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IBTEX No. 192 of 2018 September 17, 2018

USD 72.54| EUR 84.36 | GBP 94.88 | JPY 0.65

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

Indicative Prices of Cotton Yarn in China		
Date: 16/09/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.80	3.10
Indonesia	2.56	2.85
Pakistan	2.41	2.80
Turkey	3.20	3.45
Source: CCF Group		

China yarn

Cotton yarn price remained stable this week. Prices of polyester yarn and polyester/cotton yarn decreased somewhat due to lower PSF price, of which polyester yarn price declined more. Price of rayon yarn tended stable to upward, that of polyester/rayon yarn kept stable and cotton/rayon yarn improved.

International yarn

Cotton yarn values have lacked clear direction. Chinese port stocks of unsold imported cotton yarn were high. Growth in Bangladesh’s readymade garment export earnings suffered a setback in August.

Source: CCF Group

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INTERNATIONAL NEWS

Trump 'likely' to announce new China tariffs as early

WASHINGTON: U.S. President Donald Trump is likely to announce new tariffs on about $200 billion on Chinese imports as early as Monday, a senior administration official told Reuters on Saturday.

The tariff level will probably be about 10 percent, the Wall Street Journal reported, quoting people familiar with the matter. This is below the 25 percent the administration said it was considering for this possible round of tariffs.

The White House did not immediately respond to a request for comment.
The upcoming tariffs will be on a list of items that included $200 billion worth of internet technology products and other electronics, printed circuit boards and consumer goods including Chinese seafood, furniture and lighting products, tires, chemicals, plastics, bicycles and car seats for babies. It was unclear if the administration will exempt any of the products that were on the list, which was announced in July.

On Friday, White House spokeswoman Lindsay Walters said Trump "has been clear that he and his administration will continue to take action to address China's unfair trade practices. We encourage China to address the long-standing concerns raised by the Unites States."

Trump had already directed aides to proceed with tariffs, despite Treasury Secretary Steven Mnuchin's attempts to restart trade talks with China.

One observer in the business sector said the administration may have reduced its planned tariff level after hearing public comments, hoping companies would not immediately hike prices for consumer goods to pass along the costs. Still, the additional tariffs could complicate trade talks with China expected later this month.

Trump has demanded that China cut its $375 billion trade surplus with the United States, end policies aimed at acquiring U.S. technologies and intellectual property and roll back high-tech industrial subsidies.

This week, the world's two largest economies appeared to be making progress on trade. Treasury invited senior Chinese officials, including Vice Premier Liu He, for more talks.

The administration has already levied duties on $50 billion worth of Chinese goods following a study on China's intellectual property practices released earlier this year.

On Sept. 7, Trump warned that he had further tariffs ready to go on $267 billion worth of Chinese imports beyond those that will be targeted this week. If all of the tariffs were invoked, total imports from China facing tariffs would exceed the $505 billion in goods that the United States imported from China last year.

This year, imports from China through July were up nearly 9 percent from the same period of 2017, according to U.S. Census Bureau data.

Source: newindianexpress.com- Sep 17, 2018

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China weighs skipping trade talks after US tariff threat

BEIJING (Dow Jones) -- Faced with fresh threats of tariffs from Washington, China is considering declining the Trump administration's offer of trade talks later this month, according to officials with knowledge of the discussions.

The White House plans to announce within the next few days tariffs on as much as $200 billion in Chinese goods, The Wall Street Journal reported Saturday, in a move designed to further squeeze Beijing before another round of negotiations proposed by the U.S. The pressure tactics, however, aren't sitting well with Beijing, which has repeatedly said it wouldn't negotiate under threat.

"China never said it doesn't want to negotiate with the U.S.," Yang Weimin, a former senior economic adviser to President Xi Jinping, said Sunday. "But the U.S. side has to show sincerity" toward resolving the trade dispute. Added a current senior official who advises the leadership on foreign-policy matters: "China is not going to negotiate with a gun pointed to its head."

In response to the pressure from Washington, some Chinese officials involved in advising the leadership are proposing to step up the trade fight a notch by restricting China's sales of materials, equipment and other parts key to U.S. manufacturers' supply chain. Such restrictions could even apply to Apple Inc.'s iPhones, which are assembled in the mainland, officials said, without elaborating. Apple didn't immediately respond to a request for comment.

China can adopt "export restraints" as a way to hit back at the U.S. in addition to retaliatory tariffs, former Finance Minister Lou Jiwei told a gathering of Chinese and American academics and business executives Sunday.

U.S. Treasury Secretary Steven Mnuchin early last week sent an invitation to Vice Premier Liu He, Mr. Xi's economic czar, asking for a fresh round of talks for the days around Sept. 20., according to people briefed on the matter.
Previous rounds of negotiations had ended with no breakthrough; Trump administration officials saw the offers from Beijing -- largely involving more Chinese purchases of U.S. farm and other products -- as inadequate to address the two nations' vast bilateral trade imbalance.

Under plans being discussed by the Chinese side, Vice Commerce Minister Wang Shouwen, who led China's negotiating team in the last round, would again lead a group for the talks proposed for next week. Then, Mr. Liu himself would follow up with a trip to Washington on Sept. 27 and Sept. 28. Now, Beijing is rethinking both trips and is likely to back off if the U.S. moves ahead with its tariff announcement, said the officials familiar with the discussions.

"There is a lot of uncertainty right now," one of the officials said. "If more tariffs come out, the Chinese side could very well choose not to go." The officials caution that no final decision has been made on the trips.

Meanwhile, China's leaders are continuing to court U.S. businesses to get them to lobby against the Trump tariffs. On Sunday, representatives from American multinationals, along with academics and others from both China and the U.S., attended a special session of the China Development Forum at the Diaoyutai State Guesthouse, a complex of buildings on manicured grounds. The policy conclave, usually held in the spring, was convened to mark the 40th anniversary of the Communist government's adoption of pro-market policies.

