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IBTEX No. 164 of 2019 — August 22, 2019

US 71.70| EUR 79.42 | GBP 86.90| JPY 0.67

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20478	42800	**76.07**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
21140	44183	**78.53**

International Futures Price

NY ICE USD Cents/lb (December 2019)	59.14
ZCE Cotton: Yuan/MT (September 2019)	12,740
ZCE Cotton: USD Cents/lb	81.74
Cotlook A Index – Physical	**70.50**

Cotton Guide: And again we see smaller volumes at ICE. The picture is the same narrow range during the last fortnight. Prices are trading in the range of 58-61 since a long time now. The volume figures were also miniscule in and around the 20,000 contract mark. Such lower volumes do not portray a clear picture for the market participants. It is said that amateurs open the market and the experienced close the market. But here if we look at the prices which closed higher, the aforementioned statement may or may not hold its integrity due to lower volumes

Last evening's rise can also be attributed to short covering by some speculators as there is an expectation of good export sales data being released this evening. If the data brings forth better numbers then the prices are set to breach 61 cents/lb. Furthermore, if China is seen to have booked good number of cotton from US then, the figure might even head to 62 cents/lb. Therefore, this evening we can witness jittery markets after the export sales data are released.

The ICE December contract started rising after 6 pm last evening and therefore settled higher by 1.18% to 59.94 cents/lb. The prices this morning have breached the 60 cent mark. For today, the export sales data will decide the direction of the narrow range bound price direction.

The Chinese ZCE January contract is trading positive this morning by around 90 yuan which indicates that the Chinese are also expecting the International prices to head higher.

On the other hand, while analysing domestic contracts, it's been a straight bull run for the MCX August contract. It started its bull run on the 6th of this month and is still on the move upward. The MCX August contract settled higher at 21,140 Rs/Bale with a change of +90 Rs. The next contract with higher volumes MCX October contract also settled higher at 19,870 Rs/Bale with a change of +20 Rs. Whereas the November contract emanated a lower settlement figure of 19,420 Rs/Bale with a change of -70 Rs. The total volumes for the MCX contract were below the 1,000 lot mark at 984 lots. For today we shall keep our stance positive for the MCX August contract and the MCX October contract.

The Cotlook Index A has been remained unchanged at 70.50 cents/lb. Whereas prices of Indian Shankar 6 are also firm at 42,800 Rs/Candy.

The Indian Textile Industry especially the Mills are seeking help in various forms from the Indian Government, as the decline in demand has brought forth closure of a few days per month for many Indian mills.

On the technical front, prices made a bullish candlestick pattern with a double bottom break out (closing basis) suggests the pullback in the prices. Prices are consolidating in a range of 58-60.20 from the last 12 trading sessions indicating the sideways trend. DEMA (5,9) = 59.72, 59.71 are at the same level guiding the positive cross over is likely, with a RSI making higher tops supporting the pullback. For the day trading in the range of 58.50-60.50 with a positive bias is recommended. In the domestic market MCX Aug future is expected to trade in the range of 20800-21400 with a sideways to positive zone. While a close below 20800 will weaken the price trend.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

The Next China, According to Experts, is Still China

Scale back, de-risk, avoid—whatever the present production plan, apparel and footwear companies can't altogether quit China, even if that appears to be the sensible workaround to the present trade war's perils.

While it's true that the country's labor costs have risen, GDP per capita has nearly doubled in the past decade, and its economy has grown at a quick clip, it's equally that true China's manufacturing capabilities, capacity and responsiveness remain grossly unmatched anywhere else in the world.

China, Jeff Streader, managing director of Go Global Brand Investment Platform, said speaking Monday at Apparel Textile Sourcing Canada, is "still the New England Patriots of the NFL. They're still the team to beat. They still have a plan with a leadership that thinks corporate."

The list of China's pros for apparel sourcing still largely win out over the cons that the battle between President Trump and his Chinese counterpart Xi Jinping have brought on.

"They have the best raw material pipeline, and that's a significant component," Streader said. "Their roads are phenomenal, their ports are phenomenal. They have a focused, supportive government and they have a flexible manufacturing base."

More than that, though, China has an ability to respond to demand at a rate and pace most countries can't rival. Shipping from China to the U.S. can take 14 days, while bringing something in from Bangladesh—a Southeast Asia locale increasingly snagging market share as companies diversify their sourcing—requires about 32.

And that, according to Streader, is a "competitive cost that will offset any savings you might get from going to another country."

Companies have to understand their total cost before considering going on a China sourcing cleanse that will prove both pricey and disruptive.

Freight on board, or FOB costs, Streader pointed out, represents 20 percent of your average unit retail price, while labor accounts for a much smaller 6 percent.

“If my shirt is $100 bucks, the labor on it is $6 bucks. Is that really enough for me to move from country A to country B?” Streader said. “Do I want to chase the cheapest price or do I want to make sure that that shirt I just saved $1 on, that I have it at the end of the year and don’t have to discount it to 50 percent off?”

In highlighting key alternative sourcing countries, Streader indicated that each will come with its own perks and headaches.

Myanmar, he said, struggles with underdeveloped infrastructure and persistent human rights issues, though costs are still low. The Philippines has a sizable young workforce, and Thailand is “a viable option to supplement your sourcing base that’s China heavy,” according to Streader. Though it has the capacity to take on more sourcing, Pakistan’s apparel industry has been “stagnant,” and while Indonesia’s experience is good, the country is focused on big orders at a time when companies are looking for smaller minimum order quantities (MOQs) as they take more cautious inventory positions.

