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IBTEX No. 38 of 2019 February 20, 2019

USD 71.26| EUR 80.82 | GBP 93.02 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20048	41900	**74.88**

Domestic Futures Price (Ex. Warehouse Rajkot), February

Rs./Bale	Rs./Candy	USD Cent/lb
20110	42030	**75.11**

International Futures Price

NY ICE USD Cents/lb (May 2019)	72.19
ZCE Cotton: Yuan/MT (May 2019)	15,250
ZCE Cotton: USD Cents/lb	102.35
Cotlook A Index – Physical	**80.05**

Cotton Guide: The ICE cotton May is holding up near 72 cents/lb, no letting to fall much amid weakness in the USD. However cotton is rising gradually. Focus on the range 70.50 to 74 cents in the near term. Indian Cotton is holding near 41,900 per candy and the MCX March is hovering around Rs 20,400 per Bale. Market is taking support due to MSP Level. More than the cotton fundamentals currently the Macros are playing the key role.

The ICE May contract settled at 72.19 cents/lb with a positive change of +33 points. The high for the ICE May contract was 72.77 cents/lb whereas the low for the ICE May contract was 71.90 cents/lb. The other nearby contracts also settled on a slightly positive note. The total volume registered at ICE yesterday was 55,387 contracts which is almost a 50 percent increase as compared to Friday's Volume figures. The total open interest decreased by 256 contracts to 237,643.

The March OI and May OI decreased by 58 and 192 contracts, respectively to 23,715 and 121,014 contracts.

On the MCX front the nearby Contracts settled with positive numbers. The MCX February contract settled at 20,110 Rs/Bale with a positive change of +60 Rs. The MCX March contract settled with a positive change of +90 Rs at 20,390 Rs/Bale whereas the MCX April contract settled with a positive change of +50 with a positive change of 20,670 Rs/bale. The total volume increased by 1,298 lots to 5,040 lots whereas the total Open Interest increased by 346 lots to 15,669 lots.

Arrivals have been estimated to be around 145,000 lint equivalent Bales (source cotlook) including 44,000 registered in Maharashtra, 40,000 registered in Gujarat, 25,000 registered in Andhra Pradesh. The Cotlook Index has remained unchanged at 80.05 cents/lb. The outcome of USD China Trade deal will have significant impact on the market. The talks are scheduled this week on February 21 and February 22, 2019. Both the sides are making efforts to come to an agreement before the March 1, 2019 deadline. We expect the market to show some signs of moving north in the short term.

On the Technical front, ICE cotton May futures witnessed minor recovery from the support levels of 70.80 (50 % Fibonacci retracement levels) towards the 13 day EMA at 72.90. Price got support from the oversold RSI, which has reversed from the 30 zones towards 41 with positive divergence between RSI and price. More over price is still trading below the 13 day EMA AT 72.90, supporting the weakness in bias in cotton price. So for the day price is expected to remain in the range of 70.60-72.90 with sideways bias. In the near term strong supports exists around 70.00, followed by 69.50 levels. Likewise crucial resistance seen around 73.80 and 75.68 levels. In the domestic markets trading range for Feb futures contract will be 19980-20300 Rs/Bale.

Currency Guide

Indian rupee may witness mixed trade against the US dollar however general bias remains weak. Rupee may benefit from general correction in US dollar against major currencies ahead of FOMC minutes today which will reaffirm Fed's patient rate hike stance. Progress in US-China trade talks has also reduced safe haven demand for US dollar. Meanwhile, Chinese yuan gained amid reports that the US is asking China to keep its currency stable as part of the negotiations. Global equity markets are also holding firm with focus on US-China trade talks. US-China negotiations resume Tuesday and are scheduled to continue through Friday. Meanwhile, there is a possibility that US may extend the March 1 deadline. However, weighing on rupee is firmness in crude oil price and increased geopolitical risks post recent terror attacks in Kashmir. Brent crude trades above $66 per barrel amid Saudi pledge to deepen production cuts and US-China trade progress. Both India and Pakistan are involved in a verbal fight since the Pulwama incident last week. Pakistan's Prime Minister Imran Khan said his nation would retaliate if attacked by India, following New Delhi's accusations that Pakistan was responsible for the attack. Rupee may witness choppy trade on mixed cues however general strength in crude oil price and geopolitical tensions may weigh on rupee. USDINR may trade in a range of 71.1-71.6 and bias may be on the upside.

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

Trump -- losing Asia?

America First policies could be reversed if high costs hit US economy

When U.S. President Donald Trump speaks of the trade talks with China going "extremely well," I can't help but be reminded of the trenchant observation that "The Americans always do the right thing -- after exhausting all other alternatives."

It makes me wonder whether -- as the costs of Trump's economics-defying trade policies take their toll on American interests -- the U.S. may rethink its collision trajectory with China.

With the negotiations likely to be extended and rumors of a summit with Chinese leader Xi Jinping soon, there is even hope that the first signs of a policy shift may be just over the horizon.

Of course, everything still hangs in the balance but it is worth asking if the pendulum in an often-resilient America will swing back toward compromise?

At present, the toll of "America First" unilateralism has yet to be fully felt. But with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) -- and an EU-Japan trade pact moving forward, Europe and Asia increasing hedging against the uncertainty Trump has brought.

Pressure may build for the U.S. to abandon its unilateralist approach as the cost to U.S. interests of these and other trade pacts still under negotiation become more evident. U.S. farmers are already losing markets to those in Canada and Australia, while American manufacturers struggle to compete in the face of shifting supply chains.

Current trends suggest that the response to Trump's "America First" policies by major G-20 economies results is a creeping marginalization of the U.S. global role, with leading developed economies creating new structures to fill the vacuum left by Washington and to counter China's expanding influence.

For now, Trump and many in his administration remain in a bit of a 1970s time warp, with an exaggerated view of U.S. leverage and a disdain for the liberal order the U.S. helped create after World War II. Thus, the strong-arm tariffs, the denouncing of institutions from the United Nations to the World Trade Organization, and repeated threats to end alliances from NATO to the U.S.-South Korea pact.

The U.S. is throwing away a winning hand. In Asia, Trump's "America First" mindset already disadvantages the U.S. Consider Washington's absence from the region's multilateral trade arrangements, a hobbling emphasis on bilateral deals, and a singular hostility toward China which is the largest trading partner of Japan, South Korea and the ten-member Association of South East Asian Nations.

If present trends continue, intra-Asian economic integration will thicken, supply chains will become more regionalized, and the U.S. will increasingly be vacating the Indo-Pacific economic space, even as it touts a "Free and Open Indo-Pacific Strategy" which is undermined by Trump's rejection of the Trans Pacific Partnership.

If five of some 13 economies that have expressed interest in the TPP's successor, the CPTPP (Thailand, South Korea, Indonesia, Taiwan, U.K.) join over the coming two years or so, the CPTPP market will be almost as large as it would have been if the U.S. stayed in TPP.

And if China implements the market reforms it has been delaying, those reforms would make it easier for Japan to invite Beijing to begin a CPTPP accession process. That would produce an economic juggernaut with the U.S. left behind at the side of the road and a post-American Asia beginning to take shape.

