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US 71.33| EUR 79.19 | GBP 86.32| JPY 0.67

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
20191	42200	**75.39**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
20630	43117	**77.03**

International Futures Price

NY ICE USD Cents/lb (December 2019)	59.62
ZCE Cotton: Yuan/MT (September 2019)	12,405
ZCE Cotton: USD Cents/lb	80.04
Cotlook A Index – Physical	**70.90**

Cotton Guide: Finally, cotton futures were able to cross the threshold of 60 cents/lb last evening. This breach was witnessed after the release of strong export sales data. These price levels were last seen on August 02, 2019 after which the market experienced a free fall to touch 57.25 cents/lb.

The most active ICE December contract however could not sustain the price rise and thus settled at 59.62 cents/lb with a change of +5 points. The high figure seen for ICE December was 60.18 cents/lb.

The total volumes did not bring much cheer though. Total volumes summed up at 20,676 contracts.

US Weekly Export Sales figures-

The Net sales for 2019/2020 were at 329,100 Running Bales (RB).

Country

Country	Increases Running Bales
Bangladesh	120,400
Vietnam	76,700
Turkey	41,900
Mexico	21,300
Mexico	16,900

Table 1: Net Sales for 2019/2020

We can see from the table above that net sales data for Bangladesh were exceptionally high. Bangladesh currently has taken the advantage of the prevailing lower international prices. There is a fresh hue of demand coming in from both Bangladesh and Vietnam.

The price drop which started on the 5th of this month has not been able to break in either direction. It is evident that the Specs pushed the prices further down. Since then, the prices are seen to remain consolidated. Speaking in a broader sense, it is difficult for the prices to go lower that 56 as the US Government's loan scheme kicks in. On the other hand the prices are not able to rise due to a multitude of bearish factors.

Therefore fundamentally speaking for ICE, we expect prices to be range bound with a positive bias towards 63 cents/lb. In case, if today prices are able to settle above 60 cents/lb, it would not take much time for prices to hit the 61.50 cent/lb mark thus pushing the prices ahead. 63 cents/lb seems to be highest mark where the prices can again see another new consolidation range.

For today, for the international contracts we are biased towards the positive side.

On the domestic front, trading was subdued due to the holiday shortened week. The volumes seen for the last contract of the year MCX August contract was at 20,630 Rs/Bale with emanated a change of +70 Rs. The other new contracts of the New Year were at 19,890 Rs/Bale and 19,580 Rs/Bale with -60 Rs and -100 Rs for the October and November contract months respectively. The total lots summed up to 1067 as the volume figure which shows lack of trade in the Domestic Market.

The Cotlook Index A is at 70.90 cents/lb which is a gain noted of +1.30 cents/lb when compared to the figure seen on Wednesday. The prices of Shankar 6 are averaged at 42,200 Rs/Candy.

While analysing some international news, US President announced that the trade war with China will be fairly short. We need to note that there have been many instances in the past one year where an agreement was seen to almost have materialized but was pulled out eventually by either side. Therefore this kind of statement is thought to be of little value. On the other hand, there is news also of China preparing to retaliate against the implementation of the new US tariffs on September 01, 2019 which is emanating a bearish picture.

Therefore we can see two contradicting statements, one supporting the bulls and the other supporting the bears.

While speaking about the fundamental demand, we are yet to see a sure shot confirmation (excluding from the recent demand emanating from Bangladesh and Vietnam).

On the technical front, Prices are consolidating and trading in a range of 58-60 with a DEMA(5,9)=59.49,59.67 are flattening suggesting a sideways move. Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00 also providing an immediate support for price to rebound towards the near term resistance zone at 60. RSI (Relative strength index) trading below 39.30 indicates the sideways to negative bias for the day. So for the day we recommend to trade in the range of 58-60 with a sideways view to negative bias. Sustaining below 57.50 will intensify its selling pressure and closing above 60 will negate our bearish view. In the domestic market MCX Aug future is expected to trade in the range of 20400-21000 with a sideways to positive bias. While a close below 20400 will weaken the price trend..

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

UK economy shrinks for 1st time since 2012

British economy shrank in the second quarter for the first time since 2012 as uncertainties related to Brexit put pressure on firms, according to official figures. The resulting drop in pound reportedly reflects the market disappointment to the quarterly contraction, which lowered the annual growth rate to 1.2 per cent from 1.8 per cent in the first quarter.

The development has led to speculations that the economy could experience its first recession in a decade. Explaining the fall in the April-June period, the Office for National Statistics noted there was "increased volatility around the UK's original planned exit date from the European Union (EU) in late March."

Brexit was scheduled to occur on March 29 but delayed till October end after parliament rejected the withdrawal agreement that the previous prime minister Theresa May had negotiated with the EU. Many UK firms used up warehouse space before the announcement of the extension to tackle any possible disruption arising out of the United Kingdom leaving the EU on March 29 without a deal.

That stockpiling helped the economy grow by 0.5 per cent in the first quarter. When the extension was granted, there was less need for firms to stockpile. The run-up to the original Brexit date also prompted many car companies to bring forward their annual maintenance shutdowns to April as they concluded that the early weeks of a no-deal Brexit would be the most disruptive.

The combination of these factors led to a 1.4 per cent quarterly decline in the output of production industries, according to British media reports.

Business investment, which has been weak since the country voted in June 2016 to leave the EU, weakened further in the second quarter, contracting by 0.5 per cent.

Most economists think that a no-deal Brexit would lead to a deep recession; even Brexit's most passionate supporters say it would be disruptive in the short-term.

New treasury chief Sajid Javid has accepted that this is a ‘challenging’ period for the global economy, but insisted the fundamentals remain ‘strong’.

Source: fibre2fashion.com- Aug 16, 2019

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Why it’s a Good Time to Take Another Look at Sourcing in Central America (Yes, Again)

Whenever the apparel supply chain is staring down some sort of upheaval—whether it’s the Tranche 4 tariffs, fires in Bangladesh or China wage hikes—many decide that it’s a good time to take another look at sourcing in Central America.

Gail Strickler, president for global trade at Brookfield Associates, has been involved in Central America sourcing in a variety of roles since the mid-1990s, including previously serving as the assistant U.S. trade representative for textiles and apparel. And as someone who’s seen the ups and downs—and the challenges and the limitations—associated with this region, Strickler told Sourcing Journal that right now is indeed a very good time to do business there.

For one thing, the CAFTA-DR agreement facilitates free trade between the United States and El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, and these nearshoring opportunities translate into reduced transportation costs thanks to a region that’s no more than five days away.

Factories in this area also have smaller minimum order quantities, Strickler said, while businesses are investing in state-of-the-art technology for their facilities. Add in the new large-scale polyester producer that opened last year in Honduras, and all of this combines for increased capacity and thereby speed to market, she noted.

While there has been some wage pressure, Strickler said there hasn’t been a dramatic increase in prices thanks to increasing productivity.
“Part of that is people feel confident the orders are coming and the trade benefits will continue,” she said.

Niche advantages

Although the region doesn't yet have the technology or capacity to manufacture at the same scale as its Asian counterparts, it's established some proficiencies in its own niche way, said Michael McDonald, president of SPESA, an industry association for suppliers to the sewn products industry.

"Maquiladoras are already prominent in Central American countries, and 90 percent of maquiladora production is in textiles," he noted. "The majority of factories are not prepared to produce at the same rate as China, but with investment in advanced manufacturing tools they will likely begin to keep pace."

Lucia Palacio, promotion director for VESTEX, the Guatemala Apparel and Textile Association, cited the region's skills in knit tops and bottoms, with specialization in blends and special finishes such as dying, washing, screen-printing and sublimation.

McDonald also described Central America as being much more stable than it has been in the past, "with less conflict and better governing."

"The development and expansion of several free trade zones in Central America has also created an incubator of sorts that puts startups and new entrepreneurs alongside major brands and manufacturers," he said, with benefits including faster response shipping and easier financing compared with mass manufacturing in Asia.

Growing awareness

The region is certainly seeing an increase in activity. U.S. apparel imports from CAFTA-DR countries increased 7 percent in January through June of this year versus the prior-year period, according to data from the U.S. Office of Textiles and Apparel (OTEXA).

McDonald said that Adidas and Nike have begun shifting footwear production to the area in an effort to decrease factory-to-supply time, a decision he said was less likely driven by tariffs than a desire to benefit from closer-to-home production.

“Even companies who have prioritized U.S. manufacturing are looking to Central America,” McDonald said, citing the direct-to-consumer apparel brand Ministry of Supply. When developing its customized 3D-knit women’s dresses, Ministry of Supply worked with Shima Seiki to manufacture them in the U.S and have them delivered within 10 days, he said. For the men’s shirts, however, U.S. manufacturing was prohibitive, so they instead partnered with a manufacturer in Central America to still achieve the same delivery time.

“Small businesses seem more likely to move, as they cannot afford the uptick in costs associated with shipping and tariffs,” McDonald noted “Many companies that sell products through retailers like Amazon are heavily considering shifting production to countries such as India, Vietnam and the Central American region.”

Looking ahead

“CAFTA-DR countries will never be Asia—in prices, labor and the application of technology—but in the long run this region has to keep up with the apparel business,” said VESTEX’s Palacio, who touted Guatemala’s small size as allowing companies to be nimbler and more flexible with their updates and innovation.

