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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 150 of 2018 July 19, 2018

USD 68.80| EUR 80.12 | GBP 89.94 | JPY 0.61

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22636	47350	**88.08**
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22580	47232	**87.86**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	88.17	
ZCE Cotton: Yuan/MT (Jan 2019)	15,850	
ZCE Cotton: USD Cents/lb	**91.33**	
Cotlook A Index – Physical	**96.45**	

Cotton Guide: Cotton futures quietly held in the upper end of the 4-week ranges however settlements were mixed. The active months had small losses. December contract settled at 8808, down 26 points from previous close. The other months settled from 37 points lower to 62 points higher.

On the trading front the volumes were thin around 12K contract while cleared were 16+ contracts. Open interest has slowly increased over the last 6 sessions, up a total of 6,131 contracts to 258,100 contracts.

That increase has followed a 70,284 contract drop from the all-time-ever high open interest of 322,253 contracts (June 4th).

In the similar lines the Far East Asian countries Cotton price also remained steady. China's ZCE futures market traded on the lightest volume since May 14th. Both markets have been embracing the summer slows for the last few weeks. However, other markets were featureless, too. Grains and US equities ended mixed, but several with marginal gains.

On the technical front it was an inside day, no major changed took place however; the overall trend is still bullish. We think market might continue to trade in the range of 86 to 90 cents in the near term and either side breakout shall justify fresh move in the price. We also believe that the current structure indicate soon it might break on to higher side. However, daily momentum remains neutral.

Currency Guide:

Indian rupee has depreciated by 0.15% to trade near 68.725 levels against the US dollar. Rupee weakened amid recovery in crude oil price and general upbeat outlook for US dollar. Crude oil price bounced back from near 1-month low on mixed US inventory report. EIA noted an unexpected rise in crude oil stocks but sharp decline in gasoline stocks.

Outlook for US dollar strengthened as Fed Chairperson reiterated optimism about US economy making a case for further rate hikes. Also weighing on rupee are concerns about a no- confidence vote facing the Modi government Friday. However, supporting rupee is some stability in equity market despite global trade war worries. Rupee may remain under pressure amid general optimism about US economy which has underpinned US dollar. USDINR may trade in a range of 68.5-68.9 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Cotton prices drop as supply up in Brazilian market

After hitting the highest level of 2018 in late June, cotton prices moved down in the Brazilian domestic market in the first fortnight of July.

Decreases were linked to harvesting advances, which pushed up the availability of cotton in the Brazilian spot market, Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report.

between June 29 and July 13, the CEPEA/ESALQ cotton Index, with payment in 8 days, dropped 4.38 per cent, to close at 3.4455 BRL per pound on July 13, the report said.

Most of the cotton trades in early July were for immediate shipment and involved small volumes, according to data collected by CEPEA.

Meanwhile, manufacturing industry is expecting further drop in cotton prices as projections indicate good production. Hence, they purchased the fibre only to replenish inventories. Likewise, cotton dealers too closed new trades only when they were required to accomplish contracts.

In 2017-18, Brazilian cotton production is expected to reach 1.96 million tons, 28.5 per cent up compared to the previous season, according to data from the National Commodity Supply Corporation (Conab).

The average yield may total 1,671 kilos per hectare (+2.6 per cent), while area under cotton cultivation has gone up by 25.2 per cent to 1.176 million hectares.

In Mato Grosso, Brazil's largest cotton producing state, production is likely to amount 1.275 million tons, increasing 26.1 per cent compared to 2016-17 season, and yield may total 1,640 kilos per hectare.

Source: fibre2fashion.com - July 18, 2018

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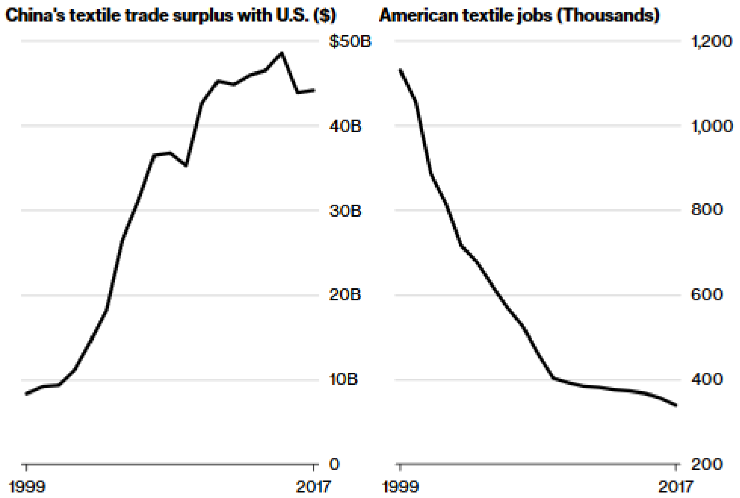
Textile Industry Shattered by China Trade Embraces Trump Crusade

While there's no shortage of doom and gloom coming from corporate America about President Donald Trump's trade war with China, there is at least one U.S. industry cheering him on: textiles.

After decades of shedding thousands of jobs and closing factories as the U.S. opened up trade with China and other countries, textiles stabilized in recent years. And just as the sector was trying to invigorate growth, along came a presidential candidate pledging to revive American manufacturing.

Fair Trade?

As China sold more textiles and apparel to the U.S., American jobs have suffered



Source: U.S. Commerce Department, U.S. Bureau of Labor Statistics

The industry immediately saw Trump's election as the best chance in a generation to reorient U.S. trade policy. And so far he hasn't disappointed.

The president withdrew America from negotiations on the Trans-Pacific Partnership (TPP) trade deal in his first week on the job. Now he's enacted tariffs on $36 billion of Chinese-made goods, including some textiles, and wants to push that to $250 billion.

But the industry wants more. Textiles -- like fabrics and yarns -- are the materials used to make everything from clothing to seat belts. And duties on end, or finished, apparel and other goods from China would help domestic manufacturers compete better on price with Chinese companies and generate more orders for U.S.-made textiles, industry leaders say.

Trump, however, largely avoided targeting consumer products for fear of upsetting voters who could face higher prices at the mall.