Similar, though far less developed, trends in intra-Asian security cooperation are gaining momentum: Indian warships dock in Indonesia, Japan and India deepen security ties, and joint air and naval patrols are launched in new combinations including India-Vietnam, Japan- Australia-India, and Japan-Malaysia-Indonesia-Philippines.

Such unprecedented cooperation is a hedge against uncertainty about China's intentions and U.S. reliability in Asia, In the face of China's remarkable military modernization, Asian states can, without the U.S., expect only to dilute China's growing dominance.

But my point is that U.S. resilience is too often underestimated. Cassandras bemoaning America's decline have been heard before, after the Soviet Sputnik launch in 1957, for example, the ignominious 1975 defeat in Vietnam, and the 2008 global financial crisis.

America cannot ignore for long the fact that the center of gravity of the global economy is, and will continue to be, in Asia, with China, Japan, South Korea and Singapore at the leading edge of a new technological revolution involving data, robotics and Artificial Intelligence.

Washington's trajectory is therefore likely unsustainable. What could trigger a turnabout to these trends? It is not necessarily fanciful to imagine a near-term scenario. There could be a cascade of developments in which Trump is weakened by the start of impeachment proceedings; the fallout from Brexit has severe financial impact, China's growth slows further; and Trump imposes 25% auto tariffs on the EU and Japan disrupting global supply chains. Add to that the risk of the U.S. blundering into a military conflict (e.g. in Venezuela or Iran). Global markets could plunge and accelerate a recession if not a financial crisis.

In response to such a dire situation, we could easily see a renewed U.S. respect for multilateral institutions. Populist nationalism could recede and with it 'America First'. The U.S. midterm elections may already portend a backlash against Trump-style populism.

Granted this is only one scenario, and one fraught with danger.

But the current train of events is anything but comforting. It appears a bit like sleepwalking toward crisis, including a confrontation between the U.S. and China. not unlike the run-up to the First World War, which came unexpectedly for many observers.

Yet, the good news is that history is rarely linear. There is always scope for a change of direction.

Xi's own 19th Party Congress in 2017 pledged to allow "market forces" to play "the decisive role in the allocation of resources." Simply implementing its declared market-opening agenda would address many of China's economic problems as well as trade issues with the U.S. Stranger things have happened. That should enable China trade deal and an economic rebalancing. The U.S. business community's support has been a key pillar of U.S.-China relations. If they support a trade deal, that would likely help stabilize the overall relationship.

However, even if it takes China time to respond, an American return to multilateral policies and a rejuvenation of its alliances, especially in Asia, would bring its own political and economic benefits. Indeed, it would greatly strengthen Washington's chances of reaching a less confrontational long-term arrangement with Beijing.

But if things carry on as they are, following the logic of current Trumpian trade and foreign policies and China's responses, it is not difficult to conceive of an outcome that would be painfully similar to the tragic consequences of the ultra-nationalist, protectionist beggar-thy-neighbor policies produced in the 1930s.

Source: asia.nikkei.com- Feb 18, 2019

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WTO Trade Indicator Points to Slower Trade Growth In Q1

If current trade tensions remain unresolved, policy makers should be prepared for a sharp slowdown in global commerce, as indicated by the decline of several trade-related indicators in the latest World Trade Organization’s World Trade Outlook Indicator (WTOI) released Tuesday.

The most recent WTOI reading of 96.3 is the weakest since March 2010 and below the baseline value of 100 for the index. These indicators signal trade weakness is likely to extend into the first quarter of 2019.

Readings of 100 indicate growth in line with medium-term trends, readings greater than 100 suggest above-trend growth and those below 100 indicate below trend growth.

The weakness in the overall index was led by significant drop-offs in the component indices that appear to be under pressure from heightened trade tensions. Indices for export orders (95.3), international air freight (96.8), automobile production and sales (92.5), electronic components (88.7) and agricultural raw materials (94.3) have shown the strongest deviations from trend, approaching or surpassing previous lows since the 2008 to 2011 global financial crisis often referred to as the Great Recession. Only the index for container port throughput remained relatively strong at 100.3, showing on-trend growth, the WTOI report noted.

Designed to provide "real time" information on the trajectory of world trade relative to recent trends, the WTOI is not meant to be a short-term forecast, but it does provide an indication of trade growth in the near future.

Acute issues likely brought down some of the indices. The WTOI report said front-loading of imports ahead of anticipated U.S.-China tariffs might have sustained container shipping to some extent, which did show up in the latest Global Port Tracker, as the U.S. and China have a self-imposed March 1 deadline to avoid a 25 percent tariff threatened by the Trump administration. At the same time, technical problems in the German automotive sector may have contributed to weakness in automobile production and sales, the report noted.

"This sustained loss of momentum highlights the urgency of reducing trade tensions, which together with continued political risks and financial volatility could foreshadow a broader economic downturn," the WTOI report said.

The WTO downgraded its trade forecast in September amid escalating trade disputes and tighter credit market conditions. Trade growth is forecast to slow to 3.7 percent in 2019 from an estimated 3.9 percent in 2018, "but these estimates could be revised downward if trade conditions continue to deteriorate," the report said. "Nevertheless, greater certainty and improvement in the policy environment could bring about a swift rebound in trade growth."

Source: sourcingjournal.com- Feb 19, 2019

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USA: Importers Could Get Tariff Break on Cheaper Garment Hangers, CBP Rules

U.S. Customs and Border Protection (CBP) has ruled that some plastic hangers can be classified separately from garments to save duty costs on imports.

But Elise Shibles, an attorney at Sandler, Travis & Rosenberg (STR), a law firm that specializes in international trade, warned that importers should be careful in utilizing this method.

While the separate classification carries a 3 percent duty rate—which is much lower than the tariff for less substantial and less expensive hangers that are classified as packaging material and subject to the same duty rate as the garments they accompany—a new rule could soon change that.

The duty rate for the sturdier hangers imported from China is currently 13 percent, Shibles pointed out in the STR trade report. But under the Section 301 additional tariff imposed in late 2018, it will increase to 28 percent on March 2 if the U.S. and China are unable to reach an agreement on their negotiations, which could also include an increase in tariffs on apparel and footwear of 25 percent.

However, even a 28 percent duty rate may be lower than the rates applicable to hangers classified with their associated garments. As a result, Shibles said importers may have a financial incentive to classify hangers separate from garments.

In doing so, however, importers need to take some immediate steps, including implementing a program to trace and document the origin of the hangers. That's because importing garments from Asia while asserting a non-China origin for the hangers is likely to raise the risk of review by CBP to ensure any applicable Section 301 tariff is being paid.

Importers should also perform a cost-benefit analysis on the duty rate for the garments, the duty rate for the hangers and the cost of utilizing different types of hangers to reduce duty impact.

With all that in mind, Shibles added that using sturdy hangers and classifying them separately from apparel can still offer cost savings despite the Section 301 tariff if strategically implemented.

