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IBTEX No. 238 of 2018 — November 21, 2018

USD 71.23| EUR 81.04 | GBP 91.12 | JPY 0.63

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INTERNATIONAL NEWS

Trump Says He May Not Impose More Tariffs on China

As the world—and the apparel industry in particular—braces for what could be 25 percent tariffs on certain apparel-related products come January, the man behind the tariffs says he may not have to go that route at all.

The U.S. has already imposed $250 billion worth of tariffs on China-made goods in hopes the moves would encourage China to right its trade wrongs—namely those tied to improved market access for U.S. companies and better protections for intellectual property. But China has instead responded with $110 billion worth of tariffs on goods it takes in from the U.S.

With the threat of taking the tariffs to the full $500 billion worth of goods the U.S. brings in from China, U.S. businesses have been waiting with bated breath to see how the trade war would shake out.

According to President Trump's latest comments, however, the blow may not be all that bad.

In remarks following the signing of the Cybersecurity and Infrastructure Security Agency Act Friday, the president said, with regard to imposing more tariffs on China: "We may not have to do that. China would like to make a deal."

The comments came in response to a list Beijing sent to the United States outlining 142 measures it is willing to take to resolve trade tensions between the two nations. While the list has at least given Trump pause, it's not quite to his liking.

"They sent a list of things that they're willing to do, which was a large list. And it's just not acceptable to me yet. But at some point, I think that we are doing extremely well with respect to China," the president said.

The aim is still for "reciprocal" trade, Trump went on, noting that there are "four or five big things" China left off its list of concessions, though the president said he thinks "we'll probably get them too" and be able to make the deal with China.

"And if we don't, we're doing very well just the way it is right now. We have tariffs coming in on $250 billion worth of goods. And these are —we're talking about billions and billions of dollars a month will flow into our country, and has already started flowing into our country that comes from China. So China has never been put in this position," Trump said. "And I don't want to put them in a bad position; I want to put them in a great position."

Source: sourcingjournal.com - Nov 20, 2018

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Australian drought, sporty shoppers push up prices of wool clothing

A jump in the price of wool from drought-ravaged Australia, the world's top exporter of high-quality fleeces, is rattling through the global clothing supply chain, with some mills passing along costs and retailers cutting down on wool or raising prices.

Italian clothmaker Botto Giuseppe, which supplies luxury brands Giorgio Armani SpA and Max Mara, says it has increased prices on average by 7 to 8 percent in the last year on wool fabric, while high-end Swiss-based sportswear label Mover has put up the retail price of its merino wool t-shirts by 15 percent.

"The wool price has increased consistently over the past three years," said Silvio Botto Poala, Chief Executive Officer of Botto Giuseppe, a 142-year-old company. "But the big jump has been in the past year."

Neither Armani or Max Mara immediately responded to requests for comment.

Meanwhile, Swedish fast fashion company H&M <HMb.ST> has cut down on the amount of wool it uses in production, it said in an emailed response to Reuters' questions, thus avoiding price rises on items like wool-blend sweaters and coats. It declined to give further details.

Botto Giuseppe has increased the price of wool flannel fabric used for suits to 19.50 euros per metre compared to 18 euros a year ago, CEO Botto Poala said. Pure merino wool t-shirts from Swiss skiwear label Mover retail for 75 euros ($85), compared to 65 euros last year, CEO Nicolas Rochat said.

Pendleton, a sixth-generation-owned, Oregon-based textile company known for its plaid woolen shirts, said it would put up some of its prices next year due to higher wool prices.

"We won't go into less expensive wools, we will just have to take a sharper margin and we'll have to increase the price," said John Bishop, CEO of the company which has collaborated with Nike <NKE.N> on a range of plaid wool sneakers. The privately-held company declined to give details on how margins will be affected. Nike did not respond to several requests for comment.

Wool has become increasingly popular for use in sportswear due to its temperature regulating properties and a surge in demand for sustainable fabrics, particularly from younger consumers, manufacturers and farmers say. But the jump in demand has coincided with a sustained drought in the east of Australia, which supplies over 90 percent of the world's exported high-quality wool used in clothing.

BUYERS PUSH BACK Lack of rain has turned pastures barren, driving farmers to bring in expensive feed. Many have had to send livestock to abattoirs, prompting Australia's chief commodity forecaster ABARES to cut wool production forecasts by 4 percent this year. Anthony Uren, manager at the Congi farm in the north-east of New South Wales, said he was keeping his 36,000 merino sheep fed on parched paddocks by bringing in feed like hay and barley. "We've never had less rainfall than we've had this year," said Uren, who supplies wool to Botto Giuseppe, among others.

Benchmark prices for high-quality Australian wool were trading at more than A$21 ($15.40) a kg in August, up from A$16 a year earlier. The effects of drought are now clearly visible to wool growers and buyers.

Fleeces of animals affected by drought are thinner and often tainted by dust, said buyer Andrew Blanch, managing director of Italian textile maker-owned New England Wool.

Clients of Chinese wool mills are also starting to balk at the high prices, leading to a stand-off between buyers and sellers and some bales being left unsold, said Michael Jones, chief executive of Australia's dominant wool storage and export house, AWH.

As a result, prices have retreated 15 percent since September, according to Australian Wool Innovation auction price reports. But prices are still near historical highs and sellers know they are in possession of an in-demand product facing supply shortages, Jones said.

ACTIVE WEAR Demand for wool active wear in particular continues to grow. Italian clothmaker Reda started to produce woollen sports fabrics after the financial crash of 2008 which saw demand for suits tumble, said CEO Ercole Botto Poala, who is related to the chief executive of Botto Giuseppe. Wool active wear fabric now makes up 10 percent of the company's 110 million euro annual turnover and is its fastest-growing product range, he said.

The company bought new factory space in May to keep up with consumer demand, he said. Reda's clients range from San Francisco-based wool sneaker brand Allbirds, popular with Silicon Valley tech workers, to luxury label Zegna which uses its trade-marked fabric Techmerino in a range of pure wool casual wear including sweatpants. Reda has put up its prices in response to higher wool prices, but declined to say by how much. Neither Allbirds nor Zegna would comment on the matter.

Source: euronews.com- Nov 19, 2018

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US-China trade clash blocks APEC declaration

Tensions between the U.S. and China escalated on the final day of the 2018 Asia-Pacific Economic Cooperation summit, forcing the 21 members to wrap up without a joint declaration for the first time since meetings began in 1993.

Papua New Guinean Prime Minister Peter O'Neill, who hosted and chaired this year's summit, said he would issue a chairman's statement later as a substitute.

"There is a statement of consensus that has been agreed to by the leaders that I am authorized to release," O'Neill said. "Out of that, there are only one or two issues they disagreed on."

U.S. President Donald Trump and his Chinese counterpart, Xi Jinping, are expected to meet for a summit in Argentina in two weeks. Increased friction ahead of this is seen as a major reason for the unprecedented failure to issue an APEC communique.

Trump's administration favors bilateral trade agreements in the Indo-Pacific region, which includes India, over multilateral trading arrangements.

This policy has clashed with those of other APEC members, especially China, which strongly insists on the need for a regional free trade deal. Such a multilateral framework could help Asia's largest economy expand its influence through the multibillion-dollar Belt and Road Initiative.

"Global development faces acute, deep-seated problems," Xi said in his summit speech on Sunday. "Protectionism and unilateralism are resurfacing."

In an apparent jab at Trump and his "America First" approach, Xi said: "The multilateral trading system is under assault. The global economic environment is fraught with risks and uncertainties."

For his part, U.S. Vice President Mike Pence reiterated American criticism of China's trade practices. "There are differences today: They begin with trade practices, with tariffs and quotas, forced technology transfers, the theft of intellectual property," he said.

