TEXTILE INTELLIGENCE CENTRE IBTEX
INFORMATION BUREAU TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 218 of 2018 October 23, 2018

USD 73.79| EUR 84.53 | GBP 95.65 | JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21704	45400	**78.51**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
22780	47650	**82.40**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	80.02
ZCE Cotton: Yuan/MT (Jan 2019)	15,280
ZCE Cotton: USD Cents/lb	**84.80**
Cotlook A Index – Physical	**87.25**

Cotton Guide: The market is almost in the verge of moving out from the past five weeks of consolidation band. On Monday it has attempted to trade higher. Cotton futures had the biggest one day gains in 15 weeks and prices for December future settled at the highest levels in 5 weeks. Dec settled at 8002, up 210 points. The other months settled from 90 to 209 points higher.

The price move was supported by heavy trading volume at ICDE. The Monday's trading volume was almost 2 and half to three times more than the average daily volume. For reference, Monday volume was 40,573 contracts. Cleared Friday were 21,599 contracts. The aggregate open interests have stayed steady near 261000 contracts however it has rebounded from the recent low of 247000 contracts. The price, volume and open interest rising together means there is enough amplitude in the trend so we expect going forward once the market clears the intermittent resistance of 80.40 it will start flourishing towards 82+ cents in the very near term.

Coming to market fundamentals there has been no major change except that market is anticipating major crop loss after Hurricane Michael hit the US cotton growing region. Further Hurricane Willa coming from Mexico's Pacific Coast could bring rains into Texas, the Delta and Southeast. On Oct. 6, USDA data showed 35% of the crop was in good or excellent condition, down from 42% a week earlier in the week ended Oct, 16, hedge funds increased bullish cotton bets for the first time in five weeks, government figures showed on Oct. 19

Basically major movement in the cotton price was during the US session while earlier in China and India the cotton market was mostly quiet. There was no major development then. China's ZCE cotton futures ended barely above unchanged and their volume was light.

On the technical front market has moved out from the consolidation band and has tested 50-day moving average, a sign of positive trend. Any convincing break above 80.40 which is also part of Fibonacci retracement level would be cleared to make cotton price higher towards 82+ cents. Likewise, on the lower side the support can be seen at 77 cents.

Coming to domestic market the spot price for S6 trade steady near Rs. 46600 to Rs. 46700 per candy ex-gin amid steady arrivals of 55000-60000 bales however, the future price advanced sharply. The rise in the future price was mainly driven by ICE future trend and most of part of the gains have become during the early US session. We think there is slight disconnect between MCX and Indian spot cotton price. For the day Indian cotton future for October that closed at Rs. 23150 up by Rs. 370 points from previous close might move in the range of Rs. 23000 to Rs. 23270 per bale.

FX GUIDE:

Indian rupee has opened weaker by 0.25% to trade near 73.76 levels against the US dollar. Rupee depreciated on weaker risk sentiment amid weakness in equity market. Asian equity markets trade lower today after losses in US market yesterday on disappointing corporate earnings results. China's promise to take measures to support the economy also failed to revive risk appetite. Also weighing on market sentiment is US-Saudi tensions, impact of trade war, higher interest rates, Brexit impasse and Italy budget crisis. The US dollar is also supported by Fed's support to raise interest rate beyond the neutral rate. However, supporting rupee is weakness in crude oil price. Brent crude continues to trade below $80 per barrel on expectations of another increase in US crude oil stocks and Saudi's willingness to raise output further. Rupee may remain under pressure unless we see significant improvement in risk sentiment. USDINR may trade in a range of 73.55-74 and bias may be on the upside. .

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Who's gaining from the global trade war?

It's creating a new impetus for closer EU-Asia economic ties. Ironically, the primary loser will be American consumers

The modern era of multilateral trade negotiation was ushered in by the General Agreement on Tariffs and Trade (GATT) in 1947. It was based on the insight that unilateral tariff reductions, such as the repeal of the Corn Laws, are unstable.

In 1995, GATT became the WTO and almost every country now belongs to it. Tariffs are cut by negotiation and agreed rates applied to all trade partners; a dispute-settlement system authorises retaliation against miscreants.

It is a fact that the WTO has not succeeded in stopping China, which joined in 2001, from flouting the spirit, if not always the letter, of its rules by shaking down foreign investors for technologies it fancies and giving subsidy to its own industries.

There is a reasonable case for penalising China for flouting multilateral trade rules, such as through overproduction, dumping overseas and the nation's excessive restrictions on market access.

But a policy of reversing the globalisation of supply chains really does ignore the foundational economic lessons of Adam Smith about the benefits of the division of labour, and of David Ricardo on the merits of a nation recognising its comparative advantage.

The primary loser from Trump's trade war will of course be the American consumer. The hypothetical benefits of more manufacturing jobs will be more than cancelled out by higher prices, the consumer has to pay.

