Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>22660</td>
<td>47400</td>
<td>88.17</td>
</tr>
</tbody>
</table>

Domestic Futures Price (Ex. Gin), July

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>22530</td>
<td>47127</td>
<td>87.67</td>
</tr>
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</table>

International Futures Price

<table>
<thead>
<tr>
<th></th>
<th>USD Cent/lb</th>
</tr>
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<tbody>
<tr>
<td>NY ICE USD Cents/lb (Dec 2018)</td>
<td>87.54</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2019)</td>
<td>15,785</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>90.96</td>
</tr>
</tbody>
</table>

Cotlook A Index – Physical

| Cotlook A Index – Physical | 96.45 |

Cotton Guide: Cotton futures ended lower across the board for the second consecutive session. Two-day losses have mildly dented the limit up gains on Thursday. December contract settled at 8777, down 7 points from previous day.

The other months settled Monday from 2 to 110 points lower. Trading volume was 13,868 contracts, the 2nd lightest session since December. Cleared Friday were 26,041 contracts. The aggregate open interests held at 0.256 million contract while the recent low was 0.252 million contracts.

In the meanwhile, China’s ZCE futures market had their lightest volume session Monday since mid-May. Traders appear to have hit the sidelines in both the US and China, probably waiting to see what the impact of the tariffs will be.
This morning both ICE and ZCE cotton price have declined almost 1% each. We are seeing good amount of profit booking in the trade.

On the technical front ICE cotton has failed to break 88 cents on the higher side while 86 cents now seem to be the strong support level. We expect market might swing between two levels while either side breakout might make fresh move in the price. For detailed report please get in touch with Kotak Commodities Research Desk.

**Currency Guide:**

Indian rupee has appreciated by 0.3% to trade near 68.38 levels against the US dollar. Rupee has benefitted from sharp correction in crude oil price. Brent crude trades near $72 per barrel after yesterday’s 4.6% slide on prospect of higher supply from US, Saudi Arabia and Russia. However, weighing on rupee are trade war worries, downbeat growth outlook and widening trade deficit.

The International Monetary Fund has trimmed India’s growth projection from 7.4% to 7.3% for 2018-19 owing to high oil prices and a tight monetary policy regime. 2019-2020 growth forecast was revised down from 7.8% to 7.5%.

The US dollar is also supported by general optimism about US economy and Fed’s support for two more rate hikes this year. Rupee may continue to trade higher as crude oil weakness could persist but we may not see sustained gains. USDINR may trade in a range of 68.2-68.6 and bias may be on the downside.

*Compiled By Kotak Commodities Research Desk, contact us: mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source*
**Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:**

<table>
<thead>
<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.80</td>
<td>3.10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.44</td>
<td>2.82</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.10</td>
<td>3.30</td>
</tr>
</tbody>
</table>

Source: CCF Group

**China yarn**

Cotton yarn market remained weak with price inching down. Price of polyester yarn sustained stable and that of rayon yarn dipped. The blended yarn fell largely. Decrease of yarn prices was mainly affected by feedstock and downstream demand.

**International yarn**

In Pakistan, the cotton yarn market has been fairly steady. Local demand was described as ‘encouraging’, but export orders have remained slow. The downstream sector in India was concerned that the sharply increased MSP will increase their working capital requirements.

Some Turkish open-end mills were reported to have decreased their operations owing to poor trading conditions. The value of Vietnam’s textile and garment imports during January/May rose by almost 16 percent.

Source: CCF Group
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INTERNATIONAL NEWS

How the Trade War Impacts Cotton

Both the United States and China are exchanging tariffs on cotton, and the wider impact of the moves could mean macroeconomic consequences.

The U.S. has already enforced $34 billion worth of tariffs on Chinese goods coming into the country, and another $16 billion—which will make up the first $50 billion it promised to hit China with—is forthcoming. While cotton wasn’t targeted in that round, the new list of $200 billion in additional tariffs released Tuesday had cotton all over it.

President Trump instructed the United States Trade Representative to begin the process of imposing an additional $200 billion in tariffs on imports from China, and the list of tariff lines set to face new 10 percent duties includes cotton, cotton linters and pulp, cotton yarn, cotton sewing thread, cotton waste and cotton woven fabric, to name just some.

China, in its like-for-like retaliation on $34 billion worth of tariffs on U.S. goods, has added 25 percent tariffs to uncombed cotton and cotton linters to its list thus far—and another list is expected as the trade battle between the two powerhouse nations continues.

Some insight into U.S.-China cotton relations

China’s cotton imports have been on the rise and are expected to continue climbing over the next several years now that its government-controlled cotton stockpile has dwindled. And because it can’t meet demand with its domestic cotton supply.

“China traditionally has a production deficit between 10-15 million bales,” Cotton Incorporated senior economist Jon Devine explained. “That deficit had been filled by reserves in recent years, but with reserves now lower, that gap should be increasingly filled by imports.”

That begs the question, considering the U.S. is the world’s largest exporter of cotton: where will China get its cotton from?
“In the 2017/18 crop year, the U.S. should export 16.2 million bales. By comparison, the next largest exporter is India at 5.0 million bales,” Devine said. “It would take the sum of India, plus the next six largest shippers to equal the volume that the U.S. ships.”

That’s why things could prove positive for the U.S. cotton industry.

“If China increases its imports by 5-10 million bales over the next several years, it is hard to see how that would not benefit the U.S. because the pool of exportable supply is limited once you move beyond the U.S.,” Devine explained. “If the U.S. does prove to be unaffordable for Chinese mills with the tariffs, the cotton that is redirected to China from other sources (e.g., India, Brazil) should open up demand for U.S. cotton in other import markets (e.g., Vietnam, Bangladesh) where cotton from non-U.S. exports could have otherwise gone.”

**What this all means for the cotton industry**

In light of China’s cotton import demand falling sharply in recent years—from more than 20 million bales in the 2012/13 season to just 5.4 million bales in the 2017/18 season—the U.S. had already been reducing its reliance on China as an export destination. Over the 2012/13 to 2017/18 period, China’s share of U.S. exports dropped from roughly 40 percent to between 10 percent and 15 percent, according to Devine.

The U.S. cotton industry, however, carried on.

“Even with China taking only about half of the volume it had commonly had throughout the 2000s (4-5 million bales), the U.S. managed to sell the second and third highest volumes for export on record over the past two years,” Devine said.

And though China is already collecting duties on U.S. shipments of uncombed cotton, the impact has so far been minimal for domestic suppliers.

Cotton traders’ weekly reports showing how much they sell and ship each week have turned up little in the way of canceled sales.
“When we look at cancellations, there have been a few to China, but they have not been large relative to the volume of cotton that remains contracted for shipment to China (about 500,000 bales for 2017/18 delivery, about 1.5 million bales for 2018/19 delivery),” Devine said. “In recent weeks, cancelations to other countries have been greater than those for China, and those cancelations were likely related to recent price volatility.”

Regardless, cancelations from China will be something to keep an eye on as the industry looks to estimate the impact of tariffs on U.S. cotton exports to China.

**How tariffs will play on price**

With several categories for importing cotton into China, and some facing varying tariff levels, the exact impact the increased duties will have on price may be complex to determine. While some imports could face the 25 percent increase in tariffs, it isn’t yet clear whether imports passing through free trade zones will be subject to the new duty.

**Either way, prices may be headed upward.**

“The implied tightness in exportable supply suggests upward pressure on prices, and we likely have been seeing a reaction to that in cotton prices in recent months. Nonetheless, collective stocks for the world outside the U.S. are forecast to reach a record this summer, and collective volume will serve as a buffer against a rising tide of Chinese import demand,” Devine said. “Over the short term, the extent to which those are burned up (or not) should shape price direction regardless of tariffs. Longer term, the cotton market will need to pull in more acres to keep up with rising Chinese import demand.”

**The short- and long-term of it**

What much of this tariff battle and its impact on cotton boils down to, is more uncertainty ahead. And as Devine explained, the sector was already facing a fair level of uncertainty not knowing exactly how much more cotton China might import and when.

One thing that is certain, however, is that there will be reverberations throughout the supply chain in the short term.
“In terms of supply chain reactions, if the tariffs do remain in place, the flow of cotton through Vietnam could be expected to continue to be profitable,” Devine said.

Vietnam has been a “significant” source of growth in cotton mill use of late, according to Devine, who explained that Chinese government controls on cotton fiber imports has fueled much of that growth.

“Because there are no quantitative limits on cotton yarn imports (there are limits on the tonnage of cotton fiber) and because duties are either low (5 percent for India and Pakistan, countries without FTAs with China) or non-existent (countries with FTAs with China, like Vietnam), it was cheaper for Chinese fabric mills to import yarn,” Devine explained.

“A lot of that yarn came from Vietnam, and over half of all the fiber spun into yarn has gone to China for the past several years.”

Longer term, the tariff threat could escalate well beyond its impacts on the cotton industry.

“The possibility that the tariffs could result in an economic downturn somewhere is a concern,” Devine said.

Tariffs can lead to higher consumer prices, which means inflation—which means the Federal Reserve may look to more increases in interest rates.

“Higher interest rates can slow economic growth, and there is a concern that overly aggressive increases in interest rates could be a factor contributing to the next U.S. recession.”

Source: sourcingjournal.com - July 13, 2018
WTO Highlights China Role in Global Growth

Members of the World Trade Organization highlighted the importance of China's contribution to global growth in recent years as the institution concluded its Seventh Trade Policy Review of China on Friday.

