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IBTEX No. 240 of 2019 December 10, 2019

US 70.92 | EUR 78.49 | GBP 93.30| JPY 0.65

Cotton Market (Dec 09, 2019)

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

USA: Tariffs on EU Goods Could be Increased to 100 Percent

Tariffs on goods imported from European Union countries could be increased to as much as 100 percent under a plan currently under consideration by the Trump administration. Comments on the possible changes are due by Jan. 13.

Since Oct. 18 the U.S. has been imposing additional tariffs of 25 percent on more than 150 goods imported from EU countries as well as an additional 10 percent tariff on new aircraft from France, Germany, Spain, and the United Kingdom. This action followed a determination by a World Trade Organization arbitrator that the U.S. may impose up to $7.5 billion annually in countermeasures against the EU due to its failure to fully comply with a previous WTO ruling against subsidies it provided to aircraft manufacturer Airbus.

The Office of the U.S. Trade Representative is now considering the following changes to these tariffs.

- removing goods already subject to tariffs from, or maintaining them on, the tariff list

- increasing the tariff rate on goods already subject to tariffs to as high as 100 percent

- imposing additional tariffs of up to 100 percent on goods previously considered but ultimately rejected for such tariffs (these include aircraft and aircraft parts, agricultural products, handbags, tools, books and paper, textiles and apparel, carpets and rugs, clocks, bicycle parts, knives, etc.; see Annex II in the attached notice for complete list)

USTR is requesting comments on whether such actions would (a) be likely to result in the EU implementing the WTO's recommendations or the U.S. and EU achieving a mutually satisfactory conclusion to the dispute or (b) cause disproportionate harm to U.S. interests, including small or medium-sized businesses and consumers.

Source: strtrade.com - Dec 10, 2019

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Localization Trend Stands to Rewrite the Rules of Global Trade in 2020

In 2020, globalization will give way to localization.

Global economies heading into a new decade will shift their focus to localization opportunities and wars will rage over tech, rather than trade. Three decades of economic growth fueled by globalization–cross-border free flow of goods and capital, cheap labor and low consumer prices–are poised to give way to new forms of thinking.

Brexit and the U.S.-China trade war are salient signs this shift is already underway. Although dubbed a trade war, the actual dispute between the U.S. and China has to do with intellectual property protection, and each side has employed trade tactics as the tool to exert pressure designed to help them realize their own demands.

"Many of the driving factors–central bank policy, globalization, oil–have peaked, and new economic paradigms are emerging in response to a different set of challenges facing the world's social, environment, political and economic systems," Candace Browning, head of global research at Bank of America Merrill Lynch, said.

And that set of challenges also calls for new rules of engagement.

"The megatrends that have impacted the world have reached a boiling point," said Haim Israel, head of thematic investing strategy, who spoke at the Bank of America Merrill Lynch's Annual Year Ahead Outlook presentation at company headquarters in Manhattan last Tuesday. "The paradigms in the last 20 years have to change–it's a shift in the way [the world is] thinking."

As for globalization, the "last decade was the peak of the free movement of services," Israel said. Now there's a shift from free cross-border transactions to a focus on local economies. Given the $18 trillion sitting on global balance sheets, new monetary theories are at work–all with local economies in mind.

As more countries focus on themselves and their own economic goals, that also means there's little or no incentive to keep the focus on the globalized, collaborative efforts connected to free trade and services seen in the past.

The move is already happening in parts of Europe, now the battleground for taxes on digital services. That fight is resulting in "physical separations among a lot of platforms now," Israel said, referring to the move as "splinternet." Splinternet–another shift toward localization–is part of the new monetary thinking at work as countries consider what they can tax to raise revenues.

Technology is another key battleground that will grab much of the attention in the next decade as countries–particularly the U.S. and China–compete on the race for innovation to claim supremacy. This drive to be No. 1, and even control how technology is used, further fuels the localization trend.

"Tech wars are won through innovation," said Israel, who expects governments to take on a greater, and more direct, role in influencing the course of innovation in the years to come.

"They see it as a security matter. Governments see a need to have more influence, and more sovereigns will get into internet spending on innovation in [areas such as] AI," he explained.

The U.S.-China dispute

Ethan Harris, who heads up global economics at Bank of America Merrill Lynch, is already predicting a symbolic "skinny" agreement in the trade dispute between the U.S. and China, with the battle on hold for 2020 before re-escalating in 2021 after the U.S. presidential election.

And while the dispute has been dubbed a trade war, the disagreement itself is really a "local" battle over the protection of American intellectual property assets.

Tariffs have merely been the tool used to exert pressure as the U.S. pushes to keep its position at the top of the totem pole in technological innovation, now that China's advancement has moved the country closer to the top spot.

For now, a so-called “skinny” deal is expected to be concluded as part of a phase one agreement ahead of Dec. 15, when the final group of Tranche 4 tariffs on Chinese imports are slated to take effect. The tariffs, at 15 percent, would be levied on roughly $200 billion of remaining Chinese goods, including the remaining apparel and footwear items not impacted by the first group of 15 percent tariffs imposed on Sept. 1.

Apparel items include bathrobes and socks, as well as winter clothing and accessories, like gloves. For footwear, the new round of tariffs includes waterproof shoes and boots, sports footwear and slip-ons, plus inputs, such as removable insoles. Consumer technology goods, like cellphones and laptops, are also targeted in the list, as are toys, another key category at about $12 billion in imports.

But even if a symbolic deal comes to fruition, the tech battle will be far from over. And a “ceasefire” on trade issues won’t be conducive to business planning at this stage, given the overhang of uncertainty going into 2021 and beyond, according to Harris. What’s more, extending the trade war past the 2020 elections would prove negative for the U.S. economy, according to the National Retail Federation.

“We want and need to see a deal as soon as possible. The tariffs continue to hurt U.S. businesses, workers and consumers and are a substantial drag on the U.S. economy,” David French, NRF’s senior vice president for government relations, said.

“Waiting another year to resolve the cost and uncertainty of the trade war is a bad deal not just for retailers and their customers but every segment of the economy from farmers who export their crops to small manufacturers who rely on imported parts and materials,” French added.

Even if American consumers and business have to bear the brunt of higher costs, President Trump and his administration are actually after bigger game. The U.S. has often used–or threatened to use–tariffs as a tool to align with the president’s 2016 campaign slogan, “Make America Great Again.” And that, too, is an example of the trend in more localized thinking.

In 2019, global trade was under attack.

This year, the U.S. threatened tariffs on Mexican imports as a national security issue to get the Mexican government to take action at the southern border to prevent illegals from entering the U.S.

Trump has also tweeted about Vietnam as a possible next target, and has terminated India's designation as a beneficiary developing nation under the U.S. trade preference program Generalized System of Preferences in June, moves geared toward trade imbalances and reducing the U.S. trade deficit.

"U.S. and Indian governments have been in talks on GSP and I expect some positive outcome from that," Aqeel Ahmed, chairman of the Council for Leather Exports (CLE), said. India has seen growth in manufacturing exports of leather goods. The CLE was in Manhattan for a trade show last week, with 50 exhibiting companies showing leather options for footwear, handbags, small leather goods and apparel.

But given the macro trends and how tariffs are being used as weapons to fight battles ranging from tech to national security, trade tensions won't likely dissipate anytime soon. New battlefronts are already playing out.

Rise of taxes on digital services

In another form of localization, the battle surrounding digital services taxes will likely escalate in the coming months as more countries look to their own economies as they look at how to raise local revenues. If other countries levy a tax on American firms, as France did this summer, look for the U.S. to retaliate, while in turn generating some revenues of its own.

France had been pushing for a Euro-wide digital tax plan for the past year, but French lawmakers approved their own plan in June, which charges foreign entities, like Google, Apple, Facebook and Amazon, 3 percent on revenues they earn from providing digital services in the country. The tax is aimed at digital firms that generate revenue above 750 million euros ($830.9 million), with at least 25 million euros ($27.7 million) generated in France.

U.S. Trade Representative Robert Lighthizer, called the tax "unusually burdensome," and now the U.S. is proposing additional tariffs of up to 100 percent on $2.4 billion worth of French goods, including handbags, champagne and fresh cheese. Next up will be investigating similar digital services taxes in Austria, Italy and Turkey.

