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IBTEX No. 146 of 2018 July 13, 2018

USD 68.43| EUR 79.76 | GBP 90.12 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22350	46750	**86.64**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
22730	47546	**88.12**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	88.35
ZCE Cotton: Yuan/MT (Jan 2019)	15,665
ZCE Cotton: USD Cents/lb	**91.04**
Cotlook A Index – Physical	**92.85**

Cotton guide: Cotton price hit upper limit and the December future ended the session on 12th July at 88.54 cents per pound up by 4% from previous close. Technically no trade happened for rest of the day. Therefore, the exchange has revised the trading limit to 5% for 13th July trading session.

The reason for price rise is earlier in the day the weekly USDA export sales report was released. This data supported cotton price to move higher. However, the USDA monthly supply-demand report was the real catalyst.

The ending stock of US for the month of July is estimated lower at 4 million bales down by 0.7 Million bales from the previous month. In the similar lines the global ending stocks have declined substantially from 83 to 77.80 million bales.

The major reason for declining world cotton ending stock is the robust US exports, anticipated lower crop in China and increase in consumption. This would be further understood going forward once China gets into large imports in coming months.

As far as India is concerned the USDA estimates July month ending stocks number at 13.30 million bales up by 0.30 from previous month. However, we are not so sure of the data looking at this year's domestic consumption and second half of the season's incremental growth in the exports. To be continued..

Currency Guide:

Indian rupee has appreciated by 0.3% to trade near 68.35 levels against the US dollar. Rupee has gained support from stability in equity market and sharp correction in crude oil price.

Global equity markets have stabilized amid no fresh rhetoric from US and China over trade issues. Brent crude trades near $74 per barrel holding on to recent losses on prospect of higher supply from Libya. However, weighing on rupee is general strength in US dollar against major currencies, mixed economic data and global trade war worries.

The US dollar index trades marginally higher near 94.9 levels supported by Fed's rate hike outlook. Indian economic data released yesterday was mixed. Consumer price inflation stood at 5% in June compared with 4.87% in May but was better than Bloomberg estimates of 5.28%.

Industrial production rose 3.2% year-on-year in May, compared to a 4.8% in April and Bloomberg forecast of 4.4%. Rupee may note some gains on crude oil correction but gains will be limited by trade war worries. USDINR may trade in a range of 68.15-68.6 and bias may be on the downside.

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

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INTERNATIONAL NEWS

China's Textile Exports Would Take Hard Hit from New US Tariffs

China's export sector, including textiles, will suffer a significant deterioration in competitiveness to the U.S. market compared to other manufacturing exporters like Vietnam, South Korea, Thailand, Bangladesh, Mexico and Brazil if the latest $200 million of import tariffs proceed as planned, according to Rajiv Biswas, Asia Pacific chief economist at IHS Markit.

However, the "significant depreciation" of the Chinese yuan against the dollar to 6.67 on Wednesday from 6.28 in mid-February "does provide some offset to the loss in export competitiveness due to higher U.S. tariffs on Chinese exporters," Biswas said.

In a fresh analysis issued on Wednesday, Biswas noted that total Chinese merchandise exports to the U.S. reached $505 billion in 2017, so the extent of U.S. punitive tariffs will hit around 50 percent of total Chinese exports of goods to the U.S.

That is based on President Trump's order for the Office of the United States Trade Representative to begin the process of imposing 10 percent tariffs on an additional $200 billion of Chinese imports. The action came in response to China's decision to impose retaliatory tariffs on $34 billion of U.S. imports last week.

"The U.S. administration is calculating that because of the large U.S. bilateral merchandise trade deficit with China, which reached $375 billion in 2017, China will run out of U.S. products to impose retaliatory tariffs on long before the U.S. runs out of Chinese products to apply punitive tariffs on," Biswas said.

"Since total Chinese merchandise imports from the U.S. in 2017 were $130 billion and U.S. merchandise imports from China were $505 billion, this means that China will not be able to match the proposed U.S. tariffs on an additional $200 billion of Chinese imports to the U.S."

The IHS Markit chief economist said the Chinese export sector would be hit hard by the additional tariffs, particularly key industries such as textiles, metal products, auto parts, glass products and electrical and electronic equipment. What's more, he noted, the new U.S. list of products subject to an additional 10 percent duty will impact a large range of Chinese textile products, including cotton and wool fabrics and yarns.

The U.S. is China's largest export market, accounting for 19 percent of overall shipments. If the U.S. escalates its tariff measures to an additional $200 billion of products, "this would mean that around half of Chinese exports of goods to the U.S. would face significant…punitive tariff measures," Biswas noted.

The wider damage of the U.S.-China trade war will "significantly increase the transmission effects to the rest of the Asia Pacific economies," according to Biswas, and the APAC region will be particularly vulnerable, since China is the largest economy in the group.

"Many other APAC economies are also vulnerable to the collateral damage from an escalating US-China trade war due to the integrated East Asian manufacturing supply chain and the importance of China as an export market for other APAC economies," Biswas added.

In addition, since about one-third of the total value of China's exports comprise foreign value-added, foreign multinational corporations from places like the U.S., European Union, Japan and South Korea that are manufacturing products in China for export to the U.S., they will also be negatively impacted by these measures.

"However, the dark clouds of protectionism also have a silver lining for some countries as escalating bilateral tariffs between the U.S. and China force importers to seek alternative sourcing of imports," Biswas said. "With no early end appearing to be in sight for the escalating 'tit-for-tat' world trade frictions and rising trade protectionism, global trade wars have become one of the key downside risks to world growth and trade in the second half of 2018 and for 2019."

Source: sourcingjournal.com- July 12, 2018

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New Trump tariffs: Here's what impacts home textiles

The Home Fashion Products Association (HFPA) has issued an alert to members in the wake of the latest Trump administration announcement on tariffs.

