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IBTEX No. 13 of 2020 January 17, 2020

US 70.99| EUR 79.05 | GBP 92.82| JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19282	40300	**72.38**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
19680	41131	**73.87**

International Futures Price

NY ICE USD Cents/lb (March 2020)	70.22
ZCE Cotton: Yuan/MT (May 2020)	14,010
ZCE Cotton: USD Cents/lb	93.35
Cotlook A Index – Physical	**79.20**

Cotton Guide- The ICE futures have moved in a direction that is considered as sideways. The ICE futures reacted to the geopolitical news brought forth by the US CHINA Phase 1 deal.

The deal did not excite cotton market participants. Also it was understood that the 96 page details of the Phase 1 deal did not specifically mention many details about cotton to be purchased by China. While speaking about the tariffs, it is witnessed that the tariffs will still remain in place. The market participants have no other option rather to wait for further news emanating from the US. With the Chinese New Year round the corner, most of the Chinese trade will remain subdued only to start once again after February 3, 2020 Monday.

On the other hand while speaking about demand, the Chinese demand seems to be weak as the crop in China is considered to be good. This in turn is considered negative for Cotton.

While speaking about the export sales details released yesterday for the week ending January 09, the following are the figure of Upland sales:

Country	Increases in running bales
Vietnam	71,600
Pakistan	34,800
Turkey	29,500
Taiwan	27,500
Bangladesh	25,000
Table 1: US net Upland sales	

Reductions were seen for Malaysia at 6,200 Running Bales and Japan 1,400 Running Bales.

Net Upland export shipments were at 301,700 Running Bales emanating an increase of 43 percent from the previous week.

Country	Exports in Running Bales
Vietnam	86,800
Pakistan	47,100
Turkey	39,100
China	24,700
Indonesia	19,800
Table 2: Net Upland Exports	

While speaking about PIMA Sales, it was noticed that a marketing year high were at 34,300 RB with demand emanating mainly from China and India.

Country	Increases in Running bales
China	13,200
India	8,000
Vietnam	6,400
Pakistan	4,200
Turkey	1,500
Table 3: Pima Sales	

The ICE contracts reacted to these positive export sales figures. This helped the Bulls to take the market higher but later the bears pushed the market low. The Most active contract the ICE March contract settled at 70.22 cents per pound. The volumes were also low at 27,616 contracts.

The cotlook Index A has been updated at 79.20 cents per pound with a change of -100 points, While the CAI Prices of Shankar 6 are at 40,500 Rs per candy (-200).

On the fundamental front, expect sideways trend for ICE contracts and MCX contracts. The MCX contracts were seen to settle lower yesterday but the outlook now remains consolidated.

On the technical front, in daily chart, ICE Cotton March futures breached the lower bound of the upward sloping channel (blue area). Meanwhile March future is trading below the 5 and 9 day EMA (70.43,70.34) which indicates a weakness in the rally.

Supporting the weakness, the strength index RSI, which was hovering near the overbought zone has declined towards 60 indicates a change in momentum. The immediate resistance for the price is at ($70.95) 76.4% Fibonacci extension level, followed by 71.80 and on the lower side support exists around 69.58 for the day.

Thus for the day we expect price to trade in the range of 69.58-70.95 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 19550-19900 with a sideways bias.

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

Why the US Textile Industry Stands to Benefit Most From USMCA Passage

With Senate passage of the U.S.-Mexico-Canada Agreement (USMCA) on Thursday, the National Council of Textile Organizations said U.S. textile executives are ramping up to take advantage of the modifications in the pact.

Some plan to build new businesses or expand existing ones in areas such as pocketing, sewing thread and narrow elastics, NCTO noted. In 2018, the top five states representing textile employment were Georgia, North Carolina, South Carolina, California and Virginia.

“We are pleased the Senate voted swiftly to approve USMCA, a trade deal that we expect to significantly bolster textile exports to Mexico and the Western Hemisphere,” NCTO president and CEO Kim Glas said. “USMCA is a win for the textile industry. The improvements it makes to the North American Free Trade Agreement (NAFTA) will only serve to generate more business for domestic producers and create more jobs and investment in the U.S.”

Mexico and Canada are the two largest export markets for the U.S. textile and apparel industry, totaling nearly $11.5 billion for the year ending Nov. 30, according to government data.

USMCA also drew support from apparel manufacturers and retailers.

“Once seamlessly implemented, this agreement will be a win for the textile, apparel and footwear manufacturing and retail industries, and the hundreds of thousands of American workers who rely on a vibrant North American trade partnership,” Steve Lamar, president and CEO of the American Apparel & Footwear Association, said.

“With this in mind, we encourage the President to quickly sign this agreement, our trading partners to take the steps they need to implement the agreement, and all three countries to quickly enable it to enter into force.”

Matthew Shay, president and CEO of the National Retail Federation, said the updated agreement will modernize commerce with the country's closest trading partners in areas such as digital trade, customs procedures and trade facilitation, and "pave the way for continued prosperity across the borders of North America as the global economy continues to evolve."

"This agreement will support the millions of U.S. jobs that depend on free trade with Canada and Mexico and will ensure the continued availability of affordable everyday necessities for American families," Shay said.

While U.S. companies importing goods under USMCA will benefit by the duty-free nature of the pact, it's the domestic textile sector's export opportunities that might be the most critical.

"Our member companies, making some of the most advanced textiles in the world, have long supported USMCA and are eagerly awaiting implementation of the trade deal," Glas said. "We urge quick implementation of USMCA and thank the administration and Congress for their hard work to get the deal across the finish line."

For New York-based Cotswold Industries, a vertically integrated textile engineering and marketing company that manufactures and distributes knitted and woven industrial fabrics and non-woven substrates to the apparel, industrial, military commercial workwear and home sewing markets, the new provisions in the trade pact will not only help provide certainty and stability in the Western Hemisphere, but will also facilitate new opportunities.