Panjiva, the supply chain research unit at S&P Global Market Intelligence, said U.S. imports of the 63 French products targeted for tariffs were worth $2.38 billion in the 12 months through Sept. 30, with beauty goods the largest product category targeted. Imports in the category were worth $842 million in the past 12 months, followed by champagne at $806 million and handbags at $434 million.

According to S&P, the section 301 review process now moves to a consultation period, meaning tariffs likely couldn't be applied before late January.

U.K. Prime Minister Boris Johnson is also backing a plan that would place a 2 percent tax on sales of digital services in the U.K. The tax is scheduled to take effect in April 2020 and could raise close to 500 million pounds ($655.0 million) in revenue for the U.K.

Some countries, the U.S. included, are trying to figure out a multilateral solution, hoping to work with other countries through efforts of the Organization for Economic Cooperation and Development (OECD) to reach a multilateral agreement to address challenges to the international tax system.

In a letter to the OECD Tuesday, U.S. Treasury Secretary Steven Mnuchin urged countries to suspend plans for taxes on digital services and let the OECD lead the way for a global-led agreement. His letter also expressed concern that the new unilateral tax strategies are putting an emphasis on revenues instead of profits.

Source: sourcingjournal.com - Dec 09, 2019

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USA: Retailers Hedged Their Bets on December Tariffs with Cargo Imports Last Month

Cargo volume at major U.S. container ports increased significantly in November as retailers brought in merchandise ahead of new tariffs set to take effect this month, according to the Global Port Tracker report released Monday by the National Retail Federation (NRF) and Hackett Associates.

U.S. ports covered by Global Port Tracker handled an estimated 1.95 million Twenty-Foot Equivalent Units (TEU) in November, up 8 percent year-over-year, as merchants front-loaded imports ahead of this month's scheduled tariffs. That was the highest number since 1.97 million TEU in August, when retailers did the same ahead of tariffs that took effect Sept. 1. A TEU is one 20-foot-long cargo container or its equivalent.

"At this point, holiday merchandise is already in the country, so the direct impact of new tariffs won't be seen until the season is over," Jonathan Gold, vice president for supply chain and customs policy at NRF, said.

President Trump announced a tentative agreement on a partial trade deal with China in October, but the measure has yet to be finalized and a new round of tariffs on consumer goods is still scheduled to take effect Dec. 15.

Hackett Associates founder Ben Hackett said the trade war is "one of the factors that is impacting our forward-looking models, as we continue to show slower long-term growth in import volumes."

October shipments were up 0.6 percent from September, but down 7.5 percent from the all-time monthly record of 2 million TEU in October 2018. December shipments are expected to drop 8.9 percent to 1.79 million TEU because of the new tariffs and the usual falloff in imports as the holiday season winds down.

The first half of 2019 totaled 10.5 million TEU, up 2.1 percent over the first half of 2018, and 2019 is expected to see a new annual record of 21.9 million TEU. That would be up 0.8 percent from last year's previous record of 21.8 million TEU.

January shipments are forecast to be down 1.2 percent to 1.87 million TEU compared to a year earlier, while February–traditionally the slowest month of the year because of Lunar New Year factory shutdowns in Asia–is forecast at 1.62 million TEU, down 0.3 percent from a year ago.

Looking further ahead, March cargo shipments are forecast at 1.76 million TEU, up an unusually high 9.2 percent due to fluctuations in the Lunar New Year calendar, while April is forecast to increase 5.6 percent to 1.84 million TEU.

Global Port Tracker covers the U.S. ports of Los Angeles-Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., on the West Coast; New York-New Jersey; Port of Virginia; Charleston, S.C.; Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com - Dec 09, 2019

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France ready to take Trump tariff threat to WTO: minister

France is ready to approach an international court, notably the World Trade Organisation (WTO), to challenge President Donald Trump's threat to put tariffs on French goods in a row over a French tax on Internet firms, according to finance minister Bruno Le Maire, who said the tax affects US entities in the same way as European Union (EU) or French or Chinese ones.

The French tax is not discriminatory, global newswires quoted the minister as telling a French news channel.

US digital companies not paying enough tax on revenues earned in France has been an old complain by Paris.

In July, the French government decided to impose a 3 per cent levy on revenue from digital services earned in France by firms with more than €25 million in French revenue and €750 million ($845 million) worldwide. It is due to kick in retroactively from the beginning of this year.

Washington has threatened to retaliate with heavy duties on imports of French champagne, cheeses and luxury handbags, but France and the European Union say they are ready to retaliate in turn if Trump carries out the threat.

France is willing to discuss a global digital tax with the United States at the Organisation for Economic Cooperation and Development (OECD), but that such a tax could not be optional for Internet companies, Le Maire said.

If there is no agreement at the OECD level, talks at the EU level will be restarted, he said, adding that EU commissioner for economy Paolo Gentiloni had already proposed to restart such talks.

Source: fibre2fashion.com- Dec 09, 2019

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Digital economy boost in Africa needs new thinking: UNCTAD

In 2035, one third of the global workforce will be in Africa, according to UN estimates. About 85 per cent of people on the continent today work in the informal sector and improving their fortunes and boosting the digital economy in African countries requires a new way of thinking, including from entrepreneurs, UNCTAD secretary general Mukhisa Kituyi said.

According to Kituyi, while many small and medium enterprises (SMEs) in developing countries have yet to switch to digital technologies, a digital transformation is happening across Africa, led by SMEs and young entrepreneurs who are willing to take a risk and pioneer new business models as game-changers.

For example, Uju Uzo Ojinnaka, founder and chief executive officer of Traders of Africa in Nigeria,is helping others harness the power of technology. She trains women from remote areas of Rwanda to become computer literate and delivers regular talks to female university students to encourage them to embrace the digital economy. In South Africa, Basson Engelbrecht founded Hoorah, an e-commerce platform.

As e-commerce remains a relatively new concept to many, offering such services to small and informal vendors comes with some challenges, according to an UNCTAD press release.

Engelbrecht is part of a cohort of 122 entrepreneurs in the digital and technology space who operate open platforms related to e-commerce, logistics, fintech, big data or tourism.

They joined the eFounders Fellowship Programme, a partnership between UNCTAD and the Alibaba Business School, which was launched in 2017 to mentor 1,000 entrepreneurs from developing countries over a period of five years to empower them to become champions for the new economy.

The programme started when Jack Ma, Alibaba Group's founder and former chairman, became UNCTAD's special adviser for young entrepreneurs and small business.

Since the inception of the programme two years ago, the businesses of the 122 fellows spread over 17 African countries have created 3,400 direct jobs on the continent and generated $100 million in annual revenues. And these numbers are growing, the UNCTAD said.

Source: fibre2fashion.com- Dec 10, 2019

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USA: Time to Keep the Faith, Build New Markets for Cotton

Keep the faith. Cotton is attempting to break above 67 cents. It will. Yet, until it does, the lower 63.50-67.00 cent trading range will be the most fertile trading territory for now.

The weekly close threatened to challenge the price resistance at 67 cents. However, the resistance proved to be too strong.

While the consensus of analysts calls for little change in next week's December U.S. and world supply demand report, the market is trading as if it expects a price-friendly report.

With U.S. harvesting above 80%, it is conceivable that world cotton supplies are tighter than the current USDA estimate. Particular attention should be given to the U.S., China, Brazil and India.

When we declared the bull dead some seven weeks ago, we commented that it would be a difficult and slow road to the upside. Too, I indicated the upside could be as high as 77 cents. Yet, a significant challenge above 70 cents should be in the works. Growers are cautioned to begin scale-up selling on any trading nearing 67 cents. I believe this to be consistent with the previous recommendation. Quite probably, some growers sold on today's rally above 66 cents – a good strategy in my opinion.

Textile mills continue to sit back and wait for a price collapse to the 63-cent area, basis March. They will not get it. The northern hemisphere harvest is essentially over. Don't look for production surprises after this month. In the meantime, mills have tended to do only hand-to-mouth buying but have also continued to fix prices on a scale-up basis. Thus, the price decline mills have expected (hoped for) has not materialized. They are now at increased risk of being caught and forced to do additional scale-up buying, which would spook the market to a serious challenge of 67 cents and above.