As the Apple boss Tim Cook notes, there are iPhone components manufactured in the US which are exported to the China so it can be assembled.

What if China imposes tariffs on those in response to Trump's tariffs? That will likely push up US iPhone retail prices even if there are no direct tariffs imposed by Trump. Deliberately clog the arteries of trade and the economic damage will inevitably show up somewhere, perhaps where it's not expected.

Europe has also hit back on steel import duties with charges on Harley Davidson motorcycles and Florida orange juice.

Unjust war

It is commonly known that China gives vast and opaque subsidies to its state-owned firms. The world's consumers benefit from the artificially cheap imports that result. But trade of this sort is unsustainable, politically and economically.

The US is right to demand that China play fair. However, the US wants to eliminate its trade deficit with China, which the US mistakenly sees as a transfer of wealth. The US has broadcast its desire to force manufacturing supply-chains back to America and the administration has identified China as a strategic competitor.

The White House may argue that China's abuse of the rules, the trade deficit and the decline of American industry are one and the same. They may not be. Even without subsidies, China, like most other emerging markets, would enjoy a substantial cost advantage over the US.

The trade deficit, meanwhile, is tied to the difference between domestic savings and investment. Tariffs might cut the bilateral deficit with China, but the US would find it nearly impossible to shrink its overall deficit without engineering a domestic recession.

The trade war has accelerated several trends that had been under way for some time. Consider the following: In 2017, exports from EU to Asia was bigger than that to the US. While Asia's exports to the EU in 2017 were still slightly lower than that to the US, they are faster growing, making the EU increasingly more important to Asia, according to the IMF.

From a simple perspective of market size, Asia today is far more important to the EU than the US, and the EU will soon be more important to Asia than the US.

Measured by estimates of private consumer expenditure, Asia today is just about as big as the US. The big difference is, however, that private consumer expenditure in Asia is growing at twice the speed compared with the US.

Even more striking is China where private consumer expenditure has been growing at an average of 13.8 per cent a year in the last decade, over four times faster than in the US, according to the World Bank WDI database and Eurostat.

Not surprisingly, China is now the largest market for an expanding list of countries, which includes Australia, Brazil, Russia, South Africa, South Korea and Indonesia, among others. Indeed, if the current growth rates of imports in the US and China hold in the next few years, by 2021 China will surpass the US to become the largest market for imports in the world, according to the IMF.

Against the backdrop of these powerful trends, Trump's trade war is creating new impetus for the EU and Asia to speed up the opening of their markets to forge closer economic ties. This may lead to even faster growth than in the last decade in trade between the EU and Asia, accompanied by rising investment. Virtually everywhere outside of the US, a new sense of urgency is now afoot as policy-makers seek to fast track regional free trade agreements (FTAs).

Implications for India

Our exports plus imports of goods and services constitute around 42 per cent of GDP and hence any trade war will have implications for us.

Several countries are taking their own protection measures. Products exported from Europe to the Balkans enjoy preferential treatment and hence are exempt from Customs duty whereas Indian companies are required to pay 15 per cent duty, when they export their products to countries like Serbia.

Recently, Turkey imposed 21 per cent Customs duty on products from India and there is a mandatory rule of local value addition of 51 per cent in case they want to sell their products in Turkey, which force Indian companies to create capacity in a sub-optimal manner by investing significantly in the local country.

Indian textile companies face trade barriers compared to other competing countries like Bangladesh, Vietnam and Pakistan. These barriers pose an obstacle to business with our most important markets. For India, the US and EU markets absorb about 60 per cent of our output in apparel.

Market access is another challenge. More developed countries like Korea have entered into FTAs with the EU to improve market access. India needs to similarly expedite an FTA with the EU. Trade treaties like the Trans-Pacific Partnership (TPP) and bilateral FTAs are fundamentally altering global trade flows in apparel, made-ups and textiles.

As trade growth slows, the adjustment that oil importers must make to higher oil prices becomes more severe. Falling rupee exacerbate the burden of dollar-denominated debt, while exporters are forced to pass on the benefit of rupee depreciation to customers for various reasons.

In recent years, companies in emerging economies including India embarked on a dollar borrowing spree, lured by low interest rates.

For companies that earn in their domestic currencies but owe in dollars, the depreciation mean a financial squeeze. Indebted corporate borrowers may curtail investment and hiring. One economic drag reinforces another.

Unfortunately, oil prices are rising just as global financial conditions are also becoming less forgiving. Rich-world central banks, on high alert for signs of accelerating inflation, are moving towards a tighter monetary stance. Higher interest rates, particularly in the US, are also not going to help capital inflows into our country.

For more than four decades, manufacturers, including in India, have designed their global production, investment and sourcing strategies around the assumption that the movement of goods across the world's borders would continue to grow ever freer. In the process, many have built complex, intricately linked and cost-efficient supply chains that span the globe.