Beyond what each new sourcing country brings with it, companies have to consider what they’d be losing when leaving China behind, too.

Speaking on a recent media call hosted by Tariffs Hurt the Heartland, Joseph Shamie, president of crib manufacturer Delta Children, said that while the company is weighing its options for sourcing in light of impending tariffs, a scale back on China won’t happen all that easily.

“I have over 100 employees in China checking on the safety of the product…testing the products every single day,” Shamie said. “We have moved some production to Vietnam and Indonesia, and No. 1, they don’t have the infrastructure to produce the quantities that are needed, No. 2, they don’t have the training to produce a safe product…it’s almost ludicrous to think that we can move all of that production overnight.”

Even for companies who do opt to move, which JOANN Stores has done for some of its production, Wade Miquelon, the chain's CEO, said on the Tariffs Hurt the Heartland call, "You just can't flip a switch on a wall."

"When we can move supply, we're starting a process which usually—from start to end—takes 18 months and is very expensive and very disruptive," he said. "And what happens if we end up having some kind of skirmish with the next country? We could see a worse thing with the core consumer as a result."

Complicated as maintaining the relationship with China may be, the benefits of maintaining some sort of status quo could prove beneficial to both production lines and bottom lines, despite the added pressure new tariffs may pose.

"They are the undisputed leader," Streader said, acknowledging companies looking for the next new place to source product. "Of all of the countries I just mentioned, aggregate them, put them together, when it comes to textile innovation, bar none, it's China."

"The new China," he said, "is the old China."

Source: sourcingjournal.com- Aug 21, 2019

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The World Trade Organization could still prove itself effective

US President Donald Trump has accused developing countries, particularly China and India, of unfairly benefitting from their "developing country" status under the World Trade Organization (WTO) regime which permits such countries special and differential treatment (or SDT in WTO parlance).

This lets developing countries, including the two Asian nations, adhere to less onerous norms such as longer periods of compliance, without violating the WTO rulebook. Other than where it is spelt out clearly, similar leeway could also be enjoyed on permissible "best endeavour" grounds.

On the other hand, paradoxically, the US and other rich countries have always enjoyed enforceable SDTs in the agreements on textiles and clothing, and also agriculture. It took 10 years for the agreement on textiles—which allotted export quotas to developing countries—to come to an end in 2005. However, subsidies given in the West to rich farmers continue to operate unabashedly. Strikingly, this means that every cow in the West gets a dollar per day as subsidy, while the poor in India are just about earning a dollar per day.

The tragedy with the textiles and clothing agreement was that it was used as a trade-off with the deal on intellectual property rights, or IPR (trade-related aspects of intellectual property rights, or TRIPs). The latter continues to function, ironically, with the rich extracting huge amounts through IPRs from the poor world. The trade-off did not adequately benefit countries exporting apparel. But then, it is too late now to cry over the spilt milk.

Perhaps Trump is not aware of this history or does not wish to acknowledge it. What he does know is that the WTO dispute settlement system has tended to favour developing countries. The US has lost most of the disputes raised against it. Therefore, Trump's first attack was on the dispute settlement system, which he has sought to neutralize by not allowing the appointment of new members on the appellate body.

By attacking China, with whom it has a running trade war, the US is telling the world that the system needs to be reformed. Though the US has a special relationship with India, which includes containing China, it would not want to appear partisan by not placing India in its trade sights as well. On trade policy, Trump is a revisionist, having reworked the North American Free Trade Agreement and dropped the US's commitment to the Trans Pacific Partnership, as he mistakenly believes that the huge trade deficit it runs is harmful to the US economy.

Thus, Trump also wishes to discredit the WTO regime and push for its reset in favour of the US. Irrespective of their tone or tenor, some concerns raised by the US are valid. The international community has failed to ensure that global trade benefits all and that subsidies help the poor, particularly those who are adversely impacted.

Irrespective of their status, all countries house their share of the poor and not-so-poor. Over the years, the rules of the multilateral trading system have evolved with the objective of reducing barriers to free trade in a manner that its benefits are spread across communities and protections are accorded to weaker sections. However, for farms in the West, different standards have been adopted.

Despite the shrinking contribution of agriculture to the US gross domestic product, it has been pointed out that the per-farmer subsidy in the US is 70 times that of China, 176 times that of Brazil and 267 times that of India. This is not to suggest that India and other developing countries do not need to look inward at their own respective subsidy regimes. While India is not a poor country, it is home to more than 600 million poor people, many of whom need state-support to lead a decent life. However, this does not take away the fact that the Indian state also needs support in continuously reviewing and fine-tuning its efforts to reduce poverty by implementing necessary bold and structural reforms to empower the poor to overcome poverty.

The issue of limited compliance by various countries with notification obligations under different WTO agreements also needs to be viewed in this light. Despite acknowledging immense benefits of transparency, several countries are unable to comply with these requirements because of limited capacity. The WTO should design and implement capacity building programmes for developing countries to help them comply.

The role of an impartial, operational and effective dispute settlement mechanism at the WTO cannot be understated in ensuring a predictable, transparent and enforceable trading environment. The US has held back appointments of members of the WTO appellate body. It is playing a waiting game and has shown an extreme lack of interest in engaging with the international community so far. In the words of Henry Kissinger, this desire of one power to achieve absolute security means absolute insecurity for all others.

Such an approach often results in the infringement of other countries' policy space. The US must review its position and engage with the global community to design an effective dispute settlement mechanism.

