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IBTEX No. 144 of 2019 July 23, 2019

US 69.02| EUR 77.23 | GBP 85.95| JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21244	44400	**82.01**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21390	44705	**82.58**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	63.36
ZCE Cotton: Yuan/MT (September 2019)	13,180
ZCE Cotton: USD Cents/lb	86.88
Cotlook A Index – Physical	**74.20**

Cotton Guide: The ICE cotton futures traded with volume figures of 21,192 contracts. The high and low figures for the ICE December contract were not well spread out, which means the volatility seen was not exuberant. Therefore nothing noteworthy could be concluded by examining yesterday's trade. In other words, the market was quite silent. ICE future Contracts have changed direction from Negative settlement figures to positive settlement figures in the past few days. However, this cannot be attributed for a trend reversal as long as the fundamentals are bearish. As mentioned in our previous report, this positivity is presumed to be short lived thus we can expect volatility in the markets this week making the cotton prices bearish once again. For this week we still keep our stance towards the negative end, as nothing significant has transpired yet for the fundamentalists to look north.

The bulls are still aggravated with the fact that the US and Chinese counterparts not coming to a proper conclusion. We are not very optimistic about the way in which the trade talks are going on. This has intensified the bearishness of the cotton market.

ICE nearby future contracts need to hover around the 78 cents/lb range for good Indian raw cotton exports to eventuate. Speaking, fundamentally about the long term, world cotton production is nowhere set for a decrease. This means for the next season we might be able to see the same crop production figures or even higher supply figures which can further augment the bearish trend. In simple words, it will be difficult for India to export its produce this season. We have to wait and watch till we get the accurate supply figures. The only bullish factor that can be seen hereafter is an agreement inked on paper between the two superpowers or any act of God which can skyrocket the prices of agri-commodities.

The ICE December cotton futures settled at 63.36 cents/lb with a change of +29 points. The ICE March 2020 cotton futures settled at 64.15 cents/lb. Total open interest increased by 1,839 contracts to 197,259. December 2019 and March 2020 OI increased by 591 and 835 contracts, respectively, to 140,122 and 34,745 contracts.

The MCX contracts on the other hand settled on negative grounds. The most active MCX July contract settled at 21,390 Rs/Bale with a change of -100 Rs. The other MCX contracts settled in the range of -40 to -110 Rs. The new marketing year contracts have still not gained volumes to speak on. The total volumes have increased to 3229 lots high than the previous figures.

The cotlook Index A is adjusted at 74.20 cents/lb with a change of +1.25 cents/lb. The cotlook Index A forward has been adjusted at 73.75 cents/lb with a change of +1.25 cents/lb. The prices of Shankar 6 are at 44,400 Rs/Candy.

On the technical front, ICE Cotton futures recovered after testing contract lows in previous week. Price rallied towards the trend line resistance, which also coincides with the 9 day EMA at 63.50 levels. Meanwhile price is trading in a downward sloping channel with higher band of the channel (resistance) exists around 64.70-65.50 zones. The strength index (RSI) in the daily charts is still under 50, which needs to move beyond 50 to change the bearish bias in cotton price, until then it could remain in the sideways to downside bias.

However, divergence between price and the momentum indicator restricted the lower side for cotton futures. So for the confirmation of the same price need to sustain above the 64.70-64.80 zone along with RSI above 50. Only a close above 64.80 would push price towards 65.50. On the downside support exists around 62.35, followed by 61.80. So for near term price is expected to consolidate in the range of 61.00-64.70 with downward bias. In the domestic market MCX July future is expected to trade in the range of 21250-21650.

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

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INTERNATIONAL NEWS

USA: Lower Demand, Improving Crop Keep Prices Sliding

The market was brutal to cotton for the second consecutive week, as seven of the past nine trading sessions have seen new life of contract lows. The market broke below its important 62.50-63.00 cent support, basis December futures, and will likely continue to ease lower into the high 50s.

Demand is without question the principal culprit, but is closely followed by ever-improving crop conditions in the U.S. and around the globe. Further, China continues to dump the high pollutant polyester on the market. The dive in prices activated technical market conditions that do, in fact, predict a continued sell-off in cotton prices.

Nevertheless, end-of-the-week trading did see a triple digit day to the upside and offered the bulls a glimmer of hope. However, the buying appeared to be very weak and suggested only a brief short covering rally was in play. The rally fizzled near the close, with settlements closer to the weekly low rather than the weekly high.

Of more concern was that open interest increased as prices retreated. Thus, it was apparent that new speculative money pushed the market lower. The classic signals of a down trending market were front and center – lower price lows and lower price highs. The market should be expected to work lower in the face of demand weakness.

The potentially devastating hurricane Barry turned out, for the most part, very beneficial. The entire Mid-South received welcome moisture, with the exceptions of a north to northeast swath of Louisiana acreage which was flooded, and a similar streak from northeast Mississippi into western Tennessee. There were other areas that went under water, but they were limited. The Black Prairie region of Mississippi/Alabama, off to an excellent start, received the so-called million dollar rain.

The widespread coverage was of net benefit to the U.S. crop. While the crop continues to make excellent progress across the Belt, a high pressure weather system is now covering the entire Cotton Belt with the exception of the West region. This should be monitored, as such a system promotes dry weather, and both the Carolinas and Georgia will need moisture in the near term.

Clearly the supply side of the price equation and the demand side of the equation are working in unison to pull prices lower. The weakening in demand is evidenced by the declining yarn prices throughout Southeast Asia and China, as well as in India and the subcontinent. Virtually all yarn producing countries – and especially yarn exporting countries – are experiencing a down trending yarn market.

Additionally, in an attempt to generate hard currency, China is reducing prices of its apparel and textile products to hopefully stimulate demand.

On-call purchases (futures selling) continue to outpace On-call sales (futures buying). This is an indication that textile mills are content to let prices continue to drift.

Mills are adamant that prices are headed lower, and there is little evidence to suggest otherwise. Potentially, prices are on track to drift lower into the first two weeks of August in anticipation of an even further damaging world supply demand report.

Bulls are suggesting the U.S. acreage estimate is overestimated. Certainly, "standing acreage" is less than planted acres, but the crop condition index is beginning to suggest that yield will more than compensate for the lost plantings.