McDonald agreed that the region still holds its own set of unique challenges, including the different dynamics between countries. “Guatemala has been one of the strongest manufacturing countries in the region but has taken a significant hit over the last several years due to minimum wage increases—now having one of the highest in the region,” he said, noting that Guatemala lost nearly 30,000 jobs in the textile sector from 2006 through 2018, in large part because of these wage increases.

However, recent law changes now permit part-time workers there, which he said is expected to be a significant boon for the industry.

For her part, Strickler wondered if whether further business development in the region—or perhaps more voiced support of CAFTA-DR by the Trump administration—could even become a solution for stemming some of the United States’ illegal immigration issues.

“Here you’re having this huge issue of illegal immigration primarily from…several of the countries that are the strongest in terms of the opportunities that [the U.S. and Central American governments and the private sector] could create in the textile and apparel sector," she said. "So maybe there's a chance for the threats of the China tariffs and the push for reducing illegal immigration to look at the opportunities to really create long-lasting jobs and long-lasting strategy in Central America that becomes more of a win/win situation."

Source: sourcingjournal.com- Aug 15, 2019

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What Chinese Manufacturers Are Doing to Mitigate Trade War Damages

This week's Sourcing trade show at MAGIC in Las Vegas brought together an anxious collective of apparel manufacturers from all corners of the globe, many of whom have been waiting with bated breath to see who will extend an olive branch in the ongoing trade war between the U.S. and China.

A definitive resolution may not be in the cards anytime soon, and the details surrounding the impending tariffs become murkier by the day. On Tuesday morning, the Office of the United States Trade Representative (USTR) announced that "certain" new footwear and apparel items would be exempt from the forthcoming 10 percent tariff increase set to take effect on Sept. 1, and that some wouldn't face the tariffs until Dec. 15. And by Tuesday afternoon when the lists for each wave of tariff implementation were released, it was clear manufacturers would be in much the same position they were in Monday, as many apparel and footwear items remain on the Sept. 1 list.

Reminiscent of a fashion United Nations, The Sourcing floor at Magic brought together manufacturing hopefuls from Bangladesh, India, Cambodia and Vietnam this week, all looking to pull market share from the group's reigning MVP—China.

The crown has weighed heavy on China's apparel manufacturing sector in recent months. Chinese exhibitors expressed fear, vexation, annoyance and resignation when asked about the future of their businesses' relationships with U.S. brands in the wake of trade negotiations.

"The tariff increase will hurt us very much, because most of our businesses are low-profit. The 10 percent will be damaging, especially for the discount stores," said Bob Zhang of BingBing, which produces men's ready-to-wear button-down shirts.

"They pay the duty, and they don't want to continue to buy from us," Zhang said of some of his U.S. customers. Many are calling for the company to offer discounts to offset the tariff increase—a burden BingBing can't afford to take on after already offering a 5 percent discount to those same customers earlier this year.

Still, Zhang takes some comfort in knowing that his customers can't pull away from Chinese manufacturing completely. No other country has the capacity to deliver the mass quantities that they require.

"Even if they want to move," he said, "they still need some quantity made in China."

Zhang is exploring other measures to mitigate the tariffs' effects. He's even considering opening up offices in other countries "to avoid the trade barrier." That would just be the first step, he said. If things went well, he would consider moving his factory operations to another South Asian country, like India, Bangladesh or Indonesia.

Rajesh Kumar Sharma, a representative for Avees Exports in Hong Kong, explained that his company, which mass manufactures intimates and school uniforms, is sheltering in place, for now.

Though Sharma said orders have been decreasing over the past two to three years, he's committed to China because his business depends on the ability to create large orders. He's able to offer competitive prices to his customers because they purchase significant quantities, he said.

He admits that Avees has taken a hit, though, now that his long-term clients are incrementally pulling away from China. The only solution, he said, is to look for fresh prospects.

"I came here to find new buyers," he said, looking out over the showroom floor. "We need new markets, new opportunities," he said.

Other manufacturers have managed to rise above the fray, evading the tariffs for now because of the nature of their goods. William Ma and Justine Luo run Woolma, a high-end fabric, custom suiting and uniforms business, and their goods aren't included in the list of products to be taxed.

"Because of the blend of our fabric and the fineness of the wool, the tariffs that are in place are kind of under our market," Luo told Sourcing Journal. "We do wool, cashmere and silk blends, and the current tariffs actually don't affect us at all."

Ma develops the proprietary fabrics in the company's line, blending fine materials with functional technologies like spill-repellant agents, and Woolma sells those fabrics as well as custom and ready-to-wear pieces to international brands.

Luo said mid-range and fast fashion goods will be disproportionately impacted by the new trade laws—and in fact, Woolma might have something to gain from the equation.

The tariffs could actually have a positive impact on Woolma's business, the owners said, because the company won't have to cut its prices to compete as so many other apparel brands have, or will. Instead of offering discounts to customers to offset the impact of the 10 percent tariffs, Woolma can go about business as usual.

Other suppliers, like WD Fashion, which manufactures specialty men's outerwear, have already felt the tariffs' impacts, but, they're confident they will weather the storm through proactive positioning.

Huang Siyi, the company's owner, said he started having discussions with his American customers as soon as the 10 percent tariff increase was announced.

He was able to strike a deal with many of those partners in which WD Fashion and its factories would absorb 3 percent of the additional cost, and the customers would find a way to pay the other 7 percent—or, more likely, raise prices and pass that cost along to the end consumer.

WD's product line, which includes finely detailed men's outerwear garments, caters mostly to small specialty accounts, Siyi said, and those brands have a little more wiggle room on pricing.

Additionally, Siyi's team is able to provide these small accounts with more tailored, personalized service and designs—a benefit he believes would be tough to replicate with another supplier outside of China. "Our product is not for the huge audience. It's for more specialized customers," he added.

Despite his cautious optimism, Siyi is testing the waters outside of China, too "We have a production area in Bangladesh—but that's only for some very basic styles," he said.

When asked whether he's worried that his customers' eyes will wander outside of the country as well, Siyi said not just yet.

"Everyone's saying that one day, the trade war will finish," Siyi said. "Nobody thinks that the trade war will take ten years to be over. If the trade war ends in two or three years, and you move to another market, then you'll lose China's manufacturing. And coming back would not be so easy."

Source: sourcingjournal.com- Aug 14, 2019

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India, China no longer 'developing nations', 'taking advantage' of WTO status: Donald Trump

US President Donald Trump has said that India and China are no longer "developing nations" and were "taking advantage" of the tag from the WTO and asserted that he will not let it happen anymore.

Trump, championing his 'America First' policy, has been a vocal critic of India for levying "tremendously high" duties on US products and has described the country as a "tariff king".

The US and China are currently engaged in a bruising trade war after Donald Trump imposed punitive tariffs on Chinese goods and Beijing retaliated.

Source: thestatesman.com- Aug 14, 2019

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Brazilian cotton output to increase by 32.9 per cent

Data released by CONAB shows, Brazilian cotton output may increase by 32.9 per cent to reach 2.665 million tonne by in July, 2018/19. Exports may increase by 60.3 per cent to 1.5 million tonne.

Domestic consumption is likely to rise by 2.9 per cent to 0.7 million tonne. Therefore, ending stocks may rise by 70.7 per cent to 1.135 million tons, for the first time to be above 1 million tons since 2011.

The large increase of cotton output makes the supply glut more obvious. Compared with the data released in June, the consumption and exports are revised lower somewhat, leading to higher ending stocks.

In early Aug, global stock and commodity market turns bearish, and CONAB is likely to revise lower the consumption and exports in Aug. Under the continual weakness of global cotton textile industrial chain, the supply glut of Brazilian cotton is more obvious with higher cotton output.

In details, cotton areas in Brazil rose by 36.2 per cent year on year, and in the major cotton producing areas, Mato Grosso and Minas Gerais, areas increased by 38.3 per cent and 68 per cent respectively.

For yield, the average level moved lower slightly by 2.5 per cent to 1665 kg per hectare, but the higher areas stimulated the higher cotton output.

Currently, it is still the harvest period for Brazilian cotton, and US cotton crop is setting bolls. China will start the picking in Sep in earliest, and the harvests will be around Nov in India.

For the largest four cotton producers in the world, Brazilian new cotton supply is quite ample at present.

Source: fashionatingworld.com- Aug 14, 2019

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Chinese apparel makers riding on Bangladesh to enter India

Chinese garments are coming to India via Bangladesh. Cotton garments such as trousers, shorts and shirts and cotton T-shirts are among the top four imported items from Bangladesh.

This surge is catching up in synthetic textile products as well, at a much faster rates. The high volume of imports from Bangladesh is one of the main factors that has caused stagnation in the textile business in India.

Bangladesh holds the second largest share in readymade garments in the world, after China.

Textile companies from China provide fibers and fabrics to units in Bangladesh and get them exported as finished goods to India.

Bangladesh can export over 60 products to India duty-free, including readymade garments.

The value of garment imports from Bangladesh into India has risen 480 per cent in the last five years. China is seen as taking undue advantage of this trade leniency to Bangladesh.

India imposes GST on textile goods sold in the domestic market. But the same products from Bangladesh reach the domestic market without any duty.

The cost difference works out to be ten per cent or 15 per cent. Even the transportation cost from Bangladesh is negligible compared to transporting from, say, West Bengal.

Source: fashionatingworld.com- Aug 14, 2019

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More Details on Tariff Increase on List 4 Goods from China

The following additional details concerning the Section 301 additional 10 percent tariff that will be imposed on List 4 goods imported from China have been made available by the Office of the U.S. Trade Representative.

