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IBTEX No. 249 of 2019 December 21, 2019

US 71.13 | EUR 78.81 | GBP 92.50| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18565	38800	**69.46**

Domestic Futures Price (Ex. Warehouse Rajkot), December

Rs./Bale	Rs./Candy	USD Cent/lb
19130	39982	**71.58**

International Futures Price

NY ICE USD Cents/lb (March 2020)	67.58
ZCE Cotton: Yuan/MT (May 2020)	13,345
ZCE Cotton: USD Cents/lb	86.35
Cotlook A Index – Physical	**75.90**

Cotton Guide- We were anticipating the prices to show an increase and yes they have acted accordingly after the release of the US Export Sales Data. Let us have a look at what figures the report consisted of-

Country	Increases in Running Bales
Turkey	70,400
Pakistan	44,200
Indonesia	28,300
Bangladesh	27,700
China	25,100

Table 1: Upland sales

Net Upland Sales of 249,400 Running Bales for 2019/2020 were down by 10 percent from the previous numbers. The destinations and numbers were as follows- Reductions were seen for Spain at a marginal number of 200 Running Bales. On the other hand, total net sales of 1,100 RB were for Mexico for the year 2020/2021. Upland Shipments were seen at 213,200 Running Bales i.e. an increment of 14 percent was seen as compared to the previous figures.

Country	Export Shipments
Vietnam	40,900
China	35,500
Pakistan	33,800
Mexico	21,700
Bangladesh	14,500

Table 2: Upland Export shipments

While looking at the PIMA sales, the numbers were seen at 14,300 RB. Chinese purchases of 5,600 RB were interesting to see. Further, Vietnam purchased 2,600 RB; Turkey 1,900 RB; India 1,600; and Pakistan 1,600 RB. Pima Shipments were seen at 11,700 RB with the major destinations including India 5,900 RB Austria 1,300 RB; Indonesia 1,000 RB; Thailand 900; and Vietnam 900 RB.

With the above figures, the bulls got something to chew. Therefore prices started rising 6 pm IST. The March 2020 contract settled higher at 67.58 cents per pound with a change of +84 points. The high figure that it touched was 67.88 cents per pound. On the other hand the May contract settled at 68.62 cents per pound with a change of +79 points. Spread between the two contracts was seen at 104 points. However, the market was not cheered by the Export Sales figures and showed diminishing volume figures at 23,775 contracts.

On the other hand, the MCX contracts swayed along with the ICE figures. At the time of settlement the gains were noted at 70,60 and 110 Rs per Bale for the December, January and February contracts respectively. The Cotlook Index A has been updated at 75.90 cents per pound with a change of +20 Rs. The prices of Shankar 6 are steady and have been left unchanged.

On the fundamental front, lets expect a consolidation from here onwards both for ICE and MCX. On the technical front, in daily chart, ICE Cotton March, retraced from the support of the breakout level of Double Bottom formation. However, price have sustained at the resistance of 67.90 (61.8% Fibonacci extension level). Meanwhile, price is above the daily EMA (5, 9) at 67.01, 66.71 with a positive crossover acting as an immediate support for the price. The momentum indicator RSI is at 59, also supports sideways to bullish bias. The immediate support would at 66.30/66.00 (38.2% Fibonacci extension level & breakout of double bottom). Thus for the day we expect price to trade in the range of 67.90-66.30 with a sideways to positive bias. In MCX Dec Cotton, we expect the price to trade within the range of 18900-19200 with a sideways bias.

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

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INTERNATIONAL NEWS

USA: A Year-End View of Cotton's Market Opportunities

Professor Eric Hequet, an internationally renowned fiber quality expert at Texas Tech University, has some useful advice that may benefit the global textile industry.

Cotton, a natural material, is pre-sold on comfort and continually faces competition from other fibers. Hequet – a cotton breeder with 38 years of experience – insists that the industry should be concentrating its focus on quality, providing maximum information on fiber quality, and developing new products and markets.

"If the end-users such as spinners could know what they are buying in terms of cotton, it is a big plus," stated Hequet.

The United States cotton industry has been a leader in providing maximum information on a bale of cotton, and other leading producers such as Brazil and India have started paying attention to also providing information.

As long as fiber quality evaluation is handled by a reliable independent agency such as the USDA classing offices, the data's credibility will be well accepted. Brands are demanding more source information to stay competitive and gain consumer acceptance, making data dissemination necessary.

Stakeholders' contribution to the growth of the industry is vital for not only the cotton sector, but also for all sectors. Stakeholders need to support "mission-linked" research to enhance market share and use-value.

Regarding what's next for the industry, Hequet says that improving fiber length uniformity, strength and finding new applications should be the goal. He highlighted the growing interest in vortex spinning, which necessitates improvements in length and strength. The surface structure of these yarns is on par with ring spun yarns, but the internal structure is weak. Therefore, fiber strength improvement to 40-42 grams/tex will help.

Labor costs are also rising even in some eastern countries, making ring spinning expensive. The cotton sector can help by breeding fibers that will suit newer spinning technologies.

Hequet believes the goal for the industry in the next five years should focus on drought resistance and water efficiency without sacrificing fiber quality. As the global population continues to rise, maintaining cotton's global market share at 30% will enable more use of cotton based on consumption.

The biodegradability aspect must be effectively handled by the industry, both for developing new biomaterials and for marketing. For the past few years, I have advocated focusing our attention beyond yield and quality to creating new value-added products – an aspect that Professor Hequet clearly agrees with. As he noted, cotton is here to stay.

Source: cottongrower.com- Dec 20, 2019

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US-China trade deal: Time running out to woo FDI exiting China

The recent bilateral trade deal between the US and China has important implications for India. It hastens the need to conclude India's ongoing efforts to provide a policy framework for attracting foreign direct investment seeking locations other than China.

The trade deal covers important areas of concern for the US, ranging across Intellectual Property Rights, technology transfer, currency-related issues, greater market access for US products (goods and financial services), and dispute settlement for effective implementation.

Under the trade deal, the US will maintain its 25% tariff on imports worth $250 billion, reduce its 15% tariff to 7.5% on $120 billion worth of imports, and not implement the planned tariff increase on the so-called List 4B products, which include mobile phones, laptop computers, apparel, and toys.