Both U.S. export sales and shipments continue to lag USDA estimates. It is apparent that the August world supply demand estimates will reflect a further increase in world carryover (remember the inverse relationship with price). U.S exports will be reduced as well, and this will cause an increase in U.S. carryover. The price tendency is lower.

Source: cottongrower.com - July 21, 2019

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83% of fashion companies plan to reduce China sourcing

Rising production and sourcing costs and protectionist trade policies are fashion companies' top business challenges in 2019, according to a report from the U.S. Fashion Industry Association. The number of companies holding a positive five-year outlook dropped from 84% in 2018 to 64% in 2019, according to the report's survey.

Due to tariffs and the ongoing trade war with China, 83% of fashion industry respondents said they plan to reduce their sourcing from the country, up from 67% in 2018. Only 6.7% of respondents said they plan to "reduce sourcing significantly" however, demonstrating the continued business value of maintaining a presence in China. Half of the respondents said their Chinese vendors lowered prices in an attempt to keep from losing customers to Vietnam, currently the alternative manufacturing country of choice.

According to the report, "during 2018, American fashion brands and retailers paid more than $12 billion dollars in tariffs on apparel and home textiles. And another $3 billion on imported footwear." In spite of these costs, the effect on U.S. reshoring has been negligible.

Firms said the trade war has only "increased the production costs of textiles and apparel 'Made in the USA,' and, while they are reluctant to do so, they will have to raise prices if the China tariffs escalate any further.

Dive Insight:

The fashion industry was largely insulated from the trade war with China until May 2019, when the third tranche of tariffs included $3.7 billion in textile products, according to the report data. The administration's fourth proposed tranche (which would have affected up to $55 billion in key industry imports) was put on hold in favor of new rounds of negotiations after the G20 summit in late June.

While the administration's list three tariffs have made it more expensive for retailers to source from China, 100% of the survey respondents said they continue to import from the country. For some of them, however, the share of their Chinese sourcing has decreased, with 25% of respondents saying they now source more from Vietnam than they do from China.

Import share from Vietnam and Bangladesh, in particular, has skyrocketed in the past two years as these are apparel companies' main alternatives to China. According to the U.S. Reshoring Index, Vietnam captured $36 billion of the $72 billion in imports China lost due to tariffs in 2018.

While this has helped some companies circumvent tariffs, USFIA survey respondents said it has had the additional effect of driving up production costs by as much as 20% in Vietnam and other second-choice manufacturing countries like Bangladesh and Indonesia.

Overall, the vast majority of retailers don't see themselves leaving China anytime soon as neighboring countries in the area don't yet have the infrastructure and workforce capability to produce the same variety of SKUs as quickly, the report said.

Source: supplychaindive.com- July 22, 2019

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Rise of Asia is happening faster than expected: MGI report

India is poised to overtake the United Kingdom to become the world's fifth largest economy, with a gross domestic product (GDP) about double the size of either Canada or Russia in the coming years, according to the Mckinsey Global Institute (MGI). The rise of Asia is happening faster than expected and Asian cities are already international financial centres, it said.

McKinsey & Company, in partnership with MGI, recently launched 'Future of Asia', research that examines how Asia will lead.

The MGI research examined 71 developing economies and singled out 18 of them for consistently posting robust economic GDP growth. All seven long term outperformers and five out of 11 recent outperformers are located in Asia.

The 21st-century will be characterised by a pivot towards Asia, and business and market leaders will need an accurate picture of what a future Asia will look like as they set long-term strategies, according to the study.

The region is on track to top 50 per cent of global GDP by 2040 and drive 40 per cent of the world's consumption. Further, as consumption rises, more of what gets made in Asia is being sold locally instead of being exported to the West.

Today, 52 per cent of Asian trade is intra-regional. "While the previous era of globalization was marked by Western companies building supply chains that stretched halfway around the world as they sought out the lowest possible labour costs, today only 18% of goods trade involves exports from low-wage countries to high-wage countries," said Jonathan Woetzel, a senior partner at McKinsey and director of MGI.

As wages have risen in China, countries like Vietnam, India and Bangladesh have managed to grow their exports of labour-intensive manufactured goods by annual rates of 15 per cent, 8 per cent and 7 per cent respectively.

"While the trade intensity of goods has declined, service flows have become the real connective tissue of the global economy – and Asia's services trade is growing 1.7 times faster than the rest of the world's," the research states.

Additionally, over 40 per cent of the world's 5,000 largest companies are Asian.

McKinsey projects that over the next decade, the region may fuel half of the consumption growth worldwide.

Source: fibre2fashion.com- July 22, 2019

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USA: Sourcing Optimism Tanks as Costs Spike, New Study Shows

Whether it's leaving China and fleeing to its regional counterparts, rising sourcing costs across countries are leaving companies at a loss for how to deflect them.

And that's bringing on depressed optimism among sourcing executives at the apparel industry's biggest brands and retailers.

In its sixth annual Fashion Industry Benchmarking Study released Monday, the United States Fashion Industry Association (USFIA) said just 64 percent of those surveyed are optimistic about the outlook for the next five years. That's down 20 percentage points from the 84 percent who said as much last year.

That is a bad sign," USFIA president Julia K. Hughes noted in the study.

While staggering, the numbers hardly come as a surprise.

The findings, Hughes said, "reflect the impact of uncertainty and the threat of trade ward on the fashion industry...There are 301 tariffs on China that include many consumer products like hats, leather and accessories. And there are Chinese tariffs on key U.S. exports including cotton. There are the threats of more trade cases with fashion products appearing on new retaliation lists. And there is the uncertainty of how the Congress and the Trump Administration will work together to approve the U.S.-Mexico-Canada Agreement (USMCA).

The compounded uncertainty has given rise to climbing costs—and that's what's keeping sourcing executives up at night these days.

"The industry concerns about rising costs, and the fact that the government data is already showing substantial price increases from many suppliers, is very concerning," Hughes told Sourcing Journal. "This needs to be a wake up call to the Administration that it is time to find a solution to end the trade war with China. The survey was conducted before the tariffs rose to 24 percent for Tranche 3 products like luggage, accessories and headwear. The concerns and the disruption are worse today."

