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IBTEX No. 183 of 2019 September 18, 2019

US 71.48| EUR 79.09 | GBP 89.24| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20096	42000	**74.85**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19590	40943	**72.97**

International Futures Price

NY ICE USD Cents/lb (December 2019)	61.38
ZCE Cotton: Yuan/MT (January 2020)	13,085
ZCE Cotton: USD Cents/lb	83.69
Cotlook A Index – Physical	**73.70**

Cotton Guide: We clearly mentioned in our report yesterday, about the impact of crude oil prices on cotton prices.

Yesterday, all ICE cotton contracts settled negative. The most relevant contract [for now] the ICE December contract settled with a negative change of 3 digits. It settled at 61.38 cents per pound. This morning it is trading [even lower] at 60.80 cents per pound. The other contracts the ICE March 2020 contract and the ICE May 2020 contract settled at 61.86 cents per pound and 62.91 cents per pound respectively with a change of -110 points and -92 points. Total Volumes were healthy at 35,536 contracts. The Total Open Interest was also seen to have increased by 181 contracts to 233,209 contracts. OI for December decreased by 1,363 contracts to 141,143 while March OI increased by 1,501 contracts to 57,193.

We were expecting the ICE prices to remain consolidated with a positive bias and change of +50 points. However, the slump in Prices of Crude Oil has hampered this positive growth. WTI crude was priced at around 63.12 USD per Barrel yesterday, while it plummeted to 58.86 USD per Barrel which means it declined by 4.26 USD per barrel in a day. This is considered to be a MASSIVE Fall for a day. This in-turn has affected its counterpart Cotton.

As mentioned yesterday, Polyester and other MMF's [Derivatives of Crude Oil] become alluring to the market at cheaper prices when compared to cotton. This therefore brings forth and displays a positive correlation between the two commodities.

On the MCX front, all the contracts followed the path laid out by ICE [or indirectly Crude Oil Prices]. The contracts settled with negative triple digit figures. The MCX October contract settled at 19,590 Rs per Bale with a change of -330 Rs. The MCX November contract settled at 19,180 Rs per bale with a change of -290 Rs, while the MCX December contract settled at 19,130 Rs per bale with a change of -300 Rs.

The Cotlook Index A was updated to 73.70 cents per pound with a change of +5 points. Due to shortage of cotton seen in India, prices of Shankar 6 are expected to be firm at around 42,000 Rs per Candy for the upcoming days followed by a gradual decline as soon as the arrivals rope in. On the flip side, the Minimum Support Price [MSP] might restrict the prices to fall drastically.

Fundamentally speaking for today, we expect the ICE Prices to show a sideways trend. MCX October contract should emanate positivity with MCX November and MCX October contract showing a sideways to negative trend [subject to no massive volatility in Crude Oil Prices].

On the technical front, ICE Cotton Dec future witnessed a phase of intermediate correction towards the support at 60.79(38.2% Fibonacci level of the recent uptrend), after breaching the consolidation of range (57.5-60.6). Meanwhile price is still holding above the 60.60, along with the 9 DEMA (60.80), which could limit more downside in Dec futures. Earlier price has crossed the downward sloping channel and at present moving in an intermediate rising channel. Price is supported by the DEMA (5, 9) at (61.74, 60.80), having a bullish crossover. Momentum indicator RSI is at 54 levels which supports further bullish bias in the price, along with positive divergence with reference to price. Thus, the price would have the immediate resistance at 62.77(76.4% Fibonacci retracement level) and the immediate support would be 60.60, which is nearby the breakout level. So for the day price is expected to move in the range of 60.55-61.75 with sideways bias. In the domestic market MCX October future is expected to trade in the range of 19430-19830 with a sideways bias.

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

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INTERNATIONAL NEWS

China Trade War Fuels Return to Sourcing in Bangladesh, Despite its 'Weakest Link'

Whether the U.S.-China trade war has been the principal catalyst or not, companies are increasing their garment sourcing in Bangladesh, and the country has the capacity to expand even further to accommodate what likely will be a major ramp up of manufacturing there.

Now that new tariffs are sending the cost of sourcing in China higher than the long rising labor rates had taken them, U.S. brands and retailers are giving Bangladesh a bigger piece of their product manufacturing pie—even those that may have pulled back after tragic workplace accidents sent them fleeing over safety concerns in recent years.

But as trade tensions and punitive duties force companies to further consider emerging Asian nations for their garment manufacturing needs, capacity constraints have become a factor. No one country can take on the manufacturing China has forgone, but some, like Bangladesh, may be better equipped to do so.

“In terms of capacity to grow, Bangladesh has quite a lot of ability to expand. The population is there, the ecosystem is there,” said Francois de Maricourt, CEO of HSBC Bangladesh.

“We see some new factories being set up, and you can see some factories with 5,000 workers, 10,000 workers. The country has the ability to increase the capacity quite substantially. The main thing will be around infrastructure.”

Infrastructure remains Bangladesh’s “weakest link,” de Maricourt admitted, but there have been investments in roads and ports, and the country has also started importing energy in the form of liquified natural gas to increase the availability of electricity.

And while land access had been an issue because of the system in place to purchase it, de Maricourt says that is improving, too, and that companies are keen to invest in capacity.

What's perhaps the biggest boon for Bangladesh, however, is that its reliance on China for inputs is minimal compared to some sourcing countries, and this verticality becomes increasingly key when tensions have made trade relations sensitive and subject to change at a tweet's notice. It's also critical for supply chains that live and die on how quickly they can get product to customers.

"The dependence on China is not huge in terms of imports…The vast majority of producers in Bangladesh are actually local companies—and local companies that are growing," de Maricourt said. "You have companies that are owned by some Chinese groups, and more investments from Chinese groups…there's quite a lot of interest to invest more in terms of production in Bangladesh, which was not traditionally the case."

Exports of textiles and apparel from Bangladesh to the U.S. increased roughly 12 percent in 2018, according to HSBC, and already for 2019, that growth is around 10 percent.

Bangladesh is the sixth-largest supplier of textiles and apparel to the U.S. after China, India, Vietnam, Pakistan and Mexico, according to data from the U.S. Office of Textiles and Apparel (OTEXA). Its growth in market share, however, has been in the double digits, while China's continues to slip.

"Clearly, we see some interest in U.S. buyers to increase the quantity of the goods they are buying in Bangladesh," de Maricourt said. "I am not sure if the U.S.-China trade tensions are the main reason to change the production…[but] the new duties have been perhaps a little bit of a trigger to force people to be out of their comfort zone to say 'OK, now we have to act.'"

For those that had their eyes on Bangladesh pre-trade war, it was rising costs in China that sent them there. And for some of those same companies, the Rana Plaza factory collapse that killed upward of 1,100 people in Bangladesh in 2013 either sent them packing or made them gun shy about expanding production there.

"The cost of production is much, much higher in China than it is in Bangladesh," de Maricourt said. "The know-how is also higher, but Bangladesh has made some good progress in terms of compliance and production."