"Members generally expressed appreciation for China's active role in the WTO. China, being the world's biggest merchandise trader and one of the largest recipients of FDI, its policies have a direct impact on the global economy," said Eloi Laourou, chairperson of the TPR body, in concluding remarks, Xinhua reported.

Laourou, also Benin's ambassador to the United Nations offices in Geneva, said that WTO members commended China on its recent initiatives aimed at broadening market access and investment opportunities, the greater involvement of the private sector in the economy and its commitment to fossil fuel subsidy reform.

"Members appreciated China's ongoing reform of customs procedures, such as further use of single windows, and commitments in the Trade Facilitation Agreement," the chairperson said.

Several members praised China on the Belt and Road Initiative, viewing it as "an avenue for mutual cooperation and growth."

Members also commended China's recent announcement of liberalization in financial services and tariff reductions in the automobile sector.

WTO agreements mandate that all members are subject to review under the TPR mechanism, in which a member's trade and related policies are examined and evaluated at regular intervals. The frequency of each member's review varies according to its share of world trade.

Sanctions to Benefit None

Since China joined the WTO in 2001, its role in the system has increased a lot with its exports increasing by seven times and imports by six times, the WTO chief Roberto Azevedo said.
China underwent its Seventh Trade Policy Review by the WTO from July 11 to 13, during which Azevedo told Chinese media that China's major achievements during this period also include lifting more than 500 million people out of poverty. "China has been a very active player throughout," he noted.

Looking forward, the WTO chief believed that China will be part of the efforts to make the organization even more effective, and to figure out the problems with other members to improve the system.

"This system has been under stress more recently, given these trade tensions all over the world," Azevedo said.

"So the way to reflect and react to these things is to be ahead of the curve and ready to do the things necessary to make the system even more effective, even stronger."

According to the WTO chief, the WTO has been doing the very best to make clear to everyone that these sanctions and restrictive measures are "not going to help anyone."

"Everybody loses in this scenario. Even those who think they may win, they don't. WTO has been trying to give this picture as clear as possible to everyone," he said.

Defending WTO Record

China defended its record in fulfilling commitments to the World Trade Organization, while sidestepping US criticisms that its market openings and protection of intellectual property have fallen short.

A white paper released by the government’s information office Thursday argued that China granted foreign access to its market after joining the WTO, as promised, lowering tariffs and other barriers.

At a briefing accompanying the release, Vice Commerce Minister Wang Shouwen said China had opened its services sector beyond its WTO commitments.
Wang denied forced technology transfers and didn’t address subsidies, without mentioning the US by name. “If companies of certain countries say China hasn’t done a good job, they can file a lawsuit against China at the WTO,” he said.

Complaints that Chinese trade practices distort global markets are at the heart of the (President Donald) Trump administration’s trade dispute with China. Trump is pushing ahead with tariffs on $34 billion of Chinese goods on July 6, which Beijing has said it would match in value. He has threatened tariffs on more than $400 billion of other Chinese goods should Beijing retaliate.

The European Union, which has tried to take a less confrontational approach than the US in addressing Chinese practices, reached an agreement this week with Beijing to work together to update WTO rules to address issues of government subsidies and technology transfers.

A resolution seems far off. European Commission Vice President Jyrki Katainen said that it would take “quite some time” to modernize the global trading organization, and that the EU and Beijing held “different opinions” on the matter.

Source: financialtribune.com- July 15, 2018

Stopping Trump’s disastrous trade war

Trump’s trade war will have no winners. Major global economies must join hands to bring it to a stop

The trade war unleashed by US President Donald Trump shows no signs of abating. Instead, the mayhem unleashed by the dubious tariffs of the US, and the tit-for-tat response by some countries, is set to worsen in the coming weeks. Before seeking to understand the implications of the unfolding trade war, it is relevant to recall how the US has put international trade in disarray.

The US has triggered the on-going trade war by imposing two categories of tariffs on imports, over and above its entitlement at the WTO.
First, in March 2018 it illegally imposed additional tariffs on imports of steel (25 per cent) and aluminium (10 per cent) above the ceilings permitted by its commitments at the WTO, allegedly for protecting its national security. While the US granted temporary respite from these tariffs to some of its erstwhile allies, eventually imports from the main steel producing countries, including the European Union (EU) and Japan, were subjected to the enhanced import duties.

While the WTO rules permit countries to deviate from their obligations on security grounds, the US has little justification in invoking this provision at this juncture. This has attracted tit-for-tat retaliatory tariffs from some key countries.

On July 6, the US opened a second front in the trade war. Taking recourse to its domestic law, which is suspect from the WTO perspective, it imposed tariffs on imports worth $34 billion from China, including aircraft parts and flat-screen televisions. This is supposedly meant to punish China for its alleged theft of intellectual property.

Within a few hours, China hit back with its own equivalent tariff hikes on imports from the US, including marine products, soybeans and automobiles. With Trump threatening further punitive tariffs of 10 per cent on an additional $200 billion of Chinese imports, and China unlikely to remain silent, global trade has entered into an extremely uncertain and tumultuous period.

More bad news is on the way, as the US contemplates breaking WTO rules again and imposing additional duties on imports of automobiles and auto components from China, Germany and many other countries.

What explains the repeated violations of WTO rules by the US? The tariff hikes on steel and aluminium and the likely additional duties in the auto sector are attempts by the US to turn the clock back and revive some of its sunset industry.

It also seems to be a blatant attempt by Trump to pander to domestic political pressures, accentuated by the impending Congressional elections in November.
While it is uncertain whether Trump will succeed in bringing jobs back in the rust belt, it will surely disrupt the established trade through global value chains in auto and other sectors.

The tariffs targeting China for its alleged theft of intellectual property of US innovators appear to be an attempt by the US to block China’s aspirations for global leadership in high technology industry under its ‘Made in China 2025’. However, expecting China to keel over under US pressure is nothing short of fantasy. In frustration, the US may retort by taking even more questionable actions in the future.

**A new economic (dis)order**

What do the US trade actions bode for the future? Uncertainties in global trade, flattened trade growth, disrupted global value chains and a weakened WTO are likely to be some of the consequences, if the US persists with its WTO-rule-breaking spree.

Further, if influential countries fail to prevail upon the US to eschew the trade war and sue for peace, the world may be heading towards a new economic (dis)order where managed trade, and not rules-based trade, would prevail. Developing countries, such as India, are likely to be the main losers, if the WTO regime gets replaced by trade managed through quotas and voluntary export restraints.

What would it take to stop the US from continuing to play fast and loose with trade rules and pushing global trade growth into a deep abyss? While there is no ready-made formula to halt the deepening trade war, coordinated action by the larger economies to counter the US would be a useful first step.

After some initial hesitation, Canada, China, EU, India, Mexico, Russia and Turkey have imposed, or have conveyed their intent to impose, retaliatory tariffs on the US.

Through a smart selection of products — Harley-Davidson motorcycles, orange juice, bourbon, and soybeans — the retaliatory tariffs appear to be hurting the interests of prominent constituencies in the US, including farmers and influential politicians of the Republican Party.
Several influential agricultural and industrial lobbies within the US are reported to be supportive of such outside actions for discouraging the US from persisting with the trade war. In fact, loud voices against Trump’s trade war have started emerging within the US. This is the way to go.

Indian response

How should India respond to the emerging trade scenario? India is already at the receiving end of the hike in steel and aluminium tariffs. India has correctly chosen to impose retaliatory tariffs on the US, which would be implemented in August. It is also a part of the group of countries that has slapped separate disputes at the WTO against the US for its tariffs on steel and aluminium.

The US is contemplating to deny India preferential tariff access to its market under the generalised system of preferences. This would adversely affect India’s exports worth $5.6 billion to the US.

This must be firmly resisted, and if need be, by slapping a dispute on this issue at the WTO against the US. Any hesitation, or softness, on India’s part in responding firmly to the dubious trade actions of the US will only encourage the latter to wield the big stick and seek to extract concessions from India.

In conclusion, there would be no victors in the on-going trade war. It is imperative to compel the US to start respecting trade rules again, perhaps by inflicting high economic and political costs of the trade war on it. This requires continued collective action by the major economies, which could bruise them in the short term through a decline in their exports to the US.

If they fail to act jointly against the US, they run the risk of getting battered in the long term. Difficult times demand tough choices from large economies including China, EU and India. They must not shy away from any judicious action that could prevent President Trump from making America grate trade.

Source: thehindubusinessline.com- July 16, 2018

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The Global Apparel Supply Chain Must Adapt to a New World

One key reason that the U.S.-China trade dispute has progressed slowly is the fact that each side views the dispute as much more than a debate over imports.

The Chinese have attempted to deal with the Trump administration much as it has with other U.S. administrations, in which it tells them what they want to hear, promises to change, then signs celebratory large scale agreements that mean little and continues on as it has been. By the time the issue is back on the front burner for the U.S., China has had two to three years to accomplish its goals.

The failure of the U.S. to actually enforce anything of note has been viewed by the Chinese as weakness. China has fully understood that the U.S. business hunger for the Chinese market gave them significant latitude to maintain the upper hand in negotiations.

Putting all of the political issues aside, the Chinese tariff on U.S. cotton has taken effect and it appears to be a direct violation of the WTO agreement, or at least the spirit of the agreement.

Unlike many other agriculture products, cotton is already a restricted import commodity. At the time the WTO agreement was negotiated, cotton was considered a state secret in China. As it entered the WTO, China produced near 20 million bales from an estimated 200 million small plot holders, making cotton a very sensitive commodity.