Cost concerns

When noting the fashion industry's biggest challenge in 2019, nearly 40 percent ranked increasing production and sourcing costs among their top two concerns, with the protectionist trade policy agenda in the United States coming in a close second.

Some of the cost increases can be attributed to imposed tariffs on imports from China, but what's perhaps of greater concern for the industry are the rising costs in countries they're looking to in order to scale back their China sourcing.

"Not just costs in China are increasing, but the costs to source in the main alternatives to China—especially Vietnam, Bangladesh and India—are also soaring," Hughes said. "And the uncertainty seems to also affect logistics and transportation costs."

More than 85 percent of respondents expect their production or sourcing costs to rise this year, and nearly half expect those costs to climb "modestly" at worst and "substantially" at best.

"In response to the supply chain disruptions and heightened market uncertainties caused by these tariff threats, many U.S. fashion brands and retailers have had to switch to suppliers that are more expensive or pay extra to move around their products," the Benchmarking study noted, finding that as many as 63 percent of respondents saying U.S. tariffs on China increased their company's sourcing costs in 2019.

The increases may be inescapable.

"There is only so long that companies can bear the burden of tariffs," Hughes told Sourcing Journal. "For many companies they are in the middle—with contracts in place with their Chinese suppliers and also contracts in place with their customers."

Asian suppliers, and Vietnam in particular, have been the biggest beneficiaries of the U.S. trade fallout with China, which has seen it dole out tariff blows as a negotiating tactic. In fact, nearly all of the top 10 most utilized sourcing destinations in 2019 are in Asia: China, India, Vietnam, Indonesia, Cambodia, Bangladesh, Philippines, Sri Lanka, Jordan and Pakistan.

"This result suggests that in response to the escalating U.S.-China trade tensions, U.S. fashion companies are actively diversifying their sourcing bases within the Asia region," the study noted.

China and Vietnam combined now account for roughly 40 percent to 60 percent of apparel companies' total sourcing value or volume.

"Notably, while China remains the most utilized sourcing base, the country is no longer always the top supplier for U.S. fashion companies. In fact, around 25 percent of respondents indicate that they source MORE from Vietnam than from China in 2019, an emerging trend important to watch."

Compared to three years ago, USFIA said just 46 percent of respondents reported sourcing more than 30 percent of their value or volume in China (versus 61.5 percent in 2016). Looking at Vietnam, 41 percent now report sourcing more than 30 percent of their production, in value or volume terms, from the country, which marks a record high since the survey began in 2014.

Nowhere to turn

Ongoing talks between President Trump and Chinese President Xi Jinping have seemingly made little headway and more tariffs are far from off the table, albeit that they're presently "on hold."

But with costs climbing in the key 'plus' countries in companies' China-Plus strategies, sourcing executives are hard pressed for how to build a tariff-proof sourcing strategy.

[Hear from experts at Sourcing Summit New York on Oct. 17 to find out whether it's possible to build a tariff-proof sourcing strategy.]

In the first five months of the year, the unit price for U.S. apparel imports increased by more than 10 percent year on year, according to the Benchmark.

"Notably, apparel exports from Bangladesh, Vietnam and India have seen the most significant price increase—all by more than 20 percent," the study noted, adding that the finding isn't surprising. "Restrained by the limited labor force, infrastructure, supply of raw material and production capacity, garment factories in these countries are undergoing cost pressures in the face of surging sourcing orders from U.S. fashion companies, which are eager to find China's alternatives."

What's perhaps of greater note, price increases for "Made in China" product have been more modest, ticking up just 3.3 percent in the first five months of the year.

"Around 50 percent of respondents say their Chinese vendors actually 'lowered their price to keep sourcing orders' amid the tariff war," according to the study. "However, such a pricing practice may not be sustainable in the end as China is no longer regarded as a 'cheap place' to make garments and some major cost factors, such as wage level, have been rising quickly in the country."

Whichever way the industry's supply chain diversification shakes out, rising costs will pose an ongoing concern.

"At this point it is impossible to predict how high prices will rise," Hughes said. "The consumer products affected by the China tariffs have been deflationary for decades. And companies are looking for alternatives to mitigate the higher costs. But the increases in sourcing costs and supply chain costs will be felt by consumers."

Source: sourcingjournal.com- July 22, 2019

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China Hints at Trade Talks Restart After Making ‘Goodwill’ Moves

Face-to-face negotiations between the top Chinese and U.S. trade negotiators could happen soon, according to Chinese state media, after a number of goodwill gestures by Beijing over the weekend.

Chinese companies asked U.S. exporters about buying agricultural products and also applied for exemptions from China’s retaliatory tariffs on the goods, state-run Xinhua News Agency reported Sunday. That shows China’s “goodwill” and its commitment to fulfill its promises to the U.S., Xinhua said early today in a separate commentary.

The two sides have been “cautiously showing each other sincerity and goodwill” recently and may meet for discussions soon, according to Taoran Notes, a blog run by the state-owned Economic Daily newspaper. In China’s eyes, the U.S. exclusions from punitive tariffs imposed on some Chinese goods and its push to allow American companies to supply Huawei Technologies Co were positive signals to advance the talks, according to both Xinhua and Taoran.

The Chinese government met on Friday with domestic soybean buyers about a plan to purchase more U.S. supplies, according to people familiar with the situation. That could include waiving China’s retaliatory tariffs, but details aren’t decided yet, the people said.

Senior White House officials invited U.S. technology companies including Intel Corp. and Qualcomm Inc. to the White House on Monday to discuss a resumption of sales to Huawei, which is currently on a trade blacklist, according to people familiar with the matter.

Meeting timing

With China’s top leadership likely to be out of Beijing from early August for their annual seaside conclave, it is highly likely that a meeting between Vice Premier Liu He and his U.S. counterparts is not far away, according to the Taoran Notes post last night on the WeChat platform. The two sides spoke by phone Thursday to discuss “the next step of negotiations,” indicating a move toward face-to-face talks, Taoran said.

The call last week was the second since the two nations' presidents met in Japan in late June.

Separate to the possible agricultural purchases, China announced Saturday new measures to further open up the nation's financial sector to foreign investors. Foreign companies will be able to take a stake in or control entities including wealth management units of commercial lenders, pension fund managers and currency brokers.