Source: sourcingjournal.com- Feb 19, 2019

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Vietnam to scale up garment exports

Vietnam plans to become the world's third major supplier of garments and textiles. With Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the imminent signing of a free trade agreement between Vietnam and the European Union, this target is as possible.

The CPTPP is expected to cut import tariffs and diversify products available in CPTPP member countries. CPTPP is expected to help the economy grow 1.3 per cent and boost export turnover by four per cent.

Another element would be the trade war between the United States and China, the world's major garment exporter, because Vietnam is maneuvering to occupy market niches that would be banned to China in the United States, including garments.

Vietnam's major importer is the United States, with more than 50 per cent of the total exports, followed by Japan, South Korea and China, which import about 70 per cent of the production altogether.

Many companies in the sector have speeded up production since early 2019 to meet large orders for the first trimester. In 2018, the export turnover of garment and textile products marked a year on year increase of 16 per cent.

However, Vietnam has to depend on raw material imports. Enterprises have to import over 60 per cent of the raw materials they need.

Source: fashionatingworld.com- Feb 19, 2019

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Uzbekistan's foreign trade turnover worth $ 3.35 billion

The economy of Uzbekistan is one of the largest in the Central Asian region. In recent years, the Uzbek economy has been actively developing and showing high results of stable growth.

The foreign trade turnover of Uzbekistan amounted to $ 3.35 billion, according to the results of January 2019 and increased by 26.8 percent, compared with the same period in 2018.

According to the State Statistics Committee of Uzbekistan, exports reached $ 1.67 billion (growth rate - 16.6 percent), import volume - $ 1.67 billion (growth rate - 38.9 percent). The foreign trade balance totalled to $ 31,000.

According to the results of January 2019, the number of enterprises engaged in the export of goods, compared to the same period in 2018, increased by 81 units and their total number reached 1,037 units.

Analysis of the dynamics of foreign trade turnover also showed an increase and in January 2019 it hit $ 3.35 billion, which, compared to the same period in 2018, shows an increase of $ 707.8 million.

As a result of measures taken by Uzbek Government to strengthen cooperation with the CIS countries and comprehensive support for foreign trade, the share of CIS countries in foreign trade turnover was 29.2 percent in January 2019 and, compared to the same period last year, the growth rate of foreign trade turnover reached 115.3 percent.

The share of other countries in foreign trade turnover in January 2019 increased by 2.9 percent and, amounted to 70.8 percent, compared to the same period in 2018.

The volume of exports of Uzbekistan in January 2019 amounted to $ 1.67 billion (an increase, compared to the same period last year, reached 16.6 percent).

The share of goods in the composition of exports reached 88.0 percent, of which energy resources and petroleum products - 14.8 percent, food products - 3.6 percent, ferrous and non-ferrous metals - 5.3 percent. Exports excluding gold increased by 46.1 percent, reaching $ 863.6 million.

Analysis of the dynamics of exports of goods and services showed that in January 2019, compared with January 2018, the volume of exports of goods increased by $ 228.9 million and amounted to $ 1.47 billion. The export of services reached $ 201.3 million.

China and Russia occupy the largest share in the export of goods and services of Uzbekistan. The share of these countries in total exports is 31.8 percent.

Exports of textile products amounted to $ 107.5 million in January 2019, and increased, compared to the same period of 2018, by 4.7 percent, which is 6.4 percent of total exports.

Of the export structure of textile products, the main share is cotton yarn (60.2 percent), as well as finished knitwear and garments (20.7 percent). Since the beginning of the year, more than 186 types of goods have been exported to 32 countries of the world.

In January 2019, imports in Uzbekistan amounted to $ 1.67 billion (a growth rate of 38.9 percent). The main share in its structure is occupied by machinery and equipment (42.3 percent), chemical products and products from it (13.3 percent), as well as ferrous and non-ferrous metals (6.6 percent).

The share of imported machinery and equipment in its total volume increased from 33.1 percent to 42.3 percent.

Analysis of the dynamics of imports of goods and services also showed that in January 2019, compared with January 2018, the volume of imports of goods increased by $ 447.5 million and totalled to $ 1.5 billion. Service imports reached $ 168.1 million.

Five major partner countries (China, Russia, Kazakhstan, South Korea and Turkey) have a share of 64 percent in total imports, which is $ 1.07 billion.

The volume of imports of services in January 2019 amounted to $ 168.1 million, or 10.0 percent of total imports, and increased by 15.0 percent, compared to the same period in 2018. The main imports of services are tourism, transport services, as well as financial and telecommunication, information and computer services.

In January 2019, the volume of imports of construction materials amounted to $ 96.0 million, and increased by 29.6 percent, compared to the same period in 2018.

The share of imports of building materials in the total amount is 5.7 percent. In the structure of imports of building materials, the main share is occupied by wood and wood products (54.0 percent), cement (8.2 percent), glass and wood products (6.1 percent), and asbestos (1.9 percent).

Source: azernews.az- Feb 18, 2019

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Bangladesh-India trade growth hurt by tariff, non-tariff barriers: World Bank

It says India imposes complex testing requirement on Bangladesh RMG

Different types of tariff and non-tariff barriers imposed by India and Bangladesh are the major impediments to the growth of bilateral trade and textile-clothing value chain engagement between the two countries, according to a World Bank report.

Both countries put a number of non-tariff barriers on textile and clothing products despite the agreement of cooperation between the Indian Bureau of Standards (BIS) and Bangladesh Standards and Testing Institution (BSTI), said the report titled 'The Textile-Clothing Value Chain in India and Bangladesh'.

According to the report, the specialisation of India is in the upstream segment — supplying such intermediate inputs as silk, cotton, yarn, and fabrics to Bangladesh while the specialisation of Bangladesh is in the downstream final apparel segment.

Tariff and non-tariff barriers in both countries inhibited the growth of value chain linkages, the report said.

'For example, India has imposed a testing requirement for RMG products which is very complex due to the divergent testing procedures for specific ingredients of the product at the laboratory level in each country.

Furthermore, India also imposes a CVD (countervailing duty) of 16 per cent on RMG exports from Bangladesh to protect its domestic garment industry,' the report read.

The World Bank report stated that exports of readymade garments from Bangladesh were yet to achieve effective market access in India due to non-tariff barriers.

It also said that the amended registration rules of India for importing raw jute and jute products made it mandatory that all importers would have to obtain a no objection certificate from the Jute Commissioner of India for each consignment and the procedure was restricting the import of raw jute and jute products from Bangladesh.

World Bank found that para-tariff barriers in India affected import of inputs for the export-oriented RMG industry of Bangladesh and prevalence of disguised trade barriers between the two countries inhibited the capacity of textile and clothing firms to engage efficiently in bilateral value chains.

'For instance, while India imposes a 1-per cent service tax on all imported items, Bangladesh charges a pre-inspection fee,' it said.

Frequent changes in regulations, procedural issues, lack of regulatory convergence and information asymmetry act as major barriers for the textile and clothing manufactures on both sides.

The WB suggested that both the countries need to put due emphasis on promoting the convergence of trade and technical standards, certification requirements, and testing requirements through mutual recognition agreement.