The boxing between the two countries started earlier this year with tit-for-tat tariffs. Their quarrel intensified on the ASEAN Summit stage, when Pence strongly criticized China over territorial disputes and expansion of military presence.

In continuing the war of words in Papua New Guinea, Pence not only blasted China over its trade behavior but also security and human rights issues. In addition, the vice president touched on China's investment spree in the Asia-Pacific region and concerns that the Belt and Road Initiative is pulling countries into a debt trap.

O'Neill said other countries also weighed in with opinions on trade, "not only the U.S. and China."

Japanese Prime Minister Shinzo Abe was quoted by an official from Japan as saying: "As the flag-bearer of free trade, Japan will take necessary steps to develop free and fair rules in multilateral, regional, and bilateral relations." This can be seen as a balancing act to maintain positive relations with both the U.S. and China.

O'Neill said reforming the World Trade Organization and other trade issues were the major points of contention. The U.S. pushed for an entry in the abandoned joint declaration stating that the WTO "is currently not functioning as envisioned by its members." It also sought to strike out the entry on a "multilateral trading system," a bedrock principle of APEC, but was met with strong opposition from most members.

China, meanwhile, pushed to include “recommit to stand against protectionism and unilateralism,” in an apparent protest against Trump’s “America first” policy.

Xi and Pence did have chances to talk directly in Papua New Guinea. The U.S. Vice President told reporters he spoke twice with Xi. Pence told the Chinese leader Washington is interested in a better relationship “but there has to be change.” Meanwhile, Xi replied by saying that “dialogue is important,” according to Pence.

The U.S. and China will head toward the Trump-Xi summit in Argentina with some disagreements. Pence said issues ranging from trade practices, the theft of intellectual property, freedom of navigation in the seas and concerns about human rights would be topics of discussions for Xi and Trump at the summit.

This year's APEC summit, hosted by the New Guinean government for the first time, exposed deep global divisions.

"The APEC leaders also recognized the rising tensions between the trading countries around the world, particularly on goods and services that are traded between each other," O'Neill said.

Tensions had built up in the run-up to the summit. Pence and Xi engaged in a verbal tussle at the APEC CEO summit on Saturday. And, at the drafting of the ministerial meeting statement on Thursday, a source said there was a "heated exchange" between Washington and Beijing over protectionism.

China, a key aid provider to Papua New Guinea, attempted to influence the drafting of the communique. Four Chinese officials barged into the office of Papua New Guinea's Foreign Minister Rimbink Pato on Saturday afternoon, demanding a discussion on the wording of the communique after being denied a meeting, according to Australian Broadcasting Corp.

Security was called to the office and the officials had to be escorted out, something China senior Foreign Ministry official Wang Xiaolong has denied.

"The entire world is concerned about the debate that is going on about trade relations between China and the U.S.," O'Neill said.

But he is holding out hope. "This is a situation that both countries need to sit down and resolve," he said. "And I believe that the G-20 meeting that will be [held] very shortly will be an opportune time" to do so.

Source: asia.nikkei.com - Nov 19, 2018

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New Report Says Financial Volatility Latest Threat to Global Growth

As the global economy wobbles, vulnerability from hot button issues such as trade tensions and oil prices are rising.

According to the November “Forecast Flash” from Global Insight by IHS Markit, with the exception of the U.S., all key economies in the world have experienced slower growth in 2018 compared to the previous year. And the U.S. economy is on borrowed time.

IHS Markit chief economist Nariman Behravesh, and Sara Johnson, executive director of Global Economics, who authored the report, said these economies “will continue to see weak or even weaker growth during the next two years.”

“The unsynchronized acceleration in U.S. growth is almost entirely due to fiscal stimulus,” Behravesh and Johnson wrote. “This stimulus will wear off by late 2019 and early 2020, and the U.S. economy will join the others in seeing a significant loss of speed.”

Several factors have contributed to this darkening global picture, according to the report, including the gradual removal of liquidity in these economies, higher oil prices and the elevated level of trade tensions, notably between the U.S. and China.

There could be some relief on oil prices, however, which fell on Tuesday after four days of gains. Brent crude, the global benchmark for oil prices, declined $3.41, or 5.1 percent, to $63.38 a barrel, hitting an eight-month low. On a consumer level, a gallon of gas at the pump in the U.S. was $2.61 on Tuesday compared to $2.86 a gallon a month ago and $2.53 a year ago, according to the American Automobile Association.

“Even without a full-blown bear market, the combined effects of policy uncertainty and large financial gyrations are hurting business sentiment and capital spending,” the economists said.

In the U.S., real gross domestic product (GDP) grew at a 3.5 percent annual rate in the third quarter, following 4.2 percent growth in the second quarter, marking the best two-quarter performance in four years.

The 10 percent tariffs on $200 billion of imports from China that went into effect in late September and could increase to 25 percent in January are boosting the near-term inflation forecast, but should only have only a small negative impact on real growth, IHS said. While President Trump has indicated those additional tariffs might be averted, apparel industry experts have said the uncertainty has already set in, causing sourcing shifts and rising costs.

On the plus side, the fiscal stimulus from recent tax cuts and spending increases should fuel growth in the next several quarters, the report said. IHS Markit looks for U.S. real GDP growth to reach 2.9 percent this year before slowing to 2.7 percent in 2019, 2.1 percent in 2020 and 1.6 percent in 2021.

In China, Behvaresh and Johnson said, “A determined government response will limit the damage from U.S. tariffs. China’s government has responded to weaker third-quarter growth–6.5 percent year-to-year compared with 6.7 percent in the second quarter–and U.S. tariffs (actual and threatened) by relaunching fiscal and monetary stimulus.”

The report noted that indications of more-relaxed government fiscal policy, such as personal income tax cuts for middle- and low-income households, new nontraditional state financing flows and a surge in local government debt issuance, are a positive. IHS's forecast for real GDP growth for China is 6.6 percent this year, 6.1 percent in 2019 and 6 percent in 2020.

European economies are seeing "weaker growth and rising political uncertainty," the report noted. Real GDP growth slowed to just 0.2 percent quarter on quarter in Q3, the slowest pace since the second quarter of 2014.

"The Eurozone faces multiple headwinds–slowing export growth and rising political uncertainty," which includes the budget standoff between the European Union and Italy, and the uncertain governing coalition in Germany, the report said.

As a result, Eurozone real GDP growth is expected to slow to 1.9 percent this year from 2.5% in 2017, and continue to weaken to 1.5 percent next year and 1.2 percent in 2020. Economic growth in the U.K. is projected to slow to 1.3 percent in 2018 and 1.1 percent in 2019 after 1.7 percent growth last year. However, the mounting turmoil around Brexit could further curtail growth.

As for the rest of the world, the report said, "Autonomous growth will not be strong enough to help."

"In recent months, emerging markets have been battered–some more than others–in part because of developments outside of their control," IHS said. "Monetary conditions are beginning to tighten around the world.

Interest rate increases in the United States, Canada, and United Kingdom have put downward pressure on emerging-market currencies. Meanwhile, global growth has peaked and oil prices are significantly higher than a year ago, hurting oil importers."

In addition, some of the problems for emerging-market countries are a result of poor governance, lack of structural reforms, political uncertainty and an increase in debt.

Source: sourcingjournal.com - Nov 19, 2018

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China: Canton Fair Promotes Local Industrial Clusters to Global Buyers

During its 124th session, the China Import and Export Fair (Canton Fair) has implemented specialized promotional programs for local industrial clusters, helping them demonstrate their competitive products in local cluster exhibition zones. Cities participating in this zone include Taizhou, Zhejiang Province, Meishan, Sichuan Province, and Anxi and Jinjiang, Fujian Province.

"The industrial cluster protocol is a win-win scenario for exhibitors and buyers," said Maggie Pu, Deputy Director General of the Foreign Affairs Office at Canton Fair.

