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IBTEX No. 81 of 2019 April 23, 2019

USD 69.79| EUR 78.51 | GBP 90.61 | JPY 0.62

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22297	46600	**85.30**
Domestic Futures Price (Ex. Warehouse Rajkot), April		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22150	46294	**84.74**

International Futures Price	
NY ICE USD Cents/lb (July 2019)	78.47
ZCE Cotton: Yuan/MT (September 2019)	15,900
ZCE Cotton: USD Cents/lb	107.50
Cotlook A Index – Physical	**88.25**

Cotton Guide: Prices settled with minute gains on ICE. Volumes at ICE are still to pick up as many countries had a holiday for Easter Monday. The volumes were at 22,370 contracts as compared to the previous figures which were almost three times greater last week. The market is set to pick up pace starting today. The number of participants on the ICE Platform were almost down by 14 percent. The Open Interest was at one of its lowest at 213,138 contracts which saw an increase of 293 contracts. Also the certified stocks were last reported at 58,863 bales which included new certs of 1848 bales.

The ICE July contract traded in the range of 78.84 cents/lb as a high figure and 78.03 cents/lb as a low figure thus settling at 78.47 cents/lb. July has been moving sideways for 4 weeks in about a 3 cent range. The other ICE contracts also settled slightly higher. Tomorrow will be the first notice Day for the ICE May contract.

The MCX Contracts on the other hand, were indifferent i.e. were completely sideways. The close figures for yesterday if compared to the previous close amounted to a difference of ZERO (0). The trading range was pretty decent for the MCX April contract with a high figure of 22260 Rs/bale and a low figure of 22110 Rs/Bale thus settling at 22150 Rs/Bale, i.e. a range of 150 rs. The MCX May contract also had a pretty decent range with the high figure as 22560 Rs and low Figure as 22410 Rs therefore settling at 22450 Rs/Bale with trading range of 150 Rs. The volumes were up by 57 percent at 10045 lots. Open interest did not show a drastic change.

The cotlook Index A was unchanged at 88.25 cents/lb. The prices of Shankar 6 are at 46600 Rs/Candy. Total arrivals has been estimated to be 275 lakh Bales (private estimates) with daily arrivals dropping upto 40,000 lint equivalent bales.

The Major Adjacent Factor to watch for outside the cotton market is the prices of crude oil. WTI has surged above 65 $ per Barrel and touched 65.95 this morning at 7:45 am. We need to note whenever crude is topping the charts, cotton is piggybacked by Crude. The Sanctions on Iran is now currently the hot topic to analyze, as China is one of the largest importers of Iranian Crude. This can thus spark a completely new controversy in the US China Trade Deal.

On the technical front, ICE Cotton July futures continued to trade in a sideways range of 77.44-79.60 during previous week. Price witnessed strong rebound from the support at 21 day EMA. Meanwhile price is still moving above the short term EMA of 9 days at 78.40. In the daily charts positive crossover of 9 day EMA above the 21 day EMA supported the bullish bias in cotton futures.

Moreover, the strength index RSI is holding above 50, which further strengthened bullish bias in price. So for the day price is expected to remain in the range of 78.40 to 79.60 with sideways to positive trend. Only a move above 79.60, would push price further higher towards 79.90/80.00 zones. In the domestic market April future is expected to remain in the range of 22000-22300.

Currency Guide

Market will keep a close watch on the earnings releases of the tech companies to gauge any sign of slowdown in the global demand. If the earnings come out weak, we can see US stocks, alongwith global stocks, sell-off, which could be double trouble for INR. On one hand, higher oil prices have made INR unattractive due to outflows from the bond market and tapering of flows in the equity segment and on the other hand, if a risk off event occurs globally, it would impact INR more than oil prices, as the latter is being supported by news of supply disruptions.

USDINR remains well supported between 68.90/69.20 on spot. Hence, we would look to buy the decline around the interim support of 69.30/40 zone on spot, with stop below 69.00 on a closing basis. Target remains 70.00 and then 70.30/40 region.

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

China's trade with other Asian countries — A mixed bag

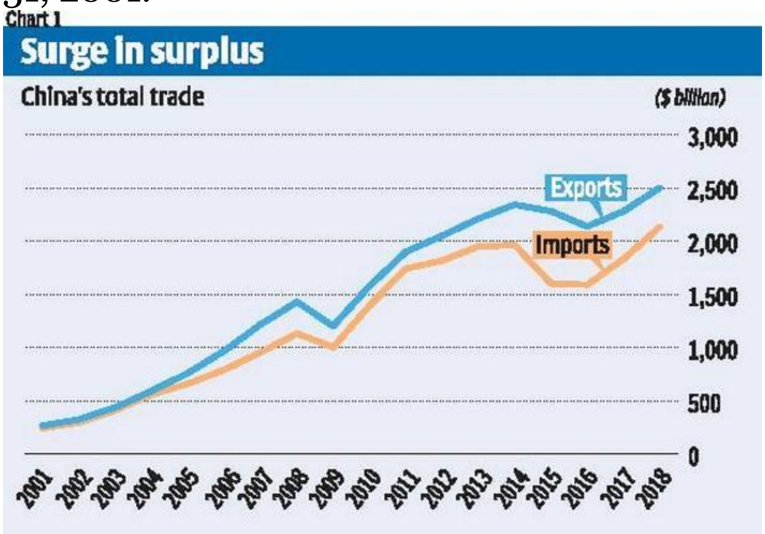
China's trade with Asian developing countries is more significant than ever – but not always in ways that benefit them

Just before the Global Financial Crisis more than a decade ago, China had emerged as the most significant trading partner for a majority of the world's economies.

Since then, it has had even more significant impacts on global exports and imports.

This is especially true for developing countries, particularly those in developing Asia. (In the discussion that follows, only merchandise trade is considered.)

But these effects are now more complex. China's now legendary trade surpluses began showing shortly after its entry into the WTO on December 31, 2001.



As Figure 1 shows, exports increased rapidly until 2008, and also recovered fairly quickly after the Great Recession, growing at a similar or only slightly slower pace until 2014. Imports also grew rapidly, but less sharply than exports, so that the trade balance kept increasing.

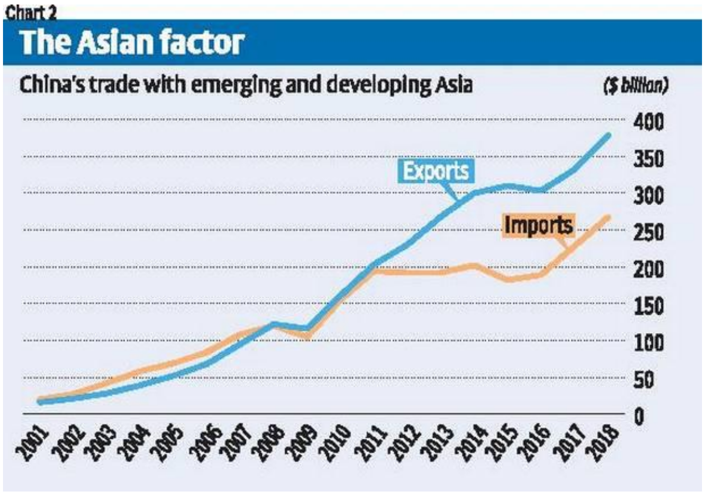
The trade surplus crossed $100 billion by 2005, tripled by 2008 to nearly $300 billion, and recovered after the fall of 2009 to reach nearly $680 billion by 2013.