It said that reforms in trade policy (including rules of origin), trade facilitation, trade-related standards, and institutions could help both countries better take advantage of value chain linkages.

The report, however, said India and Bangladesh introduced various schemes that had enabled them to eliminate, reduce or refund tariffs for exporters and duty drawback schemes performed better in Bangladesh than India.

Traders in India experienced a cumbersome and time-consuming procedure of duty drawback schemes, the report observed.

The WP recommended reducing tariffs gradually through necessary reforms in the trade policy of Bangladesh and undertaking policy measures for strengthening its specialisation in clothing taking advantage from India's specialisation in textiles.

It also said India should undertake policy reforms to gradually eliminate incentives and subsidies, and gradually remove non-tariff barriers to improve efficiency and reduce distortions in the textile-clothing value chain and both the governments should explore all possible measures for trade and transport facilitation related reforms for easy clearance of goods and seamless cross-border movement of cargos.

The WB report suggested that India and Bangladesh encourage the movement of goods through other cheaper modes of transportation, such as inland waterway and sea as the cost of transportation through roads is very high in India and Bangladesh.

Rules of origin under the South Asian Free Trade Area need to be modified as the current rules do not place any restriction on sourcing textile-clothing intermediate inputs from non-member countries, the report said.

It also suggested that Bangladesh allow banks to open letters of credit for exporters before receiving export orders by the exporters.

Source: newagebd.net- Feb 19, 2019

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Textile millers knocked out by cheap yarns from China, India

Textile millers' stacks of unsold yarns and fabrics are getting higher due to massive leakage of imported bonded goods to the local market and invasion of cheap Chinese and Indian substitutes, said a top BTMA official yesterday.

KEY POINTS

- Some 30pc of yarn and fabrics worth Tk 15,000cr remained unsold since November
- Price of 30-carded cotton made yarn fell nearly 11pc to $2.90-$2.95 a kg now since November
- India and China are two major sources for cheap yarn
- The duty on commercial import of fabrics is nearly 37pc
- The local textile millers can supply 4bn metres of fabrics a year
- Around 6bn metres of fabrics are imported from China and 3bn metres from India a year
- The local textile millers can meet 85pc of the demand from the knitwear sector and 35pc from the woven sector
- Currently, the total investment in the primary textile sector is Tk 70,000cr

Since the turn of the year, the local market has become flooded with cheap Chinese and Indian yarns, according to Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA).

For instance, the widely consumed 30-carded cotton made yarn can now be bought for $2.90 to $2.95 a kg, down from $3.25 to $3.30 per kg in November last year.

This has left the textile millers with 30 percent unsold inventory worth about Tk 15,000 crore.
Subsequently, the BTMA president met with Salman F Rahman, prime minister's adviser on private industry and investment, on Sunday to request the government to take measures to stop the illegal imports.

“A section of unscrupulous traders have been importing yarn illegally in connivance with some government officials,” Khokon said in a statement after the meeting with Rahman at his residence.

For example, they open letters of credit for importing one truck of yarn through Benapole but they end up importing more due to lack of proper monitoring at the land port.

If the illegal imports are not checked, the local factories' inventory will soar and they will feel discouraged to continue production, he said.

The local spinners, which can meet 85 percent of the demand from the knitwear sector and 35 percent from the woven sector, have already slashed production by 40 percent because of the recent development.

Another problem afflicting the textile millers is that a section of unscrupulous traders have been selling goods imported under bonded facility.

The government allowed import of duty-free goods under bonded facility only for export-oriented garment factories.

“The importers are not interested in commercial import as they would have to pay nearly 37 percent duty.”

If the two issues are not addressed, the primary textile sector, which has Tk 70,000 crore tied up, will regress, he added.

Source: thedailystar.net- Feb 19, 2019

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Is Chinese textile products making backdoor entry through Bangladesh?

Value of knitwear exports rose 107 percent and woven garment exports by 161 percent.

After the government increased duties on textile products to check cheaper imports from China, apparel imports from Bangladesh has more than doubled. Industry suspects that Chinese products are making a backdoor entry into the country through Bangladesh.

Despite a spate of labour unrest in Bangladesh, apparel exports from that country to India grew 143 per cent between July and December to $270 million from $166 million in the same month last year, as per the data from Bangladesh Export Promotion Bureau.

Value of knitwear exports rose 107 per cent and woven garment exports by 161 ssper cent.

“Under the free trade agreement with us, imports from Bangladesh are not subject to any duty. We suspect that Chinese fabric is making a backdoor entry through Bangladesh as garments.

We have asked the government to implement the rule of origin provision for imports from Bangladesh,” said Sanjay Jain, chairman of Confederation of Indian Textile Industry.

The government had doubled the duties to 20 per cent for over 300 textile products, ranging from fibre to apparels, in August, mainly to check rising imports of cheaper products from China.

Imports started increasing after the implementation of GST. The effective duty rates came down as the countervailing duty of 12 per cent was done away with post-GST. In FY18, India’s textile imports jumped 16 per cent to a record $7 billion and of this around $3 billion came from China.

“Cheaper imports are a threat to the existence of MSMEs, which is the backbone of India’s textile industry,” said Jain. The industry had expected that the imports will come down by at least $1 billion this year due to the increased import duties. However, Bangladesh imports have now become a growing threat.

Apparels from Bangladesh are up to 30 per cent cheaper than Indian products as the labour cost is significantly lower there. Further, Bangladesh can get cheaper fabric from China.

As fabric accounts for 75 per cent of the cost of apparel, cheaper fabric too adds to the savings. Proximity is an added advantage when it comes to shipping products from Bangladesh to India.

Bangladesh expects the imports to rise in the coming months as well.

Source: asianage.com- Feb 19, 2019

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Thousands Fired From $30 Billion Bangladesh Garment Sector

Garment worker Rabeya started protesting on the streets of Dhaka in early January to pressure her employer -- one of Bangladesh's major suppliers to European clothing giant H&M -- to pay a new minimum wage for its workers. On Feb. 9, she said two company officials from Moon Readywears Ltd. told her not to bother returning to her job after lunch.

Rabeya, who uses one name, said it's because she joined a campaign to force her employer to pay her colleagues the new minimum by the Bangladesh Government for garment sector workers -- a claim the company denies. "I was vocal in defending our rights, that's my only fault," said Rabeya, who was paid 9,600 taka ($114) per month, which is above the minimum wage for a sewing machine operator. "We work hard day in and day out. Suddenly, our bosses come up to us and tell us to go home."

More than 11,000 workers have been fired after recent labor protests, according to one labor union, as Bangladesh's ready-made garment sector faces a renewed bout of labor turmoil. The sector is largely responsible for powering Bangladesh's fast-growing economy: It accounts for $30.61 billion in export earnings, which is 83 percent of total exports.

Bangladesh has the lowest wages of any major garment exporter in the world, though there are marginal exporters such as Myanmar and Ethiopia that pay less, according to Pennsylvania State University associate professor of labor relations Mark Anner. Globally, it's the second-largest clothing exporter after China and alongside Cambodia had the sector's fastest growth at 6 percent, according to a 2017 World Trade Organization report.

