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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 159 of 2019 August 14, 2019

US 71.07| EUR 79.34 | GBP 85.68| JPY 0.67

Cotton Market (Aug 9, 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20096	42000	**75.34**
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20560	42970	**77.08**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	59.41	
ZCE Cotton: Yuan/MT (September 2019)	12,310	
ZCE Cotton: USD Cents/lb	79.20	
Cotlook A Index – Physical	**69.60**	

Cotton Guide: The ICE Cotton futures were volatile yesterday after the news was out about US delaying tariffs on certain imported Chinese items. The optimistic wave drove the market to triple digit gains.

The ICE December contract settled just below the 60 mark figure at 59.41 cents/lb with a change of +127 points. The ICE March 2020 contract settled at 60.05 cents/lb with a change of +115 points. Exactly after the news was out, the buying became strong thus strengthening the bulls. And yes this correction was strongly supported by volumes which summed up to 34,008 contracts. This figure is considered to be a stonger signal as compared to the volumes seen in the 10k+ and 20k+ mark range.

The MCX contracts reacted to the same news as that of ICE with the all the contract across the board going into the positive areas. The most active MCX August contract settled at 20,560 Rs/Bale with a change of +310 Rs. The October, September and November contracts settled at 19,950 Rs, 19,680 Rs and 19,450 Rs/Bale respectively.

The Cotlook Index has been updated at 69.60 cents/lb with a change of -0.75 cents/lb with the CAI displaying figures of 42,000 Rs/Candy for Shankar 6, higher than that of last week by 500 Rs.

For the six month tenure we can keep our views consolidated based on the current fundamental situation. The range could be 57-64 cents/lb. For today in the near term the markets are again expected to remain consolidated but we are biased a tad towards the positive end. For MCX we can mark a uptick for today.

Yesterday, we had a field visit at Khandesh region. The crop are about a 1 ft to 2 ft high at Jalgaon district with no clear visible signs of any pest attacks. Farmers are also taking precautionary measures. We shall visit some other fields today as well. On the other hand, there has been huge loss of crop reported in Shahada region due to the recent flooding.

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

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INTERNATIONAL NEWS

USA: Most Apparel and Footwear Items Are Still on the Sept. 1 Tariff Target List

Apparel and footwear products will still face new tariffs, now it will just happen in two waves—first on Sept. 1 as planned, and the rest on Dec. 15, which would allow for holiday merchandise stock to roll in first.

After announcing early Tuesday that it would altogether eliminate some products from the list of Chinese goods that will face new 10 percent tariffs and delay the implementation of others, the Office of the United States Trade Representative (USTR) released the lists delineating which would be which.

And the list of apparel and footwear products remaining as Sept. 1 targets—known as List 4A—is so exhaustive, the collective sigh of relief the industry may have breathed early Tuesday was perhaps for naught.

For women's and girls' apparel, items on the list set to be subject to new tariffs in a little more than two weeks include: some overcoats, car coats, capes, anoraks, suits, blazers, trousers, shorts, blouses, skirts, dresses, nightdresses, pajamas, bathrobes, briefs, panties.

Men's and boys' garments on the initial list include: some overcoats, suits, suit-type jackets, anoraks, recreational performance outerwear, windbreakers, trousers, breeches, shorts, overalls, underpants and briefs, nightshirts, pajamas

For baby clothing, most garments and clothing accessories, whether knitted or crocheted and in nearly all fabrications, made the list. Across categories, T-shirts, tank tops, sweaters, pullovers, track suits, swimwear, socks and gloves are just some of the items on List 4A.

Footwear didn't fare much better with regard to benefitting from the tariff delay.

Waterproof footwear, ski boots, sports footwear, footwear that covers the ankle and footwear that doesn't cover the ankle, sandals, protective active footwear, golf shoes, leather footwear, disposable footwear and formed uppers for footwear made from textile materials, leather, or any material other than leather, all made the list.

List 4B, which will face tariffs as of Dec. 15, is a much shorter list (a 21-page document versus the 122 pages of List 4A).

Apparel items that will enjoy the three-month delay, include certain outerwear and jackets, largely made up of synthetic or artificial fibers. Though items like men's and boys' suits containing 36 percent or more wool or fine animal hair, are also on the list.

For footwear, items like sports footwear with rubber or plastic outer soles, valued not over $3/pair, and ankle covering footwear with rubber or plastic outer soles valued over $12/pair, will see tariffs delayed until December.

While some footwear won't face any additional punitive taxes, the Footwear Distributors & Retailers Association (FDRA) isn't satisfied with what's been omitted.

"It's no coincidence that the Administration is allowing certain shoes to come in without raising taxes in hopes that prices do not rise at retail during the holidays," FDRA president and CEO Matt Priest said Tuesday. "We will continue to fight for any exclusions on new tariffs and we will fight to delay new tariffs on shoes until the entire tariff threat is lifted off the backs of American families."

News of apparel's fixture as a target for the Trump administration's efforts to right its trade relations with China, came as welcome news for the National Council of Textile Organizations (NCTO).

"As U.S. manufacturers that have suffered enormously from China's illegal IPR activities and state-sponsored export subsidies, we strongly support the administration's decision to move forward with this next tranche of 301 retaliatory tariffs that will finally cover a significant portion of China's exports in our sector," NCTO president and CEO Kim Glas said in a statement following the release of the lists.

"We also believe that the inclusion of products that are within significant Chinese employment sectors like finished apparel, will substantially increase the administration's negotiating leverage with the Chinese to address systemic trade reforms that are needed. Any such settlement must include short-and long-term reforms that eliminate China's predatory trade practices in key industrial sectors across the board, such as textiles and apparel."

Source: sourcingjournal.com- Aug 13, 2019

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Cotton Highlights from August WASDE Report

The August 2019 World Agricultural Supply and Demand Estimates (WASDE) report has been released by USDA. Here's this month's summary for cotton, based on the first survey-based production forecast of the season by the National Agricultural Statistics Service (NASS):

This month's 2019/20 U.S. cotton outlook includes higher beginning stocks, production, exports and ending stocks. Production for the 2019 crop is raised 2% to 22.5 million bales on NASS's first survey-based production forecast. The survey indicates slightly higher area and yield compared with last month's expectations, resulting in the largest crop in 14 years.

Beginning stocks are raised 250,000 bales due to lower-than-expected 2018/19 exports. Exports for 2019/20 are raised 200,000 bales this month, and ending stocks are raised 500,000 bales to 7.2 million. The 2019/20 season-average price for upland cotton is forecast at 60 cents per pound, down 3 cents from last month.

Lower projected world cotton consumption largely accounts for a 2.0-million-bale increase in 2019/20 global ending stocks from the July forecast. Beginning stocks are higher, largely due to a 500,000-bale decline in 2018/19 consumption.

Production in 2019/20 is forecast 200,000 bales lower this month, but higher beginning stocks and a 1.2-million-bale decline in projected consumption are more than offsetting. Consumption is lower in China, India and Uzbekistan.

Source: cottongrower.com- Aug 12, 2019

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Apparel and textile industry conference focuses on global trade shifts

Apparel Textile Sourcing Canada covers such topics as customs, imports and exports, investment opportunities, and industry trends and forecasts

As Canada's international trade scenario continues to waver, thousands of local and global representatives from the apparel and textile industry will convene in Toronto August 19-21 to hear Canadian trade policy updates and future market outlooks, as well as the latest industry developments.