The Rana Plaza tragedy, de Maricourt explained, forced companies in Bangladesh to become much more compliant and install new fire doors and systems, and the process weeded out factories that couldn't raise their safety standards to an acceptable level.

"Some factories had to close and I think it was a good thing for the industry because the small players who could not invest didn't make it," he said. "But the level of compliance has increased, which is not only in terms of working conditions, but also in terms of green initiatives."

These are some of the factors that led HSBC, in its "The World in 2030" report released last September, to peg Bangladesh as likely to be the biggest mover in the global GDP rankings by 2030. The report put Bangladesh among the top-six countries for projected growth, a cohort that also includes India, Pakistan, the Philippines and Vietnam.

"We have done some forecasts looking at the world in 2030, and we have identified that Bangladesh has been the fastest in the world [for its pace of growth]," de Maricourt said. By 2030, HSBC expects Bangladesh will be the 26th largest economy in the world.

In the same report, HSBC said China will be the world's largest economy by 2030, noting that its push toward robotics could mean "higher productivity and even faster GDP growth."

And that could simply mean China's days as the world's factory will continued to be numbered, while rising players like Bangladesh will benefit from a more robust garment manufacturing industry.

"In terms of countries that can really absorb an increase in capacity, Bangladesh can do it," de Maricourt said. "Opportunities would be even higher if the infrastructure was better, but we expect an increase in garment exports in the coming year."

Source: sourcingjournal.com- Sept 17, 2019

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Fiber Demand in the Textile Industry

Growth in fiber consumption would average annually around 3 to 4 percent.

Cotton is a valuable fiber in the mix for the textile sector. According to inputs from global brands, the industry can consume up to 31 million metric tons of cotton, said Robert van de Kerkhof, Chief Commercial Officer of Lenzing AG, Austria.

Who's who in the textile fiber world gathered last week in the picturesque town of Dornbirn on the foot hills of Karren mountain range in Austria. About 700 delegates from over 30 countries discussed the state of the fiber industry with regard to its sustainability initiatives.

While the global consumption of cotton has remained flat at 28 million metric tons, there is potential for additional demand of 3 million metric tons. To a question from this scribe on the competition between regenerated fibers and cotton, van de Kerkhof emphasized the need for all sorts of fibers. There is no competition between Lyocell and cotton stressed van de Kerkhof.

With an annual production capacity of 300,000 metric tons, Lyocell needs friendly partnership with sustainable fibers. Lenzing will have additional 100,000 metric tons of Lyocell for the textile industry, as it will have a new manufacturing plant in Thailand and will be online by the end of 2020.

He appreciated the sustainability efforts undertaken by the global cotton industry, but there is more work to do, added van de Kerkhof. He highlighted few initiatives such as those by the Brazilian cotton sector, which is making planned efforts to develop in regions where there is good rainfall.

According to van de Kerkhof, new products can have blends of cotton with Lyocell to enhance attributes like strength. United States-based Cotton Incorporated is also promoting the concept of developing cotton rich blends to exploit the benefits of different fiber blends.

New opportunities are emerging for cotton such as Lenzing's cotton-based Lyocell fibers, "REFIBRA™." Cotton for use in technical textiles in both virgin and processed forms are being exploited by many industries these days. Chennai, India-based WellGro United has partnered with a textile manufacturer in South India to deliver cotton for technical textiles.

The 58th annual Dornbirn Fiber Congress highlighted the need for innovation and networking for sustainable growth. And, more importantly, the immediate need for circular economy in the sector.

Source: tiehh.ttu.edu- Sept 17, 2019

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Apparel Brands Shouldn't Confuse 'Nearshoring' with Ethical Production

A common cry we hear in global textile supply chains is that near-shoring is a more sustainable, and perhaps ethical, option for apparel brands. In the past couple of years, we have seen evidence—albeit limited—of this, with President Trump talking about bringing manufacturing home, and efforts by the U.K. to redevelop its once burgeoning textile industry.

In theory, near-shoring is more sustainable for a couple of reasons. First, its cuts down on CO_2 emissions associated with the international transport of textiles and clothing. Second, there is a train of thought (that is far from proven) that local production equals ethical production.

The first of these arguments is difficult to dispute. If something is made in the U.S. and sold in the U.S., the greenhouse gas emissions associated with transportation clearly will be smaller than if it were made in Asia and transported to the U.S.

The second argument is less clear cut. There are tens of thousands of apparel factories across the world, and while some are ethical, treat their staff well, and pay a fair wage, many, as we are all aware, are not.

But the point is that the whereabouts of these factories is random. Asian apparel sourcing hubs do not have a monopoly on poor worker rights. There are good and bad factories in Bangladesh and, indeed, in other sourcing hubs such as China and Vietnam. But there are also good and bad factories in the U.K., in the U.S. and in Eastern Europe.

The one common denominator with all of these factories—wherever they are based in the world—is that they face downward pressure on prices from apparel brands. This means there is, in turn, downward pressure on wages for factory workers. This is not a well-paid industry, wherever you operate in the world, and that’s just basic economics.

But there is another, perhaps more important factor, to consider in the discussion around near-sourcing. As intimated, there is often an assumption that closer to home equates to “more sustainable.” But what if production techniques in textile supply chains in Asia are better than those in the West? What if they are cleaner, use less water, reduce chemical consumption and create less waste? Actually, textile production techniques are something we all need to consider in the debate about where apparel is made. Brands, policy makers and economists all need to be part of this discussion.

As a factory owner myself, I can attest to the huge strides made in apparel production in recent years. The industry in Bangladesh is undergoing a minor revolution. In denim production, for instance, new techniques are being introduced that use far less water than previously was the case, while factories are also becoming much smarter on the issue of water recycling and harvesting rainwater.

Wastewater, meanwhile, is managed far better, often cleaned using expensive effluent treatment technology so it can be used again and again. This is an ongoing pattern of continuous improvement, and many factories are in the process of a serious industrial upgrade in this area.

New chemicals and processes often create a net result, meaning fewer chemicals are used in clothing production, and the chemicals that are involved in manufacturing are carefully scrutinized to ensure they are not harmful to humans. Coming to grips with this issue has taken years and has been helped enormously by the Zero Discharge of Hazardous Chemicals, which has helped to foster best practice across supply chains.

In the case of Bangladesh, we can also factor in that the industry has undergone a huge safety overhaul. Garment factories Bangladesh are cleaner, safer, more efficient and more sustainable than at any time in history, and that’s no exaggeration.

Billions of dollars have been spent in a process of industrial and technological upgrading that continues in all garment production hubs in Asia as they battle to win and maintain the business of international brands.

How ironic, then, that having reached this current state, there is talk of taking garment production going "back home," as part of a pattern of near-shoring.

In actual fact, there is not a great deal of evidence that near-shoring is happening. The statistics suggest some production has left China for the U.S. or countries nearby but the picture is very mixed. If anything, production and output in the likes of Bangladesh is actually continuing to increase; the country has had a fantastic 12 months in terms of export revenues.

Why is this? A personal hunch is that near-shoring is little more than a political slogan for the time being. Brands are demanding their Asian apparel suppliers produce smarter, faster and cleaner. In short, brands need Asian suppliers to produce more sustainably. This has not happened overnight, and it has been a major and hugely expensive learning process for all involved.