For List 4B products, the window of commercial opportunity is now open for a longer period because the planned US tariff increase is not being implemented. The US-China deal provides a framework for a potential longer-term solution to US-China problems. However, the US trade representative, Robert Lighthizer, has noted that whether or not China will live up to the commitments is as yet uncertain, and depends on whether the hardliners or the reformers in Beijing will prevail during the implementation of the trade deal. Both, the US and large multinational companies will be watching the implementation of this deal, to assess whether or not the Chinese leadership will effectively implement the agreement.

This period of uncertainty is significant because it allows the window of opportunity to be open, but only to a limited extent. In such a situation, India has only a short period of time to conclude its intense process of policy consideration, which has been going on for the past several months, with the objective of making India an attractive investment destination. The window of opportunity is closing, but the opportunity to establish credibility and attractiveness of India as an alternative investment destination is still present if the policies under consideration are finalised and implemented within a couple of months. Time is of essence now.

India is a large market, but an export hub that replaces the aspirations for global trade links of large companies considering alternatives to investing in China requires access to a much larger marketplace within the context of global value chains. This, in turn, needs significant reform in operational conditions. India's policymakers have been focused on creating such reform-based improvement, and have considered the possibility of initiating reform in some major sectors. The recent report of the High Level Advisory Group on international trade also emphasises such an approach. The current developments are very significant in this regard.

List 4B, for which the US has postponed its planned tariff increase on imports from China, contains at least two product areas which India has emphasised for its key national objectives—apparel for employment, and mobile phones for technology. Such an emphasis is required for these two sectors. Bangladesh and Vietnam now have double the apparel exports compared to India, rising from much smaller levels in 2000, or even 2005.

Both these countries have expanded their exports with the help of FDI. India seems to have missed out on attracting large FDI in the apparel sector. Extensive reform is required, along with policy support, factor market reform, international institutional engagements, upscaling existing enterprise, and modernising smaller enterprises. The required reforms and incentive policies are important for both rejuvenating the established domestic industry, and attracting FDI.

For mobile phones, the top exporting economies, i.e., China, Vietnam, and Hong Kong (China), account for over 70% of the global market. India's global export share is about 0.6% at present, but the nation has high aspirations in this sector. India's National Policy on Electronics (NPE), 2019 aims to achieve an export of $110 billion for mobile phones by 2025—an approximately 70-fold increase. The aim is to increase in domestic design and technological ecosystem, as well as to generate a major rise in foreign exchange earnings.

The large increase in mobile phone exports can take place only if major multinational companies with extensive global market presence invest in India at scale. It is significant that the largest global mobile phone companies are present in India. However, their additional investments and commitment to a business plan that helps achieve the NPE 2019 target would depend on policy changes and reform.

This has to happen during the short period for which the window of opportunity for countries to attract investment that seeks locations other than China is still available. This period is of not more than a few months. A quick decision and implementation within a couple of months or so would give India credibility, bringing back the attention of large investors to the country in this period of uncertainty.

Other countries such as Vietnam attract FDI due to their ease of doing business and by implementing an incentivising policy framework. These policies give FDI in Vietnam a commercial advantage of about 9-12% over India's mobile phone production. In this competitive situation, a WTO panel has found India's main export incentive schemes, like the Merchandise Exports from India Scheme (MEIS), to be inconsistent with WTO provisions.

India will have to phase out MEIS, and some of the other schemes found to be in violation of WTO provisions. Meanwhile, ironically, India has actually reduced the level of its prevailing MEIS incentive, thus lowering the support provided to investors/exporters. While the window of opportunity is closing, Indian policy incentives are actually becoming less attractive.

This results in a number of adverse effects. One, it results in future policy uncertainty for investment decisions. Two, it reduces the attractiveness of establishing export hubs in India when other competing countries are providing incentives, especially for large investors.

Three, for large export orders—India wishes large firms to increases exports by several billions of dollars—a 2% lower margin of competition due to reduction of MEIS would have a large aggregate impact on earnings and ability to compete.

Four, the business of large exports necessitates creating advance orders, inventory planning and hiring of workers to address export demand, systemic clearances (including from the importing market) to ensure that the planned exports can take place smoothly, and established business relationships to create and maintaining large exports.

A significant change in the incentive and competitive margin disrupts all these aspects, and creates a reluctance on the part of major investors to invest and make large efforts for exports. An alternative support policy is required to mitigate these negative impacts.

Indian policymakers have been aware of the need to implement policy support and incentives. Intense discussions and efforts have taken place in several government departments and institutions for some months now, to develop WTO-consistent policy alternatives that will encourage investment by major firms in India, particularly in areas with high technology and export potential.

This process should now be concluded, and the relevant policies implemented in the near term, to encourage major investments and exports, especially for the priority areas for which US tariff increases have been postponed, i.e. products in List 4B mentioned above.

Source: financialexpress.com - Dec 20, 2019

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USA: November Dip Continued Rocky Ride for Clothing and Footwear Spending

Consumer spending on clothing and footwear dipped 0.3 percent in November from the previous month, continuing an up-and-down cycle in the sector, the U.S. Bureau of Economic Analysis (BEA) revealed Friday in its monthly report.

This followed an uptick in October that came after two straight months of declines in spending in the category. It also followed the monthly retail sales report for November in which clothing and clothing accessories store sales were down 2.9 percent year-over-year and 0.6 percent month-over-month, according to U.S. Census Bureau data.

All retail sales, exclude automobile dealers, gasoline stations and restaurants, in November increased 0.1 percent seasonally adjusted over October and were up 2.1 percent unadjusted year-over-year.

“November showed modest growth on the surface, but you have to remember that the late timing of Thanksgiving delayed the beginning of the busiest portion of the holiday season and pushed Cyber Monday’s billions of dollars of retail sales into December,” Jack Kleinhenz, chief economist at the National Retail Federation, said. “These numbers are more about the calendar than consumer confidence. Consumer spending has been solid, and there’s still a lot of spending to be done.”

The BEA report showed overall personal consumption expenditures (PCE) increased 0.4 percent, or $64.9 billion, in November. Real PCE, adjusted for inflation, rose 0.3 percent, or $37.8 billion, reflecting an increase of $22.6 billion in spending for goods and a $17.1 billion increase in spending for services. Within goods, spending on new motor vehicles was the leading contributor.

The PCE price index increased 0.2 percent, with the core index excluding food and energy, up 0.1 percent.

