

IBTEX No. 122 of 2018

June 13, 2018

USD 67.58 | EUR 79.40 | GBP 90.32 | JPY 0.61

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
21704	45400	85.88
Domestic Futures Price (Ex. Gin), June		
Rs./Bale	Rs./Candy	USD Cent/lb
23040	48194	91.17
International Futures Price		
NY ICE USD Cents/lb (July 2018)		95.21
ZCE Cotton: Yuan/MT (Jan 2019)		17,705
ZCE Cotton: USD Cents/lb		106.63
Cotlook A Index - Physical		97.5
<p>Cotton guide: June report is considered positive; amid sharp cut in ending stocks and lowered production estimates:</p> <p>World Agricultural Supply and Demand Estimates report for the month of June was released on 12th of June 2018. The foremost clear evident is that across the globe, India and the US ending stocks for the month of June is lower than May. For reference, US ending stocks declined from 5.20 million bales to 4.70, global stock reduced to 83.02 from prior month number of 83.80. Finally the India's ending stocks are also estimated lower from 13.20 to 13 million bales.</p> <p>Reduction in the gross ending stock was much evident and anticipated amid higher export demand of the US and India cotton. We think the July month report may have further decline in the stocks from India as the export shipments are higher.</p>		

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The major decline of around half million bales from the US itself has contributed overall decline to the global ending stocks. This data is to be considered positive for the cotton price in the near term. In fact we have already seen the effect yesterday post the data was out. We feel overall tone for cotton may remain positive. For detailed report please access Kotak Commodities Research Desk.

Currency Guide:

Indian rupee depreciated by 0.18% to trade near 67.61 levels against the US dollar. Rupee remains under pressure amid mixed economic data, choppiness in crude oil price and concerns about Fed's interest rate hike. Indian's consumer price rose 4.87% in May compared with 4.58% in April but was largely in line with Bloomberg forecast of 4.9% growth. Industrial production rose 4.9% in April after a 4.4% growth a month ago but was less than Bloomberg estimate of 5.7% growth.

Brent crude has turned choppy near \$75 per barrel amid mixed signs from OPEC members about production hike. The US central bank will conclude its meeting today and is expected to raise interest rate by another 0.25%. Higher US interest rate could incentivize investor outflows. Rupee may remain under pressure ahead of Fed decision today. USDINR may trade in a range of 67.35-67.85 and bias may be on the upside.

Compiled By Kotak Commodities Research Desk , contact us : <mailto:research@kotakcommodities.com>, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

What do China and the EU fear more than a trade war?

Total free and fair trade.

Unmitigated by tariffs, trade barriers or artificial restrictions established by government to avoid pure unadulterated business competition.

Our trading partners around the world, as well as many business leaders in America, like the way things are right now. The more protection they receive from government, the harder it is to wean them off government assistance to compete on a fair and level playing field worldwide.

President Trump is right to call for an end to all tariffs and barriers and move toward a global free trade zone. He should press to lower nation-specific U.S. tariffs by 10 percent per year and tell each trading partner nation that as long as they lower their tariffs on U.S. goods and services by commensurate percentages annually, the U.S. will continue to trade with them and lower tariffs until they hit zero on both sides of the equation.

Countries will have to reduce their dependence on unfair trade barriers such as overregulation and currency manipulation which will obviate the need for tariffs in the first place.

The very existence of mutually agreed-upon tariffs between nations sets up the threat of retaliatory tariffs that lead to trade wars later. Free and fair trade can only be accomplished in a tariff-free world.

Tariffs are used typically to protect domestic industries in developing countries that want to grow up the economic ladder to modernity. However, once protected, an industry always wants to “stay protected,” be they in America or overseas.

The Canadian tariff on U.S. milk is 270 percent to protect the interests of 11,000 Canadian dairy farmers. Not the consumers.

In 1791, America was “China” in terms of trade piracy and protectionism. Treasury Secretary Alexander Hamilton wrote the first “Report on Manufactures” which encouraged the nascent government to pay spies to

steal English textile manufacturing secrets and bring designs of textile machines back to New Jersey.

It worked. Soon textile mills were all over New England only to be lured to North Carolina and the South a century later by the attraction of cheap hydroelectric power supplied by the Southern Power Company, soon-to-be Duke Power, and other trade incentives such as “cheap labor” costs.

Once a nation has established itself as a stable economy and player on the world stage, the need for prohibitive tariffs and trade barriers diminishes exponentially.

China is now the second-largest economy in the world behind the U.S. They are no longer a “developing” country in need of tariff protection.

They are an economic powerhouse.

China achieved economic success partly due to economic reforms under Deng Xiaoping in 1978 but predominately through unfair trade practices. The Chinese government has engaged in imposing excessive regulatory hoops for foreign companies entering the Chinese market; deliberate manipulation of their currency to maintain price advantages over foreign competitors and serious theft of U.S. technology and ignoring U.S. trademark and patent protection that would make even Alexander Hamilton blush in admiration.

Milton Friedman argued that American consumers benefit from other nations acting so stupidly since they are using their resources to provide cheaper products to American consumers which meant Americans could enjoy a higher standard of living regardless of how unfair foreign trade practices were.

That may be true. But wouldn't every person on this planet benefit from a perfect trade world absent any tariffs or trade barriers?

Prices would fall precipitously across-the-board around the globe. Nations that hold natural competitive advantages in certain resources and talent would produce and sell top-quality goods and services to the rest of the world and receive high quality goods and services from other nations in return.

