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IBTEX No. 78 of 2018 April 16, 2018

USD 65.40 EUR 80.65 | GBP 93.21 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19529	40850	**80.17**

Domestic Futures Price (Ex. Gin), April

Rs./Bale	Rs./Candy	USD Cent/lb
20870	43655	**85.68**

International Futures Price

NY ICE USD Cents/lb (May 2018)	83.69
ZCE Cotton: Yuan/MT (Jan 2018)	14,835
ZCE Cotton: USD Cents/lb	**91.03**
Cotlook A Index – Physical	**92.4**

Cotton guide: Cotton in the last week was mostly stable with marginal gains in the price. There were no major events in the last week except that liquidation in May contract was taking place and part roll over onto July and subsequent contracts. From price perspective May ended the week at 83.41 cents up by 87 points from previous close while July posted a close at 83.35 cents up by 117 points. Interestingly the spread between May and July that had reached more than 100 points or 1 cent has again narrowed down to 18 points.

From the trading front volume were stable around 60K contracts almost in line with the entire last week's average daily trading volume and the open interests has continued to increase. With the price rise, volume stable and higher open interests indicates overall trend for cotton is still positive while the action is marginally low.

There wasn't much news all through the week however; there has been talk about slowing cash sales, mainly over price discrepancies. Some sellers are virtually sold out of old crop and far enough sold for now on new crop. May liquidation continued at a good pace, even without the Goldman rolls. Typically a few other funds extend their rolls one day before and after the Goldman rolls.

From the other part of the world, the Chinese State Reserve Auction's daily turnover rate was 41.57 percent: 30,013.155 tons (137,850 bales) offered; versus 12,477.301 tons (57,308 bales) sold. The cumulative turnover rate is 57.35 percent (offered versus sold). The cumulative figure sold since inception of auction this year on 12th march is 1818040 bales and the estimated remaining reserve is 2, 23, 24,083 bales.
Lastly on the technical fronts the July continues to hold 82/82.50 as good support while 84/84.50 cents is considered as strong resistance level. We believe market is expected to remain in the same range.
Coming to domestic front, the spot price broadly traded steady however, supplies for S-6 are offered on an ex-gin basis at between Rs. 40,300 to 41,800 per candy, the midpoint of which is equivalent to about 80.25 US cents per pound. In the Northern Zone, Punjab J-34 has gained a little ground, and is quoted at prices either side of Rs. 4,200 per maund ex-gin. Daily seed cotton arrivals have continued at the slower pace in evidence throughout the last week with an average daily arrival of 100 to 105K bales.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 16/04/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.75	3.05
Indonesia	2.56	2.85
Pakistan	2.38	2.77
Turkey	3.15	3.35
Source: CCF Group		

China yarn

Cotton yarn market showed fluctuation this week. Prices mostly remained stable. Trading sentiment in open-end cotton yarn market was modest due to seasonal demand. Inventory in spinners improved, but prices did not fall and kept stable with cost support and tolerable sales. Conventional cotton yarn market changed this week. Sales of knitting one kept smooth, but new orders reduced. Trading sentiment in Guangdong showed slack signs. Inventory of cotton yarn remained falling this week.

International yarn

Conditions in the cotton yarn market have been relatively stable. Moderate downstream demand is reported in Pakistan. In Egypt, a new strategy for the textile industry will be released in June. Monthly garment export earnings have continued to show year-on-year growth in Bangladesh. During February, US shipments of textile and apparel goods increased by 12.4 percent compared with the same month in 2017. Detail has emerged from Uzbekistan regarding the establishment of cotton and textile 'clusters' in growing regions. The authorities in China's Xinjiang region have made some qualifications to last month's withdrawal of support from new spinning projects.

Source: CCF Group

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INTERNATIONAL NEWS

China's Trade Surplus With U.S. Soars

First-quarter surplus hits $58.25 billion, up nearly 20%

China's trade imbalance with the U.S. worsened sharply in the first three months of the year, potentially adding fuel to the countries' already heated trade dispute.

China's trade surplus with the U.S. reached $58.25 billion in the first quarter, up 19.4% compared with the same period a year ago, official data released Friday showed. The rise in the surplus with the U.S. contrasted with China's overall trade surplus, which decreased nearly 20% from a year ago to $48.39 billion in the first quarter.

Chinese officials and economists have long attributed the imbalance to deeper economic factors, including the countries' differences in industrial structures and in household savings rates. Huang Songping, a spokesman for China's customs administration, told reporters that the imbalance should be looked at "in an objective and rational way."

China's trade gap with the U.S. is smaller than the official figures show if trade via Hong Kong and other transshipment points and trade in services are calculated, said Mr. Huang.

Though economists differ on the importance of trade balances, the Trump administration has criticized Beijing for what it says are unfair policies that hinder access to China's market, contributing to an imbalance of $375 billion in China's favor, according to U.S. statistics. China puts last year's surplus at $275.8 billion, the largest-ever annual figure.

Some economists said that the large first-quarter surplus is a sign that the imbalance is going to worsen this year, as the two governments pursue diverging policies.

Washington's expansionary fiscal policy contrasts with Beijing's efforts to reduce debt and financial risk, and that means the U.S. will import more while China will buy less, said Shuang Ding, an economist at Standard Chartered Bank.

"Continued imbalance with the U.S. is almost inevitable in 2018," he said. "What Trump looks at is the bilateral trade data, not China's total trade, so today's figure is definitely going to complicate any efforts to ease trade tensions."

President Donald Trump wants to reduce the imbalance with Beijing by $100 billion. His administration plans to ratchet up the pressure on China by focusing on new tariffs and threatening to block Chinese technology investment in the U.S., The Wall Street Journal reported Thursday. The administration has proposed tariffs on $50 billion in Chinese goods and threatened to go after $100 billion more.

To each measure, China has promised commensurate retaliation. A Chinese commerce ministry spokesman on Thursday vowed to stick to the government's "teeth-to-teeth" way of responding to any U.S. penalties and to fight back to the end.

Reviving global trade last year after several lackluster years gave the Chinese economy a boost, and, economists said, overall the first-quarter numbers show that China trade looks healthy. In the first quarter, China's total exports rose 14.1% from a year earlier, while imports climbed 18.9%.

A looming trade war, however, is going to dent trade growth, said Julian Evans-Pritchard, an economist at Capital Economics.

Source: wsj.com- Apr 13, 2018

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USA: Three Countries under review for GSP Eligibility; Next Assessment Starts This Fall

The Office of the U.S. Trade Representative is reviewing the eligibility of India, Indonesia, and Kazakhstan for benefits under the Generalized System of Preferences based on concerns about their compliance with program requirements.

These concerns are centered on market access for India (specifically in the dairy and medical device sectors), market access and services and investment for Indonesia, and worker rights for Kazakhstan. A public hearing and comment period for these reviews will be announced later.

USTR states that these reviews are based on the new triennial GSP country eligibility assessment process announced in October 2017 as well as GSP country eligibility petitions.

For each of the 25 Asian and Pacific island GSP beneficiaries covered in the first assessment period, USTR and other federal agencies examined the country's policies and practices related to each of the 15 statutory GSP eligibility criteria, including respecting arbitral awards in favor of U.S. citizens or corporations, combating child labor, respecting internationally recognized worker rights, providing adequate and effective intellectual property protection, reducing barriers to services trade and investment, and providing the U.S. with equitable and reasonable market access.

According to USTR, the next GSP assessment process will start this fall and cover beneficiary countries in Eastern Europe, the Middle East and North Africa, and the Western Hemisphere.

Source: strtrade.com- Apr 16, 2018

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US tightens pressure on Japan for bilateral trade deal

The U.S. is making a tougher push for Japan to begin talks on a bilateral free trade agreement, exploring demands on foreign exchange policy and exports, as Prime Minister Shinzo Abe prepares to visit the country this week.

President Donald Trump tweeted Thursday that Japan "has hit us hard on trade for years!" In a report published the following day, the U.S. Treasury Department said it "remains concerned by the persistence of this large bilateral trade imbalance" with Japan.

The department cited a nearly $70 billion surplus for Japan last year in terms of goods, though the figure shrinks to $56 billion when services are included.

Washington has repeatedly asked Tokyo to sit at the negotiating table, an official from the U.S. Trade Representative's Office said, adding that it was now just a matter of timing.

Trump and Abe are scheduled to meet on Tuesday and Wednesday in Florida.

With the U.S. headed for midterm elections in November, the White House faces strong pressure from agricultural groups and other players to ink a trade deal with Japan.

Tokyo recently signed onto a revised version of the Trans-Pacific Partnership with the 10 other members remaining in the trade pact following the U.S. departure last year. The revised TPP ultimately will lower Japanese tariffs on Australian beef to 9%, while the U.S. continues to endure a 38.5% levy, putting American producers at a disadvantage.

The automotive industry contributes the most to the Japan-U.S. trade imbalance. But Japan already scrapped its tariff against American cars, while the U.S. maintains a 2.5% tariff on passenger cars and a 25% levy on pickup trucks from Japan.

Instead of further discussions on tariffs, the American automotive industry wants measures that prevent Japan from weakening its currency, a White House source said.

The U.S. unilaterally announced an agreement on a similar foreign exchange policy with South Korea when the two countries renegotiated their trade deal. Washington also persuaded Seoul to accept a quota on steel exports.

Trump has yet to demand bilateral trade negotiations in his face-to-face meetings with Abe, choosing to prioritize their partnership against North Korea's nuclear program. The influence in the White House of current and retired military officers, who typically value the U.S.-Japan alliance, also has played a role.