But following the government's move to increase wages just before the Dec. 30 election, workers say factories have refused to follow the new rules, while businesses have accused unions and workers of vandalizing factories.

Police and employers have filed cases against more than 3,000 workers. The unrest threatens to drag foreign retailers into another high-profile labor dispute four years after the collapse of the Rana Plaza complex in Dhaka killed 1,100 garment workers in 2013.

Security Concerns

Rabeya's former employer, Moon Readywears, a unit of the Setara Group that has done business with H&M for a decade, denied any wrongdoing. "It's labor migration," said Anwar Kamal Pasha, the company's owner. "If some workers of my company lose jobs, there are specific allegations of irregularities against them." Pasha would not address individual cases and said his company was compliant with the latest wage rules.

Bloomberg spoke to three workers of Moon Readywears who said they had lost their jobs. One of them, Abdul Mannan, a quality inspector, said he was fired Wednesday. Another, Mohammad Rana, was arrested on what he said was trumped-up charges of vandalism during street protests in a police case "influenced by the company".

He was later released on bail, but he was fired from his job. The third worker, Abdul Mannan, wasn't given any explanation on why he was fired. He claims the company owes him dues. Pasha did not respond to calls seeking comment on these claims. In a public statement, Hennes & Mauritz AB, known as H&M, said workers "have recently been dismissed from three factories that produce for H&M," among others, and said it was closely monitoring the situation.

Commerce Minister Tipu Munshi said in an interview that factory owners must follow the new wage law but acknowledged some factories, without identifying them by name, had failed to do so. "There are some companies that haven't followed the new wage rules," Munshi said.

The government has instructed law enforcement to investigate labor activists who have vandalized property, he added, "but not to harass innocent workers who just wanted a salary increase.""

Compliance Problems

The Bangladesh government is caught trying to strike a difficult balance between millions of workers and a sector that powers the economy, said Pratyush Rao, an associate director for India and South Asia at Control Risks, a consultancy.

Facing pressure ahead of the country's general election in December, the government raised wages but only to 8,000 Bangladeshi taka -- half of the union demands for a 16,000 taka monthly wage, Rao said.

Although he doesn't think the government will roll back wage improvements, there is the possibility the administration "may look the other way" rather than strictly cracking down on ready-made garment, or RMG, factories. "The government sees the RMG sector as a golden goose," Rao said. "It's one thing to come out with guidelines, and it's quite another in this part of the world, to ensure compliance."

The situation in Bangladesh should be causing foreign retailers to pay attention, said Mark Anner, director of the Center for Global Workers' Rights at Pennsylvania State University. "Local factories must come into compliance with the law," he said. "And brands and retailers need to review their costing practices to adjust for the wage increase."

Source: bloombergquint.com- Feb 17, 2019

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Pakistan: Good month for value added textiles

The numbers for textile exports were released recently by the Pakistan Bureau of Statistics (PBS) and contained no surprises for the 7MFY19 period. However, the monthly numbers for Jan-19 did manage to fan some optimism where exports grew 8 percent as compared to the same period last year.

Textile Exports (Value)

USD (Mn)	Jan-19	Jan-18	YoY	Dec-18	MoM	7MFY19	7MFY18	YoY
Cotton yarn	87	78	12%	76	14%	635	739	-14%
Cotton cloth	181	182	-1%	172	5%	1234	1249	-1%
Knitwear	249	214	16%	260	-4%	1724	1548	11%
Bed wear	193	181	7%	193	0%	1355	1306	4%
Towels	68	72	-6%	64	6%	446	458	-3%
Readymade garments	256	233	10%	238	8%	1516	1483	2%
Total	1168	1079	8%	1140	2%	7813	7721	1.2%

Source: PBS

This growth was led by value added segments particularly knitwear and readymade garments which saw a decent increase of 16 percent and 10 percent respectively in Jan-19 on a year-on-year basis. Moreover, the volume growth was even more impressive with knitwear showing an increase of 36 percent in quantity exported while garments showed a boost of 26 percent in quantity exported for the aforementioned period.

The other positive factor has been the increase in cotton yarn exports which increased by 12 percent in terms of value and 17 percent in terms of quantity exported for Jan-19 on a yearly basis. Recall that cotton yarn has seen a sharp decline given the slowdown in China due to trade war between the US and China which has resulted in suppressed demand for yarn by Chinese companies. The decline in cotton cloth exports which saw a dip of 31 percent in terms of quantity might also be construed as a good sign as it is being supplied for value added product manufacturing which fetch a much higher export price than cotton cloth.

Textile Exports (Quanity)

Quantity	Jan-19	Jan-18	YoY	Dec-18	MoM	7MFY19	7MFY18	YoY
Cotton yarn (M.T)	33,789	28,826	17.2%	29,654	13.9%	241,470	286,689	-15.8%
Cotton cloth (Th.Sqm)	135,975	197,909	-31.3%	132,425	2.7%	1,370,096	1,245,346	10.0%
Knitwear (Th.Doz)	12,261	9,031	35.8%	12,870	-4.7%	73,446	216,516	-66.1%
Bed wear (M.T)	30,861	30,891	-0.1%	30,912	-0.2%	242,733	139,055	74.6%
Towels (M.T)	15,699	17,896	-12.3%	15,951	-1.6%	106,307	121,184	-12.3%
Readymade garments (Th. Doz)	4,789	3,806	25.8%	4,453	7.5%	28,500	22,674	25.7%

Source: PBS

Industry pundits are expecting the second half of FY19 to bring more momentum to textile exports and their optimism might be well placed. Reasons for this are the lagged impact of a host of measures which will take time to reflect in increased exports for the sector. For example, the reduction in gas prices was only given a couple of months back while the issuance of promissory notes for pending sales tax refunds is set to begin by the end of this month.

Textile barons have already started to increase production capacity on the value added side. Nishat Mills Limited alone is set to increase its capacity by 50 percent in garments and knitwear and other value added products. Almost all demands of the sector have been met by the PTI government who has bet big on textile exports bringing the country's current account deficit much needed relief and now it is up to the textile firms to capitalise on the support.

Source: brecorder.com- Feb 19, 2019

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NATIONAL NEWS

Cotton procurement jumps 3-fold as prices drop below MSP

Cotton procurement by the Cotton Corporation of India (CCI) has crossed 8.5 lakh bales in the ongoing 2018-19 cotton season as prices remained below the minimum support prices (MSP) due to weak global prices and low exports. The Corporation expects procurement to touch 15 lakh bales by the end of the season.

The procurement figure was three times higher from the 3.6 lakh bales procured during the same period last year, said P Alli Rani, chairman and managing director, CCI.

A majority of the stock had been procured from Telangana and Maharashtra where farmers are now coming forward to sell to the CCI instead of approaching traders, she said. Cotton is also being bought from Madhya Pradesh, Karnataka and Odisha. Daily arrivals were 13,000-16,000 bales.

Alli Rani said the increase in procurement to the drop in prices. The prices have been on a decline in the global market. On the Intercontinental Exchange, the price hit a 15-month low last week, while on the Multi Commodity Exchange of India, prices are currently ruling at 10-month lows.