- The tariff on List 4A goods will be applicable to products entered or withdrawn from warehouse for consumption on or after 12:01 a.m. EDT on Sept. 1. Such goods must be entered under HTSUS 9903.88.15.

- List 4A includes HTSUS numbers for which China's share of U.S. imports from the world is less than 75 percent.

- The tariff on List 4B goods will be applicable to products entered or withdrawn from warehouse for consumption on or after 12:01 a.m. EDT on Dec. 15. Such goods must be entered under HTSUS 9903.88.16.

- List 4B includes HTSUS numbers for which China's share of U.S. imports from the world is 75 percent or greater.

- 25 HTSUS numbers proposed for inclusion on List 4 have been removed based on health, safety, national security, and other factors.

- Any List 4A or 4B product eligible for admission under domestic status that is subject to the 10 percent tariff and admitted into a U.S. foreign-trade zone on or after the effective date of that tariff may only be admitted as privileged foreign status.

- The 10 percent tariff does not apply to List 4A or List 4B goods for which entry is properly claimed under a provision of HTSUS Chapter 98, except for goods entered under HTSUS 9802.00.40, 9802.00.50, 9802.00.60, and 9802.00.80. For HTSUS 9802.00.40, 9802.00.50, and 9802.00.60, this tariff applies to the value of repairs, alterations, or processing performed abroad. For HTSUS 9802.00.80, the tariff applies to the value of the article less the cost or value of such products of the U.S.

Source: strtrade.com- Aug 15, 2019

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Turkish exporters to capitalize on trade war, increase sales to US, China

The U.S.-China trade war will increase Turkey's exports to both countries. While Turkey has launched negotiations in four branches to export readymade clothing and textiles to the U.S. and fresh fruit, vegetables and cereals to China, more shares are expected from the two giant markets.

China's restriction on imports of agricultural products from the U.S. and the latter's continuous trade war against the former despite the postponement of an additional 10% customs duty on Chinese apparel products until Dec. 15 will be in Turkey's favor. The U.S. is delaying imposing tariffs on some imports from China until Dec. 15 because of "health, safety, national security and other factors."

The products include mobile phones, laptops, video game consoles, some toys, computer monitors and certain types of footwear and clothing. Other items facing a 10% tariff will go ahead as planned on Sept. 1.

According to Turkish exporters, while exports of agricultural products to China and ready-to-wear exports to the U.S. can be increased, the trade war between the U.S. and China will have a positive impact on Turkey. The U.S., the world's largest garment importer, accounted for 21% of world apparel imports alone in 2018 with $103 billion.

Turkish Clothing Manufacturers' Association (TGSD) President Hadi Karasu said Turkey was quite ahead of China, especially in terms of speed, and that therefore they were trying to increase exports to the U.S. in this period. Karasu said they would bring together huge purchasing groups at the Euratex 12th Istanbul Fashion Conference in Istanbul on Oct. 2. "U.S.-China trade wars will take the sector to a different dimension. Turkey can benefit from this process," Karasu said. "We will explain to the giant purchasing groups from the different countries how Istanbul is an advantageous position in terms of supply and why it is an alternative to China."

Noting that the political climate in Europe, the biggest export market for the Turkish ready-to-wear sector, might put trade in trouble, Karasu said alternative markets were needed in this regard. Özkan Karaca, vice chairman of Istanbul Apparel Exporters' Association (İHKİB), said they wanted to turn the trade war into an opportunity for the Turkish fashion industry. "We have already seen an increase in orders from the U.S. I expect we will increase our exports to the U.S. this year to $700 million," he added.

He said Turkish companies at the Magic Show, one of the biggest readymade clothing fairs in the world which started in Las Vegas on Aug. 11, saw serious interest from buyers. Karaca said Turkey's readymade clothing exports to the U.S. before 2005 were over $1.5 billion, stressing they were trying to capture the same figures.Bilateral agreement traffic for agriculture

China's announcement that the purchase of agricultural products from the U.S. was temporarily halted created an opportunity for Turkey to export agricultural products to China. Foreign Economic Relations Board (DEİK) Turkey-China Business Council President Murat Kolbaşı said the tension between the U.S. and China could be an opportunity for Turkey.

Underlining the potential of fresh vegetables and fruits and cereals grown in Turkey, especially citrus fruits, Kolbaşı said the majority of China's agricultural products were produced in Turkey.

Kolbaşı pointed to the lack of bilateral agreements between Turkey and China for the trade in agricultural products. "We need to make bilateral agreements on these products quickly and then export the agricultural products there," he continued. "Recently we did this with dried nuts such as peanuts and then in cherries. We are also in talks regarding other products such as pomegranates and citrus."

Last year, Turkey purchased goods worth $20.7 billion from the Far Eastern nation, while its exports to the country only totaled $2.89 billion. In the first six months this year, Turkey's exports to China were about $1.25 billion, while imports were $8.59 billion, according to data by the Turkish Statistical Institute (TurkStat). Over the last year, however, Turkey has intensified efforts to broaden its export footprint in the Chinese market.

Fahrettin Poyraz, general manager of the Agricultural Credit Cooperatives of Turkey, highlighted the high demand for fruits from China, especially cherries, as well as the ongoing studies on dried nuts.

Uludağ Fresh Fruit and Vegetable Exporters Union (UYMSİB) Vice Chairman Senih Yazgan, on the other hand, noted that the economic conflicts between China and the U.S. became an advantage for the Turkish fresh vegetables and fruits sector.

Source: dailysabah.com - Aug 15, 2019

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‘US-African trade lagging despite free market access’

Trade between the US and sub-Saharan Africa is in the doldrums despite a 2000 US law designed to boost access to the US market, a conference on the African Growth and Opportunity Act (AGOA) has shown.

AGOA, which in 2015 was extended to 2025, provides tariff-free access on 6,500 products to 39 countries, ranging from oil and agricultural goods to textiles, farm and handicrafts.

Trade quadrupled in value from 2002 to 2008, a year when it reached $100bn, but fell back in 2017 to $39bn, according to figures compiled by the US Agency for International Development (USAID).

The surplus is widely in Africa’s favour, but most exports to the US are in oil or petroleum-based products, not the industrialised goods that provide a value-added boost to local economies.

With six years to the expiration of the extended African Growth and Opportunity Act (AGOA), the United States has expressed concerns about the performance of the scheme, stating that petroleum products continued to account for the largest portion of AGOA imports, with a 67% share.

Source: guardian.ng- Aug 14, 2019

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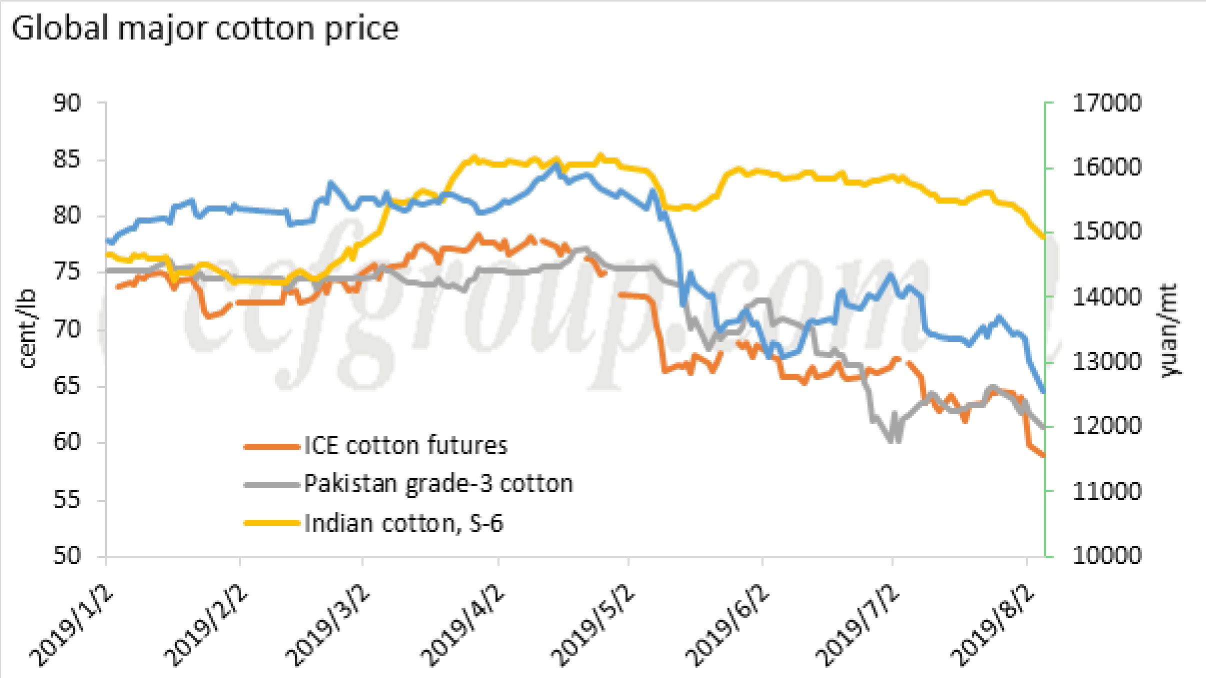
How will imported yarn fare amid dual slump of cotton and exchange rate?

Financial market fluctuated drastically recently. As for imported cotton yarn, it was largely affected by domestic and foreign cotton decrease and exchange rate depreciation.