Hosted at the Toronto International Centre, the Apparel Textile Sourcing Canada (ATSC) show will present a leading roster of speakers covering such topics as customs, imports and exports, investment opportunities for apparel brands and retailers, shifts in the North American apparel retail trade, compliance, sustainability, industry trends and forecasts, latest digital and lean manufacturing technologies, and the future of fashion.

Highlights of the ATSC conference sessions — which take place on the show floor alongside 500 exhibits of the latest in apparel and textile products and services from more than 20 countries — include:

Canadian Trade Shifts and Policy Updates
The Canadian trade ecosystem is changing quickly and Bob Kirke, Executive Director of the Canadian Apparel Federation and Julie Hughes, President of the DC-based United States Fashion Industry Association (USFIA), will provide updates on directions in Canadian importing and exporting, new sourcing opportunities, and the latest shifts in the North American retail trade policy that are affecting Canadian fashion brands, retailers and manufacturers.

Global Sourcing: Where Is The Next China?

Leading global apparel industry expert Jeff Streader, Managing Director of Go Global Retail, will discuss China's changing role in the international sourcing landscape, and how the realignment of the global supply chain is affecting Canadian sourcing directions and opening new partner opportunities.

Expanding Sourcing Horizons to India

India has emerged as a premier sourcing destination and panelists Ayoosh Jain, Assistant Director of Federation of Indian Chambers of Commerce and Industry (FICCI) and Mahesh Sanil, Executive Director of the Wool and Woollens Export Promotion Council (WWEPC) will reveal India's new strategic direction, reinforcing its position as a leading player in the Canadian apparel and textile supply chain.

Next Frontier for Canadian Sourcing: Africa, Turkey and Latin America

Hear from a team of panelists – including trade offices and leading industry players such as Agnes Gifty Adjei-Sam, Director of the Ghana Export Promotion Authority and Antonio Ramos, Trade Advisor of Peru in Toronto – about emerging sourcing markets in Africa, Turkey and Latin America and why an increasing number of Canadian businesses are forming global trading partnerships with these countries.

Canadian Fashion Trend Forecast 2020-2021

Top style forecaster Cynthia Florek, Founder of The Trend Office, will unveil up-and-coming fashion and design trends, providing a glimpse of what consumers can expect from apparel brands and retailers next year and beyond.

Click here for more details

Source: canadianmanufacturing.com- Aug 13, 2019

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Across China: Tailors recount story of garment-making

An item of clothing is made in 10 minutes in Ge Jiuchang's mechanized garment factory, while 85 years ago, it would take his grandfather half a day with a hand sewing machine.

"I inherited the exquisite traditional clothes-making skills from my grandpa," said Ge, the 43-year-old production team leader of a garment factory in Yudu County in east China's Jiangxi Province, who is in charge of 15 tailors.

Yudu, with a tradition of fluffing cotton and sewing clothes, was a place where around 86,000 Red Army officers and soldiers left for the Long March in October 1934. At that time, Ge Jiediao, Ge Jiuchang's grandfather, joined the Red Army to sew uniforms in 1929 when he was an apprentice to a tailor.

"Due to his exquisite sewing skills, my grandfather was assigned to sew collars and sleeves onto military uniforms," Ge Jiuchang said.

Carrying a hand sewing machine, Ge Jiediao spent his rest time mending clothes for his comrades during the Long March.

After the founding of the People's Republic of China in 1949, Ge Jiediao dreamed of running a tailor store and making clothes for his fellow-villagers.

Nowadays, Ge Jiuchang follows in his grandfather's footsteps.

In 1993, after graduating from a junior high school, Ge Jiuchang left Yudu and started his tailoring career in a garment enterprise in south China's Guangdong Province. At that time, keeping warm was no longer the first consideration when most people chose clothes.

In the past, urban and rural families used to invite tailors to make clothes for them. In the early 1990s, however, most people bought their clothes on the market whenever and wherever they wanted.

"Nowadays, consumers value uniqueness and personalization when choosing clothes," said Luo Lihua, a 36-year-old tailor of the Yudu-based production base of the Ganzhou Yingjia Model Clothes Co., Ltd.

The company took six years to collect the dressing data from its consumers, invested 200 million yuan (28.3 million U.S. dollars) to upgrade its production line and introduced a brand new intelligent production line of high-end women's dress.

The consumers can choose the fabric and color they like online, and the data is transferred to the production line simultaneously. In this way, clothes makers can tailor customized clothes according to different preferences.

With one-quarter of the county's population engaging in the garment industry, Yudu sees the new dressing trend as a fresh impetus for the transformation of traditional manufacturing.

Local authorities provided 20 million yuan of subsidies to help enterprises purchase the intelligent garment-producing devices as of August 2019.

In addition, the Yudu local government granted 3 billion yuan to develop and upgrade the traditional garment industry by building schools of garment design, talent apartments and institutes of textile and garment testing. With the policy support and skill-oriented industrial workers, new clothing enterprises are emerging in the county.

As a poverty-stricken county, Yudu is now home to more than 2,200 textile and garment enterprises, including five listed enterprises.

Over 80,000 people are working in the garment industry in China, with its output value reaching 40 billion yuan by the end of 2018.

Source: xinhuanet.com- Aug 13, 2019

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US Delays New Tariffs on 'Certain' China Clothing and Footwear Items

Apparel and footwear brands and manufacturers may get a break from the tariffs that were set to roil the sector in September.

Amid pressure from U.S. businesses and concerns about the trade war's effect on the economy, the Trump administration on Tuesday decided to shorten the list of items it will target with new 10 percent tariffs.

A statement from the Office of the United States Trade Representative Tuesday said, "Certain products are being removed from the tariff list based on health, safety, national security and other factors and will not face additional tariffs of 10 percent."

USTR has promised to publish in the Federal Register the newly amended list of tariff lines that will still be affected "as soon as possible."

For the Chinese products that aren't removed from the list altogether, USTR said, following the public comment and hearing process, that the tariffs would be delayed from the proposed Sept. 1 date to Dec. 15 "for certain articles."

"Products in this group include, for example, cell phones, laptop computers, video game consoles, certain toys, computer monitors, and certain items of footwear and clothing," USTR said in a statement.

According to USTR, tariffs on some products will still go into effect on Sept. 1 as planned.

President Trump made no mention of the change on Twitter Tuesday morning, where his regular rhetoric continued instead.

In one tweet, the president said: "Through massive devaluation of their currency and pumping vast sums of money into their system, the tens of billions of dollars that the U.S. is receiving is a gift from China. Prices not up, no inflation. Farmers are getting more than China would be spending..."

Continuing, he said, “As usual, China said they were going to be buying “big” from our great American Farmers. So far they have not done what they said. Maybe this will be different!”

While news of the tariff delay may be somewhat welcome, the Retail Industry Leaders Association (RILA) said in a statement following the announcement, “The decision to implement the 10 percent tariff on nearly all remaining goods from China does not eliminate the threat and uncertainty the trade war has created for the American economy.