Crediting Trump

“We’ve got to do something to level the playing field with China,” said Michael Woody, chief executive officer of Trans-Tex LLC, a Cranston, Rhode Island-based maker of lanyards and shoelaces. “I give the president credit for trying to make something happen. For a U.S. manufacturer like my company, we want to see tariffs on end products.”

Placing duties on finished items is anathema to U.S. retailers and consumer brands that rely on Chinese goods, including $28 billion worth of apparel last year, to keep prices low for shoppers. They say levies will only increase price tags, and ultimately cost jobs.

The Trump administration largely avoided hitting consumers in the first round with 25 percent duties -- mostly on machinery -- that went into effect July 6. China matched those with retaliatory levies on goods from soybeans to electric cars, like Teslas.

Just four days later, the president responded with a proposal to put 10 percent levies on $200 billion of imports that included end products like handbags, baseball gloves and air conditioners. Also on the list were dog leashes, a smaller part of Trans-Tex’s business that Woody called “good news.”

And while apparel was spared, Trump has threatened putting tariffs on all Chinese imports, which last year totaled half a trillion dollars. That’s raised alarm bells around corporate America. Rick Helfenbein, president of the American Apparel & Footwear Association with members like Gap Inc. and Macy’s Inc., has started calling the proposed duties a “Trump tax.”

Consumers to Pay

“This will not do anything to help American workers, American consumers, or American businesses,” Helfenbein said in a statement after the $200 billion list was announced. “This will result in inflationary costs throughout the supply chain, ultimately paid for by American consumers.”

The textile and apparel manufacturing industries have little sympathy for companies railing against starting a trade war with China.

It points to the U.S. opening up trade with China beginning in 2000 and China's entrance a year later into the World Trade Organization -- thanks to the backing of then-president Bill Clinton -- as ushering in an era of domestic decline that has cost their sectors almost 800,000 jobs.

"To the retailing and importing community, guess what -- this is what President Trump campaigned on," said Lloyd Wood, director of public affairs for the National Council of Textile Organizations.

"They knew this was coming. If you chose to keep all your eggs in the China basket, that's a risk you are knowingly taking."

'Quite Positive'

Since Trump was a candidate, he's criticized America's trade deficit with China, which reached a record $375 billion last year. If he's serious about reducing it, obvious targets would be textiles and the products made from them.

In 1999, the U.S. imported $8.5 billion worth of textiles and apparel from China, and only exported about $176 million there. Shoot forward to last year, when the U.S. imported $45 billion of those products from China, and exported less than $1 billion. That's a trade gap of about $44 billion just for textiles and apparel.

That's why Trump's election generated so much optimism in the industry. In January 2017, shortly after Trump was sworn in, Chief Operating Officer Thomas Caudle of Unifi Inc. -- one of the largest U.S. yarn and fabric producers with about $670 million in annual sales -- said it has the "potential to be quite positive for us."

The president's decision to pull out of the TPP would also save money for the company, located in the heart of what's left of the U.S. textile industry in Greensboro, North Carolina. Unifi declined to comment for this story.

Shift West?

Since then, Trump's saber-rattling has turned into a very public dispute with America's largest trading partner.

It's one that could shift production to North America and Central America, where free-trade agreements have boosted the prospects of companies like Unifi, according to Christopher McGinnis, an analyst for Sidoti & Co. U.S. textile-makers sell yarns and fabrics to companies like Nike Inc. and Abercrombie & Fitch Co., who then finish making the items in those regions and export them to the U.S. duty free. More protections against Chinese imports could also boost production in America, McGinnis said.

"If you are looking for a green shoot, this could be an industry that could benefit," McGinnis said. "They've been beat up so much by China."

Woody, the Trans-Tex CEO, has been on the front lines of competing against China for more than three decades, and in 2016 published "American Dragon," a book based on those experiences. In the 1980s and 1990s, he was a sales executive at a pen maker, Quill Co., which was undercut by cheaper Chinese imports and later acquired by Newell Rubbermaid.

In 2008, Woody joined Trans-Tex, an 85-person company that goes head-to-head with China. It buys polyester material from a plant in North Carolina and uses it to make items such as branded lanyards for trade shows. It's survived by turning around small orders fast -- about a third of its orders are shipped in 24 hours -- and pitching better quality and fewer hassles because U.S. customers don't have to deal with overseas shipments.

But on big orders for 100,000 units, or more, that aren't needed so quickly, Trans-Tex faces Chinese competitors who often quote prices at a third of what it can, Woody says. Even a 10 percent tariff -- like the one the Trump administration proposed last week -- would help the company consider matching the Chinese more, he said.

"It would make a big difference," Woody said. "China is the issue."

Source: bloomberg.com- July 18, 2018

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Multilateral trade is under stress

With the biggest proponents of free trade like the US looking inward, regionalism is gaining ground

The global trade landscape is witnessing strong cross-currents. Trade sentiments are oscillating between sheer despair and scattered hope. The US has triggered a virtual trade war, against its own allies, to give a fillip to domestic manufacturing. High tariffs on steel and aluminium imports imposed by the US have been countered by retaliatory tariff hikes by the European Union on American whiskey.

A few days ago, China imposed similar duties on American imports. President Trump tweeted: “Trade Wars are Good and Easy to Win”. The current scenario is reminiscent of ‘Beggar Thy Neighbour’ policies ushered in by the Smoot-Hawley legislation of 1930, which saw an abnormal increase in agricultural import tariffs in the US.

It escalated domestic food prices and exacerbated the conditions of Great Depression. With large prevalence of global value chains in modern manufacturing, the consequences could be far worse this time around.

Multilateral trade is in dire straits. Negotiations for concluding the Doha Round of WTO have reached an impasse, even after 17 years of protracted negotiations. A “development round”, which had sought to correct distortions of history, became prisoner to a decision-making architecture which hinged on unanimity.

One hundred and sixty-four human beings sitting in a room would find it well-nigh impossible to arrive at a consensus even on a mundane matter.

Expecting 164 nations to agree unanimously on complex trade rules is surely far-fetched. Intransigence of developed countries to reduce agricultural subsidies, including on cotton, have led to a stalemate.