The company exports a wide variety of fabrics to Mexico that account for more than 30 percent to 40 percent of its total exports, James W. McKinnon, CEO of Cotswold Industries, said.

"For us, the NAFTA agreement itself, and now the USMCA, is absolutely critical to maintaining the jobs and the business that we currently have, and that runs the gamut from automotive to home furnishings to apparel," McKinnon said. "All of those sectors are critically important to maintaining the free flow of goods over the border and it's mutually beneficial for not just the U.S. textile industry, but for workers in Mexico and ultimately the U.S. consumer."

U.S. textile producers have also benefited from Mexico's close proximity as brands and retailers invested in the just-in-time manufacturing model. With the explosion of online shopping, quicker deliveries have become even more critical with a greater reliance on manufacturing hubs closer to the U.S.

Hamrick Mills, a 119-year-old textile company based in Gaffney S.C., employing 470 people, is well positioned to take advantage of several new provisions in USMCA. The company is a producer of greige woven fabrics for use in home furnishings and apparel.

"I think there is a big desire to have certainty in the North American region," Cameron Hamrick, president of the company, said. "There is less of a geo-political risk of operating in North America for the U.S. market. Without that certainty, it could easily drive more big end users to Asia."

A portion of the company's career uniform shirting fabric and hospital scrub material is exported to Mexico for cutting and sewing, and shipped back to the U.S. for consumption, he said. The stronger rule of origin for pocketing is also a significant component for Hamrick Mills.

Under NAFTA, South Carolina's Greenwood Mills has built a significant workwear fabric export business to Mexico, and on the apparel side, the company makes finished blue jeans in Mexico, president and CEO James C. Self III noted.

"With the great growth in e-commerce, quick turn is going to be more critical to a lot of our retail partners," he added.

NCTO worked with the administration during negotiations on USMCA and secured several provisions in the trade deal including stronger rules of origin for certain textile inputs and increased U.S. customs enforcement.

The USMCA updates and modifies NAFTA and makes significant improvements, such as creating a separate chapter for textiles and apparel rules of origin with strong customs enforcement language, and stronger rules of origin for sewing thread, pocketing, narrow elastics and certain coated fabrics. Under NAFTA, these items can be sourced from outside the region, while USMCA modernizes this loophole and ensures these secondary components are originating from the region.

The USMCA was approved by the House in December and with the Senate's passage, it now goes to President Trump for his signature.

Source: sourcingjournal.com - Jan 16, 2020

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Myanmar drafting national textile policy

Myanmar is drafting a national textile policy for the development of domestic textile sector, according to the ministry of planning, finance and industry. The drafting process was initiated in January 2018 and the first stakeholder meeting was held in January last year involving relevant ministries, private organisations and textile businesses.

The policy is being drafted with the help of German government's development organisation GIZ.

It will include action plans, road maps, laws, rules and procedures, infrastructural development, creation of a business environment that encourages local and foreign investment, manufacturing of value-added products, socio-economic development, technological acquirement, market competition, easy external trade and strengthened economic cooperation, according to a report in a Myanmarese newspaper.

Myanmar is also implementing a National Export Strategy (NES), under which there will be measures like transition of cut-make-pack (CMP) garment system into free on-board (FOB) system, adoption of bonded warehouse system and establishment of specialised textile and garment zone for boosting export.

Source: fibre2fashion.com- Jan 16, 2020

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US-China tariff battle ends with trade deal, apparel sector unhappy with deal

Recording a milestone world-trade history, United States and China finally signed a preliminary trade deal that ended the 18-month long trade conflict between the two countries. The deal was signed between the US President Donald Trump and Chinese Vice President Liu He.

What's in the deal

The deal states henceforth, United States will reduce the 15 per cent tariffs imposed on a wide range of Chinese consumer goods by half and also cancel another round of tariffs implemented in December. On its part, China will buy an additional $12.5 billion worth of agricultural products from the US in the first year and $19.5 billion worth of goods in second year.

These purchases will be a part a broader $200 billion package that includes manufactured goods and energy exports by 2021. They will continue beyond the two-year deal into 2022 through 2025. Some of the products that China has promised to buy include soybeans, wheat, cotton and pork.

These changes will take effect within 30 days of signing of the pact. The deal protects American companies from thefts of intellectual property and trade secrets by imposing anti-counterfeiting measures on them.

It also removes a barrier in the sale of US technologies and loosens up the requirements of Chinese banks wanting to operate in the country. However, while China has agreed to purchase more US products, it has not made any specific commitments to reduce tariffs imposed on the US.
NRF welcomes the deal

US China tariff battle ends with trade deal apparel sector unhappy with deals

US' National Retail Federation has welcomed the signing of this trade agreement. "We support the US administration's efforts to address the unfair trade practices adopted by China," said Matthew Shay, CEO of the federation hoping that this is the first step taken by the government towards eliminating all tariffs imposed over the past two years. "The trade war won't be over until all of these tariffs are gone," he added.

Thumbs down from apparel industry

However, the apparel and footwear industry isn't too pleased with this deal. "It provides the apparel and footwear industry with very limited tariff relief following the biggest tariff increase since the Great Depression," said Steve Lamar, President and CEO of the American Apparel & Footwear Association (AAFA).

"Tariffs will continue to hit all our products including 92 per cent of the apparel, 53 per cent of the footwear, 68 per cent of the home textiles, and all of the travel goods and accessories that are imported from China, which is the primary source of these products.