Since then, however, trade surpluses have been falling, although they still remain very large in absolute values.

Raw material demand

Despite these large trade surpluses, China's voracious demand for imports to fuel its processing exports operated as an engine of growth for developing countries, creating significant increases in demand for raw materials, energy and other intermediates.

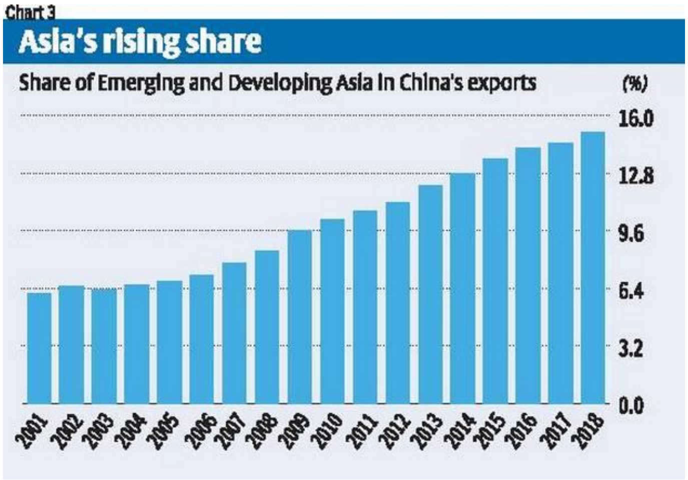
This created the desirable combination of improved export volumes and better terms of trade for many primary commodity exporters, and drew many developing economies into manufacturing value chains centred around China for purposes of ultimate export to advanced economies.



Impact on developing Asia

This process was especially evident in the economies of developing Asia.

Figure 2 shows that trade with the rest of emerging and developing Asia, while growing rapidly, was mostly balanced until 2011, with small deficits for China until 2007 and small surpluses until 2011.

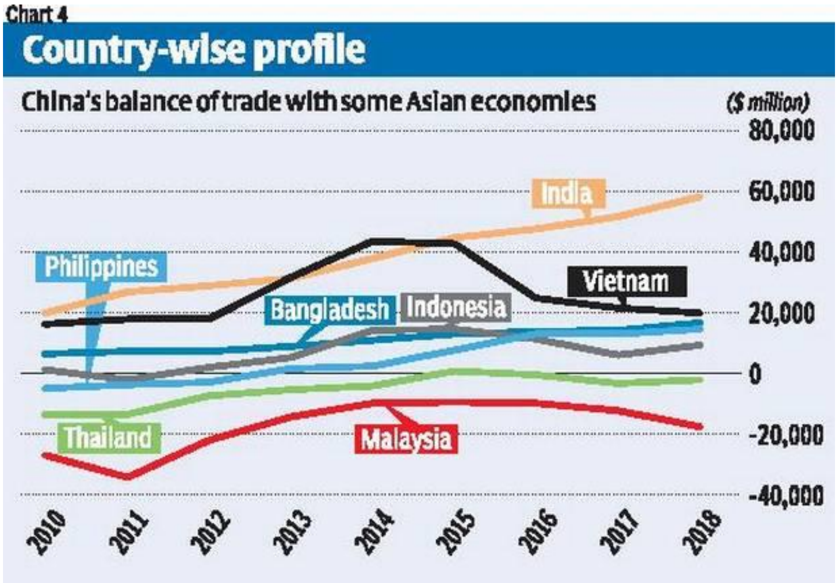


Thereafter imports were stagnant for some years and then increased, even as exports kept growing.

This created significant trade surpluses for China with the region, reaching around $130 billion in 2015.

The dramatic growth of China's exports to Asia even exceeded the pace of aggregate exports, so that the region's share of China's total exports doubled in the decade after the global financial crisis (Figure 3).

This market is likely to become even more significant for China in future, with lagging demand in the North — and the exports are increasingly not only of manufactured consumer goods, but of the high technology goods that are at the forefront of China's current growth strategy.



A closer consideration of specific countries in the region in Figure 4 reveals a mixed picture within this overall pattern of growing trade surpluses of China.

Of the seven major Asian economies considered here, China has had persistent deficits only with Malaysia, which has generally exported high technology goods to China.

However, such deficits also declined substantially between 2011 and 2015, and increased slightly thereafter but in 2018 still remained well below the level of 2011.

With Thailand as well, China's trade deficits have narrowed over the years, while the earlier deficit with the Philippines has moved to substantial surplus. Indonesia, Bangladesh, Vietnam and India all show trends of increasing surpluses, to varying degrees.

India's huge deficit

The biggest increase is in the trade surplus with India — a nearly threefold increase in the period between 2010 and 2018.

Not only has China's trade surplus with India grown, but the pattern indicates growing imbalance, as India exports mainly raw material like iron ore and processed agricultural goods, in return for receiving manufactured goods including a growing component of high technology items, from China.

This means that this pattern of trade encourages increasing returns activities in China while Indian exports still reflect less technology-intensive goods that do not generate dynamic returns to scale.

The macroeconomic implications of this pattern may be just as significant as the developmental impact.

For China, the Asian region is becoming increasingly important as a growing market for a wide range of its exports.

For the rest of the countries in the region, however, on the whole the trade stimulus from China is negative, since the trade imbalance leads to a leakage of effective demand through imports.

Moreover, since 2011, Chinese imports from developing and emerging Asia have been largely stagnant, barring a small increase in 2018.

Complex pattern

This suggests that ongoing patterns of trade between China and the rest of developing Asia are likely to have significant effects on future growth and development in the region.

And since this is still the most “dynamic” economic region in the world, that will have effects on international trade as well.

Source: thehindubusinessline.com- Apr 22, 2019

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Pak-China FTA to be signed on 28th: envoy

Ambassador of China to Pakistan Yao Jing on Monday said that the Free Trade Agreement (FTA)-Phase II between Pakistan and China will be singed on April 28, besides other important agreements related to China-Pakistan Economic Corridor (CPEC) during the visit of Prime Minister Imran Khan to Beijing.

Addressing a press conference here, the Chinese envoy said the FTA has been finally concluded after eight years of negotiations and it will be inked by the commerce ministers of two countries during the visit of the Pakistani prime minister.

Under the FTA-Phase II, he said, China will provide market access to 90% of Pakistani commodities at zero-rated duty, while Pakistan will give China market access to 65% tariff lines.

Briefing media about the upcoming Belt and Road Forum to be held in Beijing from April 25 to 27, the ambassador said world leaders, including heads of state and government from 37 countries, will attend the forum's roundtable summit, but Pakistan being a major partner of the Belt and Road Initiative (BRI) is the most important of all.