There are now reports of a draft American legislation which would effectively jettison the sanctity of rule-based trading of the WTO. Successful conclusion of the round would have given a boost to developing economies, including India.

Regionalism on the rise

On the other hand, we see signs of growing regionalism. In spite of the US pulling out of the Trans-Pacific Partnership, 11 diverse countries, including Canada, Japan, Australia, Mexico, New Zealand and Vietnam, signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in March.

All together, these economies contribute to 13 per cent of the global economy, with a combined GDP of $10 trillion.

The African Union has led the process of African economic integration and 44 countries signed an agreement in March to form the African Continental Free Trade Area, to eliminate tariffs on 90 per cent of goods. This subsumes 1.2 billion people in its embrace. Though Nigeria, which is one of the largest economies, is yet to join, this presents a huge opportunity for enhanced intra-African trade flows.

The Regional Comprehensive Economic Partnership (RCEP), which promises to be the biggest global trading block, is entering its final lap of negotiations. The ministerial meeting in March this year urged for intensification of efforts to conclude the negotiations.

RCEP nations account for a combined population of 3.5 billion contributing to 40 per cent of global GDP and 30 per cent of global trade. Apart from the 10 ASEAN countries, it includes six countries — India, China, Japan, South Korea, Australia and New Zealand. RCEP will form an overarching pie over a pre-existing “noodle bowl” of agreements.

India has signed an FTA with ASEAN, Japan and South Korea, but had so far steered clear of an intense bilateral engagement with China, given the current imbalance.

Clearly, the negotiating teams would have a tough balancing act in trying to strike a balance between the imperative of promoting domestic manufacturing while seeking greater market access.

The fact that ASEAN has a deep manufacturing value chain embedded in the Chinese economy would make the task more complicated.

It is indeed ironic that the biggest proponent of free trade is now looking inward while emerging and developing economies are seeking greater trade liberalisation. Developed countries are trying to maintain their global market dominance even as other nations register considerable gains in technology-led manufacturing.

Protectionism in services trade has also increased with greater restriction on visa regimes and tighter immigration laws. The fact that the largest consumer markets in the world lie in the Eastern hemisphere cannot be ignored by developed nations. Protracted belligerence on trade protectionism will perhaps force the hand of Asian economies towards greater regional economic integration.

Integrating South Asia

It is perhaps also an opportune time to make a serious effort towards economic integration of South Asia. India could well serve as the regional hub of manufacturing through development of South Asian value chains. Politics and a shared burden of history have trumped trade in the region for far too long.

BIMSTEC could be provide the institutional springboard for galvanising economic integration in South Asia.

Even as we strive to engage in regional negotiations, the importance of multilateralism must not be undermined.

The WTO has served well as the global body for setting the rules of the game, minimising unpredictability and whimsical action. It lends hope of a level-playing field for developing nations.

It also remains the sole arbiter for global dispute settlements. Perhaps revisiting the decision-making architecture of the WTO for negotiations would be helpful in restoring the pre-eminence of the WTO. Consensus may well serve the purpose in the absence of unanimity.

Source: thehindubusinessline.com- July 19, 2018

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Threat of Amazon Spurs Walmart, Microsoft Tech Partnership

Walmart's making yet another major tech investment to keep pace with rival Amazon.

The Bentonville-Ark.-based retailer said it inked a five-year agreement to use Microsoft's Azure cloud services and 365 workplace tools and solutions to power its digital transformation worldwide.

In recent years, Walmart has been working to close the gap with Amazon, acquiring digitally native millennial brands like Bonobos and ModCloth, logistics-savvy e-commerce startups like Jet.com and spinning out innovation incubator, Store No 8, which focuses on the tech of the future.

Just last month, Walmart unveiled its Jetblack text-message-based personal shopping service, the first launch out of Store No 8.

Though Walmart's shadow looms large over brick-and-mortar retailing, Amazon remains the undisputed leader online with nearly half of total e-commerce sales expected by year's end.

Walmart said the Microsoft partnership is as much about evolving the consumer experience—with faster, easier shopping—as it is about "changing how we work." With greater reliance on cloud services, the retailer expects to be able to innovate more quickly and handle workloads more efficiently—and cost effectively. Working with Microsoft engineers, Walmart said it will transfer hosted enterprise applications to a cloud-based native architecture.

With the world moving in an increasingly connected direction, Walmart is eyeing Azure as a platform on which to build out Internet of Things (IoT) offerings that could trim energy consumption across HVAC equipment throughout its store fleet, for example.

"Whether it's combined with our agile cloud platform or leveraging machine learning and artificial intelligence to work smarter, we believe Microsoft will be a strong partner in driving our ability to innovate even further and faster," said Walmart CEO Doug MacMillon, describing the retailer as a "people led, tech empowered company."

Rumors surfaced last month that Microsoft is developing its own “just walk out”-style checkout to compete with Amazon Go, and reportedly has been in discussions with Walmart about piloting the solution.

Retail has emerged as an important vertical for Microsoft, which is working with British retailer Marks & Spencer in a new partnership that’s using artificial intelligence solutions to drive technology transformation enterprise-wide.

Source: sourcingjournal.com- July 17, 2018

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Japan completes domestic procedures for TPP-11 agreement

Japan has become the second country to complete domestic procedures for the Trans-Pacific Partnership-11 agreement, officially known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The move comes amid significant global headwinds over trade. Tokyo recently stepped up its efforts to prevent the United States from moving ahead with tariffs on automotive imports.

Japan announced it had completed the domestic procedures for the TPP-11 on the day it formally notified New Zealand, which is designated as the depositary for such declarations.

The agreement specifies that the TPP-11 will enter into force 60 days after at least six signatories have given written notice of the completion of any relevant domestic legal procedures.

Source: fashionatingworld.com- July 18, 2018

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Adidas Plans to Use Only 100% Recycled Polyester in its Products by 2024

Adidas is making major commitments to its materials sourcing.

The company said this week that as part of its first priority in using sustainable materials, its “ultimate ambition” is to replace all virgin plastic in its products with 100 percent recycled polyester “in every product and on every application where a solution exists by 2024.” A spokesperson for the company told Sourcing Journal its spring 2019 apparel range already contains roughly 41 percent recycled polyester.