Analysts continue to write that the Chinese trade tiff prevents the cotton market from moving higher. Yet, if the disagreement was settled immediately, there is doubtful much additional U.S. cotton, if any – or more importantly, any world cotton supplies – would find a demand point. U.S. export sales and shipments are ahead of the five-year average. U.S. sales to date remain the second highest on record.

World cotton trade flows have changed drastically in the past 18 months. China continues to purchase U.S. cotton, yet not as much. However, U.S. cotton has found other outlets. Brazil has increased its sales to China but has lost share in other markets. Pakistan was an unexpected very large buyer of U.S. growths.

The market has adjusted to the impact of the tariff, and, were it lifted immediately, the market would see very little impact. China is reducing its textile production. Other textile manufactures have gained that market share. There is no "magic switch" that can be thrown to return things to the past. The market has completely moved the switch. The past is the past.

A market the U.S. cotton industry must move its attention to is Mexico. One major manufacturer recently left Mexico, citing cartel gang problems and resettled in Bangladesh. The U.S. would be well advised to work with Mexico to alleviate the cartel gang problems and help Mexico create one of the world's leading cotton textile manufacturing destinations as the Chinese textile industry declines. Mexico is a ready-made market for U.S. cotton growths.

For most commodities, China is not the market it once was. Don't cry over that spilled milk. Work to capture other markets that are now developing.

Source: cottongrower.com- Dec 08, 2019

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Global fashion industry to decline by 3-4 % in 2020

After a relatively optimistic year, a new report by Business of Fashion (BoF) and The McKinsey Global Fashion Index forecasts growth of the global fashion industry to decline by 3 to 4 per cent in 2020. This will pressurise brands to perform and fine-tune their customer base.

With the first scoops on talent and resources going to the top 20 players such as Nike, adidas, Pandora and H&M who make up majority of the industry's profit, smaller brands are at a high risk of falling behind.

While the digital age has primed consumers to expect a quick and easy service it also opens up new opportunities for engagement. By utilising social media strategies to create eye-catching posts and keeping up to date with new technologies that make the shopping experience seamless, brands may stand a chance in 2020.

BoF lists some other useful strategies such as improving in-store experience, creating sustainable products, and championing important values such as diversity and inclusion.

Source: fashionatingworld.com- Dec 09, 2019

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Bangladesh: Seizing opportunity of 'Apparel 4.0'

The world today is beefing up on cross-fertilisation of technology-uptake and job diversification. And when it comes to labour-intensive industries like the apparel sector, this discussion gets a leapfrog.

Occupations	Possible Number of Job Loss by 2041
Sewing operators who operate single needle lockstitch machine, double needle lockstitch machine, single and double needle chain stitch machine, Sewing Machine Mechanic	500,000
Floor supervisor, Pattern maker	10,000
Pattern making for knitwear, Quality Control, Production Planner, Merchandiser	10,000
Fashion Designer, CAD-CAM Operator, Portfolio Developer, Production Planner, and Controller	5,000

Source: a2i Programme, GoB, 2019

The apparel industry is undergoing a revolution which is termed 'Apparel 4.0' meaning the digitasation of apparel production processes ranging from concept to post-retail. This revolution is believed to be enabling companies to monitor and automate the entire production process with complete supply chain transparency.

Apparel 4.0 branches in to application of cutting-edge terminologies spelled as smart clothing, robotics (e.g. sewbots), simulation, industrial IOT, augmented reality, Machine-to-Machine (M2M) communication in knitting machines, smart factory, 3D printing, smart fabrics, AI-infused Industrial ERP (enterprise resource planning) etc.

Bangladesh's regional peers like India, China and Vietnam are equipping their factories with Apparel 4.0 technologies. In India, Raymond has embraced sewbot technology while smart clothing, augmented reality, and 3D printing are much in use in Chinese factories. Vietnam has made significant progress in RFID (Radio Frequency Identification Device), additive manufacturing and ERP.

However, all the crispy terms spelled above come at the cost of job losses, meaning machines replacing humans. McKinsey Global Institute, in a study, predicts that by 2030, as many as 800 million jobs could be lost worldwide due to automation. In the context of Bangladesh, the textiles and garments sector will be the worst sufferer of Industry 4.0 (IR4.0) as there is a possibility of around 60 per cent (5.0 million) of jobs being lost in the next

15 years, according to a2i (access to information) programme of the government of Bangladesh.

a2i, in its study on future skills, has identified five major sectors of Bangladesh to be mostly encountered by Industry 4.0-led automation. They are 'Readymade Garment and Textile', 'Leather & Footwear', 'Agro-food Processing', 'Furniture' and 'Tourism & Hospitality'. Among the five, the share of jobs with a high probability of automation is the highest in furniture and readymade garment sector (60 per cent) respectively. Inarguably, our textile and garment sector is strongly characterised by low skills and labour-intensive production. Given the fact, the bulk of salaried jobs in this sector (such as sewing machine operators) mostly require repetitive and manual tasks. So, the large part of our garment wage workers are at high risk of automation since we largely make basic garments.

Furthermore, a2i study shed light on possible job losses for certain occupations due to the advent of Industry 4.0 in the area of textile and garment sector (see chart).

Against this backdrop, this industry will have to embrace new lines of occupation. For instance, fabric handling for sewing will be supervised by 'Pick and Place Robot Operator' while fabric inspection/colour solutions/retail management will be handled by an 'Artificial Neural Network Expert'. Adding to these, designations like 'Numerical Controller', 'Automated Fusing and Pressing Machine Operator', 'Computer-aided Process Planning Professional', 'Enterprise Resource Planning Expert' will be much-heard in this sector.

In Bangladesh perspective, there are very few applications of automation in important manufacturing industries related to RMG. However, a debate has already started in various public forums specifically on the consequence of automation led by Apparel 4.0 in countries having labour-intensive manufacturing. Think-tanks and policymakers are quantifying ins and outs of the possible impact of Apparel 4.0.

The ray of hope is that there are a few companies in Bangladesh that are at the cusp of implementing automation in their operation in a bid to cushion the advent of Apparel 4.0. However, instances are very few. Reportedly, Mohammadi Group has installed automated knitting machines that require human intervention only in case of programme designs or to clean machines while Envoy Textiles Ltd (ETL) has employed robotic autoconers.

Similarly, DBL Group has made their dyes and chemical dispensing system automated. In addition, Beximco Group is using AI-infused ThreadSol software offering integrated planning process which will reduce material wastage by using effective concepts of fabric utilisation.

However, such developments are evident only in giant factories. But our RMG sector has a large representation from SMEs (small and medium-sized enterprises) and unfortunately, they will face the worst hit of automation. So, the government-led training and upskilling initiatives, especially for small factories, are an absolute requirement.

Moreover, holistic upskilling is imperative in this sector and, it should be ranging from shop floor through to management and board level to harness an all-out paradigm shift in operational competence.

Considering the importance of technological upgrades for future success of apparel industries, our competing countries have introduced special policy support like Technology Upgradation Fund Scheme (TUFS) for the garment and textile industry, which has already been introduced in India. To bring similar best practices in our country, the leaders in this sector should negotiate with the government for similar facilities.

Moreover, to create a technology-proof workforce in our textiles and garments sector, we have to reduce our dependence on basic products. Because, the scope of applying IR4.0-led technology is limited in basic product manufacturing whereas high-end value-added opens the opportunity to implement latest technology and compel the management to train its workers on the latest industrial applications.

It is, therefore, imperative to attend to the need for capacity building of our garments industry and make it compatible for disruptive technologies so that it may meet the demand of high-end and branded fashion segments.

Source: thefinancialexpress.com.bd- Dec 09, 2019

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Italy interested in importing Uzbek agricultural, textile products

Italy-Uzbekistan Chamber of Commerce is the only Italian business organization dedicated exclusively to Uzbekistan, President of the Chamber of Commerce Luigi Iperti told Trend in an interview.

It works in close collaboration with the Italian Embassy in Tashkent, Italian ICE Trade Agency and the Embassy of Uzbekistan in Rome for the promotion of Italian companies in Uzbekistan, Iperti added.