China argued that as a developing nation it needed the right to protect these farmers. Thus, since the WTO accession China has placed limits on imports, taxed imports at various degrees and maintained a firm grip on trade. The only protection for the U.S. and the global cotton trade was a small 894,000 tons of annual import quota that would be allowed in at a 1 percent duty.

This was shared by all suppliers and then further divided between the state owned companies and the private trade. Even this quota, however, was not allowed to be free from government control. Since the agreement went into place, the Chinese government allocated the quota.
Their ability to maintain this control and to limit annual imports was in direct contrast to the expectations under which the WTO was negotiated, which limited duties and left no limit on the import volume of textiles or apparel after the accession period.

The Chinese won and played to the West’s weak points, as well as playing to companies’ desire for access to the Chinese market and its cheap labor. The general feeling was that China would soon totally open up cotton trade and move to a free market. That simply did not happen.

Today, China is far from the poor developing nation it was in 2000—now it’s the world’s second largest economy. This development, however, comes with responsibility in deeds and not just words. Corporate responsibility comes with the pursuit of a profit.

What makes the Chinese move so unsettling is that the U.S. textile and apparel industry paid a very high price for China’s WTO entry with millions of jobs lost, communities destroyed, families broken apart and well-established businesses forced to close or quickly move offshore. Arguments have been made that apparel operations always go to the cheapest market, and that would have happened regardless of WTO. Yes, there would have been some migration but it would have occurred over a longer period and would not have been so disruptive, resulting in the wholesale destruction of a major industry.

The Chinese textile and apparel industry entered 2018 dominating the world, and remaining the largest destination for new textile machinery in 2017. As China joined the WTO in 2001, it was the U.S. that first rapidly lowered tariffs for its textile and apparel imports. It was also the U.S. that lost an entire industry as those imports exploded under the cheaper supply chain.

In 2000, the U.S. imported $6.5 billion worth of textiles and apparel from China, and in 2015 it peaked at a record 43.21 billion. In 2000, China had 9 percent market share, and by 2015 it had grown to 38.6%. U.S. cotton consumption peaked in 1997/98 at 11.390 million bales and has fallen to 3.1 million bales in 2010/11. The U.S. cotton industry lost more than 8 million bales from a reliable domestic customer that paid a premium.
The sheer risk of a 25 percent or more duty on Chinese imports has exposed a key risk to the global textile and apparel chain: the over dependence on a single country’s supply chain.

If a duty is applied to imports, then one of the most dramatic impacts will be on cheap polyester apparel. China has flooded the world with cheap polyester fabric and apparel following the 2008/10 fixed asset investment in new production capacity. That expansion ended in 2017 as the environmental cleanup began to take hold and forced noncompliant plants to close. This event further seals the fate of cheap polyester, and now begins the cleanup.

Any settlement of the issue would also now require more than a return to the status quo, it should mean a discussion for the duty free import of cotton.

Source: sourcingjournal.com- July 16, 2018

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USTR Advances US-Africa Free Trade Agreement That Goes Beyond AGOA

Following up on a report delivered to Congress at the end of June, U.S. Trade Representative (USTR) Robert Lighthizer said last week that the Trump administration wants to move swiftly to start talks on a free trade agreement that goes beyond the African Growth and Opportunity Act (AGOA).

"AGOA has provided an important framework for our economic engagement during these last two decades," Lighthizer said. “But by 2025—when AGOA is set to expire—it will be a quarter century old and we cannot predict what will happen at that time.”

The USTR said “we should seize the moment” and pursue a new, forward-looking agreement “for the future of U.S.-African trade.”

“This vision should recognize that sub-Saharan Africa looks very different in 2018 than it did in 2000 when AGOA was first created. We believe that there are countries in Africa that are ready to move from AGOA beneficiary to U.S. free trade agreement partner,” Lighthizer said.
“I can assure you that this administration is strongly committed to Africa,” Lighthizer added. “We want to deepen our trade ties so that workers and businesses throughout the United States and across Africa can benefit as much as possible.”

Africa, Lighthizer pointed out, has some of the fastest growing economies in the world and a rapidly expanding middle class. These trends should result in increased demands for American products and services and the U.S. private sector has taken notice, he added.

“We’re seeing this play out in many tangible ways,” the USTR said. “More small and medium-sized U.S. companies are doing business on the Continent—often directly with African businesses, not just with governments and state-owned enterprises. These companies are branching out into new sectors such as information technology and service industries.

Trade in goods between the U.S. and sub-Saharan Africa increased 5.8% to $39 billion between 2015 and 2017, and apparel and textiles played a key role, according to the report to Congress. Total U.S. goods imports from Sub-Saharan African countries under AGOA, including the Generalized System of Preference program, totaled $13.8 billion in 2017 compared to $9.3 billion in 2015.

According to the Sandler, Travis & Rosenberg Trade Report, Lighthizer noted that the U.S. is “not abandoning AGOA for either the short term or the long term.” However, conditions are favorable to move ahead at this time, including increasing investment in Africa by U.S. companies of all sizes, many of which “never before had a large footprint on the continent,” the report noted.

The U.S. is focused on three core objectives, the Sandler, Travis report noted. These are to pursue a bilateral FTA with a willing partner, ensuring that the agreement is crafted to serve as a model that can be rolled out to other willing partners in the region down the road, and making sure that the FTA will reinforce regional and continental integration in Africa.

Source: sourcingjournal.com- July 16, 2018
U.S., UK Anticipate Post-Brexit FTA

The leaders of the U.S. and the United Kingdom said after a July 13 meeting that their countries plan to pursue a bilateral free trade agreement once the UK formally leaves the European Union in March 2019. Lower-level officials met recently to discuss specific trade-related items that could factor into future FTA talks.

Prime Minister Theresa May said she and President Trump agreed to pursue an “ambitious” FTA that will build on the UK’s independent trade policy, reduce tariffs, deliver “a gold standard” in financial services cooperation, and “seize the opportunity of new technology.” Trump said his goal is for the two partners to trade without any restrictions, which could “double, triple, quadruple” the current level of two-way trade.

May denied reports that her most recent plan for withdrawing the UK from the EU would limit London’s ability to negotiate FTAs with other countries. She asserted that once Brexit is complete the UK will no longer be in the EU customs union and will therefore have an independent trade policy, which it will use to “do a trade deal” with the U.S. and other countries.

Although he reportedly said a day earlier that May’s plan “will probably kill” chances for a U.S.-UK FTA, Trump said after talks with May that he has no preference for what the UK-EU relationship ultimately looks like and is only concerned that the UK is “going to be able to trade with the United States.”

Ahead of the two leaders’ meeting the U.S.-UK Trade and Investment Working Group met in London July 10-11. According to a press release from the Office of the U.S. Trade Representative, this group is working to provide commercial continuity for businesses, workers, and consumers as the UK leaves the EU and to lay the groundwork for a potential future FTA.

Toward that end last week’s meeting covered topics such as industrial and agricultural goods, services and investment, digital trade, intellectual property rights, regulatory issues, and small and medium-sized enterprises.

Source: strtrade.com- July 17, 2018
No easy choices as Britain launches a new trade regime

The outcome of the Brexit referendum has imparted a drastic shock to the UK economy. The United Kingdom must choose between three options as it seeks to refashion its international trade relationships.

The first option is for it to seek to avoid a protectionist outcome by reversing its decision and remaining in the European Customs Union and European Single Market.

Under a second option, it can withdraw into a more protectionist environment, in which it leaves the Customs Union and Single Market but forms market access agreements and free trade areas (FTAs) with other countries. This second option is the preferred UK government policy at present.

The third option would be for the United Kingdom to leave the Customs Union and Single Market, and reduce its tariffs and liberalise its own borders, in an attempt to open up its trade with the rest of the world.

The economic costs to the United Kingdom of withdrawing from the Single Market and the Customs Union will be large. The EU accounts for half of Britain’s exports. It is true that EU tariffs are (for the most part) very small, apart from textiles and clothing, heavy industry (including motor vehicles) and agriculture.

But losses will still accrue to the United Kingdom, if the United Kingdom and the rest of the EU both close their markets to each other’s goods and services. In particular, the costs of leaving the EU will extend beyond being subject to tariffs—the United Kingdom will lose access to the EU’s financial market openness and the EU’s regulatory architecture in many industries such as pharmaceuticals and air transport.

If the UK does not reverse its decision to exit, which of the other two approaches would be least costly?

The preferred UK government policy at present is to negotiate FTAs with other countries and to negotiate a new agreement with Europe (the second option).
But the gain from these actions is likely to be extremely small for two reasons. First, negotiating bilateral agreements is time-consuming and the costs of doing so are high. Second, the agreements—even any new agreement with the EU—will inevitably include productivity-sapping regulations that are designed to enforce preferential rules of origin. Partly because of this, the take-up of negotiated market-access preferences will only be partial.

Furthermore, the EU already has free trade agreements with countries that make up another 17 per cent of the United Kingdom’s export market—such as South Korea, Canada, Singapore, and the countries within EFTA, and is at present seeking additional agreements with other countries.

Thus the United Kingdom’s planned negotiations of new agreements with other countries may do no more than maintain the status quo, rather than leading to new opportunities.

With the United Kingdom contributing only about 3 per cent of gross world product, it is unclear how powerful the United Kingdom would be in any FTA negotiations. Negotiating partners are unlikely to want to take the United Kingdom as a standard-setter. A hub-and-spoke system with the United Kingdom at its centre is extremely unlikely.