At the same time, a group of Wall Street bankers were invited to a financial forum in a different guesthouse building and are scheduled to meet with Vice Premier Wang Qishan on Monday.

Chinese officials have expressed growing frustration in dealing with the Trump administration, which has demanded not only better terms for trade but an end to industrial subsidies and other policies Beijing sees as vital to securing China's economic future.

Mr. Lou, the former finance minister who is now head of China's national pension fund and a senior government adviser, said current U.S. policy toward China is aimed at "containing China's economic rise."

"That is not going to change in the near term," said Mr. Lou, known as a hawkish voice in China's policy-making circle. "But that's not going to work, either."

People with knowledge of the White House's thinking said the current plan is to announce the additional tariffs on $200 billion of Chinese imports in the next few days. But they said that the implementation date could affect the Chinese response, and that a delay could give Beijing a chance to come up with an offer acceptable to President Trump, the people said.

Given that Mr. Xi has built a strongman image, Chinese officials are loath to appear to be making concessions to the U.S. Many even believe the only way to get the U.S. back to the talks is through tit-for-tat tactics.

In response to the U.S.'s looming $200 billion in tariffs, China has vowed to place commensurate tariffs on $60 billion in U.S. goods and take other unspecified measures to retaliate. Both have slapped levies on $50 billion in each other's products. Mr. Trump recently told reporters that he is ready to add tariffs on another $267 billion in Chinese goods -- subjecting virtually all U.S.-bound Chinese exports to duties.

Another issue complicating any further talks with Washington: Chinese officials regularly complain that they don't know whether any U.S. officials are empowered to cut a deal. In addition, they worry that any offer Beijing makes to Mr. Mnuchin could be opposed by trade hawks led by U.S. Trade Representative Robert Lighthizer and trade adviser Peter Navarro and then get turned down by Mr. Trump.

Source: asia.nikkei.com- Sep 17, 2018

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Pakistan : Rs25.7b paid to textile sector under PM package

The government has paid Rs25.7 billion to the textile sector under the first phase of Prime Minister's Trade Enhancement Package by June 30, 2018, senior official at the Ministry of Commerce and Textile have informed. Rs 2.6 billion were disbursed to the textile sector in first two months during Phase II from July 1 to August 31, he said.

Replying to a question, he said the government had planned to expand coverage areas under the Trade Enhancement Package to remaining industrial sectors including pharmaceuticals. "We are committed to providing an enabling environment for the industrial sector," he said. The official said that through this package, the cost of doing business would come down in the country.

The Ministry of Commerce and Textile had assured payments through Prime Minister's Trade Enhancement Package to the textile sector by February 2019 to enhance the country's exports. The government, he said, had also given relaxation on the import of textile machinery for the modernization of industry and to enhance the capacity of the sector. He said the government gave priority to facilitating the textile sector and helping it gain competitiveness in order to enhance the country's exports.

"We want to revive confidence of the textile sector through the Trade Enhancement Package." he remarked.

Replying to another question, he said the Ministry is offering multiple training courses to focusing on different areas of textile sector to enhance the capacity of its workers. Garments, fashion, apparel design, cutting for lingerie making, line supervisory skills and knitting machine operators training are the areas of these capacity building courses, he said. He further said that the training program's main objective is provision of skilled workforce to make textile industry more competitive.

The Ministry will cover the costs incurred in the areas of trainee stipend, trainer's salary, raw material cost, social mobilization, evaluation cost, certificate printing and distribution, he added.

Source: APP, The Nation- Sep 16, 2018

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Pakistan : PTI govt working on a new textile package: parliamentarians

The PTI government is actively working on a new textile package to enhance exports.

This was disclosed by newly-elected parliamentarians, including Farrukh Habib, Raja Riaz Ahmed, Khurram Shahzad, Nawab Sher Waseer and Faizullah Kamoka, in a reception hosted by the Faisalabad Dry Port Trust (FDPT) in their honour here Saturday.

They said:" We are duty bound to resolve issues being confronted by the city in general and the business community in particular.We will make efforts in and outside the assemblies."

They said that work on the textile package was in a final stage and might be announced the next week. They said that the payment of refund had been pending for the last many years and hopefully it would also be settled once for all by December 2018.

They also assured that the railway level crossing of the Faisalabad Dry Port Trust would be opened very soon. In this connection, Railways Minister Sheikh Rasheed will be invited to visit Faisalabad as early as possible.

Earlier, in his welcome address, Chaudhry Mushtaq Ali Cheema, Chairman Faisalabad Dry Port Trust, congratulated the newly-elected parliamentarians and hoped that they would come up to expectations of the business community.

Later, a documentary on FDPT was screened while founding chairman of Faisalabad Dry Port Trust Mian Muhammad Lateef gave a detailed presentation on problems of exporters. Trustees of Faisalabad Dry Port Trust Amir Khurshid and Shahid Nazeer also spoke.

Source: Business Recorder,- Sep 16, 2018

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Uzbekistan, Belarus mull cooperation in cotton, petroleum

Uzbekistan has invited Belarus to jointly initiate oil extraction and cotton processing, Uzbek President Shavkat Mirziyoyev said during his recent talks with Belarusian counterpart Alexander Lukashenko in Tashkent.

He is hopeful of decent prospects in joint agricultural cooperation as well as agriculture in Uzbekistan is in a difficult condition.

Belarusian technology and Uzbek cotton and oil wells can combine and the products sold to European countries, a news agency quoted Mirziyoyev as saying.

Mirziyoyev also requested Belarus to open two or three university branches in Uzbekistan.

President Lukashenko expressed his positive response to Uzbek proposals.

The Uzbek-Belarusian Forum of Business and Interregional Cooperation, which met in Tashkent on September 12, signed 82 export-import contracts worth $193 million and reached agreements on investment projects worth $38 million, according to the Uzbek ministry for foreign trade.