Economic reality ultimately trumps human manipulation of trade at every turn. We don't need new trade agreements built on mercantilist tariffs and protectionism.

We need a new world order of zero tariffs and trade barriers. Everywhere.

Source: nsjonline.com- June 12, 2018

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EU textile imports up three per cent

Imports of textile products by the European Union in 2017 increased three per cent compared to the previous year. Textile products include: yarn, fiber, fabric, and home textiles.

The most important textile supplier to the European Union was China followed by Turkey. The third largest textile supplier to the EU is India followed by South Korea. These four together have a 61.3 per cent share of EU textile imports.

China's clothing exports to the European Union ranked first, at about 34 per cent. The textile imports from Turkey last year increased by 0.7 per cent compared to the previous year. The share of EU clothing imports made in 10 countries is 89 per cent.

There are three countries exporting over €10 billion worth of products to the EU. These are: China, Bangladesh, and Turkey. The share of these three countries in total clothing exports to the EU is 62.6 per cent.

Imports of apparel and textile products to the European Union member countries, with a population exceeding 510 million, reached €110.9 billion in 2017. Of these, €92.6 billion were apparel products and €18.3 billion were textile products.

Source: fashionatingworld.com- June 12, 2018

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US Wide-Width Weaving Gets Narrower With Mill Closing

And then there were two.

With the announced closing of Alice Mills earlier this spring, there are now just two American greige mills that have wide-weaving capabilities, the kind needed to make bed sheets.

Less than 15 short years ago, the United States was the world's largest weaver of wide-width goods for the bedding market. Powerhouse American home textiles mills like Springs Industries, WestPoint Stevens, Pillowtex and Dan River ruled the world when it came to making sheets. Mills in Asia and Europe had the ability, though not the capacity to produce the seemingly endless yards of cloth needed for American bedrooms.

All of that changed in the early 2000s when quotas came off of goods from countries like China, India, and Pakistan, and the dynamics changed quickly—and radically.

In less than a decade, the United States' estimated 95 percent market share in sheets flipped nearly completely with those three key Asian countries picking up the vast majority of the business. Smaller lots came from elsewhere in Southeast Asia and Europe, primarily from Portugal and Turkey, but the days of American dominance were over.

As of the start of this year, there were just three American companies, all family owned, that still produced wide-width (110 to 135 inches) greige cloth, which is essential for the larger queen and king sizes of sheets and bed coverings.

One of them, Alice Manufacturing, based in Easley, SC, is believed to be the largest mill producing cloth used for the residential retail market. Standard Textile, with its headquarters in Cincinnati, Ohio and manufacturing facilities in Thomaston, Ga. and Union, SC as well as operations in 10 countries, primarily in Europe but also in China and the Middle East. Hamrick Mills, located in Gaffney, SC, is moving into its fifth generation primarily serving the apparel and commercial markets.

All three companies focus on products for other end uses, including apparel fabrics and the hospitality and industrial markets. But lately with a burgeoning interest in Made in USA products led by direct-to-consumer sellers, there seemed to be a small resurgence in sheeting for the retail residential market.

It's why the Alice closing caught some off guard. In announcing the closing of the company's Ellison mill in April, company chairman E. Smyth McKissick III didn't dwell on the reasons for it, but in an interview several years prior McKissick said in reference to the business, "We can make it, we can spin it, we can weave it, we can't sell it."

McKissick, famously known within the trade as a man of few words and whose family has owned Alice since 1923, has not divulged many details on how long the mill will remain in production, though industry sources have said it may be at least another several months. The company continues to operate a finished product division under the Ellison-First Asia name, but that unit has been getting most of its greige from overseas suppliers for years.

Shortly after the Alice announcement, Standard Textile said it was introducing a fully domestic-made program for its core hospitality and hotel customers under the Made in USA label. The company said it had invested \$65 million in its facilities over the past several years to "bring new life—through advanced manufacturing—to American textile production." While Standard has been primarily known for its towels for the hospitality market, the new line does include a 100 percent cotton sheet under the UltraTwill name.

And it looks like the company will move beyond the commercial market and into residential. Recent visitors to the company's website are asked to sign up to be notified when the product will be available for the home market: "We can't wait to provide our products for your home."

Hamrick says it can produce both all cotton and cotton-polyester blended sheeting and could manufacture as much as 220-thread-count cloth, through to 135 inches wide, though he mill has not supplied the retail residential market of late.

Whatever capacity either Standard or Hamrick chooses to devote to residential retail will still only amount to a fraction of the overall market for sheeting and bedding in the United States.

But the Alice closing does severely impact the ability of finished goods producers to offer a totally Made in USA story in their marketing strategies. While there remains both spinning and wet and dry finishing for wide-width products like sheets, when it comes to weaving, Standard and Hamrick will be the last American mills standing.

Source: fashionatingworld.com- June 12, 2018

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Tariffs or No Tariffs? Trump Alludes to Elimination Following Implementation

President Trump has been sending somewhat mixed signals on trade for some time, making one claim and acting on another, but perhaps the most confounding came at the G7 summit in Canada this weekend: the president said his end aim for trade is to eliminate all barriers—including tariffs.

“Ultimately, that’s what you want,” CNN reported Trump as saying. “You want tariff free. You want no barriers. And you want no subsidies. Because you have some cases where countries are subsidizing industries and that’s not fair.”

Coming from the man who has sent new tariffs barreling into the global trade sphere and deflected when they came back the United States’ way, the remarks made during a news conference at the G7 summit may have surprised some.