On Tuesday, the Office of the U.S. Trade Representative (USTR) released an extensive list of proposed 10% tariffs on $200 billion in Chinese goods, a follow-up to two previous tariff actions.

While finished home textiles did not make the latest list, feathers and down used for stuffing did. HFPA legal counsel Robert Leo suggested in the alert that members consider filing comments with the USTR about the inclusion of those items, which some home textiles suppliers import to fill pillows and comforters in the U.S.

Although the new list included a class of terry towel materials, the subheading number is not the one assigned to terry bath towels and kitchen towels, said Leo, who is a partner at Meeks, Sheppard, Leo & Pillsbury.

In the home furnishings space, the list includes mattresses, furniture and lighting, as well as upholstery fabrics, carpets, particleboard, MDF, plywood, wood marquetry and inlaid wood used in furniture production.

There are plenty of textile components on the proposed China import tariff list – cotton yarn, cotton waste, cotton woven fabrics, viscose, nylon yarn, polyester yarn, hemp, jute and vegetable fibers, among them – raising alarm in the apparel community.

The USTR will hold a public hearing Aug. 20-23 at the U.S. International Trade Commission.

The deadline for filing to appear and testify at a public hearing is July 26, and written comments are due Aug. 17.

Source: hometextilestoday.com- July 12, 2018

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Next lot of tariffs in China-US trade row will hit Hong Kong harder, minister warns

Wide range of goods including food will be affected if trade war escalates, Edward Yau says

Hong Kong, which is an export-oriented port, will be "hit harder and more imminently" in a fresh and escalated China-US trade row, the secretary for commerce and economic development has warned.

From food to clothes, the list of consumer goods and the magnitude of tariffs were worries facing the city, Edward Yau Tang-wah told the Post after meeting on Tuesday with about 10 Hong Kong business chambers at the government headquarters in Admiralty.

He said they were already concerned about their business orders in the second half of this year after the US$34 billion trade sanctions took effect last Friday.

"The common worry is what happens next is going to hit us harder because it covers more consumer goods such as textiles, garments, food and electronics [and so on]," Yau said on Wednesday. "This effectively means basic industries involving clothing, food, living will be affected more imminently."

But he stopped short of estimating the impact on Hong Kong of the US plan announced on Wednesday to levy 10 per cent tariffs on US$200 billion worth of Chinese products.

Beijing vowed to retaliate, warning that the escalating confrontation risks "destroying" trade between the two countries.

"I won't jump into any assessment at this point because it is still a proposed list which will be announced after public hearings in late August," Yau said.

Yau said business chambers would not immediately feel the impact of the 25 per cent tariffs China imposed on US$34 billion American goods in a tit-for-tat move to a similar US levy. The Hong Kong exports in question accounted for 1.4 per cent of the city's overall trade, he added.

But the impact of the proposed levy would be more immediately felt because they would be finished goods, he said.

We will closely look at this and see how things play out," Yau said.

Willy Lin Sun-mo, chairman of the Hong Kong Productivity Council and of the Hong Kong Shipper's Council, took part in Tuesday's meeting and said smaller firms risked becoming a casualty of the trade war.

"Larger Hong Kong companies operating across the border have set up offshore factories, such as in Vietnam, but many small and medium size enterprises have not and are still solely producing in China," he explained.

Lin added that US president Donald Trump, himself an entrepreneur, appeared to be applying his business strategies in trade policy. Lin believed this was inappropriate.

"He appears to be making the US the only winner," he said. "But the trade war will hurt everyone."

Hong Kong-based Johnson Electric Holdings, which makes electric motors and motion subsystems in mainland China and Mexico, estimated products amounting to less than three per cent or US$97 million (HK$755 million) of its annual sales, would be subject to extra 25 per cent tariffs the US imposed on Chinese exports.

To help ease Hong Kong traders' burden, the Hong Kong Export Credit Insurance Corporation rolled out enhanced measures for SMEs. It doubled the number of free credit assessments from three buyers to six for each Hong Kong exporter and offered free additional shipment cover for those affected by the US tariff measures. These arrangements will stay in place until the end of this year.

Yau said the corporation and Hong Kong Trade Development Council would organise talks to advise businesses on the latest information and evaluate trade situations.

Source: scmp.com- July 12, 2018

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New tariffs will hurt American consumers: AAFA & NRF

The American Apparel & Footwear Association (AAFA) and the National Retail Federation (NRF) have warned that the Trump administration's decision to impose 10 per cent tariffs on an additional $200 billion worth of US imports from China would hurt the American consumer. Prices of imported goods will rise, which will be ultimately paid for by US consumers.

On Tuesday, the office of the US trade representative (USTR) released a fresh list of Chinese goods on which it would like to impose 10 per cent tariffs, amounting to an extra $200 billion worth of Chinese imports. The list includes textile raw materials like cotton, synthetic fibres, silk, wool, and yarn and fabric made from these materials.

"For over a year, the Trump administration has patiently urged China to stop its unfair practices, open its market, and engage in true market competition... Rather than address our legitimate concerns, China has begun to retaliate against US products. There is no justification for such action," USTR Robert Lighthizer said while releasing the list.

The latest US action follows China's retaliatory tariffs after Washington imposed 25 per cent tariffs on $34 billion of Chinese imports, effective July 6, 2018. The new tariffs will be imposed only after a two-month period of public comment on the proposed list is over.

Noting that numerous textile, accessory, and travel goods products are included in the fresh list, AAFA said it will directly impact the apparel and footwear industry in the US and its retail partners.

"This move by the Trump administration, though expected, will not do anything to help American workers, American consumers, or American businesses," said AAFA president and CEO Rick Helfenbein.

"By including items such as handbags, hats, and textiles on this additional list of products, the administration has shown that it is not concerned about targeting the American public with its 'Trump Tax.' This will result in inflationary costs throughout the supply chain, ultimately paid for by American consumers.