Not only does the deal retain the tariffs on key imports of materials and machinery used to make clothing, footwear, and textiles in the US, it also allows China to impose huge retaliatory tariffs on American exports of cotton, hides, leather, textiles, shoes, and clothing," added Lamar. The tariffs can thus be used as an enforcement mechanism, leading to new tariffs at any time. "It cannot be an effective way to change policies and practices in China," highlighted Lamar.

Source: fashionatingworld.com - Jan 16, 2020

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USA: Where Minimum Wages are Headed in 2020 and What it Means for Apparel Sourcing

Though 2019 brought with it a slew of minimum wage hikes across key sourcing countries—Vietnam, Bangladesh, Cambodia, Mexico and Honduras included— rate increases will be fewer in 2020.

"Wages and other inputs aren't going to change much," according to William E. Connor II, CEO of The Connor Group.

Vietnam, the biggest beneficiary of the fallout fueled by the U.S.-China trade war, which has spurred companies to scale back their China sourcing, raised its minimum monthly wage by 5.3 percent in 2019, taking pay to between 2.92 million Vietnamese dong ($125) and 4.18 million dong ($180), depending on the region. For 2020, wages have hiked between 5.1 percent to

5.7 percent relative to the region, taking the highest monthly minimum wage to 4.42 million dong ($190).

Though a new wage is not yet in place, Bangladesh's minimum wage board filed recommendations to raise the monthly pay rate for leather and footwear workers to 7,100 taka ($84), which would mark a 32 percent jump over the current salary. Part of the proposal also includes implementing a 5 percent yearly increase in basic pay.

Bangladesh hasn't alluded to any intention to raise wages in its garment sector after a 51 percent jump for 2019.

One country where wages will be higher in 2020 is Mexico. The Mexican government agreed on Dec. 16 to raise the daily minimum wage by 20 percent, following a 16 percent hike that took effect in 2019. The increase, which took effect on Jan. 1, will take the daily rate for low-paid workers to 123.22 pesos, or $6.53 at current exchange rates. For 8-hour days and 40 hours per week, that would bring monthly pay to roughly $130.

In September, Cambodian government officials announced a 4.4 percent hike, which will bring minimum wages to roughly $190 a month as of January.

In the United States, the House of Representatives voted in July to approve a Federal Minimum Wage Bill that would send the hourly pay rate up from its current $7.25 to $15 by 2025. The Senate has added the measure way down on its Congressional Calendar, and few are expecting legislators to take up the bill.

Source: sourcingjournal.com - Jan 16, 2020

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WTO forms dispute panel over India's duty hike on US goods

The World Trade Organisation's (WTO) dispute settlement body recently set up a panel to examine the US complaint against India, which had raised customs duties on 28 American goods in 2019. The United States had alleged that the additional duties imposed by India "appears to nullify or impair the benefits accruing to the US directly or indirectly" under the GATT 1994.

The United States had dragged India to the WTO in July by filing a complaint against New Delhi's move to increase customs duties, alleging the decision as inconsistent with the global trade norms.

The General Agreement on Tariffs and Trade (GATT) is a WTO pact signed by all member countries of the multilateral body that aims to promote trade by reducing or eliminating trade barriers like customs duties.

The United States had also alleged that the duties imposed by India appears to be inconsistent with two norms of GATT. It had stated that India does not impose these duties on products originating in the territory of any other WTO member nation.

India's exports to the US in 2017-18 stood at $47.9 billion, while imports were at $26.7 billion. The trade balance is in favour of India.

Source: fibre2fashion.com - Jan 16, 2020

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Pakistan’s APTMA opposes more charges for electricity

All Pakistan Textile Mills Association (APTMA) has opposed Pakistan government’s decision to charge more than 7.5 cents per unit for providing electricity to the textile industry.

The association says, the government has already imposed various surcharges after the withdrawal of zero-rating alongside GST and income tax. Besides, the textile industry is burdened with Quarterly Tariff Adjustments (QTA) and introduction of the Additional Distribution Surcharge to the industry retrospectively from the beginning of the current fiscal 2019-20.

The addition of extra charges in the tariff will further burden the industry with an additional 30 to 35 percent on account of electricity charges. Therefore, the industry is demanding electricity supply at the committed tariff of 7.5 cents per unit with no other charges added to it.

Source: fashionatingworld.com- Jan 16, 2020

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Pakistan: Govt ignores opposition to duty withdrawal plan

The government has refused to back down despite opposition from the Ministry of National Food Security and the Federal Board of Revenue (FBR) to the plan of withdrawing all duties on cotton import, which will facilitate textile barons at the expense of farmers.

Many cotton farmers have already switched to the sugarcane crop due to alleged exploitation by textile millers but now they are being exploited by sugar millers.

Fiscal year 2018-19 had been a worst year for the cotton crop when the harvest dropped to very low levels due to the poor attention paid by the government.

According to experts, many previous governments had neglected the agriculture sector, where the growth fell during tenure of the previous government, and now the textile millers are influencing policymaking by the present government with implications for the farmers.

In Pakistan, transporters' strike causes loss of billions of rupees

Agriculture has become an industry but farmers are still being exploited. No valuable research has been conducted and the farmers are not being trained in value addition.

The Ministry of National Food Security, in a recent meeting of the Economic Coordination Committee (ECC) of the cabinet, said cotton was still lying with ginners and the farmers, and duty-free import of the commodity would hurt growers as it would deprive them of a fair price for their produce.

The ministry pointed out that all textile manufacturers were not going for exports and many of them were producing textile products to meet domestic demand.

According to the ministry, 1.4 million bales of cotton were currently lying with the ginners. As per estimate of the Federal Committee on Agriculture (FCA), 10.78 million bales would be harvested in the current season. Over three million bales have yet to reach the ginning factories and are lying with the growers.

It was pointed out that in order to facilitate the export-focused textile manufacturers, a scheme titled Duty and Tax Remission for Exports (DTRE) was in place to restrict the import of cotton to value addition.