We urge the Administration to use this time to reach a trade resolution with China before the Dec. 15 deadline hits and new taxes hit everyday consumer products and family budgets.”

Similarly, the American Apparel & Footwear Association (AAFA) says the delay doesn’t resolve the fact that the Trump administration “is still persisting with a destructive plan to impose tariffs on consumer goods.”

“Make no mistake, these tariffs, including the ones imposed in earlier tranches, are paid by U.S. companies,” AAFA president and CEO Rick Helfenbein said. “They create costs and uncertainty, forcing companies to delay or scuttle hiring and investment decisions and ultimately hit the U.S. consumer.”

Already, retailers have admitted to halting hiring, and Chinese exhibitors at Footwear Sourcing at MAGIC this week have said orders are down with retailers gun-shy about any new commitments or investments.

Source: sourcingjournal.com- Aug 13, 2019

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USA: Additional Tariffs or Not, You Might Already Be Paying Too Much in Duties

As apparel and textile companies seek ways to mitigate trade uncertainty, the practice of first sale is gaining renewed attention as an option.

First sale enables importers to reduce the dutiable value of their products by using the "first sale" price as the one on which duties are assessed upon entry into the U.S., rather than the "second sale" price that incorporates the markup from the middle man.

For example, a factory selling goods valued at $8 million to a middleman, who then sells the goods to the importer for $10 million, and those goods have a duty rate of 15 percent, the importer would pay $1.5 million without first sale, explained Nicole Bivens Collinson, president, international trade and government relations, at Sandler, Travis & Rosenberg, PA (STR). But under first sale, this would drop down to $1.2 million because the duty liability would be based on the initial $8 million.

The gap between the factory price and the importer price—and on the duty rates assessed—will determine how much can be saved, said Collinson, who noted that STR has regularly had companies save 12 percent to 20 percent of owed duties.

Every first sale program is tailored to meet the needs of the importer, Collinson said. "Virtually all import transactions are either already capable or can be structured to support first sale appraisement."

Michael Gilson, CEO of Cormac Advisory Services, who has been familiar with the practice since his days at May Company, said the trade war has companies looking for ways to reduce costs, which has put first sale top of mind.

"Companies are looking at it to mitigate their exposure to the increase in the additional China tariffs. I would always say you should be doing it anyway. You should be doing it today," Gilson said.

But no matter the reason for the renewed interest, Gilson said it's worth investigating. He's currently working with a footwear client, which has sales in the $150 to 250 million range, that has recently decided to implement first sale. While Gilson characterized the implementation costs for the company as “fairly substantial,” he anticipates it will save between $200,000 and $250,000 a year once it’s in place.

Attractive as the savings may be, he said, the headache of going style by style through your assortment doesn’t make sense for commodities that already have lower duties.

Correctly valuing goods when they leave the factory, Gilson said, “means stripping out inland freight, stripping out the margin, stripping out all kinds of stuff that’s not dutiable....That’s what creates the big angst for the importers and vendors because you literally have to go in and audit the factory’s books, and many vendors don’t like that idea.”

Further, there are some requirements surrounding the practice, including fair pricing between the middleman and factory if the parties are related; a transaction structure of three legal entities and two sales, with documentation indicating this; and documentation demonstrating that the goods are destined for the United States.

Harold M. Grunfeld, a partner at Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt, described it as a process that requires some care. “You have the meet a host of customs criteria to qualify, and oftentimes you’re dealing with factories that aren’t necessarily geared toward providing the data that’s necessary.”

And while larger companies may have more leverage with the factories to retrieve this information, “the notion that it costs factories more is somewhat overblown by the factories that generally don’t like to do this,” he said. “At the end of the day, once the system is put into place, the additional amounts of clerical work on the part of the factories is really minimal. I think they do exaggerate how complicated it is.”

Perhaps the biggest benefit of completing that initial lift is that first sale will continue to serve as an advantage despite the current macro-environment factors.

“It’s been strong advice for the last 20 years,” Grunfeld said. “It’s not only a benefit in these times when tariffs are being implemented, but also it’s a gift that keeps giving because it continues for years forward.”

Source: sourcingjournal.com- Aug 13, 2019

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New strategy to revamp Uganda's textile sector

Uganda has completed the development of a strategy for its cotton, textiles and apparels sector that could generate 50,000 new jobs and $650 million in additional export revenues over the next eight years.

The strategy, which is also supposed to feed into the third edition of the National Development Plan NDPIII, should result in increased fibre cotton production, scale up domestic value addition and create employment.

Besides the need to address structural and policy bottlenecks that currently hamper development of the cotton value chain, there will be a need to establish five new vertically integrated textile mills.

In addition to increasing value to Uganda's cotton output, the factories would employ 50,000 workers earning a combined $50 million annually.

The strategy proposes to revive the cotton production value chain and investment in export-oriented apparel as well as garment production factories that would initially rely on imported fabric.

Cotton makes up only 20 per cent of the fabrics used by the global garments industry, with the other 80 per cent coming from synthetic sources.

According to Junior Minister for Trade Michael Werikhe, the proposed strategy is good because it addresses the lower and upper aspects of the value chain by creating rapid employment creation and sustainable cotton value chain development. "We have a good plan and all we need to do is to make sure that we implement it," he said.

Condensed around eight key action points, the strategy seeks to stimulate large scale commercial cotton production while improving textile related infrastructure and business climate.

It also aims to attract targeted FDI into the sector while supporting existing industrial players to develop into integrated value chains that export full value apparel products.

With only two integrated textiles and garment plants operational, Uganda earns $20 million from lint and apparels exports annually.

Only 10 per cent of the 30,000 tonnes of lint produced is currently processed into fabric, with production mainly serving the domestic and regional markets.

Under the strategy, the proportion of processed lint would be progressively raised to 75 per cent of production or 20,000 tonnes annually based on current output.

According to the National Planning Authority and Msingi East Africa, which jointly developed the strategy, Uganda's poor export performance in the apparels sector is due to inefficiency at the factory and product quality level, and non-compliance with international standards.

"While Uganda is in a position to sell its cotton lint, the recommended action is for it to sell quality value-added yarn and fabric to the region and to become a primary producer of apparel for the domestic, regional and international markets," the strategy reads.

With 41 per cent of the youth out of active employment and 48 per cent self-employed in low paying economic activity, reactivation of Uganda's textile value chain could boost national income.

Planners say the textile sector could generate up to $650 million in export revenues annually if the strategy is implemented.

"We face critical choices and there is a need to prioritise resources. If we choose the right industries, we can convert our young labour force into an asset," said Msingi East Africa executive director Aggie Konde.

Source: theeastafrican.co.ke- Aug 13, 2019

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Indonesia hopes textile export target of $15 bn achievable

The Indonesian ministry of industry is hopeful of achieving its textile-apparel export target of $15 billion—set several years ago—by the end of this year as government programmes and incentives spur the industry's performance.

The textile sector is one of the priorities in the National Industrial Development Master Plan (RIPIN) 2015-2035.

Industry minister Airlangga Hartarto said the government created conducive investment climate through policies like tax concessions and holidays.

According to him, to achieve the export target, it is necessary to add extra production capacity of 1,638 thousand tonnes per year with an investment value of Rp81.45 trillion and employing 424,261 new workers.

