart of northern Italy‘s wool industry, factory owners say a narrowing price difference with China and demands for nimbler production nearer home are winning back higher-end customers.

In the office of his family business, Alessandro Barberis Canonico recounts how one high-profile European client called him recently to say he was giving up on China because of rising costs there and the increased demand for quality – and would need help from Biella for a big collection.

“He had tried his luck going abroad; things did not go well, so he‘s now back,” Barberis Canonico said.

For sure, China remains a world leader in textiles: employing over 4.6 million people, contributing a tenth of GDP and with exports, including apparel, of $284 billion in 2015, according to data from China‘s National Bureau of Statistics, the Ministry of Industry and Information Technology, and the China Chamber of Commerce for Import and Export of Textile and Apparel.

But wages there have been rising at an annual compound growth rate of more than 12 percent, outpacing the economy, and are simply no longer cheap enough to compete just on price.

At the same time, China‘s textiles sector faces rising costs of inputs such as cotton and wool, hefty import taxes for basic manufacturing equipment, and costlier environmental rules.

The government‘s five-year plan for textiles, released in September, acknowledged that higher costs are weakening its international advantage, and it faces a ‘double whammy‘ from developed countries – like Italy – with better technology and developing countries with lower wages.

“LESS ATTRACTIVE”

The labour cost gap between Italian and Chinese yarn narrowed by around 30 percent between 2008 and 2016, to $0.57 per kg from $0.82/kg, according to International Textile Manufacturers Federation (ITMF) data.

The hourly wage for a Chinese weaver last year was $3.52, according to the ITMF, up 25 percent since 2014, though still a fraction of the more than $27.25 paid in Italy, an increase of 9 percent over the same period.

“When China‘s wages are not that low, the process of shipping materials so far to China and then shipping products back to Europe becomes a lot less attractive,” said Shiu Lo Mo-ching, Chairman of Hong Kong General Chamber of Textiles Ltd and CEO of textile manufacturer Wah Fung Group.

“They‘d rather take the production back to Europe. This trend has been very obvious.”

That proximity is also an advantage at a time when Western clothing brands are under pressure to offer more collections, and customers increasingly want customised looks. Their suppliers need to be closer, and faster.

“In China ... their supply chain is not close, and is scattered, giving (Italy) a competitive advantage,” said Ercole Botto Poala, CEO of Italian textile producer Reda.

Italy‘s textile imports from China fell 8.7 percent in the first 10 months of last year, to 347 million euros ($370 million), according to SMI, Italy‘s textile and fashion association. Its exports to China rose 2.8 percent to 165 million euros in the same period, though total textile exports last year dipped 2 percent to 4.3 billion euros.

For buyers, quality and transparency are also key.

“Before, given (brands) were paying much less, they turned a blind eye to quality,” said Giovanni Germanetti, director general of Italian yarn and textile producer Tollegno 1900, one of several producers who told Reuters that clients were returning for what he described was better value for money.

Alessandro Brun, professor at the MIP Milan Politecnico, said brands are also motivated by concerns over product traceability, and want to avoid potential reputational risk.

While suppliers were reluctant to name specific brands they sell to, so as to protect business confidentiality, several international apparel firms are switching to Italian wool fabrics so they can name the mill they source from on labels to differentiate from rivals, producers said.

Italian high-street brand Benetton said it used yarn from Tollegno 1900 in a newly-launched Made-in-Italy line of limited edition seamless wool jumpers.

MOVING AWAY

More than 9,000 kms (5,600 miles) from Biella, in the bustle of the biennial Canton Trade Fair, some buyers said they were moving away from China.

“We already buy 60 percent less from China compared to two years ago,” said Olesia Pryimak, who attended the trade fair late last year to source material for her plus-sized fashion firm Opri in Ukraine. She said her company is turning increasingly to Turkey for fabrics, because of quality, price and proximity to Europe.

Many of the producers and buyers interviewed said it was too soon for data to show the flow out of China.

China‘s textile exports to the European Union grew a modest 1.4 percent in the first ten months of last year, but dropped 4.1 percent in October, according to Chinese data.

In Zhuhai in China‘s industrial southern belt, middle-aged workers load bundles of white wool for washing and dyeing at a spacious, well-lit factory owned by Hong Kong-based Novetex Holdings, a supplier of wool and cashmere yarn to international brands including Burberry and Max Mara.

The company employs about 1,100 workers during peak season, but rising wages mean it is now investing in more automation, and will cut two-thirds of its workforce in two years.

“The overall cake is smaller. Many agents and smaller factories have shut down,” said director and CEO Milton Chan.

Source: livingstonledger.com- Dec 07, 2019

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EU to boost garment industry in Myanmar

The new phase of the European Union's SMART Textile and Garments project will bring together brands, trade unions and business associations to boost social and environmental sustainability in Myanmar's garment industry.

The project, funded by the EU, was officially launched in Myanmar last Friday.

The SMART Textile and Garments project will work with more than hundred garment and textile factories in Yangon, Mandalay, Bago, Pathein and other regions.

The project, which will feature the involvement of local and European experts, will deliver on-site assessment and training on topics such as human resource management systems and workplace communications, occupational safety and health, chemicals and waste management, and energy efficiency.

"The European Union's unwavering commitment and support plays an important role in improving decent work conditions and responsible business practices in Myanmar," said Ministry of Labour, Immigration and Population Permanent Secretary U Myo Aung during the launch of the project.

"The project's aim to is to further strengthen sustainable production practices and responsible supply chains in Myanmar and Europe," said Jacob A. Clere, team leader of SMART Myanmar. The SMART Myanmar project has been working with garment factories since 2013 to promote sustainable consumption and production (SCP) of garments bearing the label "Made in Myanmar" – a concept with emphasis on resource efficiency and social responsibility.

SMART Textiles and Garments builds on SMART Myanmar and will expand training and capacity building programmes for social and environmental performance to more than hundred garment and textile factories in different locations across the country.

SMART Myanmar has proven to be an extremely relevant programme in accompanying Myanmar's apparel industry's shift to more sustainable practices, said Pedro Campo Llopis, deputy head of development cooperation of the EU Delegation to Myanmar.

"Europe is one of the world's largest consumer markets and European consumers pay a lot of attention to where the products they buy come from and how they are produced. Sustainable production and respect for international labour standards are therefore important topics in the EU's trade relations with Myanmar and this makes our cooperation with the Myanmar garment sector through the SMART Textiles and Garments programme so important," Campo Llopis added.

Several international retailers including H&M, Bestseller and C&A, have agreed to support the new programme to boost performance within their Myanmar-based supply chains.