But the honeymoon between Trump and Abe seems to be ending. As Trump seeks direct talks with North Korean leader Kim Jong Un, Japanese cooperation becomes less important.

The military players are losing influence in the administration. H.R. McMaster departed his role as national security adviser, while chief of staff John Kelly is reportedly at odds with Trump.

Trump lacks significant business experience in Japan and has little interest in the country, a White House source said.

On Thursday, Trump ordered U.S. Trade Representative Robert Lighthizer to look into the possibility of rejoining the TPP. But exiting the deal was one of Trump's most popular campaign promises among his Midwestern supporters.

The president is expected to call for an overhaul of the regional trade pact if Japan urges him to return to the framework.

Source: asia.nikkei..com- Apr 16, 2018

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Korea: Changsin-dong shows rise, fall of sweatshops

The sound of sewing machine runs down the maze-like small alleys from a ventilating pipe that is connected to a basement workshop of a family-owned small sewing factory. Fabric rolls are sitting in corners and motorcycles carrying fabrics and clothes run down the alleys.

Located in Seoul's central district of Jongo, Changsin-dong, a region densely packed with textile factories established in the 1970s, is home to the labor-intensive garment industry. Clothes produced there are sent to the nearby shopping district in Dongdaemun for sales.

The whole area is called a "living sewing street museum" where visitors can get a sneak peek into the rise and fall of the country's textile industry that was one of the main locomotives of the rapid economic growth called the "Miracle on the Han River" in the 1970s.

The Seoul Metropolitan Government opened "Iumpium Sewing History Center" in Changsin-dong, in order to commemorate the textile industry and female sweatshop workers for their sacrifice behind Korea's remarkable economic growth during its industrialization period.

The four-story building displays vintage photos that tell the history of the area and introduces sewing masters' stories and showcases their 20 to 30 year old scissors and small workshop tools.

"As the 19th century industrial revolution contributed to women's participation in labor outside the home in Europe, Korea's textile industry was where the female workers' labor was officially compensated. Under the conservative society deeply influenced by male-dominant Confucianism, those factories were the places where young women could get jobs and earn money. This area is where we can find the last remaining debris of those female workers' contributions to the economy," said Joon-sik, founder of Very Joon Oh (VJO), a creative design consulting firm that curates the space.

The export-oriented, labor-intensive light industries devised by the Park Chung-hee government resulted in the textile boom in the 1960s and '70s. Young, female manufacturing sector workers were lauded for their critical role behind rapid economic growth during those times.

In 1977, about 70 percent of all textile industry workers were female.

But their working conditions in sweatshops were horrendous, working overtime without proper compensation in unventilated small compartments made by factory owners who would squeeze as many sewing machines and workers into their factories as possible. Female workers, as young as thirteen would work 14 to 15 hours a day.

Jeon Tae-il, a tailor and activist, chose self-immolation in 1970 in an effort to make his and fellow textile workers' voices heard as workers at Pyeonghwa Market suffered from harsh working conditions.

Following his martyrdom, unions sprang up. Factory owners at Pyeonghwa faced rising rent and costs to meet stricter labor standards and relocated to new places in nearby Changsin-dong, opening their own small sweatshops.

Kim Mi-kyoung, a 54 year-old master specialized in making garment samples, says nothing has changed much over the past 30 years. Riding on the textile boom, she came to work at a factory as a part-timer when she was a high school senior. Like many others of her time, she was called by a number as a helper, instead of her name.

"I started ironing clothes and cutting overhanging threads of clothes. Then I took it as my job. Although the whole process of making clothes was somehow interesting, it was only some ten years ago when I finally found fun in my work. Before, it was just a means to feed me and my family," said Kim.

As her over 20-year-old scissors, displayed in the center, she became skilled and thought of leaving the job like many others. "Although I could do my job as easy as, say, blindfolded, the payment rate has remained almost the same for the past 30 years. It was only my situation _ living with my grandparents and taking care of children _ that didn't allow me to do something else," she said, adding that flat labor charge discourages the sewing industry the most.

Considering rising living costs, the rate is tantamount to one third of the rate 20 years ago.

Changsin-dong's textile industry has declined, as many factories moved their production lines overseas to China and other Asian countries in search of low labor costs.

With average workers aged 48, the district with over 3,000 factories clustered in 1980s have less than 1,000 small businesses surviving.

"Skilled sewing masters are mostly in their 60s and it is even hard to find 40-something workers now. Many young people enter the fashion industry dreaming of glamour of fashion designers. But, few want to become skilled tailor or sewing masters," said Kim. "If nothing is done, when living masters are gone, we cannot guarantee the future of Korean design 10 or 15 year from now."

Oh says the museum is part of a government effort to revive the district and the industry. "Sewing is like a root sustaining the fashion industry. Without good tailors and skilled sewing masters, the country cannot have good fashion designs. Still, now many inspiring fashion designers find this place to make their creative ideas into samples. In a single day, they can see ideas tried on clothes nearby," said Oh. "It means a lot to have such manufacturing industry in an urban area. It is the birth place of all Dongdaemun clothes and high-end fashion design."

Source: koreatimes.co.kr - Apr 15, 2018

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Kenya: Cotton returns as used clothes

Contrary to suspicion, Rwanda is not trying to undermine US hegemony in Africa in favour of China. Consequently, President Trump's Agoa salvo, which will find support in the US Congress, which is deeply suspicious of China, is a ploy to tame African leaders.

The US has suspended the duty free status for Rwandan apparel under the African Growth and Opportunity Act. Rwanda, in a brief statement released on April 3, indicated that this followed a decision in March 2016 by EAC member countries to raise tariffs on secondhand clothes imports to promote local manufacturing.

Unlike the WTO, Agoa is a commendable unilateral gesture by the US to sub-Saharan Africa countries, including Rwanda, meant to promote trade and development through exports. Rwanda is a victim of the 21st Century Cold War between China and the United Sates for two reasons.

One, the complainant of this ban is the Secondary Materials and Recycled Textiles Association. When Trump communicated his decision to suspend Rwanda for 60 days, Smart issued a celebratory press release on March 29. It read, “The proposed ban sparked international controversy regarding the textile industry’s role in Africa, as no ban or increased duties were slated to occur on imports from China, the region’s largest source of clothing imports”

Secondly, USAID published a report in July 2017, under the title 'Overview of the Used Clothing Market in East Africa: Analysis of Determinants and implications'. One of the data findings is “Chinese exports of ready-made clothes to the EAC reached $1.2 billion in 2016, dwarfing the value of used clothing imports by a factor of four.” It also states: “Chinese imports, particularly the undocumented and untaxed that flood the market, pose a much greater danger to EAC domestic industries.”

The cold war between China and the US is a reality. Recapitulate utterances by former US Secretary of State Rex Tillerson, as reported by VOA on March 7. Outlining the Trump administration's Africa policy, he said the US approach of "incentivising good governance" contrasts sharply with China, "which encourages dependency, using opaque contracts, predatory loan practices and corrupt deals that mire nations in debt and undercut their sovereignty."

VOA also reported Representative Chris Smith, chairman of the House Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations, saying that China's activities and actions on the continent have "propped up kleptocrats and autocrats." Then he added that China has been largely a negative actor in the region for some time, and “is building military relationships and partnering with one-party states, often to the detriment of good governance, the rule of law, and the African people themselves.”

Again, on March 26, 2018, Newsweek quoted the US House Intelligence Committee Chairman, Devin Nunes, saying on Fox New’s Sunday Morning Futures with Maria Bartiromo that China was a “big Problem”; and with his fellow Republican lawmakers, they were running an investigation on many aspects of China including intellectual property theft, currency manipulation, and its “military footprint” in Africa.

Statistics on the Agoa website shows that under textiles and apparel, US exports to Rwanda were $330,000 in 2016, which dropped to $132,000 in 2017. This is insignificant taking into account the US is the top exporter of used clothing at $575 million. If Rwanda was a top importer of secondhand clothes like Pakistan $239 million, or Malaysia $148 million, then this suspension would make sense.

The real issue for Rwanda and EAC is what we want in the next 20 years or so. This has been answered through the EAC Vision 2050.

The third pillar of this vision is industrialisation “that is built on structural transformation of the agricultural and manufacturing sectors, through high level value addition”. The ban of worn clothing is just one of the many policies which must be enacted to achieve this vision, without violation of WTO laws.

The General Agreement on Tariffs and Trade permits members to impose quantitative restrictions necessary to the development of a particular industry in the early stages of economic development.

Article XIX also permits quantitative restrictions necessary to prevent sudden increases in imports from causing serious injury to domestic producers.

The Vision 2050 targets to increase our GDP per capita from $1,014 in 2014 to $10,000 by 2050. This will not be possible if we continue listening to the US tell us to keep up the good work of producing cotton, then send it to Asia who are good in converting it to apparel for US to wear for a couple of seasons, after which they can sell them to Africans as affordable used clothes.

Source: the-star.co.ke- Apr 16, 2018

HOME

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Zara owner Inditex ramps up digital assault

The window of a model Zara store in Arteixo, in north-west Spain, is curiously empty.

That is, until you point your mobile phone at it and load up the Zara app. Then it springs to life on the mobile screen with augmented reality images of models wearing the fashion chain's latest designs. Customers can click through on the app and order the clothes online.

The technology, which launches in 120 stores later this month, may seem like a gimmick, but it is just one example of how Zara's owner Inditex is ramping up its online efforts amid changing consumer habits and the threat of nimble online-only retailers targeting millennials.