Trump said he’d thrown the idea of eliminating tariffs to his G7 peers, and CNN quoted the president as saying, “I did suggest it...I guess they are going to go back to the drawing board and check it out.”

The tariff elimination could certainly serve to quiet what’s evolving into a full-blown trade war between the U.S. and its most important trading partners, provided the president proves to be serious about the issue.

What Trump doesn't want—and he made that clear before leaving the summit—is any retaliation to U.S.-imposed tariffs, which he deems as solely designed to bring trade back in balance.

“If they retaliate, they're making a mistake,” CNN reported the president as saying.

But what garnered the most attention was Trump's bitter back and forth with Canadian prime minister Justin Trudeau.

Following Trump's enforcement of 25 percent tariffs on steel imports and 10 percent on aluminum coming in from Canada, Mexico and the EU after an exemption period failed to deliver the president's sought-after results (which has largely been a bending to more favorable trade terms for the United States), Trudeau has been speaking up about Canada's intention to retaliate. Mexico and the EU have done the same.

At a news conference in line with the G7 summit on Saturday, Trudeau said very pointedly that Trump's move on tariffs aimed at Canada was “insulting” and not favorable to already strained renegotiations on the North American Free Trade Agreement.

Further to that, he said, “It would be with regret, but it would be with absolute certainty and firmness that we move forward with retaliatory measures on July 1, applying equivalent tariffs to the ones that Americans have unjustly applied to us.”

Tweets targeted squarely at Trudeau came in a two-day stream from President Trump's Twitter feed: “Based on Justin's false statements at his news conference, and the fact that Canada is charging massive Tariffs to our U.S. farmers, workers and companies, I have instructed our U.S. Reps not to endorse the Communiqué as we look at tariffs on automobiles flooding the U.S. Market!”

The G7 Communiqué is a joint statement from the seven countries that comprise the group—the United States, Canada, the U.K., France, Germany, Japan and Italy—outlining agreed upon priorities emerging from the meeting. Sources told CNN the U.S. was demanding about what went into

the Communiqué, so it came as a surprise that Trump said the U.S. wouldn't endorse it.

Trump followed that tweet with one calling Trudeau "very dishonest" and "weak" and noting that the U.S. tariffs come in response to "Canada's 270% on dairy!"

The issue of trade, not surprisingly, was the main area of focus for the G7 summit, and Trump reinforced his concern for the U.S. being treated unfairly, referring to the country he leads as "the piggy bank that everybody's robbing," adding, "and that ends." During the same conference, Trump continued, referring to U.S. efforts on trade, "We are talking to many countries, we are talking to all countries and it's [the unfairness] going to stop or we'll stop trading with them."

Tacking tweets onto his news conference comments, Trump said, "Fair Trade is now to be called Fool Trade if it is not Reciprocal. According to a Canada release, they make almost 100 Billion Dollars in Trade with U.S. (guess they were bragging and got caught!). Minimum is 17B. Tax Dairy from us at 270%. Then Justin acts hurt when called out!"

Though the unfriendly banter between Trump and Trudeau may have overshadowed much of the Summit, at least six economic leaders appear to have agreed that trade needs work and tariffs aren't the answer.

The Communiqué released Saturday said: "We acknowledge that free, fair, and mutually beneficial trade and investment, while creating reciprocal benefits, are key engines for growth and job creation" From there, the G7 said it would continue to fight protectionism, looking to a rules-based international trading system for guidance. The group also committed to modernizing the WTO to make it "more fair as soon as possible." On tariffs, the G7 said, "We strive to reduce tariff barriers, non-tariff barriers and subsidies."

Source: sourcingjournal.com- June 12, 2018

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Sri Lanka targets garment export worth \$5 billion in 2018

Sri Lanka hopes to export garments worth \$5 billion in 2018 especially since it enjoys the benefits of GSP Plus.

With anti dumping laws in place, entering into trade agreements will have far reaching benefits. The sector is considering a new business model for growth which is expected to provide a significant boost to exports.

The country recorded \$4.88 billion in apparel exports in 2017 and earns 43 per cent of its foreign exchange through apparel and textile exports. With the limited supply base, however, the apparel industry faces competition for labor.

So skill development will be given consideration and more youth will be encouraged to join the industry.

The supply chain will be integrated while meeting the needs of international buyers.

Sri Lanka's competitors are Bangladesh, Vietnam, India, Indonesia, China and Ethiopia. Sri Lanka is also hoping to convince India to remove the existing quota system for the apparel industry and instead request a 500 million dollar worth trade deal.

Negotiations are currently underway between the two countries to ascertain whether the existing quota system for the sale of garments to India that is limited to eight million pieces annually worth \$30 million could be altered to a higher \$500 million worth value-based system.

Source: fashionatingworld.com- June 12, 2018

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Pakistan: Garment industry urge removal of export tax

Pakistan's garment industry is looking for help to increase the country's exports to overcome trade deficit. Exporters therefore want payment of refunds to be expedited. They say, exports should not be taxed and that the Export Development Surcharge should be withdrawn which could lead to great dividends.

Pakistan's textile exports rose 7.2 per cent during the first eight months of the current fiscal year. Comparatively competing countries like China, India, Bangladesh, Sri Lanka and Vietnam increased their exports at a compound rate of 20 per cent or more during the same period.

Textiles make up around 60 per cent of the country's total exports. The textile sector has the largest share in Pakistan's exports.

Pakistan's competitors are upping the ante in textile to gain strength in global markets. While China's share in global textile exports is 36 per cent, Vietnam contributes 12.4 per cent, and Pakistan is seven per cent.