Italy's exports reach 500 billion euros a year, while imports amount to over 450 million euros; therefore, there are great possibilities for Uzbekistan to export its products to Italy, Iperti said.

"For this purpose, we have agreed to host a trading house in Italy with Uzbek products. The products of the Uzbek textile and fashion industries and the agricultural products sector are very interesting," the president of the Italy-Uzbekistan chamber of Commerce (CIUZ) noted.

Iperti stated that Uzbek products are of good quality and at competitive prices. Italy is interested in the Uzbek industry developing and growing via export, while import of Italian port of technologies, machinery and even fashion products to Uzbekistan can also grow.

The CIUZ president added that Italian business circles are most interested in creating JVs with Uzbek companies operating oil and gas sector as well as with enterprises involved in mechanical engineering and manufacturing.

"Some Italian companies already present in Uzbekistan. I believe that others will follow. Uzbekistan is rich in skilled labor, raw materials and energy at very competitive prices. Italian companies are interested to produce in Uzbekistan and sell in the country, while they also want to export to neighboring countries and to Russia via Uzbekistan," Iperti said.

The Italy-Uzbekistan Chamber of Commerce has offices in Italy and Uzbekistan. Its purpose is to help Italian entrepreneurs to do business in Uzbekistan and Uzbek operators to arrange export to Italy and find Italian partners supplying know-how and investing in Uzbekistan

Referring to the special project related to Central Asia and financed by European institutions, Iperti said: "We are following these possibilities, but the chamber operates only in Uzbekistan and Italy. However, we work closely with Italy-Russia, Italy-Azerbaijan and Italy-Kazakhstan Chambers of Commerce."

In his words, CIUZ also cooperates with Uzbekistan's Chamber of Commerce and Industry, with which CIUZ has created a common company.

Source: azernews.az- Dec 09, 2019

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Pakistan: Slow buying on cotton market

The cotton market remained listless on Monday as buyers took to the sidelines owing to shortage of quality lint. Demand for cotton yarn also remained slow.

Trading activity resumed on a dull note and textile spinners were conspicuous by their absence. However, some needy mills moved in during the second half of trading session.

The biggest issue currently confronting cotton trade is shortage of quality cotton despite sizeable stocks are held by ginners, brokers said. Panicky ginners are seeking a ban on import of raw cotton.

However, some reports suggest that phutti (seed cotton) stocks with ginners are also declining and this would be a positive development for the cotton trade.

Slow exports of cotton yarn are depressing its prices. However, domestic textile value-added industry was performing better with slight improvement on export front.

The world leading cotton markets also gave mixed trend and could not take a definite course owing to varying statements coming from political leaders.

The Karachi Cotton Association (KCA) spot rates were firm at week-end level at Rs8,800 per maund.

The following deals were reported to have changed hands on ready counter: 1,600 bales, station Tando Adam, at Rs5,750-8,200; 8,000 bales, Khairpur, at Rs8,050-8,600; 2,000 bales, Rahim Yar Khan, at Rs8,900; 3,000 bales, Khanpur, at Rs8,900-9,000; and 200 bales, Sadiqabad, at Rs89,00-9,000.

Source: dawn.com - Dec 10, 2019

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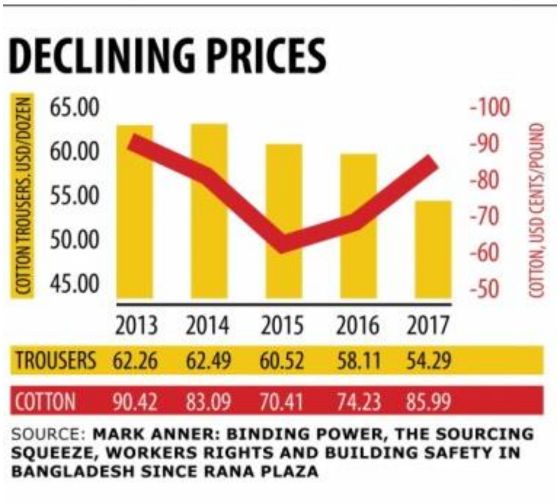
Bangladesh: Apparel items continue to become cheaper

The prices of Bangladeshi made apparel items continued to fall since the Rana Plaza building collapse in April 2013 although the prices of cotton, the main raw material for fabrics, increased during the time to some extent.



In 2013 a dozen of Bangladesh-manufactured cotton trousers sold for $62.26. In 2017 the same quantity went for $54.29 per dozen, a 12.80 percent fall in five years, according to a findings by "Mark Anner: Binding Power, the Sourcing Squeeze, Workers' Rights and Building Safety in Bangladesh since Rana Plaza".

However, cotton was sold at 90.42 cents per pound in 2013 and the price of the white fibre went down to 83.09 in 2014 and 70.41 cents in 2015.

But from 2016 the price of cotton started going up again and it was sold at 74.41 cents. In 2017, per pound of cotton sold for 85.99 cents, according to the findings.

Although the prices of cotton increased during this time, the prices of Bangladeshi made garment items rather went down as the international retailers did not pay a fair price to local manufacturers and exporters.

In case of Bangladesh cotton prices matter a lot. The cotton fibered garment production in Bangladesh is still high as local spinners did not start production of man-made fibres or viscose fibre at a massive scale.

Of the total garment export from Bangladesh, nearly 90 percent are made from cotton fibres. On the other hand, other countries produce 50 percent of garment from cotton fibre and man-made fibres, according to industry insiders.

Prices have fallen by about 3.64 percent to the EU and almost 7 percent to the US over the last four years, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the garment makers' platform.

Decline of price can be associated with the constant price pressure from brands and retailers owing to the volatility of global consumption.

"At the same time, as an industry, we too have been over aggressive about price quotes in order to secure business. It's natural for buyers to take advantage of that."

"At our end, we must end over expansion leading to overcapacity. At the buyers' end, they must kindly consider us worthy of receiving premium price advantage just because we are now the most compliant supply hub of the world with regard to compliance and of course, environmental sustainability."

A clear proof lies in the number of green factories in Bangladesh exceeding 100, which was not prescribed.

"Thus, with green factories, we must get green prices at the same time," the BGMEA president also said.

Over the past four years, value addition of the industry has gone down by 1.61 percent though apparel export has increased from $28.10 billion to $34.13 billion.

This means, growth is happening in physical term only, but the value added per piece of garment produced has rather declined over the years.

The cost of production of apparel during 2014-2018 has increased by 30 percent. Furthermore, minimum wage of the garment workers has increased by 51 percent since December last year.

In a market economy, an increase in production cost without reciprocity in efficiency or value addition would either result in less demand or cheaper price, she said.

The per unit prices fell 2.12 percent in fiscal 2016-17 compared with the previous year and it experienced another fall of 4.07 percent in fiscal 2017-18, according to BGMEA data.

Ahsan H Mansur, executive director of the Policy Research Institute, said Bangladesh has little to do if the international retailers and brands do not want to pay higher prices for garment items as they are buyers.

“However, we have to move up to the value chain of the garment business for better prices,” Mansur told The Daily Star by phone.

Source: thedailystar.net- Dec 09, 2019

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Global trade of MMF floor coverings growing since 2015

The global trade of carpets and other textile floor coverings of man-made textile material has been growing with a high CAGR (compound annual growth rate), after witnessing a fall in 2015, according to data from TexPro. The trade has increased from $11,678.36 million in 2016 to $13,701.50 million in 2018 with a growth rate of 17.32 per cent.

The total trade gained 8.16 per cent in 2018 over the previous year. It is anticipated to reach $17,412.40 million in 2021 growing at a CAGR of 8.32 per cent from 2018, according to Fibre2Fashion's market analysis tool TexPro.

The global exports of carpets and other textile floor coverings of man-made textile material was $7,183.64 million in 2016 which reached $8,453.43 million in 2018 with a growth rate of 17.68 per cent. Overall increase of exports of carpets and other textile floor coverings of man-made textile material moved up by 8.66 per cent in 2018 over the previous year, and is anticipated to reach $10,791.10 million in 2021 with a CAGR of 8.48 per cent from 2018.