"Canton Fair has hosted 105 local industrial cluster promotion conferences and business-matching events for 20 provinces and cities. Local companies and industries have had the opportunity to meet global buyers, while buyers enjoy access to valuable products from a specialized region which may be unknown to competitors but have huge market potential."

Regional Textile and Garment Industry Featured

7 textile and garment industrial clusters in Canton Fair's Central Lane formed a concentrated display of local sources for global buyers of yarns, fabric accessories, home textiles and garments. Highlights from this area include:

Xintang, a town in Guangzhou with the largest denim manufacturing and export base in China, has comprehensive industrial support and advanced manufacturing capabilities, which was shown to the buyers at the Fair.

Shishi, a city in Fujian and one of the birthplaces and distribution centers for textile and garment products in China, has formed a comprehensive industrial chain covering textile raw materials, spinning and weaving, bleaching and dyeing finishing, garment processing, and auxiliary materials production, as well as R&D and marketing.

The city has more than 3,500 textile and garment companies and more than 20,000 owners with annual gross domestic value reaching RMB 56.6 billion.

Canton Fair Helps Boost Economic Growth for Less-developed Regions

Canton Fair's mission to provide a platform for Chinese products includes a strong social responsibility component. To assist less-developed regions in spreading economic opportunity to their populations, the Fair helped them introduce some of their signature products to global buyers.

668 companies that cover 15 product categories have benefited from free access and service fee reductions, with 179 of them, from 22 trade delegations, joining the Traditional Chinese Specialty section to promote their products, such as food, men's and women's clothing, and medical and healthcare products.

Xu Bing, Deputy Director General of the China Foreign Trade Centre, said that the specialized exhibition area has boosted economic development in these areas.

"Exhibitors have met customers through the Canton Fair, gaining knowledge and understanding of markets so that they can develop competitive products to further explore target international markets."

About Canton Fair

The China Import and Export Fair ("Canton Fair"), is held biannually in Guangzhou every spring and fall.

Established in 1957, the fair is now a comprehensive exhibition with the longest history, highest level, largest scale and largest number of products as well as the broadest distribution of buyer origins and the highest business turnover in China.

Source: business-standard.com- Nov 20, 2018

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Fukushima's Rehabilitated Cotton Fields are Reviving a Fallow Japanese Industry

Seven years after an earthquake and tsunami struck northeastern Japan, causing three nuclear reactors in Fukushima to melt down, the prefecture remains synonymous with tragedy and devastation.

Entire towns and villages remained abandoned despite the lifting of evacuation orders in certain areas.

Rampaging packs of wild, radioactive boars roam the deserted streets. And swaths of farmland, mostly gone to seed, are now saturated with salt from the seawater surge, making the production of traditional food crop next to impossible.

But Iwaki Otento Sun Enterprise Cooperative, a local agricultural group, refused to give up. Cotton, it figured, could grow even under conditions of high salinity.

In 2012, the organization started the Fukushima Organic Cotton Project, a mission to rehabilitate the area's fallow fields and provide returning residents with a source of income. This, it was determined to do even though cotton hasn't been been cultivated at scale in Japan for about a century.

Though cotton agriculture paved the way for the industrialization of the country during the Meiji Era from 1862 to 1912, according to the Japan Cotton Traders Association, modern-day Japan imports 80 percent of its cotton from overseas.

The Fukushima farmers decided to plant Bicchu Brown cotton, a native, tawny-colored variety that requires skilled labor to spin its shorter-staple fibers into yarn and then weave into fabric.

Through volunteer efforts, the project has increased the amount of cotton it harvests by tenfold in the past six years.

To guarantee the safety of its harvest, the cooperative arranges for the soil and crops to be tested for radiation twice a year.

In 2014, the project created Fukushima Siome, a branded line of products that ended up supplying cosmetics company Lush with “knot wraps,” square pieces of cloth, known as furoshiki, that are traditionally used to wrap gifts in Japan. Siome, according to Japanese broadcaster NHK, means a “junction of sea currents” in Japanese.

“The members gave this name in reference to the meeting of tides off the coast of Fukushima, and to symbolize the meeting of people through cotton and a change in the consciousness toward environment,” NHK wrote earlier this month. “The brand is now used in products sold across Japan.”

This past July, Lush in the United Kingdom launched a Japanese-style washcloth as part of the lineup.

“The decision serves as a recognition of our careful work and the superior functionality of our Japanese-style washcloth, and of Japanese culture,” Yuta Sakai, director of the organic cotton division at Iwaki Otento Sun Enterprise Cooperative, said in a statement. “It brings us joy just imagining our products being used by many people around the world.”

Recently, NHK reported, the Fukushima Organic Cotton Project convened a meeting of cotton companies from across Japan.

Participants agreed organic goods like Fukushima Siome could not only help bolster Fukushima’s reputation and regenerate livelihoods but also draw attention to Japanese cotton and its domestic cotton industry at large.

“We can’t stay disaster victims forever now that more than seven years have passed since the disaster,” one Fukushima farmer told NHK. “It is about time we should remove ‘charity’ from our project and stop depending on pity.

We should restart as professionals that deal with good quality cotton products.”

Source: sourcingjournal.com- Nov 20, 2018

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China keen to invest in Bangla apparel, leather sectors

Chinese investors expressed keen interest to invest in apparel, polyester staple fibre (PSF), leather and some other sectors in Bangladesh at the China International Import Expo 2018 in Shanghai recently. Bangladesh took part in the show to utilise the market access and opportunities offered by Beijing, said Export Promotion Bureau (EPB) deputy director Alamgir Hossain.

Bangladesh also showcased diversified jute products, including jute leaf drinks and jute polymer bags, as the Chinese are conscious about environment now, Bangla media reports quoted Hossain as saying.

Eight government organisations from Bangladesh took part in the expo: EPB, the Bangladesh Investment Development Authority, the Bangladesh Economic Zones Authority, the Bangladesh Export Processing Zones Authority, the Bangladesh Hi-Tech Park Authority, the Bangladesh Jute Mills Corporation, the Jute Diversification Promotion Centre and Bangladesh Parjatan Corporation.

Source: fibre2fashion.com- Nov 21, 2018

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Armenia to resume cotton production

Armenia will soon resume cotton production with the establishment of a cotton-producing enterprise in the Shirak province that will generate a large number of jobs, the country's acting first vice-premier Ararat Mirzoyan recently said in the national assembly. The country produced cotton when it was part of the United Soviet Socialist Republic.

The government is directing all investment programs, mostly light industry programs, including textile and cotton production and processing, to the provinces, a news agency quoted Mirzoyan as saying.

The government is also trying to solve the problem of infrastructure by offering subsidies and support, he added.

Source: fibre2fashion.com- Nov 21, 2018

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Turkey's retail trade volume slips in September

Turkey’s calendar-adjusted retail sales volume with constant prices narrowed 3.4 percent year-on-year in September, the country’s statistical authority revealed on Nov. 19.

“In the same month non-food [except automotive fuel] sales decreased by 8.3 percent, automotive fuel sales decreased by 4 percent, food, drinks and tobacco sales increased by 6.9 percent,” TÜİK said in a statement.

The volume of non-food sales by mail order and the Internet surged 17.3 percent on an annual basis in September.

Over the same period, sales of textile, clothing and footwear went up 22.9 percent, while the medical goods and cosmetics sales volume climbed 6.1 percent.

The electronic goods and furniture sales volume saw an annual fall of 27.6 percent in the month, and the sales volume of computers, books, and telecommunications equipment slipped 16.1 percent.

September data showed that the calendar-adjusted retail turnover with current prices jumped 22.5 percent in September from the same month last year.

“In the same month food, drinks and tobacco sales increased by 28.1 percent, non-food [except automotive fuel] sales increased by 18.7 percent, automotive fuel sales increased by 24.7 percent,” TÜİK said.