Apart from that, under the manufacturing bond scheme, a manufacturer-cum-exporter can establish a manufacturing bond and import raw material for the manufacturing of finished goods without any upfront payment of duty and taxes. These schemes protected the growers as well as ginners.

Therefore, the Ministry of National Food Security did not support the proposed withdrawal of regulatory duty, additional customs duty and sales tax on the import of cotton.

On the other hand, the FBR argued that the cost of exemption from regulatory duty, additional customs duty and sales tax for the period of Jan-Jul 2020 would be around Rs4 billion based on average revenue collection in the past three years. Therefore, it said, the revenue impact and the cost of exemption may be considered while deliberating on the proposal.

The ECC was of the view that the impact of withdrawal of duties on cotton import would be quite positive on the export of textile products, which would generate precious foreign exchange earnings. It removed the duties with effect from January 15, 2020.

Textile sector picks up but challenges remain

The ECC also noted that cotton was a cash crop and the backbone of Pakistan’s economy, however, its production had been continuously on the wane for the past many years. It underlined the need for evolving a comprehensive policy to enhance the production of cotton.

The Ministry of Commerce informed the ECC that the textile sector of Pakistan consumed around 12 to 17 million bales of cotton per annum.

Cotton consumption reached 16.31 million bales in 2007-08, 15.31 million bales in 2017-18 and dropped to 12.34 million bales in 2018-19. On the other hand, cotton production stood at 13 million bales in 2006-07, 13.96 million bales in 2014-15 and 9.9 million bales in 2018-19. Cotton imports had remained duty-free till 2014-15 when 1% customs duty was imposed along with 5% sales tax.

Later, the 1% duty was increased to 2% and then 3% along with 2% additional duty to make it 5%. At present, cotton import attracts 3% regulatory duty, 2% additional customs duty and 5% sales tax.

Under the prime minister's incentive package for the exporters, announced on January 10, 2017, the textile sector was massively facilitated through the withdrawal of customs duty and sales tax on imported cotton with effect from January 16, 2017. However, the duties were re-imposed in July-August.

This year, the cotton production target is 15.001 million bales but latest data suggests the harvest will not be more than 10.20 million bales.

Source: tribune.com.pk- Jan 16, 2020

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NATIONAL NEWS

Textile Industry made Farmers part of their growth journey – Smriti Irani

We are here to celebrate generations of textile industrialists and we can make even further progress by support from old good banking sector of India, said Hon'ble Minister of Textiles and Women and Child Development, Smt. Smriti Zubin Irani, while inaugurating the TEXPROCIL Award Function.

Minister further said that "It will be ensured that cotton procured by Cotton Council of India is not kept lying which leads to problems for MSMEs. We have also solved two decade old problem of obligation of Hank yarn production."

Minister suggested that inta-industry problems should be solved at industry level only without involvement of ministry. She expressed happiness that textile industry made Farmers part of their growth journey.

She further said “TEXPROCIL alongwith CCI and Skill development ministry should pursue skilling of farmers for mechanised farming.”

TEXPROCIL, the first Export Promotion Council set up in India in the year 1954, and responsible for promoting exports of cotton textile celebrated the achievements of its member exporters at the Annual Awards function held at the ITC Hotel Grand here today.

The Council is a one point stop for those who wish to source textiles from India. It has 3000 members who are engaged in the exports of cotton textiles including yarns, fabrics and home textiles including made ups.

TEXPROCIL promotes exports through buyer seller meets, reverse buyer seller meets, participation in trade fairs, in depth market studies and by leading delegations to explore potential of global markets. TEXPROCIL also assists the Ministry of Textiles in formulating policies to promote textile exports.

TEXPROCIL Award Function

Every year the Council recognizes the role played by exporters by giving out awards in different categories. This year the Council distributed fifty eight awards in thirty two different categories, including the coveted Platinum trophy for the highest global exports.

Recognising the role played by MSME units in India and given that the growth of MSMEs is one of the many thrust areas of the government, TEXPROCIL has also instituted an Award for the highest employment generated by MSME Units which went to Ken Enterprises Pvt Ltd and Gupta International.

Smt. Smriti Zubin Irani, Hon’ble Minister of Textiles distributed the awards for excellence in exports of yarns, fabrics and home textiles as well as the newly instituted Awards for highest employment generated.

Leading textile companies like Welspun Global Brands Ltd, Vardhman Textiles Ltd., Trident Ltd., Nahar Spinning, Arvind Ltd, Himatsingka Seide, BVM Overseas, Loyal Textiles Mills Ltd., Lahoti Overseas, Premier Mills, Indo Count Industries among others were some of the recipients of the awards.

Dr K V Srinivasan, Chairman, in his opening remarks congratulated all the award winners for facing the challenges of a slow global demand and intense price pressures to emerge leaders in their respective line of businesses during the year 2018-19. He also thanked the government for taking the initiative in recognising the incidence of state and central tax levies and their impact on the competitiveness of exported textile goods.

For the period 2018-19, the Council members exported US$ 11.5 billion worth of cotton textiles.

Mr Manoj Patodia, Vice Chairman of TEXPROCIL proposed a Vote of Thanks.

Source: indiaeducationdiary.in- Jan 16, 2020

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Textiles Minister says looking at reducing hank yarn obligation

Union Textiles Minister Smriti Irani on Thursday said her ministry is looking at reducing the hank yarn obligation.

Irani said the government has already partially eased the challenges related to hank yarn obligation, which the industry has been facing from the last two decades. "We are actively pursuing reducing hank yarn obligation even more," Irani said at an event organised by The Cotton Textiles Export Promotion Council (Texprocil).