Adidas said that 100 percent of the cotton it sources across all product categories for all of its brands will be “sustainable cotton” this year. The company defined this as cotton made with less water usage, less pesticide usage and that promotes fair working conditions for cotton farmers.

The actions are part of an overall sustainability strategy that includes using more sustainable materials in its production, tackling water scarcity and empowerment of supply chain workers, according to Adidas. The program has led Adidas to be included in the Dow Jones Sustainability Indices last year for the 18th consecutive time.

Adidas integrates sustainability into its business model by taking sustainability to the product level, the spokesperson said, including manufacturing its Parley shoes that are made from recycled plastic bottles, replacing virgin plastic in its offices, retail outlets, warehouses and distribution centers worldwide, and switching bags in its stores from plastic to paper.

In a partnership with Parley for the Oceans, a global group working to reduce ocean pollution, and Wanderlust, a wellness event company, Adidas debuted its Adidas x Wanderlust Collection earlier this year.

The activewear and footwear collection inspired by surf style is created with Parley for the Oceans’ Parley Ocean Plastic, upcycled ocean plastic turned into high performance recycled polyester thread. With the collection, Adidas hopes to inspire consumers to reduce their carbon footprint and promote wellness beyond their wardrobes.

In March, Adidas sold one million pairs of its UltraBoost sneakers made from Parley for the Oceans' recycled ocean plastic. The retailer is working with Parley for the Oceans to minimize ocean pollution and use recycled ocean plastic in high performance clothing and footwear products, too.

Source: sourcingjournal.com- July 18, 2018

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Vietnam's textile-garment export turnover $16 bn in H1 '18

Vietnam is among the world's five biggest textile exporters and producers, with textile and garment export turnover hitting $16 billion in the first half of 2018 — a rise of more than 14 per cent year on year.

According to Vietnam Textile and Apparel Association (VITAS) president Vu Duc Giang, the textile industry reported positive results in the last two quarters.

The production of fabrics from natural yarn during the period was estimated to be 274.6 million sq mts, a year-on-year rise of 9.7 per cent, while the production of synthetic fabrics and clothing was estimated at 525.9 million sq mts, and 2,305 million of clothing units, up 21.1 per cent and 10.4 per cent, respectively, over the same period last year, Giang said.

Exports to the United States, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) member nations, the European Union (EU), South Korea, China and the Association of South East Asian Nations (ASEAN) posted stronger growth than the January-June period last year, according to a Vietnamese news agency report.

However, the sector will still face many difficulties in the rest of 2018 and the next few years amid stagnant consumption demand and fierce competition in the global textile market, he cautioned, as global textile and garment demand is projected to rise by only 1-2 per cent.

The United States and the EU still levy 17.5 per cent and 9.6 per cent duties on Vietnamese textile products respectively, while they do not levy any duty on such imports from many other developing nations like Cambodia and Myanmar, he added.

In 2017, the garment-textile sector raked in $31.2 billion from exports, a year-on-year rise of 10.23 per cent.

Source: fibre2fashion.com- July 19, 2018

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Bangladesh: Third Cotton Day held in Dhaka

The event took place at a local hotel in Dhaka on Monday

COTTON USA held a seminar and a dazzling fashion show in Dhaka to celebrate the third iteration of Cotton Day in Bangladesh.

The event took place at a local hotel in Dhaka on Monday.

In 2016, Cotton Council International (CCI) introduced the observance of Cotton Day to celebrate US Cotton, as well as Bangladesh being the largest manufacturer and exporter of cotton apparel.

Over 100 spinning mills, garment manufacturers, cotton merchants, traders, and agents attended the seminar and a gala evening consisting of a reception, fashion show, and dinner.

An eight-member COTTON USA executive delegation, including the president of American Cotton Shippers Association (ACSA) Raymond Faus, Vice President of ICE Futures Tim Barry, President of Supima Marc Lewkowitz, South Asia Director of Cotton Council International William Bettendorf, and four others arrived in Dhaka on Sunday to meet the representatives of the Bangladeshi spinning and garment industry and promote US Cotton.

At the seminar, the delegation made presentations on world cotton production, supply and demand, and US cotton fiber quality, sustainability, and delivery. The data and information in the presentations will enable mills to make informed, logical business decisions. ICE vice president presented ICE Futures in the first ever ICE official visit to Bangladesh. ICE futures are closely followed by spinning mills all over the world.

As guest of honor at COTTON USA, US Ambassador Marcia Bernicat spoke proudly of the strong Bangladesh-US economic relationship. She also noted that the US is the number one consumer of Bangladesh's exports, especially from its dynamic readymade garment (RMG) sector.

Ambassador Bernicat praised leading apparel and garment producers in Bangladesh for choosing top-quality US cotton to produce products that are in demand throughout the world.

The ambassador also applauded the willingness of the government of Bangladesh to consider removing trade barriers that limit access for Bangladesh importers of US cotton, as it drives up the cost of US cotton in the country and delays shipments.

During the fashion show, the country's leading brands YELLOW and Amanat Shah as well as COTTON USA licensee and Cotton LEADS partner mills Envoy Textiles Ltd, Hamid Fabrics Ltd, and Square Group showcased a selection of Bangladeshi and western clothing. The electrifying show displayed 100 percent US cotton and cotton-made garments, highlighting Bangladesh's rich cotton apparel heritage.

Source: dhakatribune.com- July 18, 2018

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NATIONAL NEWS

EU FTA almost dead, India now eyes post-Brexit UK

The India-EU free trade agreement (FTA) is on the verge of death. In a few days, the two sides are expected to formally state, in diplomatic language, that FTA talks may no longer be resumed.

The EU has asked for two weeks to decide whether to go back to the table at all after India wrote to them. Sources say they are close to the conclusion that resumption of negotiations would be a fruitless exercise.

There have been no negotiations since 2013. In 2017, both at the India-Germany summit in June and the India-EU summit in October, there was an attempt to restart negotiations. But nothing happened.