There is now a level of sustainability learning and expertise in the Bangladesh's apparel supply chain that would take years to replicate elsewhere.

Politicians might like to talk about near-shoring, but for brands, it is action, and not rhetorics that counts when it comes to purchasing sustainably. And on this front, for now at least, Bangladesh's RMG sector holds the trump cards.

Source: sourcingjournal.com- Sept 16, 2019

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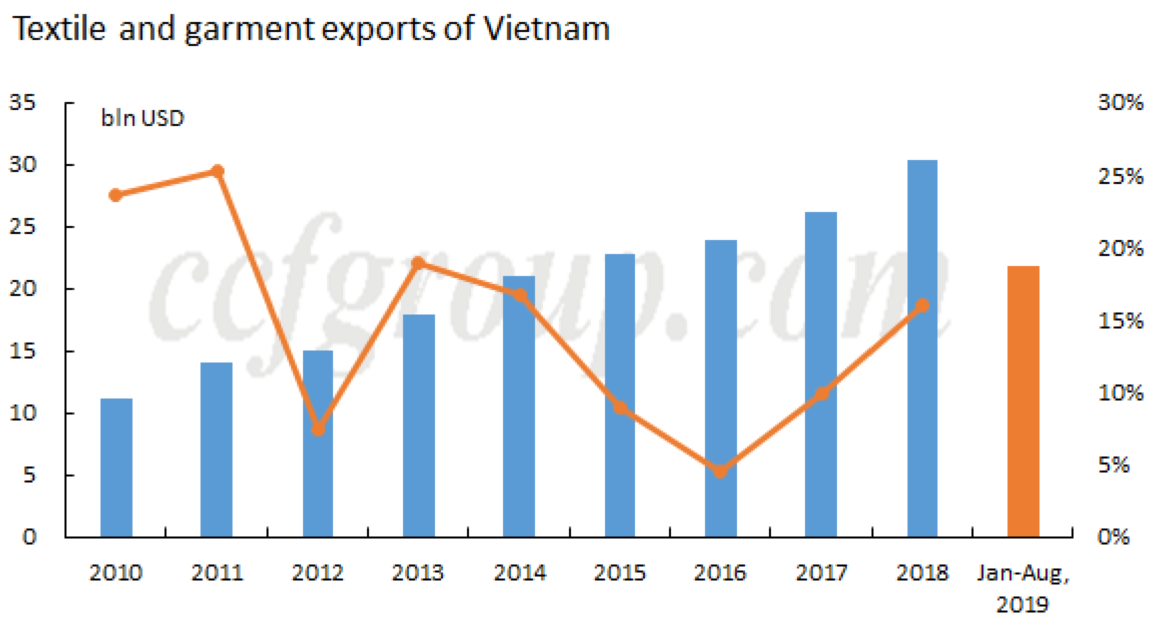
Vietnam cotton imports continue to reduce in Aug, 2019

Vietnam imported 102.9kt of cotton in Aug, 2019, a fall of 25.6% year on year and 22.8% month on month. From Jan to Aug, 2019, cotton imports totaled 1.0455 million tons, down 8.2% year on year. Based on current growth rate, imports may amount to 1.44 million tons in 2019, down 113kt from 2018.

I. Cotton imports continue to decline in Aug, 2019



In 2019, textiles and garments exports have risen year on year, but the growth rate slowed down.

In Aug, export value of textiles and garments was $3.371 billion, up 6.6% year on year and 2.2% month on month.

In the first eight months of 2019, export value totaled $21.772 billion, up 10.2% year on year. Based on current growth rate, the total export value may reach $33.6 billion, up $3.11 billion from 2018.

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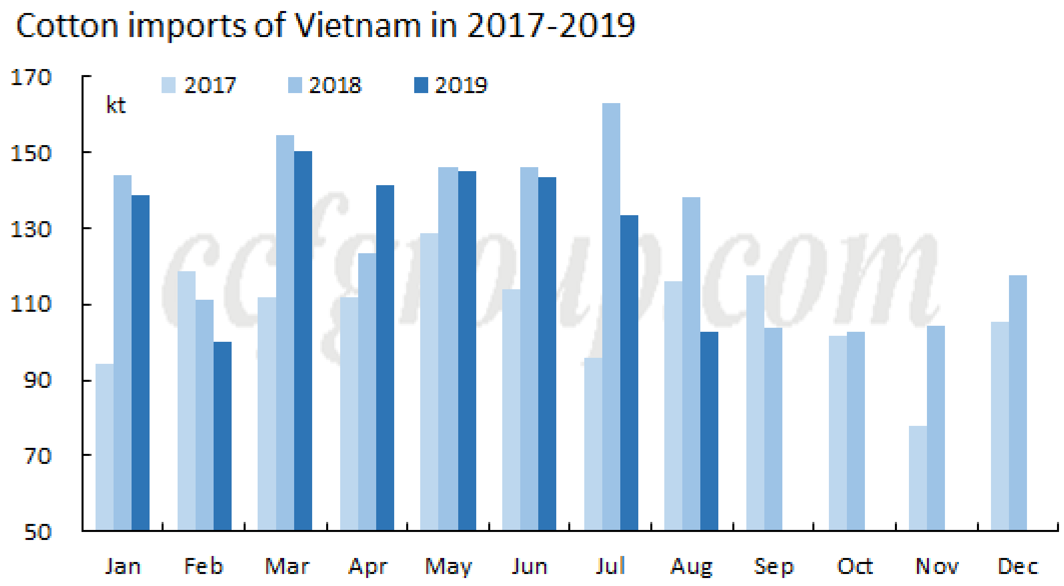
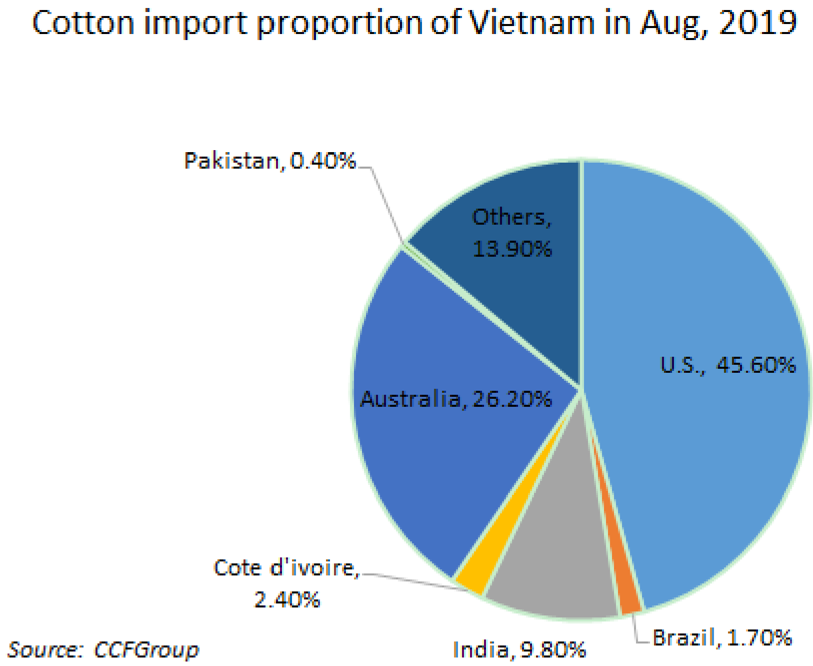