Source: hurriyetdailynews.com- Nov 20, 2018

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Bangladesh: Listed textile, garment firms' profits edge up

Most of the listed textile, knitting and garment companies saw their earnings per share (EPS) creep up in the first quarter of the current financial year (2018-19) thanks to higher export growth.

Of the 53 listed companies, 30 saw their EPS -- an indicator of profitability -- rise between the months of July and September, while 17 saw theirs decline, according to data from the Dhaka Stock Exchange. One company's EPS stayed the same.

The garment sector's exports soared during the quarter, so most of the companies' profits rose, said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

“Buyers from many countries are coming to Bangladesh as our remediation programme is almost complete.”

Garment shipments increased 14.66 percent, according to data from the Export Promotion Bureau.

The export growth may continue in the coming months if the business environment remains favourable, said Rahman, also the managing director of Sterling Denims. DSE data shows some of the textile companies saw a decline in their EPS during the quarter, while some of them even fell into losses.
The price of cotton had soared in the international market but the yarn price did not rise in the local market, said Md Abdullah Bokhari, chairman of Alhaj Textile.

Cotton price varied from 77 to 90 cents in the July-September quarter, according to Business Insider. Just few months earlier, in November 2017, it was 70 cents.

“Moreover, the utility bill rose, so we had to incur losses.”

Since Alhaj Textile does not export it was most affected, he added.

Alhaj Textile's EPS stood at Tk 0.13 in the negative in the first quarter, in contrast to Tk 0.21 a year earlier.

Anlima Yarn, another textile company, saw its EPS sink to a negative territory: it stood at Tk 0.03 in the negative.

Mozaffor Hossain Spinning Mills also saw a negative EPS of Tk 0.12, which was Tk 0.29 a year earlier.

Source: thedailystar.net- Nov 19, 2018

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Bangladesh: Experts: Improve infrastructure, ease of doing business, compliance standards

In tapping the opportunity, the country has to be prepared with infrastructure facilities

In reaping benefits from the US-China trade war, Bangladesh has to overcome infrastructure deficits, focus on skill development, and improve ease of doing business, trade experts said on Saturday.

Speaking at a seminar titled 'Trade War and its Implications for Bangladesh,' they also stressed the need for technology based industres and improving compliance standards.

Government officials, trade analysts, and business people gave the recommendations at the seminar organized jointly by the Dhaka Chamber of Commerce and Industry (DCCI) and the Bangladesh Foreign Trade institute (BFTI), at the chamber's own auditorium.

"The uncertainty and tension of the US-China trade war will not last long. But we can reap benefits from the crisis and problems. USA imposed tariff on about $250 billion worth of Chinese products. As a result of this trade war many factories from China may be relocated to some Asian countries with potential, and we should take this opportunity," said Senior Commerce Secretary Shubhashish Bose.

In tapping the opportunity, the country has to be prepared with infrastructure facilities. If the nation can get ready in a short span of time, then the benefits of the trade war would come to the economy, said Shubhashish.

"We have already provided many facilities to prospective world investors. But it has to be done in a hurry. Bangladesh is also taking some steps in order to improve its standing in the ease of doing business index, such as allowing Chinese currency in opening Letters of Credit," he added.

"Our capability is not enough to attract foreign investment in all sectors, as local industriesare focused mainly on labor incentive industries. That is why, Bangladesh needs to invest in robotic and artificial intelligence to attract investments in hi-tech industries such as the electronic and automobile sectors. "

DCCI President Abul Kasem Khan said China has recently reduced tariffs on scores of products from several countries, including Bangladesh.

"According to the International Monetary Fund (IMF), the cost of the trade war is about $430 billion which is 0.5% of the world's Gross Domestic Product. Trade war could reduce global growth by at least 1.4% over two years. China recently announced a long list of tariff cuts on imports from South Korea, India, Bangladesh, Laos, and Sri Lanka," said DCCI President.

"Bangladesh needs to capitalize on the tariff cuts and seize this window of opportunity. Many 'sunset industries' from China will need to move out and Bangladesh can be an ideal destination," said Kasem.

Under the given scenario, Bangladesh has to create a smooth transition process, establish an enabling situation focusing on ease of doing business for the factories to be relocated, and should have a planned marketing and branding mechanism, Kasem Khan said further.

Bangladesh could benefit by taking advantage of the supply chain relocation, likely to happen in the long run if the trade war persists, he added.

Stressing on the need for research and innovation, Kasem said the 4thIndustrial Revolution (4IR) is kicking off, so businesses must engage in appropriate research and development approaches, and embrace technology to boost production and become competitive.

"There must be short term, midterm, and long term strategic directions to address the 4IR advancement, which will become another challenge for Bangladesh if not addressed properly," he added.

Trade war to bring more FDI to Bangladesh

It is assumed that many sunset industries in China will relocate to many Asian economies due to a rise in their cost of production, caused by recent higher US tariffs. Bangladesh would benefit from the war in receiving foreign investments.

"These measures (tariff, trade war) are aimed at penalizing Chinese companies. US companies located in China are moving to relocate elsewhere and they are not going back to the US," said Shubhashish Bose.

The trade war has made more than $250 billion Chinese exports more expensive for US buyers. But these companies are not going back to the US. Rather, they are looking to transfer to lucrative Asian markets, he added.

According to a US trade organization survey, only 6% of companies located in China would return to the US, while 94% are keen to relocate to Asian countries, which would create more opportunities for Bangladesh.

If we want to attract Chinese sunset industries to relocate their industries in Bangladesh, we need to stress on infrastructure development, skill development, and undertake technology based industries, said Bose.

"From the US-China trade war, Bangladesh is expected to bring some share of the textile business and foreign investment," said Dr M Masrur Reaz, Senior Economist of the International Finance Corporation (IFC), World Bank Group.

"To this end, if we want to attract sunset industries, improving on ease of doing business, tariff rationalization, and improving compliance standards are of paramount importance."

Since Bangladesh was at 176 out of 190 countries in the World Bank's ease of doing business index, engaging the private sector and other stakeholders in policy design for improving the investment climate is another important task, said Abul Kasem Khan.

He recommended formation of a high powered "National Competitive Strategic Action Taskforce" under a public private initiative.

Global FDI flows fell by 23% in 2017 to $1.43 trillion from $1.87 trillion in 2016, but FDI inflow in Bangladesh is rising at a slow pace, said the DCCI president.

Apparel sector needs to increase capacity to get benefits

Since the US is the single largest export destination for Bangladeshi goods, it can harvest better opportunity from the trade war. In doing so, Bangladesh has to increase supply side capacity to meet demand.

“Exports orders from many US buyers, especially in the RMG sector, are coming back to Bangladesh. Having this trade war in the world, Bangladesh's share in total US apparel imports has risen to 6.46% from 6.41% in 2017,” said Ali Ahmed, CEO of BFTI, in his keynote presentation.

Due to a price drop for cotton and soybeans, Bangladesh could have an advantage as an importer, he added. “If the US imposes more tariffs, especially on apparel goods from China, Bangladesh can benefit from the export of clothing products,” said Mostafa Abid Khan, member of Bangladesh Tariff Commission.

Source: dhakatribune.com- Nov 19, 2018

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Pakistan: Textile exports remain glum

Zero. That’s the growth witnessed by Pakistan textile exports for both the month of October 18 as well as the Jul-Oct FY19 period on a yearly basis. Those relying on the sector to alleviate Pakistan’s current account woes will have to wait more to see if things take a turn for the better.

While cotton yarn registered a decrease of 35 percent in Oct-18 and cotton cloth witnessed negligible growth, even value added segments with the exception of knitwear failed to make any meaningful contribution in raising exports. This is despite a depreciation of more than 18 percent and 15 percent against the dollar and the euro respectively.