The accelerating shift towards internet shopping, combined with increased competition from online entrants such as Asos, Zalando and Amazon, has wrongfooted many of Inditex's rivals — most notably H&M Hennes & Mauritz.

The Swedish company last week reported a 60 per cent slump in first-quarter profit after a 32 per cent fall in the fourth quarter. H&M chief executive Karl-Johan Persson admitted "mistakes" by not adapting fast enough to the web.

Inditex is the world's largest fashion retailer by sales and considered best-in-class in terms of its bricks-and-mortar operations by analysts. It is determined to avoid the problems dogging H&M, while maintaining its dominance as consumers shift online.

With eight brands including Pull & Bear, Massimo Dutti and Zara Home, Inditex launched online relatively late in 2010, say analysts, but has since been using its size and market heft to grow fast.

"Inditex has been pushing hard into online and with a lot of success," says Anne Critchlow, retail analyst at Société Générale. "It has quickly launched free returns as well as next day delivery, and is powering ahead."

Last month, Inditex revealed the fruits of this labour for the first time: online made up 10 per cent of its €25.34bn group sales in 2017 with 41 per cent year-on-year growth.

“Online sales are becoming an element that is contributing significantly to the company’s growth,” said Inditex chief executive Pablo Isla as he unveiled the results.

Inditex plans to open online stores in all 96 markets where it operates, up from 49 today. Inditex has 19 warehouses globally dedicated to fulfilling online orders.

But the challenge for Inditex — and rivals — is not just expanding online sales when internet-only companies are snapping at their heels. It is doing so while maintaining margins amid pricing pressures.

“People can compare prices in an instant [online] and are more price sensitive, potentially putting downward pressure on margins as a whole,” says Richard Chamberlain, an analyst at RBC Capital Markets.

Inditex shares are down 22 per cent over the past year— in part due to concerns about margins, which fell to their lowest for a decade last year at 56.3 per cent.

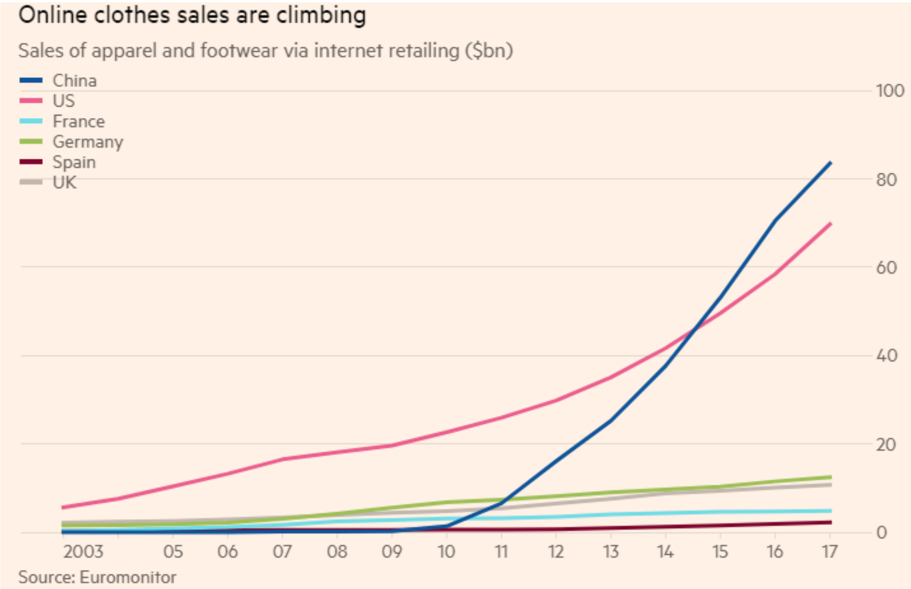
The company says the margin squeeze is mainly due to adverse currency effects, rather than strains in the internet business. “Online sales is not dilutive [to margins],” said Mr Isla on a recent call with analysts.

To keep margins up, consumers happy and stay ahead of rivals, Inditex is aligning a series of initiatives to bolster its online offering. Most of these are much more prosaic than augmented reality models.

One step is the roll-out of a centralised inventory system using RFID electronic tagging, to free up staff and enable shops to act like warehouses — improving efficiency. The system, already up and running at Zara, will be fully deployed this year at Massimo Dutti, Pull & Bear and Uterqüe, before completion group-wide by 2020, according to Inditex.

Another area is improving “click and collect” with automated services. One-third of its global online sales are now picked up in store, the company says. In a Zara store in A Coruña, near Arteixo, consumers enter an order number into a computer terminal and it is delivered to a nearby hatch for collection.

Analysts are positive about Inditex's strategy. This is in large part because it has an advantage over traditional rivals: its fast fashion model chimes well with the internet age.



Inditex produces many of its clothes in Spain, Portugal and other countries close to its headquarters. This is more expensive, and for years a model shunned by many rivals, but it allows Inditex to launch products quickly. It can get new designs in store in as little as 15 days, compared with a six to eight month average for the industry, says Andreas Inderst, analyst at Macquarie Capital.

"The industry is all about 'see now and buy now'," says Mr Inderst. "With the internet and social media fashions are changing so fast, and Inditex is one of the few retailers that can keep up with the speed of changing trends."

Mr Chamberlain says risks for Inditex still remain, such as declining footfall in stores — Zara is closing small shops to focus on flagships — and online-only rivals. Ecommerce groups such as Asos and Zalando are often just as fast — and sometimes faster — at bringing new designs to market.

"But Inditex is developing new high-tech initiatives for logistics and for customers online and is well placed to meet these threats," he says.

Source: ft.com- Apr 03, 2018

HOME

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China moves its factories back to the countryside

It is a scene typical of China's manufacturing regions: clattering machines and smocked workers piecing together clothes for foreign brands such as American Eagle and Uniqlo.

But this garment factory is far from China's usual coastal production hubs. Down a long unpaved road past yellowed fields, the factory lies in rural Henan, a province in China's central plains.

Once famous for exporting labour, Henan now wants it to return. So authorities are building factories in its villages to counter migration that has thinned its population, leaving crops untended and many children to be brought up by their grandparents.

The move reflects a stark shift in government focus. After decades of urbanisation and rural neglect, China's Communist party is seeking to revitalise the countryside, where wages and standards of living have stagnated compared with those of big cities.

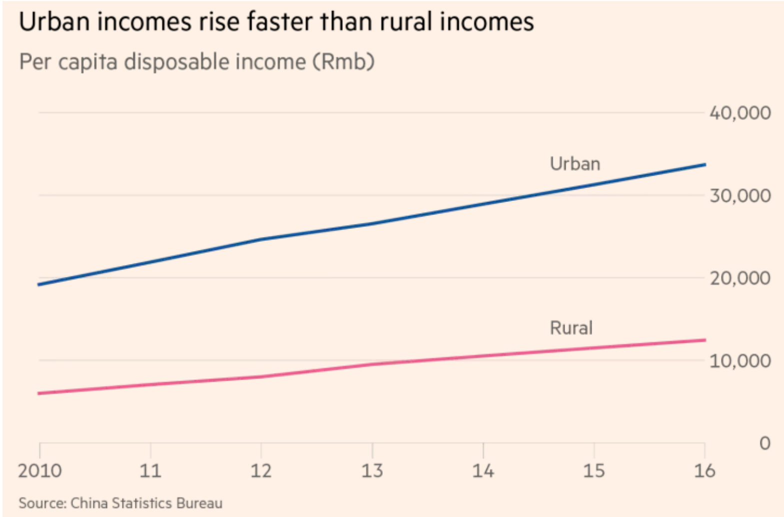
"In the long term, China's continued economic development will depend on people in fourth-tier cities, county towns and villages joining the consumer class," says Even Pay, an agriculture analyst at the Beijing-based research firm China Policy.

"This is the real aim of the rural revitalisation strategy."

The shift is embodied in Henan's Hua county, where the first "satellite factories", garment factories relocated wholesale from wealthier coastal regions, were rebuilt in rural villages with funding from poverty alleviation initiatives.

"We draw a circle on a map and, if there are enough villagers to employ here, we build a factory," says Shao Deming, manager of Jintai Garment, based in the affluent coastal province of Zhejiang.

Mr Shao began operating small textile factories in Henan's Hua county in 2015, making jackets for Chinese outerwear brand Bosideng. He now has 17, employing 2,600 workers. "The government built [those] 17 factories in one year. Normally it would take us two to three years to build one," he says.



The county pays for the buildings while Jintai pays for the equipment and workers, saving about Rmb1.5m ($235,000) per factory opening, according to Mr Shao. Such is the county government's zeal to build factories, Mr Shao thinks Jintai could have 80 more opening by the end of the year.

President Xi Jinping has made rural revitalisation a priority for his second term, singling it out as a policy challenge at a landmark party meeting last year and indicating he would push ahead despite a lack of success by his predecessors dating back to Hu Jintao.

Every year China's State Council devotes its first official policy document to agriculture. This year's Document No 1, as it is known, laid out a strategy — and expanded party control — over rural economic development.

The signalling from the party's upper echelons suggests there will be more programmes such as Henan's satellite factories to lure young workers back home. Numerous counties in the western region of Xinjiang and Shandong province have replicated Henan's model, building small factories making garments that require low-skilled workers and can be easily shipped from anywhere.

The relocations make economic sense. The days of cheap manufacturing on China's eastern coast, where wages have rocketed, are over.

In Hua county, workers earn an average Rmb2,000 a month for seven-hour shifts in a five-day week, lower than the average migrant worker salary of Rmb3,410 in Guangdong province, according to China's national statistics bureau.