He believes that the current US-China trade war can open opportunities to increase export of textile and clothing, especially in the US market because textile originating from China has an additional import duty of 25 per cent, according to an Indonesian media report.

Eight industrial estates are beginning to operate in the country. The remaining nine are still in the construction stage and 10 industrial zones are being planned.

Source: fibre2fashion.com- Aug 13, 2019

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S Korea to remove Japan from preferred trade list

South Korea has removed Japan from a list of nations receiving preferential treatment in trade. South Korean trade minister Sung Yun-mo said on August 12 that the government is removing Japan from the 29-country 'white list' because it has failed to uphold international principles while managing its export controls on sensitive materials.

Sung said the changes are expected to be effective in September.

The move is being perceived as a tit-for-tat response to Tokyo's decision to downgrade Seoul's trade status.

South Korean officials said they would work to minimise the adverse impact on their exporters and bilateral trade, according to a news agency report.

Bilateral ties were stirred up last year by South Korean court rulings ordering Japanese firms to pay compensation to Koreans over forced labour during World War II. Japan condemned the decisions, saying the dispute was settled in 1965 when diplomatic ties were normalised between the two nations.

Japan colonised Korea from 1910 until the defeat of Japan in 1945. The spat, which includes curbs on tech supplies, has reportedly sparked fears over risks to the global electronics sector.

Source: fibre2fashion.com- Aug 13, 2019

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NATIONAL NEWS

Cotton prices likely to stay firm amid tight supply

CAI has pegged expected imports of cotton shipments to India at 31 lakh bales till September 30, but actual imports shipments as per USDA report will be only 19 lakh bales to India up to September 30.

Domestic cotton prices are likely to remain firm in the coming months on tight supply, senior traders in the market have said. Spot prices of cotton that were Rs 19,530 per bale on August 5 on MCX, which jumped to Rs 20,330 per bale on August 23, recovering due to a shortage of cotton in India.

Senior industry people pointed out that the balance sheet will remain tight in near term. Due to small crop size and tight balance sheet, stock estimated by the crop committee of the Cotton Association of India (CAI) is 15 lakh bales (170 kg each) on September 30, 2019.

Imports from October 1,2018 to July 31, 2019, which have reached Indian ports, are estimated at 15.28 lakh bales while balance 15.72 lakh bales are estimated to arrive during the period from August 1, 2019 to September 30, 2019 (total imports estimated during the entire season are 31 lakh bales).

Export shipments from October 1, 2018 to July 31, 2019, which have already been shipped, are estimated to be at 44.50 lakh bales while balance 1.50 lakh bales are expected to be shipped during the period from August 1, 2019 to September 30, 2019 (total exports estimated during the entire season are 46 lakh bales).

Arun Seksharia, MD of DD Cotton, said that while MCX cannot be considered the right parameter for cotton prices, the market sentiment is firm and shall continue to remain firm because of the supply position in the market. While some industry people pointed out that Brazilian cotton is unlikely to be available to India until December 2019 since it takes 45-60 days for shipments to reach Indian ports.

Sekhsaria did not agree and revealed that although India has not been dependent on Brazilian cotton, one can expected Brazlilian cotton shipments to India next month onwards.

According to some traders, Brazil is expected to ship cotton to China in August and September and these shipments would be available to India only November onwards which means these would reach India by December 2019. According to Sekhsaria, August and September would be crucial for the Indian market and would set the tone for the rest of the season.

CAI has pegged expected imports of cotton shipments to India at 31 lakh bales till September 30, but actual imports shipments as per USDA report will be only 19 lakh bales to India up to September 30.

Traders claim that sluggish exports have dampened sentiments in the markets. India's 2018-19 export is expected to be around 46 lakh bales, compared with the 69 lakh bales it exported in the 2017-18 season.

Domestic cotton markets have been under downward pressure as lower international prices render Indian cotton exports less attractive. A delegation of Indian cotton ginners that had visited Vietnam as a possible export market found market conditions sluggish and came back without getting much opportunity.

On the other hand, domestic users earlier this year sourced cotton from overseas due to cheaper quotes.Accordingly, exports declined and imports went up.

Cotton acreage though, has increased. For yields, August month will be crucial. Any adverse condition in connection with the monsoon may spike volatility in cotton prices.

All India cotton sowing by August 2 is reported at 115.15 lakh hectares. Around 95 % of the normal sown area (taken as the last five-year average) had been covered till last week and is 4.8% more than in the same period last year.

Source: financialexpress.com- Aug 14, 2019

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Readymade garment import a big worry, say apparel industrialists

Apparel industrialists here expressed worry over the duty free import trade of readymade garments (RMG) from Bangladesh. China has taken undue advantage of the free trade and is selling goods to India, they said.

Under the South Asian Free Trade Area (SAFTA) agreement, Bangladesh was allowed to export more than 60 products including RMG to India without any duty. The neighbouring country's share in international RMG market is next only to China.

Industrial sources said the value of RMG imports from Bangladesh was $104.25 million in 2014-15. It touched $499.09 million in 2018-19. Though Bangladesh earlier did not take advantage of SAFTA agreement, its exports to India, especially RMG, grew up to 480% in the last five financial years.

The imports from Bangladesh was considered as one of the main factors that caused stagnation in the domestic textile business. Being one of least developed countries, Bangladesh enjoys various trade advantages. Besides that, the neighbour has an edge in cheap labour.

All of the factors have given it the second place in RMG exports. Several large players in the Indian apparel industry have established manufacturing units in Bangladesh and involve in exports to countries including India.

But the apparel industrialists said the biggest threat is from China, because many Chinese companies took advantage of the duty-free exports from Bangladesh to India. "We learnt that the textile companies from countries like China provide fibre and fabrics to the units in Bangladesh and get them exported as finished goods to India," said Apparel Export Promotion Council vice-chairman A Sakthivel.

"China utilise the trade advantages in Bangladesh to sell both its fibre and machines," a hosiery unit owner said.

"Indian government imposes GST on the textile goods sold in the domestic market. But without any duty, the same products from Bangladesh reach our domestic market. The cost difference would be 10-15% between both the products. In case of transportation cost from Bangladesh, it would not be much higher, compared to transporting from West Bengal," south zone secretary of the Federation of Hosiery Manufacturers' Associations of India Shashi Agarwal said.

Despite various representations, the central government was not taking steps to solve the issue, said Shashi.

"The government should imply restrictions and ensure that fibre and fabric utilised for goods imported from Bangladesh is produced and manufactured in that country itself," Sakthivel said.

Source: timesofindia.com- Aug 13, 2019

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Maharashtra government worried by widespread use of HTBT cotton

About 20% of cotton crop in Yavatmal is of unapproved varieties

In the farmer suicide-prone Yavatmal district of Maharashtra, about 4.5 lakh hectares of cotton has been planted.

The State government officials are worried that about 20 per cent of it are herbicide tolerant BT (HTBT) and other unapproved cotton varieties.

In the last 15 years, the district has seen hundreds of farmers committing suicide following cotton crop failures.

Seed sales down

A senior government official told BusinessLine on condition of anonymity that an area of 4.5 lakh hectares require about 11.25 lakh packets of cotton seeds, but the sale was down by a couple of lakh packets, which confirms the field information that farmers have planted HTBT cotton.