The hank yarn obligation is a mechanism to ensure adequate availability of hank yarn to handloom weavers at reasonable prices. The existing norms prescribe that every producer of yarn who packs yarn for civil consumption shall pack at least 30 per cent of yarn in hank form on quarterly basis.

In the textile industry, a hank is a coiled or wrapped unit of yarn or twine (as opposed to both other objects like thread or rope as well as other forms such as in a ball, cone, bobbin, spool, among others).

The industry is demanding that the obligation should be reduced in the 10-20 per cent range.

She said one of the issues faced by the industry is procurement of cotton by Cotton Corporation of India (CCI) and its sale to the industry at a competitive prices. "The ministry and the industry are jointly making efforts to ensure a speedy resolution to this challenge," she said.

Irani said the textile ministry is actively pursuing with the finance ministry on the inverted duty structure. In the textile industry, there is high duty on raw material compared to the finished product.

The union minister also urged Texprocil to hand-hold small firms to become mid-sized companies.

Source: outlookindia.com - Jan 16, 2020

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RCEP offers $125-bn market for domestic companies

The 15 RCEP countries together accounted for 57 per cent or $105 billion of India's overall trade deficit in FY19, with China itself contributing to $54 billion of this.

Even though the government has decided to stay out of the world's largest trade block RCEP, the 15-nation grouping offers a market potential of $125 billion if domestic firms improve competitiveness in 24 identified product categories, as per a World Trade Centre study.

Citing domestic concerns, the government walked out of the 16-country Regional Comprehensive Economic Partnership (RCEP) in November last year.

The 15 RCEP countries together accounted for 57 per cent or $105 billion of India's overall trade deficit in FY19, with China itself contributing to $54 billion of this.

It can be noted that India is among the top 15 exporters of these 24 product categories globally and have strong demand in China, Korea, Australia, Japan, Indonesia, the Philippines, Malaysia, Thailand, Cambodia and Vietnam.

"The domestic industry can benefit from $125.6 billion market potential, especially in sectors like metals, textiles and marine products, in 10 of these RCEP countries," says the World Trade Center Mumbai, quoting the latest UN Comtrade data, which is the repository of international trade statistics.

India is the seventh largest exporter of aluminum products in the world and yet it is not a major supplier of these products to these RCEP countries except to Korea.

In 2018, Japan, Thailand, Korea and China together imported $18.65 billion worth of aluminium products, while India supplied hardly $700 million of these products to these market, as per the commerce ministry data.

India is the sixth largest exporter of man-made fabrics and its major export destinations are the US, Turkey, Brazil, Bangladesh and the UAE.

But there is an over $10-billion import demand for man-made fabrics in Vietnam, Indonesia, China and Cambodia.

Similarly, being the second largest exporter of textile yarns, India can benefit by meeting the $13.6-billion annual import demand from China, Korea, Japan and Vietnam.

Being the fourth largest exporter of bovine meat, India can help it grab a $11-billion market in select RCEP countries, says the WTC.

In textile yarns and man-made fabrics, domestic exporters face stiff competition from China, Korea, Vietnam and Indonesia.

But the trade body warns that it will be even more challenging for us to export to RCEP countries once this proposed mega trade agreement is ratified and signed by all the members.

For instance, in case of man-made fabrics, leading exporters like Korea and China will have preferential market access to top importers such as Vietnam and Indonesia once the RCEP pact comes into force.

Source: moneycontrol.com - Jan 16, 2020

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Right time for India-UK FTA due to Brexit: ITF

With the UK scheduled to leave the European Union at the end of this month, it is currently the right time for India to sign a free trade agreement (FTA) with the European nation. India-UK FTA can be a big boost to the Indian textiles and apparel industry, with a potential to add $3 billion additional exports and create 5-6 lakh direct jobs.

PARTNERS	IMPORTS US $ MILLION	SHARE %
CHINA	$ 7022	21.97
BANGLADESH	$ 3389	10.60
TURKEY	$ 2317	7.25
INDIA	$ 1996	6.25
GERMANY	$ 1858	5.81
ITALY	$ 1805	5.65
NETHERLANDS	$ 1407	4.40

"The entire textile value chain from cotton farmers, spinners, weavers, apparel manufacturers, and SME units across the sector will be beneficiaries of exports' growth from this high potential FTA," Indian Texpreneurs Federation (ITF) said.

At present, India's share in the UK market is only 6.25 per cent. Hence, post-Brexit India has great opportunity to increase its market share substantially.

The signing of FTA with UK will help India manage the tariff disadvantage of 8-12 per cent that Indian goods will probably face, which is substantial for any buyer from the UK. And being a single country FTA, the Government of India can try to conclude the deal at the earliest, ITF said.

While Bangladesh enjoys duty free access to the UK market, Vietnam has signed an FTA with EU (including UK) on June 30 last year. With an FTA with the UK, India can achieve a level playing field with Bangladesh—its current competitor, and Vietnam—its potential competitor, in the UK market.

Moreover, it will give advantage over EU countries in UK. UK, currently being part of EU, offers zero custom duty to members of EU. This situation may change after Brexit as UK may impose 12 per cent duty on textile and clothing. Currently, textile and clothing goods enter UK from Germany, Italy, the Netherlands, Belgium and France to the extent of 23.48 per cent of UK's imports.

Source: fibre2fashion.com - Jan 16, 2020

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Export of garments gets one-time sop

Garments and made-ups exported between March 7 and December 31, 2019 will get a special one-time additional ad-hoc incentive of up to 1% of FoB (free on board) value.

The incentive will be implemented in the form of scrips, according to a Textiles Ministry notification.

The Textiles Ministry had notified a scheme for Rebate of State and Central Taxes and Levies (RoSCTL) on March 7, 2019 instead of the Rebate of State Levies (RoSL). The exporters were also getting nearly 4% benefit under the Merchandise Exports from India Scheme (MEIS).