"Chinese prime minister and president are looking forward to the visit of Prime Minister Imran Khan to China where he will also hold bilateral meetings with the Chinese leadership to build further consensus on bilateral trade ties," he added.

The Chinese envoy pointed out that China wants a more prosperous and developed Pakistan as without sustainable development in the neighbouring countries, Beijing cannot sustain its development.

He said under the CPEC's industrial cooperation, the first Special Economic Zone (SEZ) at Rashakai was going to be inaugurated during the current month where 20 factories will be set up initially.

He said employment in the SEZs will be given to the local people and the latest technology will be transferred from China to Pakistan.

Cooperation in industrial and social sectors will be the main focus of the second phase of CPEC, the envoy said. “There are six areas in the social sector, including education, health, agriculture, water, irrigation, and poverty alleviation in which around 26 new projects will be initiated in Pakistan,” he added.

The ambassador said two model villages will be built in Pakistan under the social sector cooperation of CPEC to uplift the living standard of low-income segments of the society.

He said China is basically an agricultural country and it started its development journey with bringing reforms in the agriculture sector. It will now help Pakistan in revolutionizing its agricultural sector by linking it with the state of the art technology, he added.

With respect to the multi-billion Railways ML1 project, the envoy said as its technical aspects have already been finalized, the project will hit the ground soon. He also invited the neighbouring countries to become part of the mega project as it is not only beneficial to China and Pakistan but also for the whole region.

To a question, Jing said 11 out of 22 projects have already been completed while the work on the remaining is going fast.

“In total $19 billion have been invested by China on all the projects: $13 billion lent as commercial loans and $6 billion as concessionary loans to be repaid by the Pakistani government in 25-30 years,” he said.

To a query regarding the Karachi Circular Railway, the Chinese envoy said the two sides are working on its financial model. Many options of financial model, including build-operate-transfer (BOT), loaning, and financing from own resources, are under consideration, he added.

Regarding investment in Gilgit-Baltistan, Yao Jing said China is eager to upgrade and develop tourist sites in the area to provide facilities to local as well as foreign tourists.

Source: dailytimes.com.pk- Apr 23, 2019

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USA: Digital Container Shipping Association Created for Greater Industry Standardization

Four major ocean container freight carriers have formed the Digital Container Shipping Association (DSCA) to create common information technology standards for the industry.

A.P. Moller – Maersk, Hapag-Lloyd, MSC and Ocean Network Express (ONE) established the DCSA in The Netherlands after gaining regulatory approval from the Federal Maritime Commission last month. Thomas Bagge, who has been involved in various transformation activities in Maersk, was appointed as CEO.

“ONE is constantly seeking best practices and standards to support and drive innovation technology in the shipping and logistics industry to create valuable opportunities for digital transformation,” Noriaki Yamaga, managing director of corporate and innovation at ONE, said.

“To realize these goals, concrete discussion and solid collaboration work must be done in order to standardize solutions, establish common IT standards and governance for the industry to streamline and digitize shipping process to shape the future of the shipping industry. We truly believe that the establishment of this association will bring values, benefits and opportunities to our customers, as well as logistics companies, leading shipping and logistics industry to new ecosystem of digital supply chain.”

The association said digital standards are a priority and it will immediately start working on driving standardization, digitalization and interoperability. To create value quickly and to overcome some of the biggest pain points in the industry, one of the first projects is focusing on standards to overcome the lack of a common foundation for technical interfaces and data.

In addition, the association is creating an industry blueprint for processes to develop a foundation for the future of shipping. The work undertaken will be for the benefit of the entire industry, as all standards will be openly published, making them available free of charge to interested external parties.

The association's headquarters will be located in Amsterdam, where it can benefit from neutrality and a centralized global location. The proximity to shipping infrastructure, attractiveness for talent as well as ease of reach were also decisive points for selecting Amsterdam as the location for the headquarters.

DCSA is in discussions with multiple other container shipping lines around the globe that are interested in joining.

Andre Simha was named chairman of the supervisory board of the DCSA. Simha is chief information officer of MSC. The rest of the supervisory board consists of Adam Banks, chief technology and information officer at A.P. Moller – Maersk, Martin Gnass, managing director of information technology at Hapag-Lloyd, and ONE's Yamaga.

Source: sourcingjournal.com- Apr 22, 2019

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Pakistan to expand textile exports to Indonesia

Known as one of the biggest textile exporters in the world, Pakistan plans to further expand its markets , not only to European countries and the United States but also to other Asian countries, including Indonesia.

The South Asian emerging economy organized its second Textile Expo (TExpo) in Lahore from April 11 to 14 by inviting hundreds businesspeople and foreign delegates from nearly 50 countries to support the market expansion plan.

Through the exhibition, Pakistan expected to be able to expand its exports to new markets, including Asian countries, mainly Japan and Indonesia. At present, Pakistan exports most of its textile and garments to European countries and the US.

"We want to showcase our products to the world, since the textile industry is important for us at least in the next 15 years," the adviser to the prime minister on commerce, textiles, industry, production and investment, Abdul Razak Dawood, told The Jakarta Poston the sidelines of the event.

The textile industry, which serves as the backbone of the country's economy, is one the government's top priorities in its industrial development program. Several policy packages were introduced in the last decade, including the use of the latest technology, which had paved the way for Pakistani products to penetrate further into the global market.

As the world's fourth-largest cotton producer, Pakistan has the potential to become a leading nation in the textile business, although such potential has yet to be optimally explored, the minister said.

"When we can improve our agriculture to improve the [cotton] productivity, then we have a very big competitive advantage to the rest of the world," he said.

Pakistan is the eighth-largest exporter of textile commodities in Asia, with exports having grown to $13.85 billion in 2017-2018. The country is reportedly aiming to raise the figure to $26 billion by the end of 2019.

It contributes 9 percent to Pakistan's gross domestic product. Involving 15 million Pakistani people, the industry caters to 9 percent of total global textile needs.

By expanding exports to non-traditional markets, including Indonesia, the country is hoping to increase the figure and eventually improve its economy amid fears of economic slowdown. According to a recent International Monetary Fund (IMF) report, Pakistan may struggle to improve its GDP growth in 2019. "Historically, our major market has been the US and European countries.

We have always focused on the West and now we're moving to the East, including China, Japan and Indonesia," he said. Pakistani textile products are considered to be of better quality compared to products from other countries.

Many of the country's diaspora are also known for their involvement in running textile businesses in their respective countries. "Pakistani textile products are not the cheapest in the market, but their quality and supply have been very reliable," Thomás Velechopsky, a managing director of a textile company in the Czech Republic, said, at the exhibition.

His company spent around $4 million to import textile products from Pakistan annually, which is 25 percent of its total purchase. Mufti Hamka Hasan, Indonesia's Chamber of Commerce and Industry vice chairman for Middle Eastern countries, said while Pakistan and Indonesia were generally competitors in the global textile industry, cooperation in the sector could be strengthened as many authentic products from both nations could be received in the respective countries.