In fiscal year 2018-19, Myanmar-made garments were among the largest export categories in the country, with over US$4 billion worth of garments exported, according to the Ministry of Commerce.

Since 2013, Myanmar's garment sector has shown staggering export oriented growth. The garment industry serves largely the European market and has created job opportunities for thousands, mostly women.

Source: mmtimes.com- Dec 09, 2019

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Ethopia's Garment Workers Are Struggling. Strong Unions Can Help

Foreign investment in Ethiopia's garment sector is growing. As the cost of labor and raw materials continues to rise in China, the Horn of Africa nation has positioned itself as a cheaper option, wooing businesses with tax exemptions, grants and low-interest loans as it ramps up its manufacturing capabilities.

At the same time, Ethiopia's garment workers are among the poorest paid in the world, warns IndustriAll Global Union, a Copenhagen-based federation of 50 million workers from 140 countries.

A dearth of centralized bargaining and social dialogue is partly to blame, the group said. A recent investigation by IndustriAll found that a sewing machine operator might earn up to 1,150 Ethiopian Birr ($37), yet a room in the city of Hawassa costs an average of $2,000 Birr ($64).

To make ends meet, as many as four workers might cram themselves into a single room, IndustriAll said. Wages aren't even paid on time: IndustriAll spoke to workers who complained of payments 11 days late. And while workers might earn production bonuses, they're rarely enough to bring more than temporary relief.

A study by MyWage and the Confederation of Ethiopian Trade Unions concluded that garment workers need to make at least 4,130 Birr ($132) to survive—more if they have families.

A survey of 1,000 garment workers from 52 factories revealed that 92.5 percent of workers in Ethiopia fell under this threshold, while 8 percent earned well below $35.

At Hawassa Industrial Park, Ethiopia's largest manufacturing hub, workers make T-shirts that are sold in the United States for roughly $70—or nearly double their monthly wages.

One factory, investigators said, employs 450 workers to make between 3,500 to 3,750 shirts per eight-hour shift. Lunch might be 30 minutes long, but if a factory doesn't provide food at canteens, workers sometimes go without food until the end of their shifts.

None of the workers IndustriAll interviewed said they belong to a trade union. Park management has been resistant to the idea, so negotiations over wages, transportation and health and safety are instead routed through employer-worker committees formed by the factories themselves. While 90 percent of garment workers are women, decision makers are primarily men.

IndustriAll argues that a collective bargaining strategy can help workers achieve better wages and working conditions. It expressed its support of the Industrial Federation of Garment Leather Textile Workers Union's efforts to unionize Hawassa's workers.

"As a collective, the workers can demand minimum living wages and better working conditions," Christina Hajagos-Clausen, director for the textile and garment sector at IndustriAll, said in a statement. "Without representation by a strong union, the workers will continue to work under terrible conditions."

IndustriAll plans to bring the conversation to international brands that source from Hawassa, such as PVH Corp., which owns Calvin Klein and Tommy Hilfiger.

"We will discuss with [them] to respect workers' rights and pay living wages," Hajagos-Clausen said.

Hawassa Industrial Park currently employs 25,000 workers but has room for another 35,000. At full capacity, the park is expected to generate $1 billion in exports.

Source: sourcingjournal.com- Dec 06, 2019

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Sri Lanka mulls fabric processing park in east

Sri Lanka's Joint Apparel Association (JAAF), an industry body, is working with the country's Board of Investment to set up a fabric processing park in Eravur, Batticaloa, in the eastern part of the island nation to draw investors from countries like China, according to Rehan Lakhany, chairman of Sri Lanka Apparel Exporters Association (SLAEA).

Discussions are under way with relevant authorities to procure a 200-acre plot in Eravur for the park, Lakhany said at a forum on sustainable financing for responsible fashion organised by HSBC and the International Union for Conservation of Nature.

Chinese apparel makers, who are looking to re-locate over a trade war with the United States would be one of the target groups to be invited for setting up units, a Sri Lankan online media outlet reported.

Sri Lanka imports more than half of its fabric from China.

As a shipment takes about a month to reach Sri Lanka from China, considerable time lost in transportation can be saved and import expenditure reduced, Lakhany said.

The industrial zone will have centralized facilities such as water treatment plant to re-cycle water which will reduce set up costs for prospective investors, he added.

Source: fibre2fashion.com- Dec 09, 2019

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WTO faces deepest existential crisis ahead of its silver jubilee

The World Trade Organization (WTO) will be left with only one judge after December 10. This will cripple its dispute appellate mechanism — a sharp rebuke to the very idea of rules-based free trade that the multilateral body represents —ironically ahead of its silver jubilee on January 1, 2020.

The US has stubbornly refused to relent on its move to block the appointment of appellate members (judges) at the WTO at a time of heightened risks to global exports from the ongoing trade war.

Since at least three members are required to hear an appeal, the fate of appeals against 14 rulings of the WTO's dispute settlement body (DSB) — including on India's export "subsidies" — remains uncertain. More importantly, the DSB's rulings won't be binding on the losing sides unless their appeals are heard and settled. Three of the cases involve India, while the US features in five such appeals.

For India, a staunch advocate of the rules-based multilateral trading system, it will be a mixed bag, to start with. It will be spared the trouble of having to fast restructure some of its contentious trade export schemes, as its November 19 appeal against a DSB ruling in favour of the US against New Delhi's export "subsidies" is still pending.

However, the US, too, will get some relief, as it has a pending appeal against India's victory in a case of illegal solar subsidies offered by some American states. Ironically, the US had won a similar case against India in 2016 and New Delhi reworked its solar programmes to comply with the ruling after losing the appeal.

As for fresh disputes, India is in consultations with the EU, Japan, the US, Chinese Taipei, etc over its decision to raise tariffs (up to 20%) on certain ICT products, including mobile phones. Typically, if the consultations fail, the aggrieved parties are free to approach the DSB for the composition of a panel to adjudicate on the case. The panel's findings can be appealled at the Appellate Body.

What worries analysts is that the Appellate Body goes into a freeze mode when a trade war between the US and China is showing no signs of abating. A non-functional appellate mechanism leaves a greater scope for countries to step up protectionism and disrupt global trade, growth in which is expected to plummet in 2019 to the lowest level since the 2008 financial crisis.

To be sure, countries can still initiate disputes against one another at the WTO; problems will arise only when a losing party appeals against the ruling of the DSB, which remains very much functional even after December 10. In 60 cases, the DSB has either set up panels to adjudicate disputes or is in the process of doing so. However, since over 70% of the disputes — and almost all high-stake cases — are usually settled after appeals, without a functional appellate mechanism, the WTO's dispute resolution prowess will be all but diminished.