Personal income increased 0.5 percent, or $101.7 billion, in the month as disposable personal income (DPI), a key barometer for retail sales, was up 0.5 percent, or $87.7 billion, BEA reported. The increase in personal income in November primarily reflected increases in compensation of employees, farm proprietors' income and personal interest income.

Real DPI increased 0.4 percent in the month.

Personal outlays increased $68.6 billion in November, while personal saving was $1.31 trillion in November. The personal saving rate–personal saving as a percentage of disposable personal income–was 7.9 percent.

Source: sourcingjournal.com - Dec 19, 2019

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Azerbaijan: Areas for cotton cultivation to increase in 2020

The areas allocated for cotton cultivation will amount to 105,000 hectares in 2020, Azerbaijan's Agriculture Minister Inam Karimov said on December 19.

Kerimov said that according to the new subsidization mechanism, that will come into force in 2020, some 220 manats ($129) will be issued to farmers for every hectare of sown cotton, and 100 manats ($58) for each ton of harvested cotton.

"In this case, farmers with a yield of 30 centners of cotton per hectare will receive subsidies in the amount of 520 manats ($305), which is 55 percent of their expenditures," Karimov said.

He noted that the issuing subsidies through the Electronic Agriculture System will accelerate the process and improve the quality of service.

Note that in 2019, some 294,000 tons of cotton was harvested in Azerbaijan, with the productivity of 29.4 centners per hectare. This is a record indicator in the country's history.

Azerbaijan entered a new stage of cotton breeding in early 2017 with the approval of the State Program for 2017-2022 that aimed at strengthening measures directed at developing this sphere.

The purpose of the State Program is to develop cotton growing, increase export potential in this sphere, ensure employment of the rural population and increase the production of cotton. As a result of the program, raw cotton production in 2022 is expected to reach 500,000 tons.

Cotton production ensures main income for over 200,000 people in Azerbaijan, including farmers, seasonal workers, and specialists working in the cotton fields such as agronomists, mechanics, drivers and others. Some 23 cotton plants, seven yarn factories and three cotton oil companies operate in the country.

In, 230,000 tons of raw cotton was produced in the country, which is 12.2 percent more than that of the same period in 2017.

Source: azernews.az- Dec 20, 2019

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Bangladesh: Govt drafts rules with strict environmental conditions

The government has drafted rules (industry registration) 2019 for the textile and clothing sector, aiming to ease the registration process and bring the industries under the sponsoring authority's regulation, officials said.

To get industries registered with the Department of Textile (DoT), the draft rules incorporated some 15 conditions including restriction on discharging industry wastes to nearby rivers, connecting canals and other common water bodies without treatment.

It also asked for mandatory setting up of effluent treatment plant and making it functional along with abiding by the law related to the environment.

The Ministry of Textiles and Jute (MoTJ) drafted the rules and published it at the official website of DoT on November 25.

The ministry also sought feedback on the draft from the stakeholders/ trade bodies concerned.

The DoT has convened a meeting next week with the stakeholders to get their opinion on the rules and make the service-receiving process easy, a department official said.

The move came in line with the government's measures to empower the DoT as the sponsoring authority to provide services to the country's textile and clothing sector by enacting Textile Law 2018, he said.

The law also brought the buying house owners under the department for the first time, officials said.

All textile and clothing industries including readymade garment, cotton and fabrics, and buying houses must be registered with the department for running their businesses in the country, they added.

Earlier in April last, the MoTJ for the first time asked all the buying houses operating in the country to get registered with the DoT to bring them under regulation, they noted.

Though the government initially fixed a timeframe for registration of the buying houses, a ministry official said, the time bar has recently been withdrawn.

According to the conditions of the draft rules, the factories have to have arrangement for preserving rainwater to reduce pressure on the underground water.

It also prohibited employment of child labour (below the age of 15 years).

Other conditions included establishment of day care centre and providing maternity leave with benefits to the female workers to ensure decent work environment.

The apparel and textile industries would have to fulfil a number of other requirements like environment and workplace related compliances to get registered with the DoT.

It said that the factories would have to provide all the up to date documents, and fire extinguishers would have to be installed properly.

In the draft, the ministry proposed registration fees for the factories based on the amount of investment.

Registration fees of Tk 5,000, Tk 10,000 and Tk 25,000 have been proposed for factories having investment of Tk 10-100 million, Tk 100-250 million and Tk 250- 500 million respectively.

A fee of Tk 50,000 has been proposed for the factories with investment of Tk 500 million to TK 1.0 billion and Tk 100,000 for the factories with investment of more than Tk 1.0 billion.

A DoT official said that there was a provision for the textile industries to get registered with DoT for long but the formulation of the rules would ensure regulation in all the subsectors including primary textile, readymade garment, allied textile, packaging and accessories manufacturers.

The entrepreneurs would have to submit application to the DoT with the documents of updated trade licence, income tax certificate, certificate of incorporation as limited company and bank solvency certificate, factory layout plan approved by the Department of Inspection for Factories and Establishments, fire licence and environmental clearance.

After filing application, the registrar would issue inspection order within three days and inspector would submit inspection report within 10 days, he said.

If the inspection reports prove eligibility, he said the registrar would give registration and the validity of the registration certificate would be three years.
Source: thefinancialexpress.net- Dec 20, 2019

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Cambodia: Garment factories lobby for savings to make up for rising wages

Garment manufacturers this week lobbied for more cost-saving policies to offset the rise in the sector's minimum wage.

Addressing the Commerce Ministry's 2020 "goal-setting" conference on Tuesday, Garment Manufacturers Association in Cambodia (GMAC) chairman Van Sou Ieng said companies were looking for the government to introduce policies that would help them cut expenses.

"We've seen rapidly rising costs, which require compensatory savings in other areas, like productivity improvements and reduced business operating costs," Sou Ieng said at the conference, which was presided over by Commerce Minister Pan Sorasak.

Manufacturers also needed policies to expedite faster shipping and business operations to respond to buyers' demands, Ieng added.

"With more buyers requesting shorter lead times, our limited local supply chain requires policies in support to address it."

In September, unions, employers and the government agreed to a $8 increase in the minimum wage from $182 to $190 starting in January. Earlier this year, the government has also introduced cost-saving measures such as reducing the number of public holidays from 28 to 22 and streamlining customs procedures.