"We can complement each other. Our flagship product is batik and they don't have the raw material, while we can also produce their Muslim attire. That's an example of how we can exchange our textile products," he said.

Source: thejakartapost.com - Apr 22, 2019

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Pakistan: Market access on ASEAN pattern

Special Advisor to the Prime Minister on Commerce and Textiles Abdul Razzak Dawood revealed during the relevant National Assembly Committee's meeting that China has agreed to allow market access to Pakistani exports on the pattern of Association of Southeast Asian Nations (ASEAN) countries.

This, he clarified, implies duty-free access on 313 items which currently account for a total of 64 billion dollar Chinese imports annually (with Pakistan previously allowed to export only one billion dollars per annum).

If Pakistan can export 5 percent of total Chinese imports of these products then, Dawood projected optimistically, our exports to China would exceed 3.3 billion dollars.

An exclusive Business Recorder news item maintains that China has agreed to liberalize 75 percent tariff lines and 90 percent trade value of China in the second phase of the Free Trade Agreement (FTA).

While critics maintain that success in negotiating with China may be sourced to China's commitment to China Pakistan Economic Corridor yet one would have to appreciate efforts of Razzak Dawood to secure the deal with China.

ASEAN Free Trade Agreement (AFTA) comprising six original member countries (increasing to the current 10 countries) requires goods originating within ASEAN members to apply a common effective preferential tariff scheme from between 0 to 5 percent with following exceptions: (i) temporary exclusions; (ii) sensitive agricultural products; and (iii) general exceptions. Unlike the European Union, however, AFTA does not apply a common external tariff on imported goods.

China is not an ASEAN member country but is a signatory to the free trade area, an agreement effective since 1 January 2010, with ASEAN countries accounting for a decline in the average tariff on Chinese goods sold in ASEAN countries from 12.8 percent to 0.6 percent (with latter member countries given a deferral for full implementation) and a decline in tariff of ASEAN products sold in China from 9.8 percent to 0.1 percent.

Other countries with which ASEAN members have completed free trade agreements are Japan, South Korea, India, Australia and New Zealand. One would hope that Dawood would initiate discussions with ASEAN member countries for such a free trade agreement.

Dawood acknowledged that the United States is not willing to allow Pakistani products duty-free access, a stance taken by President Donald Trump in trade relations with the rest of world, though he added that the US does give duty-free access to Bangladesh and Vietnam.

There is no doubt that raising exports is the most desired form of earning foreign exchange. To-date remittances have played a very significant role in meeting the widening current account deficit, however, the inflow of remittances are dependent on factors external to Pakistan and hence are not a reliable source of foreign exchange earnings.

A slowdown in the economy of those countries where the bulk of our remittances are sourced or indeed due to their changing geopolitical considerations remittances may decline overnight. Hence the way forward has to be through negotiating bilateral trade agreements, free or preferential, or agreements with trading blocs.

Pakistan is a signatory to FTAs with China, Sri Lanka and Malaysia and Preferential Trade Agreements with Iran, Indonesia and Mauritius (with little growth in our exports to Iran, Mauritius and Sri Lanka).

In June 2016, Pakistan's trade balance deteriorated with these countries - a trend attributed by a study to 'ineffective, ill-planned negotiations' by the Ministry of Commerce with trading partners in the region. One would hope that negotiations with other countries proceed as well as with China.

Source: fp.brecorder.com- Apr 22, 2019

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Sri Lankan apparel sector to compete in emerging markets

Sri Lanka’s apparel industry, with an export target of $8 billion by 2025, is keen on expanding its global footprint by aggressively competing in emerging markets and widening its presence in non-traditional countries, according to Tuli Cooray, secretary general of the Joint Apparel Association Forum (JAAF). Last year, Sri Lankan apparel exports grew by 5 per cent.

An annual compound growth rate of more than 6 per cent is expected this year. Sri Lankan apparel manufacturers will differentiate products with quality standards and excellent product delivery and try for a bigger share in emerging markets like India, China and Brazil, Sri Lankan media reports quoted Cooray as saying.

The apparel industry contributes 7 per cent of the country’s gross domestic product and 53 per cent of export earnings.

Cooray said that 12 per cent of the country’s apparel exports go to other continents. Availability of skilled labour is another problem as the Sri Lankan society doesn’t recognise this sector’s contribution to the growth of the economy, Cooray lamented. JAAF has been conducting programs to raise the awareness about the importance of this industry, its benefits and opportunities, he said.

The government is trying to address many issues like availability of credit, skilled labour and finance, but these will not deliver immediate results, he said, adding that the present level of trade reform agenda will not affect the export industry but the domestic market.

Source: fibre2fashion.com- April 23, 2019

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Myanmar: Trade laws protecting local producers now being drafted: MOC

The Ministry of Commerce (MOC) is drafting new trade laws to safeguard local producers while promoting exports of domestically-produced goods, Minister of Commerce U Than Myint said.

Due to the lack of investments and technology, Myanmar producers face stiff competition from their regional peers, who are able to manufacture at faster speeds and lower costs and produce higher quality goods.

As such, the legislation, drafted in collaboration with the World Bank and German development agency GIZ, will include a new Safeguard Law on Increased Import and Antidumping and Countervailing Law. The laws aim to safeguard domestic manufacturers from cheap imports and support demand for locally-made products.

At the same time, the government is also raising efforts to promote economic growth through exports by adding new priority sectors to its National Export Strategy (NES).

Gems and jewellery, the digital economy, fruits and vegetables, agricultural product-based food products and industrial art products have been added to the NES 2020-2025, which replaces the first NES 2014-2019, according to the MOC.

Notably, the new sectors appear to involve higher value-add and selected across a wider spectrum of industries compared to the current NES, which prioritises raw commodities including rice, pulses, oilseed crops, marine products, textile and garments and wood and wood products.

In an exclusive interview with The Myanmar Times last month, Arancha Gonzalez, executive director of the International Trade Centre, said Myanmar has the potential to become a value-add exporter of goods.

She added though, that the country’s current situation is very weak, contrary to its real potential. The main thing to do is to help support local small and medium enterprises and to keep abreast with international demand trends.

The government's policies, rules and regulations, financial support systems and other practices have to be realistic and aligned with the economy's needs.

Three things need to be improved when it comes to Myanmar's exports - value-addition, expertise and innovation, Ms Gonzalez said.

In the first six months of this financial year, the country's export earnings totaled some US$8 billion, which is up by more than US$650 million from the same period last year, buoyed by overseas demand for locally produced garments and despite lower exports of rice, beans and pulses.

Meanwhile, spending on imports rose to US$8.9 billion during the same period, resulting in a trade deficit of more than US$100 million, according to data from the MOC.

Source: mmtimes.com- April 23, 2019

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Bangladesh: Apparel should have minimum price

Rubana Huq says as she takes charge of BGMEA

Bangladesh needs to set a base price for garment items to ensure proper rates from international retailers and brands for all manufacturers and bring an end to unhealthy competition locally, said the new BGMEA president.