II. Proportion of US cotton imports keeps up



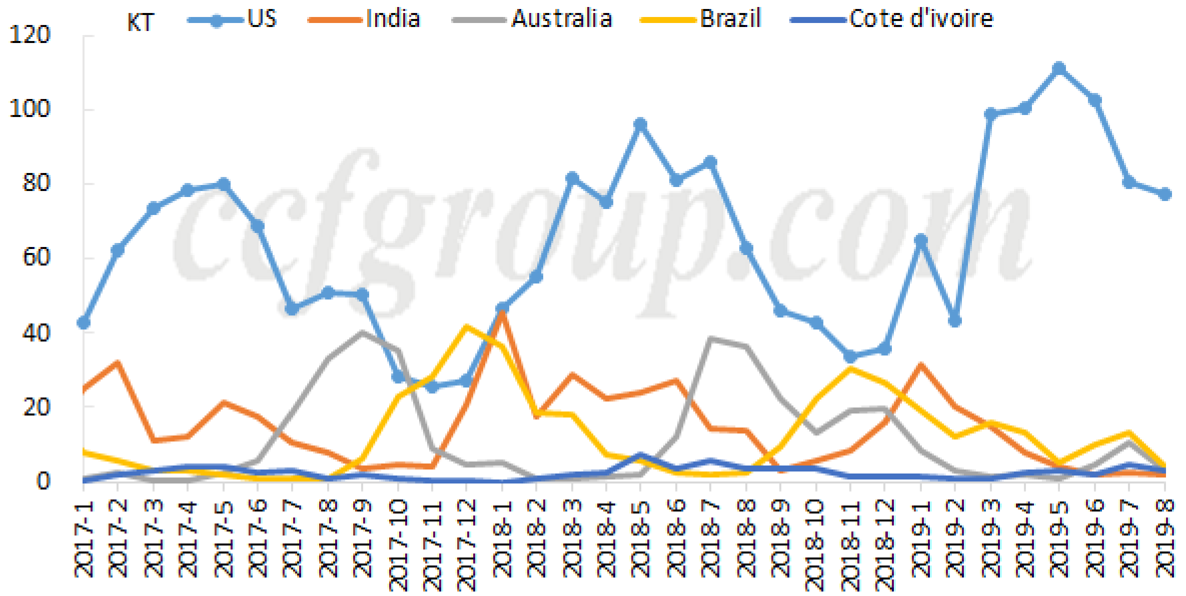
In terms of the import structure, the top supplier of cotton imports remained the United States, and imports from other countries have no big difference, and proportion was limited.

In Aug, imports of US cotton reached 77.6kt, up 23% year on year, but down 4% month on month.

Cotton imports of Vietnam and unit prices in Aug, 2019				
Origins	**Volumes (ton)**	**Yearly change**	**Monthly change**	**Unit price (cent/lb)**
US	77,556	23%	-4%	81.2
Brazil	3,824	68%	-71%	82.6
Australia	3,159	-91%	-70%	85.3
Cote d'ivoire	2,865	-15%	-34%	79.4
India	1,870	-86%	-18%	54.1
Argentina	1,710	734%	21%	77.2
Indonesia	734	73%	-28%	66.2
Pakistan	519	-4%	-30%	55.2
South Korea	429	7%	-22%	72.5
Mainland China	238	/	/	68.4
Taiwan China	57	0%	-43%	45.5
Singapore	0	/	/	/

Imports of Brazilian and Australian cotton reduced obviously, as the arrivals delayed somewhat this year, which may be attributed to the fast decrement of ICE cotton futures, leading to delayed shipment or defaults. From Jan to Aug 2019, imports of US cotton totaled 680.6kt, up 16.19% year on year, that of Indian cotton were 84.7kt, down 56.29%, Brazilian cotton 92.1kt, down 0.67%, Australian cotton 33.7kt, down 65.25%.

Monthly cotton imports of Vietnam by origins



The sharp depreciation of Chinese yuan in Aug resulted into the sharp deficits for Chinese buyers as they procured Vietnamese yarn in Jul for the preparation of buoyant season. Due to high product inventory, Vietnamese plants reduced the demand for cotton. In Sep, cotton imports may continue to reduce.

Source: ccfgroup.com- Sept 17, 2019

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Myanmar Garment industry continues to grow although headwinds remain

An industry body says Myanmar's garment sector is on track to meet a target of US$10 billion in exports set under a 10-year plan.

The export target and a goal to create one million job opportunities in the sector had been laid out under the Myanmar Garment Industry Strategic Plan 2014-2024 by the Myanmar Garment Entrepreneurs Association.

"Export volumes for the 2018-19 fiscal year up to August hit US$4.37 billion, compared with US$3.2 billion in the same period a year ago. This is an increase of US$1.17 billion in exports," said Ministry of Commerce Deputy Secretary U Khing Maung Lwin.

Garment exports have been rising yearly in Myanmar, especially since 2013, when the European Union granted goods from Myanmar preferential access to the EU market under the Everything But Arms tariff scheme. Export figures for the sector have ballooned from US$800 million in fiscal 2015-16 to over US$4 billion in the current fiscal year

"The industry in Myanmar is being boosted by factors such as Thai cut-make-pack companies setting up shop in Myawaddy, Kayin State, near the Myanmar-Thai border to gain benefits from the EU's preferential treatment for Myanmar," U Khing Maung Lwin said.

New factories are also boosting volumes he added. "As the number of factories increased last year, export volumes also increased as well. We also saw more investments in the sector this year, so export volumes are projected to continue rising for next year.

Based, on such factors the goal of hitting US$10 billion in exports should be achievable said," said Myanmar Garment Manufacturers Association Chair U Myint Soe. "In the near term, more Chinese businesses are also relocating here as the US-China trade war is intensifying. Some 80 percent of the new investments in the cut-make-pack businesses in Myanmar are from China," U Myint Soe said, adding that garment factories from China, Hong Kong and Taiwan have entered Myanmar.

"There are about six new garment factories being set up every month. These are huge factories that can employ at least 3000 people, unlike the smaller factories set up in the past," he said. The US-China trade war has provided an opportunity for Myanmar as businesses have become more interested in investing in Myanmar, US Ambassador to Myanmar Mr Scot Marciel told the Myanmar Times in an exclusive interview.

Yangon Chief Minister U Phyo Min Thein also said essentially the same thing during a press conference in June. As a consequence of the US-China trade war, US demand for garments made in countries other than China has also risen.

While the EU and Japan have been major markets for garments exported from Myanmar, the US is now growing also, said U Myint Soe. "Now job opportunities are growing and are projected increase in 2020 so there is possibility of labour shortages," he commented.