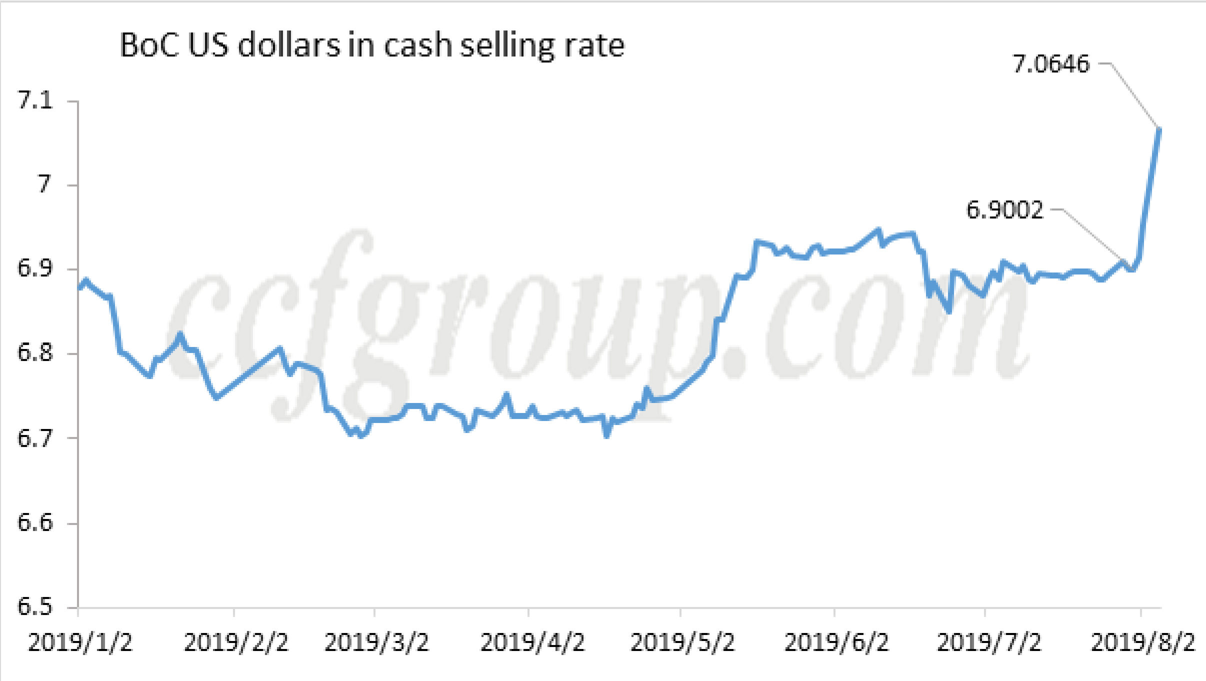


On Aug 1-4, ZCE cotton futures fell more than 800yuan/mt, US cotton dropped by 5cents/lb, and Indian and Pakistani one also followed up. There are about 100,000tons of spot imported cotton yarn in China spot market, having spot and exchange rate exposure.

Rapid decline in domestic and foreign cotton brought direct pressure on those without hedging, that is, domestic mills and foreign mills production costs fell rapidly, and USD port spot was fixed.

As to domestic mills, based on increase of 100-200yuan/mt, cost of cotton purchase decreased by 600-700yuan/mt, which was equivalent to 600-700yuan/mt for cost of domestic cotton yarn. There is no doubt that future market will put pressure on current port spot.

The fall of foreign cotton will also lead to weakening cost of forward imported yarn. Amid slack demand, forward imported yarn price may go down. As a result, the price of spot and forward yarn will bring pressure to port spot.



The second exposure was the exchange rate. Imported cotton yarn market saw less exchange rate lock. Since Aug, RMB against the US dollar depreciated from 6.88 to 7.05, with a depreciation of over 1,700 basis points and a margin of 2.5%. Settlement cost increased by 200-500yuan/mt.

With increasing import costs, in addition to large losses of previous cargos, new arrivals were at losses. Spinners showed willingness to quote firmly, but with decline in price of domestic yarn and forward yarn, the price of imported cotton yarn is expected to be hard to remain stable.

In addition, major cotton yarn producing countries in the world such as China, India, and Vietnam mainly had inventory, and spinners mostly cut or halt production. Supply will still be large.

What is worrying is that downstream market has not seen signs of resuming, and there were still many stocks in fabric mills. Destock was not fast and capital burden was still large.

China demand did not recover, and the market price was expected to drop further. Therefore, losses of spot imported cotton yarn may further deepen, and poor market operation is expected to continue.

	Description	USD price (Unit: $/kg)	RMB price after-tax (Unit: yuan/mt) not including clearance charge	Tariff	exchange rate 1	cost 2	exchange rate 2	cost changes
Indian yarn	OEC10S	1.72	14146	1.035	6.8832	14395	7.0317	249
	OEC16S	2	16400	1.035	6.8832	16698	7.0317	297
	OEC21S	2.12	17317	1.035	6.8832	17685	7.0317	368
	C21S for weaving	2.53	20617	1.035	6.8832	21057	7.0317	439
	C32S for weaving	2.72	22147	1.035	6.8832	22619	7.0317	472
	Combed C32S for knitting	2.92	23757	1.035	6.8832	24264	7.0317	507
Vietnamese yarn	OEC21S contamination free	2.05	16195	1	6.8832	16539	7.0317	344
	C21S contamination free	2.55	20084	1	6.8832	20512	7.0317	428
	C32S for rapier	2.59	20395	1	6.8832	20830	7.0317	435
	C32S for air-jet	2.63	20706	1	6.8832	21148	7.0317	441
Pakistani yarn	Siro-spun 8S A grade	2.26	18004	1.01	6.8832	18387	7.0317	383
	Siro-spun 10S A grade	2.28	18161	1.01	6.8832	18548	7.0317	386
	C21S A grade	2.43	19340	1.01	6.8832	19751	7.0317	412
Indonesian	C32S bleachable	2.73	21484	1	6.8832	21942	7.0317	458
	C21S bleachable	2.53	19928	1	6.8832	20353	7.0317	425
Uzbekistani A grade	C32S	2.55	21076	1.05	6.8832	21525	7.0317	449

Source: ccfgroup.com- Aug 14, 2019

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Identifying opportunities for Vietnamese firms in the context of EU trade deal

The EU-Việt Nam Free Trade Agreement would provide a big impetus to Việt Nam's exports to the EU and be key to Vietnamese companies penetrating one of the largest and most lucrative markets in the world, experts have said.

Jean Jacques Bouflet, deputy chairman of EuroCham in Việt Nam, said Việt Nam is only the second country after Singapore in Southeast Asia that has “privileged access” to Europe’s 500-million consumer market following the signing of the agreement in June.

Việt Nam is among the top 10 exporters to the EU. It is the EU′s second biggest trade partner and largest exporter in Southeast Asia.

Speaking at a seminar titled “Identifying the opportunities for trade and investment in the context of EVFTA” in HCM City on April 14, Bouflet said Việt Nam′s exports to the EU would increase by 20 per cent in a decade and 40 per cent in the following decade.

EU investment in Việt Nam in key sectors such as automobiles and motorcycles, food, agriculture, aquaculture, green growth, transportation, and logistics have all contributed to its development, he said.

The EVFTA has a very short time frame for tariff reduction with many Vietnamese exports to the EU becoming exempt from tariffs within a few years.

Việt Nam's competitors in the region such as China, Thailand and Malaysia have not signed a trade deal with the EU, but that does not mean they never would, and businesses must move quickly to take advantage while Việt Nam is in an advantageous position, Bouflet said.

Nguyễn Sơn Trà, deputy head of the WTO and trade negotiation division at the Ministry of Industry and Trade’s multilateral trade policy department, said the EU trade deal would be good for Việt Nam since right in the first year after the deal takes effect taxes on 70.3 per cent of the country′s exports to the EU would be reduced.

With a population of more than 500 million and a combined GDP of over US$15 trillion, accounting for 22 per cent of the world's GDP, the EU is an extremely large market and the largest exporter and importer in the world with annual trade of $3.8 trillion.

However, Việt Nam's trade with the bloc is focused on certain countries like Germany, France, the UK, Netherlands and Italy.

Thus, there remain other countries with huge potential and opportunities for Vietnamese enterprises to seize when the EVFTA comes into effect since they have strength in tropical agricultural products, fisheries, textiles and garments, footwear, and furniture, experts said.

Recommendations

Trà said the country must adhere to Rules of Origin (RO) when exporting to the EU, especially because traceability regulations in importing countries have become increasingly strict.

Bouflet said since the EU is a highly demanding market, so exporters should also meet food safety and hygiene standards and management procedures set by it and incorporate social responsibility and transparency of information related to labour and the production environment.

Besides, some kinds of seafood products must comply with IUU (illegal, unreported and unregulated) fishing regulations.

A legal framework for the origins of Vietnamese products and products with "Made in Việt Nam" labels should also be created, he said.

Producers' self-certification of origin must comply with Vietnamese regulations as well as EVFTA requirements on RO to prevent origin fraud, he warned.

The use of modern methods would ensure strict control over goods' authenticity, quality and origin, he added.

Source: vietnamnews.vn- Aug 15, 2019

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Vietnam: How does yuan price reduction affect garment, footwear industries?

The sudden depreciation of Chinese yuan against the US dollar brings more difficulties to Vietnam's yarn industry, according to Vietnam Textile and Apparel Association (VITAS).