Textile Exports (Value)								
USD (Mn)	Oct-18	Oct-17	YoY	Sep-18	MoM	4MFY19	4MFY18	YoY
Cotton yarn	79	121	-35%	90	-12%	393	442	-11%
Cotton cloth	184	187	-2%	182	1%	713	715	0%
Knitwear	262	225	16%	221	19%	963	872	10%
Bed wear	187	188	-1%	189	-1%	771	755	2%
Towels	65	67	-3%	59	10%	250	253	-1%
Readymade garments	211	196	8%	164	29%	810	805	1%
Total	1131	1132	-0.1%	1025	10%	4407	4389	0.4%

Source: PBS

However, the quantity has indeed increased with knitwear exports recording the highest growth of almost 38 percent across all segments whereas other value added segments including towels and readymade garments registered an increase in quantity-wise.

Readymade garments saw negligible growth for the 4MFY while for Oct-18, the numbers were slightly optimistic with 8 percent growth on a yearly basis. Textile players attributed the lethargic performance to a variety of factors and believe that many of the actions that they have called for have only been taken recently by the government.

For instance the provision of cheaper gas at the cost of $6.5/mmbtu was only taken last month by the ECC whereas previously the Punjab based gas industry was getting expensive RLNG and only 28 percent system based gas. The promised relief in electricity tariffs to the sector is also pending but textile associations are positive it will happen soon. Duty drawback and sales tax refunds have also not been cleared which exporters complain are hampering liquidity for further order processing.

Textile Exports (Quanity)								
Quantity	Oct-18	Oct-17	YoY	Sep-18	MoM	4MFY19	4MFY18	YoY
Cotton yarn (M.T)	28,732	47,245	-39.2%	31,292	-8.2%	140,286	171,141	-18.0%
Cotton cloth (Th.Sqm)	148,066	195,094	-24.1%	175,000	-15.4%	732,426	690,613	6.1%
Knitwear (Th.Doz)	11,678	8,473	37.8%	9,472	23.3%	39,880	34,060	17.1%
Bed wear (M.T)	31,002	32,934	-5.9%	30,254	2.5%	133,370	126,324	5.6%
Towels (M.T)	17,095	15,205	12.4%	15,543	10.0%	63,623	65,683	-3.1%
Readymade garments (Th. Doz)	3,766	3,071	22.6%	2,785	35.2%	14,303	12,011	19.1%

Source: PBS

These issues aside, this column has also highlighted the need for the textile firms to invest in upgrading their plant and machinery to be able to compete with the BMR intensive textile industries of Bangladesh and Vietnam.

Textile machinery imports have plunged sharply over the last few years and were only USD325 million in FY18 and are the lowest in the past decade. (Read: Textile machinery imports: steep decline)

There is also a strong need to tap in to non-traditional markets including Japan and South Korea. The government has already provided additional rebate incentives on exports to non-traditional markets so the textile industry should make the most of it.

Source: brecorder.com- Nov 19, 2018

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Pakistan: Textile sector: Delay in competitive energy prices harms exports

The prevailing uncertainty owing to the delay in issuance of a notification for a regionally competitive energy price by the government has impacted the growth in exports, production and investment, said All Pakistan Textile Mills Association (Aptma) Punjab Chairman Adil Bashir on Monday.

He said the government had announced in a meeting of the Economic Coordination Committee (ECC) on September 27 to provide energy supply to the Punjab-based exporting industry, both for captive and processing use, at regionally competitive price to make it viable and revive the closed capacity.

He added that another long-term objective of this initiative was to attract new investment and double the textile and clothing exports.

The export data for October 2018 indicates that both the industry and exports have become a victim of the prevailing uncertainty, as the export of cotton yarn and cotton cloth have dropped by over 39% and 24.11%, respectively against the corresponding period. Also, the overall exports of textile and clothing have declined by 0.21% during the same period.

Bashir questioned as to why there was a delay in the notification despite a firm assurance for the textile sector from Prime Minister Imran Khan. The gas is being supplied at Rs488 per mmbtu in Sindh and Khyber-Pakhtunkhwa against Rs1,663 per mmbtu for the mills in Punjab, he added.

The official was of the opinion that the industry in Punjab cannot survive under the given circumstances, hence how can we talk about its revival.

Already, he added, 30% of the production capacity across spinning, weaving and processing sectors with an export potential worth $4 billion has been closed down due to the high cost of business in the province of Punjab.

Source: tribune.com.pk - Nov 20, 2018

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India, Mauritius likely to sign free trade pact in January

Negotiating round in Mauritius this week

The proposed India-Mauritius free trade agreement,being given the final touches by negotiators this week, is likely to be signed in January during Mauritius PM Pravind Kumar Jugnauth's India visit, a government official has said.

"Textiles and marine products are the two tricky areas for India but the negotiators are trying to sort it out right now in Mauritius. We hope the agreement will be ready to be formalised when Mauritian PM visits in January," the official told BusinessLine.

Negotiations on the free trade pact, officially called the Comprehensive Economic Cooperation and Partnership Agreement (CECPA), were suspended in 2013 due to disagreement over the Double Tax Avoidance Agreement (DTAA). Talks, however, re-started last year after the two countries resolved their differences and signed the DTAA.

Mauritius is interested in convincing India to eliminate or substantially reduce its tariffs on textiles and marine products as it sees a lot of scope for increase in market access in these two areas.

"The Textiles Ministry is opposed to offering zero or very low tariffs to Mauritius in textiles and garments. The Commerce Ministry is trying to convince it that the domestic sector will not be affected as Bangladesh and Sri Lanka already have zero duty access for many textile items in the Indian market," the official said.

Since Mauritius is a small market and has tariffs on very limited lines of products, India is not expected to gain substantially in the area of goods.

"There are a number of agricultural items, processed food, furnishings & bed linen and some engineering goods, where tariffs exist in Mauritius and Indian exports can benefit from duty elimination or reduction," the official said.

Besides, New Delhi is expected to make greater in-roads into the services sector, especially tourism and hotels, with the CECPA granting it greater concessions in the area. Mauritius is also a beneficiary of the Generalised System of Preferences offered by Japan, Norway, Switzerland, the US, and the customs union of Belarus, Kazakhstan, and Russia. It is a FTA member of the Common Market for Southern and Eastern Africa and the Southern African Development Community. “Once India has a CECPA with Mauritius, Indian industry could use it as a base to trade with other countries on favourable terms,” the official explained.

India’s exports to Mauritius increased 22 per cent in 2017-18 to cross $ 1 billion while its imports from the island nation during the year increased 12 per cent to $ 20.6 million. Apart from the economic gains, which could be limited for India, the free trade pact could help strengthen the common cultural and historical ties that the two countries share.

Source: thehindubusinessline.com- Nov 20, 2018

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India seeks more cooperation with Vietnam in four key sectors

President Ram Nath Kovind on Monday called for more cooperation between India and Vietnam in the areas of agriculture, pharmaceuticals, textiles and IT.

"Agriculture has been a key sector of our cooperation involving trade, investment and training," Kovind said while addressing the Vietnam-India Business Forum here.

"We feel privileged to have supported the Vietnamese agricultural revolution through the establishment of Cuu Long Rice Research Institute," he said.

Stating that Vietnam is a huge agricultural economy with agro-marine-forestry exports surpassing $35 billion last year, Kovind said that agricultural products already occupy over 45 per cent of India-Vietnam bilateral trade.

"Agro-processing, agro-chemicals, farm machinery, bio-technology and high-tech farming hold immense potential for bilateral cooperation," he said.

"Indian industry can also learn from Vietnam's success in crops such as coffee, pepper, cashew, fruits and vegetables."

The President also said that the Indian pharmaceuticals industry, the third largest in terms of volume and the world's largest provider of generic drugs, can partner Vietnam in providing quality health-care, medicines and medical devices for the public health system at an affordable cost.