The sector faces several challenges in the year ahead, however, with duty-free trade to Europe in peril as the EU reviews its "Everything But Arms" (EBA) deal with Cambodia over political and human rights concerns. A final decision is due in February, and could cost the country as much as $654 million in exports if suspended, according to a World Bank estimate.

China's economy could also be facing a slowdown, and Britain's planned exit from the EU could also add to the global economy's headwinds.

Sou Ieng praised the Commerce Ministry's efforts to ease doing business in the country in light of the upcoming challenges, including joint lobbying efforts with GMAC to woo buyers in the EU and Hong Kong, workshops on the Registered Exporter System that aims to cut down on trade procedures, and better monitoring of workplace conditions.

“To an acceptable extent, the ministry has simplified its working procedures, modernized its methods, and reduced costs and time,” Sou Ieng said. “This has helped GMAC members in a time of great challenges.”

Echoing a common ruling party expression, he added that continued peace, political stability and social order, together with constant reform and innovation in the business and investment environment, would help Cambodia pursue becoming an upper-middle income country by 2030 and high income country by 2050.

Those goals, frequently cited by Prime Minister Hun Sen, would require income growth of more than 9.1 percent a year from the 2018 GNI per capita of $1,380 to the current upper-middle income cutoff of $3,956, based on World Bank figures.

For some unions, however, the talk of reducing costs created concerns that such policies would cut into workers’ incomes.

Pav Sina, the president of the Collective Union of Movement of Workers, said the industry should recognize that wages were rising not just in Cambodia but in competitor nations as well.

Many of the other challenges facing the sector — such as the U.S.-China trade war — affected the economy globally, and was not a concern specific to Cambodia, he said.

“The current wages of our workers in Cambodia is not appropriate yet, because the government cut public holidays, and landlords are allowed to increase rents and water and electricity rates,” Sina added. “Foods and goods at markets are increasing too, so this wage can not support workers’ livelihoods yet.”

Ath Thorn, president of the Cambodia Labor Confederation, agreed that the minimum wage still wasn’t enough, and called for the government to control prices at the market.

“The costs of all goods are still increasing, so if the government wants workers to be able to live suitably, they must guarantee that [the price of] goods at the market do not increase,” Thorn said.

He added that the government should make efforts to retain the EBA deal with the EU, and improve the fairness and transparency of garment factory inspections.

Chin Sokkea, 35, a garment factor worker in Phnom Penh, said that at current prices for food, rent, water and electricity, she would need at least another $10 increase in the monthly minimum wage to be comfortable.

“I think that if the government increased it to over $200, our workers’ living would be appropriate,” Sokkea said.

Seang Thai and Heng Sour, spokesmen for the ministries of commerce and labor, respectively, could not be reached for comment.

Source: cambojanews.com- Dec 20, 2019

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Purchase of cotton from black-market: APTMA accuses commissioner of misleading minister

All Pakistan Textile Mills Association (APTMA) has accused Cotton Commissioner of misleading the minister with respect to purchase of cotton from black-market, demanding that the issue should be referred to the investigation agency.

A letter by APTMA's Executive Director Shahid Sattar to Minister for National Food Security and Research Khusro Bakhtiar with a copy sent to Prime Minister Advisor on Commerce, Industries and Production and Investment, states that the Cotton Commissioner has claimed that up to one million bales of cotton have not been registered as they entered through the black market.
The letter further states that spinning is not a fly by night operation and involves setting up large sophisticated plants and unless the cotton is spun it cannot be used in industry.

He said it was inconceivable that such a large quantum of cotton i.e. more than 12.5 percent evaded sales tax will end up finally as apparel in the market. This would imply a very large scale fraud and gross failure of FBR as well as other agencies.

“We request that the matter should be referred to the investigating agency and that the Cotton Commissioner may be questioned about his source of information. We believe this is untrue and government officials should desist from making such reckless statements and should be suitably reprimanded after proper investigation."

Textile sector's second issue is with the presentation of selective misleading data on pricing. The Cotton Commissioner presented data of Mian Channu (one statement) and extended it to cover the entire country, with price mentioned at last year level.

This is gross misrepresentation and wrong data from across the country which may clearly depict quite the opposite picture notably that bale and Phutti prices are higher than last year, APTMA stated in its letter.

Sattar further stated that current price of good quality cotton in Pakistan was Rs 9,000 in Rahim Yar Khan/Ghotki and other areas whereas it is Rs 7500-8000 for poor quality cotton of lower Sindh and upper Punjab. Hence price of cotton depends on quality. Cotton Commissioner has deliberately tried to mislead the Minister by using the price for lower quality Phutti as representative of all of Pakistani cotton.

APTMA's third issue is with the comparison of Cotlook index A and local prices and maintaining that the farmer has been cheated. This is far from reality as Cotlook A is well defined and is far superior cotton with higher yield, lower contamination and lower moisture content; the propaganda as prepared by the Cotton Commissioner subverts the credibility of institutions and must be censured. Export price data of Pakistani cotton over the last few years can be compared to the prevailing A index price to ascertain the discount at which Pakistani cotton sells in the international market (on average this discount is approximately 10 cents a pound).

Source: brecorder.com- Dec 20, 2019

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Bangladesh loses apparel export share, needs better policies to move ahead

Despite having enormous scope to gain from businesses shifting from China, Bangladesh apparel sector lost 0.1 percentage point in global export share to reach 6.4 per cent in 2018. The country's earnings from the apparel sector grew 14.49 per cent to touch $34.13 billion in the past financial year. However, this growth was recorded mainly in physical stores. Of this, $16.88 billion revenue was generated from knitwear and $17.24 billion from woven garments. Around $5.68 billion came from non-traditional export markets and the rest $28.44 billion from traditional markets, mainly the United States and Europe.

Need better business environment, policy support

As the Bangladesh Knitwear Manufacturers and Exporters' Association (BKMEA) revealed, Bangladesh has set aBangladesh loses apparel export share needs better policies to move target of reaching $50 billion in revenues from apparel exports by 2021. However, to achieve, the country needs to tackle issues like establishing a deep-sea port in the country, reducing lead times, among others. The country also needs to improve its business environment to support private-sector development, create more jobs and foster a sustainable economic growth.

Another issue that the country needs to address is: making adequate policies and implementing them. Apparel sector in the country is dependent on the production of basic items as high-value apparels cannot be produced due to the absence of skilled workers. As the recent Fair Wear Foundation report reveals, not many buyers in Bangladesh are willing to pay more for apparels. Therefore, factories are accepting orders for low-priced garments in the hope that prices would increase someday.