Might unilateral liberalisation (option three) combined with domestic reform efforts be an alternative way of mitigating the negative effects of Brexit? Under this policy, the United Kingdom would open its borders to Europe and elsewhere.

It would seek to increase its trade with the most rapidly growing parts of the world, particularly the Asia Pacific region. At the same time the United Kingdom would foster productivity improvements at home.

Since overall tariff levels are low, unilateral liberalisation would not make much of a contribution to offsetting the trade costs of exiting the EU.

Unless combined with substantial domestic productivity-improving domestic reforms—which would be difficult to achieve—any liberalising moves by the United Kingdom would not greatly offset the wider costs of exiting from the EU Single Market.
Further, efforts to liberalise the UK economy would need to be gradual in industries that are highly dependent on government assistance, and which will lose access to the European market. This is particularly the case for some agricultural and manufacturing activities, including in the textiles and clothing industry and in the heavy manufacturing sector, including motor vehicles. In short, the domestic gains from option three are likely to be small.

 Seeking greater economic integration in the Asia Pacific may also prove to be harder than it seems. Any difficulties faced by the United Kingdom in accessing the economic opportunities available in this region would not be helped by new regional mega-agreements, such as the Regional Comprehensive Economic Partnership and the revamped Trans-Pacific Partnership (the TPP 11), which are much closer to preferential agreements. They would also not be helped by perceptions of globalisation in some countries in the region—in particular China—that are cast mainly in terms of access to foreign markets rather than the opening up of domestic markets.

 The Irish border issue is also critical. If the United Kingdom carries out the government’s preferred option (the second) a hard border will need to be established between Northern Ireland and the Republic of Ireland, potentially endangering the Good Friday peace agreement of 1998. A hardening of the border will also be needed to be established if option 3 is pursued.

 In December 2017 the UK government announced that it would maintain an open border between Northern Ireland and the Republic of Ireland. It is hard to see how this will be done without the United Kingdom remaining a member not just of the European Customs Union but also the Single European Market, potentially forcing the United Kingdom back to option one.

 Even if the British government does get round the Irish hurdle, it will be important for the United Kingdom to avoid an elementary mistake. That is, it would be odd if the United Kingdom sets aside membership of the Customs Union and Single Market in order to pursue partial liberalisation of trade with only a small number of other trading partners outside Europe. The unilateral opening up of the United Kingdom’s trade with the rest of the world is unlikely to be a way of squaring this circle.
In recognition of the nature and scale of the choices facing the United Kingdom, there is a need for a national policy review institution in which proposed reforms to the United Kingdom’s trade and domestic policy can be assessed according to their potential impact on the national interest. At present, the United Kingdom does not have a forum in which these issues can be clearly discussed.

Source: eastasiaforum.org- July 17, 2018

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**Portuguese clothing exports up two per cent**

Portuguese clothing exports increased 2.2 per cent during the first five months of the year. Italy was the fastest growing customer during this period, corresponding to a 33 per cent rate development. Other markets were: France with a 4.5 per cent growth and the Netherlands with 11.6 per cent growth. The main markets for fashion from Portugal are the US, Spain, Germany and the Nordic countries.

Exports account for 70 per cent of Portugal’s textile and clothing business. The industry has been able to carry out an extraordinary reconversion and modernization.

It is primarily clustered in the north coast region of the country and encompasses spinning, weaving, finishing, knitting, apparel manufacturing, home textiles and technical textiles. Located in the same region are the Technological Centre of the Textile and Clothing Industry and the Centre of Nanotechnology and Smart Materials.

The country’s textile industry has shifted over the past two decades from an emphasis on price to value in response to competition from low-cost countries. The focus now is on fashion, design, technological innovation, logistics and international markets. Portugal is promoting textiles in three silos: brands/fashion/design, private label and home textiles. Home textiles represent nearly 40 per cent of the sector’s exports to the US.

Source: fashionatingworld.com- July 16, 2018

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Bangladesh: Home textile industry in the red—again!

Last year the Bangladesh Terry Towel & Linen Manufacturers & Exporters' Association (BTTLMEA) wanted the government to stop the export of cotton waste so that raw materials become available for production. Cotton waste is still being exported. It also wanted cash incentive to be increased to 16 percent so that Bangladeshi products can be competitive in the US market.

There is however a proposal from the national committee under the finance ministry, that looks after revision of cash incentives, that a further three percent may be given for the US market. Presently there is a percent cash incentive for all exporters.

Another basket exists that provide a further four percent incentive to small industries with an annual export not exceeding USD 3.5 million annually and which are single unit factories. BTTLMEA wanted a further eight percent, but there is only a recommendation for a further three percent for the US market which has not been gazetted as yet.

The biggest problem now is the crisis in yarn. The industry was founded basically in 1990 on the premise that cotton waste would be used to produce the yarn for home textiles. Today there are 105 mills with only three enjoying bonded warehouse facilities including Noman Group's Terry Towel, ACS, which is a British investment venture in Bangladesh and another Bangladeshi company.

These companies are at liberty to import (duty free) raw materials from the international market, be it yarn or chemicals for the purpose of producing goods that are for export only. The advantage here is that these companies can buy yarn at competitive international rates.

Since the export-oriented home textile and linen manufacturers have from the beginning been using yarn made from local cotton waste, there was no move towards getting bond facilities and that has become a major problem today. Now the availability of local yarn has reached crisis point.

The industry uses primarily 10 single, 16 single and 20 single grade yarns to produce products that range from bed sheets, pillow cases, curtains, quilt covers, comforter, various types of sheets, etc.
Terry items include all types of towels. All these yarns are produced by Bangladeshi spinners. Home textile mills use the open end variety yarn.

It is fortunate for the RMG sector that denim export from Bangladesh has got a boost over the last three years and demand for local yarn (seven single, eight single and 10 singles grade yarn) has increased. That means denim factories are using the same yarn counts to make their garments that Terry towel factories use to produce low to mid end towels in the country.

The only difference is that for denim yarn, spinners may increase the percentage of virgin cotton from 60 to say 70 or 80 percent. While investment may increase by Tk 10 per kg, selling price increases by Tk 20 per kg. So, naturally, spinners are shying away from selling to terrycloth/home textile mills in favour of denim factories.

To put all this in perspective, spinners can sell towel yarn (count 10s) at USD 1.80 per kilo. While denim yarn at the same count fetches USD 2.20 per kilo. So naturally, spinners are selling the 10s yarn to denim factories.

On top of the yarn shortage, Bangladesh does not have a comparative price advantage in the US market over Pakistan. The Pakistani rupee exchange rate (USD 1 = Rs 110) and the industry there is getting a cash incentive of 12 percent coupled with paying less duty to enter into the US market. On the contrary, our exchange rate stands stronger with Taka trading against the USD at 83:1 and enjoying an inferior 8 percent cash incentive (for SMEs).

Then again Pakistan’s 10 single grade yarn price is approximately 12-15 percent cheaper than the price of same grade yarn available to Bangladeshi millers. All this means that Pakistani terrycloth exporters are having a 25 percent to 29 percent price advantage over Bangladesh in the US market.

In this scenario, the BTTLMEA in a letter to the parliamentary standing committee on Jute and Textile Ministry this month proposed that the government allow for the duty-free import of 10 single, 16 single and 20 single open-end yarn (for towel production) through land or sea port from India or Pakistan, which would be 15-20 percent cheaper in price.

It was also proposed that a five-year cash incentive scheme for exports to the US market that would increase the export basket of these products from USD 1.2 billion to USD two billion over the period. Putting in place measures to
open up the market for importing raw material at most competitive rates and the implementation of policy measures would not only protect the industry but also allow Bangladesh to effectively take advantage of the China-USA trade rift, where China's textile exports to the US may soon face further duties.

It is prime time to cash in on the China-US trade war and put Bangladeshi home textile/terry towel export in an advantageous position over India/Pakistan.

Source: thedailystar.net- July 17, 2018

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*Made in Bangladesh: scaling up green apparel manufacturing*

Many years ago, I did my doctoral research on the environmental compliance of Bangladesh's readymade garment industry at the London School of Economics and Political Sciences. Back then, the industry was beginning to make its mark with their American and European buyers. They were demonstrating their newly found confidence at delivering cheap and basic clothes in a “fast fashion” supply chain.

The foreign buyers were price-setters and controlled who participated in the global apparel supply chain. Their collective codes of conduct were the rulebook and governed the quality of the product, how it was made, how it was shipped, and how social and environmental issues were to be addressed by the garment companies along the way.

Years later, I was back at my alma mater to talk about a very different garment industry. This article is based on what I presented at the Bangladesh Summit hosted by the LSE and the UC Berkeley.
The Economist magazine recently said that it’s a good time to be celebrating Bangladesh’s economy right now. Bangladesh is no longer a disaster story. Bangladesh is not a basket case. Gross domestic product grew steadily at 6 percent in the past decade, with the last two years' growth being around 7 percent. Industrial share of the GDP is 29 percent, and the lion's share of that comes from the garment industry.

The garment industry has about 4,000 active factories, employing 4.4 million workers, 80 percent of whom are women. In a conservative society like Bangladesh, that is a remarkable story.

The sector has spawned backward and forward linkage industries, and estimates indicate that about 50 million Bangladeshis depend on the apparel sector for a living.

Garment exports stood at $28 billion in the fiscal year of 2016-17, and globally Bangladesh is second only to China in apparel export volumes.