Questioned, an EU official told TOI, "Following the EU-India summit last October, EU and India had extensive and frank exchanges at political, chief negotiator and experts' levels to evaluate whether conditions were right to resume negotiations. Both sides are now in the process of assessing the outcomes of those talks. For the time being, the EU-India trade negotiations have not been resumed."

This comes at a time when EU has just signed its biggest ever trade deal with Japan and is negotiating another with New Zealand.

There is enough blame to go around. European officials complain that India shows no flexibility in its trade negotiations, in particular, three areas where they want greater market access: dairy, automobiles and wine.

EU officials TOI spoke to also said in the past five years, India is a very different kind of economy, so the old rules of negotiations cannot apply.

India, on the other hand, says EU has been rigid in giving access to services, while new data security and transparency laws will affect many Indian companies.

Indian officials say EU Commission head Jean-Claude Juncker has been the most tough. In fact, in 2015-16, EU officials told India they had no time for New Delhi since they were then negotiating the TTIP with the US.

Indian negotiators now say India might be better off waiting for Brexit to happen before looking at EU. The UK has the lion's share of India-EU trade and investment, and all signs appear to show that the UK is keen on working out a trade deal with India as they near their separation date.

On the other hand, the UK's departure might make FTA talks with EU easier — UK is the biggest block in denying Indian services entry into EU.

Source: timesofindia.com-July 19, 2018

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IMF says India's growth remains quite robust into future despite downgrading growth projection for 2018-19

India's growth remains "quite robust" into the future, the IMF has said despite slightly downgrading the country's growth projection for 2018-19 due to high oil prices and a tight monetary policy regime.

The International Monetary Fund (IMF) on Monday forecast a growth rate of 7.3 per cent in 2018 and 7.5 per cent in 2019 for India, which was down by 0.1 per cent and 0.3 per cent, respectively, than its April projections.

"India's growth remains quite robust into the future. It is down but it is growing very strongly," Maurice Obstfeld, Economic Counsellor and Director of the Research Department of the International Monetary Fund (IMF), told reporters at a news conference. "For India, the main factor is the rise in oil prices, and India is an oil importer. But also, the general tightening in global financial conditions is playing a role in affecting India's growth. Those are the main factors behind the downgrade," Obstfeld said.

According to Gian Maria Milesi-Ferretti, Deputy Director, IMF Research Department, with tighter global financial conditions and higher oil prices bringing rising inflationary pressures, the monetary policy has tightened. "It is a bit tighter than under our forecast in April. That adds to oil and tighter global financial conditions in taking a little bit off growth for next year," he said.

Source: financialexpress.com- July 18, 2018

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US import duty hike: India set to break WTO rules, get protectionist tag

Experts say the country will break its commitments under WTO once higher tariffs against US kicks in on August 4

Despite multiple import duty hikes by New Delhi in the first half of 2018 that attracted criticism from the United States and China as being examples of 'protectionism', India hasn't broken the rules of the World Trade Organization (WTO) yet.

As soon as New Delhi's higher import duties against the US kick in on August 4 – effectively breaching WTO mandated 'bound rates' for the first time – India will enter a long list of nations that have broken their commitments to WTO, Abhijit Das, trade expert and head of the Centre for WTO Studies, said.

The country may officially then be open to criticism for being protectionist as under the norms of the WTO, the bound tariff rate is the customs duty rate committed by a country to all other members under the most favoured nation principle.

This global trade law for the 164 WTO members prohibits discrimination on the basis of tariffs.

India raised basic customs duties on 43 broad categories of goods, including electronics, in this year's Budget. It also raised import tariffs on 76 textile products and announced higher safeguard duties on solar cells imported from China and Malaysia.

"All the tariff increases that India implemented so far are within the bound rates, unlike US President Donald Trump's global tariffs on steel and aluminium as well as the ongoing tariff measures being taken by Washington DC and Beijing against each other," Das added.

India, US trying hard to douse tariff flames

On the other hand, the most talked about trade measure has been the raising of import duties on 29 import items (mainly agricultural) from the US. New Delhi's move is in 'retaliation' to Trump hiking tariffs on aluminium and steel.

RISING PROTECTIONISM

	Old tariff	Revised tariff
A. MAJOR IMPORTS ON WHICH TARIFFS HAVE BEEN HIKED IN THE LAST UNION BUDGET (*) Basic Customs duty on 43 broad category of goods raised in the last Budget with an aim to reduce influx of electronics		
Cut and polished diamonds (%)	2.5	5
Parts of Mobile Phones (%)	7.5/10	15
Mobile phones (%)	15	20
B. MAJOR TEXTILE IMPORTS ON WHICH TARIFFS WERE RAISED ON MONDAY (*) Import duties on more than 70 textile, related products accounting for $1.8 bn of total imports raised		
Textile fabrics covered with plastic (%)	14	20
Non-wovens, coated, covered or laminated (%)	14	20
Rags, scrap twine, ropes and cables (%)	14	20
C. PROPOSED SAFEGUARD DUTIES ON SOLAR CELLS, PHOTOVOLTAIC CELLS ASSEMBLED IN MODULES/PANELS (%) The government has suggested safeguard duties on import of solar cells from the main import source of China and Malaysia	NA@	25#
D. MAJOR IMPORTS FROM US TO SEE TARIFFS HIKED ON AUGUST 4 (*) Customs duty targets 29 imports mostly in the agri sector		
Almonds (₹/kg)	35	42
Laboratory reagents$ (%)	10	20
Phosphoric acid (%)	10	20

Sources: Revenue department, commerce department, Deloitte India, Directorate General of Trade Remedies
*List includes other items as well; @Tariffs are currently 'free' due to India signing the Information Technology Agreement back in 1997
#25% for first year, 20% for first 6 months of 2nd year and 15% for second 6 months of 2nd year; $Used for making controlled chemical reactions

Announced in June, the measure targets high value imports such as apples and almonds, aiming to rake in $240 million worth of duties through higher tax up to 100 per cent.

Trade experts say the move was warranted owing to Donald Trump's tactics. "India had informed the WTO of its plan to raise tariffs through safeguards measures. But existing norms do not allow a country to take safeguard measures against just one nation, as India has done. The US has not respected the multilateral system recently, but if it feels that the tariffs are unjust, it should go to the WTO," Biswajit Dhar, a trade expert and professor at the Jawaharlal Nehru University, said.