In terms of volume, the global exports of carpets and other textile floor coverings of man-made textile material was 1,062.38 thousand tonnes in 2016, which jumped 22.48 per cent to 1,301.15 thousand tonnes in 2018. Overall export of carpets and other textile floor coverings of man-made textile material rose by 7.95 per cent in 2018 over the previous year. It is expected to reach 1,763.61 thousand tonnes in 2021 growing at a CAGR of 10.67 per cent from 2018.

In value terms, China ($3,071.15 million), Turkey ($2,066.03 million), Belgium ($982.95 million), Netherlands ($437.85 million) and Iran ($374.41 million) were the key exporters of carpets and other textile floor coverings of man-made textile material across the globe in 2018, together comprising 82.01 per cent of total export. These were followed by India ($292.39 million), US ($240.45 million), Germany ($142.48 million) and Canada ($97.75 million).

From 2013 to 2018, the most notable rate of growth in terms of export, amongst the main exporting countries, was attained by China (158.25 per cent), Iran (40.73 per cent) and Turkey (15.96 per cent).

Source: fibre2fashion.com- Dec 09, 2019

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Pakistan: Industry against merger of textile, commerce divisions

The value-added textile sector has opposed the merger of commerce and textile divisions citing that it will affect the overall performance of the sector.

A statement jointly issued by Council of All Pakistan Textile Mills Associations Chairman Muhammad Zubair Motiwala and other textile industry stakeholders urged Prime Minister Imran Khan to withdraw the decision of merging commerce and textile divisions as it would damage the sector.

The stakeholders asked the government to keep the textile ministry separate from the Commerce Division and appoint a textile minister who would resolve major issues of the sector.

The federal government recently approved a recommendation of Adviser to Prime Minister on Restructuring and Austerity Dr Ishrat Husain to merge the commerce ministry with the textile division and rename it Ministry of Commerce and Textiles.

They termed it ironic that the government merged commerce and textile divisions without prior consultations with the stakeholders.

Motiwala highlighted that the textile export sector was the largest foreign exchange earner of Pakistan with a contribution of $13.32 billion (58% of total exports) to the national exchequer.

“The Ministry of Textiles was established on demand of the value-added textile export sector, which is the backbone and lifeline of our nation’s economy,” he said. “The government cannot neglect this sector as it provides 42% of total employment.”

He added that value-added textile sector was one of the largest employers of female workforce.

Initially after the establishment of the textile ministry, textile exports got a great boost, he underlined.

However, it was not given powers to take vital decisions and issue Statutory Regulatory Orders (SROs), therefore it faced problems in implementation of textile policies.

Source: tribune.com.pk- Dec 10, 2019

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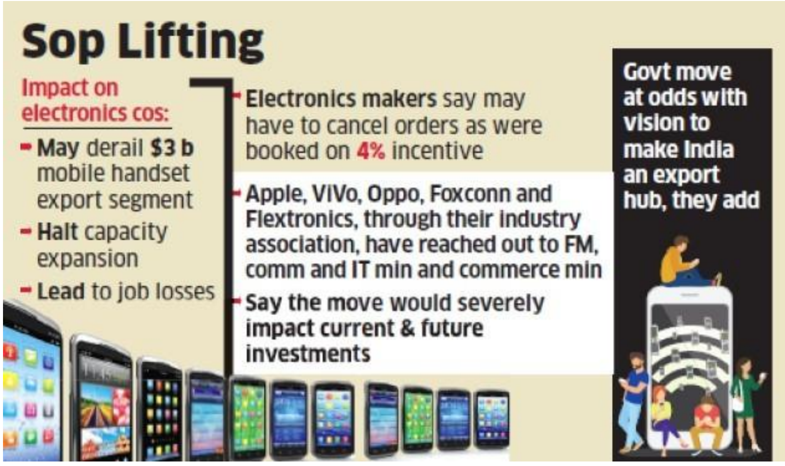
NATIONAL NEWS

Additional 2% export benefits to end Dec 31; Government yet to give roadmap for garments, madeups

A two percentage point cut in duty incentives under an existing export scheme effective January 1 has panicked electronics manufacturers, who say the reduction has the potential to derail the $3 billion mobile handset export segment, halting capacity expansion and leading to job losses.



Ahead of a new export incentive scheme--Remission of Duties or Taxes on Export Products (RoDTEP)--to be rolled out from next year, the Director GeneralNSE 1.86 % of Foreign Trade (DGFT) Saturday issued a notice that the additional 2% benefits given under the existing Merchandise Export from India Scheme (MEIS) for all sectors, except garments and made ups, and including electronics manufacturing, would end on December 31.

With the additional benefits gone, the original incentive of 2%, 3% and 5% would remain until RoDTEP is put in place. The RoDTEP scheme, which is scheduled to replace MEIS from January 1, is yet to get cabinet approval.

“The lead time given to exporters is less. A minimum of three months should have been given,” said Ajay Sahai, director general, Federation of Indian Export Organisations (FIEO). The electronics manufacturing industry, for which the export incentive will dropped to 2% from 4% now, was sharper in its criticism of the government move.

“This news is nothing less than a painful shock. At one end, the government is talking about attracting investments to make India an electronics export hub, and at the other end, this export incentive is being withdrawn,” said Sanjeev Agarwal, head of manufacturing and design at Lava.

“We have already started to export, lined up investments and taken orders basis this 4% export incentive. We will have to cancel orders and fire people if the government doesn’t reverse this.” Lava recently won orders from US companies such as GE and AT&T to manufacture white-label devices.

Meanwhile, other handset manufacturers and component suppliers such as Apple, ViVo, Oppo, Foxconn and Flextronics, through their industry association, have reached out to finance minister Niramala Sitharaman, communications and IT minister Ravi Shankar Prasad and commerce minister Piyush Goyal, saying the move would severely impact current as well as future investments in electronics manufacturing.

“It will also lead to an immediate halt in all future hiring and capacity expansion,” the India Cellular and Electronics Association (ICEA) said in its December 9 letter. The national electronics policy 2019 has targeted $110 billion of mobile handset exports by 2025.

“The disabilities in electronic manufacturing vis-a vis China and Vietnam had only been partially met through the 4% MEIS scheme and the discussions in the government were around how to scale this incentive up,” said ICEA chairman Pankaj Mohindroo. “In fact, the committee set up by the PMO headed by Niti Aayog CEO and with members from finance, commerce and MeitY among others was on how to come up with a WTO-compliant scheme to address the disabilities. But this is in fact going the other way.”

In October, the World Trade Organisation (WTO) ruled that India’s export incentive schemes, including MEIS, were inconsistent with provisions of the trade body’s agreement on Subsidies and Countervailing Measures. India was given 90 to 180 days to withdraw these schemes.

However, India has contested the ruling, which, the industry said, essentially implies that there is no obligation to meet the timelines, thus confusing the industry as to why there seems to be hurry in reducing the incentives under the MEIS scheme before the government has unveiled a replacement.

The finance minister, in her budget speech, had even announced an allocation of Rs 50,000 crore to replace the MEIS scheme. Further, the development comes at a time when the IT ministry is also in discussions with the finance ministry to find WTO-compliant ways to provide increased incentives to the electronic manufacturing industry. Thus, Saturday’s notification before the announcement of details for a new scheme has really thrown the industry into a tizzy.

Nitin Kunkolienker, president of Manufacturers Association of IT (MAIT), said the government's move was not aligned with the vision of an export-led electronics manufacturing out of India.

"MAIT has been proposing 8-10% support to offset India disability to attract global manufacturing into the country. This reduction will not only bring exports to a standstill of electronics from India but will also impact the existing investments as well as planned investments for the future period – much of which was linked to export orders," Kunkolienker said.

Source: economictimes.com– Dec 10, 2019

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Japanese Trade Minister to discuss RCEP pact with Goyal

Talks may discuss New Delhi's concerns, suggest ways to make Indian industry more competitive

Japanese Trade Minister Hiroshi Kajiyama will meet his Indian counterpart Piyush Goyal on Tuesday to discuss the conditions under which New Delhi could get back into the trade negotiations for the proposed Regional Cooperation for Economic Partnership (RCEP) pact between 16 countries.

"The two Trade Ministers are likely to discuss in details the problems India had with the current framework of the RCEP pact. The way ahead may also be discussed," an official told BusinessLine.