For villagers in a region where job opportunities are scarce, the work provides a stable, if not luxurious, income source close to home. "At least I have a few thousand a month to take care of my child," says Qin Chengxin, a 38-year-old textile worker from Zaocunxiang village in Hua county. "It guarantees a basic quality of life."

Food security also is a driving factor behind rural revitalisation. China still largely depends on small-plot farming because of Communist land policies that hamper large-scale agribusiness.

But individual plots are often left fallow by people seeking higher wages in cities. That has put China dangerously close to dipping below its self-ascribed "red line", the minimum level of arable land needed to feed itself.

"Given its history, China feels it must hold its rice bowl with its own hands," says Ether Yin, co-founder of consultancy Trivium China. "As a Communist state, it cannot simply allow farmers to decide how to use arable lands in case it is diverted for commercial purposes."

Hua county is no exception. It has remained a big producer of sorghum, used for feeding livestock and as a stabiliser in processed foods. The satellite factories dotting Hua county design their shifts so people still have time to plant crops each day before or after work.

Bringing workers back to villages can mean that labour issues come with them. In the first two months of 2018, Henan experienced the highest number of strikes in mainland China, according to China Labour Bulletin, a Hong Kong-based advocacy group.

China also runs the risk of subsidising exporters as it provides capital investment into rural areas. It was penalised in 2015 by the World Trade Organization for giving tax breaks to exporters in seven sectors, including textiles.

For Mr Shao and his textile company, enlisting governmental help has been a boon, providing more than just buildings to house his operations. “They help us recruit workers and are much more effective than we could be because they know everyone.”

Source: ft.com- Apr 04, 2018

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Vietnam: Garment firms should meet workers’ needs to keep them: experts

Garment and textile firms should understand the needs of their workers and invest in enhancing human resource management to sustain a productive and quality workforce, a seminar heard in HCM City last Saturday.

Phạm Xuân Hồng, chairman of the HCM City Association of Garment, Textile, Embroidery and Knitting, told the “Develop high quality garment and textile workforce in the context of international business integration” seminar that building a skilled and “high-quality” workforce has always been a major focus for the garment and textile industry.

It is becoming an increasingly important factor since Việt Nam is acceding to many international trade agreements and has to compete with other countries.

According to the 2017 Better Work report published by the International Labour Office and International Finance Corporation, Việt Nam is the fifth largest garment and textile supplier in the world and second largest to the US.

Last year its exports were worth US$34 billion and they are expected to reach $35 billion this year.

According to Dr Phạm Xuân Thu, who has done a lot of research on the industry, though the exports are huge the value addition is growing at a very slow pace.

To bolster competition and add more value to Vietnamese garment and textile products, the industry should improve the quality of its workforce, he said.

Also according to the report, the garment sector is the largest formal employer in the country, providing jobs to more than 2.5 million people.

Thu said most garment and textile workers are young, with about 80 per cent of them being under 30, physically fit for the job and very hard-working.

Besides, the rate of workers with technical skills in the industry is 21.1 per cent, which is higher than the average rate of other manufacturing and processing industries, he said.

But the industry also faces some challenges such as its productivity, which is lower than the average rate for the country's industrial sector. With the two of them being VNĐ56 million ($2,460) and VNĐ104.3 million ($4,590) per person per year.

"Though the productivity of major garment firms is much higher than the average rate, Việt Nam has a huge number of small and household garment and textile businesses."

Another challenge is the high employee turnover rate, he said.

At major garment and textile companies like Nhà Bè, Việt Tiến, and Phong Phú, it is 15-20 per cent.

The number is much higher at small and FDI firms: 20-30 per cent and 30-40 per cent respectively.

Thu said one of the reasons for this is that companies fail to meet the needs of their workers. The monthly salary of a garment worker is around VNĐ4.3 million, which is just enough to cover 75-80 per cent of their basic needs.

"Though the salary has been raised over time there are still companies which fail to pay workers on time, leading to strikes and employees quitting."

Another reason is that employees tend to switch to other companies to look for better opportunities after getting training and experience, he said.

Besides, with the main workforce in the industry being young women emigrant workers, they are highly likely to quit their jobs to marry and return to their hometown after a period of time, he explained.

To retain employees, companies should identify their needs and make sure they are met and at the same time invest more in HR management, he said.

He said from his observation most managers and team leaders at garment and textile companies have a background in engineering but not in HR, and so companies should train them in HR management.

They should also offer advanced training courses to workers who show commitment, he added.

Source: vietnamnews.vn- Apr 16, 2018

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Automation and positive EU relations could boost Cambodia's growth

While textile is one of the most important sectors in Cambodia's economy, pressures from neighbouring countries is adversely impacting growth. To add to it, increasing automation and loss of preferential trade agreements is aiding to its woes. Employing 86 per cent of all factory workers, about 40 per cent of Cambodia's GDP comes from garment exports, while more than 800,000 people are employed in garment factories.

Rising wages a bane

Owing to its low-cost labour, Cambodia remains a favoured destination for global garment brands. But recent years have seen steep wage hikes for garment workers, and the trend has accelerated ahead of July's national elections. Minimum wage increased from $61 in 2012 to $170 this year. And to lure garment workers ahead of elections, Prime Minister Hun Sen has announced many populist policies, including increased burden for businesses to pay into their workers' funds at the National Social Security Fund. In a recent speech, he said experts say $250 per month is a reasonable minimum wage by 2023 or it could be even higher. This could prove catastrophic, say factory owners.

Eric Tavernier, CEO, France-based textile firm We Group, feels they cannot survive a 12 per cent wage increase every year. However, they don't have immediate plans to leave the country.

Indeed a significant number of factories feel the pressure and are considering moving out, not many are willing to come in. He feels, compared to Vietnam and China, the Cambodia has maintained its profitable edge only due to lower wages, as Cambodia's transportation, freight and export costs were much higher than neighbouring countries.

As competition is intense, they can't pass on the price increase to consumers. While Vietnam has high wages but there's better oversight, better shipping and more flexibility in the market. However, Heng Sour, Labour Ministry spokesman says increased costs and wage hikes have not deterred investment in the sector.

The January elimination of export management fee, along with exemptions allowed to prepayment tax – a 1 per cent minimum tax obligation paid on monthly revenue flows – are expected to amount to a $40 million tax break for factories this year.

Anthony Galliano, CEO, Cambodian Investment Management says Cambodia needs to improve a wide range of factors if it hoped to keep investment flowing. Cambodia's attractiveness and competitiveness has elevated over the last 10 years, primarily due to low labour costs. But infrastructure, productivity, energy costs and logistics must improve if it is to remain a major player.

Automation not easy choice

Stephen Higgins, Managing Partner, Mekong Strategic Partners feels if costs are going up faster than productivity, then Cambodia is at risk of losing factories to other countries in the region. Embracing automation is the only way they can improve productivity quickly to justify wage rises.

David Tan, MD, MyTeb Cambodia, notes Cambodia lacks both trained workforce and infrastructure to support an automated factory. Electricity and uptime remain a critical challenge. Without steady and uninterrupted supply of energy, many of automated processes will be disrupted, causing multiple delays and unproductivity.

On similar lines, Marco Kalinna, Founder, Cosmos Services says Cambodia can only be competitive in areas where labour costs are still an advantage. Mass-automation will find a place where electricity costs are affordable and there is proximity to markets, and Cambodia has none of these.
Preferential trade agreements

The EU imports more than 40 per cent of Cambodia's garments, making EBA a cornerstone of the Kingdom's economy. Kalinna says, removal of duty free (status) for garment exports to the EU would certainly have a shocking effect on the garments industry.

If that happens, within 18 months, up to 50 per cent of manufacturers would move out of Cambodia. It still remains to be seen if the EU would enact such a measure.

Higgins says there are more effective, targeted mechanisms for the EU to make their point than a broad brush approach like pulling the EBA.

The EU, prompted by protectionist concerns from member nations, launched an investigation into Cambodian rice exports last month – the first investigation of its kind of Cambodian exports.

The decision was unrelated to labour rights or the political situation but the move indicates Europe won't hesitate to re-evaluate Cambodia's tariff-free status if it determines it would benefit its members' interests.

On rising concerns, Galliano points out while strong statements threatening concrete steps have been issued, withdrawal of preferences are rarely implemented.

Source: fashionatingworld.com- Apr 14, 2018

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Global Growth Is Peaking—But Not Petering Out

The rare synchronized upswing of the global economy is looking down but not out.

What's happening, economists say, is that the broadest period of world growth since 2010 is peaking at an elevated level, not petering out. And the driver of the expansion is shifting to a fiscally juiced U.S. economy from a slowing Europe and Japan.

But they acknowledge that their forecasts of another year or more of solid economic activity have become more uncertain after a soggy start to 2018, an outbreak of trade tensions and a ratcheting up of concern over Syria.

"If you had talked to me two months ago, I would have said there are upside risks," to global growth, said Ethan Harris, head of global economics research at Bank of America Merrill Lynch in New York. "Now I'm seeing downside risks."

Central bankers and finance ministers are emphasizing the positive as they prepare to gather next week in Washington for meetings of the International Monetary Fund.

Both Federal Reserve Chairman Jerome Powell and European Central Bank President Mario Draghi delivered upbeat economic assessments in recent days, suggesting they'll push ahead with plans to scale back monetary stimulus.

That's not to say that everything's copacetic. Citigroup Inc. calculates data in major economies are undershooting forecasts by the most since last June with its measure for the euro zone the weakest in almost six years. JPMorgan Chase & Co.'s composite index of manufacturing and services worldwide hit a 16-month low in March.