"With more than 84 percent of U.S. travel goods coming from China, this will hurt enormously. The administration backed us into the corner with several months' worth of tariffs – if this continues, it has the potential to severely impact our apparel, accessory, and footwear community. As an industry, we are already highly taxed and regulated," Helfenbein said.

In a sharp reaction, NRF senior vice president for government relations David French, said, "The latest list of $200 billion of products to be subject to tariffs against China doubles down on a reckless strategy that will boomerang back to harm US families and workers.

The threat to the US economy is less about a question of 'if' and more about 'when' and 'how bad.' Tariffs on such a broad scope of products make it inconceivable that American consumers will dodge this tax increase as prices of everyday products will be forced to rise. And the retaliation that will follow will destroy thousands of US jobs and hurt farmers, local businesses and entire communities.

Both AAFA and NRF urged the Trump administration to get back to the negotiating table with China while working through a global coalition that shares US concerns. "If the administration refuses to work on behalf of the American public, Congress must exercise its Article I Section 8 powers to regulate commerce with foreign nations," AAFA said in a statement.

Source: fibre2fashion.com- July 12, 2018

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U.S. Could Move "Quickly" to Start Talks on Model FTA with African Country

U.S. Trade Representative Robert Lighthizer said this week that the Trump administration intends to move quickly to begin negotiating a model free trade agreement that could be extended to multiple African countries.

Speaking at the annual African Growth and Opportunity Act forum, Lighthizer said the U.S. believes many AGOA beneficiary countries are at the point where they could enter into FTA negotiations with the U.S. AGOA has had an important and positive impact on U.S.-African trade, provided incentives for reforms that promote rules-based, market-oriented economies, and supported regional integration, Lighthizer noted, but one-way tariff preferences can only do so much to drive trade and investment. Instead, AGOA was designed to pave the way for an FTA between the U.S. and sub-Saharan African countries, he said, and the most recent congressional reauthorization of AGOA expressly instructed USTR to pursue this goal.

Lighthizer emphasized that the U.S. is “not abandoning AGOA for either the short term or the long term” but said that with AGOA now in place through 2025 the two sides “have a unique opportunity to use the next several years to build on and go beyond this one program” to seek “a more stable, permanent, and mutually beneficial trade and investment framework.”

He asserted that conditions are favorable to move ahead at this time, including increasing investment in Africa by U.S. companies of all sizes, many of which “never before had a large footprint on the continent,” and Africa’s growing need for infrastructure and other development projects to support continued economic growth and enable Africa to tap into global markets, which U.S. businesses “are well-positioned to assist with.”

He also noted that many African countries have already signed FTAs with U.S. competitors such as the European Union and China.

The U.S. is therefore focused on three core objectives, Lighthizer said: pursuing a bilateral FTA with a willing partner, ensuring that this agreement is crafted so that it can serve as a model that can be rolled out to other willing partners in sub-Saharan Africa in the future, and ensuring that the model FTA will reinforce regional and continental integration in Africa.

While this will not be an easy process, he said, the U.S. is serious and intends to move quickly and the first exploratory talks could be announced soon.

Source: strtrade.com- July 13, 2018

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USA: Retail Apparel Prices Dip in June, But Increases Seen on the Horizon

Retail apparel prices fell a seasonally adjusted 0.9% in June after being unchanged in May, but were up 0.6% from a year earlier, the Bureau of Labor Statistics reported Thursday in the Consumer Price Index (CPI).

Women's and girls' apparel prices declined 1.4% for the month, while men's and boys' clothing prices dipped 0.1% compared to April.

The falloff runs counter to increases in raw materials prices, which have been on the rise, and is likely indicative of retail trends, including the strength of off-price merchants, a shift to summer goods from spring merchandise, and a softness in overall pricing power in the highly competitive sector.

Cotton prices, for example, have jumped in recent months. Values for July New York futures surged 13 percent to about 95 cents a pound this month from levels near 84 cents a pound a month ago. The A Index, an average of global cotton prices, have climbed to more than $1 a pound for the first time since March 2012, from 94 cents a pound about a month ago.

Experts predict that raw material and apparel prices will spike in coming months due to the import tariffs already imposed or set to be imposed this fall on textiles and some clothing from China, the largest supplier of apparel to the U.S. Rick Helfenbein, president and CEO of the American Apparel & Footwear Association, said including items such as handbags, hats and textiles on the list of products subject to proposed new tariffs "will result in inflationary costs throughout the supply chain, ultimately paid for by American consumers."

Apparel prices also ran counter to the overall CPI for consumer goods, which increased 0.1% percent in June and was up 2.9% for the 12 months. The core index, which excludes the volatile food and energy sectors, rose 0.2% in June.

Ken Matheny, executive director of U.S. economics at Macroeconomic Advisers by IHS Markit, said the 12-month change in the core CPI increased one-tenth to 2.3%, the highest since January 2017.

“Based upon today’s report, our estimate of the 12-month change in the core personal consumption expenditures (PCE) price index in June is 1.9%,” Matheny said. “We expect the 12-month change in core PCE to move up to 2.0% over the next few months.”

Looking deeper into apparel, women’s wear prices fell 1.2% last month, led by declines of 3.5% in dresses and 3.4% in the underwear, nightwear, sportswear and accessories category, balanced somewhat by price increases of 0.5% in outerwear and 0.1% in suits and separates.

Men’s wear prices inched up 0.1% in the month, with gains of 0.5% in shirts and sweaters, 0.3% in furnishings and 0.2% in pants and shorts, while prices for suits, sport coats and outerwear were off 0.3%.

Also important to manufacturers and merchants, the energy index declined 0.3%, with the indexes for electricity and natural gas both falling as the gasoline index rose 0.5%. Looking at other indexes that could impact disposable income and retail spending, the food index rose 0.2% in June after being unchanged in May.