Decline in buyer's capacity, low productivity pose challenges

Apparel manufacturers are also facing other challenges like a continuous decline in prices at the buyer's end, poor image in global market, lack of compliance to labor and environmental laws and lack of product diversification and low-value products, etc. The country's productivity is less than all its major competitors. Therefore, it needs to address these issues to be able to compete in the globally.

As per Asian Productivity Organisation, per hour labor productivity in Bangladesh is lower than the average productivity of its competitors except Cambodia. The cost of apparel production has increased 30 per cent in the past four years. In fiscal year, 2015-16 and 2018-19, value addition in the sector declined 1.61 per cent though apparel exports increased during the period.

The situation is worsening with Bangladesh moving up from 'least developed countries' at a time when the WTO regime is turning bad because of increased protectionism in the international market. Unhealthy competition of selling products at lower prices by exporters has triggered a significant decrease in country's export earnings.

The ongoing tariff war has led to a significant volume of trade relocating and Bangladesh has emerged as the safest garment exporting country in the world by the inspection of Accord, Alliance and the International Labour Organisation. The country exports 61 per cent of its apparels to five countries: Germany, United States, United Kingdom, France and Spain.
More focus on non-traditional market

However, it needs to expand this market beyond the European Union and the United States. For this, the Bangladesh government should formulate policies that focus on product diversification and more value addition. It should focus more on non-traditional markets by identifying products in demand.

Bangladesh should also respond proactively to the challenges of the Fourth Industrial Revolution by leveraging new technologies. The country should make a list of people required with certain skills and co-ordinate with entrepreneurs, policy makers, buyers and other development partners to develop these skills further.

Source: fashionatingworld.com- Dec 20, 2019

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Pak-China FTA-II Will Boost Pak Trade: Secretary Commerce

Federal Secretary for Commerce Sardar Ahmed Nawaz Sukhera on Friday said second phase of Pak-China Free Trade Agreement (FTA-II) will prove instrumental to boost the bilateral trade.

Unlike earlier FTA, this time China has compromised on many things and new FTA is very much supportive to Pakistan covering 313 tariff lines which make 90 percent of Chinese exports. FTA-II will be effective from January 1, 2020, he said while speaking in a meeting with representatives of textile associations here at Pakistan Hosiery Manufacturers and Exporters Association (PHMA).

The prominent on PHMA side were Chairman, Council of Textile Associations, M.Zubair Motiwala and Patron-in-Chief of PHMA and Chairman of Pakistan Apparel Forum, M. Jawed Bilwani and PHMA's Chairman (South Zone) Aslam Karsaz, former president PHMA Junaid Makda.

The federal secretary emphasized on creating awareness among the members of value-adding textile associations about the importance and benefits of FTA-II.

"Our exporters shall have prepare themselves to take maximum benefit from FTA-II. This time China has come with open heart and the agreement is one sided in favour of Pakistan," he re-affirmed.

The secretary regretted that Pakistan lacked due presence in African markets and urged the business community to focus on African states along with traditional markets through diversification and innovatives.

There was big market in Africa for Pakistani goods. African economies were opening up. Pakistan exporters would have to pull their muscles to grab the opportunity, he asserted.

Highlighting the governments efforts in this regard, he said Pakistan had her embassies in fourteen African countries and these were being given clear targets for promotion of trade and investment. For this purpose, he added, dedicated Commercial Counsels were appointed for ten African countries.

As a part of this move, he said, Federal Ministry of Commerce has arranged an international conference on trade and investment in Narobi, Kenya which was scheduled to begin in January 2020 in which ten major African economies would participate. Their Ministers of Commerce and Representatives from their Trade Development Authorities and from Boards of Investments, the ambassadors would attend the conference.

The Foreign Ministers from these African states were likely to grace the event.

The Governor State Bank of Pakistan would also be invited to this very important economic conference.

African economies were growing fast at 7 to 8 percent, he acknowledged.

Sardar Ahmed Nawaz Sukhera said the government was also focusing on Russia, which includes holding of economic conference in Russia.

"We have also formed a joint working group with Egypt on promotion of trade," he said.

He said his ministry had got approval of the Cabinet on National Tariff Policy. However, he said, this year's annual budget would be a test case for Commerce Ministry, how to rationalize the tariffs. Correction of tariff structure and reaching new markets were our new targets.

He said the Commerce Ministry was going to restructure Trade Development Authority of Pakistan on sectoral lines for better focus on commerce sectors.

The secretary invited recommendations from the business community on Combined Effluent Treatment Plants and K-4 water supply scheme for the city.

He said the ministry had also brought e-Commerce policy, which would also help in making payments to the exporters.

About the infrastructure cess, he assured that this issue would be taken up in Council of Common Interests.

"Unless the cost of doing business is reduced and ease of doing business is ensured, we cannot increase our exports," he said.

Chairman of Council of Textile Associations, M.Zubair Motiwala also demanded rationalization of duties on the basic raw materials meant to produce export goods.

PHMA Patron-in-Chief and Chairman of Pakistan Apparel Forum, M. Jawed Bilwani recommended that exports goods should be declared as essential items and their movement to and from the ports be allowed 24 hours for 7 days of a week. Presently, he added, containers loaded vehicles were allowed to enter the city or move from and to the industrial estates and ports between 11:00 P.M. and 6:00 A.M., which delays shipments of the exports goods.

He also emphasized that the construction of Northern and Southern Bypasses, and Motorway would help expedite the movement of exports and imports cargo.

He called for allotment of separate queue for clearance of exports containers by the Customs at the ports to speed up the shipments.

Source: urdupoint.com- Dec 21, 2019

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Wide-opened doors for Vietnamese products to enter EU market

Many experts considered EVFTA as one of the advances that Vietnam has gained during the process to negotiate free trade agreements because of comprehensiveness and market openness.

Ms. Nguyen Thao Hien, deputy head of the European-American Market Department, said that after the EVFTA becomes effective, 85.6 percent of tariff lines will be removed, accounting for 70.3 percent of Vietnam's export turnover to the EU. After seven years of the EVFTA, 99.2 percent of tariff lines will be eliminated, accounting for 99.7 percent of export turnover and 0.8 percent of the remaining tariff lines will be applied tariff rate quota with tariff rate in the quota at zero percent.