Like in any part of the apparel supply chain, compliance management has been a challenge in Bangladesh as well. In the 80s, sweatshop-like conditions and child labour were a sad reality. In 2012 and 2013, Bangladesh was the stage for the most horrific industrial accidents the world has seen: Tazreen factory caught fire, killing 112 workers and the Rana Plaza building collapsed, killing 1,134 workers. These tragedies shook the entire supply chain and buyers, governments, international development agencies, factory owners, labour groups, NGOs and trade bodies all rallied together.

Now the Unicef says that children are no longer employed in the garments factories (although child labour is prevalent in informal economic work and in murky corners of the sub-contracting supply chain). The International Labour Organisation and buyer groups – the Accord and the Alliance – in the past five years have inspected all garment factories and remedied them for building and fire safety. A large number of factories have shut down, some have moved, and some are still taking corrective action.

About $1 billion has been invested by factory owners to ensure better working conditions. The buyers now say that working conditions are a lot better and non-compliant factories no longer exist in Bangladesh. The workplace conditions are still not ideal and one can say with some certitude that there is a long way to go to maintain the standards rigorously.
Bangladesh's compliance history is no doubt checkered and spotted. But it is also the stage for some not so quotidian achievements. According to the United States Green Building Council, Bangladesh is home to some of the world's most environment-friendly apparel factories.

The world's highest-rated green denim, knitwear, washing and textiles mills are all in Bangladesh. Of the top 11 LEED Platinum-certified factories, eight are from Bangladesh.

So far, 67 garment factories have achieved LEED certification. Of them, 17 are platinum rated and 37 gold rated. Some 280 factories are under process for LEED certification.

But it's just not the 300-odd LEED superstars. The garment sector is accelerating its greening and becoming known for its sustainability initiatives. It is home to the Partnership for Cleaner Textile (Pact), the world's largest apparel resource efficiency programme. The Pact Phase-1 was implemented in 215 factories at a cost of $11 million. The Phase-2 has just been launched and will reach another 250 factories at a cost of $7 million.

While eco-friendly development remains a desideratum, the $28 billion question is how do we go from LEED and PACT success stories to transformational change that will ensure Bangladesh's place in a green supply chain?

Green technology involves hardware and operational knowledge and can range from large and complex technologies to simpler ones. Typically, cleaner production faces two kinds of barriers: economic and institutional. Garment factory owners will think about the economic viability of the suggested green tech, the capital availability, and the risks to their company's main objectives of profit maximisation.

PACT and LEED results are critical at this point of breakthrough because they reify the eco-efficiency business case that fuels peer demonstration.

Success stories in more than 400 factories present compelling case studies of what is possible through constructive dialogue, collective effort and technical advisory. The business case will act as a catalyst towards greening in many factories once the “super stars” become the norm.
In order to enhance peer learning and investment into cleaner production, Bangladesh's garment factories specifically need strong regulatory signals favouring cleaner production (targets and regulatory measures), long-term institutional changes (not just availability of green loans, but ease of access and disclosure of disbursements), economic incentives to banks, financial institutions and factory owners, removal of perverse resource pricing, and collaborative and coordinated efforts to foster networks of greening, skills building, trust building and behavioural change.

This list is not exhaustive, nor it is reflective of the complexity of the problem, but it starts a new way of thinking about spreading greening in a city that is also one of the most-polluted in the world. We must transcend from being islands of greening to more uniform performance, and learning how to do that from those which perhaps might be a better way.

Source: thedailystar.net- July 17, 2018

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Pakistan Textiles flourish despite the odds

Almost every industrialist and trader sounded dejected at the policies of the Pakistan Muslim League-Nawaz (PML-N) and Pakistan Peoples’ Party (PPP) governments over the last 10 years. To them, the anti-business and anti-trade policies did not allow them to run their industries and businesses to garner optimum yield, lead to lesser growth and greater inflation, increasing pressure on valuations and cost of doing business in Pakistan.

The main reasons behind this dejection were the non-availability of utilities and higher cost of electricity and gas. Without cheap utilities, the industry pundits claim, the factories and businesses cannot be run efficiently.

During the last 10 years of democracy, the governments of PML-N, PPP, and Pakistan Tehreek e Insaaf (PTI) failed to overcome the power crises in the country, blaming each other for it. To them, the country’s export could not be enhanced without electricity, gas, and water.

The wrong policies of the previous governments hit the exports while the imports increased at a breakneck pace, with the trade gap surging to over $27.9 billion in the last eleven months.
According to the economic experts, the Pakistan exports would rise to $25 billion in 2017-18, up by 13-14 percent compared to the last fiscal year, though imports touching $56 billion or above during the same period, remain a major issue.

The profitability of each exporting textile company surged by 10-15 percent while its workers remained where they were a decade ago because of rising inflation and devaluation of the Pak rupee.

The enormous size and import

The Pakistani textile industry combined is the 8th largest manufacturer in Asia, contributing 8.5 percent to the country’s GDP, while employing about 45 percent of the total labour force (38 percent of it being manufacturing workers).

Pakistan is the 4th largest producer of cotton with the third largest spinning capacity in Asia after China and India and contributes 5 percent to the global spinning capacity. At present, there are 1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units producing textiles.

Textile is the most important manufacturing sector of the country and has the longest production chain, with inherent potential for value addition at each stage of processing – from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. The textile products have maintained an average share of about 62 percent in national exports.

Textile companies owners

“More than Rs200 billion of the export rebate, sales tax refund etc. of the textile industry is stuck up with the government, and they are compelled to buy electricity and gas at rates most expensive compared to other countries in the region. Even the water has to be procured through the tanker mafia,” said Jawed Bilwani, president of Pakistan Hosiery Manufacturers and Exporters Association.

Despite all this chaos, Pakistan’s exports have gone up this year, and all its credit goes to the exporters and not to the government, added Bilwani.
“The government has not given us any major incentive in the last 10 years. So, on what basis is the government expecting a major upsurge in exports,” questioned Bilwani, a business leader who is president of the SITE Industries Association.

Last year the government announced a package of Rs180 billion in 2017, said he, adding, “but it has released only Rs25-30 billion. Subsequently, the finance ministry has linked this package with the growth.”

The industry cannot be run without energy and financing. The past and present government never considered releasing the stuck up money. “If released, this stuck-up money may bring more dollars through higher exports,” said Bilwani, adding, the exporters were waiting for it.

The decision of the finance ministry to devalue the local currency further hurt the profits of local exporters and 20 percent depreciation in Pak rupee made the imports of raw material more expensive.

“Devaluation of the local currency was the wrong decision of the [previous] government and it will put the external account under pressure instead of supporting the exports,” Bilwani claimed.

The exporters said when the government devalues the local currency, foreign buyers demand the share of the devaluation. The exporters get nothing from such measures, while they have to face costly import of raw materials, they claimed.

The president of Pakistan Textile Exporters Association (PTEA) said, the stuck up payments create liquidity problems for the exporting units – the main hurdle in getting optimum industrial growth.

Giving details, he said that Rs30 billion of textile exporters have been withheld in the sales tax regular refund regime, whereas another Rs10 billion have been withheld on account of custom rebate and Rs 15 billion under income tax credit. Similarly, incentives allowed under textile policy 2009-14 also remain unpaid with Rs20 billion being outstanding under TUF schemes, he said.
Another Rs10 billion under markup support and Rs3 billion are stuck up under the DLTL (Drawback on Local Taxes and Levies) scheme. In addition to that, an amount of Rs21 billion is also unpaid against duty drawback of taxes under the Prime Minister’s Trade Enhancement Initiative, he noted.

Click here for more details

Source: pakistantoday.com.pk- July 16, 2018

Pakistan: Taming trade and the current account deficit

Pakistan’s current account deficit reached $15.8 billion in the first 11 months of 2017-18, up from $11.1bn a year before. Similarly, the deficit in trade in goods and services has also increased to the tune of $32.6bn, up from $27.3bn a year ago.

These numbers tell two things: one, we owe to the rest of the world more than the rest of the world owes us as we are consuming more than we are producing. Two, the gap is widening.

However, utmost care must be observed before drawing any policy implications since that necessitates a deeper look into our share in global exports, the nature of our business with trading partners, regional trade dynamics, detailed product analysis and the country’s openness to trade in general.

This article uses data made available by the World Integrated Trade Solution (WITS) in an attempt to understand how Pakistan’s trade has evolved over the years; and India and Bangladesh as peers since institutional quality in these countries is more or less similar.

Export numbers for 2003 and 2016 show astounding differences. India grew its exports’ size to 4.38 times that of the 2003 level, Bangladesh 4.82 times whereas the size of Pakistan’s exports grew 1.72 times. This means Pakistan’s share of exports in regional as well as world exports must have shrunk over this period.
So how can we increase our market share in world exports? The answer lies in building Global Value Chains (GVC). Refer to the Global Network Chart for China for 2016. The size of a circle (or node) depends on a number called weighted-IN degree. The bigger this number is, the greater the share in China’s import. The other important measure is the thickness of the line that connects circles. The thickness is proportional to the share of individual flow on world trade in aggregate.

The size of the circle reflects a country’s role as supplier to China and thickness of the link shows importance of that value chain in world trade. Note that suppliers to China are clustered around United States and Canada, European and Central Asian countries, predominantly Germany (yellow circles), the United Arab Emirates in the Middle East (dark green), and Korea and Japan in East Asia and Pacific (light green). The South Asia region (India and Pakistan) has very few suppliers to China despite being closest to it.

Pakistan could use its proximity with China to not just increase its exports but also become an integral part of the GVC. The bigger challenge, however, is to identify potential areas where supply chains can be established.