But others remained cautious. "This increase will be in addition to raising new trade barriers, making domestic manufacturing more attractive as steep increases in customs duties may make imports unaffordable.

For agri products, such as pulses, which have witnessed an increase from 30 per cent to 70 per cent, this would provide encouragement in increasing the cultivable area, on the back of good pulses production," M S Mani, indirect tax partner, Deloitte India, said.

While New Delhi has justified the move as a response to the Trump administration's decision to raise import tariffs in steel and aluminium earlier in the year, it is also hopeful of resolving the issue amicably.

“Implementation of the tariff hike is from August 4 and we are hopeful of resolving the issue before the deadline.

During the visit of Assistant US Trade Representative Mark Linscott in June, it was decided that both the nations will identify the final list of products in which some announcement can be made by the political leaderships on both sides,” another official said.

Currently, a team of officials from India are camping in Washington DC, trying to secure an exemption from America's aluminium duty hike, following which India may also roll back its own import hike.

Source: business-standard.com- July 19, 2018

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As major economies put up protectionist barriers, WTO's credibility, survival at risk: Report

The report issued by the Bertelsmann Foundation comes amid a deepening trade dispute between China and the United States which has engulfed other major trading partners.

The credibility and survival of the World Trade Organization (WTO) is under "serious threat" as major economies put up protectionist barriers, independent experts warned on Tuesday.

The report issued by the Bertelsmann Foundation comes amid a deepening trade dispute between China and the United States which has engulfed other major trading partners.

US President Donald Trump has warned he may ultimately impose tariffs on more than $500 billion worth of Chinese goods - nearly the total amount of US imports from China last year – to combat what Washington says are Beijing's trade abuses.

China has sworn to retaliate at each step.

The 14 experts, led by Bernard Hoekman, urged WTO's 164 member states to agree on a new work programme that will address trade-distorting policies and preserve the multilateral rule-based trading system.

"Sticking to status quo modes of operating is a recipe for the institution's gradual demise," they said in the report, "Revitalizing Multilateral Governance at the World Trade Organization".

It is urgent to avoid "further erosion of the WTO's credibility", they said, adding: "This includes preventing backsliding by WTO members towards unilateral use of protectionist trade policies and ensuring that disputes are resolved effectively and efficiently."

In a statement, WTO director general Roberto Azevedo welcomed the "very timely" report.

The United States told the WTO last week that a "reckoning" over China's unfair trade policies is urgent and is too big for the WTO to handle.

The experts said that problems go beyond the failure to conclude the WTO's stalled Doha round, launched in 2001, with some national policies distorting trade and threatening to undermine the system.

The report cited the U.S. invoking national security concerns to impose tariffs and quotas on imports of selected products as a prime example.

"Such measures create systemic risks given the prospect of tit-for-tat imposition of trade-distorting measures and greater use of national security justifications by WTO members for the imposition of protectionist measures," it said.China and India also feel that the WTO is unbalanced and treats them unfairly, the report said.

Failure to clinch new WTO agreements has led states to set up more than 400 preferential trade agreements since 2000, it said.

"Care must be taken that the baby is not thrown out with the bathwater," it said. "All countries, large and small, have a major stake in an effective, rules-based multilateral trading system."

More than 500 disputes have been brought to the WTO since 1995, the report said.

Under Trump, the United States has demanded that the WTO's dispute system is changed to stop Washington getting what he regards as an "unfair deal".

Trump has also blocked appointments to the WTO's appeals chamber to replace judges as their terms expire.

"If this matter is not resolved, the Appellate Body will be down to 3 members in September 2018, the minimum needed to consider an appeal, and will cease to be operational at the end of 2019 when two more vacancies arise," the report said.

Source: newindianexpress.com- July 19, 2018

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Odisha allows 20% capital investment subsidy for IT, ITes, ESDM firms

The state government has notified operational guidelines for reimbursement of subsidy on capital investment under Information and Communication Technology (ICT) Policy 2014 belatedly.

With the second Make in Odisha summit barely four months away, the state government has allowed 20 per cent capital investment subsidy for the IT (information technology), IT-enabled services (ITes) and ESDM (Electronic System Design & Manufacturing) companies investing in the state.

The state government has notified operational guidelines for reimbursement of subsidy on capital investment under Information and Communication Technology (ICT) Policy 2014 belatedly.

The state government has declared 20 per cent investment subsidy on fixed capital investment for plant and machinery (except land & building) for IT/ITES/ESDM units with a maximum limit of Rs five million for IT/ITes industries and Rs 50 million for ESDM industries.

The total investment of the company must be within Rs 500 million in the state to avail the subsidy.

The Odisha government has identified information technology, ITes and ESDM units along with agro and food processing, ancillary and downstream, automobiles and auto-components, manufacturing in aviation and maintenance repair & overhaul (MRO) facilities, biotechnology, gem stone cutting and polishing, handicraft, handloom, coir and leather products, petroleum, chemicals & petrochemicals, pharmaceuticals, plastics and polymers, sea food processing, textile including technical textile & apparel, tourism and hospitality as the priority sectors for attracting investment's in the Industrial Policy Resolution-2015.

"The government notifying the operational guidelines of the ICT policy will help in attracting investments in the IT and ITes and ESDM sector. The notification will clear the hurdles in the mind of the investors on availing the sops promised by the state government in the policy", said an official.

Recognising the importance of ESDM, the government had already announced a special incentive package scheme for the sector comprising of subsidy on fixed capital investment for plant & machinery, training subsidy and interest subsidy.

The state government is developing an electronics manufacturing cluster (EMC) under EMC scheme of the Centre exclusively for the ESDM sector. It is coming up on 203 acres of land at Infovalley at the city's periphery at a cost of Rs 2.05 billion.

Out of this, the Government of India will give a grant of Rs 0.95 billion with the rest being contributed by the state government.

As per India Electronics and Semiconductor Association (IESA), the trade body representing the ESDM industry, the EMC is expected to attract industries with a combined investment value of Rs 10 billion and employment potential of 10,000 to 12,000 persons.