The rapid development in the sector and its potential are why it is a priority under the National Export Strategy, said U Khing Maung Lwin

As the sector develops, garment businesses will need to ensure even more accountability and responsibility than before, which is why the association is conducting training courses covering everything from legal to human resource matters, said U Myint Soe.

"The courses will help reduce labour issues and encourage garment factories to be accountable so that the industry will be successful. When the garment sector thrives, the country's image will improve," he said.

However, despite the potential, the sector also faces challenges.

While Myanmar exports garments to Japan, South Korea, Canada, the US, China and other countries, the EU remains one of its largest markets, accounting for up 50 pc of garment exports.

Due to the ongoing conflict and humanitarian crisis in Rakhine State, the EU has said it is reviewing the preferential treatment given to Myanmar. Should the status be withdrawn, the garment industry would be greatly affected, experts project.

A report issued in August by a UN fact-finding commission on Myanmar strongly urged governments and companies worldwide to impose trade sanction against military-owned businesses. For now, the EU's preferential treatment for exports from Myanmar remain in place, nor have any sanctions been imposed on the military-owned businesses.

Source: mmtimes.com- Sept 17, 2019

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Bangladesh: Apparel export earning drops by 0.33% in July-August

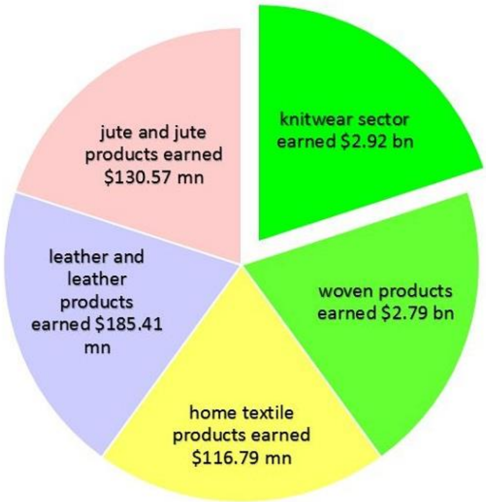
According to Export Promotion Bureau (EPB) data, Bangladesh apparel export earnings in the month of July and August FY 2019-20 decreased by -0.33%, totaling USD 5.71 billion, which was USD 5.73 billion during the same period in FY 2018-19.

Of the total earnings by the apparel sector, woven products earned USD 2.79 billion in July-August of FY2019-20, marking a -0.94% negative growth from USD2.82 billion during the same period in the previous fiscal year.

The knitwear sector earned around USD 2.92 billion during the same time, up by 0.27% from USD2.91 billion during the same period last year.

On the occasion of Eid-ul-Azha, production of RMG factories remained closed for at least 10 days, which slowed down production, leading to less shipment and negative growth.

Besides, this was a lean period for the sector, which might be another reason for the downtrend, however, the situation would improve in the coming months.



"Global economic slowdown, which created uncertainty and affected trade growth, and appreciation of taka against USD are two major factors for the downtrend in export earnings," said Khondaker Golam Moazzem, additional research director of the Centre for Policy Dialogue (CPD).

Bangladesh's competitors — India, Pakistan and Vietnam — were making the most of this appreciation as their respective governments devalued the exchange rate, mentioned the economist, adding that even China, the number one exporter of apparel goods, devalued its currency.

Though the Eid vacation could be a reason for the fall, an over 11% fall should not be attributed only to a single reason, he stated, suggesting that the Ministry of Commerce should remain alert and find out the actors playing a role to arrest the country's export earnings growth.

The home textile products earned $116.79 million, down by -13.06%, which was $134.34 million during the same period in the last fiscal year 2018-19.

EPB data also shows that the growth rate of jute and jute products exports decreased by -0.43%. This sector earned USD 130.57 million in the FY 2019-20 (August).

The export of leather and leather products increased by 1.32%, with USD 185.41 million.

Total export earnings in the second month (August) of FY2019-20 fell by 11.49% to USD 2.84 billion from USD 3.21 billion in the same month of the last fiscal year due to lower shipments of apparel items.

Source: textiletoday.com.bd- Sept 17, 2019

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US fashion brands struggle with tariffs

Tariffs on goods imported from China have been devastating to small fashion brands in the US. They have added to the cost of production, which can be factored into prices very gradually, if at all.

The initial tariffs only affected specific sectors like footwear so companies could adjust their assortment to minimize their impact on retail partners and customers.

But the recent tariff raises which saw a ten percent increase in tax on certain imports from China, including apparel and footwear, have been a shock because of their scope and suddenness. All the goods that companies import from China will be subject to heavy tariffs. The impact will also hit women's brands more than men's since nearly twice the amount of women's clothing comes from China than men's.

Larger brands and retailers may be able absorb in the costs of increased tariffs without the consumer even noticing but smaller brands may have no choice but to pass at least some of the costs on to the consumer, which can hurt their relationship with customers.

China has become a major market for fashion. Many fashion brands either do business there — by operating their own stores locally or through Chinese retailers — or manufacture there.

Source: fashionatingworld.com- Sept 17, 2019

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Pakistan targets five countries for greater market access

The increase in production of value-added goods is a good sign and rise in exports and decline in imports shows that the economy is on the right track, said Adviser to Prime Minister on Commerce Abdul Razak Dawood.

Speaking at an event of the Lahore Chamber of Commerce and Industry (LCCI), the adviser said 14% rise in exports and 18% fall in imports in July 2019 compared to the previous year showed that things were now moving in the right direction.

“We are rectifying things on the economic front that went wrong in the past,” he remarked.

Giving an overview of the economy, Dawood said Pakistan had a trader-led import and consumption-driven economy in the past. “Uncontrolled imports, under-invoicing, unsupportive tariff structures, and an irrational exchange rate led to the deterioration of the economy.”

He pointed out that big industries had stopped manufacturing and had started importing because there was 5% duty on finished goods as compared to 20% on the import of raw material.

The adviser was of the view that it was the government’s responsibility to correct things otherwise sufferings would continue. “Our survival lies in exports. It is the government’s responsibility to give businessmen market access, China has agreed to extend duty-free access on 313 tariff lines,” he added.

Sharing future plans, Dawood said, “I have targeted five countries, ie USA, Canada, Japan, South Korea and Australia to get market access for Pakistani businessmen.”

Engineering and other sectors were being focused for stepping up exports and it was good to see that Pakistan was exporting tractors to Mozambique, Tanzania, Kenya, etc, he said.

Speaking on the occasion, LCCI President Almas Hyder said the current account deficit was the biggest problem of Pakistan as there was a huge gap between imports and exports that created issues like currency depreciation, rise in the interest rate and others.

He said exports were of paramount importance in Pakistan’s economy as these were the main source of revenue generation and employment creation. Exports were also imperative for maintaining the balance of payments stability, he said.

“As Pakistan aims to become a competitive economy in the region and grow more than 7%, it is imperative for us to enhance our export revenues to deal with multi-dimensional economic challenges that have confronted our nation,” the LCCI president suggested.