Unilateral efforts, such as those proposed by the US, and its threat of leaving the WTO, are likely to do more harm than good, particularly to the intended beneficiaries of such actions. Nevertheless, an opportunity has been created by the US and it must be seized by the global community to adopt a nuanced approach towards reforming the WTO.

Source: livemint.com- Aug 21, 2019

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Indonesia's Textile Sector Needs Special Attention Amid US-China Trade War, Industry Group Says

Indonesia's textile industry entered 2019 with high optimism, following healthy growth in the preceding year.

The sector, which according to Central Statistics Agency (BPS) data expanded 8.73 percent in 2018, is one of the country's five industry mainstays on the Making Indonesia 4.0 Roadmap. It makes a major contribution to the national economy in terms of job creation and exports.

But this upward trajectory is now far from certain as the ongoing trade war between the United States and China escalates and chokes export demand.

Amid concerned over the industry's future, Indonesian Textile Association (API) chairman Ade Sudrajat suggested that the government formulate a strategy to overcome the negative impact the trade war may have on the economy.

"No matter what, the US-China trade war has a negative impact on developing countries. We should not die out, and to do so, the government must implement clear policies," he said.

Ade suggested three important steps to ensure that the industry remains healthy.

"First, we must keep our domestic market on high alert for potential fallout from the trade war. We must ensure regulations do not hamper or create difficulties for industry stakeholders," he said.

"Second, we must expand outside our traditional markets, to areas such as the Middle East, Africa and Latin America," he added.

Ade said Latin America was a good prospect and noted that Indonesia had already agreed to a trade deal with Chile.

"Thirdly, businesses must use their market access as far as possible; don't be inactive; be aggressive," he said.

According to the API chairman, the textile industry has been doing fine so far. Indonesia's textile exports have increased for three consecutive years, to $13.3 million in 2018 from $12.8 million in 2017 and $12.3 million in 2015. Ade believes this may rise to $15 million this year.

"Our strongest exports are garments. But the biggest obstacle to that is the need to import raw materials. But now we are looking into [locally produced] rayon fibers," he said.

Asia Pacific Rayon (APR) leads the cellulose fiber industry in Indonesia. The company has its own plantations in the country, which supply the raw material, eliminating the need for imports. The company also has potential to expand its rayon exports to new markets.

"Businesses must learn about trade missions [to other countries]. APR could go to Chile, for example, and introduce its rayon there," Ade said.

With falling prices of Chinese products, the company may face tighter competition. However, Ade said APR could offer semi-finished materials to China.

"There is no problem with China. By doing this, APR could increase its exports and production capacity," Ade said.

APR has invested in the construction of a viscose rayon factory with an annual production capacity of 240,000 tons. The company has been exporting its products to 14 countries since the start of operations early this year. The countries are Turkey, Pakistan, Bangladesh, Vietnam, Mauritius, Sri Lanka, Nepal, Brazil, Germany, Portugal, Italy, the United Arab Emirates and India.

Source: jakartaglobe.id- Aug 21, 2019

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South Korea becomes first Asian country to sign FTA with Israel

South Korea became the first Asian country to strike a free trade deal with Israel, giving it headway in the innovation hotbed state ahead of its Asian rivals China and Japan.

Korean Trade Minister Yoo Myung-hee and her Israeli counterpart Eli Cohen said the two countries reached a free trade agreement in Jerusalem Wednesday.

The trade pact, concluded after three years of negotiations, is Israel's first such agreement with an Asian country and Korea's first tariff-free relationship with the Middle East.

The agreement is expected to take effect in the first half of 2020 once it obtains legislative approval in both countries.

Korea has so far struck 17 free trade deals with 58 countries, starting with its first trade agreement in 2004 with Chile. Its most recent trade pact with five Central American countries - Costa Rica, El Salvador, Honduras, Nicaragua and Panama – is set to go into effect in October.

Korea's trade volume with Israel totaled $2.72 billion last year. Exports to Israel reached $1.45 billion, accounting for 6.7 percent of Korea's total Middle East-bound shipments.

Once the agreement takes effect, Israel would immediately lift tariffs on 97.4 percent of Korean goods.

Automobiles, which make up nearly half of all Korean exports to Israel, would also scrap their 7-percent duty. Korean automakers currently command a 15.5 percent share in the Israeli market.

Tariffs on Korean auto parts (7 percent), textiles (6 percent) and cosmetics (12 percent) would all be removed.

As for Israel, tariffs on its main export items to Korea, such as chip making equipment and electronic devices, would be phased out over three years. The 30 percent duty on grapefruit would be phased out in seven years, the 6.5

percent duty on compound fertilizer five years, and the 8 percent duty on medical equipment 10 years.

Selected agricultural, livestock and fishery items that are deemed sensitive – such as rice, pepper and garlic – would maintain their current tariffs.

The two countries pledged to open up their services and investment under a negative list approach – trading openly on all items that are not explicitly specified – to go beyond what was agreed in the General Agreement on Trade in Services of the World Trade Organization.

The existing bilateral investment agreement would be replaced with a stronger investor protection policy. Korea also agreed to open up its markets to Israeli retail services and cultural contents.

Source: pulsenews.co.kr - Aug 22, 2019

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Women's clothing imports from China faces US tariffs

For the first time, the next round of tariffs by the Trump administration will target apparel imports from China. A 10 per cent tariff will be levied on all clothing and shoes imported from China from September 1. 2019.