Source: business-standard.com- July 18, 2018

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Reconsider zero duties on e-transmission, they hurt poor nations: India, South Africa tell WTO

Want WTO General Council to discuss the proposal in its meeting on July 26-27

In a move that could shift the current global discourse on the need to liberalise the e-commerce sector, India and South Africa have asked the World Trade Organisation (WTO) members to re-consider continuation of the temporary moratorium on import duties on e-transmission on the ground that it could result in higher revenue losses for developing countries.

“As more products, which are presently traded in physical form, get digitalised and delivered through electronic transmissions, the moratorium on customs duties would result in higher revenue loss,” a joint paper submitted by India and South Africa to the General Council of the WTO pointed out.

The two countries have requested that in accordance with the 1998 work programme on e-commerce the paper should be discussed at the General Council meeting on July 26-27.

The paper cited an UNCTAD analysis which suggests that it would mostly be developing countries, which would suffer loss in customs revenue, if the temporary moratorium on electronic transmissions is made permanent.

“Developed countries have been pushing aggressively for making permanent the temporary moratorium on customs duties on e-commerce (which needs to be periodically renewed). They have been also trying to project it as something that would benefit developing countries.

However, the truth is that it is developing countries with limited resources that would suffer most because of increased revenue losses in the form of customs duty foregone as the ambit of e-commerce is continuously widening,” a government official told BusinessLine.

With India and South Africa demanding that their paper be discussed at the General Council, for the first time the focus of discussions on e-commerce would shift on how zero-duties could hurt developing countries, the official added.

A moratorium on customs duties on electronic transmissions could imply that customs duties are not imposed on products exported in digitalised form, even if the bound rate on the same product, if it is delivered in the physical form, is not zero, the paper explains. “Thus, a moratorium on customs duties on electronic transmissions could in effect undermine the existing schedule of tariff concessions of WTO Members.

“Given the fact that the average bound tariffs of developing countries are considerably higher than those of developed countries, a moratorium on customs duties on electronic transmissions could significantly alter the negotiated balance of rights and obligations,” the paper said.

The realities prevailing in 1998, when WTO members agreed for the first time to the temporary moratorium on customs duties on electronic transmissions, have changed significantly during the subsequent two decades, the paper said, adding that volumes would have increased manifold.

Source: thehindubusinessline.com- July 19, 2018

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11.13 lakh jobs generated by Prime Minister’s Employment Generation Programme in last 3 years, says govt

The Prime Minister’s Employment Generation Programme (PMEGP) is estimated to have generated over 11,13,000 jobs during the three years to 2017-18, Union Minister Giriraj Singh said today.

The PMEGP is a credit linked subsidy scheme, for setting up of new micro-enterprises and to generate employment opportunities in rural as well as urban areas of the country through KVIC, State Khadi & Village Industries Board and District Industries Centre.

In a written reply to the Rajya Sabha, the Micro,Small and Medium Enterprises (MSME) Minister further said that in order to revive the sick Khadi Institutions, Khadi and Village Industries Commission (KVIC) implements ‘Strengthening of Infrastructure of Existing Weak Khadi Institutions and assistance for Marketing Infrastructure’ scheme.

The minister, however, said that there is no plan to reopen the closed Khadi Gramodyog centres situated amongst different panchayats of the country. He said various schemes have been implemented and progressive works done for the Khadi and Village Industries during the last three years.

Meanwhile sales performance of entire sector under Khadi and Village Industries has increased from Rs 41,894.56 crore in 2015-16 to Rs 60,451.28 crore in 2017-18, according to provisional details.

In reply to another question, Singh stated that the new model Charkhas give good quality yarn and has enhanced wages of Khadi artisans.

Source: financialexpress.com- July 18, 2018

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Tirupur exporters' body asks knitwear cos to up prices by 10%

The Tirupur Exporters' Association (TEA) has asked knitwear industrialists to increase prices by at least 10% for their export of garments to cope with the inflation in the industry.

The decision was taken at the association's executive committee meeting held recently in the city.

Since last year, which witnessed the implementation of GST, cotton yarn, job-working services and accessories have become costlier.

Cotton prices have gone up, at least by 17-18 per kg, and the industrialists said cotton prices remained on the upswing, which is abnormal. So, they demanded the government to regulate the prices as it will affect them severely.

In case of job-working services like fabric dyeing, the units have increased the prices at least by 20% due to increase in dyes and other products. On seeing the price hikes, many other related job-working units have increased their prices.

Meanwhile, prices of accessories have also gone up.

"With such situation, the continuation of same prices for finished garments would certainly lead to a difficult situation to sustain in the business.

So, our executive committee unanimously decided to ask the knitwear units to send communication to their buyers to increase garment prices by 10% while finalising new orders," said Raja M Shanmugham, president, TEA.

"It was the first time that the association took such a decision because of the abnormal market situation prevailing now. We are not sure whether knitwear companies would take up the call (to increase prices) simply after the association's suggestion.

But the decision was taken to enlighten the companies to take a collective effort to persuade foreign buyers to provide reasonable prices," he said."The inflation in processing services has put knitwear companies in a very tricky situation.

Companies have been already hit hard by the failure of the government in providing GST refunds and other incentives.

So, increasing in garment prices is inevitable, which should be understood by the buyers," said S Mahesh Kumar, a Tirupur-based knitwear unit owner.

"Buyers would always have the upper hand and many of them would utilise the competition as 'a threat factor'. Companies may agree to unreasonable prices impulsively. But it may lead to losses," Shanmugham said.

Source: timesofindia.com- July 19, 2018

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Govt steps in to improve cotton production

Noting that the unavailability of cotton and its soaring prices have been affecting handloom weavers and the textile industry, handloom and textiles minister O S Manian said that the state government is taking strides to improve the production of cotton in the state.

He was addressing weavers from all the nine southern districts at an interactive session on the new handloom support scheme.

The minister said that 61% of the spinning mills in the country are in Tamil Nadu. "But the state produces only 5% of the required cotton. The remaining 95% is brought from the northern states. Change in climatic conditions and other factors have resulted in the drop in cotton production, due to which cost of a bale has escalated from Rs 24,000 to Rs 51,000," he said.