The changes weren't announced as directly related to the trade talks with the U.S., but American criticism of China's protection of various domestic markets is a core issue in the ongoing trade tensions. These changes were made by the State Council's Financial Stability and Development Committee, which is also led by Liu.

Still, there was a note of caution in the reports. Taoran said the tariffs imposed on Chinese products must be entirely removed or they would be an irritant during the talks. The removal of the tariffs is one of three core conditions that China has made for any deal.

Source: sourcingjournal.com- July 22, 2019

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Lankan Apparel Companies Find Unused Export Potential in U.K. Worth USD 4.7 Bn

The exports from Sri Lanka in terms of textiles and apparels to the United Kingdom have reached a value of USD 642 million in 2018. However, recent reports have been indicating that the apparel industry from Sri Lanka are expected to substantially increase the volume and value of exports to the United Kingdom, with an unused export potential in the country worth USD 4.7 billion.

This analysis was made by the Ceylon Chamber of Commerce at the Sri Lanka – United Kingdom Bilateral Trade and Investment report, which had been initiated in Colombo. Currently, exports of apparels account for approximately 46 per cent of the overall export potential to the United Kingdom.

Shiran Fernando the Chief Economist of the Ceylon Chamber of Commerce shared key findings from the report with the local business community. The report has revealed that Sri Lanka as indicative trade potential worth USD 4.7 billion on the basis of exporting textile and apparel to the United Kingdom market which has a massive latent export potential.

Sri Lanka Seeks Preferential Trade Agreement with UK in Light of Brexit

The exports of textiles and apparel from Sri Lanka to the United Kingdom reached an estimated value of USD 642 million last year, which accounted for more than three quarters of the overall Sri-Lankan exports to the UK.

In addition, exporters based in Sri Lanka also have substantial potential to increase the volume of electrical products, vegetable products, machinery, transport, plastic and rubber as exports to the UK. According to the report, tech services, FMCGs, and pharmaceutical companies are also some of the key regions where investment and collaboration between the two countries can occur.

Malik Samarawickrama, the Sri Lankan minister of Development Strategies and International Trade stated that in the background of Brexit, the Sri Lankan government is looking to extract a preferential trade agreement with the UK to exploit the advantages of GSP Plus, which could potentially lead towards a free trade agreement in the future.

The bilateral trade relations between the two countries currently favors Sri Lanka more, and has reached a value of USD 1.2 billion in 2018, while UK is the 5th largest source of Sri Lanka in terms of FDI.

Source: theheraldmedia.com- July 22, 2019

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Iran: Cotton Production to Meet 50% of Domestic Demand

Domestic demand for cotton stands at 120,000 to 130,000 tons per year in Iran and between 60,000 and 65,000 tons of which are expected to be produced domestically in the current fiscal year (started March 21).

Ebrahim Hezarjaribi, the head of the Agriculture Ministry's Cotton Project, also told Mizan Online, “This year we will be able to meet 50% of domestic demand. Plans are to become self sufficient in cotton production within the next six years.”

As reported by Fars News Agency, the official noted that 86,880 hectares have gone under cotton cultivation this year, which shows a 23% increase year-on-year.

The main provinces producing cotton in Iran are Golestan, Khorasan Razavi, Ardabil and North and South Khorasan.

Iran was once an exporter of cotton, besides meeting its own domestic demand. But the situation changed, as land under cotton cultivation in the country declined by 75% from 300,000 to 70,000 hectares during 2001-16.

Source: financialtribune.com- July 22, 2019

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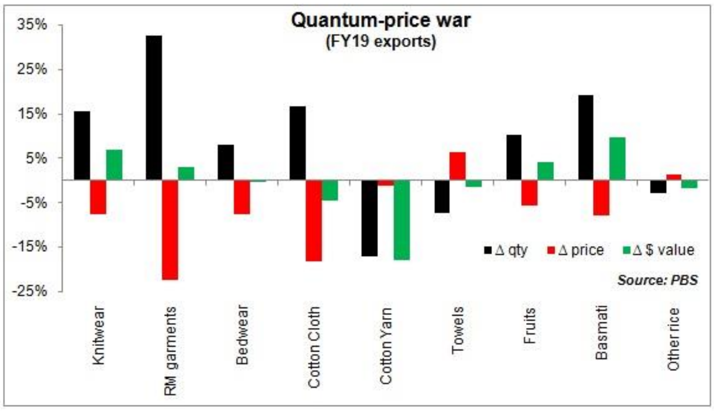
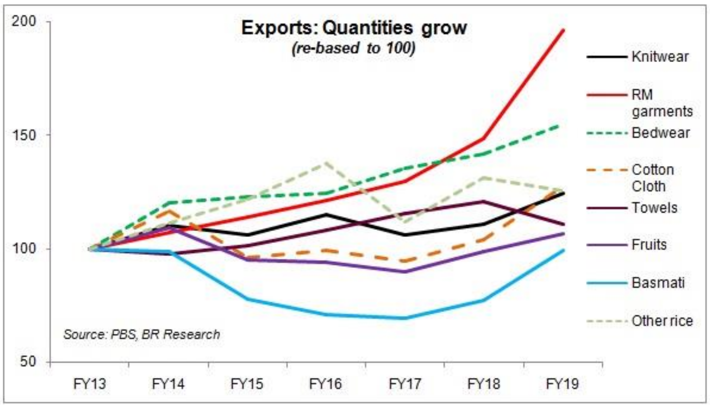
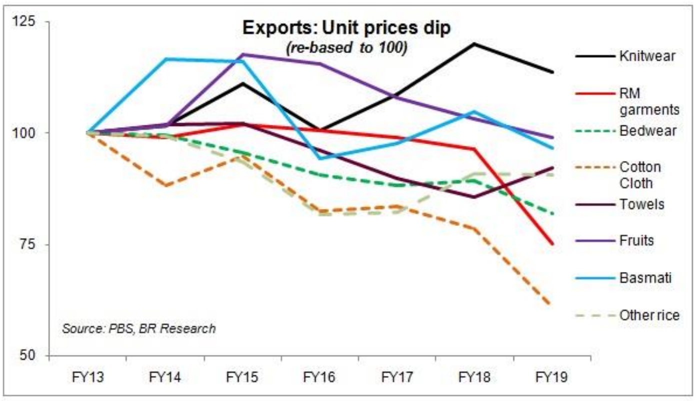
Pakistan: Export silver linings