The composition of exports and imports for years 2003 and 2016 has not changed much. The analysis of the share of Pakistan’s top-10 commodities in total imports and exports at two points shows that oil accounts for almost a quarter of our import bill something that hasn’t changed over the past one and a half decade.

Similarly, Pakistan’s top-10 exports accounted for 77 per cent of total exports in 2003-04, which compares to 76pc in 2017-18. Of these, the share is predominantly held by cotton and textile.

The competition in exports of textile and clothing is fierce with China dominating the world market. While China was not even in the picture in the 1990s, whereas Germany led the market with 24.88pc share in the world market; in 2016, China topped the market with 38pc share and Germany had a paltry 4.56pc.
One can argue that the German economy has developed to the level where it is focusing more on high-tech industrial goods. However, the same argument does not apply to Pakistan’s economy. It appears that the space for growth in textile has shrunk dramatically with the rise of China.

Accordingly, policies need to be devised to redirect resources in other potential export-boosting sectors, such as IT-related services. Demand for IT-related services should be high in the future. On the goods side, the country needs to identify and tap sectors in which supply lines can be established with China.

It is well established in empirical literature that gross domestic product (GDP) and openness to trade are correlated. As is evident in the scatter plot of trade openness and GDP, Pakistan does not fare well relative to other regional economies, such as India, Bangladesh or even Maldives.

In fact, the country is least open to trade in the South Asia region. This is particularly worrisome since per capita GDP has grown considerably over 1998-2007 after which it too has stagnated. However, it is important to note that the relationship between GDP and trade openness is complex and not fully understood.

If openness is good for trade, then tariffs are not because they discourage trade. The Effectively Applied Tariff (AHS) available on the WITS shows that Pakistan is doing relatively better compared to Bangladesh but not so well when it comes to India.

For 2013 specifically, the trade weighted average effective tariff imposed in Pakistan was 9.41pc compared to 6.3pc in India and 12.33pc in Bangladesh. What is more telling in this chart is the speed with which tariffs were brought down over the years in India and Bangladesh. Of the three countries, India brought down tariffs sharply followed by Bangladesh, while Pakistan did so steadily.

Pakistan needs to work diligently on two fronts. One, policies need to be devised and implemented soon to encourage exports of services. Two, the country needs to identify and tap sectors in which supply lines can be established with China. Institutional reforms would be key to achieving these policy objectives.
Bangladesh: Accolade for export heroes

Govt hands trophies to owners of 63 companies

Commerce Minister Tofail Ahmed yesterday handed over the national export trophies to owners of 63 companies for their extraordinary export performance in 2014-15.

The awards were given in 28 categories, including garment, yarn, textile fabrics, home textile, terry towel, frozen foods, raw jute, jute goods, finished leather, leather goods, footwear, agricultural products and agro-processed products.

“We will also award the exporters of the factories housed inside the export processing zones from next year,” Ahmed said at the ceremony held at the capital's Osmani Memorial Auditorium.

The ICT, pharmaceuticals, shipbuilding, plastic and jute will get priority in the next export policy of the government, he said.

The award will inspire exporters to do better in the coming years, said Bijoy Bhattacharjee, vice-chairman of the Export Promotion Bureau.

He said the global trading landscape has changed a lot over the last few years.

“There are both challenges and opportunities in trade in the near future. We need to keep ourselves informed on how to tap into the business opportunities.”

The distribution of the awards is delayed due to procedural problems, Bhattacharjee said.

“First, the applications are called and then all those are assessed. This takes a lot of time. Finally, approval from the government is needed, which is also time-consuming. This is why the awards cannot be distributed timely.”
Apart from the export volumes of the companies, compliance issues related to tax payment and environment sustainability were considered while selecting the awardees.

Product diversification and new market exploration were also considered during the assessment of the applications for the awards, Bhattacharjee added.

In 2014-15, the country’s overall export earnings grew 3.35 percent year-on-year to $31.2 billion. However, the amount was well below the year’s target of $33.2 billion.

At the event, 29 gold, 20 silver and 14 bronze trophies were given out.

“We have received the highest export trophy for the ninth consecutive years. Definitely, it gives us the motivation to do better,” said Shahidullah Chowdhury, chief executive officer of Noman Group.

Zaber & Zubair Fabrics, a concern of Noman Group, received the gold trophy for logging in the highest export earnings: it exported specialised home textiles and textiles worth $207.78 million.

Ahmed said the export target for 2018-19 will be set within the next one week.

Last fiscal year, Bangladesh exported 772 different kinds of goods worth $36.66 billion to 199 countries.

At the award giving ceremony, Shafiul Islam Mohiuddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, said not all banks have lowered their interest rates to single digits.

He said Bangladesh’s garment makers could have shipped $2 billion more apparel items were there no delays in the release of samples from the airport.

In the just concluded fiscal year, garment shipments fetched $30.66 billion.

Mohiuddin also urged the government to expedite the activities of the Chittagong port and the customs department for becoming more competitive in global trade.
“We need predictable business policies as frequent changes in policies hamper our business,” he said.

The government officials should also have the knowledge on the changing business patterns of the world for rendering better services, he said.

Shubhashish Bose, commerce secretary, and Tajul Islam Chowdhury, chairman of the standing committee on the ministry of commerce, also spoke.

Source: thedailystar.net- July 16, 2018

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**Did developing countries recover from the global crisis?**

*A decade after the Global Financial Crisis, developing countries still bear the scars in the form of lower growth and investment rates*

We are nearing the tenth anniversary of the collapse of Lehman Brothers in the US that sparked a Global Financial Crisis, affecting every economy in significant ways. That crisis generated extraordinary monetary policy responses in the advanced economies, with low interest rates and unprecedented expansion of liquidity, in an effort largely driven by central banks to keep their economies afloat.

By contrast, expansionary fiscal policy was barely used after the first initial stimulus. In the event, even with these incredibly loose monetary policies, the advanced economies have generally spluttered along, with periodic hopes of recovery dashed by repeated slowdowns — even as asset market bubbles have emerged once again.

**Expansion slows**

But the developing world was supposed to be different; its economies were supposedly more able to continue expanding because of the “catching up” propensities assumed by mainstream theorists. There was much talk of the “decoupling” of developing and advanced economies, with China and some
other countries emerging as alternative growth poles — but this proved to be wrong.

It is certainly true that China, generally following more heterodox policies with substantial state direction of the economy, continued to show rapid (but decelerated) growth; and India also continued to grow reasonably fast, although much of that growth reflected increases in finance and public administration. However, overall, the developing world turned out to be much more dependent upon growth in the advanced economies, and over the past decade, their economic expansion also slowed.

Chart 1 describes aggregate real economic output growth in the decade leading up to the global crisis and the decade thereafter in some major developing economies/emerging markets. (It is worth remembering that the first period also included a global recession, in 2001-02.) Other than India, where there was a slight increase, all the other economies had less expansion than in the previous decade, in some cases very substantially so.

Investment rates

This deceleration reflected another feature, which surprisingly many countries of the developing world also had in common — a reduction in aggregate investment rates, typically accompanied by falling savings rates as well. Chart 2 shows investment and savings rates (gross capital formation and gross savings as proportion of GDP) in six major developing countries — the two largest in each developing region.

In four of these countries, investment rates showed declining trends — in some cases very sharp falls — after 2010. (The exceptions, Mexico and Nigeria, simply showed stagnation around relatively low levels.)
China had exceptionally high rates of investment that crossed half of GDP in 2010, and reducing such very high levels has been very much part of the Chinese government’s efforts to rebalance the Chinese economy towards domestic consumption demand. But for the other five countries low investment rates are involuntary and undesired: they still need to increase their investment levels if their development project is to continue.

In India, for example, the falling investment rates have been a major source of policy concern for several years now, but various efforts to revive it have not been successful. In Brazil the steep decline in investment rates has been associated with near crisis and political turmoil. In South Africa and Argentina this decline has fed into other significant problems such as poor employment generation and lack of diversification.

Obviously, the factors behind falling and low investment rates (and to a lesser extent, savings rates) would be specific to each economy. But nevertheless, the broad common pattern is striking. It is true that this relates to only six countries, but they constitute the largest economies in three very distinct developing regions, and there is no immediately evident reason why they should all share this common feature.
So what is it about the global economy that is creating conditions for such a generalised decline in investment rates? The Chinese experience should be treated differently for reasons mentioned earlier, and also because even with the recent decline, China's investment rate remains excessively high. But the experience of the other economies points to the limitations of accepting the now-standard neoliberal approach to economic policy.

**Prevailing policy model**

The prevailing macroeconomic policy model focusses on fiscal consolidation whatever the circumstances, and on more regressive tax strategies that privilege the rich; relies on export demand as the main engine of growth; and therefore suppresses wage incomes and domestic demand. These together generate outcomes that do not allow domestic markets to expand as they could, which obviously acts as a disincentive to investment. If many or even most countries rely on this strategy, global demand is further inhibited.

And in the prevailing uncertain global climate, when trade itself has become another battleground, such concerns become magnified for potential investors, who prefer to take easy pickings in the financial markets rather than engage in productive investment with unknown consequences. Real investment therefore suffers, and further impacts on output.

As long as developing countries remain tethered to the advanced economies — not just in terms of market integration but also, perhaps even more tellingly, in terms of approach to policy-making — these problems will continue and may get much worse.

Source: thehindubusinessline.com- July 17, 2018
NATIONAL NEWS

Govt raises import duties on a large number of textile apparel, fibres

Import duties had been increased for an even broader set of products and goods in the textile categories back in October 2017

India on Monday raised the import duties on a large number of textile apparels, fibres and related products such as carpets by up to 20 per cent.