The shelter index rose 0.1% and the indexes for medical care, used cars and trucks, new vehicles and recreation all increased. Joining the apparel sector, indexes that saw declines were airline fares, and household furnishings and operations.

Source: sourcingjournal.com- July 12, 2018

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Bots will spell job losses in apparel manufacturing countries

Automation is revolutionizing routine manufacturing processes. It’s estimated 56 per cent of workers in key apparel sourcing countries, including Cambodia, Indonesia, Thailand, the Philippines and Vietnam, will lose their jobs to automation by 2040.

Because of their reliance on low-skilled labor and the already apparent labor rights violations, these countries will be particularly at risk when the impact of automation starts to fully set in.

The impending job losses bots are set to bring are expected to produce a spike in slavery and labor abuses across global supply chains. Displaced workers without the skills to adapt or the cushion of social security will have to compete for a diminishing supply of low-paid, low-skilled work in what will likely be an increasingly exploitative environment.

While it may not be news that the advent of automation will mean the ouster of certain human manufacturing jobs, the underlying effect on ethical labor has largely gone undiscussed. Automation is revolutionizing routine manufacturing processes and lowering labor costs to the extent that companies in China and even the US may be able to undercut cheaper rivals.

The apparel, textile and footwear industry employs 39 per cent of all manufacturing workers in Vietnam, and the number climbs to a higher 59 per cent for Cambodia. In both countries, 85 per cent of jobs in the sector are at high risk of automation.

Source: fashionatingworld.com- July 12, 2018

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Bangladesh needs to focus on producing blended denim

In 2017 Bangladesh's exports of denim products to the US grew 9.55 per cent compared to 2016. Bangladesh also imports denim fabrics. The top sources of denim imports are: China, Pakistan, Hong Kong, India, Thailand and Turkey.

But Bangladesh produces mostly 100 per cent cotton denim fabrics and not the blended denim variety which has high demand globally. Denim enterprises in Bangladesh will do well if they give due consideration to manufacturing blended denim as well.

The Bangladeshi denim sector needs to consider the increasing global market preference for blended denim. Slim fit and stretch jeans are the preferred casual wear for men and women in the West. Fashion trend is shifting towards more body contour, flexibility, ease of wear, breathability and lightness of fabric -- all properties of blended denim.

Those currently planning for investment in production of denim fabrics will be better off to include blended denim in their product line.

For cotton denim, the largest exporter to Bangladesh is Pakistan, followed by China and India. For blended denim fabrics, the top exporter to Bangladesh is China. China holds about 70 per cent of the import market share in Bangladesh for blended denim.

Source: fashionatingworld.com- July 12, 2018

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Turkish investors look to expand further in Balkans

Many Turkish investors have been recently investing in the Balkans to be closer to the European market. Seeing this trend, Turkey's state-run Halkbank is also conducting projects for Turkish investors to operate more comfortably in the Balkans.

Meeting with journalists at Halkbank Business Center in Macedonia's capital of Skopje under the auspices of the Macedonia-Turkey Chamber of Commerce (MATTO), Halkbank Macedonia General Manager Bilal Sucubaşı said the rate of exports meeting imports stood at 74 percent last year, while mining, automotive industry by-products, iron and steel products, textiles and apparel products, fresh fruits and vegetables, food products and wine led the way in Macedonia's exports.

Sucubaşı said their main foreign trade partners were Germany, Britain, Greece, Serbia, Bulgaria, Italy, China and Turkey. Speaking of the investments of Turkish companies in the country, Sucubaşı said the national flag carrier Turkish Airlines (THY) has two flights a day, aiming to reach four next year, while Pegasus has three flights a day, adding that Turkish clothing store chain LC Waikiki has seven stores, planning to reach 10, followed by Collezione and Altınbaş with two stores and Burger King with five stores.

He noted that they have provided sector-based and retail banking services since 2011 and that Halkbank has a total of 40 branches in Macedonia, saying they are pleased to be the fastest growing bank in Macedonia with a more than 10 percent share of the market in the country's financial sector.

MATTO Chairman Aydoğan Ademovski noted that they continue to serve as a bridge between Macedonia and Turkey. "Considering our kinship with Turkey, we also think that Balkan countries have strategic priorities for Turkish investments," Ademovski said. "Our members' investments in Macedonia approached $2 billion. We are currently striving to raise the $400 million in commercial deals between Macedonia and Turkey to $1 billion in the first stage."

Speaking about the perks of investing in Macedonia, Sucubaşı explained that a Turkish company that wants to invest here is exempt from the 10-year corporate and personal income tax along with value-added tax (VAT) and customs duties exemptions for exports as well as municipal taxes.

"Natural gas, electricity, water and sewer network connections are provided as infrastructure support, as well as 99 years of land privilege with a very low rental fees," Sucubaşı said, adding that in accordance with the employment, state subsidy is provided as an investment grant of up to 500,000 euros.

Çağatay Kablo started construction of a cable production facility for the automobile industry on an area of 4,000 square meters in Skopje 1 Technology Industry Free Investment Zone with an investment of 4 million euros in the first stage.

The company will employ 100 people in the first phase, planning to invest an additional 3 million euros to expand the facility's capacity in the coming years. Murat Ticaret Kablo Sanayi A.Ş. initiated investments of a 7,000-square-meter and 5-million-euro production facility in Skopje 2 Free Trade Zone.

The medium- and long-term target is 20,000 square meters and an investment of 15 million euros.

Adalı Holding, on the other hand, won an irrigation dam undertaking tender opened by the State Hydraulic Works near the border with Greece in the south of Macedonia at 45 million euros.

Kaltun Madencilik AŞ, Girişim Elektrik AŞ and Defacto are among the companies planning to invest in the Balkans in the future.

In Macedonia, a total of 45 projects have been realized, including by TAV and Anadolu Group. Limak A.Ş. is designing a housing, office, shopping mall, hotel, residence complex project on 50 acres of land in Skopje with a planned investment of 200 million euros.