He said it was, however, a bitter reality that Pakistan was far behind regional economies in export revenues. "While our exports are stagnant around $24 billion, the exports of Bangladesh have surpassed $40 billion. Turkey, whose exports were comparable with Pakistan in the 1980s, is now fetching more than $165 billion in export revenues. Vietnam's export revenues stand at $290 billion."

He underlined the need for a long-term integrated export strategy that would encourage investment in manufacturing for producing an export surplus, encourage value addition and resolve long-standing issues like competitiveness and productivity.

Special focus in the new export strategy should be given to technology-intensive industries with immense export potential which included sports goods, surgical instruments, auto parts, chemicals, value-added textile, ceramics, cutlery, engineering goods, and pharmaceuticals, he emphasised.

Hyder was of the view that there was also a need to enhance the competitiveness of the industry through a rational tariff regime, which would promote industrialisation, and an efficient refund payment system, which would not squeeze working capital of the industry.

Source: tribune.com.pk- Sept 17, 2019

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Making the most of Bangladesh–India trade

The World Bank estimates Bangladesh–India bilateral trade potential to be US$16.4 billion. The actual trade figure for the 2018 fiscal year was US$9.5 billion.

This gap captures the prevailing economic relationship between the two countries and represents what could be if the attendant challenges were adequately addressed.

Many commentators are concerned about Bangladesh's significant bilateral trade deficit with India of US$8.6 billion in fiscal year 2018. The deficit has been on a steady rise.

Bangladeshi traders often complain about non-tariff barriers (NTBs) when exporting to India. India has imposed anti-dumping duties and countervailing duties on Bangladeshi exports. These have had a detrimental impact on Bangladesh's exports to India. A lack of adequate trade facilitation is the most important NTB for operators on both sides.

Imports from India are mostly raw materials for Bangladesh's export-oriented sectors, particularly the apparel industry which produces ready-made garments (RMG) for export. Notably, 87 per cent of Bangladesh's exports to the US market are RMG items which are, in part, made of cotton, yarn and fabrics imported from India. Thanks to this, Bangladesh has a significant trade surplus with the United States — US$6.1 billion in 2018. But reducing the bilateral trade deficit with India remains a major point of contention in Bangladeshi policy circles and public opinion.

Bangladesh has not been able to take advantage of India's growing import market. Indian imports exceeded US$400 billion in 2018. India is importing many items from the global market but not from Bangladesh. Bangladesh is exporting these same items to the global market but not to India. Policymakers must remove the obstacles that impede higher bilateral trade flows through appropriate policies.

About 50 per cent of the bilateral trade between Bangladesh and India takes place through land ports. The border points are not crossing points — they are control and checkpoints. Goods need to be unloaded and reloaded in 'no man's land' leading to delays and cost-escalation. In the absence of mutual recognition agreements, goods wait for several days until inspection results come from laboratory facilities in distant testing centres.

The costs of transporting goods from Dhaka to Delhi are significantly higher than those from Dhaka to European and US ports. The efficiency of trade connectivity depends on how effective transport, investment and logistics connectivity are. As part of the South Asia Free Trade Area (SAFTA) agreement, India has offered duty-free and quota-free (DF-QF) market access to Bangladesh. But Bangladesh has not been able to take advantage of this.

Several new initiatives are being implemented to improve trade facilitation at the border. Infrastructure at land customs stations and at the two customs authorities is being improved and documentation reduced. The Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement (BBIN-MVA) signed in 2015 is expected to allow cargo-carrying vehicles to move across borders and lead to a significant reduction in costs. Bangladesh has also allowed India to move goods between its western and north-eastern states through Bangladeshi territory.

Through the EXIM Bank, India has provided Bangladesh with three lines of credit (LOCs) worth US$8 billion. The loans are being used to build transport networks in Bangladesh and improve border crossings. The first LOC was used to construct a bridge over the Padma river. Along with the rail link, the bridge will facilitate bilateral trade with India.

Bangladesh has also started to import electricity from India. This will be critical for addressing the energy deficit that has deterred foreign direct investment flows into Bangladesh from India and other countries.

Bangladesh has offered two special economic zones (SEZs) for investment by private Indian companies in Bheramara, Kushtia and the coastal Mongla belt in Bagerhat. Reliance Power has signed an agreement to invest US$3 billion to set up a 3000 MW power plant and a floating liquefied natural gas import terminal in Bangladesh. The improved infrastructure, better trade facilitation, dedicated SEZs, efficient transport connectivity and higher energy security may incentivise investment.

The regulatory regime will have to be appropriately streamlined and the dispute settlement mechanism strengthened. At the border, single window and electronic data interchange mechanisms will need to be put in place. These will ensure that customs clearances on both sides of the border are synchronised through common data platforms and cargo vehicles are issued permission to cross the border efficiently.

These measures will ensure that vehicular movement, as envisaged under the BBIN-MVA, is hassle-free.

Mutual recognition agreements relating to certification, laboratory testing, sanitary and phytosanitary measures and technical standards will need to be signed and backed by adequate capacity building in the form of national standardisation and certification institutions.

Bangladesh's bilateral trade with China could have implications for Dhaka's bilateral ties with Delhi. Bangladesh–China bilateral trade was US$12.4 billion in 2017–18 with a trade deficit of US$11 billion — higher than that with India.

China's presence in Bangladesh as a trading partner, as an important FDI source and a key player in infrastructure development will likely increase in future. Bangladesh's policymakers must develop a comprehensive strategy to leverage and draw synergies between the emerging economic ties with both India and China.

Overall, the Bangladesh–India bilateral relationship is showing early signs of developing positively over the long term. But there is a long way to go if Dhaka wants to fully reap the potential benefits of deeper Bangladesh–India bilateral ties.

Source: eastasiaforum.com - Sept 17, 2019

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Trade interests, not diplomacy, will decide the RCEP pact, says Jaishankar

The mega Regional Comprehensive Economic Partnership (RCEP) pact being negotiated by India with 15 countries, including the ASEAN and China, will be defended and decided upon by primarily trade merits and not diplomacy, Minister of External Affairs S Jaishankar has said.

"RCEP is a trade agreement. A trade agreement must be defended and decided upon by trade merits. There are diplomatic aspects, consequences, handling etc involved. But the primary justification of a trade agreement can't be diplomacy. It has to be trade," Jaishankar said at a press conference on Tuesday when asked if saying no to the RCEP agreement will be acceptable from a diplomatic point of view.

A number of industrial sectors ranging from steel, engineering goods and automobiles to leather goods and textiles have raised concerns on increased competition in the domestic market, especially from China, once the RCEP pact is finalised. The agricultural sector and the dairy industry, too, have expressed their apprehensions about the proposed agreement. The other countries in the grouping are South Korea, Japan, Australia and New Zealand.

On the trade tussle going on between the US and India in a number of sectors, Jaishankar said that trade problems happened with the closest partners as the level of bilateral trade was high. "My expectations is that some of the sharper edges will be addressed in some form in the not too distant future.

Exactly which ones is the Commerce Minister's domain," he said making no direct reference to the possibility of a trade deal being announced when Prime Minister Narendra Modi meets US President Donald Trump in the US later this week.