The WTO's sorry state of affairs may also prompt countries to opt for bilateral or plurilateral deals, which will further fragment the global trading zones and weigh on supply chains as well. And this will lead the global multilateral trading system to, what many analysts world over have warned, a "self-destruct" mode. The alternative of not joining any trade block, too, is fraught with risks of isolation. Either way, India, which last month pulled out of the RCEP trade deal, will have to make some tough choices.

Importantly, since the blocking of the appointment of appellate judges by the US started under the Obama administration (although its WTO stance hardened under Donald Trump), even if a new President is elected there, it is unlikely to lead to any material change unless Washington makes up its mind on the merit of multilaterialism. Efforts to pursuade the US, the original WTO proponent which now believes the trade body has been unfair to it, haven't so far borne fruit. Interestingly, Robert Lighthizer, current US Trade Representative and a staunch critic of the WTO, was nominated to the Appellate Body as a member in 2003 but his appointment wasn't confirmed due to a lack of unanimous support.

Abhijit Das, head of the Centre for WTO Studies at the Indian Institute of Foreign Trade, said: "If the multilateral system collapses in a few years, then the roots of the collapse cane be traced to the demise of the Appellate Body. Then we all know which country is responsible for it."

The WTO Appellate Body's annual report for 2018 highlighted its role aptly. "While losing parties and sometimes other WTO members have criticised individual rulings, to date, no WTO member has explicitly chosen not to implement a ruling in a dispute that it has lost," it said. "At the same time, they (the indicators of its success) stand in stark contrast to the institutional crisis we are currently facing.

Source: financialexpress.com- Dec 09, 2019

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Vietnam exporters can only take advantage of CPTPP with preparation

With preferential tariffs provided under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Việt Nam has the opportunity to increase exports of garments, footwear, timber products, and beverages to other member countries.

But Vietnamese enterprises' ability to take advantage depends on their preparation, Nguyễn Thị Thu Trang, director of the Việt Nam Chamber of Commerce and Industry's WTO and Integration Centre, said.

Speaking at a conference titled 'Opportunities and Challenges from CPTPP for Việt Nam's Garment and Textile, Footwear, Timber Products and Beverage Sectors' held in HCM City on December 5, she said: "Our exports of footwear, garment and textile, timber products, and beverages to CPTPP member countries account for 12.5 per cent, 16.04 per cent, 20 per cent and 23.46 per cent of their total exports.

"We export a lot to CPTPP member countries, but our market share remains modest, for instance at 2-2.9 per cent of their footwear imports and 0-6 per cent of garment and textile imports. Therefore, there is still much more room for Vietnamese firms to boost exports.

"Canada, Mexico and Peru are countries that Việt Nam does not have free trade agreement with, thus CPTPP offers great opportunities for Vietnamese firms to access these markets through preferential tariffs."

But to capitalise on the opportunities, the products must meet the CPTPP's rules of origin and conform with sanitary and phytosanitary (SPS) requirements and technical barriers to trade (TBT), she said.

"If we do not meet their requirements, we cannot utilise the preferential tariffs that CPTPP member countries offer to us."

Japan, Malaysia, Singapore, Australia, New Zealand and Chile are countries that Việt Nam has bilateral or multilateral FTAs with.

The CPTPP creates another preferential tariff scheme for businesses, who, depending on which FTA offers more advantages, should choose that to export under, she said.

Khưu Thị Thanh Thủy, general secretary of the HCM City Textile and Garment - Embroidery Association, said Vietnamese garment and textile firms have faced difficulty in meeting the CPTPP's rules of origin since their raw material imports from countries outside the CPTPP remain high.

Local and foreign firms are now investing in the underdeveloped textile, dyeing and fabric segments to increase the local content rate, she said.

Nguyễn Chánh Phương, deputy chairman of the Handicrafts and Wood Industry Association of HCM City, said: "Meeting the rules of origin is not a difficult task for the wood products sector."

But the sector has not benefited much in terms of tariff duties from the CPTPP because import tariffs on Vietnamese furniture were already very low and even zero in many markets, he said.

"Most companies in the timber industry make their products in the form of OEM (according to customers' orders). Firms mainly wait for buyers to come. With the current good market situation, for example, a strong increase in exports to the US, firms may not find new opportunities."

He said local firms should do market research to appropriately target exports, adding that businesses, especially large ones, need to have market research divisions to discover new opportunities brought by FTAs and changes from competitors.

Võ Tân Thành, director of the Việt Nam Chamber of Commerce and Industry's HCM City branch, said: "Tariff commitments in the CPTPP come with relatively detailed and complex rules of origin, which not all businesses know how to comply with.

"Therefore, understanding CPTPP commitments, the conditions required to take advantage of the opportunities, their impacts on market prospects and development trends in these sectors are important for Vietnamese enterprises to take advantage of the exciting opportunities arising from the CPTPP."

Domestic market

While offering benefits in terms of creating export opportunities and improving incomes for millions of workers, the agreement also creates competitive pressure in the domestic market since Việt Nam has also to lower tariffs on imports from other member countries.

Theoretically, CPTPP would bring intense competition in the domestic market, Trang told the media on the sidelines of the conference.

"But our competitiveness in these sectors is relatively strong. In addition, at least seven partners in the CPTPP have FTAs with us and we have already opened the market wide to them. Therefore, there has been competition in these sectors after the CPTPP took effect, but it is not a big shock.

"We are very successful in exporting these products and account for rather large market shares in many foreign markets.

"But firms did not pay much attention to the domestic market. So I hope businesses pay attention to the domestic market since many foreign companies consider our market a delicious piece of cake."

Competing at home would be easier for local firms and so they should tweak their strategy to focus more on the domestic market, she added.

Source: vietnamnews.vn- Dec 07, 2019

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Philippine garment exports drop 15 per cent

Philippine garment exports dropped 15.6 per cent in 2018 compared to 2017. The plan is to revive the textile and garment industry.

Over the next two years ,the country has a target to be among the top 20 garment exporters in the world.

From 2023 to 2025, the goal is to be part of the top 15 garment exporters. And over the long term, from 2026 to 2029, the aim is to be among the top ten exporters of garments in the world.

Short term strategies include enhancing market access by entering into free trade agreements particularly with the US, promoting innovation and automation, importing raw materials for textiles, establishing regional or localized ecosystems, streamlining administrative processes and building a database for the textile-garment industry.

In the medium term, the approach is to address infrastructure gaps and logistical bottlenecks, establish clustering, diversify export markets, promote fashion design training centers and increase investments for research and development.

For the long term, the strategies include focusing on manpower training programs to equip workers with highly specialized skills and to increase the supply of natural fiber textile raw materials.