The implications of trade war are enormous for any company that relies on raw materials, components and finished goods crossing international borders. Government initiatives in the form of FTAs with the EU and continuation of the present export benefits are required to sustain our exports.

Source: thehindubusinessline.com- Oct 23, 2018

HOME

****

China Trade Pact Stalls as Trump Tariffs Feed India Backlash

A Chinese push to conclude a new Asia-wide trade agreement this year is running into opposition from India fed partly by concerns over the fallout of Beijing's deepening trade war with the U.S.

The 16-country Regional Comprehensive Economic Agreement (RCEP) backed by Beijing is often seen as a rival to the Trans-Pacific Partnership, a vast regional pact once led by the U.S. that Donald Trump withdrew from early in his presidency.

Together with the Belt and Road Initiative to build investment and trade links with countries along the old Silk Road to Europe, RCEP is a key element in China's efforts to seize the geopolitical advantage following what many in the region see as a U.S. retreat under Trump. Beijing's struggles to close the deal on a trade bloc that would cover almost half the world's population illustrate the continuing suspicion among its Asian trading partners.

China has been pushing for RCEP leaders to announce the "substantial conclusion" of the deal at November's East Asia Summit in Singapore, a goal that leaders committed to this year. That push has gained a new urgency in recent months as the tariffs war between Beijing and Washington escalates.

Stumbling Blocks

At a ministerial meeting in Singapore last weekend, however, India continued to resist pressure to make a more ambitious commitment to lower its tariffs on imported goods, according to regional trade officials. Likewise, other countries stopped short of offering the sort of opening up of their services sectors and commitments to rules allowing the free movement of professionals in the region that India has been seeking.

According to a statement issued after last weekend's ministerial by Indonesian trade minister Enggartiasto Lukita, who is chairing the negotiations, just four of RCEP's 21 rules chapters have been concluded, while another five or six could be completed this year. But that requires changes in attitudes from all member countries to find solutions, Lukita added.

The market access offers of some participating countries were also “still considered insignificant by the majority of participating countries,” he said.

All parties exchanged thorough discussions at the talks and reiterated that they would push for a basket of deliverables by the end of this year and substantially finish the negotiations, Gao Feng, spokesman at the Ministry of Commerce, said at a regular briefing on Thursday when asked about whether RCEP can be wrapped up this year.

“What I would like to emphasize is that pushing ahead bilateral, regional free-trade agreements is a strategic choice China has made based on its own development, not a contingency plan to cope with the current situation,” he said.

India’s commerce ministry spokeswoman didn’t immediately respond to an email query on Friday, when the government’s shut for a local holiday. New Delhi doesn’t see the RCEP negotiations concluding this year, a government official had told reporters last month.

Talks Continue

RCEP negotiators began a 24th round of talks in New Zealand on Thursday that’s due to continue through the end of next week. But ministers made clear after their last meeting that plenty of work remains and that wrapping up RCEP by the end of this year is unlikely.

The stalemate appears unlikely to be unwound any time soon as RCEP member countries like Australia, India and Indonesia go into elections next year. That raises questions about the longer-term prospects for RCEP, which began life as an effort by the 10-country Association of South-East Asian Nations to bring its individual trade deals with China, India, Japan, South Korea, Australia and New Zealand under one umbrella.

“You have elections in major countries that are super important for RCEP that are going to paralyze negotiations for the first half of 2019. So if you are not going to get it done in November, then when are you going to get it done?”

said Deborah Elms, who tracks the negotiations at the Singapore-based Asian Trade Center.

Among the issues surfacing in the negotiations, according to officials, are concerns being expressed by India and others over what the U.S.-China trade conflict could mean for other countries in Asia. While some countries such as Vietnam are hoping for a potential boon as companies move supply chains out of China to avoid U.S. tariffs, others are concerned that Chinese goods kept out of the U.S. by tariffs could end up being diverted into other markets.

“In Asia, there is a mixed view of the U.S.-China war. On the one hand it’s fantastic news because companies are going to look to move out of China and relocate elsewhere in the region. On the other hand all that production in China has to go somewhere,” Elms said.

Glass Half Full

Unlike the TPP -- initially conceived in part as a way for Asia-Pacific nations to lessen economic dependence on China -- which goes beyond traditional trade issues to address intellectual property, labor rights and state-owned enterprises, RCEP is more limited with a focus on goods and services. It faces the added challenge of bridging the interests of developed economies such as Australia and Japan with emerging markets like Cambodia and Laos.

Some in the region remain optimistic that a deal can be made and that leaders gathering in Singapore next month can announce at least significant progress toward an accord.