Taking note of the issue, the chief minister recently held a meeting with the officials from various departments and stressed the need to improve cotton production. "The sericulture department is also working on increasing silk production to reach a state of self-sufficiency to bring down the price," Manian said.

On the effluent issue that is affecting waterbodies and the common man and the weavers and textile industry in return, the minister said they are facing difficulty in establishing Common Effluent Treatment Plants (CETP). "Pollution due to dyeing has been in existence for more than 3,000 years since handloom came to existence," he said on a lighter note.

Manian said that the government offers 49% subsidy to establish CETPs but there is stiff opposition from public when they come to know that a CETP is coming in their locality.

"We have established a CETP at a cost of Rs 700 crore in Tirupur with a subsidy of Rs 175 crore and an interest-free loan of Rs 200 crore. We are ready to establish any number of such CETPs," he added.

Recalling that the wages of weavers have not been revised since 2013, the minister said that drastic revision would result in the cost of the products going up thereby affecting the sales. "This in turn would affect weavers.

Considering all these factors the Chief Minister will be announcing a wage revision in the next few days," he added.

Principal Secretary for the department of handlooms, handicrafts, textiles and khadi, K Phanindra Reddy, made an appeal to weavers to attract the younger generation with products that would attract them.

Speaking on the occasion, director of handloom and textiles C Munianathan said the department is working on a six pronged approach – improving design and technological upgradation, product diversification, brand promotion and positioning, reaching unreached markets, support for working capital and research and development – to help weavers get the right price for their produce.

Source: timesofindia.com- July 19, 2018

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Garment exporters welcome hike in customs duty

The Tirupur Exporters' Association has welcomed the hike in basic customs duty for 23 knitted garment items announced by the Union Government.

Association president Raja M. Shanmugham has said in a press release that the government has increased the basic customs duty from 10 % to 20 % for one knitted fabric variety too.

Textile imports from countries such as China, Bangladesh, Vietnam, Sri Lanka and Cambodia are on the rise. In 2017-18, import of ready-made garments went up to Rs. 4,983 crore from Rs. 3,994 crore the previous year. Leading retail stores in the country have also started importing garments from Bangladesh and other countries.

The association had made several representations to the Ministry of Textiles seeking higher customs duty on ready-made garments.

The industry had submitted a white paper on the issue to the Ministry and explained the threat of China setting up factories in India's neighbouring countries to take advantage of low customs duty and low wages in those countries.

Sanjay Jain, chairman of Confederation of Indian Textile Industry, said in a press release that this is a positive move by the Government and a relief to garment and carpet manufacturers.

These units were going through immense pressure. After the implementation of GST last year, cheaper imports came in because of substantial drop in import duty.

Source: thehindu.com- July 18, 2018

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Surat textile workers write to Naveen Patnaik: Thousands jobless after GST, take up issues with Centre

Claiming that the Surat textile industry appears not to have stabilised a year after the Goods and Services Tax (GST) was implemented, with at least 40,000 workers jobless, the Federation of Gujarat Weavers Association (FOGWA) and its subsidiary Pandesara Weavers Association has written to Odisha Chief Minister Naveen Patnaik to take up their issues with the finance minister and PMO.

The letter, sent on Tuesday, mentions that more than 5 lakh people from Odisha work in the powerloom industry, and post-GST 40,000 workers had become jobless.

On July 14, the Southern Gujarat Chamber of Commerce and Industry (SGCCI) had organised an open discussion between GST officials in Surat and textile industry members. State Industries Commissioner Mamta Verma, SGST Commissioner P D Vaghela and Additional Commissioner of GST Yogendra Gard were among those present at the meeting, where a report by FOGWA on the impact of GST on textile industry was presented.

According to the report, post-GST over 1 lakh powerloom machines were scrapped and 6,000 powerloom factories shut down, while over 4 lakh powerloom workers had become jobless. The existing powerloom units were operating at 50 per cent capacity. The daily production of grey fabric, which was 4 crore meter pre-GST, had come down to 2.5 crore meter post-GST.

The powerloom industry faces problems of costliest yarn even after reduction of GST from 18 per cent to 12 per cent. After GST, import garments in India had increased, it said.

It mentions that the Man-Made Textile Fabric industry of Surat accounts for 60 per cent of total synthetic textile produced in India, with a production of 1,300 crore meter of cloth and annual turnover of Rs 50,000 crore, with over 18 lakh people associated with this industry. The industry is struggling with issues related to GST, it said.

The GST on MMF yarn is 12 per cent while GST on the final product ie fabric is 5 per cent. “This discriminatory policy had adversely impacted three types of neutralities (Fibre neutrality, Scale neutrality and Trade neutrality), which are essential for efficient GST…”, the letter said.

The letter mentions that FOGWA members had made representation to the Ministry of Textiles and Ministry of Finance. The finance ministry had argued that the powerloom industry should undergo vertical integration to absorb accumulated input tax credit.

For vertical integration, high value of investment is necessary, which powerloom industry cannot manage, FOGWA argued. The MMF industry is labour intensive in comparison to vertical integrated composite mills, which do not have much employment. Due to this, the Surat Man Made Fabric is losing its edge, both in domestic and exports markets, and many powerlooms are shutting down, they said. More than 40,000 workers in the industry are already unemployed and numbers are rising, they added.

As per the data from FIST, there are over 5 lakh workers from Odisha (Ganjam and Berhrampur) working in the powerloom industry in Surat. Apart from this over 3 lakh women are engaged in value added work like mirror and stone work and hand embroidery on fabric. The workers from Odisha are mainly from tribal areas.

FOGWA managing committee member Ashish Gujarati said, “The reason for writing to the Odisha CM is that majority of the labour force in the powerloom sector hails from Odisha and their condition is really pathetic.

Many of them have become jobless while some of them are partly jobless, as production had gone down to 50 per cent in powerloom factories. The CM should put the issue before the finance ministry and PMO for an amicable solution."

He added, "We will also put forward a demand to the central government for a special package to factory owners who have scrapped their powerloom machines."

Source: indianexpress.com- July 18, 2018

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