As per Wall Street Journal's analysis, these tariffs will have a greater impact on women's and girl's clothing and shoes as their imports from China was more than twice that of men and boys. The country imported around $23.5 billion worth of women's and girl's clothing and shoes from China in 2018. On the other hand, it imported $10.9 billion worth of men's and boy's clothing and shoes during the year.

Increased capabilities, more purchasing power to drive imports

One reason US imports more female clothes from China is because the Chinese apparel industry has theWomens clothing imports from China faces US tariffs capability to churn out latest trends. Also, as noted by Tamara Gureivich, an economist at the US International Trade Commission, women spend more on clothing than men. An average US household spends about

$665 annually on women's and girls' apparel, compared to $427 spent by men.

The impending tariffs will affect most clothing purchases, as Americans spent nearly $400 billion on clothing and footwear in 2018, according to the Commerce Department. They would however lead some manufacturers to shift production elsewhere.

Tariffs to impact purchase quality and volume

Though a few importers and retailers would opt to swallow some or all of the costs—sparing shoppers, rest of them are likely to pass these tariff costs to their customers eventually. On their part, consumers will either opt to buy fewer garments or substitute items of lesser quality.

Opposing the tariffs, J. C. Penney Co said that the new tariffs would have a significant impact on its customers. Of the 19 items set to have the biggest tariff impact on the company and its customers, 13 are for women and girls, such as cotton-knit sweaters.

Though women spend more on apparel and footwear than men do, even the existing tariffs on women's clothing are higher than that on men's clothing. Men's clothing is usually imported from countries with whom the US has free trade agreements such as Mexico. This helps in reducing the tariffs on these items.

On the other hand, the US doesn't have free-trade agreements with China and Vietnam, whose factories supply much of the clothing purchased by American women. This heavily impacts the imports of women's clothing from China.

Source: fashionatingworld.com- Aug 21, 2019

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NATIONAL NEWS

India's GDP growth set to slow further to 5.7% in April-Jun quarter: Nomura

CSO to release GDP figures on August 30

India's economic growth is set to slow further in the April-June quarter of this year to 5.7 per cent amid contraction in consumption, weak investments and an under-performing service sector, says a Nomura report.

According to the global financial services major, even though growth is set to slow further in April-June quarter the economy is expected to see some recovery in the July-September quarter. "High-frequency indicators continue to show familiar pain points — a deep contraction in consumption, weak investment, a slowing external sector and an under-performing services sector," Nomura said in a research note.

The report added that some indicators are showing early signs of bottoming out. Data so far for July show that 53 per cent of indicators have improved compared with 31 per cent in June, the report noted.

Nomura's Composite Leading Index (CLI) for July-September quarter has ticked marginally higher to 99.9 from 99.8 in Q2, led by higher industrial production growth, an improvement in visitor arrivals growth, equity markets and lower policy rates.

"While the concurrent state of the economy remains quite concerning, nascent signs of green shoots and positive performance of leading indicators provide some signs that a recovery may be slowly materialising," the Nomura report said.

India's economic growth slowed to 6.8 per cent in 2018-19 - the slowest pace since 2014-15. There are ominous signs showing that slowdown may be deep. Consumer confidence is waning, foreign direct investment has plateaued and international trade and currency war is further aggravating the problem.

To take stock of the situation, Finance Minister Nirmala Sitharaman held several meetings with officials and industry leaders who have asked for stimulus measure to boost consumer demand and private investments.

Though there are increasing signs of the government taking stock of the slowdown, and possibly announcing some short-term measures to buoy business confidence, Nomura assesses limited fiscal space for any substantive stimulus.

“We currently expect GDP growth in Q2 to slow to 5.7 per cent YoY from 5.8 per cent in Q1, before improving to 6.4 per cent YoY in Q3 and 6.7 per cent in Q4,” it said, adding that it was closely watching for signs of sustainability of the growth turnaround.

The Central Statistics Office (CSO) will come out with the GDP figures for the April-June on August 30.

Meanwhile, the automobile sector is facing its worst crisis in two decades and reports suggest thousands of job losses in the auto and ancillary industry. In the real estate sector, the number of unsold homes has increased, while fast-moving consumer goods companies have reported a decline in volume growth in the first quarter.

Source: thehindubusinessline.com- Aug 21, 2019

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Boosting growth in a protectionist world

Improving ‘ease of doing business’ apart, India needs to develop a vibrant electronics sector and leverage the FTAs better

The advent of the twenty-first century marked the turning point in India’s economic growth. The end of US and western sanctions, imposed after our nuclear tests in 1998, led to an economic boom, in the first decade of the 21st century.

This economic boom was triggered by the economic liberalisation ushered in by Prime Minister Narasimha Rao. The Indian economy experienced an over 9 per cent rate of growth, during three consecutive years, of 9.48 per cent in 2005-06, 9.57 per cent in 2006-07 and 9.32 per cent in 2007-08. The rate of growth, thereafter, reached 8.59 per cent in 2009-10.

The rates of growth in India have, however, been lower in the present decade, varying between 6.7 per cent and 7.4 per cent, with an unusual fall to a mere 3.2 per cent, in 2013. While these rates of growth are relatively high by global standards, they do not match the levels China continuously achieved for over two decades, when Deng Xiao Ping's reforms began paying rich dividends.

The growth in India's global merchandise trade during the first decade of the present century far exceeded the country's domestic growth figures. Merchandise exports expanded significantly, rising from $44.2 billion in 2001-02 to $306 billion in 2011-12.