View Challenged

"For the first time in a year we're talking about a challenge to our view" of strong, synchronized growth, said Bruce Kasman, chief economist at JPMorgan Chase & Co. in New York.

Australia's central bank said Friday that international investors are underpricing the risk of an economic shock that could alter the outlook for financial markets.

Add in a raft of exogenous risks, including a potential U.S.-China trade war, and it's no wonder investors are worried.

Yet all the sturm und drang hasn't forced economists to materially mark down their forecasts. They see the world economy expanding 3.7 percent this year and next, in line with 2017's out-turn, according to a Bloomberg survey this month. Goldman Sachs Group Inc. is penciling in 4.1 percent for 2018.

"Fed tightening, trade tensions, and China deleveraging all threaten to drag on growth, and some of the latest signs point to softness creeping in," said Tom Orlik, chief economist for Bloomberg Economics. "So far though the main story for the global economy in 2018 is one of remarkable resilience."

One reason for continued optimism is that some of the first quarter weakness was due to harsh weather. "A couple of months of some soft data in the wintertime in Europe and the U.S. is not meaningful," said Allen Sinai, president of Decision Economics Inc. in New York.

What's more, the tariffs being discussed by the U.S. and China just aren't large enough to make a meaningful impact on an $80 trillion world economy. Deutsche Bank economists reckon that a limited conflict could lop just 0.2 percent from each countries' gross domestic product.

Most importantly, though, the underpinnings are sound.
Workers are starting to benefit from the tightest labor market in years in Germany, Japan and the U.S., where take-home pay is also rising thanks to tax cuts.

U.S. tax breaks are boosting U.S. companies' finances as well, encouraging them to spend more on factories and equipment. In fact, capital outlays are increasing worldwide as corporations increasingly put rising profits to work.

"Investment growth may be turning a corner" after years of lagging behind, Ben May, director of global macro research for Oxford Economics in London, wrote in an April 3 report.

In China, the stronger capital spending should help offset the drag on growth from industrial consolidation and economic reforms, said Cui Li, head of macro research at CCB International Holdings Ltd. in Hong Kong.

Monetary policy also remains easy across the world and even after their recent wobble, financial markets remain a positive impulse for growth in the U.S., according to Goldman Sachs economists.

Not 'Overly Concerned'

"There have been negative surprises, but we're not that overly concerned," said Goldman Sachs economist Jari Stehn. "The bottom line is that the global growth numbers have moderated, but we're not rolling over as much as some of the data suggest."

That's assuming all goes to plan.

IMF Managing Director Christine Lagarde this week warned that the trade spat could snowball into something much worse, damaging confidence and investment. Bloomberg Economics reckons a full-blown trade war could wipe $470 billion off global gross domestic product, the size of Thailand's output.

Perhaps the biggest risk is a rash of self-reinforcing pessimism in which households, investors and consumers react to headlines about trade wars and softening demand by pulling in their horns and undermining their economies even more.

That's why there's a nagging sense of doubt, according to Janet Henry, global chief economist at HSBC Holdings Plc in London.

"Global growth has been coming off a very high level," she told Bloomberg Television. "At this stage it's unclear if it's moving to a more sustainable level of growth or a more sustained downtrend."

Source: bloomberg.com- Apr 14, 2018

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Pakistan: Devaluation benefits

The rupee plunged over eleven percent against the dollar in the last months. Following this currency devaluation, the impact assessment of the devaluation on different sectors of economy, and whether it will be able to achieve its desired results of boosting the exporting sectors, is currently being debated.

Exporters have welcomed the move with caution, since this will also increase the already surging cost of doing business by increasing the prices of energy, raw materials and transportation. However, for raw material producers, like cotton farmers, the devaluation is God-sent. They will benefit from both the devaluation of currency and the rise in international price of cotton, as payment for domestic cotton is directly linked to internationally prevailing prices.

Textiles, the country's largest exporting sector, will be impacted by the devaluation by a small increase in export volume as well as by the negative impacts of doing business at an increased cost. In the form of higher energy prices, the Reclassified Liquefied Natural Gas has become unaffordable, whereas the cost of raw materials has also increased. Where the latter accounts for 70 percent of the finished product, the former constitutes almost 15 percent.

For sustainable growth in the textile sector, free availability of quality raw material is required. Being the major raw material in textiles, cotton has gradually deteriorated both in quality and in quantity over the last decade.

The government now plans, as reported by several newspapers, to halt cotton imports or impose duties during crop harvest in an effort to ensure farmers get an attractive price and are encouraged to plant more in the next season. However, this appears to be untrue since the country already faces a shortfall of three to four million bales a year to maintain its current production level, let alone meet the increased requirement of rising exports.

According to a report submitted to the cabinet by a special committee on cotton, production has faced virtual stagnation since 1991-92, fluctuating within the range of 10 to 12 million bales.

In 2015-16, the output dropped even below 10 million bales – 9.9 million. Pakistan's annual consumption needs are estimated at 15 million bales, turning the country into a net importer of cotton. If we put a ban on cotton imports or impose import duties our textile sector will starve and any textile production will not remain competitive. Therefore, the industry which has recently shown growth will start declining once again.

Pakistan's cost of manufacturing is already highest in the region. So if raw material price is further increased by 10 percent, as compared to the global price, there is no chance for the cotton spinning sector to survive. We have already lost one-third of our spinning capacity in the last four years due to a high cost of business.

If duties are imposed on cotton imports now, we will likely lose another one-third of our spinning capacity. Pakistan's industry already gets cotton at a price almost five percent higher than India due to crop shortage. The rate of cotton in India today is around Rs7,200 per bale, compared to Rs7,900 per bale in Pakistan.

Internationally, the price of cotton was around 68 cents per pound at the start of the cotton season. Now it has currently risen to more than 82 cents per pound, and is expected to further increase. There has been a hike in the international cotton prices. A dollar was worth Rs105 during the last cotton season and is equivalent to Rs115 now; it will probably be more than Rs120, at least, during the next season. So phutti (cotton) rates will automatically be much higher the following year.

Cotton prices in Pakistan are fixed in accordance with New York's prices. So the devaluation of currency will already be getting farmers a much higher price for their cotton. With the devaluation and a higher international price there is certainly no requirement to impose any duty on cotton this season, as the farmers would reap substantially higher financial returns from the cotton crop.

In the early 2000s, when the Argentinian currency lost its value, the agricultural produce became the country's most precious currency. Grains were considered more reliable and more welcomed than cash because they are priced in dollars. They were traded for new vehicles, homes and watches.

Even the Ford Motor Company, General Motors Corporation and Toyota Motors started country-wide sales pitches and taught their employees how to swap vehicles for grains.

Restricting cotton import by imposing duty as a policy response to the declining cotton production is not the solution to the problem. We need imported cotton to meet our consumption and expansion requirements, especially if exports are to grow.

Policymakers should focus on increasing the cotton cultivation area and production, especially as the issue of water scarcity intensifies. Among all Kharif crops, cotton requires the minimum amount of water, hence, special attention should be paid to increase its growing area this season.

If the textile industry stagnates due to paucity of raw materials, cotton farmers will suffer and will have to export raw cotton instead, as in the case of sugar farmers. They will have to sell their produce at prices lower than the domestic price. On the other hand, the textiles export sector will also shrink, creating with an even greater trade deficit, which would be dangerous for the country's economic security.

Shahid Sattar is a former member of the Planning Commission. Hira Tanveer is a policy analyst.

Source: thenews.com.pk- Apr 16, 2018

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NATIONAL NEWS

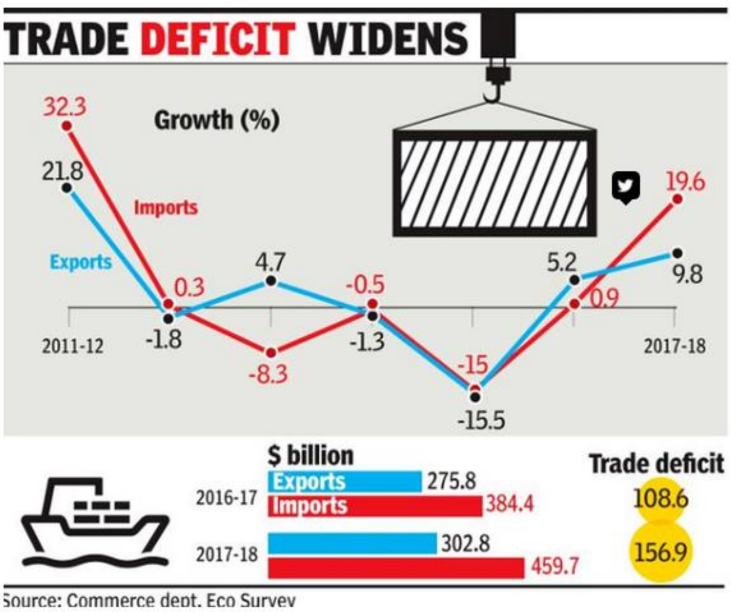
Exports grow at 9.8% in 2017-18, fastest in 6 years

India's exports rose 9.8% during 2017-18, the highest growth rate in six years, while imports went up nearly 20% as commodity prices pushed up the value of shipments in and out of the country along with a pick-up in global trade.

But, exports dipped 0.7% in March to $29.1 billion led by a decline in shipments of gems and jewellery and petroleum products from the country, latest data released by the commerce department on Friday showed.

This was the first decline in four months as oil exports dropped 13%, while gems and jewellery exports fell nearly 17%. During March, import growth too slowed down, rising 7% to $42.8 billion, leaving a trade deficit of $13.7 billion.