Currently, groundwork and construction of the first phase of the hotel have begun. Another ongoing project is being conducted by ASELSAN, which won the Macedonian Highways' tender for the modernization of tolls and the implementation of the electronic payment system on the motorways called Corridor 10, which extends from the Serbian border to the Greek border, at a total of 18.7 million euros. This ongoing project is scheduled to end in 2018.

Source: dailysabah.com- July 12, 2018

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EU cuts growth forecast, cites trade wars

Eurozone GDP growth to slow to 2.1% from 2.4% last year; oil to quicken inflation

The European Commission on Thursday cut its forecasts for the eurozone’s economic growth this year, citing among the top causes for its revision trade tensions with the United States and rising oil prices which push the bloc’s inflation higher.

The slowdown of the eurozone economy is set to affect all major economies of the bloc, but is expected to hit Italy harder, as the country will record the lowest growth rate in Europe, matched only by Britain among all 28 EU countries.

The EU executive estimated the 19-country eurozone will grow by 2.1% this year, lower than the 2.3% gross domestic product (GDP) increase it had forecast in its previous estimates released in May, and well below last year’s 2.4% growth.

In 2019 the bloc’s growth should further slow to 2.0%, unchanged from the previous forecast.

“The downward revision of GDP growth since May shows that an unfavourable external environment, such as growing trade tensions with the U.S., can dampen confidence and take a toll on economic expansion,” EU commission’s vice-president Valdis Dombrovskis said.

The negative impact of trade disputes on the European and global economy are expected to be much bigger in case of escalation, the EU economics commissioner Pierre Moscovici said.

“Trade wars produce no winners, only casualties,” he stressed.

Rising oil prices have also contributed to the slowdown, the commission said, and are expected to push eurozone inflation up to 1.7% this year and next, from the previously estimated 1.5% in 2018 and 1.6% in 2019.

U.K., Italy blues

Germany and France, the bloc’s two largest economies, are expected to lose steam this year and next. Germany’s GDP expansion will slow to 1.9% this year and in 2019. It grew 2.2% last year. France’s economy will grow 1.7% this year and next, much below the 2.2% growth it experienced last year.

The bloc’s slowest-growing economy will remain Italy which is expected to grow only 1.3% this year, less than the 1.5% estimated in May. Only Britain is expected to match Italy’s sluggish growth. It will grow 1.3 % this year, a big drop from the 1.7 GDP rise recorded last year.

Source: thehindu.com- July 13, 2018

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NATIONAL NEWS

Why India needs to ally with China in the global trade war

India needs to stand firmly against Donald Trump's US trade policy by making wise and sensible alliances

India needs to tread carefully without losing sight of its core trade-related priorities. Given the dark protectionist clouds arising from the trade war, India faces several challenges in agriculture, industrial goods, and services.

Its main adversary in global farm trade remains the US which has repeatedly undermined New Delhi's developmental initiatives for reforming rules governing global farm trade.

Washington has repeatedly blocked multilateral instruments such as the special safeguard mechanism and the permanent solution for public stockholding programmes for food security. Recently, the US, at the behest of its powerful farm trade lobbies, alleged that India's farm support programmes for rice and wheat breached its World Trade Organization commitments.

Consequently, India needs to build a strong alliance with China and other developing countries facing similar threats to their agriculture from the fat-cat farmers in the US.

Besides, Indian farm exporters can export soybean and dairy products among others out of opportunities arising from the trade war.

As for industrial goods, India faces a rough trading environment for exports of textiles and clothing goods, steel and aluminium, and generic drugs among others.

The US is insisting that India must provide reciprocal market access in return for realizing the generalized system of preferences (GSP) which under the multilateral rules is a non-reciprocal programme.

The US wants substantial market access for dairy products and medical devices.

Such egregious demands from the US will impinge adversely on the millions of small dairy producers and result in exorbitant prices for medical devices which India's disease-burdened population can hardly afford. In services, where India has a clear comparative advantage, Trump's America First trade policies have led to numerous barriers for short-term services providers, particularly India's vast IT professionals.

Therefore, India needs to stand firmly against Trumpian trade policies by making wise and sensible alliances with countries based on its core trade interests. For a country like India, there are no real friends, nor enemies, in global trade.

The biggest folly that the Modi government must avoid at all costs is to enter into a free trade agreement with its principal trade adversary given the historical record of extortionist demands and unmet promises.

Source: livemint.com- July 12, 2018

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Getting around the trade war

Opportunity for India, China to strengthen business ties and bridge the deficit

Challenged by Donald Trump's trade war, will Asia's outstanding rivals, India and China, come closer as they face it? During his election campaign in 2016, Trump pointed a finger at China and India for stealing the most jobs from Americans. So, no one should be surprised at his raising tariffs on Indian and Chinese exports to the US, or reducing the number of visas for Indians (and their spouses) wanting to work in the US.

Overall, the US buys more from China than from India: 22 per cent of its imports come from China, 2.1 per cent from India. About 19 per cent of China's exports go to the US and 16 per cent of India's. On the whole, India could be affected less by the trade war than China.

China's first response to Trump's brand of protectionism was to declare that it would open up its economy.

What that has meant for India is that Beijing has lowered duties on many Indian imports and removed them for 28 drugs, including anti-cancer drugs. In return, India has removed tariffs on over 3,000 goods from China and other Asian countries.

The state-steered Global Times sees the US' continued promotion of the "America First" policy and "trade-stick tactics" against many of its trading partners, including China and India, creating a situation necessitating more cooperation between the two countries. China claims that its progress, reflected in its Belt and Road Initiative (BRI) and its interest in upgrading India's poor infrastructure, could provide "massive opportunities" to India.