Import tariff reduction by the EU will bring many opportunities for agricultural products, such as rice and rice products. Particularly, the EU will allocate a quota of 80,000 tons of rice per year with polished rice, unpolished rice and fragrant rice with within-quota tariff of zero percent. As for broken rice, import tariffs will be removed within 5 years for broken rice and within 3-5 years for rice products. Import tariffs of fresh and processed vegetables and fruits, fruit juice and fresh flowers will be immediately eliminated. Coffee, black pepper, cashew nut and honey will receive immediate tariff elimination.

As for industrial products, garment and textile will have 42.5 percent of tariffs lines eliminated immediately and the rest will be reduced to zero percent after 3-7 years; leather and footwear 37 percent of tariffs lines eliminated immediately and to zero percent after 3-7 years; wood and wooden products 83 percent of tariffs lines eliminated immediately and to zero percent after 5 years; computers, electronic products and components 74 percent of tariffs lines eliminated immediately and to zero percent after 3-5 years; plastic products, cell phones and components, bags, steel products and basic glass products will be eliminated import tariffs immediately.

Aquatic and seafood products will have 50 percent of tariffs lines removed when the EVFTA takes effect; the rest 50 percent of tariff lines will return to zero percent after 3-7 years. Currently, the EU is applying tariff rate quota of 11,500 tons per year for canned tuna and 500 tons per year for fish balls.

Tariff reduction creates competitive edge for Vietnamese products but it also means that Vietnamese enterprises will have to face more challenges of protectionism via high technical barriers for import products in the EU market.

According to the Industry Agency, footwear and garment and textile are the most advantageous industries when the EVFTA comes into effect because of high tax reduction and not-too-strict rules of origin. However, the similarity of these two fields is that they are mostly processing, so in order to take advantage of preferential tariffs of the EVFTA, garment and textile and footwear enterprises need to move to intensive, chain development stage from developing materials, designs to finishing products so as to ensure rules of origin in accordance with regulations of the EVFTA.

For most of export products to the EU, besides meeting regulations on quality and food safety, they need to meet standards and administrative procedures regulated by the EU, take social responsibility seriously and ensure transparency about labor and production environment.

Dr. Vo Tri Thanh, former deputy head of the Central Institute for Economic Management, said that the signing of several comprehensive and new generation agreements, such as CPTPP and EVFTA, showed that Vietnam is facing many opportunities to attract important investors in the world. In other words, Vietnam still has plenty of room for doing business.

Source: sggpnews.org.vn- Dec 20, 2019

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NATIONAL NEWS

Piyush Goyal meets export promotion councils to seek inputs for foreign trade policy

Commerce and Industry Minister Piyush Goyal met export promotion councils (EPCs), exporters body FIEO and commodity boards to seek inputs for the foreign trade policy and steps that can be taken to boost India's outward shipments.

The EPCs also gave their views on India's free trade agreements and preferential trade agreements with other countries especially, ASEAN members, during the five-hour long meeting held on Thursday, the commerce and industry ministry said in a statement. Pre-Budget inputs from EPCs were also taken so that they may be sent to the finance ministry, it added.

The minister also asked the EPCs to study the non-tariff barriers (NTB) being faced by them while exporting to other countries so that a study maybe done to look at these NTBs.

It was also decided by the minister, in concurrence with all EPCs and Boards, that another meeting will be held after the Budget in February to review the tasks achieved and those still pending that were discussed in this meeting.

Source: financialexpress.com- Dec 20, 2019

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Yield improvement need of the hour for cotton sector, says apex trade body

Underlining the need for yield improvement in cotton cultivation in the country, trade leaders called for better resource management and protection from pest infestations.

At the 97th Annual General Meeting (AGM) of apex cotton trade body Cotton Association of India (CAI), Atul Ganatra, President, stated that the domestic productivity level of the fibre remains one of the lowest in the world.

“Cotton productivity has increased from around 300 kg/ha in 2002-03 to nearly 500 kg/ha now. However, it is still among the lowest in the world. With an average productivity of 2,028 kgs/ha, Australia is on the top.

Even smaller countries such as Syria, Myanmar, Pakistan, etc have higher cotton productivity than India. We need to be more efficient and effective in improving resource management to achieve higher productivity,” Ganatra said in his address.

He also added that India is striving hard to improve its cotton productivity level through implementation of High Density Planting and efficient and better protection from pest infestations.

Following robust crop prospects and a production outlook of about 354.5 lakh bales (each of 170 kg), Ganatra expressed confidence that India is likely to retain its numero-uno position this year from China.

He also flagged several challenges for Indian cotton, in the form of contamination issues. Even though it has excellent intrinsic value, Indian cotton faces contamination and excess moisture due to pouring of water and poor bale packaging etc, which diminishes the value.

Source: thehindubusinessline.com- Dec 20, 2019

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Why upcoming FTP could be a game-changer for economy

The upcoming Foreign Trade Policy (FTP) for 2020-25, expected in the coming months, will be key to defining this strategy.

There is little doubt that India is one of the biggest economies in the world, and with the ambitious target of becoming a $5 trillion economy by 2025, it’s set to grow even bigger.

Despite this economic power, however, the country’s share of global trade remains woefully low, contributing only 2 percent of total global exports in FY19.

India's trade deficit has further worsened by ongoing trade tensions internationally and the slowdown of the domestic economy.

The Economic Survey 2018-19 noted that domestic consumption could only contribute in a restricted fashion to India's GDP, because of a tendency for savings in the citizenry. As such, domestic demand has limited potential, acting as a multiplier only when high-income growth boosts consumption.

Hence, exports and international trade play an extremely important role in GDP growth. Capitalizing on this role through an aggressive export strategy requires high investments in large-scale facilities that can create high-quality goods to meet overseas quality standards.

The upcoming Foreign Trade Policy (FTP) for 2020-25, expected in the coming months, will be key to defining this strategy.

A Need for Change

The current FTP – in force for the last five years – relies heavily on incentives and subsidies to support and boost exports, such as those found under the Merchandise Exports from India Scheme (MEIS) and Services Exports from India (SEIS).

However, in recent rulings, the World Trade Organization (WTO) has ruled these schemes as invalid, following a challenge by the US. The WTO ruling states clearly that given that India's per-capita-GNI (gross national income) has crossed $1,000 for three years in a row (2013-2015), the country is no longer allowed to offer export subsidies.