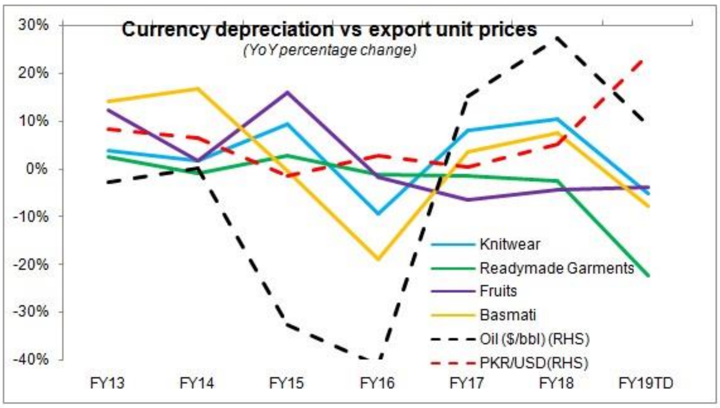
Many hopes were pinned on exports to help improve Pakistan's trade deficit, especially in view of massive currency depreciation and export support package introduced in the latter half of FY19. The trade deficit did improve, although it took a sizeable dip in imports and not a jump in exports. The currency depreciation actually worked the other way in extremely competitive trade markets, despite much improved export quantities for most key categories.





The 1 percent year-on-year drop in exports is disappointing, but it has its fair share of silver linings. The value added segment of the textile sector has hit record highs in terms of quantity exported. The readymade garments with a 12 percent share in total exports have been recorded at an all time high, having grown by an unprecedented 32 percent year-on-year. Two other key textile export categories, cotton cloth and knitwear have also shown considerable double digit growth in volumetric exports.

Among food export items, Basmati rice has made a grand comeback, with the volumes standing at a six year high. Fruit exports have also shown good signs of recovery, standing at an all time high in quaintly terms. But all that comes down to little to nothing, as the other and equally important part of the equation, i.e. the pricing, was far from favourable.



The sharp exchange rate adjustment to the tune of 24 percent over previous year, meant threw was immense pressure on pricing, in what is a truly competitive field in international trade. All but one textile item faced some degree of decrease in unit prices, which was the highest in value added segments, with the highest increase in volumetric terms. The quantum of unit value dip in most cases was surprisingly similar to the quantum of volumetric increase. No wonder, the textile exports in FY19 remained a zero-sum game.

The export unit prices have shown strong correlation with both currency depreciation and oil prices. With the currency now believed to be close to equilibrium, one could expect the unit price slowdown to stop, if not revive to earlier levels. The positive correlation with oil price though will continue to pose questions, as short term oil price outlook gives bearish signals. That said, from both currency and oil price movements being unfavourable for export unit price at the moment, to be facing only one unfavorable variable, should offer some respite to export prices in the days to come.

What remains to be seen is the exporting sectors' capacity to deal in larger quantities. Having had a relief in terms of energy prices for much of FY19, the relief has been somewhat reduced, after the imposition of GST on energy prices for zero-rated sectors, which is bound to raise costs and challenge competitiveness. All said, FY20 should be a better year for exports in value terms, and not only the volumes.

Source: brecorder.com- July 22, 2019

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Bangladesh: Exporters get a boost

They can now issue certificate of origin to enjoy EU GSP

Exporters will now be able to issue the certificate of origin to enjoy the generalised system of preferences (GSP) facility in the European Union, instead of relying on the Export Promotion Bureau (EPB) for the document.

Md Mofizul Islam, senior secretary of the commerce ministry, Md Shafiqul Islam, vice-chairman of the EPB, Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry, and Md Siddiqur Rahman, vice-president of the federation, were also present at the event.

This will save time and cut cost for exporters, said Commerce Minister Tipu Munshi, according to a statement.

This will allow exporters to enjoy the GSP benefit quickly after sending a shipment.

A certificate of origin is an important international trade document that certifies that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country. It also serves as a declaration by the exporter.

The minister said exporters would be able to issue the certificate because of the introduction of the registered exporter system (the Rex system).

The commerce minister made the comment while speaking at a programme at the conference room of the EPB in Dhaka on Sunday.

He handed over the Rex number to 10 exporters at the programme.

The exporters are Zaber & Zubair Fabrics, Rifat Garments Ltd, Square Fashions Ltd, Noman Terry Towel Mills, Sea Park (BD) Ltd of Chattogram, Akij Jute Mills, Pran Agro Ltd, Karupannya Rangpur Ltd, Uniglory Cycle Industries, and Universal Jeans Ltd.

About 6,000 exporters will receive the Rex number gradually, the statement said.

"With this, Bangladesh's export simplification takes another step forward," Munshi said.

Bangladesh has been enjoying the GSP facility since 1971 under the EU's "Everything but Arms" scheme.

The transition period from the current system of origin certification to the Rex system started for Bangladesh on January 1 this year and will last until December 31 this year, according to the European Commission website.

Exporters will have to apply to become registered exporters by filling in an application form and by returning it to the EPB.

According to the commerce ministry statement, the new system was introduced in line with the rules of the World Trade Organisation.

Local exporters have long been demanding the introduction of the Rex system.

Under the new system, exporters will bear all the responsibilities for the exports, while the EPB will supervise it.

The Rex system will progressively and completely replace the current system of origin certification based on certificates of origin issued by government authorities and on invoice declarations made out under certain conditions by economic operators.

Source: thedailystar.net- July 23, 2019

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Cambodia, Vietnam will meet 2020 trade target: Ministry

Cambodia and Vietnam are optimistic that they will reach $5 billion in bilateral trade by 2020 as pledged by their governments.

That optimism was evident during a meeting last week between Prak Sokhonn, Cambodia's Minister of Foreign Affairs, and Nguyen Quoc Dung, Vietnam's Vice Minister of Foreign Affairs.