The business forum outlined light, electrical, agricultural, mining, engineering and food industries, joint production of construction materials as the promising areas of bilateral cooperation.

Source: exchange.co.tz- Sep 14, 2018

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Pakistani experts discuss urgent textile sector issues

Some urgent issues in the textile sector that need attention include energy price differentials between various provinces, tax rebates that the government owes to the industry, investment in the entire value chain to face global competition and exploring contract manufacturing of garments with Chinese firms, experts deliberated at a roundtable in Lahore.

The roundtable, recently organised by the Punjab Board of Investment & Trade (PBIT), was attended by textile sector stakeholders, including prominent members from All Pakistan Textile Mills Association (APTMA).

Exploring linkages with China assumes importance keeping in view the rising domestic consumption in the neighbouring country and the need to boost the value-added garment industry in Punjab, Pakistani media reported citing the participants.

Backward linkages whereby large industrial players integrate into corporate farming for cotton could be a potential model to explore in this regard, it was felt.

The experts also felt the need to check undocumented and under-valued import of textile and apparel products from China as that distorts the local market dynamics making it impossible for local players across the whole value-chain to compete.

Source: fibre2fashion.com- Sep 15, 2018

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Bangladesh upstages Mexico as the US' new denim partner

Apparel business from the US is gradually skewing towards Bangladesh. Recent OTEXA figures reveal, Bangladesh exported denims worth $507.90 million to the US in 2017, a 9.57 per cent surge over previous year.

Mexico's exports, on the other hand dipped 7.92 per cent to reach $793.46 million. During the first six months of the year from January to June '18, Bangladesh exported denim worth $245 million, a 16.86 per cent growth, while Mexico, the second biggest denim apparel supplier to the US, reported a 2.73 per cent decline to reach $360 million.

Rising wages in Mexico as well as trade negotiations on NAFTA is affecting Mexico's growth. Bangladesh, on the other hand, has a growing denim fabric base, low wages and automation, which has helped it to manufacture more of value-added garments and beat Mexico in women's and girl's (WG) jeans category.

Low unit prices, controlled supply chain driving growth

The key factor behind Bangladesh's steep rise is its low unit price. The unit prices offered by Bangladesh were around $76.27 per dozen in H1'18, which isBangladesh upstages Mexico as the US new denim partner 001 much less than Mexico whose unit prices were $101.92 per dozen. High unit prices hurt Mexico's denim exports despite having 'zero' duty rates advantage for jeans shipped to the US under the North American Free Trade Agreement (NAFTA).

In FY 2017-18, Bangladesh exported denim apparels worth $2 billion which is expected to cross $6 billion by 2021. This will be drive by new investments by Bangladeshi denim exporters both in fabrics and garments manufacturing which would increase capacity, push up export earnings, offer competitive prices, and take the lead in the global denim market.

Bangladesh has complete control on its entire denim supply chain and has also improved safety standards in apparel units. World's top LEED certified factories in Bangladesh are producing denim fabric every year.
Challenges hindering investments

Bangladesh, which holds a large share in the US market, has an enormous opportunity to grow its exports, especially in premium denim jeans which is expected to grow at a CAGR of 12.23 per cent by 2020. However, there are numerous challenges on its growth path for example; expensive utility services are hindering new investment in the country's denim sector.

The country is still dependent on imported fabrics for 50 per cent of its production, which increases the cost of the product as well as shipping time. And even though manufacturers are opting for value-added products, it still needs to focus on how to stay ahead in the race.

Source: fashionatingworld.com- Sep 17, 2018

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Taiwan's TTF organises trade mission to Indonesia

Taiwan Textile Federation (TTF) and its sub-industries organised a trade mission from August 6 -10, 2018 that comprised six Taiwanese companies visiting nine Indonesian textile players.

During this trade mission, Taiwan suppliers showcased their products in the athletic apparel and outdoor segment. The mission also dwelt on the possibility of collaboration between the two countries in the athleisure segment

The economic growth of Indonesia in recent years has relied mainly on rising household expenditure and growing inclination towards sports and fitness. The country's changing lifestyle is expected to generate particularly strong demand h for athletic apparel and footwear, giving manufacturers in this segment an appealing alternative to exports.

Considering Taiwan's value and proposition in global textile market, it will be the best partner for the Indonesian textile and garment industry to comply with the athleisure trend.

Source: fashionatingworld.com- Sep 15, 2018

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EU works towards a trade deal with Africa

The European Commission wants a free trade deal with Africa. As Africa's population is set to double by 2050, the EU is hoping to turn the demographics to its advantage. Some 60 per cent of the population is under 25. The EU will help finance vocational training for 7,50,000 people over the next two years. The EU is Africa's biggest investor. Most of it has gone to Egypt, Kenya, Morocco and South Africa.

The aim is to create up to 10 million Africa-based jobs in the next five years. The EU wants to shift from a donor-recipient kind of relationship, a traditional one based on development aid and humanitarian aid, to a partnership based first and foremost on political partnership. The plan is a partnership of equals with African counterparts, which will be increasingly built on private enterprise. The EU is launching an Africa Union alliance for sustainable investments and jobs. This will be a major priority for its work in the years ahead.

Areas like agriculture, renewable energy and transport are priority sectors amid plans to provide electricity for some 30 million people and road access to another 24 million. An external investment platform will be created that will multiply available funds. The funds will be sourced from the EU budget, the European Investment Bank, the European Bank for Reconstruction and Development, member state development banks and the private sector.

Source: fashionatingworld.com- Sep 16, 2018

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NATIONAL NEWS

India in a catch-22 situation on free trade pact with the US

The government seems to be in two minds about whether it should go in for a free trade agreement (FTA) with the US. While many officials are against a pact as they believe it will hurt domestic industry and agriculture, there is a small but influential group in the government that favours an FTA, according to two sources aware of the developments.