Spread across 37 broad tariff areas, the import duties, however, target products for which India’s imports are low.

This includes textile apparels and accessories, hosiery item and certain types of vegetable based textile fibres, among others.

Effective duty rate for most of these items have been doubled.

Import duties had been increased for an even broader set of products and goods in the textile categories back in October 2017.

Interestingly, the export of apparels, the largest chunk of exports within the textile segment, has been contracting since the same month.

Export of ready-made garments continued to drop in June, contracting by 12.34 per cent, albeit lower than the 16.62 per cent fall seen in May.

Source: business-standard.com-July 17, 2018
Guidelines issued for faster IGST refunds

Suppliers of goods to SEZs will have to submit documents to specified officers

The government has issued guidelines for Integrated Goods and Services Tax (IGST) refunds for goods and services supplied to units in special economic zones (SEZ).

The detailed guideline are based on notification/circulars issued by the Finance and Commerce Ministries.

Based on the guidelines, the supplying companies will have to submit documents to specified officers. This will facilitate endorsing receipt of goods and services for authorised operations in SEZs, and finally the refund.

The detailed guidelines have come at a time when the government is working very hard to issue GST refunds, especially to exporters.

The government claims it has managed to refund IGST dues of more than ₹21,000 crore with fewer complaints now. It hopes that with the new mechanism, IGST refunds will be possible in the shortest possible time.

Provision under CGST (Central Goods and Services (CGST) Rules 2017 prescribes who can file an application for refund after fulfilling certain conditions.

These include supplier of goods after such goods have been admitted in full to the SEZ for authorised operations, or supplier of services, along with such evidence regarding receipt of services for authorised operation. For both, endorsement has be to made by the specified officer of the zone.

It must be seen that goods or services related to authorised operations can be received only by the SEZ unit or developer.

The invoice will carry and endorsement: ‘Supply to SEZ Unit or SEZ Developer for authorised operation on payment of IGST’ or ‘Supply of SEZ unit or SEZ Developer for authorised operation under Bond or Letter of Undertaking (LUT) without payment of IGST.’
Commenting on the development, Anita Rastogi, Partner (Indirect Taxes), PwC, said that the detailed guidelines would be the key for the suppliers to obtain refund on their transactions with SEZ developers/units.

It is hoped that “the endorsement by the specified officer does not cause delay, or else it will lead to working capital challenges for the suppliers”, she said.

Source: thehindubusinessline.com- July 16, 2018

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Tweaking GST, again

*Three proposals, however, are welcome*

One of the features of GST has been the ever-so-frequent changes in the laws. These changes do not seem to be stopping anytime soon — recently the GST Council provided a link on its website to a document that proposes 46 amendments to the GST laws. It is apparent that the amendments are being proposed with an eye on the elections next year.

As is becoming common with everything about GST, one needs some time and patience to comprehend these amendments since the proposed amendments are shown in red while strike through has been used to remove words considered irrelevant. As is also becoming common with GST, the amendments are a mixed bag.

Reverse charge

Probably the most welcome proposal is the one proposing to amend Section 9(4) as per which only notified registered persons should be liable to pay GST under reverse charge mechanism for purchases from unregistered dealers.

The rationale given for this proposal is that it would benefit small and medium enterprises — in which case the threshold limit should be set quite high.
Yet another proposal that would score top marks for popularity is the one proposing permitting input tax credit on supply of food, transport and insurance provided to employees if it is obligatory for the employer. The flip side of this provision is that employers are going to have a tough time convincing the tax department that providing transport and insurance is their obligation.

Factories registered under the Factories Act, 1948 can get away with the argument that as per that Act they need to run and maintain a canteen. BPO/KPO companies can take shelter under a notification under service tax laws which clarified that for a BPO/KPO company, transporting employees to/from their place of work was permissible for credit.

If the GST Council wants to pre-empt such needless questions from recurring, they should remove the words “if it is obligatory for the employer” from the above proposal. It is proposed to permit banking companies and financial institutions to get input tax credit for transportation of money.

**Revision of return**

The proposal to permit revision of the GST returns would be welcomed by all as the inability to revise a return now has caused immense hardship to many a taxpayer. It is proposed that a single credit note can be issued against a bunch of invoices instead of having to tag them to a single invoice as at present.

As per the existing provisions, a person seeking registration shall be granted a single registration in a State or Union Territory. However, if he has multiple business verticals in a State or UT, he may obtain separate registration for each business vertical.

It has now been proposed that such persons should be allowed to obtain separate registration for each place of business in a State or UT — a move that will certainly be welcomed.

In case of import of goods, IGST would be payable only at the time of clearance of goods from Custom-bonded warehouse for home consumption. This deferment of levy of GST is done so as to avoid double taxation. There are some minor amendments relating to audits and some relaxations for e-commerce operators.
Taxpayers will be glad that lawmakers are willing to lend an ear to genuine grievances. What they will not be glad about is that only a chosen few get the benefit of the relaxations.

Source: thehindubusinessline.com- July 16, 2018

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**Tirupur looking to gain if Bangladesh loses duty-free access to EU**

Tirupur knitwear exporters are positive about Bangladesh losing its duty-free access from the EU for readymade garment (RMG) in 2020 as the country is expected to move up from being a ‘least developed nation’.

However, Tirupur exporters can reap the benefits of Bangladesh’s loss only if the Union government provides adequate support to the industry. According to United Nations Conference on Trade and Development (UNCTD), Bangladesh’s per capita income stood at $1,355 in 2016, a 39 per cent increase compared to 2013 ($974). At the current rate, by 2020, its per capita income is predicted to overtake India’s, which stood at $1,706 in 2016.

As per the World Trade Organisation, if the country’s per capita income has remained more than $1,000 continuously for three years, it could be classified as a ‘developing nation’.

Indian garments attract about 10 per cent import duties in the EU while Bangladesh enjoys duty free status in many developed markets, including the EU. In fact, Bangladesh’s duty-free access was one of main advantages for RMG manufacturer, while Tirupur knitwear exporters had been repeatedly asking for a level playing field. They have been urging the government to provide adequate sops to sustain the industry.

Experts say if Bangladesh loses duty free access, it will provide opportunities to countries like India to compete and buyers will then chose where to source the apparels. However, Tirupur Exporters’ Association president Raja M Shanmugham feels the situation may not really turn in favour of India.
For example, when China started losing market share from 39 to 35 per cent in global market, India was expected to gain and improve its share by 3.5 per cent.

However, Chinese RMG firms’ then moved manufacturing to labour-rich countries like Vietnam and Cambodia.

Source: fashionatingworld.com- July 16, 2018

With eye on African market, India readies offers for free trade pact with Mauritius

Amiti Sen India and Mauritius will soon exchange a list of offers to reduce import tariffs on goods as part of a free trade agreement (FTA) that is being negotiated.

The choice of items for India for greater market access, though, is not too big as only around 6 per cent of goods in the island nation are dutiable; the rest are already duty-free.

However, as Mauritius is part of a host of FTAs in Africa including the just-concluded 44-nation African Union FTA, India is hopeful that a bilateral trade agreement with the country could open the doors wider to the entire continent, according to a government official.

The broad contours of the FTA, called the Comprehensive Economic Cooperation Partnership Agreement (CECPA), will include trade in goods, trade in services, dispute settlement, trade remedies, economic cooperation and technical barriers to trade, the official added.

“In the fifth round of negotiations that concluded in Mauritius last week, we got a clearer picture of what the agreement would be like.

“While Mauritius understands that the pact can’t be very wide as India’s tariffs are relatively much greater, the Indian side also accepts that actual tariff cuts have to be offered, and merely giving a margin of preference over other countries won’t do,” the official said.
The two sides will soon exchange their list of offers. “India has to be careful about protecting its domestic industry in items like sugar and textiles,” the official said.

**Chinese challenge**

With China already prepared to sign an FTA with Mauritius later this year, the pressure on India is greater.

“Geopolitical reasons for signing a free trade pact with Mauritius are also important as we cannot allow China to have a greater influence there,” the official said.

Negotiations on the CECPA had first begun in 2005, but they were soon suspended as there was no agreement on the definition of ‘enterprise’ and treatment of ‘shell companies’ in the chapters on services and investment.

But after the two countries signed the revised Double Taxation Avoidance Agreement, negotiations on the CECPA resumed in 2016.

While India will not get a very enhanced market access in goods, a favourable agreement in services could open up opportunities in sectors such as hotels and tourism, the official added.

Moreover, the FTAs and preferential arrangements that Mauritius has with Africa, and other countries, could increase the reach of Indian goods to those regions through Mauritius.

Not only does Mauritius have several FTAs in Africa, it is also offered Generalised System of Preferences by Japan, Norway, Switzerland, the US, and the Customs union of Belarus, Kazakhstan and Russia.

While India’s exports to Mauritius in 2017-18 were worth $1.07 billion, its imports were worth $20.6 million.

Source: thehindubusinessline.com- July 16, 2018
How to push India’s competitiveness

Social and economic progress are the two pillars on which a country’s competitiveness stands

A majority of the world’s nations suffer from the inability to align the motives of business with that of their citizens, and therefore lack competitiveness. The question is what does competitiveness really mean? Is it just good performance of the businesses or is it inclusive of the social progress of the citizens?

Are businesses supposed to simply focus on productivity? What is important here is to know that the role of businesses should not be limited to just its contribution to GDP. Instead, there needs to be parallel processes of shared value ensuring wealth creation with the upliftment of the standard of living of the people.