The China-initiated Asian Infrastructure Investment Bank has in the past two years given India nearly 30 per cent of its funds, most of which were allocated for infrastructure development in electricity and transportation. Beijing thinks that "[our] consensus and cooperation outweigh differences and competition".

China's main exports to India comprise manufactured goods; India's exports primary goods to China: Cotton, soya bean and maize comprise most of India's exports to China. Since May, China has made it easier for India to export non-Basmati rice.

As China imposes tariff barriers to US products, Indian exports to China are expected to increase. But how realistic is this optimism? India's imports ($61 billion) from China were six times its exports ($10 billion) in 2016-17, and its trade deficit with China increased more than two-fold from $16 billion in 2007-08 to $51 billion in 2016.

Moreover, restrictions on market access in China and the lack of manufacturing capability in some technology items imply that India may not be able to export much more technology to China and benefit much from a US-China trade war.

At another level, China is the largest buyer of US' soya beans. If China bans soya bean imports, could India step in? Not necessarily. India exported less than the equivalent of 1 per cent of China's soya bean imports from the US last year.

Add to that the fact that cotton has been one of India's leading exports to China, which is the largest market for India's cotton yarn. But competition from Vietnamese cotton led to Indian exports halving from $2.2 billion in 2013 to $1.1 billion in 2016. This amounted to a decline of 67 per cent since 2011-12. With the trade war, China has imposed a 25 per cent tax on US imports of cotton. It is unclear whether this would see a rise in India's cotton exports to China.

The competitive prices of Chinese products in the Indian market also contribute to India's trade deficit with China. Chinese imports cost less than Indian goods. For instance, India imported more than 80 per cent of all its solar panels from China in 2016-17. The Chinese ones cost between 10 to 15 per cent less. Meanwhile, India's software services companies struggle to get access to the Chinese market, even as Chinese imports manage to dominate India's power equipment market.

Some of India's problems have domestic origins. Modi's "Make in India" initiative, aimed at promoting local manufacturing challenged by low-priced imports from China, has not taken off.

Furthermore, demonetisation destroyed many small Indian businesses and India even ended up importing figurines of Hindu gods because of China's efficient production methods. How Modi's reforms — demonetisation, GST, and his attempts to make the Aadhaar card compulsory — will achieve these prerequisites for progress is anyone's guess.

Last year, China's attempt to build a road in Doklam plateau provoked a showdown between two armies. Tensions eased but they will remain because of China's "historical" claim to parts of Northeast India.

On another plane, India has not supported or joined China's Belt and Road Initiative (BRI). And it is concerned about China's ambitious global infrastructure plans, which have borne fruit in projects in the Indian Ocean.

The BRI projects include the building of ports and roads from Myanmar to Sri Lanka and Pakistan. What worries India most is the $60 billion China-Pakistan Economic Corridor, which runs through the disputed Pakistani-occupied Kashmir. New Delhi claims the region as Indian turf.

Whether the tariff reductions on both sides will be largely symbolic or strengthen trading ties remains to be seen. Add to that the fall in Indian exports and lack of investment in manufactures over the last four years — and it is obvious that neither Trump's trade war nor the old friction with China are entirely to blame for India's trade difficulties.

They are rooted in some domestic economic policies which have slowed down its progress. And given China's challenge to India's territorial integrity, the border dispute will continue to divide them. Trump's trade war might prompt India and China to search for a common ground, but a big question mark hovers over the chances of real improvement in their bilateral trade and political ties.

Source: tribuneindia.com- July 13, 2018

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India's Industrial Output Growth At Seven-Month Low In May

After gathering pace in April, India's industrial activity declined sharply in May mainly due to a slowdown in manufacturing activity.

The index of industrial production rose 3.2 percent year-on-year in May, compared to a revised 4.8 percent in April, data released by the Ministry of Statistics and Programme Implementation showed. A Bloomberg poll of economists had projected a 4.4 percent growth.

The Reserve Bank of India, in its June monetary policy review had said that a slowdown in the industrial industrial activity expansion is likely in the first quarter of current fiscal. "That's due to a significant rise in input prices and perceptions of softening domestic and external demand," according to the MPC statement.

Thirteen out of the 23 industry groups in the manufacturing sector have shown positive growth during the month of May 2018, compared to last year. The use-based classification showed that production of primary goods rose 5.7 percent, while capital goods' output advanced 7.6 percent. Intermediate goods growth was at 0.9 percent.

The significant decline in the performance of intermediate goods has been acting as a drag on the overall IIP, Soumya Kanti Ghosh, chief economist at SBI Research wrote in a note. “Within intermediate goods, naptha, cotton yarn, copper bars and rods and industrial valves have shown de-growth in the past few months.”

While the IIP growth is lower than expected, if the purchasing managers’ index is to go by, manufacturing growth should rebound in June, according to Dharmakirti Joshi of Crisil. “Going forward, some improvement in rural demand backed by normal monsoon, a pick-up in exports and positive spillover of the Pay Commission payments on overall consumption demand will crank up industrial growth.”

Source: bloombergquint.com- July 12, 2018

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East African countries beckon knitwear firms in Tirupur

While four knitwear companies from Tirupur have already started their factories in Ethiopia, delegates from three African countries - Ethiopia, Kenya and Uganda - participated in a seminar with knitwear industrialists to discuss about increasing investments in textile and garmenting sector in their countries.

The seminar was organized in the city on Friday by the Federation of Indian Chambers of Commerce and Industry (FICCI) in association with the Tirupur Exporters’ Association (TEA).

It was conducted under the banner of ‘Supporting Indian Trade and Investment for Africa’ (SITA) Project, which was implemented by the International Trade Center-Geneva (ITC).

The delegates also met the owners of spinning mills affiliated to the Southern Indian Mills Association (SIMA) in Coimbatore later.

Many eastern African countries have joined together and taken initiatives to attract industrial investments from Asian countries since they have many advantages like low-cost labour and various business-friendly offers.