India's concern

New Delhi had decided to exit the RCEP being negotiated by the 10-member ASEAN, China, India, South Korea, Japan, New Zealand and Australia at the Leaders Summit last month. It's main concerns, mostly related to opening up markets for its key competitor China, remained unaddressed. India's decision to quit the group was not taken well by members such as New Zealand and Japan which officially said they wanted to sign an RCEP pact of which all 16 countries, including India, were members.

The RCEP countries (with the exception of India) decided to finalise the pact by February 2020. Kajiyama is expected to propose measures that will increase the competitiveness of Indian industries with the help of information technology, the official said. It could give subsidies to Japanese IT firms to carry out research if they entered into joint ventures with Indian companies. The country could also offer help in making the farming and fishing sectors more efficient.

India's biggest concern with the RCEP is related to the 'rules of origin' (ROO) agreed to by the other members. New Delhi believes that the ROO are very relaxed and would allow Chinese goods, which may be behind higher tariff walls for a longer period compared to goods from ASEAN, to circumvent the duties and flow into India from the shores of the ASEAN nations.

This could spell doom as India was being asked to consider bringing about 90 per cent of goods traded with the ASEAN to zero per cent. India has also demanded that the base rate of duty (for calculating tariff cuts) should be 2019 instead of 2014, as agreed earlier, as those rates were not relevant any more. An adequate Auto Trigger Safeguard Mechanism to save the economy against dumping of cheap imports and import surges was another of the country's demands.

Source: thehindubusinessline.com– Dec 09, 2019

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Solapur garment makers eye global market

The plan come in the backdrop of garment manufacturers from Maharashtra coordinating to set up half a dozen garment parks.

A garment park pilot project, on 30 acres of land, is expected to come up at Solapur which has large number of uniform manufacturers in the country, according to the Solapur Garment Manufacturers Association (SGMA).

"We can accommodate 125 units in the pilot project and we are willing to pass on surplus business to other regions like Pune and Nagpur so that the whole State can benefit," said Amit Kumar Jain, director, Solapur Garment Manufacturers Association (SGMA).

The plan come in the backdrop of garment manufacturers from Maharashtra coordinating to set up half a dozen garment parks in different parts of the State to capitalise on the growing demand for uniforms from India and abroad.

“Solapur has already established its credentials as a reliable source of uniforms for India and around the world. Now, we are organising a trade fair in Mumbai in December third week to generate additional volume for our members as well for other garment manufacturing regions in the State,” said Mr. Jain.

“The objective is to generate enough volume to have additional 2,500 new units in the State by 2024 so that five or six garment parks can come up in Maharashtra. Our aim is to make Maharashtra the world’s uniform sourcing hub,” he said.

Mr. Jain said these parks will come up through financial assistance from State and Central governments from different schemes. “The State Textile Policy 2018-23 has enough provision and funds can also come from Central schemes,” he said.

He added, “Today, in the uniforms segment (school uniform, corporate wear, hospital uniform, hotels uniform, industrial and government forces’ uniforms), there is no single place in the world which has an organised sourcing platform under one roof and Maharashtra can take this place. This will lead to generation of employment as well and augment new investments in the State,” he added.

Nilesh Shah, director, SGMA, said “Maharashtra will soon be seeing a big garment park supported by State Textile Ministry. For the 2019 fair, our objective is to ensure visits of over 10,000 retailers/dealers from across India and the world who can see for themselves the progress made by the textile industry in the State.”

Source: thehindu.com– Dec 09, 2019

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45% of textile units hit by working capital crunch

A study conducted by textile industrial association Indian Texpreneurs Federation (ITF) on the current state of the sector has shown that about 45% of the firms across the state are facing a 'severe or very severe' crunch in their working capital requirements, which is affecting their performance.

Convener of ITF Prabhu Dhamodharan said they had conducted a survey among textile entrepreneurs in spinning and readymade garment sectors in September and November, in which more than 300 entrepreneurs participated. "We conducted the study in three levels. First was a survey among the participant units, where participants mentioned that a lack of sufficient working capital was the single largest reason for their poor performance.

Following this, we compared the result with credit rating agencies' profiles of the units, where the results were in agreement. In the third level, we collected three years' balance sheets of the participants and analysed financial results.

All the three results showed that 45% units face working capital issues. Small and medium industries face this more. Working capital issues affect performance. The difference between a strong player and these units is lack of money. This leads to increase in manufacturing cost," he said.

Volatility in cotton prices, Eurozone crisis and extended credit due to liquidity crisis in the system were some of the reasons for the shortage of working capital, Dhamodharan said.

"ITF submitted the results to the Centre. We met the textile minister and the textile secretary 10 days ago and explained the findings with data. They said our study was Tamil Nadu specific and asked for a pan-Indian study to ascertain whether this was an area-specific issue or an overall issue."

Following this, ITF appointed research firm Crisil Limited to conduct a pan-India study. "They will submit a report covering 1,800 units across India in 30-40 days."

Of these, 1,146 would be spinning units and 690 would be readymade garment units in Tamil Nadu, Karnataka, Gujarat, Maharashtra, Punjab and NCR region. "The firm will analyse financial performance of spinning and readymade garment units from 2016 to 2019.

It will arrive at pan-India rating distribution of rating profiles of various textile clusters to understand cluster-wise performance of units. It will also compare the performance trends of listed companies with smaller, unlisted entities to draw inferences on the financial health of the sector. ITF will submit the result to the ministry of textiles and ministry of finance," Dhamodharan added.

Source: timesofindia.com– Dec 10, 2019

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Value addition, brand creation 'vital' for textile industry growth

Experts call for focus on garmenting with strategy, efficiency

With cotton yarn exports dominating readymade garment exports from Punjab, textile players in the region have stressed on value addition, brand creation and large-scale production facility to boost textile sector in the state. According to textile players, manufacturers can get higher returns and increase their share in exports only through value addition.

Punjab is among the largest producers of cotton, blended yarn and mill-made fabrics in India, but still it is much behind value addition as compared to Tiruppur in Tamil Nadu.

"The textile industry from Punjab is exporting raw materials such as yarn, denim and non-denim fabric to South India and other countries.

If the industry wants to take over Tirrupur cluster, it will have to focus on value addition like garmenting with a better strategy and efficiency," said Kamal Oswal, vice-chairman and managing director, Nahar Industrial Enterprises, during the recently concluded Progressive Punjab Investors Summit.

In 2018, out of total exports of cotton yarn and readymade garments from Punjab, the share of cotton yarn was 64%. The total exports of cotton yarn and readymade garments were Rs 6,489 crore. Further, the size of Punjab's textile industry is around Rs 30,000 crore which includes spinning, yarn production, fabric manufacturing and garmenting. Out of the total industry size, the share of garmenting is around 8%.

Tiruppur cluster in Tamil Nadu is a leader in garment exports from the country. The Tiruppur Exporters' Association (TEA), India's leading readymade/knitwear cluster, has reported exports of Rs 26,000 crore in fiscal 2019 and Rs 24,000 crore in the previous fiscal.

Experts said the Ludhiana-based manufacturers should focus on creating their own brand. "Currently, many of the units work as vendors for other manufacturers. If the industry really wants to grow, they should focus on creating their own brand because when a unit works for a brand its growth depends on the original manufacturer but when an industry creates its own brand, it can group by leaps and bounds," Oswal added.

Textile players were also of view that the textile sector in Punjab is dominated by the MSMEs. However, the need of the hour is to have large production facilities, preferably 10,000 pieces per day.

To boost the textile sector, Apparel Export Promotion Council chairman HKL Maggu stressed on technology upgrade and skilling workers. He said the council was planning to have a centre of excellence to boost exports from the state.

Experts said the dissemination of knowledge by textile giants, exchange of ideas and best practices could do wonders for Punjab to enable it to develop on the lines of Tiruppur.

Source: tribuneindia.com- Dec 10, 2019

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WTO panel report: India needs a fresh debate on trade policy framework

Recent global events have significant implications for reshaping India's trade policy framework. The first important trigger for change occurred in 2013-14 when India's per capita GNI (Gross National Income, earlier referred to as GNP or Gross National Product), assessed by the World Bank, breached the threshold of $1,000. This development had a ripple effect in India's status as a 'developing country' under the WTO's Agreement on Subsidies and Countervailing Measures (ASCM), which regulates, among other aspects, export subsidies. In 2017, after three consecutive years of India's per capita GNI exceeding $1,000, India graduated out of the list of 'developing countries' under Annex VII of the ASCM, which basically meant losing the space for foreign trade policy manoeuvrability that India had enjoyed till then as a developing country.