Indian exporters have been reliant on the incentives provided by these schemes for growth, leading to a culture of dependency and a lack of competitiveness.

Soon after taking charge earlier this year, Minister of Commerce & Industry Piyush Goyal highlighted the same, stating, "I do not think that any programme or ambitious scheme can run only on subsidies and government help. We have to move out of this continuous effort and demand...and make our industry truly competitive and self-reliant."

The government has also indicated that it will not be challenging the WTO ruling, setting the stage for a new trade policy geared towards helping Indian exporters building competitiveness and self-sufficiency – the FTP 2020-25.

The Way Forward

Dr. Surjit Bhalla, the Executive Director for India at the International Monetary Fund (IMF), chaired a High-Level Advisory Group (HLAG) earlier this year which submitted recommendations in June 2019 on ways for India to triple its exports to over $1 trillion by 2025.

The recommendations including lowering the effective corporate tax rate, reduction in cost of capital, simplification of regulatory and tax framework for foreign investment funds, and specialized security products for fundraising for long-term infrastructure spends.

The Central government also needs to incentivize technology adoption across export sectors to build capability to meet evolving consumer demand and stringent quality requirements from overseas markets.

For example, the Ministry of Textile promotes an Amended Technology Upgradation Fund Scheme, which aims to provide credit-linked capital investment subsidies to exporters. The Scheme facilitates improvements in investment, productivity, quality, employment, exports and import substitution via technology upgrades in the textile industry.

Similar schemes in other sectors will help exporters, especially MSMEs, upgrade existing infrastructure with new-age technologies to reduce production costs and meet quality measures, leading to greater efficiency, growth and eventual job creation.

Yet another opportunity exists with India's vast labour force. Despite the high numbers, many Indian workers are unskilled and hence unable to meet the requirements of a value-added global supply chain.

Hence, the government must look at leveraging existing schemes such as Skill India to train the under-skilled and promote their participation in export-driven industries such as textiles, gems and jewelry, and leather, among others.

Startups have also played a significant role in building maturity in the Indian trade ecosystem, particularly in the sectors of finance and logistics. These technology-reliant and data-driven companies have significant potential to promote exports and overall growth of the economy. Instead of the traditional antagonistic approach to startups in fintech and logistics, the government should acknowledge their contribution and reach out to them to build a new wave of public-private partnerships.

The new FTP should ideally include the above measures, as well as other ways to ensure that India's exporters build capability and competitiveness at par with competitors from other export markets, instead of staying reliant on subsidies from the government.

Given the ongoing economic slowdown, self-reliance will be key to growth for India's exporters in the coming months, and the new FTP will have a critical role to play in achieving this, and helping the country achieving its $5-trillion-economy target by 2025.

Source: moneycontrol.com– Dec 21, 2019

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Container trade in third quarter of 2019 seen flat compared to global growth of 1.5%: Maersk

India's container trade in the third quarter of 2019 is seen flat as compared to global growth of 1.5%, according to a trade report released by Maersk, the world's largest container shipping company.

The Maersk report for import and export for July-September 2019 for India says that while imports into the country witnessed a subdued growth, the overall fiscal impact was nullified by an identical contraction in exports.

The slowdown is aligned closely with the weaker domestic demand, as well as a reflection of the broad-based cyclical weakening of the economic environment in all the main global economies. The economic uncertainty, tight liquidity, decline in global export orders and evolving domestic political scenario also affected the flow of investments and added to currency volatility.

The trade report from data, which is a combination of market intelligence and Maersk volumes, says that globally the negative effects from escalating trade restrictions also weighed on trade growth in the quarter. The trade restrictions have reduced bilateral trade between the US and China, and led to shifts in trade structures, with global importers having shifted sourcing from China to other countries such as Vietnam, Taiwan, Bangladesh and Korea, with Thailand, Mexico and India also showing early signs of being next in line to benefit.

China is among the top five import countries for India, however, imports have declined. India is looking for greater access to the Chinese market as it seeks to arrest the fall in farm commodity exports.

Steve Felder, managing director, Maersk South Asia, said "The current slowdown witnessed in the last two quarters can be accredited to tight liquidity and working capital, weaker domestic consumption patterns and slower global growth.

As the global economy continues to face challenges, and trade tensions between major economies ensue, many leading global importers have begun exploring trade alternatives to China. US has emerged as a strong trade partner with India showing growth in exports as well as imports."

Paper and metal scrap continue to be top traded commodities. India serves as one of the growing countries for the US and EU recyclers looking for export markets, specifically for non-ferrous and paper scrap.

China's domestic protein production is down by 5% in 2019, influencing the demand for imports, making it one of the primary reasons why India has seen export growth to China as far as seafood and other refrigerated (Reefer) products are concerned.

The report also mentions that apparel exports from India are exposed to multiple threats like US-China trade tension, Brexit uncertainty and almost flat growth in major EU economies which could slow down the pace and make it challenging for apparel exporters.

Source: financialexpress.com– Dec 20, 2019

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India Oct cotton yarn exports up 19% on mo, weak cotton rate helps

India's cotton yarn exports rose 19% on month to 80,000 tn in October, reversing the downward trend so far in the current financial year, traders said.

Exports, however, were down 19% on year. "Fall in prices of raw cotton in September, which made yarn exports viable in a depressed global market, was a key factor why exports recovered," said an official with a Gujarat-based yarn exporting company.

Prices of cotton on exchanges have fallen below 20,000 rupees a bale (1 bale = 170 kg) in September, and have since hovered in a range of 19,000-20,000 rupees. Earlier this year, yarn exports were unviable as Indian cotton was selling in the range of 22,550-20,500 rupees, around 10% higher than global prices.

The higher price led to a 55% decline in yarn exports to 422,187 tn in Apr-Sep. In value terms, exports fell 38% on year to 89.3 bln rupees during the same period, government data showed.

"Exports have risen slightly in October on strong demand from China, Bangladesh and Egypt. Also, lower prices encouraged spinning industry to raise capacity utilisation," said Ujwal Lahoti, executive chairman of Mumbai-based Lahoti overseas Ltd.

The rise in arrivals of new crop across markets in the country has kept prices low. "Also, enquiries for cotton yarn from China and Bangladesh have risen in November, which may reflect in exports during Nov-Dec," a Gujarat-based exporter said.