“There must be a larger debate and consultations involving other ministries and departments as well as industry and farmer groups in case the Commerce Ministry wants to get into negotiations on a free trade pact with the US. A trade agreement with such a powerful nation will have huge economic as well as political repercussions and is not to be taken lightly,” a Delhi-based trade expert told BusinessLine.

Although India, because of its indecision on the matter, has not officially spelled out its intention to get into a free trade dialogue with the US, there are indications from the White House hinting at some informal talks on trade deals already happening between the two countries.

US President Donald Trump said at a recent event in South Dakota that India had expressed interest in a trade deal with the US for the first time.
India-US 2+2

White House Press Secretary Sarah Sanders told reporters at a news conference a few days after the India-US 2+2 dialogue on defence, economic and strategic issues that India and the US had expressed their willingness to negotiate new and better trade deals, and those conversations are at the beginning stages.

“The US has been trying hard over the recent years to persuade India to get into a free trade pact as not only would it result in a wider market for products such as farm and dairy items but also give it a handle to try and make India change its policies on intellectual property, retail and investments. All this needs to be carefully considered,” a government official said.

The group within the Indian government, which is pushing for the free trade pact, is looking at the increased access that could benefit the Indian industry in areas such as textiles, leather and gems and jewellery and possible geo-political and diplomatic gains.

“What has to be understood is that whatever increased market access the Indian industry may get in a handful of areas would be relatively miniscule compared to the policy space that we stand to lose. Moreover, on geo-political issues, there is no guarantee that a FTA will make the US tow India’s line. We might end up being at the receiving end with the US trying to dictate terms to us,” the trade expert added.

Apart from areas such as dairy and medical equipment, where the US industry is trying to push India to change its domestic laws to gain access, India’s generic drugs industry is a sector that could be hit by an FTA with the US.

Over the last few years, the US has been trying its best to make India change its patent laws and adopt less stringent rules on ever-greening of patents. Ever-greening refers to superficial changes made by a company on a pharmaceutical product whose patent has ended to help it get a fresh patent.

India exported goods worth $48.88 billion to the US in 2017-18, while its imports were to the tune of $26.61 billion. With pressure from the Trump administration on India to reduce the trade deficit, the trade gap has actually reduced in the April-July 2018-19 period by $1.5 billion with India buying more from the US, including oil.

Source: thehindubusinessline.com- Sep 16, 2018

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Foreign trade in a tough neighbourhood

Despite the often fractious political relations, India's trade with its neighbours has surged in recent years

Improving economic ties with smaller neighbours was one of the major objectives of the Modi government.

The government's outreach to its neighbours included initiatives such as Prime Ministerial visits, resolving long pending issues like Land Boundary Agreement with Bangladesh, opening land visa with Myanmar, implementing decades old connectivity proposals, addressing trade logistics issues and offering soft loans and aid at an unprecedented scale.

Though trade was not the only objective of this initiative, it gained prominence in recent years, despite stiff competition from China.

From 2.86 per cent in 2013-14, India's combined trade with the seven SAARC nations and Myanmar moved up to 3.56 per cent of total trade. The share of the neighbourhood in total exports increased from 5.72 per cent in FY14 to 7.75 per cent in FY18, with Bangladesh and Nepal pulling up the averages.

In fact, neighbours saved the day for India during the global slowdown. From $314 billion in FY14, India's total exports are down by 3.5 per cent to $303 billion in FY18. During the period, exports to neighbours went up by 30 per cent from $18.08 billion to $23.71 billion.

Stable growth

But the growth in regional trade was not seamless. India-Sri Lanka trade for example witnessed volatility. But if one looked at the entire region, the trade pattern was stable as volatility in one country was offset by growth in the other. In FY18, for example, India's vehicle exports to Sri Lanka and Nepal were down 17 per cent and 10 per cent respectively.

But Bangladesh's demand for Indian vehicles rose 37 per cent. The three countries put together contributed 13 per cent ($2.2 billion) of India's total vehicle exports of $17 billion in FY18.

The best part of the story is regardless of size, most regional partners contributed to trade growth. India-Maldives trade, for example doubled, from $110 million to $222 million over the last four years.

Despite problems of accessibility, India-Afghanistan trade increased by 67 per cent to $1.14 billion. India-Bhutan trade was up 82 per cent to $0.91 billion.

Only India-Pakistan and India-Myanmar trade didn't grow, but for different reasons.

While Pakistan is an unwilling trade partner, maintaining bilateral trade at around $2 billion for years; Indo-Myanmar trade, which has also been stagnant at around $2 billion for some time, was affected by India's restrictions on pulses imports last year.

Myanmar is a new destination for India. While formal trade is yet to gain momentum, the huge movement of goods through the land border remains unaccounted.

However, improved connectivity and project implementation by India is expected to push up goods and services (healthcare) exports in the days to come.

Nepal trade boost

The growth engines of regional trade are Bangladesh and Nepal, together accounting for nearly 58 per cent of India's $27-billion trade with eight nations and 63 per cent of exports.

India-Nepal trade is a perfect example of business taking precedence over politics.

While the political relations between the two countries have been rocky, both nations worked at improving trade relations over the last four years.

India contributed generously to Nepal's post-earthquake reconstruction ($750 million aid).

India also made progress in improving trade logistics, invested heavily in cross-country electricity infrastructure that helped mitigate the power shortage in Nepal, lined up investments in oil pipeline, and rail connectivity. The strategy paid off, as bilateral trade increased by 70 per cent, from $4.1 to $7 billion between FY14 and FY18; riding on 85 per cent growth in India's exports from $3.5 billion to $6 billion.

Exports grew by 20 per cent in FY18 (when pro-China KP Oli government assumed power in Kathmandu) with demand for petroleum ($1.5 billion), iron and steel ($880 million) and machinery ($618 million) reporting 40 per cent growth.