The textile sector in the country faces numerous problems which include: high cost of doing business, multiple taxes and surcharges. Pakistan predominantly being a textile export economy is struggling to maintain its share in global markets both in basic and value added textiles.

Source: fashionatingworld.com- June 12, 2018

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Bangladesh exporters demand re-fixing corporate tax at 10%

The recent Bangladesh budget has proposed raising the corporate tax rate on manufacturers and exporters of readymade garments (RMG) to 15 per cent from 12 per cent.

If any such taxpayer is a public limited company, then the rate will be 12.5 per cent. Any factory holding green building certification will enjoy tax rate of 12 per cent, according to the budget proposals.

A 5 per cent value-added tax (VAT) on branded garment outlets has also been proposed instead of 4 per cent. Besides, a 5 percent VAT will also be applicable on sale of non-branded garments in the local market.

The Exporters Association of Bangladesh (EAB) has, however, demanded reduction in the proposed corporate tax for the RMG industry by 5 per cent and to fix it at 10 per cent. It also wants the government to cut the tax at source at 0.25 per cent instead of the existing 0.70 per cent for at least five years, according to Bangladesh media reports.

The EAB said in a statement that the proposed tax at source of 1.0 per cent for the RMG industries, instead of the existing 0.70 per cent, to be made effective from July 1 this year would make the usual operations of the export-oriented RMG industries stagnant and thus reduce the capacity of the industries.

The Fashion Entrepreneurs Association of Bangladesh (FEAB) has opposed the proposal to increase VAT on the apparel items of local brands in the proposed budget as the step would pose a serious threat to the local apparel industry that engages marginalised people.

FEAB said local buyers would turn off in the face of increased VAT rate and imported apparel products would occupy the market.

Source: fibre2fashion.com- June 12, 2018

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Global cotton demand continues to beat supply

Demand for cotton is on track to outpace supply for the 2018-19 season. The 2017-18 season was the third consecutive for growth in world cotton demand, with production at an estimated 26.6 million tons and world mill use projected at 25.5 million tons.

For the current season, decreasing stocks in China are being offset elsewhere. China's cotton stocks are projected down to nine million tons, while cotton production outside of China is projected up to 10.3 million tons – marking the fourth consecutive season-to-season increase.

World cotton consumption is projected to increase to 26.7 million tons in 2018-19, while world cotton production is estimated at 25.7 million tons.

Production in China is projected to decrease to 5.6 million tons in 2018-19 based on reduced planting area, while consumption is forecast to increase to 8.4 million tons.

Reduced yields in 2017-18 in India are contributing to lowered planted area for 2018-19, with exports projected at 8,40,000 tons, representing a 24 per cent decrease from the previous season. Production in Brazil for the 2017-18 season is estimated to be 1.9 million tons, a 26 per cent increase from 2016-17.

Production for the West Africa region in 2017-18 is projected at 1.2 million tons, representing a 13 per cent growth from the previous season.

Source: fashionatingworld.com- June 12, 2018

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Vietnam hopeful of raising garment exports to Australia

Vietnamese firms are hopeful of raising garment exports to Australia once the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) takes effect, says Thai Binh Duong, director of Vietnam's Yen Duong Ltd, Co. Australia will reduce import tax to 5 per cent in the first three years under the CPTPP and waive it from the fourth year.

Australia's apparel imports have grown stably over the past five years and as apparel retail prices in Australia are much higher the imported ones, Vietnamese products have an advantage, a Vietnamese news agency report quoted Vietnam Textile and Garment Association (VITAS) vice president and general secretary Truong Van Cam as saying.

In 2017, Australia imported apparel worth nearly \$9.32 billion, nearly \$173 million of which was from Vietnam. Australian firms are reportedly focusing more on Vietnam due to more competitive workforce costs compared to those of China.

Source: fibre2fashion.com- June 12, 2018

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Vietnam commits to stable business community

VietNam is committed to maintaining a stable environment to ensure the rights and interests of foreign businesses investing in the country, said Deputy Prime Minister Truong Hoa Binh at the 24th International Conference on the Future of Asia in Tokyo on Monday.

He said the Government would continue to work on the legal system and policies related to investment in a consistent and transparent manner. The Government would also strive to improve law enforcement, strengthening and focusing on solving problems for investors.

According to the deputy PM, the peaceful environment, co-operation and development had made Asia an economic, political and cultural centre accounting for 45 per cent of global GDP, which is expected to rise to 50 per cent by 2025.

Asian countries have also become bigger players in global trade and investment, accounting for around one-third of international foreign direct investment, import and export values.

"Openness and co-operation are key factors for recovery and to create new momentum for economic growth," the Deputy PM said.

Binh was optimistic about the future, but warned of potential challenges to the regional and global economies.

He mentioned three major risks. Firstly, the rising tide of protectionism, increased uncertainty in powerful countries and tensions in trade relations among the world's leading economies.

"In a world of tightly intertwined interests, any escalation of tensions could disrupt the international financial system, as well as regional and global supply chains. Policies that go against globalisation, trade and investment liberalisation could have unpredictable implications. Putting national interests in conflict with the global interests would undermine confidence and achievements," said Binh.

Secondly, with progress in science and technology, the industrial revolution 4.0 opens up tremendous growth opportunities but also presents challenges for Asian countries, especially developing countries. According to the International Labour Organisation, more than two thirds of workers in the textile and footwear sectors as well as manufacturing industries in Southeast Asia are threatened by the rapid application of science and technology.