The meeting, held on Thursday in Phnom Penh, was part of the sixth round of political consultations between the two countries. "Given current trends, including the fact that two-way trade reached $4.7 billion last year, bilateral trade will reach and may even surpass the target of $5 billion by 2020 set by the governments.

"This will be possible thanks to the Bilateral Trade Enhancement for 2019-2020, signed in February 2019," the Ministry of Foreign Affairs said in a press release on Sunday.

During the meeting, both parties briefed each other on recent political and economic developments in each country and agreed that peace, security, and stability are essential for socio-economic progress in both countries and in the region. The discussion covered political and security cooperation, trade and investment, human resources development, tourism and cultural promotion, infrastructure connectivity, and border policy, among others.

Both sides agreed to find ways to further enhance cooperation in these fields to serve their mutual interests, according to the statement.

The officials also agreed to speed up work on the conclusion of the Border Trade Agreement and implement relevant measures to further expand trade and investment, and facilitate the movement of goods and people across their shared border. "The fruitful outcomes of the political consultation contribute to strengthening the relationship between the two countries, and lay the groundwork for the 17th Joint Commission Meeting between Cambodia and Vietnam in August," the Ministry said.

As of 2018, Vietnam had about 210 investment projects in Cambodia, mostly in agriculture and forestry, with a total registered investment capital of about $3 billion.

Cambodian investment in Vietnam has also expanded in recent years. There are now 19 projects by Cambodian firms in Vietnam, amounting to $63.4 million in investment, according to data from the Vietnamese Embassy.

Source: khmertimeskh.com- July 23, 2019

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Philippines apparel exports down 16 per cent

Philippines' apparel exports decreased 16 per cent last year. The entire garment industry, including shoes and travel goods, is estimated to employ 2,50,000 people.

The industry is labor-intensive. Right now it's agitated over a bill which seeks to overhaul the country's incentive regime to investors.

Small firms fear they would be the first to succumb under the bill. For a company with 1,500 workers and below, the impact is expected to be an immediate shutdown, within six months to a year, since their margins are small.

For those producing mid-sized products, like jeans, the displacement of workers is expected to be 50 per cent in 12 months to18 months. These are medium-sized firms employing 3,000 to 5,000 per factory.

For firms producing higher end products, like suits, the displacement threshold is expected to be 30 per cent to 32 per cent in 12 months to 18 months.

The US accounts for 60 per cent of the Philippines' garment exports. The rest are sold to the EU and Asian countries. The country lost 70 per cent of its market over 15 years due to a number of reasons, primarily the removal of the quota system that led buyers to source from other countries offering the same products at half the price.

Source: fashionatingworld.com- July 22, 2019

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Industry inputs sought as India readies strategy for RCEP talks in China this week

The Commerce Ministry is holding a series of meetings with various industry associations on tariff elimination under the proposed 16-member Regional Comprehensive Economic Partnership pact as it prepares for the crucial round of negotiations this week in China followed by a meeting of Trade Ministers.

Commerce & Industry Minister Piyush Goyal interacted with representatives from various export promotion councils such as engineering, auto, chemical, pharmaceutical, leather, agriculture, marine & food processing, dairy, copper, zinc, aluminium, textiles and gems in separate meetings in Mumbai on Monday to discuss their specific concerns on the RCEP.

This will be followed by more meetings in New Delhi on Tuesday between industry representatives and senior government officials.

"The Indian industry, especially sectors such as steel, auto, textiles, and engineering goods, has been apprehensive about taking on commitments to eliminate tariffs for RCEP members, especially China. The meetings have been arranged to take on board their concerns before India decides on its strategy for the negotiations to begin in China," a government official told BusinessLine.

Mega trade deal

The RCEP is a mega trade pact being negotiated between the 10-member ASEAN, India, China, South Korea, Japan, Australia and New Zealand. With the countries missing the December 2018 deadline for concluding the pact due to change in regimes in some ASEAN countries and India's unresolved concerns on tariff elimination in goods and low offers in services, most members are determined to sign the agreement by the end of 2019.

The 27th round of RCEP negotiations will be held this week in Zhengzhou, capital of central China's Henan Province. This will be followed by RCEP Trade Ministers meeting in Beijing on August 2-3. "There is no doubt that members are serious about concluding the RCEP talks this year.

This message was given clearly to India when the 'ASEAN troika', including trade ministers from Indonesia and Thailand and the ASEAN Secretary General, called upon Goyal earlier this month. That is why the forthcoming negotiations are going to be crucial and India has to make its point forcefully," the official said.

The Indian industry, across sectors, is not willing to face unbridled competition from RCEP member countries, particularly China. "The list of items that various Ministries and Departments have handed over for protection against tariff cuts in case India signs the RCEP is so large that if all are included there would hardly be any items left for tariff elimination," the official said.

Largest free trade zone

Despite the challenges to be faced by industry, the government is keen to be part of the pact as once implemented the RCEP could be the largest free trade zone in the world as member countries account for 25 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment (FDI) flows and 45 per cent of the total population.

Source: thehindubusinessline.com- July 22, 2019

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India mulls ways to give least duty cuts to China in long time period in RCEP

As per the official, the government wanted to know the number of years various industries need to give zero duties to imports from the RCEP countries especially China.

India is looking at different arrangements to give minimum tariff cuts to Chinese goods and delay the concessions by a long number of years amid industry's fears of cheap imports from Beijing flooding the country as it prepares to conclude a mega regional trade pact next month.

In marathon meetings with industry on Monday in Mumbai, which will continue on Tuesday in Delhi, commerce and industry minister Piyush Goyal heard their objections and the products they want to be protected in the Regional Comprehensive Economic Partnership (RCEP).

“The government has discussed different categories of phasing out the duty cuts but that is a matter of negotiation,” said a person aware of the meetings.

New Delhi has considered duty cuts on Chinese goods over a maximum 25 year period.

The stakeholder consultations could be the last set of talks ahead of trade minister-level deliberations in China on the proposed agreement in August 2-3 when it is expected to get concluded after having been negotiated for seven years.

“Convened a consultation meet on Regional Comprehensive Economic Partnership (RCEP) with industry representatives from various sectors,” Goyal said in a tweet on Monday.

He met representatives from the industries of steel, copper, textiles, aluminium, engineering, pharmaceuticals, leather and food, among others wherein most sectors expressed fears about Chinese dumping.