Also, financial assistance will be provided for the purchase of raw materials, new machinery and equipment and by increasing the area of land for cotton production.

Source: fashionatingworld.com- Dec 07, 2019

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Cambodia issues 4th call for exporters to join EU's REX

Cambodia's commerce ministry this week asked exporters to join the European Union's (EU) Registered Exporter (REX) system by the year end and gain access to the 'Everything But Arms' (EBA) agreement and the generalised system of preferences (GSP) schemes from Norway, Switzerland and Turkey. This is needed to avoid losses in preferential trade privileges.

REX is a system of self-certification of origin of goods and has been available since January 1, 2017, under the EU's GSP.

Despite three prior announcements, the ministry noted that "a lot of companies that export to the EU, Norway, Switzerland and Turkey have not been registered", according to a report in a Cambodian newspaper.

In October, Garment Manufacturers Association in Cambodia (GMAC) chairman Van Sou Ieng said not many of GMAC's member exporters had registered under the REX system since the ministry's initial announcement on December 31 last year. He said registration would save them time and money.

After the deadline, the EU will no longer accept the Certificate of Origin issued by the ministry of commerce, Sou Ieng added.

Source: fibre2fashion.com- Dec 08, 2019

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Morocco reviews free trade partnerships to tackle deficit

Trade between Morocco and Turkey reached $2.7 billion in 2018. Therefore, Rabat cancelled the tax exemption for Turkish textiles.

Considering the alarming growth of its trade deficit, Morocco is reconsidering free-trade agreements it has with other countries.

In a move seen by many as bold and in line with economic reform plans, Moroccan Minister of Industry, Trade and Green and Digital Economy Hafid Elalamy said the ministry was preparing an evaluation of all free-trade agreements.

Although Elalamy did not identify the targeted agreements, he pointed out that the ministry may cancel those that damage the country's economy.

Analysts agree that the agreements did not consider mechanisms to protect local businesses from fierce foreign competition. They said Rabat's decision to reassess its free-trade agreements was the result of damage to the local economy, as indicated by the ministry's investigations that confirmed the comprehensive dumping of imported goods, especially from Turkey, in the local market.

The analysts said the realities impose a new approach to trade agreements based on adopting those deals with regional groups, as opposed to bilateral ones, to avoid competition shocks.

Elalamy stressed that the government was ready to comprehensively consider all partnerships harmful to the Moroccan economy and study the files rationally.

Since 2006, business circles in Morocco have been clamouring for a review of Morocco's trade agreements because they were, in their view, unfair.

Data from the Office of Exchange indicated that Morocco's trade deficit rose 2.4% in the first nine months of 2019, compared to 2018. From the beginning of 2019 until the end of September, the deficit grew $15.8 billion, an increase of about $370 million compared to the same period in 2018.

Trade between Morocco and Turkey reached $2.7 billion in 2018. Therefore, Rabat cancelled the tax exemption for Turkish textiles, a decision taken by the ministry more than a year ago to protect the local textile sector. Transitional amendment measures referred to in Article 17 of the Free Trade Agreement between Morocco and Turkey on certain textile and clothing products also were activated.

The value of taxes on Turkish imports of textile and clothing products has been raised to 9%. The Moroccan government justified the move by the negative effects Turkish imports had on the local textile sector and other foreign suppliers to Morocco.

There are 80 Turkish companies established in Morocco working in the textile, food and furniture industries and other sectors such as real estate, public works and infrastructure.

Many sectors complain about flooding the market with products that are detrimental to their position in the local market. The Moroccan Association of Textile and Clothing Industries said this was the case in the textile and clothing sector.

The association accused some foreign-trade partners of ill intentions from the beginning since they have breached commitments to import Moroccan goods. Morocco’s textile and leather exports, for example, declined 1.2% to $1.9 billion, representing 12.9% of Morocco’s total exports.

Local exporters pointed out the need to revise Morocco’s free-trade agreement signed 13 years ago with the United States. They demanded easier access for greater quantities of Moroccan goods to the US market and for better opportunities to take advantage of the possibilities offered by it.

Association President Hassan Sintissi stated that the free-trade agreement with Washington offers a range of opportunities in the US market that Moroccan exporters have not fully exploited. He attributed this to strict measures facing them and called for a review of the agreement and consideration of specificities of local small and medium-sized enterprises.

The parliamentarian group of the General Confederation of Moroccan Firms pointed out that Rabat has a wide network of preferential and free-trade agreements that give it access to a potential market of 1 billion consumers with high purchasing powers worldwide but taking advantage of the agreements poses major challenges.

The open and free trade brought about by the agreements resulted in a strong acceleration of imports leading to a structural trade deficit. In 2000, the deficit stood at about $3 billion. It climbed to $5 billion in 2003 and doubled in recent years.

Data from the Ministry of Economy indicated that the rise in Moroccan exports in the first half of 2019 did not positively affect the trade deficit. Imports rose 2.9% to $34 billion, against exports of $19 billion, despite a 3.2% increase.

Given Morocco's chronic trade deficit, the Directorate of Financial and Prospective Studies recommended a comprehensive review of the country's free-trade agreements and a search for ways to rebalance trade relations with the most important companies.

The report stressed the need to strengthen the arsenal of protectionist measures to combat unfair competition and enhance border controls to counter smuggling, false statements and fraud, saying this would preserve the integrity of the domestic market.

Source: thearabweekly.com- Dec 08, 2019

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Pakistan needs no-nonsense textile policy

In the first quarter of current fiscal year, textile exports fetched $3.3 billion. In the best case scenario, the country can end the year in June 2020 with $13.8 billion in textile earnings, up from $13.3 billion in FY19.

However, the policymakers who worked with General Pervez Musharraf had made him believe that Pakistan's textile exports could hit $13.38 billion in 2005.

They had launched a voluminous Textile Vision 2005 prepared with input from all stakeholders and told the nation that the document was a panacea for Pakistan's textile sector.

The country hit the magic mark of $13.3 billion 14 years after the targeted date. Such is the quality of target-setting in Pakistan. That is why younger Pakistanis have become sceptical. They are unwilling to let the policymakers take advantage of their credulity.

Annual textile exports of $13-14 billion are too little for a large country like Pakistan with a strong history of textile manufacturing plus abundant supply of cheap labour. Annual textile exports of smaller countries Bangladesh and Vietnam are far greater – at about $39 billion and $38 billion respectively.

Total textile exports of $13.3 billion in FY19 are just half the level the Pakistan Muslim League-Nawaz (PML-N) government had promised to take them to. Yes, the much-trumpeted textile policy of 2014-19 had targeted $26 billion worth of exports by FY19.