According to the latest notification, the ad-hoc incentive is to offset the difference between RoSCTL and RoSL plus MEIS. Under this, incentive of up to 1% of FoB value for each line in a shipping bill will be provided for apparel and made up exports, during the specified period, that may receive lesser benefits under RoSCTL compared with RoSL+ MEIS.

According to Raja M. Shanmugham, president, Tiruppur Exporters' Association, when the government announced the RoSCTL, exporters were under the impression this would be in addition to the MEIS. However, not all the exporters got the benefits under MEIS since March, 2019.

This had affected the exporters. Now that the Ministry has announced the additional incentive it should be disbursed at the earliest. The government had announced that it would implement Remission of Duties or Taxes on Export Product (RoDTEP) from January this year. There is no clarity on it, he said.

A. Sakthivel, chairman of Apparel Export Promotion Council, said the MEIS is said to continue till the end of March this year. Hence, the government should consider extending benefits under it till April.

Source: thehindu.com - Jan 16, 2020

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These two job generating industries lead India's exports from front; shine amid trade slump

Two industries in the manufacturing sector, capable of generating jobs in high-scale, are consistently leading India's exports from the front. Pharma and textiles are these two industries that are not only fulfilling the country's domestic demand but have a huge trade surplus due to high exports.

During April-November 2019, items worth Rs 96,716 crore in the pharma sector were exported, while the imports were of Rs 32,302 crore, according to the Ministry of Commerce and Trade. Similarly, in the textile sector in the same duration, exports were of Rs 1,58,931 crore, whereas items worth Rs 42,081 crore were imported.

After China and the US, India is the world's third-largest textile exporting nation with a share of 6 per cent. Textile exports have increased by 7 per cent on-year in FY19 while textile imports have remained stagnant.

"To curtail imports of textiles, the government has doubled the Basic Custom Duty from 10 per cent to 20 per cent on 383 apparel HS lines from 16 July 2018," Smriti Irani, Minister of Textiles, said in a reply to a question in Lok Sabha last month.

In order to achieve growth and to boost the textile sector in the country thereby increasing productivity and employment, the government has taken many initiatives in recent years.

Some of them are rebate of State and Central Taxes and Levies (ROSCTL), enhanced customs duty to boost domestic manufacturing, special package of Rs 6,000 crore for textile and apparel sector, enhanced duty drawback coverage/rebate of state levies (ROSL) on Export of Garments, SAMARTH-The Scheme for Capacity Building in Textile Sector (SCBTS), etc.

Similarly, manufacturing of drugs come under the Ministry of Chemicals and Fertilizers and according to the knowledge paper prepared by Federation of Indian Chambers of Commerce and Industry (FICCI), India's chemical industry is estimated at USD 163 billion in FY18 and it is estimated to grow at about 9 per cent per annum to double to USD 304 billion by FY25.

However, the trade surplus is specifically seen in the pharma items, not in other chemical products. Meanwhile, agriculture, marine, and leather are the other three industries where the trade is in surplus during April – November in the current fiscal.

Source: financialexpress.com - Jan 16, 2020

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India not to be directly affected by US-China deal as it gained little from the fight

It could benefit from a possible turnaround in world economy, but some doubt if India has the competitive strength

India is unlikely to be directly affected by the US-China trade deal signed on Wednesday as the country gained little from the almost two-year old trade war between the two trading giants.

But, if the hard-negotiated pact goes beyond the first phase and is implemented in spirit by both nations, India could benefit from an overall improvement in sentiments and performance of world trade. However, there are some, who argue that India seems to lack the competitive strength to take advantage of a global turnaround.

High tariffs

"There was opportunity for India to gain from the trade war between the US and China as the two countries imposed high tariffs on a large number of items imported from each other. But due to a multitude of reasons, including lack of adequate manufacturing capacity in the country, Indian producers could hardly benefit from it. It was mostly Vietnam which got increased business. So, if the US and China are now on the path to end their dispute, it will not directly affect India," an official told BusinessLine.

Moreover, as per the pact, tariffs on $120 billion worth of goods would be halved, but much of the higher duties on about $360 billion of Chinese exports to the US and more than $100 billion of US exports to China would stay.

China has also committed to increase its purchases in manufacturing, services, agriculture and energy from 2017 levels by $200 billion over two years and that could include $ 50 billion worth of agricultural goods a year. But that should also not be a reason for worry for India's exporters.

India and China have been in talks since the trade war started for increased purchases by Beijing of commodities such as soybean which it had been mostly buying from the US. But it did not actually result in much increase in exports from India. So, a resumption of farm goods purchases by China from the US is not likely to hurt India.

US presidential elections

Also, China has said that its increased purchases from the US would also depend on the demand situation, which gives it an option to exit from its commitment if needed.

With US Presidential elections scheduled in November, the US-China truce could be Trump's attempt to appease the US voter who has been hit by the trade war. As per estimates of the Congressional Budget Office, tariff-related uncertainty and costs have lowered US economic growth by 0.3 per cent, while reducing household income by an average of $580 since 2018.

According to the International Monetary Fund, has been growing at its slowest pace since the financial crisis. In projections made in October 2019, IMF said that world growth would touch about 3 per cent this year, indicating a significant slowdown compared to two years ago.

If the world growth picks up due to a fall in trade tension between US and China and it in turn fuels global trade, India could benefit from it. But some doubt that it would happen. "India lacks the competitive strength to take advantage of a possible turnaround in world trade. Exports have been falling for the last five months. But the government seems to be only interested in plugging imports," said Biswajit Dhar, Professor, JNU.