Vietnam imports cotton from the US to make yarn products for export to China.
If the yuan continues to fall, Vietnam's yarn producers will continue to face difficulties, the association said.

VITAS Chairman Vu Duc Giang told the Vietnam News Agency that due to the US-China trade war, in the period from May to September 2018, Vietnam yarn export price to China dropped from an average of 3.05 USD to 2.99 USD per kilo, down by 1.97 percent, causing average yarn export value each month to decrease by 2.5 percent.

According to experts, the US-China trade saw Chinese yarn importers buy the minimum quantity to meet manufacturers' demand.

Giang said Vietnam yarn exports had been mainly shipped to China, accounting for more than 60 percent of total annual yarn export value to the world. Vietnam is also one of China's major yarn suppliers, with a continuously growing market share.

In 2014, Vietnam ranked third in China's yarn import markets, after India and Pakistan. In 2017 and 2018, Vietnam rose to the first place, accounting for 30 percent of China's yarn imports, higher than both India and Pakistan.

The Dam San Joint Stock Company's representative said in the past, the company sold 1,400 tonnes of yarns to China, but now the volume was declining sharply and even in September, it would not have export contracts to sign.

According to some enterprises, Chinese partners have pressured firms to reduce further import prices.

Other markets such as the Republic of Korea, Japan, Egypt, Turkey, the Philippines and Taiwan still have orders but only small quantity.

They also face fierce competition from domestic foreign-invested (FDI) enterprises and businesses from competing countries such as India, Thailand, Indonesia, and Pakistan to get contracts.

The selling price is still on a downward trend and there is no sign of recovery, while China has launched a large amount of cotton stockpiles, which makes cotton prices fall sharply.

The Vietnam Yarn Association said this year, the export volume of Vietnamese yarn industry would reduce by 10-15 percent year on year and the selling price had also dropped from 3.5 USD to 2.8 USD per kilo at present. Therefore, the industry could suffer no less than 500 million USD.

Meanwhile, Phi Viet Trinh, General Director of the Ho Guom Garment Group, said his company exports to Europe, Japan and the Republic of Korea who pay in US dollar so the depreciation of yuan would not have much effect on his group.

Than Duc Viet, General Director of the May 10 Corporation, also said the May 10 had not had much export volume to China and its payment was mainly in US dollar so it would not be affected much by the yuan depreciation.

For the domestic leather and footwear industry, Phan Thi Thanh Xuan, Secretary General of the Vietnam Leather and Footwear Association (Lefaso), said enterprises had to import many raw materials from China. However, these contracts mainly came from large-scale businesses and foreign direct investment firms so the payment for the contracts were in US dollar.

Lefaso was following developments in import and export activities of the industry to be able to inform its members, especially in the last quarter when the enterprises promote production meeting higher demand for holidays.

Source: en.vietnamplus.vn- Aug 14, 2019

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Pakistan: Enhanced market access to US just pie in the sky

Enhanced access for products of Pakistan's export interest, particularly textile and clothing, to the United States market has been a long-standing demand of both the government and private sector.

What is the rationale for the demand? And what are the prospects that the US will accede to the demand even when bilateral relations are back to normal?

The US remains Pakistan's largest export market. In 2018-19, the US accounted for $4.03 billion of Pakistan's total exports of $24.21 billion (State Bank of Pakistan data).

Major exports to the US include home textiles ($1.34 billion), textile garments ($1.33 billion), leather products ($118 million) and medical equipment ($97 million). Data shows that textiles dominate Pakistan's export basket for the US.

Pakistan's share for textiles in the US market is rather low – 5.5% for home textiles and 4.7% for textile garments. As perceived by Pakistani exporters, the major cause for the low market share is high US tariffs on these products.

Like, other developed countries, the US maintains very low import tariffs on industrial products – 3.5% on average. However, for textiles, tariffs are on the higher side. For example, for textile made-ups, the average tariff is 8%, while for garments, the average tariff is 14%.

Maximum tariffs for made-ups and garments are 34% and 32% respectively. For leather and footwear, the tariffs go up to 55%.

The impression that high tariffs account for Pakistan's low share in the US market is only partly correct. For home textiles, the two largest suppliers to the US are China (55% market share) and India (17% market share). However, exports from both these countries face the same import tariffs – 8% on average – as faced by the exports from Pakistan.

Likewise, for textile garments, the two largest suppliers to the US are China (35% market share) and Vietnam (13% market share). The tariff on exports from these two countries is the same as on exports from Pakistan (14% on average).

The above mentioned tariffs are either most favoured nation (MFN) or normal tariffs. Since the MFN is the constitutional principle of the World Trade Organisation (WTO), the US cannot discriminate among its trading partners.

The only way for Pakistan to get preferential tariff treatment for its star products in its largest export market is to be part of a preferential arrangement. Such an arrangement can be unilateral, such as the Generalised System of Preferences (GSP), bilateral, such as a free trade agreement (FTA), or a Pakistan-specific package.

Like other developed countries, the US has also its GSP, which offers unilateral preferential tariff treatment to developing countries for specified products. The US GSP periodically expires and is subsequently renewed by the Congress.

Typically, the US GSP includes Pakistan and 120 other countries. India has recently been excluded. The GSP scheme provides duty-free treatment to the covered products.

However, most of the textile products, including almost all the products of export interest to Pakistan, and a large number of leather products are excluded from the GSP, which means that the excluded products are subject to relatively high MFN tariffs.

This is one of the major reasons that Pakistan has not been able to drive considerable advantage from the US GSP scheme. As per the United States Trade Representative (USTR) data, in 2015 out of the $3.7 billion of Pakistan's exports to the US, only $179 million were GSP covered.

Twofold problem

Pakistan has from time to time urged the US to provide full coverage to textiles in the GSP. The problem here is twofold. One, if the product coverage is expanded, then it will be for all beneficiary countries and any advantage granted to Pakistan may largely be offset by a similar advantage granted to its competitors.

Two, the textile sector being labour-intensive — and thus an important source of employment generation — is heavily protected in the US, and therefore politically it will be increasingly difficult for the US to open the sector to foreign competition.

This factor is very important as the present administration, headed by Donald Trump, is in a protectionist mode. Thus full, or even enhanced, coverage of textiles in the US GSP is not likely.

Pakistan first proposed an FTA to the US in 2002 at a time when bilateral relations were at a high water mark due to the country's role as a frontline American ally in the war on terror. The US asked Pakistan to first negotiate a Trade and Investment Framework Agreement (Tifa), which might lead to an FTA.

Tifa was signed in 2003. So far, nine rounds of Tifa Council have been held. However, the conclusion of the FTA has been put on ice. In view of the Trump administration's policy decision to review – such as the North Atlantic Free Trade Agreement (Nafta) – and walk out of – such as the Trans-Pacific Partnership Trade Treaty – the bilateral and regional trade agreements to which the US is a party, the start of Pakistan's FTA negotiations is highly improbable.

The third and last option for the enhanced market access is a Pakistan-specific time-bound trade package, such as the one introduced by the European Union (EU) for Pakistan in 2013 for one year in recognition of the country's role in the war on terror.

ROZs

There are, however, two potential problems with resorting to this option. One, for reasons political as well as economic, the US is not inclined towards coming out with a Pakistan-specific package.

It may be recalled that in 2005 the US had announced the setting up of Reconstruction Opportunity Zones (ROZs) in the militancy-hit tribal areas of Pakistan for duty-free export of products manufactured there.

However, the Americans did not live up to their commitment and the ROZ package was later shelved. Two, even if the US agrees, a Pakistan-specific trade package will require a waiver from the WTO for being incompatible with the MFN principle. The EU had also obtained a waiver for its Pakistan package.

However, in the present circumstances, when protectionist thinking has gained wide currency, such a waiver will be hard to obtain.

The foregoing makes it clear that expecting any breakthrough in getting enhanced market access from the US will be just pie in the sky. Not surprisingly, no assurances were given to Pakistan for the preferential market access during the prime minister's recent visit to Washington.

Instead, the government and businesses need to focus on shoring up competitiveness of Pakistan's exports by overcoming the acute supply-side constraints.

Source: tribune.com.pk- Aug 14, 2019

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NATIONAL NEWS

Textile companies seek tax incentives, DBT for farmers

Players hit by sluggish exports & rising imports from Bangladesh and Lanka, one-third of production capacity lying idle.

Exports of cotton yarn in the first quarter ended June have fallen 33% to 226 million kg from 338 million kg a year earlier.

Indian textile and clothing industry players say one-third of their production capacity is lying idle due to sluggish exports, poor domestic demand, and growing imports from Bangladesh and Sri Lanka, and have sought immediate relief from the government.

Spinning mills across the country recently cut down their production by 15% to 50% as a damage control exercise due to excess stock lying unutilised in their godowns, according to trade association body Confederation of Indian Textile Industry (CITI).

"Textile and clothing segments are presently going through a deep crisis due to uncompetitive fibre prices, declining exports, incompetitiveness of our products in international markets, embedded taxes not getting refunded, and lack of working capital, among others," said Sanjay Jain, chairman of the confederation.

Exports of cotton yarn in the first quarter ended June have fallen 33% to 226 million kg from 338 million kg a year earlier, he said.

Domestic demand has fallen 10-15% due to poor consumer sentiment impacting garment sales and festive season expectations.

To overcome the situation, the industry — which claims to provide direct and indirect employment to more than 100 million people —has urged the government to extend its tax incentive scheme to the entire industry and transfer subsidies directly to cotton farmers' accounts through direct benefit transfer (DBT) instead of offering a minimum support price (MSP) for their produce.