The performance of the Indian cotton spinning industry, which was constrained in the current fiscal due to weak demand and unfavourable raw material prices, will improve gradually in the coming quarters due to an uptick in exports and favourable cotton prices, said a report by ICRA.

Source: cogencis.com– Dec 20, 2019

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Flag countries placing non-tariff barriers on exports: Goyal to industry

Union minister Piyush Goyal on Friday asked the industry to flag the countries that are placing non-tariff barriers on Indian exports and promised to take retaliatory actions against those countries.

Speaking at the 92nd Annual Convention of FICCI, the Commerce and Industry Minister also said India needs to get more competitive, and stressed on addressing the problems of the entire value chain, be it inverted duties, dumping, or unfair subsidies.

"Our government does not believe in solving issues individually for a company. We believe in doing a root cause analysis, we believe in understanding where the problems are and we believe in finding a sustainable solution that can outlive an individual's problem," Goyal said.

The minister said "a responsible government, a listening government" can impact business, can make a change and assured the corporate leaders present at the event that his office and he himself was available 24x7 to address the industries' concerns.

He further said the stakeholders need to tell the government, which country is using any trade remedial measures or non-tariff barriers which impact their exports to that country.

"Our government is willing to stand by you and look at retaliatory actions and impose similar trade remedial measures," Goyal said.

India's exports contracted for the fourth month in a row in November, dipping 0.34 per cent to USD 25.98 billion, mainly on account of poor shipments of petroleum, gems & jewellery and leather products.

He also pointed out that the industry and the government need to work together to rejuvenate that entrepreneurial spirit and find solutions to certain problems which are real.

"As much as we engage with each other, we will be able to come to solutions and devise innovative solutions," he said.

The minister also said India is the best place to invest in.

"It's the place, where you get both, a competitive edge and get a huge domestic market aspiring for a better quality of life," he said.

Referring to the NIRVIK (Niryat Rin Vikas Yojna) scheme, Goyal said it has been designed in such a way that every exporter will get dollar financing or foreign exchange financing and those who want to take money in rupee terms will positively get financing in the domestic currency.

Source: fibre2fashion.com– Dec 19, 2019

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Rajasthan: Industrial policy hikes SGST rebate from 30% to 75%

Chief minister Ashok Gehlot on Thursday launched Rajasthan Industrial Development Policy, Rajasthan Investment Promotion Scheme, Chief Minister Small Scale Industries Promotion Scheme with the aim of creating inclusive, balanced and strong industrial development atmosphere to make Rajasthan as a favourable investment destination.

Industry minister Parsadi Lal Meena said that Rajasthan Investment Promotion Scheme (RIPS) – 2019 has been further simplified and made easy. Eligible industrialists have been provided 100% rebate on electricity tax and stamp duty. Investment subsidy has also been increased from 30% to 75% of SGST.

He said, “Doors of the state government are always open for industrialists. Problems of industrialists were listened by going to all the divisions and their problems were resolved with sensitivity.”

Chief minister said to promote textile Industry in Jodhpur, Pali and Balotara all possible efforts are being made to solve the pollution related problems of industrialists. He said, “Subsidy up to Rs 50 lakh will be given on behalf of RIICO on setting up CETP. Earlier, this subsidy was of Rs 25 lakh. New industrial areas will be developed through RIICO in 11 districts.”

To make the policy attractive to investors, the government has announced to investment subsidy of 75% of state taxfor seven years, employment generation subsidy in the form of reimbursement of 50% towards employees EPF and ESI for seven years, 100% exemption on electricity duty, land tax mandi fees and stamp duty for seven years.

Subodh Agarwal, additional chief secretary, Industries, said, “The incentives are most competitive for the industry. We did extensive analysis of policies and incentives offered by leading states and took views from large sections of the industry so that it reflects their interest.

We are sure the policy is the best as of now, in the country and will be a trigger for many industries to set up base in the state and consequently, this will help create large number of jobs for the youth of the state.”

The policy has also identified 11 sectors as thrust areas like agro-processing, bio-technology, dairy, defence, DMIC, electric vehicle, food processing sector, auto-component, electronic system design manufacturing, textiles, handicraft, chemical and petrochemical, pharmaceutical, leather and accessories, jewellery, mineral, and medical device manufacturing etc. The chief minister also awarded 42 industrialists under various categories with Rajasthan Udyog Ratna and Rajasthan export awards.

Source: timesofindia.com– Dec 20, 2019

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Govt approves changes in Interest Subvention Scheme to boost MSME output

The minister highlighted that the government is committed to enhancing credit to the MSME sector and the implementation of the scheme is being closely monitored to help micro, small and medium enterpr

Union Minister Nitin Gadkari on Monday approved changes in the Interest Subvention Scheme guidelines for micro, small and medium enterprises, and said the modifications are expected to boost their productivity through access to credit at reduced cost.

The Minister for Road Transport & Highways and MSME reviewed the functioning of the scheme.

"It is expected that the modifications in the scheme guidelines will lead to fulfilment of objectives of the scheme, i.e. to increase productivity in MSMEs through access to credit at reduced cost," Gadkari said.

The minister highlighted that the government is committed to enhancing credit to the MSME sector and the implementation of the scheme is being closely monitored to help micro, small and medium enterprises (MSMEs) get incremental credit of up to Rs 1 crore with an interest subvention of 2 per cent.

The modifications to the scheme include settlement of claims based on internal or concurrent auditor certificate and submission of statutory auditor's certificate once by June 30, 2020; and acceptance of claims in multiple lots for a given half year by eligible institutions.

"The improvements are set to provide momentum giving fillip to the MSME sector," an official statement said.

The Interest Subvention Scheme for MSMEs was launched by Prime Minister Narendra Modi in November 2018.

Besides, in the modified scheme, requirement of Udyog Aadhaar Number (UAN) has been dispensed with for units eligible for GST and the last date of submission of claims for the half-yearly period ended March 31, 2019, has now been extended till December 31, 2019.

Under the changes approved, trading activities without UAN have also been made eligible.

"The modifications in operational guidelines carried out are based on suggestions made by various stakeholders, including banks and lending institutions who had brought to light operational difficulties which were hindering a smooth roll-out of the scheme," the statement said.

Source: business-standard.com– Dec 16, 2019

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