That has not happened too. And, just like the policymakers of Musharraf era, who cite lack of implementation of their key recommendations presented in the Textile Vision 2005, the PML-N policymakers also lament that the recommendations made in the Textile Policy 2014-19 were not implemented in true letter and spirit.

So, the issue is either the policymakers – whether serving under a dictatorial regime or a democratic setup – set overambitious targets or the bureaucrats and exporters are inefficient to meet the given targets. A combination of both can also be cited for failure after failure of the so-called export visions and export policies.

Now, the Pakistan Tehreek-e-Insaf (PTI) government is trying to revive textile exports. However, so far nothing seems to be working.

The reason is that massive rupee depreciation, withdrawal of energy subsidies, fears of NAB investigation, U-turn in tax and rebate policies and political uncertainties have depressed business sentiment.

Foreign investment is not coming in – not at all in the textile sector. Low economic growth, large-scale manufacturing (LSM) slowdown and high inflation have eroded profitability of industries and affected domestic investors' ability to invest. Besides, ill-conceived documentation drives have shattered their confidence.

Fair tax policies

Adding $1 billion to the current textile export earnings every year is very much possible if the government introduces a fair tax and rebate regime and if the private sector invests even one-tenth – $100 million – in the industry's balancing, modernisation and replacement (BMR).

But to make this happen, the government will have to make sure that the business community is not harassed by the Federal Board of Revenue (FBR) or the National Accountability Bureau (NAB), new tax and rebate policies are implemented honestly and cotton output of the country is raised to meet needs of the textile industry.

According to recent media reports, NAB has decided to ensure that businessmen are not unduly questioned, the FBR has stopped conducting raids on business facilities and it is also going to address grievances regarding tax and rebate issues on a priority basis.

The PTI government should now encourage local investors to start investing in the textile sector's BMR projects, preferably on a public-private partnership basis, instead of offering sector-specific export revival packages.

Such packages have never worked in the past and cannot work now. The simple reason is that the government in power uses them for gaining political support of the powerful business lobbies and the bureaucracy makes them a tool of corruption.

The investment in textile on a public-private partnership basis can be directed towards installing the most modern textile machinery and replacing the old ones, creating an institution for dedicated textile export marketing, upgrading existing textile designing and fashion institutes, setting up a network of knowledge workers for achieving product diversification for the industry and promoting cotton yield and production.

Without achieving these five objectives, sustainable growth in the textile sector cannot be ensured.

The government and the All Pakistan Textile Mills Association (Aptma), in collaboration with foreign experts, can launch a study to find out where the productivity and investment gaps lie.

Pakistan imports over half a billion dollars worth of textile machinery every year. Why these imports are not helping the textile sector become more export competitive? What kind of textile machinery is being imported? Do we need to change the source of such imports or do we need to import machinery different than what we have been importing?

The proposed study can help answer these and similar questions so that we come to know what kind of investment is needed and where, and what skillsets are required to make the most of fresh investment in the textile sector.

Source: tribune.com.pk- Dec 09, 2019

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Pakistan: Commerce under big focus

The government has merged Commerce and Textile Divisions after which Ministry of Commerce and Textile has been renamed as Ministry of Commerce.

The federal cabinet recently approved the merger in the light of recommendations prepared by Dr Ishrat Hussain, Prime Minister's Advisor on Restructuring and Austerity. However, textile sector is likely to be unhappy with the decision as it has always supported a separate Ministry as it is the top foreign exchange earner.

According to a notification issued by the Cabinet Division with regard to allocation of business to the Commerce Division would include all imports and exports across custom frontier as well as: (i) treaties, agreements, protocols and conventions with other countries and international agencies bearing on trade and commerce; (ii) promotion of foreign trade including trader offices abroad, trade delegations to and from abroad, overseas trade exhibitions and conferences and committee connected with foreign trade; (iii) standards of quality of goods to be imported and exported; (iv) transit trade and border trade and; (v) state trading.

Other responsibilities of Commerce Ministry will be: inter-provincial trade, commercial intelligence and statistics, organization and control of chamber of and associations of commerce and industry, tariff (protection) policy and its implementation, law of insurance, regulation and control of insurance companies, actual work, insurance of war, riot and civil commotion risks and life insurance but excluding health and unemployment insurance, export promotion, special selection board for selection of commercial officers for posting in Pakistan Missions abroad, anti-dumping duties, countervailing and safeguard laws, management of EDF/EMDF, domestic commerce reforms and development in collaboration with other Ministries, provincial and local government, Intellectual Property Organization of Pakistan (IPO), textile industrial policy, coordination and liaison with federal agencies/institutions, provincial governments and local government entities for facilitation and promotion of the textile sector, liaison, dialogues, negotiations, except trade negotiations, and cooperation with international donor agencies and multilateral regulatory and development organizations with regard to textile sector, setting of standard and monitoring and maintaining, vigilance for strict compliance of the standards throughout production and value chain, textile related statistics, surveys, commercial intelligence, analysis and dissemination of information and reports on international demand patterns, market access etc, linkage with cotton and textile producing countries, training, skill development, research for quality improvement and productivity enhancement throughout the production/ value chain and management of textile quotas.

Commerce Division will also have administrative control of (i) Federal Textile Board; (ii) Textile City (projects), Karachi/Faisalabad; (iii) National Textile University, Faisalabad; (iv) Textile Commissioners Organization;(v) Directorate General of Textile & Quota Supervisory Council; (vi) all textiles related EPB/ EDF funded institutes concerned with skill development in various sub-sectors of textile industry; (vii) textile testing laboratory, Faisalabad; (viii) Garment City Projects at Lahore, Faisalabad and Karachi and; (ix) Pakistan Cotton Standards Institute, Karachi.

Cotton hedge markets will also be dealt with by the re-named Commerce Ministry as well as three attached departments i.e. Cotton Board, Directorate General of Trade Organization and Textile Commissioner's Organization.

Source: brecorder.com- Dec 09, 2019

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NATIONAL NEWS

India's real GDP growth in FY20 to be below 5 per cent: IHS Markit

India's real GDP growth in the 2019-20 fiscal is expected to be slightly below 5 per cent as the impact of stimulus measures will take time to filter through to the economy, IHS Markit has said.

The latest GDP data for the July-September quarter showed a significant further moderation in the pace of economic growth to 4.5 per cent, the weakest in six years, with a key contributory factor being a slump in manufacturing output. This compared with the 5 per cent growth rate registered in the previous quarter and 7 per cent rate recorded a year ago in the September quarter of 2018.

For the first half of the 2019-20 fiscal, GDP growth slowed to a pace of 4.8 per cent, compared to the 7.5 per cent a year back.