Analraj Bhattarai, a Kathmandu-based analyst, expects growth in India-Nepal trade to continue, riding on Nepal's improving economic health, construction boom and easy accessibility to Indian market.

Currency pegging and the limited exchange risk are the added advantages.

Bangladesh tops

India-Bangladesh relations are witnessing a steady improvement since 2010. The momentum gained strength over the last four years, with India stepping up its financial assistance programme from $1 billion to nearly $8 billion. Between FY14 and FY18, bilateral trade increased by nearly 38 per cent from $6.6 billion to $9.1 billion.

A substantial part of the growth came last year when Indian exports grew by 23 per cent to $8.4 billion, riding primarily on demand for vehicles ($1 billion), petroleum ($764 million), cereals ($799 million) and cotton ($1.8 billion).

Petroleum is a new entrant in the list with India becoming a major supplier to Bangladesh. Cereal (rice) export was triggered by crop loss in Bangladesh last year, which is unlikely to be repeated. But the export figures are likely to surge in FY19 riding on expanding electricity trade and project implementation under the second line of credit ($2 billion).

Project exports will boost bilateral trade in the years to come, helping India recover some of the lost ground from China, says Shaquib Quoreshi of the Dhaka-based Business Intelligence Limited (BisNTel).

India and China supply nine out of Bangladesh's top 12 import items. But excepting vehicles — where India controlled 48 per cent share (mostly commercial) in 2017 — China is way ahead in the rest, which includes cotton, machinery, fuel and iron and steel.

Quoreshi expects India to consolidate its position in all the categories in the coming years.

Textile, a leveller

India's imports (though relatively small in value) from smaller neighbours such as Bangladesh (41 per cent), Sri Lanka (17 per cent), Bhutan (146 per cent) and Afghanistan (115 per cent) surged in last four years. It also helped Bhutan to reduce its trade gap.

The balance of trade that is hugely in India's favour, which is a major heartburn for the neighbouring nations that have limited offerings. Bhutan reversed the trend riding on exports of hydro-electricity and iron and steel items. Nepal may follow suit once its hydro-electricity capacities go on stream over the next couple of years.

Sri Lanka has a wider export basket among the neighbours. However, FY19 may see Bangladesh replacing Sri Lanka as the largest exporter to India, riding on apparels. Bangladesh is the world's second largest exporter of readymade garments. However, it could hardly make a dent in the Indian market till 2016-17.

The breakthrough came in July 2017 when GST offered additional duty benefits. Between July 2017 and June 2018, Bangladesh's textile exports to India doubled, paving the way for a 30 per cent jump in total exports.

Source: thehindubusinessline.com- Sep 12, 2018

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RCEP deal can be disastrous for India

Our FTA experience and existing trade imbalance with RCEP nations inform us that such a trade pact will hurt our producers

Trade ministers of 16 countries negotiating the Regional Comprehensive Economic Partnership (RCEP) met for their crucial sixth meeting in Singapore in end-August, in an effort to create by far the largest economic integration agreement.

The joint media statement issued at the end of the ministerial meeting provides some key pointers to where the negotiations are headed. The statement mentions that the ministers exchanged views on the next steps toward the conclusion of negotiations and that they adopted a package of deliverables.

Although the contents of the package are under wraps, the statement says that the ministers instructed their negotiators to exert utmost efforts to achieve each of the targets in the package by the end of this year. Finally, the ministers reaffirmed their commitment to achieve a "comprehensive, high-quality and mutually beneficial economic partnership agreement".

Let us try to understand what lies behind the carefully constructed language that the ministers have agreed to put out for public consumption. First, serious pressures are being exerted by some RCEP Participating Countries (RPCs) for an early conclusion of the negotiations. Second, a "comprehensive, high quality" agreement is on the cards, which is a pithy way of describing what is nothing short of a comprehensive economic liberalisation package.

This description fits the narrative that has been coming from RPCs quite well. We have been hearing for quite some time now that the countries behind the RCEP dynamics want tariffs eliminated for all but 8-10 per cent of the traded products. There should be no doubt that market access in goods will be the centrepiece of the RCEP. The emphasis on this issue has a well-founded basis — most economies of the region are export-oriented and, therefore, their economic prospects depend on their ability to exploit the two large markets, China and India.

With the Trump administration walking down the path of trade protectionism, these countries are even more keen to turn more towards their own region for sustaining their trade. Within this equation, India has become a particularly attractive market, not least because its external sector policies are more transparent than those of its northern neighbour.

Key challenges

There is no doubt that RCEP poses two sets of challenges for India. The first is to extract meaningful concessions for enhancing market access in RPCs, which, according to some assessments, should come largely from services. The second is to do a trade deal which will provide the necessary instruments that will ensure the economic viability of small farmers and industries, especially small-scale producers, in the face of relentless import competition. This implies that a degree of protection to these producers would help the more vulnerable among them. Such a strategy would be critical for the rural producers, for the sudden shock of tariff elimination could completely unhinge them.

If the past few months are any indication, the government has realised that a large number of manufacturing industries as well as agricultural commodity producers are not measuring-up well to import competition, and that their interests have to be protected by enhancing import tariffs.

Accordingly, customs duties have been enhanced, for a range of electrical and non-electrical machines, automobiles and textiles and clothing, all of which form the core of India's manufacturing base.

This stance of the government is a good pointer to the fact that India needs a tariff regime that must be flexible enough to allow tariffs to be calibrated. Such flexibilities are provided by WTO's tariff regime, which has allowed the increase in actual applied tariffs on particular products as long as they remain within their WTO bound rates — that is, the maximum tariffs that India is allowed to impose by the WTO.

And, since the bound tariffs are considerably higher than the applied tariffs for most products, India has faced no problems in effecting the recent tariff hikes. Such flexibilities are, however, not allowed in any of the free trade agreements (FTAs), like the RCEP.