The same cannot be said of our exports of goods in the second decade of the century.

Merchandise exports have remained almost stagnant in this period, at around $300 billion annually, while our annual imports have now gone past $500 billion.

India's service exports, spearheaded by information technology, however, rose from $137 billion in 2011-12 to $205 billion in 2018-19. But, continually high deficits in world trade of goods and services are neither desirable, nor sustainable.

Ambitious goal

Prime Minister Modi has set the country an ambitious goal of building a $5 trillion economy by 2025. This will necessitate an economic growth of well over 8 per cent per annum — a target we have achieved for a few years, during the past two decades.

Modi recently alluded to initiatives to boost the capital of public sector banks, promote productivity and exports of agricultural products, boost industrial production and incentivise the services sector, while fostering the ease of doing business.

He expressed understanding of concerns of the business community and assured that honest taxpayers would not be harassed. Foreign investors, however, note that setting up new industries in India is a daunting and often frustrating task. Some State Governments, however, recognise the need to be investor-friendly.

Trump effect

The external challenges in promoting trade and industry today are more formidable than what prevailed a few years ago. Globalisation is now virtually a swear word in the US and parts of the EU, where industries unable to face foreign competition, especially from China, are crying foul. India is losing its competitive edge in traditional industries like textiles, to countries like Bangladesh and Vietnam.

President Trump's protectionist policies have hurt America's friends, allies and foes alike. His moves against globalisation, commenced as soon as he assumed office, by US withdrawal from participation in the Trans-Pacific Partnership. This grouping linked major economies across the Asia-Pacific, from the US, Canada and Mexico, to Australia, Japan and members of ASEAN.

He then unilaterally raised protectionist walls against major partners including Canada, Mexico, China, Japan and South Korea.

The US has also clamped additional duties on a wide range of products from allies, ranging from Germany and France, to Japan and South Korea. The most wide-ranging US Trade sanctions have been imposed on China, though Chinese business and trade practices have not exactly been ethical. China had a massive trade surplus with the US, of $420 billion last year.

Trump's actions have triggered the biggest trade war in contemporary history, with China retaliating on some US exports, with little, or no impact. While the US trade deficit has reduced after the imposition of trade sanctions, China is already feeling the impact of these sanctions on its economic growth.

While the US and China could well reach an agreement, in the course of time, this trade dispute has global repercussions. India, like many others, has itself been hit hard by enhanced American duties on a range of products like aluminium and steel, and measures to end of trade preferences, it enjoyed as a developing country. India has retaliated, with its own sanctions on a number of US products. Trump has indicated that like China, India will get no benefits available traditionally to developing countries.

New Delhi also recognises that its own trade practices are now seen as being excessively protectionist, with a large number of countries prepared to seek remedial measures, by reference to the WTO. Negotiations have commenced with the US, which remains concerned by existing and new Indian protectionist tariffs/restrictions, on items like medical devices, apart from electronics and telecom products.

There is obviously going to be serious bargaining ahead, before we can conclude a satisfactory trade agreement with the US. India must, however, realise that it cannot become a significant, modern economic power unless it develops a vibrant electronics industry, with an indigenous capability for research and development and a substantial manufacturing capability to produce crucial items like semi-conductors and computer chips.

‘Act East’ policy

India’s “Act East” policies have included Free Trade Agreements with ASEAN, Japan and South Korea. These agreements have brought us trade benefits, as our regional partners have made good use of them. We need to significantly improve our use of these arrangements.

We face difficult choices in dealing with negotiations, now under way, for an Indo-Pacific economic community, labelled as the “Regional Comprehensive Economic Partnership” (RCEP), which includes ASEAN members, together with Japan, China, South Korea, New Zealand and Australia.

There are understandably serious misgivings about joining the RCEP, given our concerns about China’s trade practices and our huge trade deficit with Beijing. These challenges have to be faced and overcome, while moving ahead in building the $5 trillion economy that Prime Minister Modi envisages by 2025.

With enthusiasm for post Cold War style “globalisation” declining in Europe and the US, India now faces serious choices it has to make, given the security and diplomatic challenges it faces, from an increasingly assertive China.

While Chinese military and economic power can be balanced by partnerships with like-minded countries like Japan, Vietnam and Indonesia, India will have little leverage left with its “Act East” partners, if its economy lacks the strength and competitiveness, enabling it to become a significant economic partner, in the Indo-Pacific region.

Source: thehindubusinessline.com- Aug 22, 2019

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India's growth and Latvia's natural strength complement each other: M Venkaiah Naidu

Vice President M Venkaiah Naidu, who is on a three-nation visit to Baltic countries, while commending the relations between India and Latvia said, "India and Latvia relations have always been warm, cordial and based on shared values and commitment to democracy. My visit has given an opportunity to add further momentum to our special ties.

As the world's largest democracy India has been impressed by the emergence of the Republic of Latvia as the fastest member of the Euro-zone." "We agreed that there are immense opportunities to enhance trade, investment and business ties in sectors such as pharmaceutical, textile and petro products... India's transformative growth and Latvia's natural strength complement with each other," he further said in a joint statement with President of Latvia, Egils Levits, at Riga Castle.