Framers believe that even BT cotton is not immune to pink bollworm attack. They are looking for a new solution and their leaders say that the alternative to BT cotton is HTBT.

Small-scale planting of HTBT has been happening for the last three years, but this year the issue has come out in the open with some farmers' groups openly supporting the planting of HTBT seeds, the official said.

Farmers' defiance

Even if farmers are regularly advised against planting HTBT cotton by the State government, certain farmer leaders, covertly support the use of unapproved seeds.

Some farmers prepare test plots in their fields to showcase such experiments, the official added.

In early June, about 1,000 farmers gathered in a village in Akola district, which is close to Yavatmal, to sow the HTBT variety of cotton, defying environmental laws and regulations.

The event was organised by Shetkari Sanghtana, a farmers' association, which is a votary for genetically modified crops.

Source: thehindubusinessline.com- Aug 13, 2019

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Businesses urged to explore opportunities in Brussels

Industries across sectors here have huge opportunity in Belgium if they want to expand in the European market, Jean-Francois Aernouts, Trade Commissioner, Consulate General of Belgium, Chennai, said here on Tuesday.

At a meeting on "Brussels - Your Gateway to Europe", organised by the "hub.brussels Invest & Export", the trade agency of the Consulate of the Kingdom of Belgium, jointly with the Indian Chamber of Commerce and Industry, Coimbatore, Mr. Aernouts said that located at the centre of Europe and serving as its capital, Brussels gave businesses several advantages. It had "unmatched connectivity" and an international talent pool. Many companies tapped opportunities in Africa too through Brussels.

The Belgian government supported and encouraged innovation. “It (innovation) is our asset,” he said. “We have a real estate that is competitive. It is an affordable city for warehouses and prime office space. This will be a cost saver for industries.” Since January 1, 2018, the Corporate Tax had been reduced to 20 % from 33.99 % for Small and Medium-scale Enterprises and there were incentives too. This was to attract foreign direct investment. “If you are into research and development there are so many incentives,” he added.

Earlier, Mr. Aernouts told The Hindu that the bigger Coimbatore area, including Tiruppur and Erode, had huge potential for business between Belgium and India. Currenlty, 80 % to 85 % of the bilateral trade between the two countries was diamonds.

The Indian government had increased taxes on diamonds. So, there was an impact. “I am here to create awareness that Brussels is there, we have something good to offer.”

Business co-operation between the two countries was growing in non-diamond sectors, in areas such as machinery, petro chemicals and pharmaceuticals.

As many as 170 Indian companies had presence in Belgium and 140 Belgium companies in India. Brussels had incubation facilities that businesses could use for three months to study the market and then plan on opening facilities in Belgium.

Lakshmi Narayanaswamy, president of the Indian Chamber of Commerce and Industry, Coimbatore, said at the meeting that Coimbatore was a city driven by private enterprises and had over 50,000 SMEs.

These industries worked in diverse areas, including pumpsets, automobile components, textile machinery, and jewellery. Belgium was the second largest trading partner for India in Europe.

Source: thehindu.com- Aug 14, 2019

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‘It’s time for India to shed its export pessimism for good

India’s early post-independence development strategy was marked by export pessimism. To it was added the not-quite misplaced nationalistic approach of import substitution-led industrialization. To top it, there was public-sector control of the commanding heights of the economy. One of the consequences of this approach was an excessive catering to industry. This was done by keeping wage goods cheap and import tariffs very high.

This meant food prices were kept very low, hurting farmers, whose predicament was worsened by policies such as compulsory monopoly procurement and control on movement of produce. High import tariffs on industrial goods shielded domestic industry from competition, and hence from the pressure to innovate and be cost efficient. One more consequence of this inward-looking strategy was the neglect of labour-intensive manufacturing.

Much later, the value of export-led growth based on the innate advantage of low labour costs was starkly revealed by the eye-popping growth of East Asian “tiger" economies, followed by China’s three decade-long growth run. By now, all this is conventional wisdom, but it still does not seem to be leading to the dropping of our age-old export pessimism. At a recent ministerial meeting of the 16 members of the Regional Comprehensive Economic Cooperation (RCEP) in Beijing, a press statement was issued in which an unnamed government official complained about Indian industry’s still-timid approach to free trade agreements.

Most of the objections to India’s signing up to RCEP stem from a fear of a flood of duty-free goods from the Association of Southeast Asian Nations or China. So Indian negotiators have been cautioned by industry to be very cautious, as it would hurt domestic producers. The unnamed government official may well wonder why Indian producers don’t eye the large overseas market that will be available duty free for their own products and services if we sign up to RCEP. So why this export pessimism? Naysayers have many reasons.

The world is turning protectionist, global demand is sluggish, there are far too many non-tariff barriers, Indian firms face tough regulatory qualification requirements to enter foreign markets, and so on. All these are true, but are still not enough to justify being fearful of embracing RCEP. India’s share of global merchandise trade is less than 2% as against China's 13%. Going from 2% to 4% is possible, even in a world driven by protectionist forces and a growth slowdown. It would call for a 100% jump in our exports, which is an important engine of domestic growth. Indeed, the other three engines cannot be revved up as easily.

Consumption spending is constrained by an excessive burden of retail debt, the drying up of non-bank finance at the retail level, and high job anxiety among households. The second engine, government spending, faces fiscal constraints since our current sovereign borrowing already gobbles up most household financial savings. The third engine, industrial investments, is constrained by a variety of factors ranging from taxation, ease of doing business, risk aversion, lack of equity capital, low capacity utilization and uncertainty on demand growth.

Hence, it is imperative to pursue exports aggressively. For more than five years since 2014, the cumulative growth in exports was nearly zero, at a time when the world economy grew 23%. In garment exports, India lost out not just in relative but also in absolute terms to Bangladesh and Vietnam. Meat and leather exports suffered, so did gems and jewellery. There were other factors like goods and services tax refunds and currency appreciation that hurt exports. For instance, the rupee has appreciated nearly 20% against the Chinese yuan in the past five years, partly explaining the deteriorating trade deficit, despite growth in trade.

So what would a reversal of export pessimism entail? First, focus on trade facilitation. Exporters still face an "inspector raj" at the border. One recent horror tale was the case of a freshly-cooked foods exporter being asked to open his deep-freeze container, which effectively meant trashing the consignment.

The government must allow self-certification, with minimal and statistically sound sampling inspection, and severe penalties for breaches. Second, amend the anomalies that hinder the growth of export-oriented Special Economic Zones. For instance, due to our free trade agreement with Thailand, it makes more sense to produce in Thailand and sell duty free in India, than produce in Aurangabad and face stiff duty barriers to sell in the domestic market. Third, embrace global value chains.

The entire production process is made of small steps, each adding a small bit of value but generating large-scale employment. The small value addition should not deter us from allowing duty-free access to and participation in the entire chain. This may require modifying our stance on high-value addition and rules-of-origin in our free trade agreements. Fourth, vigorously promote agriculture and agro-based industrial exports. This is an overdue piece of deregulation.