Until now, spot prices were higher than the global price as farmers in Maharashtra and Gujarat, the top two producers, have been holding on to their crop expecting a realisation of Rs 6,000 per quintal because of the expectation of a lower output this year.

The MSP for medium-staple variety of cotton is at Rs 5,150/quintal and that for long staple at Rs 5,450/quintal which are roughly equivalent to Rs 43,000-43,500 per candy (1 candy = 356 kg). The government had raised the MSP for cotton by 26% this year. Around 52% of the crop has already arrived in the market.

In Gujarat, the Shankar-6 variety was sold for Rs 41,500-42,800 per candy (1 candy = 355.62 kg). In Maharashtra, the 29-30 mm variety was sold for Rs 41,500-42,500 per candy. Output in Maharashtra is estimated around 70 lakh bales, lower than 85-90 lakh bales projected during the sowing period.

The season had began on a bullish note with prices touching `5,800-5,900/quintal last month.

According to trade sources, contracts worth Rs 5 lakh bales to Pakistan are on hold following the Pulwama attack and have brought down sentiment by Rs 500 per candy.

Pradeep Jain, president, Khandesh Ginning and Pressing Association, said farmers who were holding onto stocks until now were in despair to get better prices and had begun bringing their cotton to the market.

Prices in Maharashtra were around `41,000 per candy and a lot of uncertainty prevailed, he said.

The Cotton Association of India (CAI) recently lowered its January estimate of the cotton crop by 5 lakh bales than its previous estimate to 330 lakh bales (of 170 kg each) for the 2018-19 season, beginning from October 1, 2018.

The main reason for the dip is mainly due to farmers — in the southern zones, including Andhra Pradesh, Karnataka and Telangana — uprooting cotton plants following moisture deficiency, CAI had said.

Earlier, in the December estimate, CAI had projected 335 lakh bales. The CAI has reduced the crop estimates for Telangana by 2.50 lakh bales to 45 lakh bales, Andhra Pradesh by 50,000 bales to 16 lakh bales and Karnataka by 2 lakh bales to 15 lakh bales.

Source: financialexpress.com- Feb 19, 2019

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Saudi Arabia, India to ink five MoUs to boost ties

New Delhi hopes to make the most of Crown Prince Mohammed Salman's visit

Saudi Arabia will look at major areas for investments in India, sign pacts with agencies such as Invest India and participate in the country's infrastructure fund during Crown Prince Mohammed bin Salman's visit on Tuesday a day after he pledged investments worth an estimated $20 billion to Pakistan.

Five MoUs are expected to be signed during the Crown Prince's visit to New Delhi in areas such as investments, tourism, housing, information and broadcasting, according to the Ministry of External Affairs.

"The investments that Saudi Arabia will make in India will be very different in scope from what it will do in Pakistan. In India, it would be participating in the country's growth story while in Pakistan it would be helping in trying to keep a debt-ridden nation's economy from sinking," a government official told BusinessLine

While Salman's closeness with Pakistan demonstrated during his Islamabad visit may not have made India happy, New Delhi has decided to focus on making the most of the Crown Prince's visit to India by forging stronger ties with Saudi Arabia, its fourth largest trade partner. Saudi Arabia also accounts for about 20 per cent of India's oil and gas imports.

Areas of cooperation

The two sides will discuss cooperation in several other areas such as energy, including renewable energy, fertilizers, ICT, healthcare & pharmaceuticals, electronic items, agriculture, aviation and cold storages will also be discussed. "A team from the NITI Aayog recently went to Saudi Arabia to look at potential areas for cooperation. The two sides identified a number of sectors for possible cooperation and these would be discussed during the royal visit," the official said.

Saudi Arabia is the fourth largest trade partner for India with bilateral trade last fiscal at $27.4 billion and also accounts for about 20 per cent of India's oil and gas imports. Moreover, India has been identified as one of the eight strategic partners with whom Saudi Arabia intends to deepen partnership in areas of political, security, trade and investment and culture.

“As part of this engagement, we are finalising the setting up of ‘strategic partnership council’ between the two countries at the ministerial level. We are confident that this will give greater thrust to our strategic partnership and take forward our discussions in a focussed and action-oriented manner. This engagement has already begun between concerned authorities of both the countries in select sectors of mutual interest especially in trade, investment and economic issues,” said TS Tirumurti, Secretary (Economic Relations) at a briefing.

Salman is scheduled to meet Prime Minister Narendra Modi and President Ram Nath Kovind during his visit.

Source: thehindubusinessline.com- Feb 19, 2019

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Manufacturing sector needs a big boost

The 15th Finance Commission which met the representatives of Trade and Industries bodies has noted that the tertiary sector comprising IT and ITES sectors have been the key drivers of Gross State Value Added (GSVA).

GSVA is the measure of the value of goods and services produced in the sector of an economy and the Telangana’s share is over 10% of country’s IT exports. The share of secondary sector in GSVA in Telangana is the lowest among southern States.

The meeting on Monday discussed the State’s need to provide impetus to the development of manufacturing sector to reduce over dependence on IT/ITES to reduce risk to growth.

The meeting also discussed that out of 33 districts, only four districts -- Ranga Reddy, Hyderabad, Medchal-Malkajgiri and Sangareddy -- have a per capital income that is above State’s average. These districts were the onces where the industry and service sector activities are concentrated -- leaving large areas of under development in the State.

The State did well in GST implementation and the number of dealers post-GST increased by 37.4% and the GST revenue registered 20% growth.

The State did not receive any GST compensation except for initial months, the meeting was informed.

Source: thehindu.com- Feb 19, 2019

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Angel Tax relief: Govt widens definition of start-ups, eases exemption rules

CBDT instructs officials not to carry out recovery of demand against entities served demand notices

The Government has widened the definition of startups to partly address angel tax woes by increasing the time period for such ventures to be treated as startups, increasing the turnover criteria and also raising the tax exemption limit for investments made.

"An entity shall be considered a startup up to 10 years from its date of incorporation instead of the existing period of 7 years," Commerce Minister Suresh Prabhu said in a tweet.

The Government has also expanded the turnover criteria. “Now a firm can be a startup even if its turnover for any of the financial years since its incorporation hasn’t exceeded Rs 100 crore instead of the existing cap of ₹ 25 crore,” according to an official release circulated by the Commerce & Industry Ministry. Currently the limit for tax exemption is ₹ 10 crore.

The minister has also stated that considerations of shares received by eligible startups for shares issued or proposed to be issued by all investors shall be exempt up to an aggregate limit of ₹ 25 crore.

The Government had setup a working group constituting of angel investors and startup founders to look into issues faced by angel investors. This followed protests by investors that the Government’s angel tax notification on January 16 to check misuse of the tax exemption would also hurt genuine startups.

The new notification will come out today, the Minister said.

PTI Reports

"For being eligible for exemption under Section 56(2)(viib), a startup should not be investing in immovable property, transport vehicles above Rs 10 Lakh, loans and advances, capital contribution to other entities and some other assets except in the ordinary course of its business," an official said.