CITI wants state governments to avoid incentivising new spinning mills for three years "to prevent existing units from turning into non-performing assets (NPAs) due to excess capacity", Jain told ET. It is also seeking special moratorium for spinning loans to ensure they don't slip into NPAs due to the un-favourable environment.

The industry wants the government to extend the Rebate of State and Central Taxes and Levies (RoSCTL) scheme, which is at present available on export of garments and made-ups (bed linen), to be extended to export of cotton yarn, too, to make the entire industry internationally competitive.

RoSCTL allows reimbursement of duties on export inputs and rebate on embedded taxes such as agricultural cess, mandi tax, and power and fuel surcharge incurred in the production process through freely transferrable scrips.

"The RoSCTL scheme is compliant with the World Trade Organization (WTO) norms and can be immediately implemented," said KV Srinivasan, chairman of Cotton Textiles Export Promotion Council (Texprocil). "It will give us an advantage while exporting cotton yarn over Pakistan and Vietnam who get duty free access to China and European markets."

RoSCTL refund can vary from 3% to 5% depending on the products, Srinivasan said. Currently, Indian exporters pay a 4% duty to export cotton yarn to China and Europe.

Bilateral trade agreement with China for yarn and fabric and with the EU, Australia and Canada for apparels and made-up will further push sales, industry players said.

India, which was the world's second largest exporter of textile and clothing products after China during 2014-17, fell to fifth position in 2018 falling behind Germany, Bangladesh and Vietnam, they said.

Source: economictimes.com- Aug 16, 2019

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India's merchandise exports up 2.2% in July 2019

Trade deficit dips to US$ 13.43 in July 2019

India's merchandise exports increased 2.2% to US$ 26.33 billion in July 2019 over a year ago. Meanwhile, merchandise imports dipped 10.4% to US$ 39.76 billion. The trade deficit narrowed 27.9% to US$ 13.43 billion in July 2019 from US$ 18.01 billion in July 2018.

Oil imports declined 22.1% to US$ 9.60 billion, while the non-oil imports dipped 5.9% to US$ 30.16 billion in July 2019 over July 2018. The share of oil imports in total imports was 24.1% in July 2019, compared with 28.2% in July 2018.

Among the non-oil imports, the major contributors to the overall dip in imports were electronic goods imports declining 1.7% to US$ 5.02 billion, coal, coke & briquettes etc 0.5% to US$ 2.05 billion, organic & inorganic chemicals 7.0% to US$ 1.90 billion and pearls, precious & semi-precious stones 31.0% to US$ 1.73 billion, while imports of gold also declined 42.2% to US$ 1.71 billion, iron & steel 1.6% to US$ 1.58 billion, transport equipment 16.6% to US$ 1.56 billion and artificial resins, plastic materials etc 7.5% to US$ 1.27 billion.

Further, the imports of non-ferrous metals declined 8.8% to US$ 1.18 billion, wood & wood products 1.4% to US$ 0.51 billion and metaliferrous ores & other minerals 37.1% to US$ 0.48 billion.

However, the imports have increased for electrical & non-electrical machinery by 1.5% to US$ 3.20 billion, vegetable oil 21.3% to US$ 0.86 billion, chemical material & products 12.2% to US$ 0.71 billion, crude & manufactured fertilizers 3.3% to US$ 0.64 billion, medicinal &

pharmaceutical products 4.3% to US$ 0.61 billion and silver 230.7% to US$ 0.52 billion in July 2019.

On exports front, the electronic goods recorded an increase in exports by 51.4% to US$ 1.02 billion, followed by drugs & pharmaceuticals 21.7% to US$ 1.72 billion, organic & inorganic chemicals 13.4% to US$ 1.89 billion, iron ore 297.9% to US$ 0.27 billion, and spices 59.8% to US$ 0.42 billion.

The exports also increased for RMG of all textiles by 7.1% to US$ 1.36 billion, ceramic products & glassware 37.7% to US$ 0.25 billion, mica, coal & other ores, minerals including processed minerals 15.3% to US$ 0.37 billion, man-made yarn/fabrics/made-ups etc 6.1% to US$ 0.40 billion, and marine products 3.3% to US$ 0.59 billion.

However, the exports declined for gems & jewellery by 6.8% to US$ 2.98 billion, petroleum products 5.0% to US$ 3.65 billion, rice 22.4% to US$ 0.51 billion, engineering goods 1.7% to US$ 6.16 billion and cotton yarn/fabrics/made-ups, handloom products etc 10.0% to US$ 0.82 billion in July 2019. Further, the exports of meat, dairy & poultry products also fell 17.9% to US$ 0.31 billion, oil meals 28.1% to US$ 0.08 billion, plastic & linoleum 4.2% to US$ 0.65 billion, and leather & leather products 3.7% to US$ 0.46 billion in July 2019.

Merchandise exports in rupees rose 2.4% to Rs 181190 crore, while imports dipped 10.3% to Rs 273580 crore in July 2019 over July 2018. The trade deficit dipped to Rs 92389 crore in July 2019 compared with Rs 123743 crore in July 2018.

India's merchandise exports fell 0.8% to US$ 107.41 billion, while merchandise imports declined 2.9% to US$ 166.80 billion in April-July 2019.

The decline in imports was driven by a 5.4% fall in oil imports to US$ 44.45 billion. India's merchandise trade deficit eased to US$ 59.39 billion in April-July 2019 from US$ 62.95 billion in April-July 2018.

Source: business-standard.com- Aug 14, 2019

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Meeting of RCEP officials in Indonesia next week

Senior officials of 16 countries, including India, China and Australia, which are negotiating mega free trade agreement RCEP will meet in Indonesia next week to iron out differences in areas such as goods and services, an official said.

The Regional Comprehensive Economic Partnership (RCEP) agreement is being negotiated by 10 Asean group members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and India, China, Japan, South Korea, Australia and New Zealand.

“This will be an inter-sessional meeting before a formal round of talks. So far 27 rounds of talks have been held,” the official said.

The member countries are yet to arrive at a number of goods over which import duties will be eliminated or significantly reduced. Similarly, talks on liberalising rules for trade of services, a key area of interest for India, too are moving slowly.

Indian industry has raised concerns over the presence of China in the grouping with which India has a trade deficit of over $50 billion. Sectors including dairy, metals, electronics, chemicals, and textiles have urged the government to not agree on duty cut in these segments.

Amul, which contributes about 4 per cent to India’s total dairy production, has sought exclusion of all dairy and dairy products from any liberalisation. Australia and New Zealand are among the largest players in the dairy sector in the world.

Source: thehindubusinessline.com- Aug 15, 2019

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Doing business with China is far from easy

Tariff is only a small part of the story. There are regulatory, political and internal market barriers too

We often hear this argument. China's annual imports exceed $2 trillion. Half of this is in products India exports globally. So if China reduces import duties on such products, our exports to China will rise. Alas, the real world is far too complicated.

There are many more barriers than tariffs. Some are needed to ensure health and quality, but most are in place just to restrict imports. A firm aspiring to export to China must be aware of four significant barriers besides tariffs — regulatory, internal market, trade defence, and political. A brief look at each of these.

Regulatory barriers

A firm needs to register its product with the specified Chinese authority. This means submitting a large number of documents, including details about the firm and its products.

The next step is meeting the inspection, product testing, and quality certification requirements. Chinese experts would visit and inspect Indian factories. The costs are to be borne by the Indian side. Only Chinese labs do product testing. And there can be no appeal on their decisions. Let us take the case of medicines, industrial and food products.

India imports 90 per cent of bulk drugs or APIs from China and allows it easy access through a simple registration system. After registration, there's no rule for checking off each consignment at the time of imports.

Not so in China, though. Registration takes one to three years. Testing takes place again at the time of imports. And, China cancels registration even if one batch has issues.

The provinces do not recognise USFDA certificates and need new clinical trials even on generic drugs. This increases the cost.

Coming now to the export industrial products such as electric wires cables, IT products, motorcycle parts/accessories and electrical tools to China. One has to first get an NOC from the China compulsory product certification system or CCC. The NOC may come after detailed laboratory testing, factory inspection, and labelling.

More stringent processes await exporters of food, meat, fish, and dairy products. They have to get NOC from the General Administration of Customs China (GACC) and relevant administrative ministries.

They will also have to follow the China food safety standards and applicable sanitary and quality regulations. Products like oilmeal need further clearance from China's Agriculture Ministry.

After obtaining all the NOCs, it is still not done. For products like rice and sugar, a firm needs import quota to avoid exorbitant tariffs. And state agencies get most of the quota.

The complicated and non-transparent system ensures that it takes years to get the green signal. Or it may never come.

Internal market

Only a limited part of China's imports enter into the domestic market. Most imports act as inputs for making export products. Most electronics and machinery trade between China and Japan-Korea-ASEAN falls in this category.

Much of this trade happens at zero duty outside the FTAs (free trade agreements). Internal market barriers also apply to firms producing in China.

They have to clear extra barriers to sell in the Chinese domestic market. Preference is always to domestic firms.

Trade defence measures

An importing country can impose anti-dumping, countervailing, or safeguard duties. If a foreign firm exports at a price lower than it charges in its domestic market, the importing country can impose anti-dumping duty.