Lastly, learn to play the non-tariff game like some of our savvy neighbours. The objective, ultimately, is to encourage, not thwart, India's export optimism. One beneficial side effect is that competitive pressure will force domestic belt-tightening and reform. We are a large economy, and it's time we behaved like one, especially in international trade, unafraid of engaging with canny trade partners.

Source: livemint.com- Aug 12, 2019

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For healthy SME exports, India urgently needs tax neutralisation, logistics infra for clusters, SEZs

The Small and Medium Enterprises (SME) segment, which constitutes more than 40 per cent of India's exports, is the second-largest employer after the agriculture sector and accounts for 30 per cent of India's gross domestic product. Despite its huge significance to industrial production, the SME segment faces continuing headwinds. These include a variety of indirect non-creditable taxes, high logistics and transportation costs, unavailability of credit on reasonable terms, unpredictability in certification and testing procedures for international acceptance, etc.

Export Push

To offset some of these difficulties for the industry, the government provides export incentives through the Foreign Trade Policy (FTP), which is regulated by the Directorate General of Foreign Trade (DGFT). In the current FTP 2015-20, direct incentive schemes for exports, such as the Merchandise Export from India Scheme (MEIS), has rewarded exporters, to the extent of Rs 40,000 crores in 5 years, through duty credits used for importing duty-free goods into India.

As India's economic indicators have improved in recent decades, MEIS has come under challenge at the World Trade Organization (WTO) for being non-compliant with India's status as a developing economy. As India prepares to transition to a WTO-compliant framework, it will have to eliminate export subsidies through direct fiscal incentives. Accordingly, the new export incentive schemes would be required to meet the twin objectives of enhancing competitiveness in global markets while introducing efficiencies through the ease of doing business.

Neutralising Taxes

The DGFT is evaluating several options for achieving these objectives and a recent scheme introduced by the government for the textile sector offers a blueprint for what may be in store. The Rebate of Central Taxes and State Levies Scheme (RCTSL) seeks to neutralise incidences of central and state taxes, through reimbursements, which is aligned with the WTO framework. A scheme like RCTSL can offer tax-neutralisation to up to 4 per cent to 5 per cent of the value of exports — a marked improvement in efficiency in relation to the highly competitive global market. The expansion of the RCTSL scheme to other categories of products, as envisaged by the government for the upcoming FTP, would be a significant boost to the export-focused SME segment.

What's Needed Next

In addition to fiscal reforms, the SMEs require significant infrastructural support to enhance competitiveness. While not all kinds of support can be implemented through the FTP, which is a policy framework, necessary measures would be critical for the long-term health of the SME export segment. Some other measures that can be implemented effectively are as follow:

- *Creation of integrated logistics infrastructure near SME clusters to aggregate exports*: India has several geographical clusters where SMEs are present in large numbers, such as Coimbatore, Kanpur, Jalandhar, Ahmedabad, Rajkot and Anantpur. The Ministry of Micro, Small & Medium Enterprises lists 150 such clusters across the country with high export potential. Establishment of end-to-end logistics for such clusters would introduce significant economies of scale and cost competitiveness for businesses in these regions.

- *Special Economic Zones (SEZ) for the SME* sector: SEZs are designated locations where industries and service providers focus exclusively on exports to other countries. In the current SEZ framework, these locations are primarily organised as per the nature of the industry, irrespective of size. The government can consider promoting SME-focused SEZs to address specific issues common to the SME segment. Some obstacles that can be comprehensively addressed in this manner include lack of infrastructural facilities such as certification and testing for international standards, best practices in packaging, services for industrial design, etc.
- *Access to trade credit and working capital facilities*: SMEs have high working capital and finance requirements due to cash flow mismatch in receivables and payables. The government can, therefore, consider instituting a fund or a guarantee scheme governed by the DGFT or the Ministry of Commerce to provide access to cheap and relatively long-term working capital for SMEs.

A combination of the above steps in conjunction with the new tax-neutralisation schemes is likely to provide the impetus which the sector needs. Considering the extent of employment and economic value generated by the SMEs, there is a pressing need to ensure that they receive all the assistance they need.

Source: financialexpress.com- Aug 12, 2019

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Why India needs a targeted export strategy

With India consistently failing to remove its trade deficits year-over-year, its growth prospects are restrained even after bold economic reforms. India's import expenses, far outweighing export (in FY 18-19 import expense $514.44 billion, exports $303 billion), have kept the deficit in play.

In the last financial year, deficit reached a record high of $176 billion, limiting growth and keeping India's export share globally to only 1.65 percent. In such a scenario, the existing export strategy that actually encourages imports in the name of promoting exports needs to be modified.

What India presently needs is a targeted export strategy that prioritises promising industries and products, which have the potential to achieve double-digit export growth. In this rapidly changing trade landscape, an effective export strategy can build global value chains and new free trade agreements, making way to mega trade agreements. India must follow a multi-faceted approach, focusing on expanding domestic production and targeting the right products in top importing nations, to activate and utilise export-led growth.

Focusing on export pays off

There's a clear reason why developed and emerging economies are focusing on effective export-led growth strategy.

China: China has encompassed a significant portion of the global supplier market. Its exports rose 7.1 percent year-on-year in 2018. Higher export tax rebates, manufacturing capacity building, encouraging competition (top runner program), offering export incentives, presenting financial backing to encourage business growth and demand creation has helped China maintain a stable economic growth through increasing export capabilities.

Vietnam: Vietnam's rapid growth can be credited to its export-led growth model. As result, Vietnam's export turnover has reached from $1 billion in 1995 to ~$200 billion in 2018. Signing on export oriented agreements like- Free trade, CPTPP, EVFTA and taking advantage of US-China trade war (Vietnam accessed US$19 billion FDI in 2018, growing its economy by 7 percent Y-o-Y) has helped Vietnam to become a manufacturing hub, enhancing its exports.

South Korea: Export-led growth strategy has helped South Korea claim the second-highest Human Development Index score in Asia. Rapid advances in information technology, focus on lucrative industries, skill development have helped South Korea to dramatically reduce the costs of manufacturing while improving performance, leading to $44 billion export turnover in Q2 2019 from $14 million in 1966.

These examples testify the benefits of focusing and supporting export capacities. And fortunately, India has already identified promising industries like solar that can serve as the right candidate for building export capacities.

Modifying the export strategy

India is facing headwinds from the ongoing global trade conflicts at a time when other countries are capitalising on changing supply chains. The country was eager to receive support in export from the government through the latest Budget 2019. Focus on prioritisation of promising industries, augmenting flow of credit, outright exemption from GST, higher tax deduction for R&D, getting interest equalisation facility to agri exports were needed to further boost exports. However, unfortunately, the recent budget skipped emphasising these issues.

I believe that we need to focus on export-led growth to increase productivity, access international markets, facilitate technological upgradation, industrial growth, create jobs, and bring in revenue. India can export 30 percent of its GDP, from current performance of 10 percent. In such a scenario, focusing on manufacturing and promoting access to countries with high import requirement can build the system that can power and protect India's economy.

Manufacturing can be the saviour

Manufacturing labour cost in India is considerably lower than in the US and China. However, India's manufacturing share in GDP is still just 16 percent. Focusing on the manufacturing sector promises to create jobs (100 million new jobs by 2025), bring foreign investment, improve industrial structures, improve R&D structures, reduce forex outflow, and increase revenue generation, which can feed progress. However, the right sectors must be identified.