A startup shall also be eligible for exemption under Section 56(2)(viib) if it is a private limited company recognised by the department for promotion of industry and internal trade (DPIIT) and is not investing in specified asset classes.

Eligible startups only have to file a duly signed self-declaration by with DPIIT for availing exemption. DPIIT shall transmit these declarations to Central Board of Direct Taxes (CBDT).

Further, there is no requirement of making any application for exemption under this section and there will be no case-to-case examination of startups for exemption under Section 56(2)(viib) of Income Tax Act.

"The valuation of shares is no more a criterion for exemption of investments into eligible startups under Section 56(2)(viib) of Income Tax Act," the official added.

The development assumes significance as several startups have claimed to receive angel tax notices, impacting their businesses.

Various startups have raised concerns on notices sent to them under the Section 56 of Income Tax Act to pay taxes on angel funds received by them.

Section 56(2)(viib) of the Income Tax Act provides that the amount raised by a startup in excess of its fair market value would be deemed as income from other sources and would be taxed at 30 per cent.

Touted as an anti-abuse measure, this section was introduced in 2012. It is dubbed as angel tax due to its impact on investments made by angel investors in startup ventures.

Source: thehindubusinessline.com- Feb 19, 2019

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Government needs to focus on man-made textiles, must increase duty on its imports: CITI

It is high time India must focus on man-made textiles, along with cotton ones, to achieve the desired target of $300-billion market by 2025, said the Confederation of Indian Textile Industry (CITI).

Globally, fibre consumption is dominated by man-made fibres (MMF), having 70% share in the total fibre consumption, while natural fibres constitute only 30%.

Contrary to the global trend, fibre consumption in India is skewed towards natural fibres, especially cotton. The growth of cotton is limited owing to low agricultural land availability and price volatility. Hence, it had become important for India to focus on man-made textiles along with cotton ones, said Sanjay Jain, chairman, CITI, on Monday.

Jain also expressed concerns over rising imports of man-made textiles after the implementation of the good and services tax (GST). In the post-GST regime import of yarn, fabrics and garments has increased substantially by 60%, 12% and 29%, respectively.

The government should increase the import duty on MMF-based spun yarn and fabrics as huge surge of imports has been seen in this category post-GST which is impacting spun yarn and fabric manufacturers in a big way.

Rakesh Mehra, convenor, sub-committee on MMF and yarn, CITI, said the downstream industries in the MMF textile value chain – spinning and weaving — which is also the largest employment generator in the entire value chain, are facing acute stress due to high prices of domestic staple fibre.

He said this affected export competitiveness of the domestic downstream MMF textile industry and also made the sector venerable to imports of value-added MMF products.

Mehra also said anti-dumping duties in the beginning of the textile manufacturing chain hurt the downstream sector.

Currently, anti-dumping duty on purified terephthalic acid (PTA) is `4-6 per kg and `12 per kg on viscose staple fibre (VSF).

India has a huge and efficient capacity in manufacturing polyester staple fibre and VSF. Moreover, import of man-made staple fibre in 2017-18 stood at 149 million kg which is less than 15% of the total man-made staple fibre consumption in India.

Hence, it has been suggested that the government may abstain from enhancing custom duties and levying anti-dumping duties on staple fibres. This would allow the downstream industries along the value chain to grow, he added.

According to Jain, the inverted duty structure in the case of MMF textiles has led to the GST being put on capital goods, services and certain inputs being added to cost in the hands of the MMF textile buyer. These taxes are not considered for the calculation of refund of input tax credits. This has made MMF textiles costlier.

This will curb further expansion in MMF textile value chain. The refund of input credits due to this is a tedious task and the smaller players are unable to avail it and those who are getting refund are facing liquidity stress. These issues were responsible for the import of MMF yarn and fabric becoming viable and preferred, he added.

Based on the analysis of China's export of MMF textiles and clothing, the share of value-added products such as fabric, apparel and home textiles is 85%, against 65% in India.

Fibre and yarn constitute 7% of their total exports whereas the corresponding number in our case is 22%. Thus, it is only logical to conclude that India must concentrate on increasing exports of value-added products along the value chain.

Source: financialexpress.com- Feb 19, 2019

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Argentina invites Indian investment

Argentina on Monday invited Indian business to invest in the Latin American nation in a move to boost the current low level of bilateral trade with India and take the relationship to a higher level.

Following Macri's talks with Modi on Monday, the two sides signed 10 MoUs for greater cooperation in a range of areas including in information and communications technology, nuclear energy and agriculture.

Addressing the India-Argentina Business Forum here organised by the Confederation of Indian Industry (CII) President Mauricio Macri said Indian enterprise is "most welcome" in Argentina in a situation of "endless potential" for economic cooperation between both nations.

Macri, who arrived on his first official visit to India on Sunday, held delegation-level talks with Prime Minister Narendra Modi earlier on Monday.

"I invite you to participate in this process of integration between our two countries...to invest, partner and participate in the unprecedented pace of development that is taking place in Argentina," Macri said, addressing the business forum.

Declaring that Argentina wants to learn from India's experience in "innovation and sustainable development," the President said his delegation includes representatives from Argentina's MSME sector, as well as business representing all the 11 provinces in the country.

"There are many complementarities between both countries, for instance, that between India's EV (electric vehicles) programme target for 2030 and Argentina's lithium programme," he said.

Lithium is important for solar power projects and a key element of lithium-ion batteries for EVs, while, following Modi's meeting with Macri in Argentina last year, an Indian consortium has been to the South American country to explore mining of lithium and copper.

Macri pointed to potential areas of cooperation as being agro-industry, non-conventional energy sources, renewables and the knowledge economy, among others.

Argentina, which supports India's bid for membership of the Nuclear Suppliers Group (NSG), will hold its first nuclear talks with India in Mumbai later this week through the mechanism of a joint nuclear group.

While the current bilateral trade stands at a modest $3 billion, Macri's visit, coinciding with the 70th anniversary of diplomatic relations, is part of efforts to upgrade the relationship to the "strategic level".

Addressing the gathering earlier, Commerce Minister Suresh Prabhu said that India is looking to expand the current preferential trade agreement (PTA) with Argentina to a "higher level."

He also praised Argentina's efforts in the World Trade Organisation (WTO) in the context of a "new wave of protectionism."

Source: business-standard.com- Feb 18, 2019

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Pulwama attack: India's 200% duty is as good as a ban on Pakistani imports

The duty hike came a day after India withdrew the 'most-favoured nation' status it had granted to Pakistan

India on Saturday hiked the customs duty on all goods imported from Pakistan to 200 per cent, in the aftermath of the Pulwama terrorist attack that claimed the lives of 40 Central Reserve Police Force personnel.

What does this mean?

In effect, according to agency reports, slapping 200 per cent import duty means almost banning imports from Pakistan. That is because such a big hike in the customs duty will drastically increase the prices of Pakistani goods coming to India, thereby making them far less competitive against other imported goods.

What are the products most likely to be hit?