Source: business-standard.com- Aug 21, 2019

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Odisha offers land for 'Jockey' garments unit in outreach to textile sector

Move follows offers made to Aditya Birla Fashion & Retail Ltd and Shahi Exports; study says state is emerging as a top destination for apparels in the country

Odisha's attempts to lure investors in textiles and apparel, one of its six identified focus sectors, is gaining traction. After playing host to the units of Aditya Birla Fashion & Retail Ltd (ABFRL) and the export oriented firm Shahi Exports, the state government is wooing Jockey India to set up its manufacturing base.

Jockey India, publicly listed as Page Industries, is in talks with state officials for a garment making unit. Jockey plans to manufacture its available range of apparel from the Odisha facility. The company has proposed to invest Rs 120 crore on the unit that will generate employment for around 5,000 people.

“Jockey has evinced interest in setting up its garment manufacturing facility. We are ready to offer them land at the Ramdaspur industrial estate after evaluating their proposal,” said an official source.

The attractiveness of Odisha for textiles investments is vindicated by ABFRL and Shahi Exports operating their units out of Bhubaneswar.

A report of the Apparel Export Promotion Council (AEPC) titled 'Location Analysis for Selected Cities in Odisha for Apparel Sector' shows that Odisha is emerging as one of the top destinations for apparel manufacturing in the country. The state government has identified apparel as one of the identified focus sectors as part of its Vision 2025 for industrial development. Odisha offers abundant skilled skilled workforce for the apparel sector, the report substantiated.

"With multiple dedicated locations identified for setting up apparel parks, competitive land rates and ready to occupy industrial sheds, Odisha offers a compelling value proposition for units in the apparel sector", AEPC noted.

Over and above its Industrial Policy Resolution (IPR) of 2015 laden with fiscal and non-fiscal sops, the Odisha government has formulated the Odisha Apparel Policy 2016, providing additional support for development of the sector.

The sector specific policy offers various incentives including employment and investment based incentives, various fiscal incentives, capital grants of 20 per cent of project cost of the park up to Rs 20 crore, interest free loan up to 10 per cent of project cost, with a maximum limit of Rs 10 crore, among others.

Source: business-standard.com- Aug 21, 2019

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Festive demand to help textile processors cut losses

The onset of festival season has brought joy for the country's largest man-made fibre (MMF) hub. The textile processing sector has ramped up production by almost 90%, which was earlier down by almost 40%, following rise in the demand of man-made fabric from across the country.

From the last one-and-a-half-year, the textile processing sector was reeling under recession due to dwindling demand and factors like GST and demonetisation. The production of finished fabrics had come down from 4.5 crore metres per day to 2 crore metres per day.

However, the fast approaching festive season has given a sense of hope to the textile manufacturers as the orders have started flowing for the the textile markets on Ring Road.

Textile processors said that the textile mills running at 40% production capacity have ramped up production to 90% to cater to the rising demand from clients across the country.

Ongoing recession in textile industry had forced the textile processing units in GIDC's of Sachin and Pandesaran to keep their units shut for three days in a week to cutdown on the production and overproduction of the finished polyester fabrics.

A few small units had announced temporary closure due to various factors including GST issues, slack demand of polyester fabrics in the country and labour issues since last few months.

There are about 350 textile processing units in Sachin, Palsana, Kadodara and Sachin employing over 2.5 lakh textile workers. The grey or unfinished fabric manufactured by powerloom weavers are sent to the textile dyeing and printing mills for the final finishing.

President of South Gujarat Textile Processing Association (SGTOPA), Jitu Vakharia said, "The textile sector is returning slowly to normalcy after two years. The textile processors are getting good orders. At present, the manufacturing of processed fabrics has increased by almost 3 crore metre per day."

Vakharia added, “Recently, we met finance minister Nirmala Sitharaman. She agreed to resolve the ITC refund issue for the textile sector. This will pave way for new investment and allow the infusion of funds.”

Textile processor in Pandesara, Paresh Bachkaniwala said, “Our mills were operating at 50% capacity for the last one year. Now, we have started getting fresh orders and the production is at 90% capacity. We are hopeful that the market is recovering fast due to festival season.”

Source: timesofindia.com- Aug 22, 2019

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North India 2019-20 cotton crop seen at near 5-year high

Recent rains in north India is likely to push next year's cotton production in the region to a near five-year high. The crop, however, is likely to be delayed by about two weeks as a delay in progress of monsoon rains affected the growth cycle of the crop, traders said.

The higher output forecast for north India is attributed largely to a significant improvement in the yield in absence of major pest attack and also due to higher acreage.

Industry sources expect 2019-20 (Oct-Sep) cotton production in north India, comprising Punjab, Haryana and Rajasthan, at 6.2-6.5 mln bales (1 bale = 170 kg).

If the estimates come true, the crop in north India could be the highest since 2012-13, when cotton production in the region touched a record 6.4 mln bales, with an average yield of 705 kg per ha.

"The current crop condition looks good...we don't see any incidence of pest attack so far. We expect production at 6.5-7.0 mln bales," said Rakesh Rathi, director of Kamal Cotton Traders Pvt Ltd.

Mahesh Sharda, the president of the Indian Cotton Association, which represents the north Indian cotton industry, expects cotton production in three states at 6.5 mln bales.

"Rains were adequate in most of the cotton-growing areas, however, it was relatively lesser in Abohar and Malout area in Punjab and upper Rajasthan but sufficient for the development of the healthy crop," said Rakesh Rathi, who is also a former president of Bathinda-based India Cotton Association Ltd.

For the current year which will end in Sep, the Cotton Advisory Board has projected the cotton output in the northern zone at around 5.95 mln bales.