“If there is a sense of urgency now, it is because we have spent so much time and energy. The glass is half full now, no turning back,” said Iman Pambagyo, Indonesia’s top RCEP negotiator. Mari Pangestu, a former Indonesian trade minister who now teaches at Columbia University, is also optimistic.

“This is the Asian way. As long as there is progress you continue the process and you can ratchet it up or make it more ambitious later,” she said. “The world is in need of good news. We need to send a signal that, whatever is happening in the world, Asia is continuing the process of opening up.”

Source: bloomberg.com- Oct 20, 2018

HOME

****

USMCA Isn't a Far Cry From NAFTA At All

"Look! It's old Mr. Simms."

These words or something like them are what we can typically expect to hear Shaggy shout at the end of a Scooby Doo episode when the Mystery, Inc. gang pulls off the mask of a supernatural villain revealing a kindly caretaker or some other previously believed harmless character.

A similar thought may be going through the minds of most sourcing executives when they pull the mask off the newly named United-States-Mexico-Canada Agreement (USMCA) to find that it is not much more than the kindly North American Free Trade Agreement (NAFTA).

And this is a good thing.

The apparel industry went into the talks to update and modernize NAFTA with three goals in mind. First, the aim was for the Trump Administration to "do no harm" to NAFTA.

Not knowing what to expect from a president who campaigned on his disdain for NAFTA–an agreement that supports more than 200,000 jobs in our industry and millions more throughout the economy–we were mostly worried about withdrawal or big changes that would hurt the supply chains that have been carefully nurtured the last 25 years.

Second, the goal was for any updated agreement to remain trilateral. Again, President Trump has long-stated his preference for bilateral deals and on multiple occasions threatened to eject either Mexico or Canada in a quest for a new agreement.

From there, we wanted the new agreement to be implemented in a seamless manner. We know from experience that new trade agreements crafted to replace old ones can disrupt regional and global value chains, especially if complicated rules of origin are changed and there is little time to learn the new requirements.

The USMCA largely delivers on all three goals.

There is no doubt the new agreement will be trialteral. An 11th hour deal with Canada enabled it to be part of a previously-announced pact the U.S. had forged with Mexico, an ironic development given how much affection was directed towards Canada and how much vitriol was directed toward Mexico by the U.S. at the start of the negotiations. Even the new name–when it is not reminding us of the classic “Y.M.C.A.” by the Village People–makes clear the trilateral nature of the deal.

Most observers believe “do no harm” was mostly attained as well, although the full impact of all the provisions remains to be seen. Companies will continue to enjoy duty-free treatment for originating goods. For footwear and travel goods, there are no changes to the rules of origin at all. For textiles and apparel, mostly cosmetic tweaks were made to the yarn forward rules that have governed NAFTA trade for a quarter of a century.

Like all agreements featuring a yarn forward rule of origin, the devil is in the details.

In this case, the devil is already largely understood. In fact, many of these small changes align the USMCA with provisions that exist in other more recently concluded trade pacts in the hemisphere. For example, the apparel product-specific rules of origin now require originating sewing thread, elastic strips, and pocketing, picking up many elements of similar provisions that appear in the free trade agreements (FTAs) we have with Peru, Colombia, and Central America.

The new USMCA also contains flexibilities for sets, and an increased de minimis provision, which allows a small percentage of non-originating input for each garment. The USMCA raises the NAFTA de minimis level from seven to ten percent. Both changes mimic similar provisions in other FTAs. Creatively, the USMCA also imports a requirement for originating elastomeric materials from those agreements, but applies it only to garments that take advantage of the increased de minimis origination exception. For companies that are used to and continue to rely on the existing NAFTA de minimis level of 7 percent, no elastomeric requirement will apply.

Trade Preference Levels (TPLs) remain largely intact. Some levels were lowered where trade has failed to materialize while others were increased–as in the case of several TPLs governing U.S. exports to Canada–where the case was made that low TPLs are hurting U.S. manufacturing.

Even the Special Regime, a little noticed provision in NAFTA that supports two-way trade between the U.S. and Mexico, is included in the USMCA with a helpful update eliminating a requirement of originating linings. A requirement for originating linings was also dropped from the main product specific rules, representing one of the places where the rules of origin for apparel become less restrictive.

The jury is still out on whether the process has, in fact, been "seamless," mostly because we don't know exactly how or when the new agreement will replace the old one. But the textile negotiators did include some important provisions that could protect the industry regardless of when that transition happens.

The new requirements for sewing thread, elastic strips and pocketing do not take effect until between 12 to 30 months after the agreement enters into force. This means the industry has at least a year, and in some cases longer, to learn about the new rules and flush non-compliant materials out of their supply chains. Barring any sudden disruption in the existing NAFTA before the new USMCA comes into force–which is hardly guaranteed in today's trade policy climate–transitions to the new rules should be manageable.

While the USMCA is built largely on the NAFTA framework, it does contain a few new features as well.