This was the genesis of the second trigger—a dispute challenging India's export subsidy schemes that was initiated by the US at the WTO in March 2018. The initial consultative phase did not lead to any resolution, and therefore the US sought the establishment of a panel for dispute settlement at the WTO in May 2018. At the core of the dispute was the contention that 'export incentives' granted by India under the DFIS, EOU, EPCG, MEIS and SEZ schemes are 'export subsidies' that are prohibited under the ASCM. The WTO panel report, published on October 31, 2019, held these schemes to be prohibited 'export subsidies'. The panel recommended that India should withdraw these schemes in a time-bound manner.

The WTO dispute mechanism allows for countries the right to appeal panel reports with the WTO's Appellate Body and India has exercised this right. But while an appeal can provide some tactical advantage in the short run, domestic reform is inevitable.

In anticipation of the inevitable, the government has been undertaking suitable steps, such as emphasising that Indian industry should reduce its reliance on export incentives and has to reinvent itself by increasing its competitiveness in the global market based on increased productivity of resources, improved quality, better efficiency and increasing reliance on data-driven business strategies.

The government has also announced December 31, 2019, as the sunset date for the MEIS (Merchandise Exports from India Scheme). There is also anticipation of the launch of a new scheme, the RoDTEP (Remission of Duties or Taxes on Export Products). Another significant initiative by the Indian government was the setting up of a group consisting of SEZ stakeholders under the chairmanship of Baba Kalyani, which has made significant recommendations for SEZ reforms that the government is considering.

These developments need to be seen in the context of India's positioning in the global trade scenario. This includes recent events such as: (a) India taking a strong stand regarding its crucial and sensitive demands at the RCEP negotiations, while keeping its options open regarding its continued engagement with the RCEP as well as other free trade agreements (FTAs) with strategic trading partners; (b) India's embracing of the tenets of the WTO's Trade Facilitation Agreement, which, apart from ensuring compliance with our WTO obligations, has contributed to improving India's ranking in the World Bank's Ease of Doing Business report; and (c) India's adoption of disruptive technologies for trade automation and reduction of transaction costs, which has a role to play for making it an attractive destination for trade and investment.

Seen against this overall backdrop, the tactical and strategic response in appealing the WTO panel report on export subsidies is only a short-term solution. In the long-term, as a member of the WTO, and as party to various FTAs, course correction with regard to formulating WTO- and FTA-compliant incentives and subsidies is inevitable.

Firstly, India's trade policy of the future ought to consider distinct approaches for trade in goods and trade in services. This aspect has also been highlighted among the recommendations of the Baba Kalyani report on SEZ reform. The distinction between goods and services will also enable designing separate incentives and subsidies for services exports, which neither the WTO nor India's FTAs currently regulate. With services commanding increasing relevance for India's growth story, and with the increasing 'servicification' of manufacturing, carefully-designed and WTO-compatible services subsidies are an important way forward. Equally, carefully-designed incentive schemes and subsidies for goods, which are compatible with our international obligations, are also essential. There exists sufficient space under both the WTO agreements and FTAs for this.

Secondly, a meaningful trade policy framework needs to be rooted in an evidence-based approach, and rely on microeconomic data from the industry to enable targeted decision-making based on trade data analytics. Early indicators that the government has also recognised and is acting on this imperative is evidenced in the request from the government for microeconomic data from export promotion councils, for quantifying the rate of RoDTEP.

In order to be able to respond to such a request and benefit from the scheme that is eventually put in place, Indian industry will also need to be proactive and establish appropriate mechanisms to capture data at the granular level, through innovative changes in accounting systems, IT systems and MIS, as well as ensure auditable record-keeping of the information required to benefit from the scheme.

With increasing growth of the digital economy and blurring of lines between the physical and digital economies, the centrality of data-driven insights in informing policymaking is that much more crucial. This necessarily has to be an evolving approach, with the industry informing the design and outcome of the government policy by sharing qualitative data over a period of time.

And finally, the trade policy of the future will have to forego its three-decade old preoccupation with export obligations and foreign exchange earnings. The shift from export growth to broad-based employment and economic growth was highlighted in the Baba Kalyani report as well. This will also enable the new policy to shed the legacy of India's 1991 balance of payment crisis and look at the world with a new and aspirational approach and a perspective of global leadership.

The ability of the government's policy to have real benefits will also depend on the extent to which Indian businesses can provide crucial strategic inputs to the government, a theme which was discussed at a recently held CII conference in Mumbai, on the Global Trade Scenario, aptly titled 'Navigating the New Normal'.

Large industry houses, especially, will need to be better equipped with research and appropriate skill-sets, and apportion resources to be able to compliment and supplement government efforts.

The government reaching out to industry for collating microeconomic data for informing and refining the RoDTEP scheme is an important starting point. Greater collaboration between the government and the private sector, for developing trade-smart schemes and incentives that have long-term sustainability and contribution to the growth of Indian industry, is the only sensible way forward.

Source: financialexpress.com- Dec 10, 2019

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Piyush Goyal demands reciprocal access for Indian companies abroad

Foreign cos won't be allowed in local contracts unless India Inc gets to compete in those nations, said Goyal.

Commerce and industry minister Piyush Goyal said the government will stop other countries from participating in local contracts unless Indian firms are given a similar opportunity.

"Unless we get reciprocal access to those markets, the government has decided that we will stop giving them an opportunity to participate in contracts in India. That is a part of the policy of the Narendra Modi government," Goyal said at an event organised by Exim Bank on Monday. "Today, it is in our policy that if our companies are not allowed to do business or opportunities emerging in any country, I can assure you that we will not allow them to participate here."

This policy had been introduced two years ago and is "fair by all global standards", he said.

Goyal said this had been a "major stumbling block" in the RCEP negotiations.

"I had not heard that China ever opens up any of their government contracts… They are never opened up for international competition in the garb of being public procurement," Goyal said.

India opted out of the RCEP last month after negotiating the pact with 15 other Asia-Pacific countries for seven years. China is part of the grouping.

"Many other Asean countries, even Japan and Korea, the kind of conditionalities that are put, don't allow too many of our Indian companies to participate in tenders in those countries," he said.

The minister asked Exim Bank to study such conditions and give feedback so that the government can "stand up for your right to do business in those countries".

If an Indian oil, coal or power company floats a contract, more often than not, the government allows international bidders to come in. He also said that India and its citizens want the rules of the game to change and corrupt practices to be eliminated.

"We would like to be recognised the world over as a country which focuses on ethical business practices and a country where every process is based on fair play," he said.

Source: economictimes.com- Dec 10, 2019

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ITF picks CRISIL to study capital issues of textile sector

The Indian Texpreneurs Federation (ITF) has appointed CRISIL for a pan-India study on working capital issues and financial performance of spinning and readymade garment (RMG) sector. CRISIL will complete the study in next 30 to 40 days by covering 1146 spinning units and 690 RMG units covering Tamil Nadu, Karnataka, Gujarat, Maharashtra, Punjab, NCR region.

As part of its study, CRISIL will analyse the financial performance of entities in the spinning and RMG sector for four years from 2016-2019. It will understand the revenue growth in these entities to identify the demand conditions in the industry; analyse various financial ratios to identify the profitability and working capital issues that the industry is currently facing; and arrive at pan India rating distribution of rating profiles of various textile clusters to understand cluster-wise performance of units. Thereafter, CRISIL will juxtapose the trends emerging from performance of listed companies in the sector and compare the same with smaller, unlisted entities and draw inferences based on the financial health of the sector.

Once the study is completed, ITF will submit the report to the ministries of textiles and finance.

Earlier this year, ITF conducted an independent survey among textile entrepreneurs mainly in two segments—spinning and RMG. More than 300 textile entrepreneurs participated in the survey and mentioned that lack of sufficient working capital is the single largest reason for the poor performance of majority of the companies. The surveyed entrepreneurs also mentioned that with some additional working capital they can come out of the negative cycle and improve their competitiveness.