The export strategy has to identify products with the highest demand in different top importing nations. Additional analyses should also include: India's total exported value of the specific products, world export shares, India's rank in the list of exporters for these specific items and the competition. These filters will help map a country-wise market demand trend for exports, and give India a clear vision as to which products or sectors have to be prioritised to enhance exports.

After identifying these products, taking up non-tariff barriers through agreements and trade relations with the governments of top importing countries would help. Additionally, effective marketing strategies, brand building for specific products and sectors in global markets would help India earn more revenue and facilitate growth.

Source: forbesindia.com- Aug 12, 2019

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The grand illusion of 'free trade area'

The Regional Comprehensive Economic Partnership (RCEP), conceived during the 19th 10-nation ASEAN (Association of South East Asian Nations) summit-November 2011, was formally launched at the November-2012 ASEAN summit in Cambodia. The basic idea thereof being a 'free trade area' transcending 16 Asia-Pacific countries: China to India, Australia, New Zealand to Japan, South Korea and 10 ASEAN countries.

An idea, commensurate with the 'global village' slogan, was born. It is the world's biggest economic bloc, covering almost 50 per cent of the world demography (1.4 billion Chinese and 1.3 billion Indian).

However, how, and which way does India benefit by joining this 'club-16'? 'Free trade area' is an attractive slogan of/for 'globalisation' protagonists, in which free flow of capital, goods and labour constitute the core. But, the beneficiaries here usually are the minority 'big boys of the game', with non-beneficiaries constituting the majority. Regretfully, India thus far has not been a beneficiary therefrom.

What's worrisome for India at this point in time is the economic growth rate owing to the overall core sector slump and adverse bilateral trade balance with RCEP countries. The latest bilateral trade figures are too dismal to be ignored, and grave enough not to be noted, for course correction.

The figures of 2014-15 to 2018-19 are stark. With Australia, it's a consistent five-year deficit: $9,610.77 million in 2018-19. With Brunei too, the last five years have had adverse figures: $534.91 million deficit in 2018-19. With Beijing, owing to the Communist Party of China juggernaut, it's minus $53.567 billion.

With Indonesia, the 2018-19 figure is minus $1,0574.07 million; a familiar, repeat trend of last five years. With Japan, the 2018-19 deficit of $7,910.94 million is the continuation of an uninterrupted five-year flow. India's 2018-19 trade deficit with four countries of Malaysia $4,372.30 million; South Korea $1,2053.90 million; New Zealand $250.91 million and Thailand $3,000.41 million follow the same pattern of the last five years' adverse balance sheet.

The two bilateral trade figures with Singapore and Vietnam, however, are strange. India had a favourable trade balance with both for four years: 2014-15 to 2017-18. Nevertheless, from a surplus $2,735.83 million in 2017-18 to a deficit $4,709.37 million with Singapore in 2018-19, and $684.85 million in 2018-19 adverse trade balance deficit with Vietnam after a healthy surplus of $2,714.53 million in 2017-18 do not augur well for India's future international trade. Something serious must have happened in the business model and planning of India.

The only consistent, last five-year, silver lining for India is the bilateral trade figures with Cambodia, a surplus $153.35 million (2018-19) and the Philippines, $1,162.54 million (2018-19). Nearer home, Myanmar is a steady partner of bilateral trade; from a deficit of $458.30 million in 2014-15 to a surplus $684.11 million in 2018-19. Lao, nevertheless, is a mystery. After four consecutive adverse figures from 2014 to 2017-18, India's surplus for 2018-19 stands at $38.34 million.

Overall, therefore, the Indian position in RCEP appears non-promising. The 2018-19 trade deficit stands at a staggering $107.269 billion with 11 countries and a paltry $2.038 billion surplus from the four small countries of Cambodia, Lao, Myanmar and the Philippines, thereby making India a net loser of $105.231 billion.

Further, if one takes the larger picture of the total, the last five year-on-year trade balance of India, one would feel uncomfortable to state the stark reality. From an overall annual deficit of $137.694 billion in 2014-15, things improved a bit in 2015-16 to minus $118.716 billion and minus $108.504 billion in 2016-17. However, things deteriorated in 2017-18, with the total annual trade deficit shooting up to $162.054 billion and now, in 2018-19, to an all-time high of minus $184.33 billion.

In this scenario, what does India do now? Should India join the RCEP club-16? At a time of acute trade imbalance? Facing the industrially advanced and financially robust China, Japan, South Korea and the likes of Australia, Brunei, Indonesia, Malaysia, New Zealand, Singapore and Thailand with consistent high deficit? Will India be able to deal with, and reverse, the rising trade deficit in the multi-lateral trade mart when the bilateral itself is going haywire?

Hence, India must play her game to tell all RCEP, preferably bilaterally: “Look, you guys are eyeing our market for your finished goods. Fine. You have the advantage of industrial goods which we somehow cannot compete with, at this point in time. So, if you want access to our vast market and hinterland thereof, first give us access to our goods, services, labour and capital and guarantee us as to what description, quantity, value and types of goods you wish to buy from us.

Before going multi-lateral, let us be clear about the terms and conditions of the existing, or future, bilateral.” Here, an important thing needs to be borne in mind, without fuss. The RCEP has the indelible stamp of Chinese OBOR/BRI writ large all over. It’s the Australasian oceanic version of the land-centric 60-plus countries, spanning from Dairen (now Dalian) to Duisburg; Gwangzhou to Gwadar; Manchuria to Monaco. All going through land, to reduce the disruption possibility of Chinese sea-borne trade, and simultaneously enhance the seamless movement and mobilisation capability of Chinese civil and military assets through rail and road, across the 10,000-km Euro-Asian heartland.

The fundamental of the RCEP for India, therefore, has to be ‘national self-interest’. Absolutely. It’s the bounden duty and responsibility of the state to look after the interest of the 1.3 billion people and the industry, commerce and agriculture of India. Globalisation or no globalisation. The people of India must be looked after by the representatives of the people of India. It cannot be done by any foreigner.

If our industry suffers and companies go bust for lack of resources, and our food self-sufficiency collapses because of point-of-no-return agrarian distress, it’s absolutely no point to open our market to foreigners, like what the Mughals did under Jahangir in 1612. One foreigner substituted by another; and Indians suffering under foreign rule. That’s unacceptable in toto. No foreign country will come to the Indian market to help India. The

Powerful India of 1.3 billion head is bound to be perceived as potential 'threat to their existence'.

Hence, every foreign country axiomatically has to look after its own interest and the people thereof. They want the Indian market only. That's the bottomline of the global agriculture, trade, business, commerce and industry. Globalisation is a trap of the rich to exploit the non-rich and the soft.

Source: tribuneindia.com- Aug 14, 2019

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High Power Delegation Set To Explore Opportunities For Enhancing Trade And Investment With Russia

Commerce and Industry Minister, Piyush Goyal led a high-power delegation of Chief Ministers of Haryana, Gujarat, Uttar Pradesh and Goa and about 140 Indian companies to Vladivostok, Russia from August 11-13, 2019.