"Indian pharmaceutical companies are also looking at domestic production opportunities in Vietnam," Kovind said.

He pointed out that both India and Vietnam are leading players in the textile industry. "We must cooperate further to facilitate integration of value chains," Kovind said.

He also highlighted significant opportunities between the two sides in the oil and gas, power, infrastructure and renewable energy sectors.

Stating that the Indian IT services, including digital economy and fin-tech sector have much to offer to Vietnamese growth, Kovind said start-up sectors and innovation based industry must be encouraged to leverage each other.

"We must also learn from each other on how to improve productivity; how to approach the Fourth Industrial Revolution; how to promote innovation and entrepreneurship; and not the least, how to leverage technology for governance," he stated.

Vietnam is a key partner country of India in Southeast Asia and served as New Delhi's coordinator country with the Association of Southeast Asian Nations (Asean) regional bloc till July this year

India and Vietnam have set a bilateral trade target of $15 billion by 2020.

Later, Kovind also addressed an Indian community reception during which he invited members of the community to attend next year's Pravasi Bharatiya Divas, the External Affairs Ministry-organised conclave of the Indian diaspora.

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

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Indian political elite should accept GM crops: Experts

The Indian political elite need to accept Genetically Modified Organisms (GMOs) in crops, according to Nina V Federoff, Molecular Biologist & Emeritus Professor of Biology, Pennsylvania State University.

Speaking to newspersons after delivering the keynote address at an agri-biotech symposium, which was organised jointly by the Federation of Asian Biotech Associations, University of Hyderabad (UoH) and Dhaanya Seeds here on Tuesday, she said the scientific community had already accepted Genetically Modified Organism- crops as food sources.

Policy makers need to take note this and accept, she added.

Though an early player in GM crops, India has now lagged behind as it stopped the acceptance and adoption of them in the middle of progress, Federoff said.

In addition, P Reddenna, Professor of Biology, UoH said as of today, there was no scientific evidence to show that the GM crops had side-effects.

There was a need to educate commoners in this regard, he added.

Bt Cotton is the only commercialised GM crop in the country.

No government has approved cultivation of any other crop using GM technology.

Source: thehindubusinessline.com- Nov 20, 2018

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Cotton Advisory Board may peg 2018-19 crop at 36 mln bales, dn 2-3%

The Cotton Advisory Board may estimate production of the commodity in India in 2018-19 (Oct-Sep) at around 36 mln bales, 2-3% lower than its estimate for output in 2017-18, trade sources said.

The board will release its first estimate for output in 2018-19 after holding discussions with stakeholders on Thursday. For the year ended September, it had estimated production in India at 37 mln bales.

"Production in Gujarat and Maharashtra will definitely be lower due to scanty rains though acreage was almost the same on year," officials of Cotton Corp of India's respective state units said.

The two states are India's top cotton producers, accounting for 55% of the country's total output.

A prominent cotton exporter, who will attend Cotton Advisory Board's meeting, said the board may be conservative in its forecast, as this is its first estimate.

The farm ministry, in its first advance estimate on Sep 26, had cut the country's cotton crop forecast to 32.4 mln bales, down 7% from the previous year.

Sources in the state-owned Cotton Corp of India said production in Gujarat may be lower by 1.0 mln bales this year and that in Maharashtra may see a decline of 500,000 bales.

During Jul-Sep, Gujarat received 484.6 mm rainfall, 28% below the normal, while Maharashtra received 925.8 mm rainfall, 8% below normal, according to India Meteorological Department.

This drop in output in the two states, may however, be offset to an extent by higher production in north India.

Recently, Cotton Association of India had scaled down its production estimate for 2018-19 to 34.3 mln bales from 34.8 mln bales projected in October.

For 2017-18, the association has pegged cotton output at 36.5 mln bales.

The Cotton Advisory Board is chaired by the textile commissioner in the Ministry of Textiles, and represent growers, industry and trade. Currently, the chairman's post is vacant. Sanjay Sharan, joint secretary-textiles is in charge of the affairs of the board.

Source: cogencis.com- Nov 20, 2018

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Subdued global demand may hit India's export growth

As global crude prices soften and the world demand heads southwards, exports growth may soften in the second half of the current fiscal.

Experts told DNA Money that even though a depreciated rupee and a strong order book could provide some tailwind to exports, unfolding external factors like oil prices and slowing GDP growth in some economies could pin down its growth.

Ajay Sahai, director general and CEO, Federation of Indian Export Organisations (FIEO), said "maintenance" of exports growth will be a challenge from October onwards.

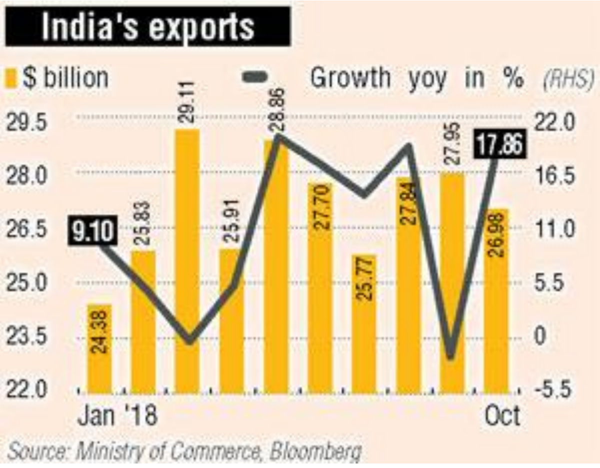
"Petroleum is the common factor in both imports and exports. On one hand, it boosts exports and on the other, it bloats the import bill too. Now, with the easing of crude prices, we expect the import bill to come down, but the bigger challenge from October onwards is that the base effect of crude price will kick in along with lower crude prices and so maintenance of export growth will be a challenge," he told DNA Money.

Elaborating further he said; "if we look at the 17.86% growth in exports in October, the last figure reported, the net export, or the value of exports, is much less than the value in September, which was negative. In September, we suffered a negative growth.

In October, we have a growth of around 17% but still, the value of exports in October is less than September".

The October trade numbers, released by the government last week, reveal exports jumping over 17% to $26.98 billion compared to $22.89 billion last year. However, when compared to September this year, the month-on-month dip was 3.47% in October, down from $27.95 billion.

September had also seen the first slip in exports in the current fiscal as it fell 2.15% from $28.75 billion in the same month last year.



In the current fiscal, exports have consistently registered a robust growth till September. Experts see this trend reversing a bit.

Madan Sabnavis, chief economist, Care Ratings Ltd, also sees "moderate" export growth due to lower global crude prices. He expects the current fiscal year to end up with an export growth of 10-12%. Last fiscal, exports grew 9.8% to $303 billion.

"Growth in exports will be moderate, probably 10-12%. We should also remember that one of the major components of our exports is petroleum products. When the price of petrol goes up our exports benefit. That's what we have gotten in the month of October also.

It (October exports) can also be higher because our exports are going up. That kind of scenario (higher crude prices) will get moderated in the coming months, which will mean that exports are not going to grow at that kind of rate. It could be in the region of 10-12%, assuming crude remains below $70 a barrel and don't start moving up," he said.

The Care economist also feels that subdued global demand due to subdued growth in some major economies could also adversely impact India's export growth.

"We are not looking at the world economic growth being steady as was expected earlier. Our exports depend on what happens to global economic conditions/ demand. That is why we were looking at 8-10% (exports growth), which we scaled up because of the advantage from higher crude in the last couple of months. I believe, we will not be exceeding 10-12%, which is on the higher side," Sabnavis projected.

Recently, International Monetary Fund (IMF) revised world GDP growth downwards by 20 basis points (bps) to 3.7% for 2018 and 2019. It has also cautioned about growth in many major economies slowing down in the coming months due to several economic and geopolitical factors.