The Foreign Minister added that he would prefer to look at the 90 per cent of the glass that was full and not the 10 per cent that was empty. "I will look at all the business deals that have taken place (between India and the US) and take that as the state of our relationship," he added.

He added that US President Donald Trump's decision to attend with Prime Minister Narendra Modi the event organised in Houston on September 22 was a great achievement for the Indian-Americans and was an indication of the height the community had reached.

Replying to a question on what India's stand would be on purchasing oil from Iran in the near future, Jaishankar said that India's interest was in an affordable and predictable supply of oil. "In Iran the situation is not a standing situation. There are a lot of conversations and moving parts to the issue some of which surfaced at the G-7 meeting on the sidelines. Let us see where it goes," he said.

New Delhi stopped all purchases of oil from Iran earlier this year following implementation of US economic sanctions against the Islamic Republic's nuclear programme.

Source: thehindubusinessline.com - Sept 17, 2019

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Will exports look up?

The hits and misses in the latest booster pack

Soon after India's exports touching a 41-month low was announced, the government made the right move by ticking all the boxes of industry requirements; the details, however, would be in the fine-print.

Enhancement of export credit insurance is a welcome step and would have an immediate bearing on exporters. The priority sector lending norm for export credit is another interesting step, and will have a significant impact in making credit available to exporters.

However, most of the other structural steps announced are work-in-progress and will not help in boosting exports immediately. Amidst these are a few aspects which require attention.

The much-disputed MEIS (Merchandise Exports from India Scheme), considered incompatible by the WTO, will get replaced next year with the widely-agreed proposal to provide rebates on inputs.

However, there could be many a slip between the cup and the lip, as industries would be waiting to see which sectors would receive the most concessions.

Export dynamics

Carefully crafting the proposed Remission of Duties or Taxes on Exports (RoDTEP) could essentially change the export dynamics of the country. Almost 52 per cent of India's exports are resource based. This incongruity could be addressed by incentivising, apart from labour-intensive sectors, technology-oriented industries to get into the export fold and contribute to the value chain.

The government's intent to set up a Working Group on Standards has been long overdue. Globally, the impact of tariffs on an average has decreased from 10 per cent in 1997 to 4 per cent in 2015, whereas non-tariff measures grew from 22 per cent in 1997 to 51 per cent in 2015.

India needs to produce goods which are in sync with global standards (even for domestic consumption) so as to find acceptability abroad and for joining mega-trade agreements like RCEP. While the government comes up with a final report on this, the export promotion councils could serve as conduits towards educating exporters on the non-tariff and sanitary and phytosanitary measures.

Contrary to the government's claims about the Trade Infrastructure for Export Scheme (TIES), the allocation to it is abysmal. In 2016, India announced replacing the Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) scheme, launched in 2002, with TIES with an annual budget of ₹200 crore from 2017 till 2020.

Government data show that the cumulative budget of TIES was just a third ASIDE's one-year budget. For FY20, the budgetary allocation is just ₹50 crore — almost 12 times less than what was last allotted to the ASIDE scheme.

Given that the share of the States in exports is highly skewed with the top five contributing to more than 60 per cent of the exports, TIES needs to make States export-ready.

For achieving the ambitious $5 trillion economy goal, at least 20 per cent contribution from exports is necessary. Coincidentally, as the government announces financial and structural measures, it would be introducing the new Foreign Trade Policy in the next few months.

With the world trade dynamics changing, policymakers should attempt to make India more export-ready globally so as to take advantage of the 'new normal' milieu.

Source: thehindubusinessline.com - Sept 17, 2019

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MSMEs' overall export credit cost to be reduced with new loan scheme for exporters, says FIEO

Enhancing the scope of Export Credit Insurance Scheme (ESIC) by Export Credit Guarantee Corporation of India (ECGC) will help lower the overall export credit cost including interest rates particularly for micro, small and medium enterprises (MSME), said Sharad Kumar Saraf, President, FIEO.

The initiative, which is part of the new scheme — Nirvik announced by the Finance Minister Nirmala Sitharaman last week in order to boost exports by giving more credit access to exporters, will provide much-needed support to them for exporting to countries with little or more risks, according to Saraf.

Under the new scheme, insurance cover has been increased from the current 60 per cent to 90 per cent of the principal and interest. "In order to facilitate banks further Ministry of Commerce & Industry has enhanced Insurance cover for banks up to 90% for the working capital loans and moderation in premium incidence for the MSME sector," the commerce ministry said in a statement.

"As of now, the cost of capital and its access is an issue for MSME exporters. While there is a subvention scheme but the sector still needs more access to capital. The refund guarantee by ECGC to banks will offer large support to exports by MSMEs. Also, refund automation for the input tax credit will ease out some liquidity pressure for the exporters with more access to the working capital," FIEO Director Prashant Seth told Financial Express Online.

Commerce minister Piyush Goyal had last week highlighted the 'not satisfactory' growth in exports this year despite the country's huge export potential "due to the trade dispute between the US and China which has provided a window of opportunity to Indian manufacturers," the minister had said.

Piyush Goyal's comments for exports boost assumes importance for the MSME sector given its share in India's total exports in FY19 stood at 48.10 per cent as per the information from Directorate General of Commercial Intelligence and Statistics, MSME Minister Nitin Gadkari had said in a written reply in Rajya Sabha in July.

The value for MSMEs' share of exports was $147.4 billion while last year till September MSMEs exported goods worth $78.5 billion.

"Marketing front of MSMEs for exports needs to be improved because the current incentives in the promotional scheme is roughly around Rs 300-400 crore but this is very minuscule given the size of the MSME sector," said Seth adding that apart from marketing, the focus also has to be on the training, capacity building and research & development for MSME exports.

"In the global scenario, we are mostly in the low value-added segment. We want to push exports and move up the value chain and for that technology will definitely be needed," Seth said.

Piyush Goyal had stressed on areas including sweets, saris, perfumes, utensils, that are unique to India's various states in terms of export potential.

Source: financialexpress.com- Sept 17, 2019

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Govt considering another 'booster dose' to revive economy: Report

The finance ministry is working on one more booster dose to give a leg-up to the economy that has hit over six-year low of 5 per cent, a senior finance ministry official said.

The blue print for the stimulus is ready that would be announced by Finance Minister Nirmala Sitharaman in the next few days, the official said without giving further details. The government announced a slew of measures in three dosages which include a special window for real estate, export incentives, bank consolidation and sops for micro, small and medium enterprises (MSMEs) and the automobile sector.

Earlier this week, RBI Governor Shaktikanta Das had said the government has taken a number of measures to boost the economy in three phases and indicated that more steps are likely. "I think with right measures taken, things should improve. It's a positive trend that the government is responding fast and I don't think we have heard the last from the government with regard to dealing with the current economic situation... My expectation is that it will be a continuous process and they would definitely be dealing with other challenges," he had said.

The first set of announcements was made on August 23 that included rollback of the enhanced surcharge imposed on foreign portfolio and domestic investors in Budget 2019-20. Sitharaman had in her maiden Budget raised the surcharge on income tax paid by super-rich individuals.