"Financial sector fragilities continue to weigh on India's economic growth momentum, with the high level of non-performing loans on the balance sheets of the public sector banks, constraining their new lending," IHS said in a report.

Furthermore, there are also risks from potential contagion effects from troubled non-bank financial companies (NBFCs) to the balance sheets of some commercial banks, which could further weigh on the overall pace of credit expansion.

In response to the growth slowdown, RBI has eased policy rates significantly during 2019, with a series of rate cuts since February, while the government announced a large reduction in corporate tax rates in September to help boost new investment spending.

"Following the weak GDP out-turn for the September quarter, Indian real GDP growth in FY 2019-20 is expected to be slightly below 5 per cent, as it is anticipated that the impact of stimulus measures will take time to filter through to the real economy," IHS said.

The RBI also lowered its GDP growth forecast for 2019-20 from 6.1 per cent to 5 per cent on December 5.

“Confronted with the sharp slowdown in economic growth momentum, the Indian government will face increasing pressure to roll out additional fiscal measures to bolster manufacturing output and kick-start an upturn in the investment cycle. Such measures could include accelerated government spending on infrastructure projects such as roads, railways, and ports, as well as urban infrastructure such as affordable housing and hospitals,” it said.

IHS said given that the process of strengthening bank balance sheets has been slow, taking a number of years already, India’s financial sector problems are likely to remain a drag on the pace of economic growth over the medium-term outlook.

“Furthermore, any turnaround in the investment cycle could also be relatively protracted, depending on the ability of the government to accelerate its own infrastructure spending program,” it said.

IHS said the weakest sector has been auto manufacturing, with output down by 24.8 per cent in September. “The Indian auto sector has slumped into a crisis, with hundreds of thousands of auto sector workers in the production and distribution segments having been laid off over the past 12 months”.

A key concern is also the sharp contraction in capital goods output, which was down 20.7 per cent in September 2019.

“This indicates that India’s investment cycle is experiencing a severe cyclical slowdown, as reflected in the further slowing of fixed investment growth during the September quarter,” it said. “The construction sector growth also slowed to a pace of 3.3 per cent in the September quarter, compared with growth of 5.7 per cent in the June quarter”.

Measuring GDP from the expenditure side, an important factor supporting the growth was public consumption, which rose by 15.6 per cent in the September quarter. Private consumption growth also picked up modestly versus the previous quarter, although it continues to expand at a much slower pace than in the past two financial years, IHS said.

"Although the RBI has also provided monetary policy stimulus through its monetary policy easing measures, the impact is likely to be more protracted, since monetary policy stimulus effects on the real economy generally act with long lags.

Furthermore, the impaired balance sheets of many public sector banks and NBFCs also will dilute the flow-through of monetary policy easing to the economy," it added.

Source: thehindubusinessline.com– Dec 08, 2019

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Softening cotton prices revive sentiment for spinning mills in H2FY20

Consumption seen rising 5% to 28.8 mn bales this year, compared to 27.4 mn bales last year

Spinning mills in the country are on the cusp of a revival in the second half of the current financial year due to a sharp decline in raw material cotton prices as well as stable realisations from yarns.

Cotton prices have declined by more than 8 per cent since April with the benchmark MCX variety ginned cotton trading at Rs 18,650 a bale (170 kg) on Saturday against Rs 22,600 a bale in the first week of April. By contrast, however, cotton yarn prices remained stable at Rs 250 a kg of fair trade combed of 42 count variety.

"Cotton prices are currently subdued. But steady improvement in cotton yarn demand works out better for spinning mills," said Atul Ganatra, president, Cotton Association of India (CAI).

R K Dalmia, senior president, Century Textiles and Industries, believes that cotton price decline may not necessarily prompt fabric manufacturers to cut their product prices. However, it would certainly help improve profitability in the quarters to come.

Meanwhile, the Indian cotton scenario was adverse for spinners in H1FY20 as prices fell significantly globally to around 50- 60 cents/lb (pound) whereas domestic cotton prices were stable in the range of 80 cents/lb (owing to shortage of the cotton crop).

On the other hand, international yarn rates corrected with a steep decline in cotton prices.

"Despite more than 8 per cent correction in domestic cotton prices since April, which narrowed the premium over international cotton, domestic cotton continued to be expensive till October (around 2 per cent premium in October against 7 per cent premium in the quarter ended September).

This affected the competitiveness of domestic spinners," said Jayanta Roy, senior vice-president and group head, corporate sector ratings, ICRA.

In a further support to the cotton price decline, the Cotton Advisory Board, under the Union ministry of commerce, has forecast India's cotton output to rise by 9 per cent to 36 million bales this year compared to 33 million bales last year.

Since the board has estimated cotton consumption to rise by 6 per cent (3 per cent less than the growth in production), the fibre's prices are expected to remain subdued this year. The board forecasts that consumption of cotton by mills will rise by 5 per cent to 28.8 million bales this year compared to 27.4 million bales last year.

Therefore, in the first six months between April and September, the country's average monthly exports (yarn) fell by 28 per cent to 74 million kg against the average of 102 million kg in the previous year. Cotton yarn exports to China for the first six months dropped to 20 million kg against 40 million kg in the corresponding period last year.

"Recently, Indian cotton prices fell, with the new cotton trickling in, in tandem with international prices. Also, yarn prices have remained stable, thereby improving the profitability scenario for Indian spinning companies like Vardhman Textiles (VTL). Hence, we believe H2 should be better than H1 in terms of spread for VTL that continues to operate at full yarn capacity," said Bharat Chhoda, an analyst at ICICI Securities.

Hoping for revival

- Cotton prices down 8% since April, yarn prices remain stable
- Spinning mills post weak profit in H1FY20
- Cotton Advisory Board forecasts 9% jump in cotton production
- Indian cotton situation was adverse for spinners in H1FY20 as prices fell significantly globally to around 50-60 cents/lb
- Spinning mills hope for revival in sentiment in H2FY20

Source: business-standard.com– Dec 08, 2019

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Not banning outside membership in trade unions reflects little appetite for reform

By dropping the provision, in the proposed labour law rationalisation, that would have barred outsiders from becoming the member of a trade union at a particular company, the government has signalled that it isn't ready to walk its talk on labour law reform.

For five years now, the ruling party has been talking of rationalising the existing 44 labour laws into four labour codes, which would make the rules more industry-friendly, and thus benefit labour by spurring job creation. But, it seems like the government doesn't have the will to confront the powerful trade unions.

First, instead of relaxing retrenchment rules, it has maintained the status quo. Now, while the Code on Industrial Relations brings down the number of outsider-office-bearers in a trade union to one-third of the total number of office bearers (or five, whichever is lower) from the one-half rule earlier, the union can still be formed if just 10% or 100 employees of a company are members, while the rest are outsiders.