Thirdly, non-traditional security issues such as natural disasters, food-water-energy security, epidemics, maritime security, climate change and the rich-poor divide and social diversification are challenges for the development of Asian countries. In order to build a prosperous and stable Asia, environmental protection needs to be a pillar of development.

Binh said Viet Nam highly valued the Japanese Government's efforts to accelerate the conclusion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

"We hope that Japan, as a leading economic partner of many Asian economies, will serve as a locomotive to enhance regional economic integration and connectivity," said Binh.

At the summit, the Deputy PM also highlighted the important progress that Viet Nam had made over the past three decades, linked to Asia's growing status and regional economic integration. Open, multilateral and diversified foreign policy had helped Viet Nam overcome difficulties and integrate with the world, he said.

The renewal process had helped the country to transform and achieve significant socio-economic development. With an average annual growth rate of 6.6 per cent over the past three decades, Viet Nam's GDP soared 35 times to US\$220 billion in 2017 and was expected to reach \$300 billion by 2020. In 2017, The country maintained macroeconomic stability, controlled inflation (at 3.5 per cent), reached a record \$425 billion in trade turnover and over \$60 billion in foreign exchange reserves.

The country has attracted \$325 billion of registered FDI from 127 countries and partners around the world. In 2017, the country rose 14 places on the global business environment index to 68/190, according to the World Bank. Viet Nam's competitiveness index also rose 5 places to 55/137 on the World Economic Forum's ranking.

Credit rating agencies such as Moody's and Fitch have raised the rating level for Viet Nam's economy from "stable" to "positive", and a number of transnational corporations have chosen Viet Nam to invest in development and connectivity in the global value chain, said Binh.

The deputy PM said that Viet Nam and Japan were preparing to celebrate the 45th anniversary of Viet Nam-Japan relations (1973-2018).

Japan is the largest investor in Viet Nam with total direct investment of more than \$9 billion. Two-way trade reached over \$33 billion. The recommendations of the Japanese business community are always recognised and resolved by the Vietnamese Government, said Binh.

Source: vietnamnet.vn- June 12, 2018

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Tunisia's Exports Grow Faster than Imports

Tunisia's National Institute of Statistics, a government agency, has revealed that the coverage of exports to imports rose to 72 percent during the first five months of the current year, compared with 67.3 percent during the same period last year.

The volume of trade deficit in this period amounted to at least 6.6 Tunisian dinars (about \$2.6 billion), it said.

The European Union continues to top the list on the level of Tunisian trade, and France, Italy and Germany have the most trade exchanges.

Tunisia's exports improved markedly, rising by 27.5 percent in the first five months of this year while imports increased by 19.3 percent.

Last year, the Tunisian government identified a list of 220 imported products and called on local banks not to fund them through the Tunisian central bank, in an effort to curb the decline in foreign exchange reserves, which fell to record levels in terms of imports, covering not more than 72 days.

According to Tunisian economic and financial experts, the improved performance of Tunisian exports is mainly due to the positive growth of exports of agricultural products, which rose by 81.8 percent due to the increase in the sale of olive oil to 1.2 billion Tunisian dinars and the date revenues to 438.8 million dinars.

In the past five months, exports of the energy sector grew 32 percent. This was due to higher crude oil sales to BD 842.8 million in addition to increase of exports of laboratory materials by 27.3 percent, textile and clothing and leather by 23.1 percent and exports of mechanical and electrical products by 19.5 percent.

Despite the Tunisian authorities' attempts to diversify their foreign markets and end EU dominance over export and supply activity, recent figures indicate that Europe accounted for 72.2 percent of Tunisian exports, up 23.14 percent.

Tunisian economist Karim Balkhla stressed in this regard that the improvement in economic performance in Europe has added improved Tunisian exports.

He considered Europe to be an important market due to its geographical location and the long established tradition of trade between Tunisia and the EU states.

In this context, Tunisia's imports from EU states accounted for 55.6 percent of total imports and in turn showed a rise of 21.3 percent.

Explaining Tunisia's continued trade deficit with several economic players despite the improvement in exports, the Tunisian Institute said that trade with several countries, including China suffers an imbalance of about two billion Tunisian dinars and Italy about 1.1 billion dinars, Turkey 868 million dinars, Russia around 534.6 million Tunisian dinars and Algeria about 465.6 million dinars.

Source: aawsat.com- June 11, 2018

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Indonesia making preparations to join TPP

Indonesia is studying the revised Trans-Pacific Partnership agreement reached by 11 nations after the U.S. exited, with a view to joining the trade pact, Jusuf Kalla, the country's vice president, said on Tuesday.

Those comments mark a turnaround in policy for the Southeast Asian nation, which had previously said that the trade pact had lost its allure without the U.S.'s participation.

Speaking to the Nikkei Asian Review on the sidelines of the Future of Asia conference, hosted by Nikkei, Kalla said that Indonesia "is now studying the conditions, the possibility" of joining the trade agreement.

"Of course, if TPP is free of tax, and Indonesia still pays tax, then it is not easy for Indonesian goods to compete in the market," he said. "That is why our intention is to join" after the pact comes into force, he said.

The vice president had said in an interview with Nikkei last year that "without the U.S. [in the TPP], we feel that the benefits on the trade front for Indonesia aren't that big, and we have lost interest," but he now is of the opinion that regardless of whether the world's biggest economy returns or not, Indonesia could join.