The farm ministry data showed cotton acreage in the three states has risen almost 7% on year to 1.72 mln ha in the current kharif season. Acreage in Haryana is 676,000 ha, in Punjab at 402,000 ha and in Rajasthan at 644,500 ha. The three states account for nearly 20% of the country's cotton production.

Higher prices in the current marketing year, along with a reasonable hike in the minimum support price for the coming season starting Oct 1, has lured farmers to choose cotton over other crops. Also, delay of almost a month in arrival of monsoon rains encouraged farmers to choose the relatively weather-resilient crop.

After a 26% hike in the current year, the government raised the MSP for cotton by another 105 rupees for the coming year, which, in rupee terms, is almost 10-12% higher than the current benchmark global price.

Balwant Ranka of Rajasthan-based exporters SMC Cotton said crop was in excellent condition so far and if there is no disturbance in the next four weeks, the production should be 20-25% higher from the current year.

However, delay in the progress of rain kept the boll size much smaller than normal at this time of the year. This will delay the harvest in most of the region, traders said.

The new crop harvest in Haryana and Punjab usually starts at the beginning of September. This year, the region received rains from August instead of mid-July. The situation will lead to fresh arrivals hitting the spot markets only in the latter half of September, said an official with the Punjab agriculture department.

In Rajasthan, the first picking will start around mid-October and end in November after three rounds.

Atul Ganatra, the president of the Cotton Association of India, however, has sounded an alert on north Indian crop saying reports of excess rains in some parts of Punjab and deficient in some parts of Haryana, may adversely affect the yield, even as the overall crop is likely to be bigger.

For the current season, the Indian Cotton Association had pegged the output at 6.3-6.4 mln bales in the beginning of the season, but later cut the forecast to 5.8 mln bales recently.

Source: cogencis.com- Aug 21, 2019

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Denim Talks highlights global fashion brand perspectives

The 2nd edition of Denim Talks was all about bringing denim industry in line with circular fashion. The one-day forum which took place at the Denim Show at Gartex Texprocess India in New Delhi, witnessed fashion and industry leaders sharing insights, experiences and global perspectives to keep Indian denim industry sustainable and globally competitive.

Denim apparel is one of the fastest growing segments in the Indian apparel market, with a double digit growth forecast. During the recent Denim Talks held in the capital, industry stakeholders including fashion brands such as Pepe Jeans, Jack & Jones, Mandhana Retail Ventures Ltd (Being Human Clothing), Raymond UCO Denim, Reliance Industries, Ginni International among others came together with Denim Manufacturers' Association to discuss the potential of denim, its prospective application areas, possible alternatives and how Indian denim industry can get in line with sustainability and circular fashion.

"Indian denim industry currently stands at $3.6 billion, and has been growing at a CAGR of 9 per cent over the last five years. The industry is expected to grow at CAGR of 11% in the next five years. The steady growth is credited to the rise in consumerism, bridging luxury gap and advancements in denim fashion which have given the segment a major boost.

Fashion industry globally is perceived as less environment friendly, and denim manufacturers today must take the lead in embracing sustainability which needs to be imbibed in the entire textile value chain," said Sharad Jaipuria, president, Denim Manufacturers' Association & CMD, Ginni International Ltd.

The forum, which brought together a delegation of 99 professionals, also saw the unveiling of a denim industry report by its Knowledge Partner - Wazir Advisors who indicated: "In five years, we are expecting denim consumption to almost double. India's denim fabric exports have increased at a CAGR of five per cent in last six years to reach $410 million." Bangladesh over the last decade has been the biggest market for Indian denim fabric with a 50 per cent+ share in India's exports for six years running, highlighted the report.

When it comes to fashion apparels and garment segment, denim is the biggest rage in India and globally, and the Indian denim industry has sharply capitalised by moving forward with innovative fashion trends. But while fashion dominates the production, the forum played an important role in highlighting Global Organic Textile Standard (GOTS) and raw material alternatives for denim industry with Bombay Hemp as one such company working towards bringing Hemp as a sustainable substitute into focus. Thirty-five per cent of the jeans today are made more sustainable, much larger than any other segment in the fashion sector highlighting the significant role of the denim industry in bringing circularity and sustainability in fashion.

The speakers at the forum delved deeper into what it means to bring sustainable fashion with denim and the potential of Indian market for sustainable clothing.

"Fashion is a $3 trillion industry. Only 2 per cent is getting recycled today. We need to have brands that talk about the impact of fashion. The Indian market for fashion conscious accounts to 440 million millennials, which accounts for almost 34 per cent of India," said Kriti Tula, co-founder & creative director of brand Doodlage.

"I have seen a great change in buying preferences of consumers. While trends definitely dominate choices, consumers today also want to see a story – where has the garment come from, what processes has it undergone, how has the brand integrated sustainability and so on. Denim is one fabric where reusing makes it more beautiful and that's a trend that will stay on," said Ravikant Prakash, design head- India, Arvind Ltd.

With India standing as the second largest manufacturer in this sector, denim brands are keeping an eye on the domestic and global trends of the fashion-conscious consumer. Out of 51 mills in India, 34 were present at the Denim Show making it the largest denim industry show of its kind.

Besides the exhibition and summit, the organisers also unveiled a denim-wrapped car as a star attraction together with denim guitar, handbags and several utility products at the trend zone highlighting diverse denim applications that the industry can focus on.

As brands gear up to design the future of denim, the Denim Talks will continue its focus on bringing domestic and global trends to the fore with the next edition slated at the Denim Show at Gartex Texprocess India in March 2020 in the fashion-capital – Mumbai.