“The deliberations during today's meeting will help put forth our agenda at RCEP Trade Ministers meeting in Beijing next month,” he tweeted.

RCEP is a regional trade agreement spanning the 10 Asean countries and the group’s six free-trade agreement partners — Australia, New Zealand, Japan, China, South Korea and India. Though talks on seven of the sixteen chapters of the agreement are complete, the key areas of goods, services and investment are still being negotiated.

Sectoral concerns

While the textile industry has sought protection of man made fibre cheap imports from other RCEP members, auto industry wants 28 sensitive automotive tariff lines to stay on the negative list for all member countries.

“Our exports have suffered in earlier trade agreements because we didn’t pay much attention to exports. But we must look at our exports in RCEP because of the global trade environment and our slowing shipments," said an industry representative who attended Monday's meeting.

As per the official, the government wanted to know the number of years various industries need to give zero duties to imports from the RCEP countries especially China.

The aluminium industry wants aluminum and its articles in the negative list or the exceptions to products they want to open up for imports under RCEP and the copper association has sought zero duty on copper ore and concentrate to prevent inverted duty structure.

"The minister understood our concerns and said he would take care of those. Another meeting with industry could be likely before the ministerial," said another industry representative present at one of the meetings.

Official level meetings are slated to take place later this week in China before the ministerial.

Source: economictimes.com- July 22, 2019

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No GST invoice required if goods taken abroad for exhibition are brought back in 6 months

The Finance Ministry on Monday said entities taking goods abroad for exhibitions or other export promotion events will not have to generate tax invoice for those goods which are brought back to India within six months.

Issuing a clarification in respect of goods taken out of India for exhibition or on consignment basis for export promotion, the ministry said exporters were facing problems due to the lack of clarity on the procedure to be followed under GST at the time of taking these goods out of India and at the time of their subsequent sale or return to India.

It said that the activity of taking goods out of India on consignment basis for exhibition would not in itself constitute a supply under GST since there is no consideration received at that time, but such goods would need to be accompanied by a 'delivery challan'.

"Since taking such goods out of India is not a supply, it necessarily follows that it is also not a zero-rated supply. Therefore, execution of a bond or LUT (Letter of Undertaking), as required under section 16 of the IGST Act, is not required," the ministry said.

It also said goods taken out of India in this manner are required to be either sold or brought back within a period of six months from the date of removal.

It further said the supply would be deemed to have taken place if the goods are neither sold abroad nor brought back within the period of six months.

"In this case, the sender shall issue a tax invoice on the date of expiry of six months from the date of removal, in respect of the quantity of goods which have neither been sold nor brought back. The benefit of zero-rating, including refund, shall not be available in respect of such supplies," the ministry added.

If the specified goods are sold abroad, fully or partially, within the period of six months, the supply will be held to have been effected, in respect of the quantity so sold, on the date of such sale.

In this case, the sender will issue a tax invoice in respect of such quantity of goods which has been sold. These supplies will become zero-rated supplies at the time of issuance of invoice.

The ministry further said refund in relation to such supplies shall be available only as refund of unutilised Input Tax Credit (ITC) and not as refund of Integrated GST.

"No tax invoice is required to be issued in respect of goods which are brought back to India within the period of six months," it added.

Source: economictimes.com- July 22, 2019

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Rebooting labour reforms

While 'codifying' labour laws, labour interests shouldn't be overlooked

The compression of 44 labour laws into four 'codes' or broad categories — wages, social security, industrial relations and occupational health and safety — forms a central aspect of the Centre's labour reforms push since 2015. This is not a bad idea, as it simplifies access to numerous provisions of the law by all stakeholders concerned.

As part of this exercise, the Cabinet recently approved the tabling of the Code on Occupational Safety, Health and Working Conditions Bill in Parliament, which encapsulates 13 laws. The Wage Code Bill, on which the Parliamentary Standing Committee on Labour drew up its comments last December, will be introduced in Parliament soon. While piloting these changes, it is important that the Centre reaches out to a cross-section of stakeholders, some of whom have already expressed misgivings.

The Code on Wages has some positive proposals, such as extending the minimum wage law to all activities, not just the 45 'scheduled' ones. A benchmark national minimum wage will set a floor. However, the definition of worker is not clear. The calculation of the level of minimum wage by an expert committee is at variance with ILO parameters.

A lean inspector regime is all very well, but it must monitor workplace safety. The code on industrial relations has evoked strong reactions, as the right to form unions and accord them powers of representation have been severely curtailed. This can be both anti-democratic and economically counterproductive. An approach that regards workers as partners in production is likely to promote industrial harmony. Shutting out legitimate avenues of expression can lead to violent outbursts.

Workforce entitlements should not be disregarded in the urgency to ease the conduct of business. The latest Economic Survey cites studies to observe that a 10 per cent rise in minimum wages leads to a 6.34 per cent increase in employment in rural areas in the case of both men and women, with a statistically insignificant impact in urban areas — questioning the bias against raising wages.

In an age when productivity and skills count for a lot, India is unlikely to gain very much from wage arbitrage alone. Its manufacturing is likely to prosper on the back of a skilled and well paid workforce, with a supportive ecosystem in terms of infrastructure and logistics, as Economic Survey 2017-18 suggests.

Speaking of the potential of the labour-intensive garments sector, it observes: “Clearly, India still has potential comparative advantage in terms of cheaper and more abundant labour. But these are nullified by other factors that render them less competitive than their peers in competitor countries.”

Garment wages in not just China, but Vietnam and Indonesia are higher than in India and their yet their exports are growing.

An approach to labour regulation that cuts out compliance headaches, while improving the lot of the employees should be the guiding principle — as in the developed world.

Source: thehindubusinessline.com- July 22, 2019

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Punjab govt delegation on Taiwan visit to discuss economic, trade partnerships

A delegation of Invest Punjab, the investment promotion and facilitation agency of Punjab, is visiting Taiwan from July 22-27 to discuss potential economic and trade partnerships, talent exchanges, and resource sharing, an official statement said on Monday.

Economic relations between India and Taiwan have deepened in the past decade with signing of several agreements to facilitate trade, investment and technological collaborations, a senior official said here.