Kalla said he hoped that the studies currently being conducted by his government in the existing TPP agreement would conclude within "six months to a year," after which Indonesia will make a final decision. The studies will focus on how the country's competitiveness will be affected if it joins the pact.

Twelve nations that border the Pacific Ocean initially joined the TPP in February 2016, but the U.S. pulled out of the deal last year after Donald Trump, following through on his campaign pledge, took office as president. The 11 remaining countries agreed to an amended version of the deal, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, in Vietnam last November, signing it in Santiago, Chile, this past March. The new TPP takes effect once six of its members ratify the deal.

Indonesia in early April drew up a road map, dubbed "Making Indonesia 4.0," for upgrading five manufacturing sectors in the hope of making the country one of the world's 10 largest economies. The industries comprise food and beverage, textile and garment, automotive, chemical, and electronics -- sectors which face fierce competition from Indonesia's neighboring countries. Joining the TPP would at least level the playing field for Indonesia against its rivals.

Indonesia is also involved in another mega trade deal, the Regional Comprehensive Economic Partnership, or RCEP. In February, it hosted the 21st round of talks in the city of Yogyakarta, with Indonesia's trade minister, Enggartiasto Lukita, saying at the time that the partnership was the country's priority. But with RCEP negotiations dragging on -- initial plans were for the talks to conclude last year -- Kalla hinted that Indonesia will now put a priority on joining the TPP. "[It] has faster operation," he said.

Source: asia.nikkei.com- June 12, 2018

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NATIONAL NEWS

CAI hikes cotton crop estimate for 2017-18 season to 365L bales

The Cotton Association of India (CAI) has estimated production for the ongoing 2017-18 season at 365 lakh bales which is higher by 5 lakh bales from its previous estimate released in May.

This includes 3 lakh bales (of 170 kg each) in Gujarat, 1 lakh bales in Karnataka, 50,000 bales in Andhra Pradesh and 25,000 bales each in Madhya Pradesh and Tamil Nadu.

However, a low carryover stock of cotton at the end of 2017-18 crop year (beginning October 1, 2017) has been estimated at 16 lakh bales. A very low closing cotton stock at the end of the season has become a matter of worry for us, CAI president Atul Ganatra told FE, declining to divulge into details.

The total cotton supply up to May 31, 2018 has been projected at 378.50 lakh bales which consists of the opening stock of 30 lakh bales at the beginning of the season on October 1, 2017, the arrival of 340 lakh bales up to May 31, 2018 and imports which the Committee has estimated at 8.50 lakh bales up to May-end.

According to Ganatra, the estimated rise in production figures is mainly due to the realisation of higher yields, particularly in Gujarat. The Statistic Committee of the CAI held its meeting in Mumbai, which was also attended by over 30 representative from various upcountry associations, MNCs, ginners, exporters, importers, textile mills, among others, to review the current cotton scenario.

Further, the Committee has estimated cotton consumption for 8 months — from October, 2017 to May, 2018 — at 216 lakh bales at an average of 27 lakh bales per month while the export shipment till May 31, 2018 has been estimated at 62 lakh bales.

The stock at the end of May, 2018 is estimated at 100.50 lakh bales, including 58 lakh bales with textile mills, while the remaining 42.50 lakh bales are estimated to be held with Cotton Corporation of India (CCI) and others (MNCs, traders, ginners, etc).

The projected yearly balance sheet for the 2017-18 season, drawn by the CAI, has estimated total cotton supply till the end of season, September 30, 2018, at 410 lakh bales of 170 kg each, including the opening stock of 30 lakh bales at the beginning of the season.

The CAI has estimated domestic consumption for the season at 324 lakh bales while the exports for the season are estimated by the CAI at 70 lakh bales.

“We can end the season with exports of 70 lakh bales,” Ganatra said earlier, adding that higher international prices would drive up shipments. The country has exported 62 lakh bales so far in the marketing year that started on October 1, he added. According to Alli Rani, CMD, CCI so far 320 lakh bales have arrived in the market and the season is likely to go on for another 30 days.

Arrivals have slackened to 0.5 lakh bales a day and therefore prices are up. According to cotton ginners, market sentiment is up because of speculation that demand from China is going up because the country’s buffer stock has reduced.

China earlier had a buffer stock for one and half years and this has now reduced to a year’s stock which is why they could be turning to India for cotton, market experts said.

It may be noted that the crop size of 365 lakh bales of 170 kgs. each is equal to 388 lakh running bales of 160 kgs. each and the estimated arrival of 340 lakh bales 170 kgs. each upto 31st May, 2018 is equal to 362 lakh running bales of 160 kgs. each.

Around 93 % of the total crop for the season has already arrived in the market upto 31st May, 2018.

Source: financialexpress.com- June 13, 2018

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India contemplates branding cotton

Countries such as the US and Egypt have been able to create their own brand of cotton like Supima and Egyptian Cotton. Now, India is planning to move on similar lines. The idea is to project Suvin cotton produced in Tamil Nadu and Shankar 6 produced in Gujarat as global brands.

Egyptian and US cotton fetch premium over the conventional fiber in import markets, including India. Despite Indian cotton's having a better quality and a huge potential for fetching a higher price, lack of a branding has yielded lower income for Indian farmers and traders.

India is known for fine and beautiful cotton fabrics. Punjab, Haryana, Gujarat and Rajasthan are the important cotton cultivating regions. Cotton in India is one of the most important commercial fibers and commodity exported due to its uses in the textile industry, mattresses etc.

India is one of the largest producers as well as exporters of cotton and cotton yarn. Cotton plays an important role in the country's economy as its textile industry is predominantly cotton based.