In 2017-18, trade deficit was estimated to have widened to $157 billion, compared to $109 billion in 2016-17.



"With the expansion in imports nearly twice as high as export growth in FY2018, the merchandise trade deficit widened by 44% in the just-concluded fiscal.

ICRA expects the current account deficit to more than triple to $47-50 billion (around 1.9% of GDP) in FY2018 from $15 billion in FY2017," said Aditi Nayar, principal economist at the ratings agency.

While exporters' lobby group Fieo said that the overall number was positive, it warned about the adverse impact of protectionism and geo-political uncertainity.

"We are worried about the labour-intensive sectors such as gems & jewellery, garments, and many other sector of exports, dominated by MSME, which are still facing the problem of liquidity," Fieo president Ganesh Kumar Gupta said, pointing to numbers for March 2018.

Source: timesofindia.com- Apr 15, 2018

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US-China trade war: Can it help India surmount its own trade deficit?

China is India's largest trading partner with bilateral trade reaching almost $72 billion in 2016-17, an increase of 88% from $38 billion in 2007-08

India's trade deficit with China increased more than two-fold (219%) from $16 billion in 2007-08 to $51 billion in 2016-17, according to commerce ministry data. India's imports ($61 billion) from China were six times its exports ($10 billion) in 2016-17, making rising trade imbalance a major concern.

"Increasing trade deficit with China can be attributed primarily to the fact that Chinese exports to India rely strongly on manufactured items to meet the demand of fast expanding sectors like telecom and power, while India's exports to China are characterized by primary and intermediate products," C. R Chaudhary, minister of state in the commerce ministry, said in a reply to the Lok Sabha (parliament's lower house) on December 18, 2017.

The recent trade war between the United States of America and China has sparked a ray of hope for Indian exports such as cotton, soya bean and maize to Asian markets, especially to China. As China imposes tariff barriers to US products, Indian exports are expected to increase.

For instance, cotton has been one of India's leading exports to China, but volumes have shrunk considerably in the past few years.

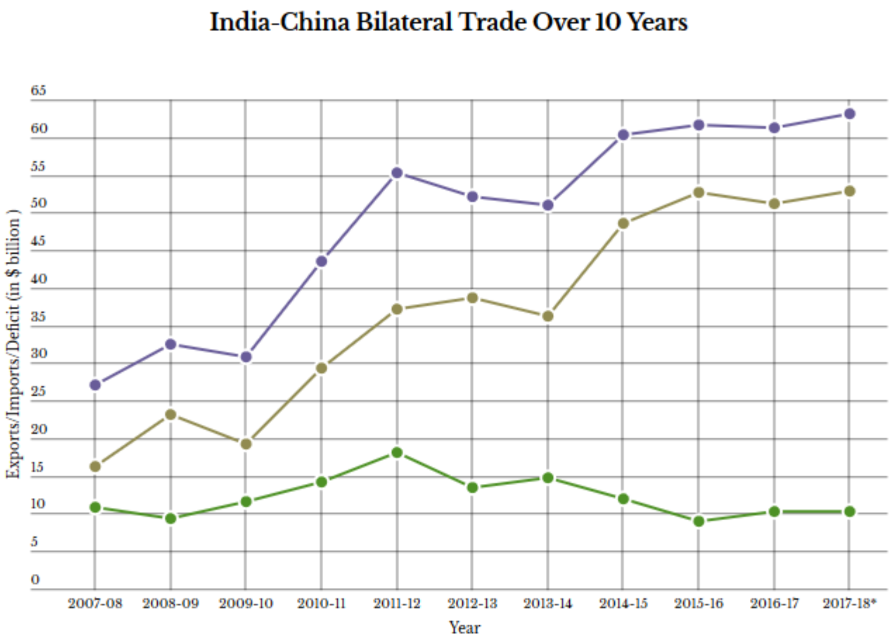
Now, China has imposed a 25% tax on US imports of cotton, and shipments from India are expected to see a boost this year.

Largest trading partner

China is India's largest trading partner with bilateral trade reaching almost $72 billion in 2016-17, an increase of 88% from $38 billion in 2007-08.

Bilateral trade between April 2017 and January 2018 was reported to be more than $73 billion, the most over the last decade.

India's imports from China have more than doubled (125%) over the last decade, from $27 billion in 2007-08 to $61 billion in 2016-17. Imports crossed $63 billion in January 2018, the most in the last 10 years.



India's exports to China have declined by 6% from $10.9 billion in 2007-08 to 10.2% in 2016-17. India reported exports worth $18 billion in 2011-12, the most in the last 10 years, which fell 43% to 2016-17.

India's major exports to China include ores, slag and ash, cotton, organic chemicals, mineral fuels/oils, copper and its articles.

Imports include telecom instruments, electronic components and instruments, computer hardware, organic chemicals, plastics and plastic items.

"Imports exceed exports because of shortages/non-availability of items domestically or because of the cost competitiveness of the foreign manufacturers," Chaudhary said in another reply, this time to the Rajya Sabha (parliament's upper house), on March 7, 2018.

What is causing India's trade deficit

Ores, which are minerals used to extract metals or manufacture chemical compounds of metals, were India's top export to China in 2016-17, totalling $1.7 billion. This figure was 73% lower than the $6.2 billion worth of exports in 2007-08.

Cotton is the second most exported commodity to China in terms of value. Cotton worth $1.3 billion was exported to China in 2016-17, which comprised an 18% increase in trade value compared to 2007-08, when $1.1 billion worth of cotton was exported.

However, exports have declined by 67% over the last six years, from a peak of $4 billion in 2011-12.

China is the largest market for India's cotton yarn, yet exports halved from $2.2 billion in 2013 to $1.1 billion in 2016. The decline is attributed to China's increasing import of cotton yarn from Vietnam, which registered an 88% increase over the same period.

"China has shifted from India to Vietnam/Indonesia as they have duty free access while Indian yarn carries 3.5% import duty," Sanjay Kumar Jain, chairman of the Confederation of Indian Textile Industry, told The Times of India in this December 15, 2017, report.

Another important factor is competitive prices of Chinese products in the Indian market. For instance, Chinese solar cells cost 35% less and solar panels 10-15% less compared with locally made ones.

Over the last five years, India's import of solar panels from China has increased more than six-fold (623%) from $389 million in 2012-13 to $2.8 billion in 2016-17. India imported 88% of all its solar panels from China in 2016-17.

India "does not have a manufacturing base for polysilicon, ingots/wafers, the upstream stages of solar PV manufacturing chain, which is a very energy intensive and capital intensive process... some of the reasons for poor manufacturing capacity are high cost of land/ electricity, low capacity utilization, high cost of financing", the reply to the Rajya Sabha said.

Domestic manufactures have, in fact, complained that Chinese solar panels and chemicals are dumped into Indian markets. (Dumping implies selling in a foreign country at a price lower than the cost of manufacture in the home country.) A hundred Chinese products bear an anti-dumping duty, according to the government's reply to the Lok Sabha on December 18, 2017. Of these, chemicals and petroleum constitute the most (47 products), while steel and other metals (10) and fibers and yarn (9) are among the top products.

How to boost Indian manufacturing

India ranked 30 among 100 countries on the structure of production scale, a global manufacturing assessment index created by the World Economic Forum for its Readiness for the Future of Production Report 2018. Japan topped the list, followed by South Korea, Germany, Switzerland and China. India scored 5.99 on the index (on a scale of 0-10, where zero is the worst and 10 the best score), as compared with China's 8.25 and Japan's 8.99.

The assessment was based on two key components: 'Structure of Production', a country's current baseline of production, and 'Drivers of Production', the key enablers that position a country to transform production systems at the advent of the 'fourth industrial revolution'. On the Drivers of Production index, the US topped the list, followed by Singapore and Switzerland. India ranked 44, below China (25).

It cited human capital and sustainable resources as the two key challenges for India. "Efforts are made to promote manufacturing through initiatives like 'Make in India', 'Digital India', 'Skill India' etc. which provide support for promoting domestic manufacturing capacity in the country," Chaudhary's Lok Sabha reply stated.

Manufacturing Competitiveness: India, China and the US

Countries	Structure of Production – Rank (Score)	Drivers of Production – Rank (Score)	Manufacturing Value Added 2010 $ Billion	Manufacturing Value Added Growth Annual %	Manufacturing Employment % Of Working Population
China	5 (8.25)	25 (6.14)	3000	6.5	NA
US	7 (7.78)	1 (8.16)	1969	0.8	10.2
India	30 (5.99)	44 (5.24)	424	8.4	11.4

Source: Readiness for the Future of Production Report 2018

Investment is one of the key challenges for India, Uttara Sahasrabuddhe, professor of international relations at the University of Mumbai told IndiaSpend. “There have been significant efforts to push investments through initiatives like Make in India, but still we are far off to match with China.

Poor governance, labour laws that are becoming fast outdated and connectivity are some of the other issues that we face,” she said, “[The] Chinese have an upper hand when it comes to infrastructure which is the foundation of any good manufacturing sector.

We don’t have that type of port connectivity or transport linkages within the country, or even uninterrupted electricity supply. India will have to overcome these challenges to compete with China, transforming itself into a manufacturing hub, key to boost exports.”

Towards trade balance

In a move to promote Indian exports and reduce the trade deficit with China, the two countries developed a Five-Year Development Programme for Economic and Trade Cooperation in September 2014.

The programme aims to strengthen cooperation and achieve trade balance over the next five years by focusing on services, especially in information technology and related services.