This visit came as a fulfillment of the assurance of Prime Minister, Narendra Modi to Russian President, Vladimir Putin during their meeting in Bishkek earlier this year on the sidelines of the SCO Summit, to explore opportunities for enhancing trade and investment from India to the Far East region of Russia.

About 200 Russian companies, Investment Agencies and Funds took part from the Russian side. Companies interacted separately with identified partners in an expanded B2B format and established contacts for further deliberations.

The companies belonged to a wide cross-section of priority sectors, including minerals and rare earth, energy, forestry and timber, healthcare, agriculture and food processing, ceramics, tourism and infrastructure.

Source: business-standard.com- Aug 13, 2019

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FinMin is working on a stimulus package for the industry in a bid to keep economic slowdown in check.

The slowdown-hit economy may soon get a booster dose from the government with Finance Ministry working on a stimulus package for the industry may include a slew of financial measures ranging from tax cuts, subsidies and other incentives.

Official sources said the package would not only aim to reduce the cost for the industry but would also lay out procedures that would further provide impetus to ease of doing business.

This could also include measures by the revenue department to ensure honest taxpayers are not harassed and those who commit minor or procedural violations are not subjected to excessive action. The Prime Minister has indicated about these measures in a recent media interview.

As concerned voices rise in India Inc over a consistent fall in demand, the measures would also try to address the issues of raising consumption by providing more money into the hands of consumers & reducing the prices of consumables by reducing indirect tax rates of a host of consumption items.

"The economy requires a critical intervention by introducing a stimulus package. We have suggested a package of over Rs 1 lakh crore," said B.K. Goenka, president Assocham.

Already, a separate package is being looked for the auto sector that met Finance Minister Nirmala Sitharaman last week. The industry has sought lower GST rates on automobiles and introduction of a scrappage policy that incentivises new purchase. This is expected to beat the slowdown that has resulted in passenger car sales plunging 35.95 per cent in July.

The collapse of some large NBFCs has been cited as a major factor for the sales downturn as these companies used to provide the bulk of automobile financing.

"We hope the government would come out very soon with a revival package of a sort to arrest the de-growth and to bring the industry back to growth path," SIAM's Director General Vishnu Mathur said.

The Government will, however, have to weigh the size of the stimulus package given less than encouraging revenue position and a fiscal deficit that has risen to 3.4 per cent in FY19 due to expansionary policies of the previous governments. It has also been kept at a high of 3.3 per cent of GDP in FY 20 as well meaning that this number would again have to be breached to offer a stimulus.

"The Finance Minister has held meetings with different segments of the industry to understand their concerns and get inputs on path to be taken to come of slowdown. Based on these, a package is being considered that may be announced soon," sources quoted earlier said.

The stimulus is also likely to cover the financial markets that have shown big volatility in recent weeks and particularly after the presentation of Union Budget on July 5 that raised tax surcharge on FPIs.

While Finance Ministry officials are not indicating what changes could be made, sources said the matter has been discussed internally and certain changes in taxation on share markets could be announced. Sitharaman met representatives of the financial sector on Friday.

In the financial sector, there is a possibility to relook at the long-term capital gains tax (LTCG). Sources said Finance Ministry is studying implications of withdrawing LTCG after the three year holding period. The other taxation on the market transactions such as tax on dividend distribution may also rejigged and so is the case with tax on share buybacks introduced in Budget this year.

The Finance Ministry is working overtime to see that economy does not shrink any further as it might lead to a crisis situations where lakhs may lose their jobs. Already, auto sector is seeing job losses and this might soon spread to other sectors that are on the brink of a recession.

Source: economictimes.com- Aug 14, 2019

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We decided to exit four brands with less growth potential: Kulin Lalbhai, Arvind Fashions

How was your first quarter versus the same quarter last year?

Quarter one has two particular things which are impacting both revenues and earnings. One is something which we had already indicated a quarter before -- we have decided to exit four brands where we felt that the scaling potential of the underlying businesses was not that large. So, to optimise the capital for the company and bet on the large scalable concepts, we have decided to exit these brands.

Arvind Fashions Ltd.

There is a one-time exit cost of these brands because whenever you exit a business in retail, you have retail stores, inventory and other things which need to be written off. There is a one-time writeoff that we have this quarter which is different from any other quarter of us.

Secondly, if you look at the results, the growth in our power brands looks low and I would just like to deaverage it. Inherently, the actual growth in our power brands is closer to 12% growth which in the current consumption environment is quite a strong performance on growth but what we see in the reported numbers is actually a negative growth on power brands and that is because we have decided to do lower primary sales in one channel which is what we call the multi-brand outlet channel.

This is a channel of smaller stores where we sell through distributors and we have seen that the secondary sales in this channel have been showing a downward trend so the company has decided to take a slightly conservative view and feed this channel a little less.

Where do you see maximum pain? Which brands or segments would you say were the worst hit in the last three to four months?

I do not think there is a specific trend. Even in a weak market, a relatively stronger brand would perform better. Tommy Hilfiger, US Polo, Calvin Klein, Flying Machine are all strong, more established brands. They would find tougher markets a little bit easy. Newer concepts would find the going relatively a little harder.

How many more unlimited stores could see closure? Are you looking to exit any of the other brands as well?

As far as the unlimited restructuring is concerned, it is already complete. There are some overflow stores in Q2, but that is marginal. I would say the unlimited stores restructuring in that sense is complete. Even the brand exits you would have seen in the result. We are exiting four brands where we did not see a huge growth potential in times to come. So that is a one-time cost and a one-time exit for the company. We are excited about the remaining portfolio and committed to it and now that we have freed up resources, we will be able to put those resources behind these exciting opportunities like Sephora, GAP, an inner wear which is growing rapidly.

What are the key categories that you are going to focus on once the consolidation period is over? When would we see a tangible improvement in your earnings?

The portfolio which we have is strong on its earnings profile. Some of the drag brands have gone out, some of the loss making network has also gone out. The remaining portfolio is strong on profitability and once the trade channel stabilises, you will see that the underlying business is strong on profitability.

The growth drivers for us will continue be the casual wear segment but the new segments of growth for us are the beauty segment with Sephora. Also, we are growing strongly in the inner wear as well as the kid segment. These are all growth focus areas for the group.

You had also outlined the centre of gravity shifting away from stores to mobile phones. About 80% of your buys are happening online. How are you leveraging this opportunity?

Online has been a very high growth segment for us. We have grown more than 50% year on year for many many years. It is now 17% of our business and the great thing is because we are strong on casual wear and casual wear dominates online.

In all the top portals, our company dominates the brand ranking as well. It is a very strong part of our business and our own omni-channel Nnow.com is also scaling up very well. It is becoming a large part of our online business and a good segment of our customers now shop with us both online and offline and those customers tend to spend a lot more on our brands. We are very well set on our omni-channel journey and it is scaling up very well.

Getting close to the festive season, how would you say that the sales are doing at the moment or likely to shape up over the next few months any guidance that you can give us?

It is very difficult for me to give any guidance. As of now, all that I can share with you is that July has been weak and the hope is as the festivals come close, there will be some sort of revival in demand. But it is very difficult to guess in this environment on how strong the momentum would be and when it would come. As of now we are focussed on efficiencies and making the most in the tough market.

Source: economictimes.com- Aug 14, 2019

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