India'strategy

In the face of this reality, what should be India's strategy? The most logical would be to negotiate the much-needed space to its real sectors to gain competitive edge. In fact, such a strategy was a necessity a decade back when the then government was negotiating three FTAs, with ASEAN, Japan and Korea.

It was apparent then, as is now, that India's agriculture and manufacturing sectors are not in a position to run the distance alongside their counterparts from the FTA-partner countries.

But, the commitments were taken nonetheless, and in the years that these agreements have been implemented, India has faced an ever-increasing trade deficit. In 2009-10, when these FTA negotiations had just ended or were in their final stages, India's trade deficit vis-à-vis its three FTA partners was $16 billion, and in 2017-18, the deficit stood at just over $31 billion.

If India's trade imbalance with its existing FTA partners looks serious, the corresponding figures for RPCs are worse; because of the China factor. In 2017-18, India's trade deficit with the RPCs was $104 billion, up from $48 billion at the end of the previous decade.

Compare the 2017-18 trade deficit figure for the RPCs with India's total trade deficit, which was $162 billion; there cannot be a more cogent statement on the inability of Indian producers to compete with their counterparts in the RPCs. Clearly, no logical case can be made for India to overlook these stark numbers and to continue supporting the trade liberalisation ambitions of some RPCs whose sole aim is to increase their presence in a larger market like that of India's.

One argument that may still be made to remain engaged with RCEP on these excruciating terms is that India should avoid getting isolated at any cost.
That RCEP membership cannot be more important than his country's critical interests was articulated clearly by Malaysian Prime Minister Mahathir Mohamad: "Malaysia will participate in the Regional Comprehensive Economic Partnership only if the mega trade pact proves beneficial to the nation".

India's experience with FTAs and Mahathir Mohamad's comment have an interesting connect, which is that trade liberalisation via FTAs is not necessarily beneficial for every country. If countries are not able to give their producers the right conditions, engaging in trade liberalisation can seriously hurt. The surge in trade protectionism seems to be conveying this telling message.

Source: thehindubusinessline.com- Sep 12, 2018

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Arvind eyes Rs 12000 crore revenue from textile business in next 5 years

Textiles maker Arvind Ltd is planning to invest Rs 500 crore per annum for the next 4-5 years with an aim to double revenue from its textile business to Rs 12,000 crore.

The company is in the process of de-merging its brands and engineering businesses into separate entities.

"In the last 5-6 years we have not put much capital in the textile business. We are very excited about textiles. We see tremendous growth opportunities... This capex will take the business from a single digit growth rate at present in to double digit growth rate.

"We are planning to double our textile business from Rs 6,000 crore to Rs 12,000 crore in 5 years time. We plan to invest Rs 500 crore every year for the next five years to expand its textile business," Arvind Ltd Executive Director Kulin Lalbhai told PTI.

The company will fund the expansion from internal cash flows. We are looking dramatic ramp up in garmenting (making garments from fabrics) from 10 per cent at present to 50 per cent over time. A big chunk of this planned investment will be for garmenting, he added.

The company is also looking at developing 3 large garment clusters in Jharkhand, Andhra Pradesh and Gujarat.

Each of these clusters will employ 4,000-8,000 workers. It already has a cluster operational in Ethiopia in Africa, which the company uses to reach out to America and European markets.

"All of these clusters are in execution mode. By end of the third quarter or beginning of fourth quarter we will begin work in Jharkhand and Gujarat. Cluster in Andhra Pradesh will take a few more quarter to be operational. These clusters will be like a global supply chain," Lalbhai said.

Arvind Ltd is also planning to foray into performance and functional clothing (active wear) and synthetics. It also considering scaling up its technical textiles businesses.

Lalbhai said the de-merger process, after which all the three businesses will be listed separately, will be complete by end of the third quarter of this fiscal.

Source: financialexpress.com- Sep 16, 2018

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Early onset of pink bollworm in cotton triggers alarm in Telangana

Agri Varsity: Late picking, infestation in stocks held by ginning mills are key causes of trouble

Perhaps for the first time in the country, incidence of pink bollworm has surfaced in the first 30 days of the kharif season in Telangana, one of the major cotton producing States, triggering alarm among agricultural scientists and farmers.

Scientists say this early cycle of pink bollworm incidence is unprecedented and surprising. Both the cotton farmers and the Department of Agriculture were anticipating the pest attack during November-December as it developed resistance to the Bollgard-II.

With reports of early incidence reaching the State Capital, Prof Jayashankar Telangana State Agriculture University (PJTSAU) rushed a team to the areas where the incidence was reported.

Reasons for attack

"We found three reasons: First, the incidence has been reported in areas surrounding the ginning mills, which ended up as major sources of the worm, gathered through the cotton stocks they procured from farmers in the previous season," Jagadeeshwar, Director of Research of PJTSAU, has said. The second reason, according to him, is the extension of the crop beyond December, which is not advisable.

"We have been advising the farmers not to keep the crop beyond December. We ask them to burn the remains. But they continue to keep it, hoping to reap a final pick," he said.

The third reason is the farmers don't go for a deep ploughing immediately. "We advise them to go for greengram. But they wait for the rains for ploughing, giving chance for the dormant remains of the worm to resurface again," he said.

Cotton acreage jumps

Despite heavy losses due to the pink bollworm attack last season, the farmers went for a record sowing of the fibre crop on about 46 lakh acres.

Though the early incidence was reported in Adilabad and Vikarabad initially, it spread to over 15 districts, engulfing all the major cotton growing districts, by now.

"But the early cycle in the pink bollworm incidence is alarming. First, it used to be beyond December. The cycle later advanced to October-November. Now, this year we are witnessing it in August itself," GV Ramanjaneyulu, agricultural scientist, told *BusinessLine*.

The University scientists, however, contended that the extension of the incidence is not very high and farmers could reduce the spread of the infestation by natural pest management methods and using pheromone traps.

"It has been reported only in areas surrounding the ginning mills," Jagadeeshwar asserted.