"Ensuring proper prices for garment items is my top priority," said Rubana Huq in an interview with The Daily Star at her Banani residence in Dhaka on Friday.

Huq is the first female president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). She took charge for 2019-2021 yesterday, following her election victory on April 6.

She plans to set up a price negotiation cell at the BGMEA where factory owners will be trained on how to negotiate with buyers.

One of the major reasons for lower prices of garment items in Bangladesh is that much of the businesses are negotiated by buying houses.

She gave the example of Sri Lanka which has set the base price for export-oriented garment items. “If all of us remain united, buyers cannot go to other markets overnight.”

Huq targets to bring an end to the unhealthy competition in the market.

“Each one of us is undercutting the other. My target is to stop the undue and hostile undercutting because this never helps us. This is pulling the whole market down.”

According to Huq, one of the handicaps of the garment sector is overcapacity. Many factories have expanded to such an extent that they take orders only to keep their factories running.

Huq says she would assist small and medium enterprises as they are facing troubles even to pay workers' salaries every month. Some 1,500 small and medium-sized factories are facing such challenges.

“There are many buyers who do not buy in bulk quantity. Maybe, the SMEs can cater to them. We will counsel the SMEs.”

Another priority of Huq will be to address the image deficit so that nobody can raise questions about the garment sector of Bangladesh.

She says workers' skill has to be improved a lot as their efficiency level is 40 percent whereas it is always more than 70 percent for the workers in China and Sri Lanka.

She says she will explore the Brazilian, Indian and Chinese markets soon as there is good potential there.

The new BGMEA chief is aware of the challenges the fourth industrial revolution will pose to the garment industry. “The low-end manufacturing will suffer due to automation.”

“Many industrial machines are already eliminating the positions of helpers. There has already been a step towards semi-automation in the industry.”

Sweater companies have already installed jacquard machines that replaced manual operations of workers.

"We will have to train them to make them skilled. Innovations like 3D printing can create a lot of jobs in the era of automation. So, automation itself can be an opportunity for Bangladesh to create jobs."

On the issue of the Accord, an inspection agency, she says it is actually in transition at the moment.

Huq says the BGMEA and the Accord will work mutually.

"I do not want the industry and the Accord to be involved in a legal battle."

"I think enough remediation has been done or rather sufficient remediation has been done. If you go to the Accord website, you will see that more than 90 percent job has been done. If that is the case, then what is stopping us from 100 percent remediation? We have target to set up our own monitoring agency."

"Rather, we can probably certify the Accord saying that 'you are very good and you have executed and fulfilled your duty with passion and integrity. You have done a huge favour, but it is time for you to move to the next country."

Huq said consumption of garment items would go up globally, but not for the basic garment items. "So, we will have to get ready for more complicated and embellished styles and for more value-added items."

She said the garment sector will continue to contribute because Bangladeshi entrepreneurs are very resilient.

She said T-shirts worth $5 billion were exported from Bangladesh last year, but it was less than $100 million for female jackets.

"Why are we lagging behind in some special items? We need factories with more targeted and more value addition, not just mass production."

Huq said the garment sector is moving in the right direction. "There is a room for further improvement. Our export is increasing, but the question is whether we are adding enough value."

Source: thedailystar.net- April 21, 2019

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NATIONAL NEWS

India missing out on investment opportunities in Indonesia

Indonesia, the 16th largest economy in the world, has its GDP growing consistently above 5 per cent every year since 2000. Yet India, the seventh largest economy and projected by CEOWORLD Magazine to be ranked number 3 by 2033, has largely ignored investment opportunities in this vast archipelago.

India's investment in Indonesia was a measly USD 82 million in 2018, as per the data from Indonesia's Investment Coordinating Board (BKPM). For the five years between 2014 to 2018, investments from India averaged about USD 100 million and that figure has been bumped up because of USD 286 million committed in 2017.

The mega investment in 2017 was by Adani Ports in a new container port in Banten Province in the city of Cilegon, that is 100 kilometres from Jakarta in the northwest part of Java Island. In 2016, Indian investment in Indonesia was just USD 55 million.

In 2018, the largest foreign investor in Indonesia was Singapore which committed USD 9.2 billion followed by Japan (USD 4.9 billion), China (USD 2.4 billion), Hong Kong (USD 2.0 billion) and Malaysia (USD 1.8 billion). India is ranked 25th among foreigner investors.

In the recent second edition of the India-Indonesia Infrastructure Forum (IIIF) in Jakarta, Indian Ambassador to Indonesia, Mr Pradeep Kumar Rawat said the two countries were recognised as emerging large economies globally and had similar challenges and opportunities, with both having an infrastructure gap.

Rawat when speaking to The Jakarta Post added that Indian investors were interested in roadwork, urban railways, oil and gas, airports and the health industry."These are the areas where Indian businesses could become beneficiaries in arrangements with the Indonesian companies," he said.

Referring to the newly built MRT (mass rapid transit) in Jakarta, he also commented that Indian companies could share their expertise as they have built the cheapest metro projects in the world.

Also, on the same occasion, Indonesia Coordinating Maritime Affairs Minister, Mr Luhut Pandjaitan said the government was looking forward to learning more from India about various technologies used in waste management and health care.

Most of India's investments in Indonesia are in wood products, trade businesses, food manufacturing and textiles. Whereas, Indonesian investment officials would like to see future investments made in infrastructure and high-value-added industries and preferably made outside of Java.

Investing in Indonesia for Indian companies however, is not without challenges.

First of all, the process of obtaining a work visa or permit for Indians is not straight forward, an issue that is being taken up with the authorities by the Confederation of Indian Industry (CII).

Furthermore, Indonesia is not exactly the most business-friendly country in the world. It is in position 73 out of 190 countries on the latest World Bank Doing Business Index published in 2019. Businesses wishing to establish a presence in Indonesia face regulatory and cultural dynamics which they will be unfamiliar with as an outsider.

Other obstacles faced by businesses include the rising cost of credit, excessive and unpredictable regulation, poor quality of infrastructure, a poor legal framework, corruption and terrorism risk.

Indonesia has a very diverse population, a relatively high level of unemployment and extreme poverty in some regions. This exacerbates inter-ethnic tensions and thus weaken the stability of the country.

Starting a business in Indonesia can be complex, costly and time-consuming for foreigners. For example, companies that are wholly owned by foreigners require 2 shareholders and a minimum paid-up capital of IDR 10 billion (approximately USD 750,000). It also takes about 3-6 months and as many as nine different steps to establish a company in Indonesia.

There are also some sectors that are closed or restricted to foreign investors.

Industries that are closed to foreigners include forest concessions, bus/taxi transport and small-scale water transport services, print and broadcast media, film and cinema, distribution and exhibition and small-scale retail trade.

Industries that have ownership limits for foreigners include airport/seaport construction and operation, electricity production, transmission and distribution, shipping, drinking water, railway services and certain medical services.