Source: fibre2fashion.com- Aug 21, 2019

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Amazon opens largest campus in Hyderabad

Chief Minister K Chandrashekhar Rao on Wednesday urged Amazon to consider Hyderabad for its data centre operations as well, since the city not only has the required infrastructure and government support but is also not prone to earthquakes, thus making it a safe place to establish a data centre.

The Chief Minister also urged the company to set up an IT centre in the Uppal-Pocharam campus area. Home Minister Mohammad Mahmood Ali, who inaugurated Amazon's largest campus in the city on behalf of the Chief Minister, read out Chandrashekhar Rao's message in his absence.

The Chief Minister, in his message, also pointed out that Amazon already had three business centres in Telangana having 3.2 million cubic feet storage capacity and now had opened its largest campus in the city.

Exports at new high

The Chief Minister said that in the last five years, Hyderabad had become the most preferred destination for investments with IT exports growing from Rs 52,000 crore in 2014 to Rs 1 lakh crore in 2019. The sector employs about six lakh persons and the IT department is looking to expand the investments to the eastern part of the city, he said.

Exactly three years and four months after laying the foundation stone, Amazon opened the largest owned building in Hyderabad. Spread over nine acres of land, the building has over 2.9 million sq ft and can accommodate 15,000 employees out of which 4,500 are already working out of the facility. The new campus is Amazon's first owned office building outside the US and will add more talent to its existing employee base of 62,000 in India out of which one-third are in Hyderabad.

Present on the occasion were Jayesh Ranjan, Principal Secretary, IT and industries department, Telangana, Amit Agarwal, SV-P and country head, Amazon India and John Schoettler, V-P, Global Real Estate and Facilities, Amazon.

State govt lauded

Schoettler informed that about 19 million man hours and 2,000 people were involved in the construction and completion of the building. "The investor-friendly policies of the State government and the unwavering support we received, helped us in completing the project in record time," he added.

Speaking about the speedy approval provided to the facility, Ranjan said that the building got approval in 11 days and is a test case for TS-iPass. "This was one of the first facility that got approval under the TS-iPass scheme. And while normally a facility of this nature takes 6-9 months to get all approvals from the urban development authority, the government gave the approval in 11 days flat," he said.

Of the 2.9 million sq ft construction area, about 1.8 million sq ft is office space and the rest houses parking and recreational amenities. With this facility in place, Hyderabad is now home to large campuses of big companies, including Microsoft, Apple, Uber and others. The employees working out of this facility will be mostly involved in backend services, AWS teams, IT product development activities among other allied services.

Speaking about the exports component, Agarwal informed that through their global selling platform, they have exported goods worth $1 billion so far and are eyeing to cross $5 billion mark in the next three years.

Meanwhile, Jayesh Ranjan put forth a few requests and said Amazon should look at setting up a centre to encourage sellers from the field of textiles and handicrafts. He also sought Amazon's larger role in the growing Artificial Intelligence (AI) and Machine Learning (ML) landscape in the city. He wanted the company to be an anchor in the AI/ML centre of excellence set up by the State government.

Source: telanganatoday.com- Aug 21, 2019

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Kerala exporters demand simpler paper work in export incentive schemes

Exporting community in Kerala has demanded that the Commerce Ministry should ensure that paper work involved under export schemes should be simplified.

Kerala exports value-added products such as tea, coffee, cashew, coir products, bamboo and handicrafts.

Some of the issues hampering the export trade could be rectified through suitable amendments in the Revised Foreign Trade Policy for 2020-2025, says Munshid Ali, Member, Customs Trade Facilitation Council, Cochin Customs.

Major market for exporters in the State include West Asia, the Far-East and Africa. But they don't make use of the Merchant India Export Scheme (MIES) or Service India Export Scheme (SIES) only because of their lack of awareness or poor comfort levels due to complicated paper work.

When exporters use agents, they have to shell out a commission on incentives.

In the case of MIES, after realisation of funds in banks, the exporter starts running in between banks to get the Foreign Inward Remittance Certificate

(FIRC), the first hurdle to using the MIES. The remittance might have been made through foreign banks, instead of RBI-approved exchange centres, banks, which charge exorbitant fees. This repels the foreign buyer/importer. The FIRC has to be submitted to the Director-General of Foreign Trade (DGFT) to claim incentive. On issuance of FIRC, the Bank Realisation Certificate (BRC) is uploaded on the DGFT website.

To avoid this hassle, buyers turn to suppliers elsewhere in China or South-east Asia.

The Calicut Chamber of Commerce & Industry has been getting numerous complaints that some of the new-generation banks are reluctant to issue FIRC citing ‘thankless and tedious work’, Ali said.

The RBI-approved authorised exchange centres charge as low as $10-15 per transaction, which is credited through their corresponding banks in India, some of them new-generation banks.

Here, the exporter is penalised for the banks’ reluctance. This is despite clear instructions in the RBI Circular FEMA 14 (R) /2016 Dated May 02, 2016, Ali said.

These stipulate that the corresponding bank can accept an amount of not exceeding ₹15 lakh per export transaction and the first bank should issue an FIRC to the customer.

Once FIRC is issued, the exporter has to cross verify with the Customs Department at the port through which the export was transacted. This may take time and money, for which exporter has to pay for.

This can be avoided if the banking channel is uploaded with Customs Electronic Data Interchange, Ali said.

Source: thehindubusinessline.com- Aug 21, 2019

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