Countervailing duty neutralises the effect of any government subsidy provided by the exporting country. Safeguard duties contain any general surge in imports of a product. China is not alone here. These duties are also levied by the US, Japan, Korea, India, and many other countries. These duties are generally higher than the normal import duties and hence restrict the imports. Factor this into the costing.

Business is politics

China used to buy a large number of bananas from the Philippines regularly. But when the Philippines questioned China's claim over Scarborough Shoal in the South China Sea, China suddenly stopped buying its bananas. Most firms have political affiliations. Other countries have started taking notice. For example, when China bought a few German high-tech MSMEs last year, Germany introduced a law to allow greater scrutiny of such deals. The US restricts imports from China on the grounds of industrial espionage and other manipulations.

The Indian situation

In contrast to China, where most foreign firms need a lengthy approval process, India provides an easy entry. It has less than 150 products that have mandatory technical standards. This provides easy passage to cheap, low-quality products. Here is the broad evidence.

Listed are a few products imported into India, with the figures in brackets indicating the difference by which the Chinese price is lower than the world price: pesticides (720 per cent), embroidery machines (130 per cent), gear boxes (22 per cent); select organic chemicals and bulk drugs (20-90 per cent); urea (15 per cent); computer printers (20 per cent), washing machine parts (142 per cent); petroleum coke (57 per cent); refrigerators (52 per cent); solar cells (136 per cent); lithium battery (60 per cent); copper foils (30 per cent); and air purifier (83 per cent). Many of these are sold as Indian products with some packaging. But China is not alone. The world has moved from tariff barriers. Simple average import duties are less than 5 per cent in Canada, Japan, Australia, the US, and the EU. These countries realised that while the earlier 100 per cent tariffs could stop imports, today's 5 per cent cannot. So they switched to non-tariff measures to control unwanted imports.

China's example details the type of systems India needs to create. Good news is, India has taken baby steps to expand quality and standard infrastructure. And, finally, most FTAs cut only customs duties. They do not deal with other barriers adequately. The exporter has to comply with each.

Source: thehindubusinessline.com- Aug 15, 2019

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Regain India's textile glory: How to reverse the slide in apparel exports and ride a high growth path

A look at last year's apparel export figures is chastening. China exported $145 billion, Bangladesh $36 billion, Vietnam $33 billion and India a mere $17 billion. India is far behind China and steadily losing to smaller countries.

The biggest reason is India's near absence from the main product category that accounts for 70% of world trade in apparels – synthetic apparels. Today, most formal, sports and fashion wear uses synthetic fabrics. They are durable, do not fade, can have any colour. Easy blending with wool, cotton, or rubber allows experimentation. Unsurprisingly, synthetics have overtaken cottons and become favourites of the fashion industry.

With weak synthetics, India's apparel industry is a horse running with one leg tied. The results are low exports, low wages, and low investments in the sector. Here is how.

Globally cotton dominates spring and summer sales seasons. Synthetics and blends dominate autumn and winter seasons. Indian units run six months a year to produce cotton apparels. In the remaining six months, most units are shut or run at a low capacity as they do not have orders for synthetics/ winter wear. Most workers go home.

Also, a factory that runs only six months a year still has to pay the full year's fixed costs – rent, salary for minimal staff, interest on loans, etc. This makes anything made in the factory expensive.

Absence from synthetics also affects workers' wages. Winter wears are more expensive than informal cotton wear. So, at 20% labour cost, a worker making a suit would earn more money than the worker making a blouse.

Since India is mainly an informal cotton wear exporting country, wages remain at minimal levels. Entry into synthetics would make factories run full year, and increase wages manifold.

Why is India weak in synthetics? Here are three major pain points.

One, expensive raw material. India is almost a captive market for a few large firms that produce 90% of the synthetics raw materials consumed in India. Domestic prices are tied to import prices. And imports are expensive because of high customs and anti-dumping duties on raw materials like PTA, PSF, PFY, acrylic fibers, etc. Duty-free imports to exporters offer some relief, but the domestic synthetics ecosystem remains stunted.

Two, weak weaving and processing. The textile value chain consists of yarn making, weaving, fabric processing and apparel making. Weaving and fabric processing are the weak links that threaten to fragment this chain, forcing the export of yarn and import of fabric.

Most weaving and processing units are small, informal units that lack expertise, scale and technology. Power outage and reduced capacity use doubles the cost of weaving in India, making it as expensive as in the EU or US.

Fabric processing faces similar issues. Chinese units process 10 lakh metres of cloth a day, Indian units less than 20,000 metres. For large orders, Indian units do batch processing that often results in output with varying shrinkage, feel and shades. Also, most Indian processors are struggling to meet the zero-liquid discharge (ZLD) norms set by Madras high court in 2011.

Not surprisingly, while India is the number one yarn exporter (India 23% share, China 13%) when it comes to fabrics, performance falls (India, 6%, China 52%). Yarn sector has large units, while weaving and processing happen in small informal units.

Three, low preparedness of Indian exporters to meet the demands of the fast fashion industry (FFI). Key FFI players are the low-cost retailers like Walmart, high fashion brands like Zara, H&M, Gap, and online-only retailers like Amazon, Zalando. They conjure new fashion trends and convert designs into affordable clothing within a few weeks. Any delay means a change in fashion and the product ending into surplus. This forces FFI to place orders only with firms that deliver fast and are compliant with labour and other rules.

Cost is an important issue. One metric used by FFI for making payments to apparel manufacturers is standard allowed minute (SAM). It measures the time taken in making a garment. FFI firms compare SAM across manufacturers and countries while placing orders. Skilled labour and the latest technology are a must to ensure a good SAM. 80% of Indian exporters do not meet SAM or other requirements.

A three step plan will unshackle the sector and set it on a high growth path.

One, lower import duties on synthetics raw materials. Lower duties will bring down the prices by 30% to 50%, almost at par with global prices. This would free the apparel industry to scale up and invest in synthetics. Without low import duties, the synthetics industry and hence exports cannot take off in a big way.

Two, strengthen the weaving and processing segments. Only large units with the latest technology can meet the quality requirements. Setting up ten big scale weaving and processing units could be an annual goal. High investments in the latest machinery set Chinese industry on a high growth path.

Three, take priority action to make more factories FFI compliant. The good news is India has about 1,200 compliant factories supplying cotton products to FFI and other large buyers. Many of these would invest in synthetics and export new products to the same set of buyers.

Indian has a rich textile heritage with thousands of firms and skilled craftsmen. The suggested actions would make us a significant player in apparel trade. The industry engages 50 million people. Change will benefit everyone associated.

Source: timesofindia.com- Aug 16, 2019

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Textile ministry inks pacts with 18 states to skill 4 lakh people

Several pacts to this effect were exchanged between the textile ministry and state government representatives here on Wednesday in the presence of Union Minister Smriti Irani.

Around four lakh people across 18 states will be skilled under 'Samarth', a scheme for capacity building and skilling in the textile sector, as part of agreements signed between the Centre and state governments.

Several pacts to this effect were exchanged between the textile ministry and state government representatives here on Wednesday in the presence of Union Minister Smriti Irani.

"Given the diligence that you (state government representatives) have shown by your mere presence here, that gives me hope that today 18 of us including the Government of India have resolved only under this one roof to skill 4 lakh people which I think is the first such big step ever in the history of our country," the textile minister said.

The 18 states include Arunachal Pradesh, Jammu & Kashmir, Kerala, Mizoram, Tamil Nadu, Telangana, Uttar Pradesh, Andhra Pradesh, Assam, Madhya Pradesh, Tripura, Karnataka, Odisha, Manipur, Haryana, Meghalaya, Jharkhand and Uttarakhand.

The textile-related segments for which skill development will be provided towards capacity building include apparel and garmenting, knitting, metal handicraft, textile and handloom, handicraft and carpet, among others.

"It has been the endeavour of the prime minister that for a new India we ensure that each and every citizen who seeks resources for sustenance is skilled and it is this endeavour in the sector of textiles that SAMARTH took shape," Irani said. However, she observed that Tamil Nadu, especially the Tirupur cluster desires more skilling opportunities.

The number of beneficiaries in Tamil Nadu is estimated at 1,400 covering the textiles and handloom segment.

Highlighting that 75 per cent of those who work in textile sector are women, Irani said in the MUDRA scheme also it has been seen that 70 per cent of the beneficiaries are women, suggesting the state representatives to look at district-wise tailoring opportunities for women as part of the outreach for skilling across states.

The SAMARTH scheme targets to train 10 lakh persons over a period of three years (2017-20) with an estimated budget of Rs 1,300 crore.

Source: moneycontrol.com- Aug 14, 2019

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PM holds meet with Sitharaman and officials to weigh booster dose options

India's economic growth has slowed to 6.8 per cent in 2018-19 - the slowest pace since 2014-15, consumer confidence is waning and foreign direct investment has reached plateau

TALKING POINTS

- A cut in GST on motor vehicles is unlikely
- Plans being firmed up for an overall stimulus package or sector-specific measures
- Finance ministry is looking at ways to support FPIs affected by 'super-rich' surcharge
- Sectors discussed were automobile, FMCG, steel, textiles, and exports

Prime Minister (PM) Narendra Modi on Thursday met Finance Minister Nirmala Sitharaman and officials of her ministry to find solutions to the economic slowdown that has eroded wealth and hit jobs. Sources said the government might soon provide a broad stimulus package or a sector-specific booster dose.

There might also be some relief to foreign portfolio investors from the super-rich surcharge, announced in the Budget.