FIEO's Sahai has a higher growth forecast than Sabnavis at 15%. He sees Indian exports benefiting from the US-China standoff and a weaker rupee. According to him, exporters' order books for the coming period are healthy and this has given the export group, he heads, the confidence to raise a robust growth outlook for the current fiscal.

"I must say that it is a problem so far as petroleum exports are concerned, but looking at the order books of exporters we expect 15% growth because in some sectors, particularly in textile and apparel, when I talk to exporters they say that with rupee moving to over 70 a dollar, many buyers have come back to them," said the FIEO chief.

According to him, exporters have informed him that when the rupee was at 65 per dollar, they were "outpriced" in the international market.

"Earlier, when the rupee was 65 a dollar, they (exporters) were factoring the currency at around 61-62 against the dollar and they were outpriced in the market, but now that rupee is around 72 a dollar and they quote 70, many buyers have come back to them," said Sahai.

He believes if the rupee remained soft by 12-13% against the dollar and volume growth is maintained at 5-6%, then India could easily achieve an export growth of 15%.

Sahai said Indian exports was also reaping gains from the US-China trade war; "global demand has definitely come down but China has suffered a lot. Some orders, which were earlier going to China from the US, have come to India". However, Sabnavis feels otherwise and does not expect India to profit much from the US-China trade war; "has India actually captured the market on account of the US-China war? In my view, I don't think it has happened that way. If you are looking at China they have got into other markets".

Sahai also feels that with India's exports growth rate expected to outstrip global rate, it is likely that India could further increase its share in global exports.

"Our share in total global exports is 1.7%. This may go up because if we clock 15% and global trade grows at 3.5% then definitely our share will go up," said Sahai.

Source: dnaindia.com- Nov 19, 2018

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Cotton Corp buying starts in Madhya Pradesh, picks up in Telangana

Cotton procurement in Telangana, which started last week, has gathered pace as prices in some places have eased to touch the minimum support price, a senior official with Cotton Corp of India said.

The state-owned agency has so far procured nearly 10,000 bales (1 bale = 170 kg) of raw cotton at Khammam, Warangal and Mahbubnagar centres in Telangana, compared with 4,000 bales a week ago.

The agency has also procured around 300 bales in Khargone district, marking its first procurement in Madhya Pradesh in the current season, he said.

The Centre has fixed minimum support price for the medium-staple variety of cotton at 5,150 rupees per 100 kg, and that for long staple at 5,450 rupees per 100 kg, both 1,130 rupees higher than last year.

“Procurement, however, is still slow as prices in some big centres in Telangana are above the support level,” the official said adding that prices will decline only if the supply pressure increases from south and central zones.

Prices in northern states such as Haryana and Punjab, and central zone in Gujarat and Maharashtra are still trading 200-400 rupees above the minimum support price, he said.

Today, arrivals of cotton across major spot markets in India were pegged at 146,500 bales, compared with 155,500 bales on Monday.

Price of Shankar-6 variety was 45,000-45,800 rupees per candy (1 candy = 355.62 kg) in Gujarat. In Maharashtra, the 29-30 mm variety was at 45,800-46,900 rupees per candy. The minimum support price-equivalent price of ginned cotton is 43,500 rupees per candy.

Even in the peak arrivals season, cotton prices remained elevated due to delay in new crop by almost a month and concerns over the size of the crop due to drought in top two states Maharashtra and Karnataka.
Weak rains and high temperatures in Gujarat are likely to severely hit cotton yields.

The Cotton Association of India recently scaled down its production estimate for 2018-19 (Oct-Sep) to 34.3 mln bales from 34.8 mln bales projected in October.

In 2017-18, cotton output was pegged at 36.5 mln bales.

Source: cogencis.com- Nov 20, 2018

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Global container firms complain of poor service by Indian cos

But experts say fewer claims are now processed

Global container shipping clients are complaining that outsourcing services to low-wage countries such as India has led to a sharpdrop in quality of services, says a fresh international transport report.

However, shipping experts from India maintain that what global clients claim as a ‘drop in quality ofservices’ is a fall in thenumber of claims processed for the latter, which, the experts claim, is better for the global shipping firms as their payout on this account has dipped.

Liner shipping services are provided as a commercial service to shippers (customers whose goods are shipped)on fixed routes with regular schedules between ports, mostly through container ships. The container ships move manufactured goods, machinery, paper, textiles, beverages and tobacco, frozen food, fruit, and certain commodities such as cotton.

Merger of global shipping lines was expected to lead to further improvement in services and lower freight charges. The results are turning out to be different.

Quality hit?

It was expected that consolidation at a global level would lead to better services by the carriers.

“Yet, most clients of container lines were outright critical of the level of customer service of most carriers, in particular of those that outsourced their customer service to low-wage countries like India, as this deteriorated customer service to dramatic levels,” says International Transport Forum (ITF) in a study on the impact of alliances in container shipping.

Customer cribs notwithstanding, shipping sector experts in India count this as a strength from the shipping lines’ perspective.

“The outsourcing to service centres has led to a trained and focussed look at claims-handling and documentation.

“The efficiency generated leads to a closer examination of claims. It could be that as claims go through a closer scrutiny now, they are not paid easily as they used be in the pre-consolidation era,” Anil Devli, CEO, Indian National Shipping Association, told BusinessLine.

Surcharges soar

Consolidation in the segment was supposed to bring down freight rates (the cost of moving goods) as using large ships to carry huge volumes of cargo would effectively lower the cost of moving goods. While freight rates have dropped over the years, the effective rate paid by clients through so-called surcharges have soared. These surcharges are levied on services that were earlier considered usual shipping service, but are now categorised as value-added. The container shipping sector has become like the budget airlines industry, which now charge extra for food, aisle seats, a few kg of extra luggage, etc, notes the ITF study.

Anti-trust scanner

The latest round of mergers has led to the top eight shipping carriers gobbling up the largest chunk of cargo, effectively lowering customer choices. "Global alliances of the mid-1990s provided cooperation space between smaller carriers, while alliances are nowadays cooperation tools for the largest container lines. The three global alliances (2M, Ocean and THE Alliance) that are operational since April 2017 represent around 80 per cent of the overall container trade and operate around 95 per cent of the total ship capacity on East-West trade lanes, where major containerised flows occur," adds ITF.

Devli terms this level of concentration of the three alliances a "frightening concept," adding that "India, too, needs to wake up to this, since all our containerised trade is carried 100 per cent on foreign carriers." He draws attention to the specific recommendation of the study that anti-trust exemptions to shipping liners be removed. Most countries now believe that container companies do not deserve exemptions, and are removing anti-trust exemptions granted to them earlier. For instance, last year, New Zealand did away with a set of antitrust exemptions given to shipping lines.

Source: thehindubusinessline.com- Nov 20, 2018

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Industrial park rating system to boost competitiveness, manufacturing: Prabhu

There are over 3,000 industrial parks in sectors including engineering, software, food processing and chemicals

Development of industrial park rating system would help increase competitiveness of industries and promotion of the manufacturing sector, Commerce and Industry Minister Suresh Prabhu said on Monday.

The system is being developed by the ministry to assess industrial parks in the country based on four pillars -- internal and external infrastructure, connectivity, environment and safety management, and business support services.

Prabhu said such systems help in improving infrastructure of industrial parks which are present in almost all the states.

There are over 3,000 industrial parks in the country in sectors including engineering, software, food processing and chemicals.
Under the system, the ministry would assess 200 such parks on several parameters such as sewage effluent and treatment; and water treatment.

Secretary in the Department of industrial Policy and Promotion (DIPP) Ramesh Abhishek said, going forward the system could become a ready-to-refer database for prospective investors in these industrial parks.

The need of the system arises to see whether these parks are matching the global standards.