State-of-the-art customs provisions should facilitate trade and support cross border e-commerce transactions in a way that the current NAFTA cannot. USMCA borrows heavily from the original Trans Pacific Partnership (TPP), which also included the U.S., Mexico, and Canada as partners, in a variety of areas like intellectual property, labor and the environment. Negotiators also reached compromises on thorny new issues, like auto rules of origin and a proposed "sunset" of the agreement to prompt periodic reviews. Each of these provisions will require further analysis, but most of the early reviews suggest they should enable North American trade patterns to continue.

Will USMCA lead to huge new trade flows and a rebalanced North American trade partnership? Perhaps, but likely not. Rather, the USMCA represents an opportunity to re-inject certainty and predictability into a trade relationship that has worked and has proven to be enduring. Following the past year of trade policy, such a return to normalcy is a welcome tonic.

And–if Congress can approve it quickly–it may also be worth a Scooby snack.

Source: sourcingjournal.com- Oct 22, 2018

HOME

****

Expansion Mode: Companies Are Reinvesting In the Denim Supply Chain

Fiber and fabric firms, operating in a complex and fluid economic and trade environment, are showing no hesitation when it comes to expanding their capacities and upgrading their facilities.

These manufacturers are making major investments in factories from the U.S. to China to meet market demands and, particularly, to improve their environmental footprint in the process.

Mills make moves

Vidalia Denim, for one, has opened in a 900,000-square-foot facility in Vidalia, La., in the cotton-producing region of the Mississippi Delta. The mill will begin full commercial operations during the first quarter of 2019. It will employ more than 300 full-time workers to make denim, which it's working to produce sustainably.

As part of that effort, its indigo dye technology employs an environmentally friendly chemistry that allows for filtration and water reuse, curbing total water usage by more than 60 percent compared to a legacy mill. Vidalia Denim will also use e3 sustainable cotton exclusively in its operations, sourcing its cotton from across the U.S. farm belt from farmers enrolled in the e3 sustainable cotton program.

In Bayer CropScience's e3 cotton program, farmers commit to growing cotton in a less impactful way. Independent auditors certify a farmer's commitment to grow e3 cotton in an environmentally responsible, economically viable and socially equitable manner in the U.S.

"This is a significant development for e3 and marks a watershed moment for our program as for the first time a textile mill will use our program as its exclusive source of cotton," said Malin Westfall, U.S. Cotton business lead of

FiberMax and Stoneville Brands, both Bayer CropScience seed brands. “By utilizing e3 cotton, Vidalia will offer its customers complete transparency of leading grower sustainability practices.”

In China, more mills are setting the tone for sustainability in the supply chain. Chinese denim mill Seazon has plans to expand its capacity by 50 percent in 2018, growing its number of looms to 630 from 420. In line with that, Seazon will also introduce a new intelligent wastewater recycling system to its dyeing and finishing process, which will reuse more than 80 percent of its wastewater.

The system applies a biological treatment on effluent, which complements Seazon’s clean production process with a solar power system that saves roughly 20 percent industrial power consumption and helps reduce close to 75,000 tons of CO2 emissions a year.

Fiber firms aim for the future

Major fiber firms are building up their capacity and global reach, driven largely by shifts in sourcing patterns and increasing demand for sustainability.

Invista’s Cordura brand, looking to expand its solution-dyed nylon (SDN) 6,6 fiber business, launched TrueLock, a next generation of durable colors. TrueLock fiber is made from Invista’s nylon 6,6 multi-filament fiber that is solution dyed, locking the color in at the molten polymer extrusion level to create deep, durable color throughout the fiber. The company said the development marks a major milestone for Invista’s Camden, S.C., facility, which expanded last year to increase U.S. capacity of high-tenacity, specialty fibers for Cordura fabrics.

The Camden investment has accelerated the development of new SDN capabilities that complement the facility’s existing high tenacity nylon 6,6 filament fiber manufacturing processes. Plans currently being put into action at the Camden site include expansion of the Cordura TrueLock filament product line to introduce additional standard colors and deniers, as well as the flexibility to fulfill smaller minimum order quantities and custom colorways.

Invista is also entering the final design phase for a $250 million project at its Victoria, Tex., site to upgrade its manufacturing technology and increase production of adiponitrile (ADN), a key ingredient for nylon 6,6 fibers and plastics. Construction for the project is scheduled to begin in the first quarter of 2019.

The new technology, developed and in use at the Invista facility in Orange, Tex., brings improved product yields, reduced energy consumption, lower greenhouse gas emissions, enhanced process stability and reduced capital intensity compared to existing technologies. These improvements in performance have enabled the Orange facility to set production volume records since deployment in 2014.

“We’re proud to deploy our most advanced ADN technology here and expect this investment to further strengthen the Victoria site’s competitive position as a global leader in the manufacture of nylon intermediate chemicals,” said Bill Greenfield, president of Invista Intermediates.