With GDP growth rate reaching 7.7% per cent in Q4 2017-18, India is turning into a country with a lot of competitiveness potential, ranking 40th in the Global Competitiveness Index. Yet only a healthy combination of economic and social progress can ensure India’s entry into the high-income bracket.

For India, the gross value added (GVA) comes from the service sector which has a GVA of 8.3, followed by GVA of 7.7 of industry, and 2.1 for agriculture and allied activities, based on the advanced estimates of 2017-18. The nation is also showing poor productivity relative to other nations.

Social progress vital

India’s path to prosperity is linked directly to competitiveness, wherein a boost to both competitiveness and social progress are the key. As Michael Porter has stated, a nation that ensures balance between economic and social progress can enhance its productivity, followed by creating competitiveness and thus, prosperity.

Therefore, it is necessary create an environment which not only pushes the businesses to compete successfully in local as well as international markets, but ensures that the average citizen’s standard of living also improves.
India needs to learn from the Nordic countries, and Asian countries like Japan and China. On one hand, Switzerland and Sweden have been able to push through the roof in social progress, ranking 5th and 8th in the global rankings. In the Asian context, Japan ranks 17th. Not only are these nations progressing socially, they have been able to reach great heights in the global competitiveness, ranking higher than India.

India needs to sustain the competitiveness it has recently earned, and the future lies in the hands of newer innovation. Currently, India ranks 60th in the Global Innovation Index (GII), lagging much behind Switzerland, Sweden, Japan and China (1st, 2nd, 14th and 22nd in GII ranking). India must strive to become an innovation hub. There is hope that Bengaluru will become a global IT cluster by 2020, but there is also a pressing need to percolate the technology into multiple sectors — especially agriculture — to boost productivity.

Other cities, such as Hyderabad, are also enroute to create clusters (cyber security), which are going to aid competitiveness. In 2017, online application for patents and trademarks increased by 90 per cent and 80 per cent, respectively, and grant of patents increased by 55.3 per cent. Even though ‘business’ in India is looking up, the economy needs to sustain the surge of competitiveness, which can be done by ensuring that India becomes an innovation-driven economy.

India needs to balance business and social progress. Unfortunately, India ranks 93rd on social progress globally. Even though the GDP growth is robust, the problem is in the facets of social progress, wherein India is unable to fulfil only one out of the two conditions for competitiveness.

The average citizen’s standard of living continues to be abysmal, with Infant Mortality Rate at 37 per 1000 live births and 21.92 per cent of the population still living below poverty level.

There is a tendency for countries to be stuck on either side, however when both of the facets can move in the same direction, that’s what Michael Porter calls the ‘Magic of Successful Competitiveness’. If one side of the story does well but not the other, then competitiveness suffers. The only way one can achieve the same is via productivity.
There is a fundamental connection between economic and social development. All in all, it is vital to understand that the road to prosperity is paved with good competitiveness and social progress that continues to remain sustainable.

Source: thehindubusinessline.com- July 16, 2018

Garment exports continue to fall in April-June

Readymade garment exports (RMG) in the first three months of current fiscal (April to June) declined by 16.57% to Rs 27,103 crore as compared to Rs 31,594 crore in the same period of last fiscal.

Hit hard by rising cotton prices coupled with issues such as GST as well as reduction in duty drawback rates and return on state levies, the readymade garment exports (RMG) in the first three months of current fiscal (April to June) declined by 16.57% to Rs 27,103 crore as compared to Rs 31,594 crore in the same period of last fiscal.

After reporting a 8% decline in FY18 exports to Rs 1,07,679 crore, the exports of readymade garments continued to witness fall of 21.40% in April, 12.59% in May and 7.8% in June to Rs 8,860 crore (Rs 11,272 crore earlier), Rs 9,041 crore (Rs 10,343 crore earlier) and Rs 9,203 crore (Rs 9,980 crore earlier), respectively, according to an industry data for the first three months of current fiscal. In dollar terms, the decline in April, May and June 2018 was at 22.78%, 16.57% and 12.45%, respectively.

According to industry sources, the beleaguered knitwear export sector has been passing through a challenging business environment further to implementation of GST and this could be apparently witnessed from the continuous declining of knitwear exports on a month-on-month basis since October 2017 after three months transition period got over and the declining of exports for the second half yearly period of 2017-18 was 21%. The most worrying factor is that the negative trend in exports growth is continuing in the current financial year also.

Source: financialexpress.com- July 17, 2018
India seeks investments from Oman

Commerce and Industry Minister Suresh Prabhu highlighted several steps taken by the government to promote an investment-friendly environment with a view to attracting investments from Oman, an official release said.

During the India-Oman Joint Commission Meeting here, the minister invited Omani companies to build on their success in India and make investments to benefit from Make in India' which are aimed to encourage manufacturing, the commerce ministry said in a statement.

"India has launched several investment friendly programmes like Make in India' with a trillion dollar business opportunity in the country," it said.

Both the sides increase cooperation in areas including energy, health, finance, infrastructure, tourism, space, renewable energy, start-up, SMEs, food security and services sector.

The bilateral trade between India and Oman has increased to USD 6.7 billion 2017-18 from USD 4.13 billion in 2014-15.

Indian financial institutions such as State Bank of India, Bank of Baroda, HDFC Ltd and ICICI Securities and public sector undertakings including Air India, Life Insurance Corporation, Telecommunications Consultants India, Engineers India and National Building Construction Company (NBCC) have presence in Oman.

Domestic firms have invested in Oman in sectors like iron and steel, cement, fertilisers, textile, cables, chemicals and automotive, especially in Sohar and Salalah.

"India-Oman Joint Investment Fund, a joint venture between State Bank of India and State General Reserve Fund of Oman, a special purpose vehicle to invest in India, has been operational and the initial corpus of USD 100 million has been fully utilized," it said. The fund has raised another USD 220 million for the second tranche which is being invested.

Source: business-standard.com- July 17, 2018
Domestic apparel market to grow by 12% on robust demand, says CMAI

Company’s 2X60 MW-Kharagprasad power plant in Odisha is partly facing the problems

The growing Indian economy has led to expectations of 11-12 per cent growth in the domestic apparel market in the next seven years, said a study conducted by the apex industry body the Clothing Manufacturers’ Association of India (CMAI).

“India’s domestic apparel market was estimated at $67 billion in 2017 which had grown at a compounded annual growth rate (CAGR) of 10 per cent since 2005.

Owing to strong fundamentals, India’s domestic apparel market size is now expected to grow at 11-12 per cent CAGR and reach about $160 billion by 2025,” said Rahul Mehta, President, CMAI, while inaugurating the 67th National Garment Fair, India’s largest apparel trade show currently being held.

The four-day business-to-business (B2B) fair houses 916 exhibitors in 986 stalls displaying 1,087 apparel brands in a 650,000 square feet area. The fair displayed leading brands in men’s wear, women’s wear, kid’s wear and accessories.

“India’s domestic market has performed better than the largest consumption regions like the US, EU and Japan, where depressed economic conditions led to lower demand and growth,” said Mehta.

The domestic apparel industry is dominated by ready-to-wear category with its market size of around $56 billion, with an 84 per cent share which is further growing at a CAGR of 10-11 per cent.

The ready-to-stitch market is also gaining momentum as more and more men who have been buying premium or luxury readymade clothing brands want to wear a shirt or a trouser that fits them perfectly.

The ready-to-stitch market, currently at $11 billion, is expected to grow at a CAGR of 7 per cent and reach about $20 billion by 2025.
Premal Udani, Managing Director, Kaytee Corporation, a kids' wear apparel manufacturer and exporter, said that apparel exports had taken a beating from October 2017 onwards.

“The introduction of the goods and services tax (GST) had resulted in non-refund of several embedded taxes. Consequently, apparel exports for the financial year 2017-18 (FY18) declined by 4 per cent to $16.7 billion from $17.38 billion in the previous year,” he added.

The downturn continues in FY 2018-19 with a month-on-month decline of 10 per cent. The government is seized of the matter and has assured that embedded taxes will be refunded through the drawback route.

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

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IMF cuts India growth forecast for 2018 by a notch to 7.3%

Country continues to outperform China whose growth is projected to moderate

The International Monetary Fund (IMF) on Monday projected a growth rate of 7.3% in 2018 and 7.5% in 2019 for India as against 6.7% in 2017, making it the fastest growing country among major economies.

However, the latest growth rate projection for India is slightly less — 0.1 percentage point in 2018 and 0.3 percentage points in 2019 — than its April projections.

GST impact subsides

India’s growth rate is expected to rise from 6.7% in 2017 to 7.3% in 2018 and 7.5% in 2019, as drags from the currency exchange initiative and the introduction of the Goods and Services Tax fade, said the IMF’s latest World Economic Outlook (WEO) update.

The projection is 0.1 and 0.3 percentage points lower for 2018 and 2019, respectively, than in the April WEO, reflecting negative effects of higher oil
prices on domestic demand and faster than-anticipated monetary policy tightening due to higher expected inflation, it said.

Despite this slight downgrade in its projections, India continues to outperform China, IMF’s WEO update figures reflect.

Growth in China is projected to moderate from 6.9% in 2017 to 6.6% in 2018 and 6.4% in 2019, as regulatory tightening of the financial sector takes hold and external demand softens, the report said.

The IMF said global growth is projected to reach 3.9% in 2018 and 2019, in line with the forecast of the April 2018 WEO.

Source: thehindu.com- July 17, 2018