But, a cut in the goods and services tax (GST) on motor vehicles — one of the worst-hit sectors — was unlikely, said sources, adding that the government believed the sector was going through a cyclical downturn.

“The Centre will assess the potential revenue loss from any cut in the GST rate for four- and two-wheelers before proposing it to the GST Council,” said a government source. The current GST rate is 28 per cent.

The meeting on Thursday took place hours after Modi addressed the nation from the historical Red Fort in Delhi on the occasion of Independence Day. Officials aware of the deliberations said plans were being firmed up for any stimulus package or sector-specific measures. “The broad consensus was that steps will be taken by the government to arrest the slowdown in the economy. The contours are being drawn up now,” said an official.

Sitharaman and the officials also briefed the PM about the series of meetings they had with various sectors last week.

Sitharaman, Minister of State for Finance Anurag Thakur and finance ministry officials had held meetings with bankers, micro, medium and small enterprises, automobile sector representatives, industry bodies, investors and market participants, and real estate companies and home owners.

In the immediate term, the finance ministry is looking for ways to support foreign portfolio investors who are affected by the super-rich surcharge. An announcement on this is expected soon, officials said.

These steps could include exempting or ring-fencing of FPIs, which are structured as trusts or associations of person — a step which requires only a circular or reducing the impact of the tax by grandfathering income generated by FPIs for a few months. Such a move will reduce the impact of the tax. Another option is not taxing FPIs on their move from the trust structure to a company structure.

The sources said there were two meetings on Thursday.

First, Sitharaman and senior bureaucrats of the finance ministry met Modi and briefed him on the reasons for the slowdown in the economy and its long-term impact.

The sectors discussed were automobiles, fast-moving consumer goods, steel, textiles, and overall exports. Only officials talked in this meeting and Modi did not give his views. He wanted to understand the issues, said the sources.

A second meeting was held between Principal Secretary Nripendra Mishra and senior North Block officials. More details were discussed on the road ahead and the steps to be taken.

“Regarding the auto sector, the view in the government is that it is a cyclical slowdown. Fiscally, it is a tough year. We have to look at the implications of any GST rate cut,” an official said, adding that something akin to a “cost-benefit” analysis of a rate cut will be done by the revenue department.

With sales of cars, tractors and two-wheelers declining to a 19-year low, reports suggest 300 dealerships have been shut down and around 230,000 jobs have been axed in the sector. The Society of Indian Automobile Manufacturers (SIAM) says about 1 million jobs have been hit in the auto-component manufacturing industry.

Direct tax collections have grown by only 9.7 per cent in the first quarter of the current fiscal year, against the Budget projection of 18.6 per cent over the actual figures of 2018-19.

Growth in GST collection till July, too, has been only 9 per cent as against 18 per cent estimated in the Union Budget.

India’s economic growth has slowed to 6.8 per cent in 2018-19 — the slowest pace since 2014-15, consumer confidence is waning and foreign direct investment has reached plateau.

International trade and currency war is aggravating the problem. The Reserve Bank of India Governor Shaktikanta Das had earlier this month said the slowdown is more cyclical than structural and the growth is expected to review by the fourth quarter.

Source: business-standard.com- Aug 16, 2019

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Brief warning: Innerwear sales reveal a slowdown

Sharp dip in June quarter figures shows 'men's underwear index' holds true for India.

A slowdown in briefs can be revealing, according to Alan Greenspan. Innerwear sales growth fell sharply in the June quarter, demonstrating the relevance of the so-called ‘men’s underwear index,’ as Indian consumers struggled to stretch budgets to cover discretionary spending.

Conceived by former US Federal Reserve Board chairman Greenspan in the late 1970s, the index suggests that declines in the sale of men’s underwear indicate a poor overall state of the economy, while upswings reflect the opposite.

Quarterly performance at the top four listed innerwear firms were the weakest in a decade. Sales of Page Industries, which sells the Jockey brand of innerwear, grew 2%, its slowest expansion since 2008. That of Dollar Industries and VIP Clothing declined 4% and 20%, respectively. Lux Industries’ sales were flat.

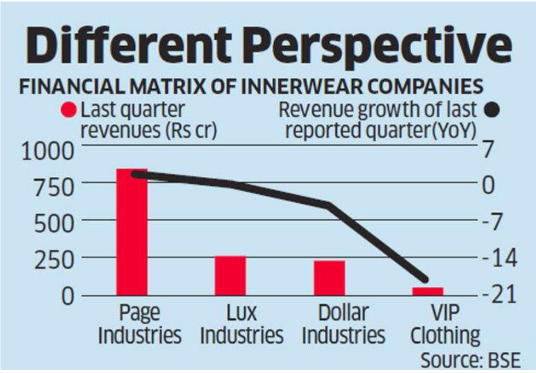
“The market segment at this point of time is not at its best,” Page Industries CEO Vedji Ticku told analysts last week.

Shrinking Disposable Income

“We very clearly see that the footfalls are not the same. The sentiment is still not what it should be. There is a very slow footfall across the markets. It is all headwinds currently from all aspects of business,” Ticku said. The company saw a 2% volume decline in the quarter, its first ever.

Shrinking disposable income is the prime reason Indian consumers are holding back from new purchases even in essential categories and staples, experts say. Nominal per capita disposable income growth was 13.3% between 2010 and 2014 but moderated to 9.5% between 2015 and 2018.

Market researcher Nielsen revised its growth forecast for the fastmoving consumer goods (FMCG) sector to 9-10% in 2019 from its previous outlook of 11-12%, citing a sharp rural slowdown.



Page Industries, which controls a fifth of the men's innerwear market, has been the darling of fund managers thanks to its ability to defy a challenging macro environment, at least until now. Volume had grown even in the aftermath of the financial crisis, in the slow-growth phase between 2013 and 2016, demonetisation and inventory destocking due to the implementation of the goods and services tax (GST).

UNDERWEAR INDEX

Conceived by Fed Chairman Alan Greenspan in late 1970s

Index suggests that a decline in men's underwear sales hints at poor economy

"The primary reason for the drop is rural distress, flattening lending conditions, which is again due to the rising NPAs (nonperforming assets) in the banking sector, and the ailing health of financial institutions, especially NBFCs (nonbanking finance companies)," Dollar Industries managing director Vinod Kumar Gupta said during an investor call last week.

"The unemployment rate has also been very high. All these factors have led to a decrease in expenditure at the consumer level. Availability of funds (has) also slowed down at the MSME (micro, small and medium enterprises) level as well."

The innerwear category, estimated at Rs 27,931 crore, accounts for 10% of the total apparel market and is expected to grow at a compounded annual growth rate of 10% over the next decade to Rs 74,258 crore. Experts, however, feel innerwear is evolving from being functional to a segment with a fashion quotient. It's also shifting from a price-sensitive category to a brand-sensitive one.

The slowdown has been reflected in the valuation of innerwear companies. Over the past year, both Page and Lux have fallen 46% while Dollar Industries has seen an erosion of 33% in its share price. VIP Clothing declined 76% over the past year.

Source: economictimes.com- Aug 16, 2019

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Govt's skilling programme 'secondary' as poor demand dragging down textile MSMEs, says industry body

Even as the textiles ministry on Wednesday signed the memorandum of associations (MoU) with 16 states to provide skill training to workers as part of its 'Samarth' scheme for capacity building in the textile sector, it has cut no ice with the industry.

"The textiles industry is going down for the last 1.5-2 years performing well below its capacity but the government is not bothered about it. Since there is very poor demand, MSMEs are finding it tough to survive and curtailing their workforce. In such case, skill development is the secondary thing," T.K. Sengupta, President, The Textiles Association (India) — national body for textile professionals told Financial Express Online.

"Nonetheless, while we need skilled labour in order to adopt digital technologies but what the government is doing for skilled labour is not up to the mark. Efforts have been made by the government but it is not sufficient in skill development," said Sengupta. Ministry of textiles secretary Ravi Capoor said that there is a gap of 16 lakh trained skilled workers in the textiles industry.

The Cabinet Committee on Economic Affairs had approved the formation of Samarth from FY18 to FY20 called as a "placement oriented programme" for meeting the skill requirements of the textiles sector. The scheme has targeted training 10 lakh youth by 2020 across spinning and weaving in the organized sector, with a projected outlay of Rs 1300 crore.

Signing the MoU with the state governments, textiles minister Smriti Zubin Irani said that 75% of the workers engaged in the textiles sector and 70% of the beneficiaries of the Mudra loan are women.

The disparity in GST rates is another cause of concern for the textiles sector. "Prices for making cotton yarn is higher due to which those buying yarn and making fabric are finding it very expensive. So there is poor demand.

GST is 18 per cent for synthetic fibre and when the yarn is made the GST is 12 per cent while for making fabric it is 5 per cent. So there is the abnormality of GST," said Sengupta adding that India's garment exports are only $16-17 billion annually much lower in comparison to even countries like

Bangladesh, which exports garments worth $30 billion, second highest after China.

The ministry, as part of the government's skill development initiative, had implemented its flagship skilling scheme — Integrated Skill Development Scheme from 2010 to 2017 under which 11.14 lakh people were trained by March 2018 and 8.41 lakh persons were provided placement, the ministry said in a statement.

India's textile exports for FY18 stood at $ 39.2 billion and is likely to go up to $ 82 billion by 2021 while the industry is worth around $ 150 billion that is expected to reach $ 250-billion mark by this year, according to India Brand Equity Foundation.

Source: financialexpress.com- Aug 15, 2019

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