With the success of Bollywood movies at the Chinese box office, India is planning to appoint Aamir Khan as its brand ambassador to China.

Source: business-standard.com- Apr 16, 2018

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Data drive: Trade protectionism on the rise

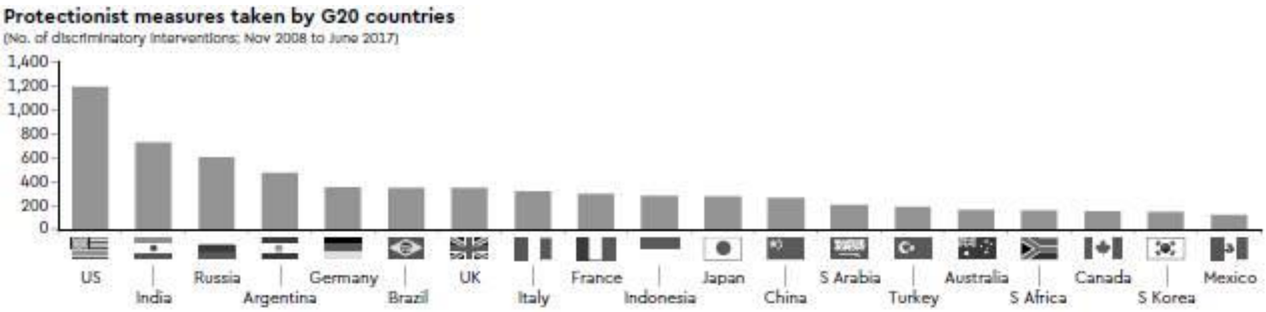
The number of anti-dumping initiations increased to a high of 360 in 2017, nearly twice of what was seen in 2011.

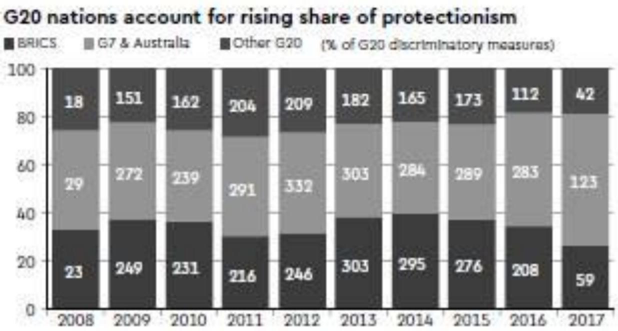
The number of regional trade agreements, which saw a continuous rise after the Asian financial crisis in 1997-89 to a peak of 34 in 2008, declined sharply to 8-9 in 2017.

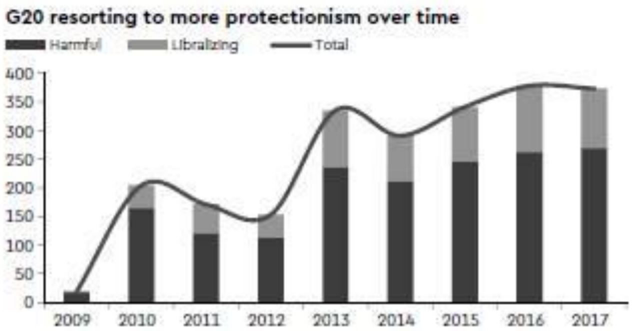
While the trade war between the US and China is escalating, protectionism has been rising across the world since the 2008 global financial crisis. Taking the lead are the G20 countries, which together account for 84% of world GDP and 79% of world trade.

India, too, ranks high on protectionism.

The number of anti-dumping initiations increased to a high of 360 in 2017, nearly twice of what was seen in 2011.







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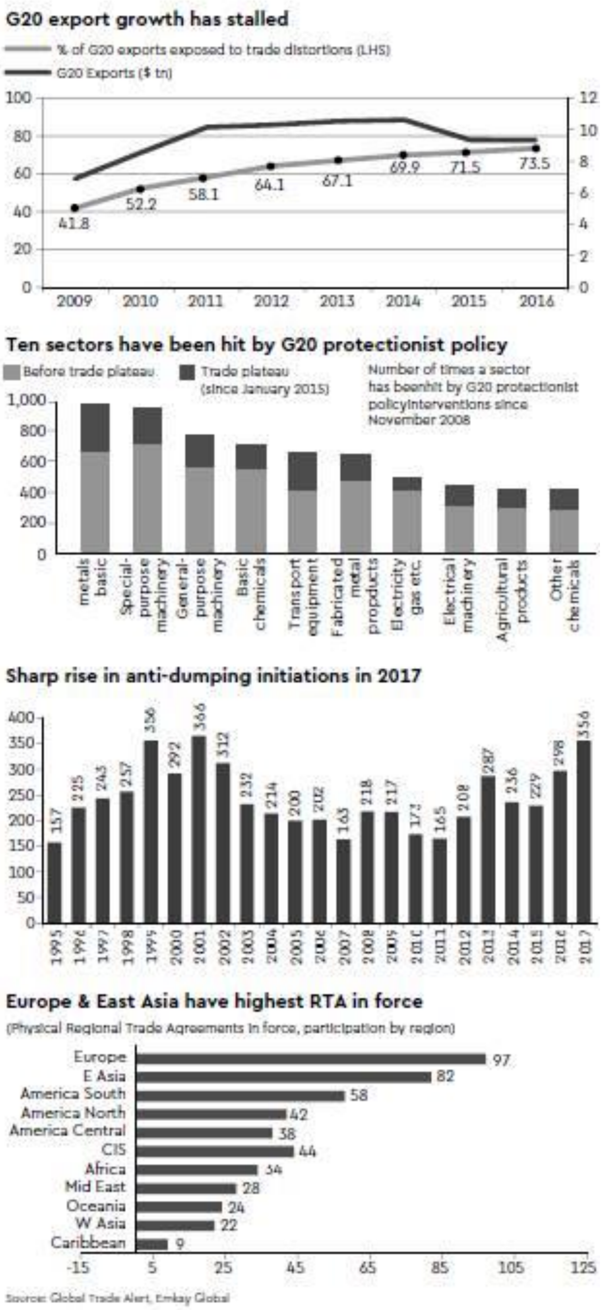

Most of the protectionist measures are not tariff-related like the US imposing higher tariffs on steel and aluminum imports last month.

Over 60% of the G20's restrictive measures are in the form of export measures, mostly tax-based, followed by trade finance and subsidies.

A report by Emkay Global says a high frequency in protectionist action is seen in sectors such as basic metals, organic chemicals, machinery, transport equipment and made-up textiles.

Increase in protectionism stems from the fact that there is a disproportionate shift in economic gains because of trade liberalisation in favour of developing Asian economies.

The report says, the US may be ring-fencing its recovery amid elevated public debt, further fiscal expansion and normalisation by the Federal Reserve.

Source: financialexpress.com- Apr 15, 2018

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$5.6 billion Indian exports may be hit as US weighs tighter policy

The Donald Trump administration is going to review the generalized system of preferences (GSP) through which Indian exporters get preferential market access to the US

Indian exports up to $5.6 billion could be hit as the US pressures India for greater market access by declaring a review of the generalized system of preferences (GSP) through which Indian exporters get preferential market access to the US.

The GSP programme allows duty-free entry of 3,500 products from India, which benefits exporters of textiles, engineering, gems and jewellery and chemical products. The total US imports under GSP in 2017 was $21.2 billion, of which India was the biggest beneficiary with $5.6 billion, followed by Thailand ($4.2 billion) and Brazil ($2.5 billion).

The Trump administration has been accusing India of unfair trade practices and has challenged most of its export subsidies at the World Trade Organization (WTO). It has also not granted India an exemption on unilateral hike in steel and aluminium tariffs, unlike to its other strategic allies.

On Friday, the US treasury department added India to the currency practices watch list saying New Delhi increased its purchase of foreign exchange by $56 billion in 2017 which does not appear necessary given its already robust foreign exchange reserves.

The US Trade Representative (USTR) on Friday announced that it is reviewing the GSP eligibility of India, along with Indonesia and Kazakhstan, based on concerns about the countries' compliance with the programme.

For India, the GSP country eligibility review is based on concerns by the US dairy industry and medical device industry alleging Indian trade barriers affecting US exports in those sectors.

India has very high import duties on dairy products to protect its domestic industry. It has also recently put price controls on medical devices like cardiovascular stents, drawing ire from big US pharma companies.

"India has implemented a wide array of trade barriers that create serious negative effects on US commerce. The acceptance of these petitions and the GSP self-initiated review will result in one overall review of India's compliance with the GSP market access criterion," USTR said.

A commerce ministry official speaking under condition of anonymity said though India is worried about the move, it hopes a majority of US industries which get cheaper intermediate products from India due to GSP benefits will support continuation of the programme. "We hope it won't be easy to withdraw GSP benefits to India," he added.

Abhijit Das, head of the Centre for WTO Studies at the Indian Institute of Foreign Trade, said given Trump's tendency to take unilateral action, there could be threat to India's continuous access to GSP. Das said India should be ready to drag the US to dispute settlement if US stops extending GSP to India on the grounds that India is creating market access barriers to the US.

Though GSP is a voluntary measure by the US and other developed countries, they need to be guided by firm WTO principles, Das said. In 2003, India won a case against the European Commission as the latter denied India GSP on textiles and drugs, making such preferences conditional to countries combating drug production and trafficking or protection of labour rights and environment.

However, Ajay Sahai, director general and CEO of the Federation of Indian Export Organizations, said India should not be too jittery about the announcement of a GSP review. "It seems to be a posturing from the US, signalling India that it should not join China in its disputes against the US on steel and aluminium as it wants to bargain hard with China."