Source: thehindubusinessline.com - Jan 16, 2020

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Govt may impose anti-dumping duty on yarn from China, Indonesia, Vietnam

The government may impose anti-dumping duty on a certain variety of yarn from China, Indonesia, and Vietnam with a view to guard domestic players from cheap imports. The Commerce Ministry's investigation arm Directorate General of Trade Remedies (DGTR) has initiated a probe into alleged dumping of 'Viscose Spun Yarn' by companies in these three countries following a complaint filed by Indian Manmade Yarn Manufacturers Association on behalf of domestic industry.

The association has filed an application before the directorate for investigation into the imports from these countries for imposing anti-dumping duty. It has alleged that dumped imports from these countries are causing material injury to the domestic industry.

DGTR, in a notification, said that on the basis of the prima facie evidence submitted by the association about dumping of the product by these nations, "the authority, hereby, initiates an investigation". In the probe, DGTR will determine the existence, degree and effect of any alleged dumping.

If it is established that the dumping has impacted domestic industry, the directorate would recommend imposition of the duty. The Finance Ministry will take the final decision on imposing the duty.

The period of investigation is April to December 2019. It would also look at 2016-19 data. Yarn is mainly used for weaving or knitting for production of fabric for eventual use in garments.

Countries carry out anti-dumping probe to determine whether their domestic industries have been hurt because of a surge in cheap imports. As a counter measure, they impose duties under the multilateral regime of the World Trade Organization.

The duty is aimed at ensuring fair trade practices and creating a level-playing field for domestic producers with regard to foreign producers and exporters.

Source: moneycontrol.com - Jan 16, 2020

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Government to promote Surat as textile machinery hub

The central government is mulling to develop Surat as a textile machinery hub to provide state-of-the-art technology at affordable rates to the country's largest textile cluster which where a large number of units are based.

Already, a committee for the purpose has been formed by the Union ministry of textile, in which representatives of Surat's trade and industry have been included. Over the past few years, various associations including the South Gujarat Chamber of Commerce and Industry (SGCCI) are making representation to encourage textile machinery manufacturing activities near Surat. Now, the central government has initiated the process in that direction.

Textile units in Surat are heavily banking upon imported machineries from China, Korea and Germany, says Ketan Desai, president of SGCCI, adding that if proper infrastructure is be provided, textile machinery manufacturers from across the globe would throng as they would get ready market in Gujarat, especially in Surat. Desai, who is also part of the committee formed by the Union textile ministry, says that the idea is to attract leading manufacturers to Surat, which would not only boost the concept of 'Make in India' but it would also be beneficial for local textile units in terms of cost.

During her recent visit to Surat, Union textile minister Smriti Irani met representatives of SGCCI as well as those from Textile Machinery Manufacturers' Association (TMMA) and insisted them to provide input for the backward integration of the textile industry by promoting textile machinery manufacturing hub in Surat, says Dev Kishan Mangani, chairman of SGCCI's textile committee.

"Already, around 100 textile machinery manufacturing units are functioning near Surat. Most of these units are scattered and SMEs. If proper infrastructure is provided, foreign players would also set up their units to cater to the huge market. It would be win-win situation for manufacturers as well as textile units," says Vallabhbhai Thummer, chairman of TMMA.

Source: financialexpress.com - Jan 16, 2020

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Cheaper loans for exporters in the works

However, experts said many small exporters are comfortable with rupee credit especially with bank branches in smaller cities offering rupee loans.

New Delhi: The government is working on a scheme to offer rupee and dollar loans at lower rates to exporters to address their liquidity concerns and give a boost to slumping exports.

The commerce department has proposed giving rupee credit to exporters at around 7.5% rate of interest and dollar-denominated loans at around 3.5% under the proposed scheme.

It will soon take a proposal to the cabinet.

“A cabinet note is in the works. We are in talks with the finance ministry,” said an official.

The scheme could be a reimbursement to the banks like interest subvention. Exporters said rupee loans at present are extended at 9.5-10% rate of interest while dollar credit is given at 5.5-6%.

“The move will help exporters provided there is no further loading of expenses,” said Ajay Sahai, director general, Federation of Indian Export Organisations.

India’s exports declined for the fifth month in a row at 1.8% in December to $27.36 billion as 19 of the 30 exporting sectors showed a decline in outbound shipments. In April-December of FY20, exports slipped 1.96% to $239.29 billion and imports declined 8.9% to $357.39 billion, leaving a trade deficit of $118.10 billion.

However, experts said many small exporters are comfortable with rupee credit especially with bank branches in smaller cities offering rupee loans.
Export credit disbursement declined 23% in 2018-19 to Rs 9.57 lakh crore from Rs 12.39 lakh crore in 2017-18.

Separately, to ease the liquidity crunch, the commerce and industry ministry has also prepared a plan to reduce insurance premium rates to 0.6% for small exporters having an outstanding limit of less than Rs 80 crore.

Source: economictimes.com - Jan 16, 2020

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CCI procures 40,000 bales of cotton at MSP

The Cotton Corporation of India (CCI) has procured about 40 lakh bales of cotton as part of its MSP procurement operations so far during the season, amounting to 25% of the crop arrivals in the market, top officials of the corporation said.

P Alli Rani, CMD, CCI, said that while the target is to procure nearly 90 lakh bales, CCI may be able to procure around 60 lakh bales given the current market conditions. Prices are currently bearish and may rise to an extent as the season-end nears, she said.

Nearly 40% of the arrivals have come into the market till date.This year, it has so far procured 40 lakh bales of 170 kg each from markets, where the prices were ruling below the minimum support price (MSP). CCI has not conducted any commercial operations this year and has restricted to only MSP operations. The CCI has been buying in the regions, where private players were not actively buying, Alli Rani said, adding that some private players have been gradually increasing purchases in the last few days due to an improvement in global prices, and this could impact CCI's purchases.