With a population of 260 million growing wealthier and arising middle class demanding better products and services, for any business setting up in Indonesia, the internal market alone looks attractive. For businesses with the right strategy, that are willing to be patient and persevere, rich rewards may await.

Source: business-standard.com- Apr 22, 2019

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As cotton prices surge, Tamil Nadu mills turn to imports

The surging rates of cotton, in combination with a shortage, have forced Tamil Nadu-based spinning mills to look at imports to meet their production requirements.

However, with the current fluctuations in international cotton prices, the spinning mills are adopting “a wait and watch” approach in anticipation of a further softening of prices.

GU Rathakrishna, President, Coimbatore Cotton Association told BusinessLine that India is now experiencing a cotton shortage as the crop size is smaller than what had been projected due to the monsoon’s failure in several growing areas.

The initial projection by the Cotton Association of India was 360-370 lakh bales, but this has come down to around 320 lakh bales in the current marketing season, which commenced in October 2018 and will continue till September.

Punjab, Haryana, Rajasthan, Gujarat, Madhya Pradesh, Maharashtra, Telangana, Odisha, Andhra Pradesh and Tamil Nadu are the major cotton producing states and the shortfall of the monsoon last year has badly affected the crop.

Because of the shortfall, Rathakrishna pointed out that cotton prices have gone up to ₹47,000-48,000 per candy of 356 kg, forcing spinning mills to go for imports, which are cheaper.

While Indian mills started importing cotton at 80-87 cents per pound (1 pound = 0.45 kg) , international prices have started moving northwards. This was reflected in the rates of the New York futures market, which is now hovering at 77-78 cents. Due to these price fluctuations, he said, there was not much buying and spinning mills are looking at a drop in prices.

If there is a price drop, there will be more buying by the mills. But producers in India are holding on to the crop on the assumption of a price increase due to a shortfall in the market. India usually depends on West African countries, the US and East Africa for imported cotton, he added.

Asked about cotton importers' plans to make Kochi Port an inland point for imports, Rathakrishna said Tuticorin Port is the regular routing port to South India. Some international merchants bring cotton in containers using the Colombo Port as a hub.

However, spinning mills located in and around Coimbatore, Salem, Tirupur etc use Kochi Port's proximity to move cargo from Gujarat via the coastal route. The buyers are also exploring the possibility of bringing in West African and East African cotton via Kochi into South India, he added.

Source: thehindubusinessline.com- Apr 22, 2019

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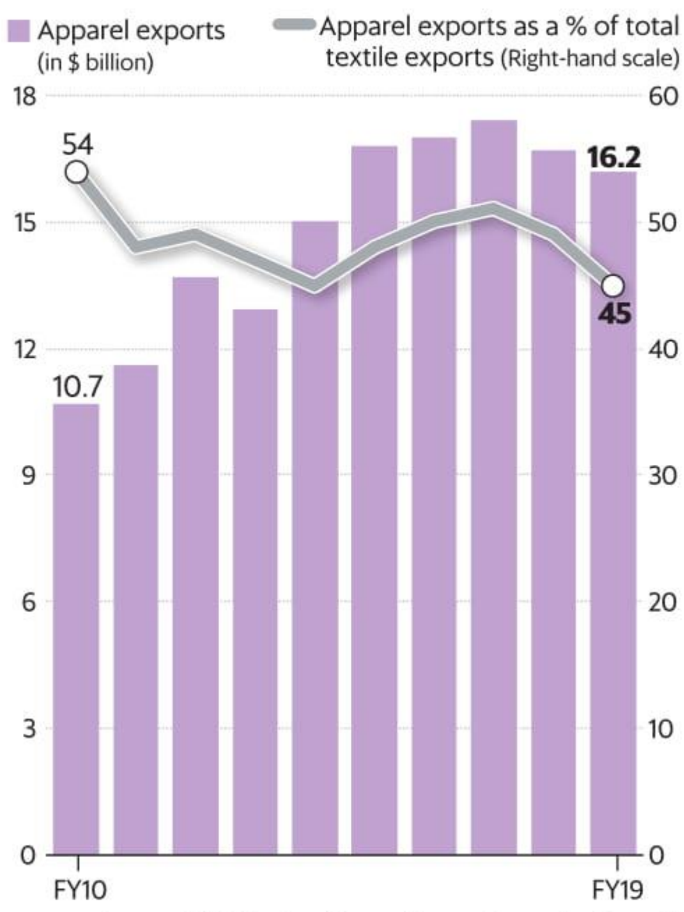
Why India's apparel exports are falling

- Estimated at $16.2 billion in FY19, India's apparel exports fell by 1.2% from FY18, which in turn was 4% lower than the previous year
- Even the share of apparel exports in the country's total textile exports has fallen sharply from 51% in FY17 to 45% in FY19

India's apparel exports have fallen for two years in a row. Estimated at $16.2 billion in FY19, the country's apparel exports fell by 1.2% from FY18, which in turn was 4% lower than the previous year.

This comes after annual average growth of 5.7% between FY10 and FY16. The reasons for the slowdown range from issues on the domestic front to slackening global demand.



Source: CARE Ratings, Apparel Export Promotion Council

According to Chandrima Chatterjee, adviser at Apparel Export Promotion Council (AEPC), the time taken by the industry to align to the new goods and services tax (GST) regime, downward revision of export incentives, and the credit squeeze particularly faced by small and medium enterprises adversely impacted exports.

That's not all. Even the share of apparel exports in the country's total textile exports has fallen sharply from 51% in FY17 to 45% in FY19. Industry experts attribute the growth between FY10-17 to shifting of manufacturing bases by developed countries to low-cost emerging nations such as China, India, Bangladesh and Vietnam.

However, the recent slowdown in global demand has increased competition in the markets, which also coincided with taxation changes in India. Analysts say that there was a 6-7% impact on costs, which hurt profitability of garment makers too.

There are other reasons for the decline. According to CARE Ratings Ltd, “India’s apparel exports comprise mainly of cotton garments (51%), with manmade fibre accounting for around 28%.

India needs to diversify its fibre base, as global consumption is diversified and MMF (man-made fibre) holds a much larger share as compared to cotton."

That apart, competition on pricing has also increased in recent times. CARE Ratings adds that India is projected to lose market share to Bangladesh and Vietnam for ready-made garment exports to the European Union (EU), because of lower competitiveness, as Bangladesh has duty-free access to the EU.

However, apparel manufacturers are now focusing on diversifying exports into countries such as Japan, Israel, South Africa and Hong Kong. How far these new markets help will determine export trends in the years ahead.