But the quality of Indian cotton is not standardized due to varying practices adopted by various stakeholders including farmers, ginners, and traders. Major markets for Indian cotton are: Bangladesh, Pakistan, Vietnam, Indonesia, Turkey, Thailand etc.

Source: fashionatingworld.com- June 12, 2018

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India and South Africa Bilateral Ties: New Opportunities in Trade and Investment

India and South Africa share a rich cultural and varied economic history, with bilateral relations going back to the 1860s.

Although strained for a long time due to South Africa's apartheid government, India re-established trade and business ties in 1993 after the country ended its institutionalized racial segregation. 2018 marks 25 years of India and South Africa re-establishing their economic and diplomatic relations.

To commemorate the occasion, the first India-South Africa Business Summit 2018, took place April 29-30 in Johannesburg – seen as a run up to the 10th BRICS Summit, also to be held in South Africa, later in July.

At the India-South Africa Business Summit, discussion centered on opportunities available for investment across a diverse range of sectors, including automobile, healthcare, pharmaceuticals, agro-processing, and startups.

MoUs were signed between the national investment promotion agencies 'Invest India' and 'Invest SA' to promote bilateral trade and scale up business engagement.

Push to increase bilateral trade

India is South Africa's sixth largest trading partner in Asia, growing steadily from US\$4.7 billion (Rs 318 billion) in 2007 to close to US\$10 billion (Rs 605 billion) at present.

Total trade reached a peak of US\$15 billion (Rs 1 trillion) in 2012 – before the global economic slowdown and domestic political factors put a brake on the rapid expansion.

Here, South Africa's active involvement in multilateral organizations, such as the India-Brazil-South Africa Dialogue Forum (IBSA), the New Asia-Africa Strategic Partnership (NAASP), the Indian Ocean Rim Association for Regional Co-operation (IORARC), and the annual BRICS Summits has helped in the partial recovery in bilateral trade.

Both countries are now working to boost trade volumes over the next five years, to reach US\$20 billion (Rs 1.3 trillion).

Bilateral focus on macroeconomic goals

A recent joint study by the Confederation of Indian Industries and Price Waterhouse Cooper confirms that Indian companies have cumulatively invested over US\$4 billion (Rs 260 billion) and created more than 18,000 jobs in South Africa. At present, there are over 130 Indian companies set up in South Africa.

Several Indian companies also collaborate with Africa-based foundations, such as the FirstRand Foundation, and sponsor India-Africa exchange programs for skill development. Mostly based in the information technology (IT) sector, the programs aim to improve the employability of African graduates by providing international work experience and training.

29 South African companies have invested in India, accounting for US\$790 million (Rs 53 billion), largely in the banking, financial services, and insurance (BFSI) sector.

With a view to encourage investments, the two countries signed a Double Taxation Avoidance Agreement (DTAA) in 1998.

Last year, South Africa's Phelan Energy Group – chiefly responsible for lowering Indian solar tariffs with aggressive bids – won the contract to build a 50-megawatt solar project in the Indian state of Rajasthan.

[Click here for more details](#)

Source: india-briefing.com- June 12, 2018

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India's growing prominence in global e-com landscape

The Hong Kong Trade Development Council has published a research on India's growing e-commerce consumerism. As per the report, India is considered a difficult market to do business, despite substantial improvement in the ease of doing business in recent years.

In the World Bank's Doing Business 2018 report, India jumped up 30 places from the year ago in international rankings measuring the ease of doing business, making it into the top 100 for the first time.

India's growing e-com strength

From a much lower and later starting point than China, India has staged a sustained e-commerce boom. At the India's growing prominence in global same time, the government has cautiously opened up retail and e-commerce sectors to FDI.

Given these factors, and notwithstanding the existing retail FDI restrictions and entry barriers, India presents plenty of business opportunities to Hong Kong companies that are prepared to tap into the country's booming e-commerce market, by jumping on the online sales bandwagon and/or leveraging the online platforms that are emerging there.

While India's e-commerce sales was only \$30 billion in 2017 – just 6.7 per cent of China's total and 11.2 per cent of that of the US – the country's e-tailing market growth is expected to outstrip both China and the US in the next five years.

China is the world's largest e-commerce market, its growth boosted by a fast improving broadband infrastructure, increasingly affordable mobile devices, and a myriad of innovative services linked particularly to smartphone applications. The average annual growth rate of China's e-commerce market for 2012-17 was 46.2 per cent.

While such growth was truly remarkable, it actually fell short of India's average annual growth of 59 per cent in the same period. From 2017-22, the difference in average annual growth rates is likely to continue to move in India's favour, with China's e-commerce sales expected to expand annually by 12 per cent, only half of the growth forecast for India's.

While India's population is similar in size to China, its 2017 per capita income of \$1,852 was less than one-quarter of China's, according to the IMF. The differences between the two countries in terms of e-commerce development and purchasing power mean that the per capita e-commerce spend in India is much lower than in China, amounting to \$23 in 2017 (just 7 per cent of China's figure).

The ratio of per capita spend in India to that of China, however, is expected to improve slightly to more than 11 per cent by 2022. Despite the e-commerce euphoria of the past few years and the market growth expected in the next few, Indian consumers will continue to be extremely price-sensitive. Whether purchasing online or elsewhere, the majority of them may not be able or willing to afford pricier, imported international lifestyle brands and high-end products, particularly products boasting top-of-the-range features and functionalities.