Volatility in cotton prices, eurozone crisis, extended credit due to liquidity crisis in the system, etc were some of the reasons highlighted for the shortage of working capital. ITF Research Desk then analysed the financial performance of the 300 plus textile companies with the help of the three-year balance sheets, and that analysis also revealed the same fact of stress in working capital and its direct impact on financial performance.

Further, ITF Research Desk collected the data on credit rating profile of the companies in the spinning and RMG sector which mapped each company to its rating profile.

Based on the three different analyses and study, ITF concluded that in Tamil Nadu around 45 per cent of the spinning and RMG companies are facing either severe or very severe shortage in their working capital requirements, which is keeping them in negative cycle of performance. For example, in the total of 753 companies rated by various agencies, 21 per cent got very good ratings, 36 per cent got moderate rating, while 43 per cent got average or poor ratings.

By some specific intervention from banks, such as converting working capital loan into long-term loan and offering on-time additional working capital loans, at least 25 per cent of the surveyed units can bounce back to a healthy performance, according to the ITF.

The study along with four case studies and suggestions were presented by the ITF to the ministry of textiles. The ministry asked ITF to conduct and submit a pan-India study report with a larger sample size in the two sectors to identify and reaffirm the real issues across the country in various other textile clusters also.

Source: fibre2fashion.com- Dec 09, 2019

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Exporter body concerned over non-payment of incentives

The apparel export promotion council (Aepc) has warned the central government that if it failed to provide funds to the apparel exporters under supportive schemes, many export units would be closed and subsequently spark an unemployment crisis.

The statement has come after the central government scrapped the merchandise export incentive scheme (MEIS) under which incentives to the tune of Rs 500 crore was due for the units. APEC has pointed out that the Centre was yet to implement rebate of state and central taxes and levies (RoSCTL), launched in March, which is affecting the exporters.

“MEIS is one of the supportive schemes for the apparel industry to offset infrastructural inefficiencies and associated costs. It was suspended by the central government on August 1.

Many exporters were not able to meet their working capital issues and are either forced to downsize or close their businesses,” vice-chairman of the council A Sakthivel said a letter to the union finance ministry.

As per the industry sources, more than Rs 500 crore is outstanding in the MEIS for the apparel exporters in Tirupur alone. “RoSCTL scheme is one of the most important schemes to ensure a rebound in apparel sector. Despite its announcement, it was also not implemented for the past nine months.

The apparel exporters are long waiting to avail these benefits including its backlog in its predecessor rebate of state levies scheme,” Sakthivel said.

“Further delaying to avail these benefits will ruin the industry and many exporters will close their business establishments that will cause more unemployment. So, they should be released to revive the industry.”

Source: timesofindia.com- Dec 10, 2019

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National Policy on Statistics set to be unveiled soon

The credibility of India's official stats is under strain following alleged shelving of unfavourable data.

India will shortly unveil a National Policy on Official Statistics in the wake of various controversies related to the alleged suppression of bad news, undermining the credibility of government data, said people with knowledge of the matter.

The Ministry of Statistics and Programme Implementation (MoSPI) has begun work on a cabinet note on the policy that seeks to provide "timely and credible social and economic data," one of the persons said.

"The policy will be formulated and notified, enabling the ministry to spearhead the reform processes in the national statistical system," the official said.

The policy seeks to create synergy between the Centre and the states in statistical matters besides promoting an ecosystem for "informed debate" on various social and economic issues affecting people's lives.

The ministry began drafting the policy in June, shelving a proposal to set up a National Statistical Development Council, an independent authority headed by the Prime Minister that would supersede the National Statistical Commission (NSC). The latter is the apex body on statistical matters.

It had also proposed to make the chief statistician a permanent member of the NSC through the redrafted policy for improved coordination between the NSC and the government.

The ministry also plans to set up a taskforce to prepare a roadmap for putting the policy in practice.

The government is looking to address data quality issues with regard to various surveys and vetting the information collected apart from increasing the sample size of surveys to improve accuracy.

The credibility of India's official data has come under strain following last month's leak of the draft Household Consumer Expenditure report, which showed a decline in spending in rural India in FY18, and was later shelved.

Earlier this year, the government withheld the Periodic Labour Force Survey report that showed unemployment sharply rising to 6.1% in FY18 compared with 2.2% in FY12. Issues were also raised about GDP data based on the new series with economists citing quality issues.

Former NSC members had accused the government of sidelining the commission and interfering with its working.

Source: economictimes.com- Dec 09, 2019

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Summit will give boost to industry: CICU president

The Progressive Punjab Summit held in Mohali for two days will certainly prove helpful for the industry, feel many industrialists here. Though there are many who think that such summits were not fruitful, others, who attended it, feel that the two days were an experience for the industry to interact with foreign delegates, who wish to come up with new ventures in Punjab.

CICU president Upkar Singh, who attended the summit, said: "It will give a boost to the industry. Many domestic and foreign companies have expressed their willingness to venture into Punjab, which means there will be outsourcing too. In that scenario, the local industry will be greatly benefited. We are very hopeful that it will yield fruitful results." He added that the government functionaries were visiting all over India and overseas to attract companies to invest in Punjab.

Another industrialist and senior member of the Dyeing Association, Punjab, Ashok Makkar said he was happy the way the Invest Punjab was promoting the industry. "I have started a new unit at Guru Vihar and got a stamp duty exemption of about Rs 23 lakh. I have been assured to get rebate on power and GST too. So many persons had marked their presence at the summit and we hope to get good business in the state," said Makkar.

Leading industrialists, including Sachit Jain, Pankaj Munjal, Rajinder Gupta etc, have already expressed satisfaction over "ease of doing business" in Punjab.

President of the Shawl Club of India Mridula Jain said it was a well managed summit and brought much hopes to the industry. "New development is must for growth, but at the same time, existing units need parallel support of the government," she said.

General Secretary of the Knitwear and Textile Club Charanjiv Singh said it was an eye-opener for the textile industry. "Experts provided details about the future of textiles, how the textile departments of IITs were being approached to bring new mechanisms, innovations etc to get good margins. The state government took pains to provide insight to the industry in many areas," he said.

Source: tribuneindia.com- Dec 10, 2019

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Walmart Inc launches supplier development programme in India

US-based retail major Walmart Inc on Monday launched a supplier development programme in India with the aim to train 50,000 small and medium entrepreneurs enabling them to scale up and become part of global supply chains.

The initiative called the Walmart Vriddhi Supplier Development Program, aims to train these 50,000 micro, small and medium-sized enterprises (MSME) by setting up 25 institutes strategically near manufacturing clusters across the country in the next five years, the company added. The first such institute is expected to open in March 2020.

India is already among the top five sourcing markets for the retail giant globally, and the new initiative is part of its long-term commitments to the country.

Speaking at the launch event of the initiative, Judith McKenna, President and Chief Executive Officer of Walmart International, said, "Today, our Cash & Carry stores source 95 per cent of what they sell from India...India is a top-five sourcing market for Walmart today, with a global sourcing hub in Bangalore that already sources Indian products for 14 markets around the world. "

"The Walmart Vriddhi Program will connect the network of supplier development communities we have already today in Flipkart and Best Price, using their learnings to help develop powerful curriculum and expand and accelerate the work even further and faster. With training and support, we can provide new and unique opportunities for MSME growth, both domestically and abroad," she added.

The company said the Walmart Vriddhi institutes would directly train MSME to enable them to become part of the domestic and international supply chains of Walmart and Flipkart as well as other players.

"Uniquely, this is an open platform designed not for Walmart but for the best interests of those the program will serve.," McKenna pointed out, adding that this will be a pan-India initiative. The company, however, did not give specifics on investments being made on setting up these institutes.

In 2018, Walmart acquired 77 per cent stake in the country's leading online e-commerce platform Flipkart, which also operates Myntra, Jabong and PhonePe.

The announcement comes at a time when opposition by local traders in India against Amazon and Flipkart has intensified in recent weeks. Traders body CAIT has alleged that these players are in violation of the provisions of the FDI policy and are indulging in predatory pricing and deep discounting.

Source: thehindubusinessline.com- Dec 10, 2019

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