Source: livemint.com- Apr 23, 2019

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Cotton farmers plan on switching to maize, soybean for better realisation

Historically, farmers bring in more area in favour of the crop which realised higher last year

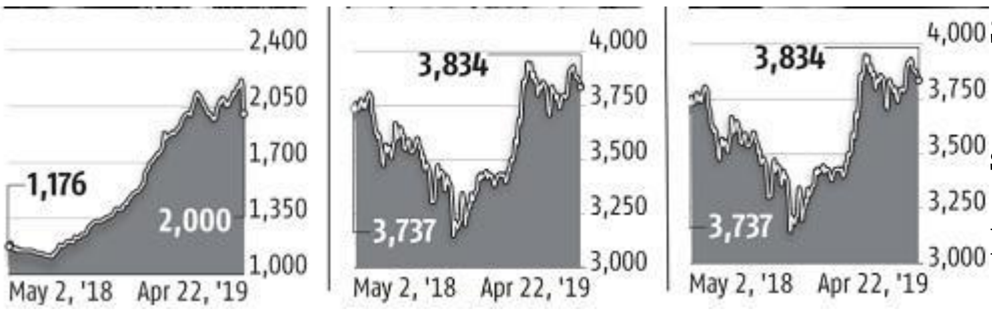
Lured by higher realisation in the last few months, cotton farmers are planning to migrate to other competing crops, including maize and soybean, this kharif season.

Cotton prices remained highly volatile, with average monthly model price hovering below the benchmark minimum support price (MSP), barring a few months, during the last one year.

As against the MSP of raw cotton for 29.5-30.5 mm fixed at Rs 5,450 a quintal, the natural fibre was trading with a discount to the MSP. By contrast, however, the average realisation from maize and soybean was reported higher than cotton during the last one year.

But, a lot would depend upon the distribution of rainfall this monsoon season despite near-normal forecast by the India Meteorological Department (IMD) a few weeks ago. Farmers, however, have started preparations for kharif sowing after the release of the IMD forecast. Historically, farmers bring in more area in favour of the crop which realised higher last year.

"Soybean and maize may see migration of sowing area from cotton due to better realisation last year. While soybean might be the biggest beneficiary, a sharp increase in maize prices in the last few months may prompt farmers to bring in additional area at the expense of cotton this kharif season," said D N Pathak, executive director, Soybean Processors Association (SOPA), an Indore-based premier trade body for soybean and its derivatives.



SOPA in its February 2019 statement had estimated India's total soybean output at 11.48 million tonnes (mt) for the season 2018-19, compared to 9.65 mt reported for the previous year.

Despite higher output, soybean prices remained elevated throughout the year due to the government's decision to raise import duty on vegetable oils last year, which was cut marginally early this calendar year.

India meets around 60 per cent of its vegetable oils demand through imports, primarily from Indonesia, Malaysia, and Argentina.

Meanwhile, crop damage due to unseasonal rainfall and thunderstorm pushed maize prices up sharply in the last few months. Average maize price hovering below the MSP of Rs 1,700 a quintal till December 2018 suddenly shot up to trade at Rs 2,135 a quintal in April 2019. The current average price works out to 26 per cent premium to the MSP.

“Sporadically, we may see crop diversion in favour of better remunerative crops like maize and soybean than cotton. But, rainfall and their distribution pattern would set the trend for kharif sowing this season,” said Madan Sabnavis, chief economist, CARE Ratings.

Cotton farmers faced huge crisis last year due to uneven distribution of rainfall last year in its major growing states like Maharashtra and Gujarat.

Surprisingly, cotton prices have also jumped to trade at a premium of 15-20 per cent (depending upon the cotton variety) to the MSP in March and April 2019, compared to a discount in the previous months.

“With around 7 million bales of cotton stock left with farmers and stockists, farmers may continue to fetch higher prices this year,” said Arun Sakseria, a city-based cotton trader and exporter.

Apex traders’ body the Cotton Association of India has estimated India’s cotton output at 32.1 million bales (170 kilos each) this year, compared to 36.3 million bales last year.

The decline in cotton output was attributed to the scarcity of water in some states resulting in farmers uprooting their plants in about 70–80 per cent area without waiting for third and fourth pickings.

Source: business-standard.com- Apr 23, 2019

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Senior officials of RCEP countries to meet in Bangkok on May 24

Senior officials of the 16-member RCEP group, who are negotiating a mega free trade agreement, will hold meetings in Bangkok from May 24 to iron out issues pertaining to the goods and services sector, an official said.

"It is not a full-fledged round but an inter-sessional meeting, where senior officials would hold detailed discussions on issues of the proposed Regional Comprehensive Economic Partnership (RCEP) agreement," the official added.

The meeting assumes significance as the member countries are aiming to conclude the negotiations by end of this year.

A joint statement issued after a ministerial meeting of RCEP trade ministers in March in Cambodia has said that in order to ensure progress is made towards meeting the leaders' mandate for conclusion in 2019, the ministers agreed to intensify engagement for the remainder of the year (including by convening more inter-sessional meetings).

The proposed free trade agreement, which is officially dubbed as RCEP, to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights to boost economic ties between the countries.

Although the negotiations have entered the sixth year, negotiations on key issues are yet to be finalised. The member nations have yet to finalise the number of goods over which duties will be eliminated.

RCEP members want India to eliminate or significantly reduce customs duties on maximum number of goods it traded with them. India's huge domestic market provides immense opportunity of exports for RCEP countries.

However, domestic industries from sectors including metals, pharma and food processing have raised serious concerns over the presence of China in the grouping, with which India has a huge trade deficit.

RCEP bloc includes 10 countries of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and their six free trade pact partners namely Australia, China, India, Japan, Korea and New Zealand.

India already has a free trade agreement with ASEAN group, Singapore, Japan and Korea. It is also negotiating separate agreements with Australia and New Zealand.

Source: business-standard.com - Apr 22, 2019

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Capital goods need a policy overhaul

The 'mother industry' is mired in slowdown. Inverted duties and pitfalls of export promotion schemes need to be fixed

Data released by the Ministry of Statistics and Programme Implementation show signs of a sharp decline in industrial activity in February 2019. The IIP growth numbers suggest that the production of manufactured goods in February 2019 is only about 0.1 per cent higher than in February 2018. This may be a sign of stagnating demand, and it should be a matter of concern for policy-makers.

More importantly, the data also show that there is an 8.8 per cent contraction in the output of the capital goods sector. This is the second month in a row when production of capital goods has contracted. The January 2019 IIP numbers also show a 3.2 per cent decline in the production of capital goods.

The capital goods sector is important as it provides critical inputs like machinery and equipment to a broad set of user industries which are used directly or indirectly in the manufacture of goods and services. There is growing evidence that the Indian capital goods sector is becoming less self-sufficient and is relying more on imports to meet domestic demand.

India is a net importer of capital goods with a widening trade deficit. In the total non-petroleum and oil imports of India, capital goods emerge as the second largest import category. Up to January of financial year 2018-19 , the share of capital goods imports in the total non-petroleum and oil imports of India was 28 per cent whereas the share of exports is 12 per cent.

India's export performance in the capital goods sector has also been modest. India's share in global exports is a meagre 0.6 per cent and is the 25th largest exporter. A trend analysis of the last 10 years' gross exports of capital goods shows a rising trend, but the export volume is meagre vis-a-vis imports, especially in comparison with China.