With late rains delaying the sowings and heavy rains hitting the crop at a later stage, farmers in some districts are saddled with excessive vegetation with smaller bolls.

“There’s no flowering on about 5-6 lakh acres. We see lack of timely extension advisory from the Agriculture Department,” S Malla Reddy of Telangana Rythu Sangham, said.

Source: thehindubusinessline.com- Sep 14, 2018

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JNPT gets board nod to bid for Dighi Port

For the first time, a major port trust is making a bid to acquire a private facility; Adani arm may also bid separately
Mumbai, September 14
The board of trustees of Jawaharlal Nehru Port Trust (JNPT) has approved a plan to bid for debt-laden Dighi Port Ltd, which runs a private port in Maharashtra’s Raigad district, and is facing insolvency proceedings.

The board granted the approval at a meeting on September 6, two people familiar with the decision said asking not to be named because the information has not been made public yet.

A spokesperson for JNPT did not respond to a call seeking comment.

India’s biggest private port operator Adani Ports and Special Economic Zone Ltd (APSEZ) could separately join the bidding for Dighi Port, according to bankers. APSEZ was not immediately available for comment.

This is the first instance of a port (JNPT) owned by the Centre looking to acquire a private port under the Insolvency and Bankruptcy Code (IBC).

Cash-rich JNPT, India’s biggest container port, is scouting for investment opportunities to expand capacity given the constraints it faces at Nhava Sheva, the current facility. The plan is to use a portion of some ₹4,500-crore cash reserves to part-fund expansion including a new port at Vadhawan in Maharashtra’s Palghar district with an investment of over ₹10,000 crore.

JNPT will have a 74 per cent stake in the new port with the Maharashtra Maritime Board holding the balance stake.

The National Company Law Tribunal (NCLT) ordered corporate insolvency resolution process of Dighi Port on a petition by DBM Geotechnics and Constructions Pvt Ltd, an operational creditor.

It marks the first instance of a port being hauled to the NCLT. Dighi Port, jointly promoted by Balaji Infra Projects Ltd and IL&FS Ltd, owes ₹30 crore to DBM Geotechnics to construct multi-purpose berths 1 and 2 at Dighi and berth No 3 at Agardanda, also in Maharashtra.

Dighi Port, located 42 nautical miles from Mumbai Port Trust, was awarded a 50-year concession by the Maharashtra government to develop and operate a port on the banks of Rajpuri creek in three phases. The first phase of the port with a capacity to load 30 million tonnes (mt) of cargo has started partial operations from two multi-purpose berths that can load, coal, bauxite, steel coils and containers.

The port owes some ₹1,600 crore to a consortium of banks led by the Bank of India. In 2012-13, lenders recast the debt as part of a corporate debt restructure.
The port has 1,600 acres that can be scaled to 3,000 acres, according to its website.

It is also a part of the dedicated freight corridor and the Delhi Mumbai Industrial Corridor.

But it has been operating at low utilisation levels due to lack of rail and road connectivity combined with the general slackness in global trade for many years.

Financial pressures

The promoters have been seeking strategic investors but without success.
The port operating company is constructing a rail line to Roha to integrate the region with the Delhi Mumbai Industrial Corridor.

Source: thehindubusinessline.com- Sep 14, 2018

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Shut shop and relocate – the new retail policy to cut losses

More than 500 stores have been shut in the last couple of years by brick and mortar retailers across formats, as they focus on improving profitability, cutting rental costs and cautious expansion.

Aditya Birla Fashion and Retail closed 189 exclusive brand outlets; Coffee Day Global shut 120 stores; Trent Hypermarket, a joint venture between the Tata Group and Tesco which operates three formats — Star Bazaar Hypermarket, Star Market and Star Daily — shut all its 20 loss-making Star Daily stores; Benetton India rationalised its network of stores and closed down 56 stores; Raymond shut 30 loss-making stores, Shoppers Stop shut five stores; Costa Coffee shut 35 stores and Barista shut 40 stores, among others.

Experts say in most cases, shutting down stores has helped companies cut losses. Says Anil Talreja, partner, Deloitte: "Focus on online expansion and omni-channel presence has also resulted in brick and mortar retailers shutting stores and focusing on online presence. Retailers are focusing on cutting expensive real estate costs and want to sell more online. Going forward, we would see more consolidation in the sector in terms of store rationalisation and also acquisitions."

As per a Jefferies report, the journey for organised retail in India, especially departmental and grocery formats, so far has been more bumpy than smooth. Sharp store expansion, lower same-store sales growth, high rentals, advent of competitive threat from online players and high cost of doing business have been some of the key problems facing the sector.

However, companies have plans to add stores as well in more viable locations. Aditya Birla Fashion and Retail (ABFRL, formerly known as Pantaloons), will add 350 stores in FY19 across formats, while it plans to shut around 3-4% of its loss-making stores to focus on profitable growth. Ashish Dikshit, managing director, Aditya Birla Fashion and Retail, has said, "We plan to add around 300 stores under Madura and various other brands while adding around 50-60 Pantaloons stores in FY19. At any given time, we keep on evaluating our performance of the stores and as we keep adding a large number of stores, it is obvious that we shut few stores whose performance is not as per our expectations."

As on March 31, Aditya Birla Fashion and Retail had 2,465 operational brand stores, which include 275 Pantaloons stores, 4,982 multi-brand outlets (MBOs) and nearly 4,054 points of sale in department stores across the country.

Denim fashion brand Benetton India opened 63 stores, while it shut 119 stores in FY17 to end the year with a total of 718 stores.

Raymond, known for manufacturing and retailing men's wear across the country, was also on a rationalisation spree in the last couple of years. The company has 1,236 exclusive retail outlets operational in the country and plans to double the store count of its Flagship brand Park Avenue and add 100 stores in the next couple of years.