The top ten products Pakistan exports to India include fresh fruits, cement, petroleum products, minerals and leather, according to agency reports. Further, processed minerals, inorganic chemicals, raw cotton, cotton fabrics, and glass and glassware are also among items that account for 95 per cent of the total shipments from Pakistan to India.

The two main items imported from Pakistan are fruits and cement, which attracted customs duty of 30-50 % and 7.5%, respectively. Domestic importers who have already placed their orders from Pakistan may face issues after this decision.

They may have to pay the 200% duty or undertake lot of paperwork to get their consignment.

How is this linked to India withdrawing MFN status to Pakistan?

The duty hike came a day after India withdrew the 'most-favoured nation' (MFN) status it had granted to Pakistan. The move, as reported earlier, enabled India to increase customs duty on goods coming from the neighbouring country.

India had granted MFN status to Pakistan in 1996. However, Pakistan had not extended the same status to India.

The World Trade Organization's (WTO's) General Agreement on Tariffs and Trade governs the specifics of what it means to grant MFN status to a country.

In essence, countries that are a signatory to the agreement have agreed not to discriminate against each other and the rest of the WTO member nations.

Is this a big blow to Pakistan?

The top 10 export destinations for Pakistani goods do not include India, as reported earlier. However, trade with India is crucial for select goods, like leather hides and cheaper variants of fertilisers.

What will be the impact on Indian trade?

The numbers tell the story. Bilateral trade between India and Pakistan in 2017-18 stood at $2.4 billion, which amounts to just 0.3 per cent of India's overall merchandise trade.

India's exports to Pakistan stood at $1.9 billion that year, or just 0.63 per cent of its total exports. Imports from Pakistan amounted to $488 million, or 0.10 per cent of India's total inward shipments.

What other measures can India take against Pakistan on the trade front?

In the wake of the attack, government officials told Business Standard that India is considering suspending trade ties with Pakistan. Any decision to stop exports to Pakistan will likely affect its cotton industry, which relies on cotton bales sourced from India.

Further, Pakistan is also dependent on cheaper varieties of Indian pharmaceutical products and machinery items, which it will find difficult to source from other countries.

Financial Action Task Force to be given dossier to blacklist Pakistan for terror links

Moreover, India is further expected to seek Pakistan's blacklisting in the upcoming Financial Action Task Force (FATF) meeting, and according to reports, Indian agencies are already busy preparing a dossier to establish Pakistan's culpability in the recent Pulwama attack.

Pakistan is currently on the FATF grey list. The meeting is taking place on February 17-22 in Paris. An Economic Times report said India will also impress upon the European Commission to act on its proposal to blacklist Pakistan. The commission typically does that to countries on the FATF grey list.

A country is placed on the FATF blacklist if it is deemed to be "non-cooperative" in the global fight against terrorist financing and money laundering.

If the FATF blacklists Pakistan, it could lead to a downgrading of the country by multilateral lenders such as the International Monetary Fund, World Bank and the Asian Development Bank. It may also lead to a reduction in risk rating by ratings agencies such as Moody's, S&P and Fitch.

Source: business-standard.com- Feb 18, 2019

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Apparel exports drop by 30% due to low demand

Apparel exports have witnessed a sharp drop in demand leading to towering inventories and rising liabilities of local manufacturers, industry players said.

Exports of apparels have dropped by over 30 per cent in comparison to a year ago, experts said.

Madhya Pradesh Textiles Mills Association secretary M C Rawat said, "Apparel exports are going through a rough phase due to price competency. Demand for locally manufactured apparels has gone down in the international market owing to lack of tax benefits as availed by other manufacturing countries."

MP is the fourth largest cotton producing state but despite that local textile industries are getting tough competition from rivals due to higher costing.

Industrialists said that other leading textile exporters get duty exemption for textile industries unlike India which leads to higher costing for Indian products.

A senior executive at a leading apparel manufacturer from Dhar said, "We have seen a drop of over 30 per cent in exports from our regular markets. Traditional customers are shifting base to other countries due to less prices but for us it is not possible to cut down the cost as we do not enjoy any tax benefit unlike our rivals."

India has a share of over 5 per cent of global textile and apparel trade of which garment contribute the most 37 percent followed by cotton yarn and fabrics which compromis about 23 per cent.

Local manufacturers said in absence of demand, stocks are going up and running expenses are mounting.

Source: timesofindia.com- Feb 19, 2019

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Koppal toy, Ballari textile clusters by next year

Export of Koppal toys and Ballari textiles are set to get a fillip, with chief minister HD Kumaraswamy on Monday launching two China-model clusters to scale up their manufacture.

The toy and textile clusters are among the nine industrial development clusters announced by the government earlier.

The clusters will generate one lakh unskilled, semi-skilled jobs for labourers in each of the nine clusters, the CM told industry leaders after the launch. The two clusters will be up and running early next year.

Kumaraswamy claimed the government's investor-friendly approach has fostered an efficient business environment in Karnataka.

Addressing industry leaders in the city on Monday, the CM said the government is open to their suggestions and willing to support the industry through subsidy. “Empowerment of women is our prime focus,” he added.

Ananth Padmanabhan of Shahi Exports Pvt Ltd, which is setting up a unit in the Ballari cluster, said 650 acres has already been identified at Kuditini, Ballari, and work to establish the cluster would start shortly. “In the last 25 years, no new textile industries have come up in the state.

That's because the cost of running the company for the first three to five years will be more due to less productivity and untrained employees. These clusters are an opportunity for industries,” he said.

S Subramanya, economic advisor to the CM, said the US's economic stand towards China has changed and India is in a race with its neighbour. “China is slowing down in terms of manufacture; the country is going through economic transition.

Like China, India has huge unskilled population who should be trained for the manufacturing sector," said Subramanya, who is involved in making the clusters a reality over the last six months.

Source: timesofindia.com- Feb 19, 2019

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Aditya Birla Fashion to set up Rs 114 crore manufacturing plant in Odisha

Odisha industries department principal secretary Sanjeev Chopra said the proposal has been approved in the single window clearance on Tuesday.

Aditya Birla Fashion and Retail (ABFRL) is investing Rs 114 crore to set up a new apparel manufacturing plant in Rayagda district of Odisha with potential to create over 2750 jobs. This unit will have a capacity to produce 3.6 million pieces of apparel per annum.

Odisha industries department principal secretary Sanjeev Chopra said the proposal has been approved in the single window clearance on Tuesday. "This will be the second apparel manufacturing unit of ABFRL in Odisha and comes on the heels of the first unit in Bhubaneswar set up in November last year," he said.

Chopra said this will be a milestone development in Rayagada district as 2,750 jobs will be created, most of which will be for women.

The company has indicated in its proposal that the new up-coming plant will be financed 30% by equity and balance 70% by term loan. The project will be implemented within 24 months from the date of approval.

ABFRL sells in-house brands such as Louis Philippe, Allen Solly, Peter England and also operates the fashion retail chain Pantaloons. The company's first unit in Odisha has a capacity of four million shirts per annum and employs around 2,000 employees who are mostly women.

Source: economictimes.com- Feb 19, 2019

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