Responding to a demand put forth by the South Indian Mills Association (SIMA) urging the textile minister to instruct CCI to sell cotton at market prices, All Rani said that the prices at which CCI is selling cotton is very reasonable. My stock is always available and open for sale but the industry should not expect CCI to sell its top quality cotton at a loss. Mill owners have complained that the price of Rs 46,000 per candy (of 356 kg each) quoted by the CCI is too high.

The Southern India Mills' Association (SIMA) has urged the Union textile minister Smriti Irani to intervene and direct CCI to avoid holding the cotton and sell the commodity at market price on a regular basis to arrest price escalation. SIMA chief said that mills are not able to source cotton from CCI as the price quoted by CCI is exorbitantly high when compared to the market price quoting `46,000 per candy as the base price as against the market price of Rs 40,000 per candy of 355 kg.

According to Alli Rani, as CCI has bought most of the best quality cotton that has arrived in the market, the present ruling market prices is of second grade cotton which cannot be compared to the cotton sold by CCI.

Alli Rani said that mills have decided not to participate in our tendering process since they do not want to pay the price set by CCI. Small and cooperative mills have been buying from CCI, but the big mills have not been participating in CCI's tenders and CCI could sell only 200,000 bales of the 10.8 lakh bales it had procured in the previous cotton year.

The minimum support price (MSP) has been increased from 26% to 28% and CCI had to conduct MSP operation during the current season. The government allotted `2,017 crore in the Union Budget 2019-20 to exercise MSP operation. As the kapas price varies between Rs 4,700 and Rs 5,250 per quintal depending upon the quality, and MSP is fixed at Rs 5,550 per quintal, CCI is covering around 50% of the cotton that arrives the market under MSP operation.

The country's cotton consumption is pegged around 315 lakh bales. The country's cotton production in 2019-20 is likely to jump to 355 lakh bales due to an increase in acreage coupled with an extended monsoon.

Source: financialexpress.com - Jan 17, 2020

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MEIS scrapped: Garment exports may shrink 10% in Q4FY20

The government has decided to scrap incentives for the garment and made-ups sector under a key programme — the Merchandise Exports from India Scheme (MEIS) — retrospectively from March 7, 2019, dealing a deadly blow to cash-starved exporters, who warn that the already-faltering outbound shipments of apparels could plunge further to around 10% in the last quarter of the fiscal, against a 0.8% rise in the April-December period.

Exporters decry the retrospective withdrawal.

Exporters say prior to the decision, the government had blocked the release of benefits worth over Rs 5,000 crore for the garments and made-ups sector under both the MEIS and the Rebate of State and Central Taxes & Levies (RoSCTL), meant for compensating them for various state and central government imposts. Under MEIS, the government used to provide garment and made-up firms incentives worth 4% of the freight-on-board (FoB) value of exports.

The latest order by the textile ministry, dated January 14, means the government would release only about 60% of the total held-up benefits up to December 2019.

While MEIS gains were held up since August 2019, benefits under the RoSCTL, which replaced the erstwhile Remission of State Levies (RoSL) scheme, were never extended since its introduction on March 7, 2019.

Exporters say the MEIS withdrawal will worsen a liquidity squeeze for them, as they typically factor in such incentives while firming up deals. It will also hurt their ability to honour fresh contracts. Since 80% of the garment exporters are MSMEs, with very limited ability to raise resources, the decisions will hit them very hard, they say.

However, to offer some relief to the exporters from the retrospective move, the order states that if the RoSCTL benefit between March 7 and December 31, 2019, is lower than the combined incentives under the MEIS and RoSL (which they were enjoying until the RoSCTL roll-out), the government would provide an “additional ad-hoc incentive” of up to 1% of FoB value of exported products, with a cap of `600 crore, for this period.

Citing a decision of the expenditure finance committee, the ministry said the MEIS benefit for garments and made-ups ‘stands withdrawn” from March 7, 2019, the day it had notified the RoSCTL.

But, compounding exporters’ woes, it has asked those who had availed of the MEIS benefits between March 7 and July 31, 2019, (after which MEIS benefits were blocked to them), to return the incentives, or the amount can be suitably adjusted against their future benefits.

Exporters said even with the extra incentive, the total benefit will be lower than what they used to get in March 2019 by over two percentage points.

A senior government official had earlier told FE that the resource-strapped revenue department felt that since garment/made-up exporters were to get the RoSCTL benefits (which are not extended to other exporters), they shouldn't be simultaneously granted the MEIS benefits, which, in any case, had come under the WTO scrutiny.

However, the textile ministry was learnt to have been backing the garment exporters' claims and wanted both the MEIS and RoSCTL to co-exist.

Exporters claim the MEIS and the RoSCTL are totally different schemes and must run simultaneously. The RoSCTL is aimed at keeping exports zero-rated, as per best international practices, while the MEIS is intended to help exporters deal with several infrastructural bottlenecks, including exorbitantly high logistics costs.

The latest move comes at a time when outbound shipments of textiles and garments have shrunk (even on a favourable base), aiding a decline in overall exports that have contracted for a fifth straight month through December. It will further weigh on the overall textiles and garments trade, which is already witnessing an unusual trend of brisk imports in times of slowing exports.

Textiles and garment imports, as percentage of such exports, surged from just about 13% in FY14 to a record 25% in the first eight months of this fiscal. Similarly, at 1.7%, the share of textiles and garments in the country's overall imports in the April-November period was the highest in recent memory.

On the other hand, the labour-intensive sector's share in the overall merchandise exports has been sliding consistently in recent years, having dropped from as much as 13.7% in FY16 to just 10.27% this fiscal (up to November), the lowest in at least a decade.

Source: financialexpress.com - Jan 17, 2020

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