Source: thehindubusinessline.com- Nov 20, 2018

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India Inc's RCEP fear is not unwarranted

Prime Minister Narendra Modi, in the recently concluded Regional Comprehensive Economic Partnership (RCEP) summit in Singapore, had extended his support to other leaders for an early conclusion of the agreement. However, back home, the deferment of RCEP negotiations to 2019 has come as a relief for Indian policymakers who are under tremendous pressure from Indian industry, civil society groups and the agriculture sector to withdraw or go slow on the 16-nation mega pact.

The RCEP is a proposed free trade agreement (FTA) between 10 ASEAN countries and their six FTA partners—namely Australia, China, India, Japan, South Korea and New Zealand. The bloc accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows, and 45% of the total population. According to reports, the negotiations for seven out of 16 chapters have been completed.

India's uneasiness and concerns over RCEP negotiations are not unwarranted. Time and again, India has flagged its concerns on the slow pace of services trade. For example, the liberalisation in Mode 4 services that facilitate movement of professionals from one country to the other. Apart from liberal visa regimes, India has backed greater liberalisation in Mode 3 (commercial presence) and Mode 2 (consumption abroad) services, but with limited success. The Prime Minister, in Singapore, also urged the negotiators to make efforts to fast-track services trade negotiations, being mindful of India’s competitive advantage in services trade.

Apart from services trade, India has constantly resisted provisions on intellectual property rights. India doesn’t want to commit to provisions over and above the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement under the World Trade Organisation (WTO), as that could be detrimental for the domestic generic pharmaceutical industry and could lead to monopolisation by pharma MNCs. India has already opposed few proposals on patent extensions and restrictive rules on copyright exceptions. The fear is that it may limit access to affordable drugs and have serious implications for the domestic pharma industry.

Moreover, India’s experience with the previously concluded FTAs hasn’t been good. A recent NITI Aayog note co-authored by me (FTA and their costs, NITI Aayog, Dr Saraswat, Priya, Ghosh 2018) also highlights that India’s combined trade deficit with FTA partners like ASEAN, Japan and South Korea has almost doubled in the last eight years. India’s trade deficit with the RCEP bloc of over $100 billion is almost 64% of its total trade deficit, of which China alone accounts for over 60% of the deficit.

Therefore, it comes as no surprise that Indian industry’s key contention has been that of China’s dominant position in the pact and India’s burgeoning trade deficit with China—which is India’s biggest trading partner, accounting for almost 12% of its overall trade. The Sino-Indian bilateral trade has increased from a mere $1.8 billion in FY2000 to $90 billion in FY18. The trade especially picked up after China’s accession to the WTO in 2001.

However, the trade is skewed heavily in favour of China. India’s trade deficit with China has grown from a mere $0.6 billion in FY01 to $63 billion in FY18. India’s exports to China in FY18 were a mere $13 billion, compared to imports of $77 billion. Almost 65% of India’s trade deficit with China is accounted for by two segments—machinery and mechanical appliances & electric machinery.

The asymmetry of trade balance between India and China is compounded by the nature of the goods flow between the two partners. India’s top exports to

China include organic chemicals, ores and slag, vegetable fibre, electric machinery, salt and sulphur, and plastics, while Chinese exports to India are mostly a wide variety of sophisticated products higher up in the value chain (with higher profit margins and which create more jobs at home) such as capital goods, electronics and machinery.

India’s exports basket to China is significantly different from its exports composition to the world—India’s top export segments such as precious stones, machinery & mechanical appliances, vehicles, ready-made garments and pharma do not find their way into China. Thus, the Chinese market is yet to emerge as an important destination for India’s most significant exports.

Apart from factors such as economies of scale, greater regional value chains and benefit of subsidies, China’s use of non-tariff barriers like complex product certification process, labelling standards, custom clearance and factory inspection procedure play a big role in creating an entry barrier for imports into Chinese markets. Non-tariff barriers, in fact, are China’s secret weapons for checking imports, especially in the pharma, IT, agriculture and metals sectors.

On the other hand, China’s penetration into India’s top imports is a worrying trend. China dominates both in terms of value-added import items as well as labour-intensive industries. Overall, India imports almost 20% of its non-oil imports from China. Almost 60% of India’s electric machinery imports, 36% of machinery and equipment imports, and 37% of organic chemical imports are from China.

Imports where China has more than 50% share include furniture, industrial textiles, footwear, ceramic, toys, knitted fabrics, leather articles and handbags, base metals, apparel and clothing, silk, umbrellas and headgears. These are all labour-intensive industries. Importantly, with the US-China trade war escalating, there has already been evidence of surge of aluminium and steel imports into India. Re-routing of goods through FTA partner countries into India is also fairly common.

A deep dive reveals that China’s share in telephone and mobile handset imports is 73%, it’s 64% in automatic data processing machines imports, 82% in diodes, transistors and semiconductor devices, 46% in electric transformers, 45% in air vacuum pumps, 30% in electronic integrated circuits, and so on.

Thus, Indian industry's fear with respect to China cannot be ignored. There is ample evidence of Chinese subsidisation programme, dumping of goods into various markets (given that the highest number of anti-dumping measures have been taken against China, as per the WTO), and the US's recent trade remedial measures against China.

With Modi's Make-in-India also on a slippery slope, Indian policymakers need to be mindful of domestic industry's concerns and not get into a raw deal with respect to the RCEP. In the past, too, India has not been able to get a fair deal with respect to services trade, despite giving greater market access in goods trade.

Source: financialexpress.com- Nov 20, 2018

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Govt plans linking e-way bill with FASTag, logistics data bank to check GST evasion

The Revenue Department is planning to integrate e-way bill with NHAI's FASTag mechanism and DMICDC's Logistics Data Bank (LDB) services, to facilitate faster movement of goods and check GST evasion.

The proposal, according to officials, will improve operational efficiencies across the country's logistic landscape. Currently, lack of harmonisation under the 'track and trace' mechanism in terms of sharing information among different agencies is affecting the ease of doing business in the country. Besides, it is also impacting the logistic costs of the companies.

The proposal will also help in preventing goods and services tax (GST) evasion by unscrupulous traders who take advantage of the loopholes in the supply chain, an official told PTI.

Touted as an anti-evasion measure, e-way bill system was rolled out on April 1, 2018, for moving goods worth over Rs 50,000 from one state to another. The same for intra or within the state movement was rolled out in a phased manner from April 15.

Transporters of goods worth over Rs 50,000 would be required to present e-way bill during transit to a GST inspector, if asked. "The integration of the e-way bill system with FASTag and LDB is expected to help boost tax collections by clamping down on trade that currently happens on cash basis," the official said.

The National Highways Authority of India (NHAI) has put in place the FASTag system for collection of toll electronically on national highways. FASTag also offers non-stop movement of vehicles through toll plazas.

Integration of e-way bill with FASTag will help revenue authorities track the movement of vehicles and ensure that they are travelling to the same destination as the transporter or the trader had specified while generating the e-way bill. It will also help the suppliers locate the goods through the e-way bill system. Transporters, too, would be able to track their vehicles through SMS alerts that would be generated at each toll plaza.

Similarly, Delhi-Mumbai Industrial Corridor's (DMIC's) container tracking services, also called LDB programme, would be integrated with the e-way bill to improve the logistics ecosystem.

The official said that the implementation of the proposal would require inter-ministerial coordination as integration would have several operational and technical challenges.

The new indirect tax regime GST was rolled out on July 1, 2017. With GST systems now stabilising, the focus of the Central Board of Indirect Taxes and Customs is now on increasing compliance and checking evasion.

The government has also set up the Directorate General of GST Intelligence (DGGSTI) to investigate cases of tax evasion and conduct search and seizure operations under the GST Act, and erstwhile the Excise and Service Tax Act.

Source: thehindubusinessline.com- Nov 20, 2018

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