"I don't think the US is reviewing its GSP policy. If on objective and transparent criteria, India graduates on some products, that is still fine. In every GSP review, we lose out on some products, as India becomes competitive and gains greater market share," he added.

Source: livemint.com- Apr 16, 2018

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Intra-state E-way bill rolled out in 5 states including Gujarat & Kerala

E-way bill requirement for intra-state movement of goods has been rolled out in 5 states, including Gujarat and Kerala, from today. The electronic e-way bill for inter-state movement of goods valued over Rs 50,000 was rolled out on April 1. The GST council had decided on a staggered rollout of intra-state e-way bill starting with 5 states — Gujarat, Uttar Pradesh, Andhra Pradesh, Telangana and Kerala.

From midnight till 5 pm today, about 2.4 lakh e-way bill (both interstate and intra-state) was generated on the portal, an official said. The official said that there has not been much increase in the generation of the e-way bill today on account of intra-state roll out. On the day of inter-state roll out of e-way bill on April 1, about 2.89 lakh such bills were generated in 24 hours.

The official said one reason for not much increase in the number could be because Gujarat has mandated e-way bill for intra-state movement for only 19 items. These items include edible oil, oil cakes, ceramic tiles, iron and steel, processed tobacco, gutkha, cigarette, cement, timber products, tea, marble and granite.

“Gujarat State hereby notifies that no E-Way Bill is required to be generated for intra-city movement as well as intra-state movement of all goods within whole of the territory of the State except for intra-state movement… of 19 goods of consignment value exceeding Rs 50,000,” said the notification of the Gujarat State Tax commissioner.

Since the roll out of e-way bill for inter-state movement of goods from April 1, more than 91 lakh such bills have been generated till yesterday. Karnataka is the only state which had rolled out e-way bill system for intra-state movement of goods from April 1.

Touted as an anti-evasion measure and would help boost tax collections by clamping down on trade that currently happens on cash basis, the e-way bill provision of the goods and services tax (GST) was first introduced on February 1. However, its implementation was put on hold after the system developed glitches in generating permits.

With several states also starting to generate intra-state e-way bills on the portal, the system developed a snag. Since then, the platform has been made more robust so that it can handle load of as many as 75 lakh inter-state e-way bills daily without any glitch.

Source: financialexpress.com- Apr 15, 2018

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Gujarat to host textile summit Farm to Fashion in May

Farm to Fashion summit will be held in Gujarat, May 4 to 6, 2018. The textile summit will provide a common platform for the entire value chain of textiles to deliberate and develop a vision for the industry for 2030.

The event will provide opportunity for networking to more than 150 exhibitors, over 1,000 delegates, government officials and representatives of the textile industry from across the country.

Farm to Fashion will showcase exclusive clothing lines with an iconic fashion show by some of the country's distinguished fashion designers, aspirational stylists and leading fabric companies of the world.

The textile event will develop a vision for the industry 2030 with focus on issues faced by cotton farmers, women empowerment, youth employment opportunities and positioning of the Indian textile industry as the pioneer in environment-friendly industry practices.

The summit will encompass a conference with 17 technical sessions by global speakers, exhibition with a focus on best

Indian fabrics, café corners, a fashion show and an industrial visit. Experts and scholars will offer information and unveil insights about latest research, trends, innovations, best practices along with solutions to the challenges at hand.

Source: fashionatingworld.com- Apr 14, 2018

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Border trade management set for big overhaul

Land Ports Authority moots upgrade of customs stations to ICPs, seeks operational freedom

The Land Ports Authority (LPAI), which is controlled by the Ministry of Home Affairs (MHA), has proposed a complete overhaul of India's border trade management facilities.

The LPAI was created in March 2012 to build and operate state-of-the-art integrated check-posts (ICPs) with neighbours.

According to sources, in a recent proposal to the ministry, the LPAI expressed its intention to take over all Land Customs Stations (LCS) dotting India's 15,000-km-long land border, and upgrade them to mini-ICPs aided with a weigh-bridge, warehousing, parking facilities and other amenities.

Operated by the Customs, LCSs suffer from a near-complete lack of basic facilities. Officially, there are 136 such customs stations. However, not all of them are functional.

The proposal, if approved, will remove multiplicity of agencies in managing border infrastructure, cut red-tape, reduce the scope of duty leakage through under-invoicing and help offer standardised services to trade and passengers.

Rough estimates suggest that the cost of developing each mini-ICP on five acres of land should not exceed ₹25 crore.

The LPAI also sought exemption from the HCCAR (Handling of Cargo in Customs Areas Regulations, 2009) regulation of the Customs, to help them run ICPs and mini-ICPs with as much operational freedom as is enjoyed by airports and seaports.

As per the regulation, Customs enjoys discriminatory power to interfere in the day-to-day management of land ports.

Why mini-ICP?

LPAI currently operates five ICPs — two each along the Bangladesh and Nepal borders, and one on the Pakistan side. Two more ICPs — one each on the Myanmar and Bangladesh border — are under construction. In the second phase, 13 ICPs are proposed to be developed.

The facility in Agartala is highly sophisticated. In comparison, even in large LCSs as in Cangrabandha and Panitanki, bordering Bangladesh and Nepal respectively, customs and immigration officials operate from thatched huts and cargo is unloaded in the open on the roadside.

LPAI thinks mini-ICPs will facilitate trade and offer customs greater opportunity to prevent duty leakages, as unscrupulous traders take advantage of the absence of weigh-bridges to under-invoice. In the absence of a sanitised parking zone, security is also compromised at LCSs.

Unaccounted trade

The concern is not baseless.

Third-country goods enter North-East India from Myanmar. The actual trade between India and Bangladesh is perceived to be double the official estimates ($7.5 billion). And the Nikkei Asian Review recently pointed out how Nepal is playing a central role in smuggling gold from China to India.

To stop such activities, the Sashastra Seema Bal (SSB), which guards the India-Nepal border, had proposed the upgrade of LCSs a couple of years ago. The proposal has now caught the attention of the LPAI.

Mini-ICP at Tripura

To showcase the merit in its proposal, the LPAI is now gearing up to convert Srimantapur and the LCS at Sipahijala district in Tripura, bordering Bibirbazar in Bangladesh, into a mini-ICP.

The Tripura government set up the ₹16 crore immigration and cargo handling facility under the erstwhile ASIDE (Assistance to States for Development of Export Infrastructure and Allied Activities) scheme of the

Centre. However, there was no one to operate it. The facility was recently handed over to LPAI.

A similar facility at Sutarkandi in Assam is also lying unused.

Source: thehindubusinessline.com- Apr 16, 2018

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E-way bill rules: CBIC lays out process for goods detention

'Time-bound uploading of forms by officials, case closures to ensure uniformity'

Field officers have been asked to follow standard procedure for intercepting conveyances for goods inspection and their confiscation under the e-way bill rules.

The Central Board of Indirect Taxes and Customs (CBIC) has laid out a detailed procedure with respect to time-bound uploading of reports and forms by revenue authorities, time-bound closure of cases where goods have been detained and instructions to release goods where there are no prima-facie irregularities.

This would "ensure uniformity" in the procedure of interception or conveyance for inspection of goods, detention, seizure, and release and confiscation of such goods and conveyances, the CBIC said in a circular.

The roll-out of the e-way bill for intra-State movement of goods in U.P., Gujarat, A.P., Telangana and Kerala is slated from April 15. The jurisdictional commissioner shall designate an officer to conduct interception and inspection of conveyances and goods in the jurisdictional area, the circular said.

Bill validity rules

"On being intercepted, the person in charge of the conveyance shall produce the documents related to the goods and conveyance.

"The officer shall verify such documents and where no discrepancies are found, the conveyance shall be allowed to move," the circular said. E-way bill in the form of a print out, SMS or written on invoice would be considered valid.

If a discrepancy is found or where the officer intends to undertake inspection, a statement of the person in charge of the conveyance shall be recorded.

Source: thehindu.com- Apr 16, 2018

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TS told to step up exports

Union Commerce Secretary holds review meeting

Union Commerce Secretary Rita Teotia has said Telangana should have a strategy in place to increase exports from the State.

Apart from IT and Pharma sectors, State should focus on other sectors too for exports like value added products through the agriculture based industries, she said in a meeting held with Chief Secretary S. K. Joshi and other senior officials at the Secretariat here on Friday to review exports from the State.

She asked Telangana to depute a team to the Global Exhibition on Exports to be held at Mumbai in May.

A nodal officer would be appointed to discuss with the State government on issues related to Union Commerce department.

The meeting also discussed infrastructure required for increasing exports.

Appreciating the Union Commerce Department for conducting the review, Dr. Joshi said it would help the State to review its potential and the government would focus its attention on the issues raised in the meeting.

The State would take all measures suggested by the Union Commerce Department to increase exports from the State.

Telangana was leading in IT and Pharma products exports and the government was making serious efforts to set up agriculture based industries, the Chief Secretary said. Abundant opportunities in Tourism, Medical tourism, Services, Hospitality and other sectors would be utilised to step up exports, he added.

The Chief Secretary told the Central official that 30 % of pharmaceutical products in the country were manufactured in Telangana and the State accounted for 20 % of pharma exports. The value of exports in 2016-17 was ₹85,470 crore.

Ms.Teotia later reviewed goods and products being exported from Telangana and discussed exports of egg powder, essential oils, meat, rice, textiles and cotton. She also said the data exploring the possibilities of exports to various countries through the Central Commerce Department should be analysed regularly.

Source: thehindu.com- Apr 14, 2018

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