The surcharge, levied on top of the applicable income tax rate, was hiked from 15 per cent to 25 per cent for those with a taxable income of Rs 2-5 crore, and to 37 per cent for those earning more than Rs 5 crore. This increased the effective tax rate for these two groups by 3.12 per cent and 7 per cent to 39 per cent and 42.74 per cent, respectively.

Some 40 per cent of foreign portfolio investors (FPIs) automatically came under the higher tax rate as they have been investing as a non-corporate entity, such as trust or association of persons (AOPs), which in the income tax law is classified as an individual for the purpose of taxation.

It was followed by announcement with regard to consolidation of 10 public sector banks (PSBs) into four on August 30. According to the consolidation exercise, United Bank of India and Oriental Bank of Commerce are to be merged with Punjab National Bank, making the proposed entity the second-largest PSB.

Syndicate Bank is to be merged with Canara Bank. Allahabad Bank will be merged with Indian Bank. Andhra Bank will be amalgamated with Corporation Bank and Union Bank of India. This would be the second round of consolidation of PSBs. Earlier this year, State Bank of India had absorbed its five associate banks and the Bharatiya Mahila Bank to form the biggest public sector lender. In another merger, Bank of Baroda had taken over Dena Bank and Vijaya Bank.

Last week, the government announced a slew of measures to boost exports and the real estate sector. During the week, the finance minister will chair the 37th meeting of the GST Council, which is expected to discuss rate revisions for various sectors, including automobiles, fast-moving consumer goods, and hotels. Besides, she will meet heads of the PSBs to discuss issues, including following up on transmission of monetary policy rates.

Source: business-standard.com – Sept 17, 2019

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Maharashtra State Handlooms Corporation signs MoU with Amazon India to launch handloom brand online

Amazon India said that the MoU will have an impact on the work of over 600 weavers from 17 villages of Maharashtra.

In the last three years, Amazon said that through its Kala-Haat initiative, it has boarded more over 2400 weavers, co-operatives, artisans and APEX bodies (including National Award-winning weavers) to sell online.

Mumbai: Maharashtra State Handlooms Corporation has signed a Memorandum of Understanding (MoU) with Amazon India, as part of the which the ecommerce company will launch handloom products maker, Indrayani Handloom on its marketplace.

The association is expected to increase the customer base for the company which will launch with over 700 products on the platform.

Amazon India said that the MoU will have an impact on the work of over 600 weavers from 17 villages of Maharashtra.

Prakash Nakul Patil, Chairman, Maharashtra State Handlooms Corporation, said "We are delighted to be on board with Amazon India as this is an excellent avenue for the local handloom weavers to showcase and sell their products.

These weavers from 17 different villages of Maharashtra are intrinsic to the weaver community and their work supports the livelihood of many households. We believe that this partnership with Amazon India will help in expanding their reach and provide employability, besides also offering the best-quality traditional products to millions of customers from the country,"

In the last three years, Amazon said that through its Kala-Haat initiative, it has boarded more over 2400 weavers, co-operatives, artisans and APEX bodies (including National Award-winning weavers) to sell online.

Commenting on the new partnership Pranav Bhasin, Director, Seller Experience, Amazon India said "In line with our mission to transform the way India buys and sells, Amazon India has been continuously working towards enabling small and medium sellers, to embrace online selling and expand their business....The launch of Indrayani Handlooms on the Amazon marketplace is yet another step in our sustained commitment towards the weavers and the government in its effort to drive growth and employment in the respective state economy."

A Government of Maharashtra undertaking, Maharashtra State Handlooms Corporation Ltd., Nagpur was established in 1971 with the objective of supplying improved equipment and accessories, raw materials for the handloom industry and buying finished products created by them.

Source: economictimes.com– Sept 13, 2019

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CITI elects T Rajkumar as chairman for 2019-20

The Confederation of Indian Textile Industry (CITI), one of the leading industry chambers of the textile and clothing industry representing the entire textile value chain through its leading regional and industry associations and 18 major corporate members, has elected T Rajkumar, chairman of Sri Mahasakthi Mills Limited, Kerala, as its chairman for 2019-20.

Rajkumar is also the chairman of Sri Arumuga Enterprise Limited and Foundation One Infrastructures Pvt Ltd, Tamil Nadu. He is also the chairman of the Textile Sector Skill Council (TSC), past chairman of The Southern India Mills' Association, chairman & managing trustee of Global Pathway School, Coimbatore, and secretary of Nachimuthu Gounder Rukmani Ammal Charitable Trust, Pollachi, Tamil Nadu. He is also actively involved in various industrial bodies and educational institutions.

At its First Meeting of the Committee held on September 16, CITI elected its office-bearers for 2019-20. DL Sharma, director of Vardhman Textiles Ltd, and managing director of Vardhman Yarns and Threads Limited has been elected as deputy chairman. Sharma is chairman of the CII Regional Committee on HR & IR (Northern Region) and deputy chairman of Textile Sector Skill Council (TSC). He has also served as chairman, Punjab State Council of CII, member of CII National Committee on Textiles, member of CII's National Committee on Industrial Relations and as past president of Ludhiana Management Association.

SK Khandelia, president & CEO of Sutlej Textiles and Industries Ltd has been elected as vice chairman of CITI. After his initial stint with SR Batliboi & Co., he joined Texmaco Ltd., and then the erstwhile Sutlej Cotton Mills Ltd., in 1976 as commercial manager and had the privilege of working directly under the illustrious Dr. KK Birla for many years.

A qualified chartered accountant, Khandelia is the co-chairman of FICCI Textile Committee. He is also a member of Committee of Administration of SRTEPC, and has served as president of Indian Spinners' Association (ISA) and member of Committee of Administration of CITI & TEXPROCIL.

Maharaja Shree Umaid Mills, Rajasthan was presented CITI Birla Economic & Textile Research Foundation Award for “Effective Cost Management in the Textile Industry”, for 2018-19.

CITI also organised a Seminar on “Strategic Discussion on Current Scenario of Textiles and Clothing Industry – A Way Forward”.

Source: fibre2fashion.com– Sept 17, 2019

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Maangalya plans textile unit, expands outlet chain

Maangalya Shopping Malls has announced opening of its seventh store at Kukatpally in Hyderabad and set up a textile unit in the Textile Park near Hyderabad.

Kasam Namashivaya, Chairman, Maangalya Shopping Malls, said, “We have a turnover of ₹500 crore. Hyderabad contributes to ₹400 crore. We currently have 2 lakh sq ft retail space and employ 2,500 people. Each store entails an investment of about ₹15 crore.”

“Our thrust currently is on Hyderabad and in the next year alone we intend to open five more malls in the city and ramp up our employee strength to 10,000.

We are also eager to be part of the Mega Textile Park, where we will invest ₹100 crore in setting up a textile manufacturing facility which will employ 500,” he said.

Known for its variety of wedding sarees, Maangalya Shopping Mall makes weddings special with its unique collections and designs.

Source: thehindubusinessline.com– Sept 17, 2019

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