While trade unions were seen as the only way to ensure labour protection in the past, the reality is that companies also need flexibility since, in the absence of this, the company itself may have to shut down. Also, tough and influential trade unions have held companies/units hostage and, in the government sector, have even held up reforms.

While a tough stance, like that taken by Telangana CM K Chandrashekar Rao in the matter of the strike by the state transport corporation employees, is what is needed, what happens routinely is the opposite—governments, companies yield to unions. Indeed, the reason why the shift from EPFO to NPS hasn't happened in the way the government envisioned it is because powerful trade unions prevailed upon the government not to implement this reform.

Allowing majority outside membership has meant that labour unions in the private sector have been hijacked by political parties whose workers sign up en masse as union members. This means unions have prioritised political and electoral interests over that of workers. A 2015 analysis by Icrier professor Anwarul Hoda shows that owing to stifling regulations, the share of contractual jobs across manufacturing increased by 15 percentage points within a decade.

By FY12, contractual work occupied one-third of total employment in the organised manufacturing sector, even when the share of jobs in large firms increased.

A more recent Icrier study found the percentage of contract workers in total employment increased sharply from 15.5% in FY01 to 27.9% in FY16. Despite contract wages rising faster than regular ones, companies preferred contractual workers to keep costs down and restrict the bargaining powers of trade unions.

With legacy labour laws being one of the key reasons why large firms have not come up in desired numbers in the recent decades, the government would do well to revisit its stance over the union membership question as well as other labour matters needing reforms. Restricted labour laws are also a key reason why, for instance, India has not been able to capture a large share of the readymade garment export markets and lost out to countries like Vietnam and Bangladesh.

Source: financialexpress.com– Dec 08, 2019

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Government looking at deploying larger funds for startups: Piyush Goyal

Startups and investors asked to share regulatory concerns

The government is looking at deploying larger funds for startups through the banking process and simplifying regulations further, Commerce and Industry Minister Piyush Goyal has said.

"With deployment of larger funds and changes in regulatory process based on inputs given by the sector, we are looking at a further simplified regime for the startup community," Goyal said addressing participants at the ' Startup India Global Venture Capital Summit' in Goa on Saturday through video conferencing.

The startup community has been pushing for faster release of funds for investors from the government's Rs 10,000 crore Funds managed by the Small Industries Development Bank of India (SIDBI).

According to data from SIDBI, the total allocation from the Rs 10,000 crore corpus stood at Rs 2,265.70 crore on March 31, 2019, up from Rs 1,750.70 crore as on December 31, 2018. The fund was launched in 2016.

A total of 134 investors from various countries, including the US and Japan, are participating in the on-going two-day startup summit in Goa.

Senior officials from the Department for Promotion of Policy and Internal Trade (DPIIT), SIDBI, SEBI and the RBI are also participating in the event to discuss regulatory issues.

Goyal asked startups and venture capital investors to share their concerns with the government so that they can be suitably addressed.

"Whatever difficulties and concerns that startups and investors are facing must be communicated to the government. I assure you that they will be addressed," Goyal said.

While startups are now relieved with the government doing away with angel tax, they are unhappy with low deployment of government funds as well as imposition of GST on fund managers.

Source: thehindubusinessline.com– Dec 07, 2019

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New-age jobs: Skilling the workforce for Industry 4.0

The 21st century will be remembered in history for the onset of Industry 4.0. India, along with the US and China, is expected to be among the frontrunners of Industry 4.0, creating new economic opportunities for the workforce.

According to the Deloitte report 'Preparing tomorrow's workforce for the Fourth Industrial Revolution', 79% of youth respondents confess they had to go outside of 'formal school' to learn requisite skills.

So, to begin with, the Indian education system should focus more on exploring academic-industry collaborations, and lay more emphasis on practical training.

Lifelong learning will play a prominent role in remaining relevant, and the role of soft skills, including creative and critical problem-solving and interpersonal skills, cannot be underestimated. A lifecycle approach must be adopted in skill development programmes—from the aspirations of people before training, to counselling and following up with the beneficiaries during their employment.

Corporates, too, are facing a widening gap between the skills needed by them and the expertise provided by their workforce. They need to put in place a strategic plan much ahead of the timeline by which they need those skills. Learning strategy should be aligned to organisational strategy to prepare the workforce for this change.

Technologies such as AI will create opportunities for entrepreneurial ventures, either by enabling more efficient access to the suppliers and markets through the platform economy, or enabling new opportunities for dispersed manufacturing and remote working.

According to the Manufacturing Global Expert Survey 2018, India enjoys an edge over Brazil and China in setting the Industry 4.0 agenda. However, a majority of Indian enterprises digitising the manufacturing process remain stuck in 'pilot purgatory'. They fail to integrate the digitisation process at a scale where one can reap economic benefits from it.

The economy requires a mindset shift to focus on enhancing the existing asset base rather than acquiring additional capital expenditure. One must draw inspiration from European countries, especially Germany, wherein the integration of automation with contemporary systems has resulted in a giant leap towards workforce efficiency and productivity.

Source: financialexpress.com- Dec 09, 2019

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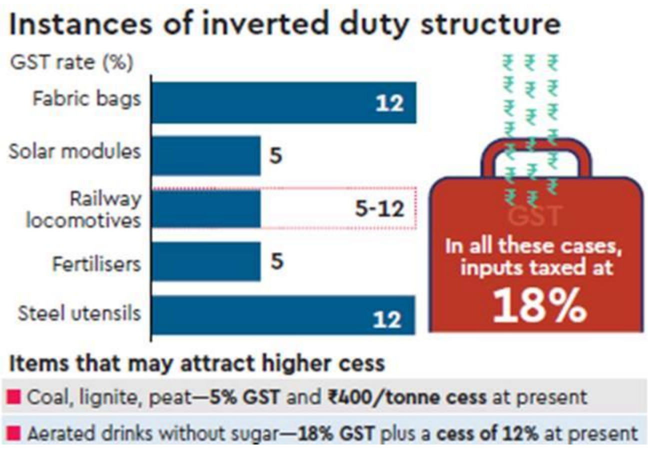
GST Council may use cess route to boost revenue

As it may not find it easy to raise the tax rates on mass-consumption, high-revenue items, given the overall demand slump, the Goods and Services Tax (GST) Council will likely increase the existing cess on so-called luxury/demerit goods and also impose such levies on a clutch of other items. The idea is to ensure that the steps taken to boost GST revenue don't hit consumption and ruffle too many feathers in political circles.