Punjab has selected Taiwan as a focus country due to the plethora of investment opportunities and potential business synergies possible in bicycle and bicycle components, electric vehicles, electronics, light engineering, auto components, skill development and textile sectors.

Punjab Bureau of Investment Promotion Additional Chief Secretary Vini Mahajan and Invest Punjab CEO Rajat Agarwal will address the gathering at Taiwan-ASEAN-India Strategic Partnership Forum in Taipei and Hsinchu to showcase the state''s readiness to cater to industrial requirements of Taiwanese companies.

"They will apprise the Taiwanese investors of the significant reforms undertaken by the state, including a blend of policy level changes, simplification of processes and implementation of technology-based solutions to create a business-friendly ecosystem," the official said.

"Punjab will also leverage this forum to solidify its presence as a preferred investment destination among other ASEAN countries," she said.

To promote industries, Punjab is also adopting measures like cluster approach with the creation of industrial sites like Hi-Tech Valley in Ludhiana (380 acres dedicated to EV, battery manufacturing, bicycle manufacturers), MediCity in Mohali (250 acres dedicated to setting up a multi/super specialty hospitals, medical colleges), IT City in Mohali (1,688 acres) and a new Electronic City under development, the statement said.

Punjab-based corporates, including Hero Electric Managing Director Naveen Munjal, Trident Ltd Vice Chairman Abhishek Gupta, Hero Cycles Director Abhishek Munjal, are accompanying the government delegation, the statement said.

Source: outlookindia.com- July 22, 2019

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Average monthly job creation on a 4 month high: EPFO data

The good news in this month's payroll numbers is that the average monthly job creation in India has seen an uptick. As per the latest payroll release of EPFO, the average monthly job creation stands at 4.60 lakh which is the highest since February 2019

EPFO which is a barometer for judging the formal job creation In India has been posting healthy numbers for the current financial year.

A total of 20 lakh jobs have created in the first two months of the current financial year; 10.15 lakh in April and 9.86 lakh in May.

The good news in this month's payroll numbers is that the average monthly job creation in India has seen an uptick. As per the latest payroll release of EPFO, the average monthly job creation stands at 4.60 lakh which is the highest since February 2019.

Since the November 2018 release, when the average job creation was 6.11 lakh a month, the numbers have steadily declined. The average monthly job creation was 5.65 lakh in December 2018, 4.90 lakh in January 2019. In February it declined to 4.52 lakh, and continued to slide at 4.50 lakh in March, 4.49 lakh in April and 4.37 lakh in May 2019. As per the July release of EPFO, the job creation numbers show a increase of 5.26 per cent in average monthly job creation in India's formal employment.

In the previous release of EPFO in which the job creation numbers of April 2019 were reported, displayed a robust creation of 10.43 lakh jobs. In the recent release, April's number has seen a downward revision of 27,758 jobs. The job creation numbers for the month of April 19 stands at 10.15 lakh as per the latest EPFO disclosure.

The job creation numbers for the year 2018-19 stands at 61.12 lakh, while 15.52 lakh jobs were created in the seven month period from September 2017 to March 2018. It is also important to note that no downward revision has been made in these numbers in comparison to the last EPFO's payroll release.

In the month of May 2019, 11,139 jobs were created in the age group of less than 18 years, 2.9 lakh jobs were created in the age group of 18-21 years, 2.56 lakh jobs in the age group of 22-25 years, 1.20 lakh for 26-28 age group, 1.6 lakh jobs in 29-35 age group and 1.47 lakh jobs for people aged more than 35 years .

In the age group of 18-21 years and 21-25 years, which account for more than half of the job creation in May 2019, the top five states which produced these jobs are Maharashtra, Tamil Nadu, Karnataka, Gujurat, Haryana and Delhi.

For the same age group (18-25 years) the top avenues were expert services, trading (commercial establishments), engineering, textiles, building and construction industry and establishments which are engaged in manufacturing, marketing servicing and usage of computers.

Source: businesstoday.in- July 22, 2019

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Flipkart sets up teams in 13 MSME clusters, eases onboarding process for first-time online sellers

In order to boost the number of sellers on its marketplace platform and make the onboarding process more efficient, Walmart-owned e-commerce giant Flipkart has stationed 13 regional teams across India wherein the team members would meet and discuss the process with prospective sellers, who might be selling goods online for the first time, at their premises. Flipkart currently has over 1 lakh sellers and a customer base of more than 150 million customers.

"Through Flipkart's Feet On Street programme, the teams would explain the on-boarding process to sellers in individual locations especially in 13 MSME clusters in India such as Ludhiana for sports goods, Tirupur for textiles etc.," a Flipkart spokesperson told Financial Express Online.

Sellers in the MSME segment are critical for Flipkart as "the future of e-commerce lies in bringing more MSMEs and smaller businesses online, which in turn will generate employment and investment, said Nishant Gupta, Head of Flipkart's Marketplace business in a statement.

Flipkart will provide a detailed description of each step in onboarding to the seller and seek only GST number, a cancelled cheque, and a signature in terms of documents required, single-step verification with the GST number, and improved dashboard interface, the company said.

India's online retail is currently worth $18 billion in size — 3 per cent of the retail market, as per India Brand Equity Foundation. To boost the growth of online retail, MSMEs gains significance, which are around 60 million in India, and operates in their local geography.

Flipkart, apart from the Feet On Street programme, runs other initiatives such as "CA ecosystem to help sellers with their financial and taxation processes and Growth Capital, its seller financing programme," the company said. Flipkart has also set up regional teams in Tier-II cities and beyond for onboarding sellers in cities like Lucknow, Coimbatore, and Jaipur that are present in over 4,300 pin codes.

Flipkart had last month cut commissions charged from its sellers to boost their sales and attract more sellers on the platform. "This is going to be a quarterly exercise.

As Flipkart enters the festive season in coming months there could be chances of further reduction in the commission rates to get maximum bang for the buck when it comes to seller commission and empower them to do maximum business," sources aware of the development had told Financial Express Online. The commission based on products priced below and above Rs 300 was changed based on products priced up to Rs 300, Rs 300-500, Rs 500-1000, and more than Rs 1,000.

Source: financialexpress.com- July 22, 2019

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