In textile sector, Ethiopia hosts a growing industry, which has been exporting textile goods worth $150 million a year (as reported in The Ethiopian Herald).

It has one of the main advantages like tax-free trade access into the European Union and the US markets. Kenya and Uganda are also coming up in the sector.

TEA president Raja M Shanmugham TEA President told TOI: “We were told that the labour-cost would be less there, average annual wages offered to a labourer in the three countries was only around $50. Their respective governments’ policies are so flexible in providing infrastructure.

They are even allowing a foreign company to adopt ‘Farm-Foreign’ concept, in which the company would be provided with the infrastructure including agriculture land to grow cotton and other facilities to convert it as a finished garment and export the same.”

“So, four leading knitwear companies from the dollar city have invested in Ethiopia in last one and a half years and those units are having a capacity of around 3,000 sewing machines.

With the experience, the companies needed to train the local people and transfer the technology to run the units. Those companies could able to start manufacturing within four-five months since their investments,” he added.

“Automation is not possible in the textile sector. The design-driven industry must be handled with human intervention.

Since the textile industry is the only one which could create enormous employment opportunities. These East African countries have understood the crux and approached us seeking investors,” he said.

“We wanted the central and state governments to provide support to the industry,” he added.

Source: timesofindia.com- July 13, 2018

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Bengal to push for GST exemption up to Rs 50 lakh: Amit Mitra

It has not yet stabilised as matching of invoices with vouchers was being done manually," Mitra said at a meeting of garment manufacturers and traders here.

West Bengal would try to prevail upon the GST Council for giving exemption to businesses having an annual turnover of up to Rs 50 lakh, the state's Finance Minister Amit Mitra said today. At present, the exemption limit for GST is for businesses having an annual turnover of Rs 20 lakh or less. "Let the GST stabilise first.

It has not yet stabilised as matching of invoices with vouchers was being done manually," Mitra said at a meeting of garment manufacturers and traders here.

He said the implementation of the new tax regime was done in a hurry, and the GST network had not been able to upload the GSTR2 form online yet for matching vouchers with invoices done through the GSTR1 (already uploaded online).

"The exemption limit can be raised gradually," he said.

Mitra also announced that requirement of e-way bills for workers within the state was no longer needed. This, he said, would apply to the garment manufacturers in West Bengal. "The state government will help the industry (garment) to get more organised so that better margins are realised," the minister said.

Mitra said the state had already formed a JV with the National Institute of Design (NID) of Ahmedabad for a design centre in West Bengal, and efforts would be made for designing of textiles as well. He stressed upon the need for upgradation of the quality of garments and refrain from using 'azo-dyes', which bar the manufacturers from exporting to European countries.

Source: moneycontrol.com- July 12, 2018

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State plans apparel hub

The Mamata Banerjee government is planning to set up a modern apparel hub at Nungi in South 24 Parganas to boost readymade garment (RMG) industry in Metiaburuj. It will accommodate a portion of the unorganised Rs 20,000crore RMG industry of Metiaburuj as well as its entrepreneurs.

State finance and industries minister Amit Mitra told TOI that the Nungi project was selected by chief minister Mamata Banerjee herself because of its huge potential for employment. “This is an ideal location for RMG project,” Mitra added.

According to finance and industries minister, the state government has already allotted land for the aparrel hub and and cost of construction would be Rs 300 crore. “The apparel hub will be housed in nine lakh sq ft space and would accommodate 520 units. The employment potential in this hub will be huge. The estimate is 15,200,” he added.

The state PWD on behalf of state government will set up the apparel hub. “PWD has already finished the planning. The project will hit the ground soon,” he added.

There are 5,000 RMG units in Metiaburuj along with 25 big RMG houses. The number of artisans is more than five lakh. The state government had organised a B2B fare for apparel industry this week where buyers from Dubai, Sri Lanka, Afghanisthan, South Africa and other countries participated along with buyers from other states. Metiaburuj is known for children and ladies apparel and men’s shirts. “A lot of big brands are also sourcing from Metiaburuj,” Mitra added.

Besides apparel hub, the state government on Thursday declared an exemption of e-way bill for all kind of job working activities within the state. “We have already issued a circular in this regard,” added Mitra.

Sanjay Jain, the chairman of Confederation of Textile Industries, welcome the move by the state government. “The apparel hub and exemption of e-way bill will be a big step. So many units are involved in this. All of them will be benefited,” he added.

In a first in West Bengal, the weavers of carpet of Malda will see project house which will be a giant leap to modernisation as well as export of carpets from here. The department of small scale industry has decided to set up a cluster project for the carpet weavers.

The cluster would be set up at Sattari of English Bazaar where the weavers would get all their raw materials, colours and design. A team of Malda officials led by additional district magistrate Padam Sunam would visit the office of Obette Private Ltd of UP, a renowned exporter farm of carpet. The project has got an initial sanction of Rs 20 crore.

The team would comprise of Handloom Development Officer, Executive Engineer of PWD, Officer in Charge of Industries and carpet weavers. Taking lesson from there about the infrastructure and the demands of this industry, the project would be implemented at Malda.

District Magistrate Koushik Bhattacharya said, “This project house being set up, the carpet workers would be able to export their products from here. Rs 20 crore was sanctioned for this project initially.” This is the first such project in West Bengal and it would contribute to the economy of the district, hoped DM.

Source: timesofindia.com- July 13, 2018

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India tells China: $63-b trade deficit untenable

At WTO, New Delhi asks Beijing to lower barriers for meat, pharma, and IT exports

India has cautioned China at the World Trade Organization that its $63 billion trade deficit with the country was unsustainable and mere lip-service to bridge the gap was not enough.

In its statement during China’s trade policy review at the WTO, New Delhi pointed out that Beijing needed to make serious efforts to lower trade barriers for rice, meat, pharmaceuticals and IT products from India to make a difference to the trade imbalance.