Presently, the company has 100 Park Avenue stores operational in the country. Sanjay Behl, chief executive officer, Raymond, said, "Store renovation and shutting few loss-making stores has been a continuous process to reduce losses of the company. We will be adding about 150 stores in FY19 across formats and the majority of new stores will be based on a franchise model. Overall, our long-term strategy of improving our returns on investment remains intact."

Raymond's focus on renovation and shuttering down loss-making stores is likely to result in improvement of same-store-sales growth in the future. As per an Emkay report, the branded apparel revenue of Raymond grew by 17% year-on-year along with a same store sales growth of 20%.

Department chain Shoppers Stop, too, has shut at least five loss-making stores (across formats) in FY18, while it has re-sized a few. The company presently operates 83 stores in 38 cities. The company plans to add five stores in FY19. According to a Jeferries report, Shoppers Stop, post its clean-up exercise in FY18, is a turnaround contender, with increased focus on the department store business, reduced leverage, better return ratios and the omni-channel playout.

Similarly, focusing on profitability, coffee chains like Costa Coffee and Barista have shut around 35 to 40 stores each over the last couple of year across the country. Barista company presently operates 45 stores, after having closed down more that twice that number, most of them company-owned.

The company now plans to add 500 franchisee stores over the next five years. At present, Costa Coffee has 46 stores operational in the country, after shutting almost half its stores over the last couple of years, but it is not known how many stores the company plans to add.

Coffee Day Global (CDGL), plans to add 125 and 135 outlets by March next year, the management has indicated. In 2017-18 too, CDGL set up 135 cafes but it also shuttered many, leaving a net addition of 40 outlets. The management's objective is to have larger cafes with better facilities.

A Venu Madhav, director, CDGL, pointed out that recently many outlets were small, covering around 500 to 600 sq ft and without washrooms. “We are looking at bigger outlets of between 1,000 and 1,200 sq ft in locations nearby,” he said.

For Trent Hypermarket, the management plans to add 25 new stores in FY19 and added 20 stores in FY18. Experts said store rationalisation and improved private label mix in hypermarket format and recovery in growth for Zara should improve profitability in the joint ventures.

The company primarily operates stores across four concepts – Westside, Zudio, Star and Landmark.

Westside has 125 stores operational in the country, while the Star brand has presence with 23 Star Market and 12 Hypermarket stores. The joint venture for Zara operates 20 stores in Delhi, Mumbai, Bangalore, Pune, Surat, Jaipur, Chandigarh, Chennai, Mohali, Hyderabad and Gurgaon.

Source: financialexpress.com - Sep 16, 2018

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With integrated textile operations, 'trade war is advantage India '

Welspun Group — the $2.7- billion conglomerate with interest in home textiles, line pipe manufacturing and infrastructure — is banking on its recent innovation, Hygrocotton, to drive growth in textiles. The fabric, made of the patented Hygrocotton, is soft, absorbent and maintains its softness after every wash. It also helps regulate the temperature of the fabric, keeping it cool in summer and warm in winter. Dipali Goenka, Joint Managing Director, Welspun India, spoke to BusinessLine on the company's growth plans. Excerpts:

What is the impact of the global trade war on textile exports?

India has a great business potential for home textiles in the ongoing trade war because we are not only the largest producer of cotton, but also the largest exporter. India's strength in cotton is going to be far higher than others. The Centre's policy supporting exports should further help textile companies re-establish themselves. The integrated operation is a big advantage for textile companies.

There is a duty levied on textile exports from India to the US but it is not big when compared with that on shipments from China. Earlier, China used to provide subsidies and calibrate currency to support exports. It also had the advantage of cheap manpower, which is slowly fading.

However, I would add that nobody can live without China. They have put up massive capacity in each of the sectors. It will take many years for the US to build capacity that can match China's. The way we are heading towards protectionism in the US and the UK, the biggest challenge is we cannot live without one another. If India has advantage in cotton textile, nobody can match China in polyester.

Does Bangladesh still enjoy trade concessions in textile exports to the US?

I believe the US has withdrawn the trade concession given to Bangladesh. The advantage for Bangladesh is that they have a stronger currency and lower labour cost. The concern they had was in terms of compliance, high power cost and single port infrastructure. Their core strength was in garments largely due to low labour cost. The complete integration from weaving to spinning to final product is India's advantage. The integration is the core in home textiles.

What is the impact of the rupee depreciation on textile exports?
The impact of depreciation comes in a package as textiles is more commodity driven. The crude has touched $86 and already people are talking of it reaching $100. Cotton prices have hit ₹48,000 as India is at the fag end of the cotton season. The high support price set for the next year (starting October) is going to put more pressure. We import about 10-20 per cent of high quality cotton. Being a major exporter we are able to somewhat offsetthe higher cost.

Any progress on your investments in innovation?

We have filed patent applications for 30 products. Of these, 12 have been granted patent. We believe Hygrocotton and Wel-Trak have good scope. Welspun's Hygrocotton itself is a $200-million brand and growing strongly. We launched Wel-Trak about a year and a half back to track the source of the fibre. It is a sort of the advent of the blockchain technology. Our innovation revolves around consumer needs. We have 4.2-million data points on consumers' views on what they are looking for and try to fulfil their needs through our products.

How do you plan to grow in the domestic market?

India will be the next growth driver for home textiles. Products made of Hygrocotton itself has seen a 25 per cent growth. The appetite for differentiated products in India is growing with discerning consumers who are looking at value not in terms of price but quality. We have a set a ₹1,000-crore revenue target in India and our journey has just begun. We set up a new team to focus on the domestic market.

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According to recent studies, the poverty level in India is expected to reduce by six per cent by 2022 and there will be elevation of tier-III cities to tier-II and so on. This will throw up a good opportunity for our products.

We may have a few experience stores of our own, but sales will be largely driven by mom-and-pop stores, large retail chains and e-commerce.

Source: thehindubusinessline.com- Sep 16, 2018

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