The Central government has come up with measures like National Capital Goods policy and 'Make in India' to enhance the productivity and competitiveness of the capital goods sector. The government is also planning to leverage the FTAs (free trade agreements) to boost capital goods exports.

Trade pacts

However, an analysis of India's export destinations and import sources indicate that trade agreements are unlikely to bring much benefits for the Indian capital goods sector. India's major export destinations of capital goods are developed countries like the US, the UK, Germany, and France, and Gulf nations like the UAE, Saudi Arabia and Kuwait with whom currently India does not have any FTAs.

However, our primary import sources of capital goods include South-East Asian nations like South Korea, Japan, the Philippines, Malaysia, Sri Lanka, Thailand and developed nations like the US, Germany, France, Canada, the UK, and Italy. India has existing trade agreements with most of these South East Asian nations and negotiations on new trade agreements like RCEP are going on.

Foreign trade policy (2015-2020) recognises that though trade under FTAs is increasing, imports are rising faster than exports and India could not utilise the trade agreements with Japan, Korea and ASEAN nations entirely to its advantage. India's export of capital goods to RCEP nations is modest when compared with our imports.

In 2017-18, RCEP nations accounted for 91 per cent of India's trade deficit in capital goods, of which China alone accounts for 64 per cent. Thus, with the growing wave of protectionism across the globe, India should be defensive about the capital goods sector as opening up of the domestic market beyond

MFN (most favoured nation) level will increase the threat perception for the sector.

From the import side, while the government is pushing up MFN rates to incentivise domestic value addition and Make in India, liberalising vis-à-vis the RCEP countries, especially China, does not sound like a consistent policy.

The capital goods sector is considered the mother industry of the manufacturing sector for the critical role it plays in driving manufacturing growth through inter-sectoral linkages. Capital goods are carriers of embodied technology-enabling diffusion of innovation and thus enhancement of productivity across user industries both in the manufacturing and non-manufacturing sectors.

A robust capital goods sector is vital for strengthening national manufacturing capabilities and creating employment opportunities. Recognising the strategic importance of this sector, consecutive governments have come up with a plethora of measures — National Manufacturing Plan (2012), Make in India (2014) and National Capital Goods Policy (2016) are but a few — to enhance the productivity and competitiveness of the sector.

However, the contraction in capital goods output, as seen in the recent IIP numbers, and the increasing reliance on imports by user industries for their requirements indicate that the policy measures have not yet delivered any results. Thus, it is about time to address the fundamental issues affecting the critical sector.

The government's plan to leverage FTAs to boost the export potential of capital goods will be fruitful only when our domestic producers are on par with their counterparts across the world in terms of competitiveness.

The way forward

To emerge as a globally competitive capital goods producer in the era of smart manufacturing and swiftly changing technologies, it is imperative that India promotes technological upgradation of domestic producers of capital goods.

The government may also focus on addressing issues like inverted duty structure and the unintended consequences of export promotion policies like zero duty on import of capital goods and import of second-hand machinery which affects the competitiveness of domestic capital goods producers. Attracting foreign direct investment with appropriate technology may be another way to boost this sector.

On a more long-term note, recent trends suggest that strong and disruptive changes are imminent in manufacturing technologies across the world. These changes are likely to fundamentally alter systems of production, management, and governance in the manufacturing sector.

India may consider adopting strategies to leverage its strength in information technology and take advantage of this new era of industrialisation which is likely to affect the capital goods sector in a major way.

Source: thehindubusinessline.com - Apr 22, 2019

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FIEO inks pact with Welingkar Institute of Management to support startups in exports

Exporters' body FIEO Monday said it has inked an agreement with Mumbai-based Prin. L N Welingkar Institute of Management Development and Research to support startups engaged in the export sector.

Under the memorandum of understanding signed with the institute, the Federation of Indian Export Organisations (FIEO) has launched a post graduate programme in foreign trade management (PGP-FTM) at Mumbai.

The move is aimed at attracting "new entrepreneurs in exports and bridge the gap of availability of qualified skilled manpower in Exim trade," FIEO said in statement.

"The MoU, an industry-academia partnership, aims to jointly develop and deliver the post graduate programme in foreign trade management which shall endeavour to develop the human capital for meeting the growing demand in international trade ecosystem," it said.

The programme will broadly encompass the general management principles, export import procedures, and international marketing concepts.

The duration of the programme will be 11 months and will be offered in two batches. Qualified graduates from recognised university can apply for direct admission to the course and the first batch which will commence from August, it added.

Source: business-standard.com - Apr 22, 2019

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Trade winds: Exports falter under Modi government's watch, but value-added segments do well

Some of the segments among the ones that record decent value-addition levels (15-40%) seem to be contributing more to the overall export basket in recent years.

Merchandise exports may have hit a record $331 billion in FY19 but that is hardly any consolation for the current government, as outbound shipment grew at an average of only 1.4% since FY15, against 12.3% in the previous five years.

The share of goods exports in the country's nominal GDP, too, dropped to an average of 12.6% in the NDA's five years from 15.7% during the UPA-II period (2009-14).

However, some of the segments among the ones that record decent value-addition levels (15-40%) seem to be contributing more to the overall export basket in recent years. Shipments of engineering goods — from steel to shipping — , chemicals and related products like pharmaceuticals and textiles & garments made up for a sizable 48% (average) of total goods exports in the past five years, against 40% during the UPA-II.

The average value addition in engineering goods, the biggest export segment accounting for almost a quarter of total merchandise exports, is around 30-35%, according to an estimate by the Engineering Export Promotion Council of India.

For its part, the NDA faced a tougher external environment, as growth in global merchandise export value slowed to a meagre 1% in the last five years, against 4.4% during the UPA-II regime, according to the WTO data. A global trade war involving the US and China has weighed on trade prospects, particularly since last year, and threatened to disrupt growth momentum, going further.

The Trump administration's announcement to withdraw duty-free benefits on annual Indian exports worth $5.6 billion from May, too, is a dampener, although its impact will be felt from this fiscal. Subdued global commodity price movement in initial years of the current regime, too, dented export value, even though anecdotal evidence suggests shipment volume didn't falter as much.

Despite subdued exports, merchandise trade deficit didn't spiral, partly due to low oil prices, even though massive electronic imports weighed on trade balance. At $148 billion, the average annual trade deficit during the UPA-II period was higher than $140 billion in the last five years.

Although oil prices, which contributed immensely to the trade imbalance during the UPA period, remained somewhat benign, massive electronics imports served to inflate the deficit in recent years, along with oil. Electronics items, which made up for almost 8% of the overall imports in FY14, ballooned to 11% in FY19.

In contrast, the share of petroleum products in the overall goods imports eased to around 28% in FY19 from almost 37% in FY14, thanks to low oil prices.

Ajay Sahai, director general of Federation of Indian Export Organisations, said value-addition level is going up in recent years, supported by higher skilling. "Within the chemical segment, pharmaceuticals exports have been doing well, while in the engineering goods segment, automobiles and auto components have witnessed higher exports," he added.

Source: financialexpress.com - Apr 23, 2019

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