Stating that it was encouraging that a protocol on rice was signed during Prime Minister Narendra Modi's visit to China in June, the statement said the inspection of plants by Chinese inspectors should be expeditiously carried out.

"Early completion of the process is necessary as it not only addresses a long-standing demand of India, but will also help exports from India to the mutual benefit of both countries," said the statement, presented at the WTO on Wednesday.

India expressed disappointment that farm exports, including bovine meat, continued to face hindrances in the form of stringent and opaque regulatory requirements.

The hindrances remain despite China signing several protocols with India on import of farm products, especially bovine meat.

Recently, top Chinese leaders, including the Premier and the Trade Minister, had expressed their keenness to increase imports from India to reduce the trade deficit.

"By bringing up the issue of trade deficit at the trade policy review, India wants to give a message to China that it wants promises to be turned into action," a government official told BusinessLine.

On the scope of pharmaceutical exports from India, given the expansion of the Chinese public health programme, the Indian representative said that due to complex and onerous regulatory requirements, Indian generic producers were unable to access the Chinese market. "...an important step to expedite this process would be for China's Food and Drug Administration to hold workshops for Indian pharma companies to enable them to build capacity to file requests for market approvals," the statement said.

India said there was scope for collaboration between Chinese state-owned enterprises (SOEs) and the Indian IT sector, which could provide state-of-the-art, custom-designed solutions.

"In the services sector, the challenges for Indian companies include complex requirements for participating in contracts of SOEs and issues related to qualification requirements, licensing and taxation," the statement pointed out, adding that visa restrictions, like permits being granted for only a year, remained an issue.

Trade policy review at the WTO is a periodic surveillance of national trade policies of members, the frequency of which depends on the member's share in world trade.

Source: thehindubusinessline.com- July 12, 2018

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Mumbai To Host Second Afghan-India Trade Show

Organized by the United States Agency for International Development (USAID), the event on Thursday was aimed at stimulating interest in and sharing information about the September event.

More than 200 Afghan government officials and business representatives, international donors, NGO partners, members of the diplomatic corps, and foreign mission commercial attachés attended the event.

The US Ambassador called on the private sector to participate in the expo and work to extend their business in the country.

"We know, and we want the world to know that there is much more in this country than violence and conflict. And we want to help all of you ensure the rest of the world understands Afghanistan and knows Afghanistan for the complexity and intricacy of its carpets, for the beauty of its gemstones, marble and other stones, for the delicious fruits and nuts and vegetables that come from this country," the US envoy said at the event at the US embassy in Kabul.

Loren Stoddard, Director of Economic Growth for USAID in Afghanistan, said last year's expo had had limited space for the health, education, energy, civil aviation, mining and other sectors, but that this year, the expo would be a lot bigger.

The Foreign Ministry and the Ministry of Commerce and Industries meanwhile said the expo was a unique opportunity for the Afghan private sector.

“We do have a commitment. The government has a commitment to stand on our own feet and be self-reliant. We have acknowledged that self-reliance cannot happen without the private sector,” said Adela Raz Deputy Foreign Minister for Economic Cooperation.

“Such conferences encourage the private sector to keep trying and be ensured that they are not alone, and that the National Unity Government and the international partners and donors are supporting them to play their role in the development of the Afghan economy,” said Shafiq Ataee, technical deputy head of Afghanistan Chamber of Commerce and Industries.

In his South Asia Strategy, President Donald Trump declared his commitment to engaging India as a partner in contributing to Afghanistan’s economic stability. This commitment is bearing fruit through Passage to Prosperity, which has grown to encompass ever greater trade relationships with markets beyond India. This will help Afghanistan realize its goal of increasing exports to $2 billion by 2020.

During the September trade and investment show in Mumbai, Afghanistan’s finest textiles, carpets, gems, and jewelry will be on display for international buyers. India offers an ideal location for investors to experience the treasures that Afghanistan has to offer.

In addition to product sales, this year’s show will facilitate partnerships between Afghans and international actors in specialized healthcare, higher education, services, and trade promotion. These partnerships will play an essential role in building economic ties among Afghanistan, India, and other countries.

The Passage to Prosperity is an annual event that aims to advance regional integration by strengthening economic and trade ties between Afghanistan and international markets through business-to-business matching and consumer sales.

The first Passage to Prosperity: India-Afghanistan Trade and Investment Show was held in New Delhi. More than $27 million in contracts was signed between Indian buyers and Afghan vendors for both raw and processed agricultural products.

In addition, a number of Indian buyers and Afghan vendors signed MOUs valued at nearly $214 million during the four-day event, and more than $10 million worth of carpets, gemstones, jewelry, marble, and food-related products were sold. This year's event in Mumbai promises to build on the first show's successes and expand its impact by reaching beyond India.

Afghan investors from different sectors including Afghan luxury goods, agriculture, energy, health and education, and mining and heavy industry will attend the show, USAID said in a statement.

Source: tolonews.com- July 12, 2018

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Exhibition traces revival story of antique handloom saris

On display at the India International Centre (IIC) here are old photographs, textile samples and revived versions of antique hand-woven saris, which tell the tale of a 45-year journey of hand-holding of Indian handloom weavers by textile expert Pavithra Muddaya.

The exhibition titled "The Story of Vimor" traces the journey that began with sourcing antique saris from temple auctions.

Muddaya, who, with her mother, started textile business "Vimor" in 1974, wanted to revive traditional sari designs and started documenting their "terminology, motifs, designs, weaving techniques" and oral history.

The exhibition presents stories of revival of handicrafts, along with designs re-created by weavers.

Looking back over the years, she feels a sense of fulfilment in guiding and mentoring weavers to have scripted their success stories, with many second-generation weavers "continuing in the handloom field and not finding the necessity to migrate to other jobs and cities in search of a better life".

The exhibition is on display till July 17.

Source: business-standard.com- July 12, 2018

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