Cross-border e-com opportunities for Hong Kong

Hong Kong companies eyeing India's retail market potential, particularly that of the super-charged e-commerce segment, should have a clear understanding of how cross-border e-commerce could be adopted in practice.

Any FDI-invested SBRT operation in India is subject to a 30 per cent local sourcing requirement, but also has the added option of operating an associated single-brand B2C website. However, any foreign company failing to register in India and/or source locally will not be permitted to operate a single brand B2C e-commerce website in the country.

Indian consumers browse and shop from overseas or non-Indian B2C e-commerce websites, and it may be practically difficult to require those non-Indian websites to observe the 30 per cent local sourcing requirement.

However, overseas B2C websites that are committed to selling to India need to effectively reach out to Indian consumers with marketing campaigns and promotional activity, and they will be better off staying close to the market with their local SBRT setup. Hong Kong companies keen to sell to India via a local presence may find it a practical step in making contact with Indian consumers.

Successful e-commerce operators have adopted both online and offline marketing initiatives to boost online sales. It is difficult to orchestrate an overall sales and marketing strategy without securing a local business identity in India, and a further difficulty to overcome is the local sourcing requirements imposed by the regulatory authorities. That said, Hong Kong companies interested in selling to India may be able to identify a third party in India with a registered business entity to help facilitate selling, in order to avoid incurring heavy capital commitment upfront.

Source: fashionatingworld.com- June 12, 2018

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Pink bollworms may hurt Maharashtra cotton crop

Maharashtra's farmers and traders are worried that the cotton crop in the state may again get a significant pink bollworm infestation.

As cotton prices have been ruling firm, driven by good demand in domestic and international markets, trade is worried that cotton production might actually fall. "We have informed the farmers that cotton and cotton seed prices are likely to remain good.

However, the area under the crop could decline by at least 10 per cent," said Pradeep Jain, president, Khandesh Ginning and Pressing Association. Pink bollworm is an insect which can ravage cotton crop. Anil Ghanvat, president of late Sharad Joshi-founded Shetkari Sangathan, said:

"The state has failed to create awareness among farmers to take precautionary measures to control pink bollworm infestation. A large number of farmers kept the cotton crop in their fields till April and May."

Agricultural experts had advised early termination of the cotton crop, and keeping the fields vacant for about two months to kill pink bollworm as it can survive only on cotton crop.

"Efforts of the Maharashtra government did not match up to the initiative of the Gujarat government, which has successfully reduced the risk of pink bollworm," said Ghanvat.

Jain said it was difficult to convince farmers to remove the crop from the field earlier. “An additional production of about a quintal that farmers get by keeping the crop till April/May give them extra income of Rs 10,000,” he said. Meanwhile, several factors are driving up cotton demand in India.

“The domestic demand growth from downstream segments has started showing signs of restoration, post the twin-transitory pressures of demonetisation and GST. This is expected to drive demand for cotton, putting an upward pressure on cotton prices,” said Iera.

Source: economictimes.com- June 12, 2018

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Cotton set for a rally with closing stock at 6-year low

With closing stocks of cotton projected to be at a six-year low for the current season, ending September, prices of the fibre crop have started firming up as the new crop arrivals are expected from mid-October onwards.

Cotton balance sheet		
(in lakh bales of 170 kg each)		
	2017-18	2016-17
Opening stock	30	36.5
Crop	365	337.25
Imports	15	27
Total supply	410	400.75
Domestic demand	324	307.75
Surplus	86	93
Exports	70	63
Closing stock	16	30

Source: CAI

According to the Cotton Association of India (CAI), cotton carry-over stock from the 2017-18 season is estimated to be 16 lakh bales (each of 170 kg), which is said to be the lowest since 2011-12.

“Such low carry-over stock of 16 lakh bales is a matter of concern for the cotton industry,” said Atul Ganatra, President, CAI.

The new crop arrival, according to industry sources, will take place by the middle of October, still three-four months away.

“Cotton sowing has been delayed due to delayed rains in the growing regions. We expect sowing to take place by Mid-July. The cotton crop cycle requires at least 120 days for first picking. This means, new crop arrival will take place by mid-October.

Till then we are hand-to-mouth in cotton supplies,” said Arun Dalal, a leading cotton trader in Ahmedabad.

In its balance sheet for the 2017-18 cotton season, CAI has estimated total cotton supply till September 30 at 410 lakh bales. This includes the opening stock of 30 lakh bales in October 2017. Domestic consumption has been higher, at 324 lakh bales, while exports, at 70 lakh bales, are higher than earlier estimates of 50-55 lakh bales.

“Around 93 per cent of the total crop for the season has already arrived in the market up to May 31, 2018,” said Ganatra.

Amid heavy demand from millers and exporters, cotton prices started spiralling upwards to touch ₹47,000 a candy (each of 356 kg) recently.

“The prices have jumped sharply over the past two months and we see a further rise as the carryover stock is limited and demand is strong. It may not be surprising if the prices test ₹49,000 in the next few weeks. In 2011-12, when the stock was at similarly low levels, the price had touched ₹54,000 a candy,” said Dalal, hinting at a further bull run.

In its May estimate for the 2017-18 season, beginning October 1, 2017, CAI had estimated the cotton crop at 365 lakh bales, 5 lakh bales higher than its previous estimate.

The rise in the estimates comes from 3 lakh bales in Gujarat, one lakh bales in Karnataka, 50,000 in Andhra Pradesh, and 25,000 bales each in Madhya Pradesh and Tamil Nadu.

Source: thehindubusinessline.com- June 13, 2018

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