In China, Invista will invest $1 billion to bring its latest ADN technology there to meet strong demand in the country for the intermediate chemical used to manufacture nylon 6,6 fiber. Engineering for a minimum 300,000-ton capacity plant has begun, with construction slated to begin by 2020 and production planned for 2023.

The Lenzing Group, a major producer of wood-based cellulosic fibers, is in the midst of investing in growing its capacity and upgrading its facilities. The company is expanding its environmental commitment, investing more than 100 million euros ($116.5 million) in sustainable manufacturing technologies and production facilities through 2022.

Lenzing said the investments underscore its commitment to the United Nations Sustainable Development Goals (SDGs) as guiding principles for its sustainability agenda. One of the most significant SDGs for the company is SDG 12: Responsible Production and Consumption.

“With our Refibra technology, Lenzing is innovating to support a more circular, bio-based economy, contributing in particular to SDG 12,” Lenzing chief commercial officer Robert van de Kerkhof said.

The company's Refibra technology takes cotton scraps collected from apparel production and wood pulp from responsibly managed forests and transforms it into virgin Tencel lyocell fibers. The fibers are manufactured in a closed-loop production process using bioenergy.

A key aspect of the multifaceted investment focuses on closed loop production technologies for the expansion of sulfur recovery systems. It's also expected to improve effluent treatment units and upgrade Lenzing's energy usage to more sustainable solutions, including reducing its greenhouse gas emissions through the construction of a gas boiler at its viscose fiber site in Nanjing, China.

Lenzing has also formed a joint venture with Duratex, a major producer of industrialized wood panels for the Southern Hemisphere, to investigate building the largest—a 450,000 ton capacity—single line dissolving wood pulp (DWP) plant in the state of Minas Gerais, close to São Paulo, Brazil.

DWP is the key raw material for the production of Lenzing's bio-based fibers, and the company will hold 51 percent in a future joint venture. The estimated cash investment for the construction of the DWP mill is expected to be slightly more than $1 billion, and the joint venture will supply the entire volume of dissolving wood pulp to the Lenzing Group.

For Hyosung Corp., it's all about expanding its share in the spandex market. The South Korean company is making a $100 million investment in its first spandex plant in Maharashtra, India, which is expected to be operational by 2019.

The move is expected to lay the foundation for making inroads into the country's domestic market, as Hyosung aims to increase its share of the Indian spandex market to 70 percent from the current 60 percent. This would bring the company's total number of plants to nine globally, with additional investment planned for total capacity of 390,000 tons globally by 2020.

To support market driven innovation and speed to market, Hyosung has appointed new global marketing team members in all regions and has created a new fabric development center at its headquarters in South Korea.

Hyosung sees India as an ideal location, since it's the world's second-largest market, with a population in excess of 1.3 billion, and it possesses cutting-edge IT technology and an educated and experienced workforce. India's emerging economy is growing by more than 7 percent annually and the country is expected to become one of the top three economic powers in the world, after China, by 2030.

Also looking at Vietnam, Hyosung has committed to using the country as a global production base for all of its core products. Since Hyosung established Hyosung Vietnam in the Nhon Trach industrial complex near Ho Chi Minh City in 2007, the company has invested roughly $1.5 billion, making it the largest investor among the South Korean companies in the complex.

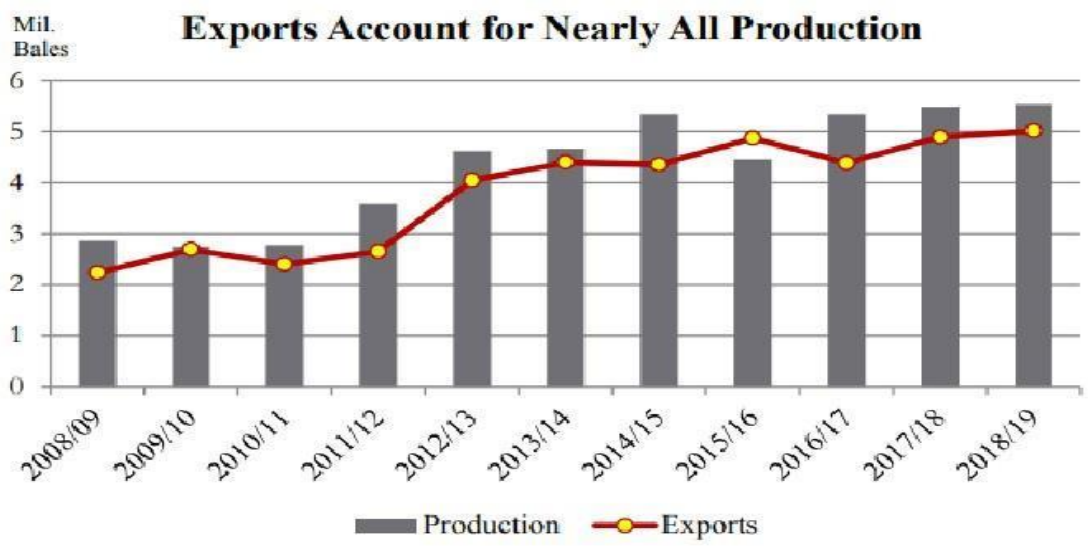
Source: sourcingjournal.com- Oct 22, 2018