Further, the Council may also correct the inverted duty structure (where the tax on input is higher than on the final product) on a host of items. This is expected to address the issue of certain sections of taxpayers claiming input tax credits more than the actual tax content in their inputs — in some cases, even claiming refunds without any actual output tax outgo in cash.

The Centre has delayed payment of the compensation amounts to states for the August-September period, which were due in October.

The payment for October-November would be due by December 10. Though states argue there is sufficient funds currently in the compensation cess fund, it isn't clear why the central government is holding on to the funds.

"Increasing the cess on automobiles has limited utility given that vehicle sales are down," Bihar deputy chief minister Sushil Modi told FE.

The cess route is "the only feasible option" to ensure that the states continue to enjoy the protected SGST revenue growth of 14% annually, he added.

Modi added that it was difficult to see the Council agreeing on increasing the tax rate on items which attract nil tax now (there are 156 such items). These items include unpackaged grains and other items of mass consumption. He also said increasing the cess on tobacco and aerated drinks could be the most viable option.

Given the yawning GST revenue shortfall and the shrinking compensation kitty, the 38th GST Council session to be held here on December 18 is slated to discuss several options to boost revenue. According to a recent letter from the Council to states, the options include reviewing the current list of exempt items, as well the current GST and cess rates.

The GST collections saw contraction in September and October. Though the revenue grew 6% in November 2019 (concerning mostly October transactions), to report the third-largest monthly mop-up of Rs 1.03 lakh crore since the tax's launch in July 2017, this is largely attributed to the Diwali season and is likely to be unsustainable.

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, an official said. This makes sense as 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.

Sushil Modi said a 14% assured revenue growth for states was high at a time when nominal GDP growing has slowed (the growth was at multi-year low of 6.1% in Q2). "In the few years preceding GST, most states' tax revenues were growing at average rate of 10-11%," he said.

Under GST Act, the states are guaranteed a 14% revenue growth year-on-year which works out to be Rs 55,800 crore per month of state GST collection this fiscal. However, in the April-November period, the average monthly collection was short by over Rs 8,500 crore.

While the compensation cess requirement for this period is nearly Rs 69,000 crore, the cess fund has held Rs 64,500 crore, a deficit which is likely to get worse over the rest of the fiscal.

While the Centre had disbursed over Rs 47,000 crore in compensation to states for the April-July period, the bimonthly payment for August and September, which traditionally happens in the subsequent month, has been delayed.

Though states acknowledge that the guaranteed growth is steep especially when the economy is facing consumption slump, they didn't buy into the suggestion made by the Finance Commission to pare it down.

Source: financialexpress.com- Dec 09, 2019

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Buyers from 19 countries attend Reverse Buyer Seller Meet for Textile and Apparel sector in Kolkata

Rural artisans of West Bengal produce a wide range of artefacts that are good enough to draw international clientele but often fail to reach their target owing to lack of quality packaging, said Sadhan Pande, the state's Minister of Consumer Affairs Department.

He was addressing the participants present at the inaugural session of the Reverse Buyer Seller Meet for Textile and Apparel sector organised by the Indian Chamber of Commerce (ICC) under the aegis of the Union Ministry of Commerce & Industry, on Friday.

Buyers Seller meets can help artisans get the right price for their products, the minister said.

Organised in Kolkata for the first time, the three-day Meet attracted more than 50 foreign buyers from the textile and apparel sector from 19 countries, including Australia, Chile, China, Egypt, Jordan, Malaysia, Rwanda, Poland, Palestine, Myanmar, Morocco, Mauritius, Saudi Arabia, Senegal, Singapore, Sri Lanka, Tajikistan, Tanzania, Thailand, and UAE.

More than 125 sellers from India also participated in the Meet.

The event was organised to explore the strength and potentials for export of textile and apparel from eastern India.

The meet facilitated textile & apparel units from eastern India, which are mainly in the MSME segment, to interact with overseas buyers for sourcing, establishing marketing tie-ups and exploring business collaborations and joint venture agreements.

The welcome address was delivered by Vikash Agarwal, Sr. Vice President, ICC.

The programme was supported by the Government of Karnataka Government and nearly 20 SHGs supported by the Department of Self Help Group, Government of West Bengal.

Talking about Karnataka Textile Policy, Upendra Pratap Singh, IFS, the state's Commissioner for Textile and Director of Handlooms and Textiles, said that the new policy has potential to attract Rs 10,000 crore and provide employment opportunity of five lakh people.

He said many varieties of sarees have obtained Geographical Indication (GI) tag, such as Ilkal Sarees, Mysore Silk Sarees, Udupi Cotton Sarees and Karnataka Kasuti Sarees.

Sulton Rahimzoda, Ambassador of Republic of Tajikistan to India and Baraka Haran Luvanda, High Commissioner, United Republic of Tanzania were also present and talked about trade potential between their countries and India.

Chaitali Das, social entrepreneur and Mg. Trustee, Rakshak Foundation, talked about the benefit of using jute products.

Sanjay Jain, Chairman, ICC National Expert Committee on Textiles said that apparel industry in Bengal is presently supplying to domestic market because most of the units are MSME in nature.

Minister Sadhan Pande also inaugurated an exhibition where the concerned stakeholders had set up their stalls to display their products and talk about their activities.

Dr. Rajeev Singh, Director General, Indian Chamber of Commerce gave the formal Vote of Thanks.

Source: indiablooms.com- Dec 07, 2019

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Flipkart arm to set up logistics hub in West Bengal, to create 18000 jobs

Instakart Services Pvt Ltd, a subsidiary of online retail major Flipkart, would set up a logistics hub at Haringhata in Nadia district, West Bengal Finance Minister said on Wednesday.

The proposed hub, with an investment proposal of around Rs 9.91 billion, would come up within two-and-a-half years, Mitra told reporters at the state secretariat here.

The project will be set up on 100 acres of land in the 358-acre Haringhata Industrial Park and provide direct employment to 18,310 people, he said.

"The (WBIDC) passed the proposal of Instakart on Wednesday and it will be later sent to the Cabinet Standing Committee for in-principle passage, which is a formality," Mitra said.

He said Instakart had been scouting for land for the logistics hub in different eastern region states before zeroing in on West Bengal.

"They (Instakart) will perform the role of anchor investor in the industrial park, which will in turn attract other investors in future," the minister said.

On the state Cabinet granting 98.53 acre to The Chatterjee Group (TCG) on Tuesday for a new plant at Haldia, Mitra said, "From chemical products, they will go for continuous polymerisation plant – processing fibre, spinning and cotton yarn.

The facility will lead to big employment opportunities, he added.

Source: dentondaily.com- Dec 08, 2019

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