HOME

****

Record cotton production to drive West Africa exports

Cotton exports from West Africa for 2018-19 are projected to surpass last year's record, driven by record production, according to the US department of agriculture (USDA). West Africa comprises 12 cotton producing countries, namely Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Ghana, Mali, Niger, Nigeria, Senegal, and Togo.



Of the 12 nations, Mali and Burkina Faso are the largest producers and are forecast to have record crops amid expanding area, the Foreign Agricultural Service of the USDA said in its monthly report 'Cotton: World Markets and Trade'.

West Africa accounts for more than three-fourths of Africa's cotton exports. Nearly all of West African cotton is exported, as mills are sparse within the region, signifying the pivotal role that foreign demand plays for West African producers and merchants, the report says.

South and Southeast Asia are the predominant destinations for West African cotton. It is due to the robust growth in consumption in these Asian regions. Bangladesh, the world's largest importer, has recently opted for greater supplies from West Africa over Central Asian origin.

"Record exports in the midst of record global use in 2018-19 will underscore the importance of cotton as a vital cash crop for farmers and a prominent source of foreign currency for West African countries," the report concludes.

Source: fibre2fashion.com- Oct 22, 2018

HOME

****

Cotton Contamination Now a Global Issue

A high-level delegation from the Cotton Corporation of India (CCI) – under the Ministry of Textiles, Government of India – recently visited the United States to explore the cotton industry of the High Plains of Texas.

According to Mr. Sajjan Kumar Bansal, CCI manager-planning, the goal of visit was to learn more about the High Plains' cotton production systems, operations for contaminant-free cotton and cotton classing.

Trash and contamination in cotton lint is not only a problem in the U.S., but is now gaining additional attention worldwide.

"In the United States, we have a good handle on contamination originating from the cotton plant itself, but contamination from plastic such as grocery bags and module covers is a major concern," stated Professor Eric Hequet, chairperson of the Department of Plant and Soil Science at Texas Tech

University. “The industry is very aware of this issue and works tirelessly to eliminate this source of contamination. Several research groups in the United States and in Australia work on early detection and removal of plastic contaminants.”

While visiting a gin in Lubbock, the group learned how U.S. gins maintain quality with less fiber breakage – even though saw ginned – and minimal trash content. Multiple levels of drying the seed cotton and the use of pre-cleaners, such as inclined cleaners, help to keep the trash under control.

Since Indian cotton is handpicked, trash levels should, theoretically, be lower. But that is not the case. Poor seed cotton handling at the farm yards and storage facilities in farmers’ houses result in higher trash levels. Additionally, plastic contamination rises for polyethylene and jute packaging in India.

In India, the trash content before ginning is about 7%, dropping to about 2.5-3% after ginning, stated Bansal, who also noted how impressed the Indian delegation was with the organization of the U.S. cotton sector – from farm to processing to marketing.

Source: cottongrower.com- Oct 22, 2018

HOME

****

Blockchain set to enter global supply chains by 2025

Blockchain could become ubiquitous by 2025, entering mainstream business and underpinning supply chains worldwide, says a latest report. Through investment and partnerships, the distributed ledger technology will dominate manufacturing, consumer products and retail industries (including textile and apparel), ushering in a new era of transparency and trust.

Currently, just 3 per cent of organizations that are deploying blockchain do so at scale and 10 per cent have a pilot in place, with 87 per cent of respondents reporting to be in the early stages of experimentation with blockchain, says the report released by Capgemini Research Institute.

"The UK (22 per cent) and France (17 per cent) currently lead the way with at-scale and pilot implementation[i] of blockchain in Europe, while the US (18 per cent) is a front-runner in terms of funding blockchain initiatives.

Leading organisations are optimistic that blockchain will deliver on its potential, with over 60 per cent believing that blockchain is already transforming the way they collaborate with their partners," says the report titled "Does blockchain hold the key to a new age of supply chain transparency and trust?"

The study also found that cost saving, enhanced traceability and enhanced transparency are the top three drivers behind current investments in blockchain. Furthermore, blockchain enables information to be delivered securely, faster and more transparently. The technology can be applied to critical supply chain functions, from tracking production to monitoring food-chains and ensuring regulatory compliance.

However, despite the optimism surrounding blockchain deployments, concerns remain around establishing a clear return-on-investment, and interoperability between partners in a supply chain.

"There are some really exciting use cases in the marketplace that are showing the benefits of blockchain for improving the supply chain, but blockchain is not a silver bullet solution for an organization's supply chain challenges. Blockchain's ROI has not yet been quantified, and business models and processes will need to be redesigned for its adoption. Effective partnerships are needed across the supply chain to build an ecosystem-based blockchain strategy, integrated with broader technology deployments, to ensure that it can realise its potential," said Sudhir Pai, chief technology officer for Financial Services at Capgemini.

The Capgemini Research Institute surveyed around 450 organisations where blockchain implementation is underway in their supply chain as a proof of concept, pilot or at-scale. The research probed their approach to blockchain, the applications they are implementing and the challenges they are facing in scaling their initiatives. The respondents were drawn from across the consumer products, retail and manufacturing industries.

Source: fibre2fashion.com- Oct 22, 2018

HOME

****

Your clothes could be made in the USA again

Europeans and Americans have grown used to buying clothes made in Asian countries. But apparel-industry sourcing executives are sure that's changing: By the middle of the next decade, much more of our clothes will be made closer to home.

China and Bangladesh are the two biggest suppliers of apparel to Europe. In the U.S., China and Vietnam are the top two import sources. But almost a quarter of apparel-sourcing executives who participated in a study by McKinsey and Germany's RWTH Aachen University said they expect more than half of the clothes they source to come from "nearshoring" in 2025. This means much of the production for Western countries will move out of Asia to these markets or to neighboring countries.

The makers of designer clothing have moved some of their production home in recent years to stress their heritage and increase control over supply chains. Burberry and other British fashion labels have moved some of their production as "Made in England" became attractive to luxury buyers after an import boom in the 1990s and early 2000s. Hugo Bosss, the German fashion label, has started selling a "Made in Germany" collection, produced completely (except for some fabrics) in Metzingen, the company's corporate seat.

Such "value-based reshoring," however, isn't an attractive strategy for low-priced and mid-range clothing producers. They must constantly look for a compromise between a low production cost and a short time to market. In recent years, as wages rose in China, they've moved production to countries that are still relatively cheap, such as Vietnam and Bangladesh; in 2017, China's share of apparel imports dropped both in the European Union and in the U.S. But speeding delivery to market is an increasing necessity, and consumers are increasingly concerned about the low wages and high environmental costs of offshore production.

"Today, the industry is at a crossroads, where speed beats marginal cost advantage and basic compliance is upgraded to an integrated sustainability strategy," the McKinsey report says. Failure to respond to demand for an item consumers have seen on Instagram may mean huge volumes of unsold clothing.

Unable to tell consumers what they should wear, producers must treat short lead times as the No. 1 priority. Fast fashion is giving way to ultra-fast fashion, as practiced by online retailers such as Boohoo, Asos and Lesara. This doesn't work well with shipping from Asia: Delivery to big Western markets takes about 30 days by sea.

Besides, the Asian clothing market is growing, and eventually, producers in China, Vietnam and Bangladesh will need to concentrate on delivering quickly to markets in their immediate neighborhood, creating a capacity shortage for Western buyers.

So far, higher production costs near the big Western markets are still an obstacle. McKinsey calculated that cheaper freight and lower duties already make it less expensive to produce a pair of basic jeans in Mexico than in China for the U.S. market and in Turkey for the German market. But Bangladesh still significantly undercuts Turkey for the European market and matches Mexico's costs for the U.S. And moving production home -- to the U.S. and Germany -- is still a non-starter; it increases cost by 17 percent in the U.S. and by 144 percent in Germany.

But as lead times gain importance, shortening them compensates for some of the labor cost disadvantages by increasing the share of clothes sold at the full price. Raising it by 6.1 percent for a garment that takes 60 minutes to produce would justify the transfer of production from China to the U.S., McKinsey calculated.

Besides, automation can drive down the cost in Western countries. Now, sewing a pair of jeans takes an average of 19 minutes, more than half of the total production time. McKinsey and RWTH Aachen figure robotics can cut that time by 40 percent to 90 percent. At another important step, distressing the jeans, technology exists to cut the time necessary from about 20 minutes to 90 seconds: Levi's does it with lasers.

Eighty-two percent of the sourcing managers surveyed by McKinsey say the production of simple garments will be fully automated by 2025. If they're right, production is coming back -- but the jobs aren't. And China isn't likely to fritter away its current advantage even as it becomes more expensive: Chinese garment companies are building factories in cheap labor countries closer to Europe such as Ethiopia.

With these caveats, it's likely that the buyers of mass market clothes, not just expensive designer threads, will be dressing in garments from geographically closer countries soon.

Source: mitchellrepublic.com- Oct 21, 2018

HOME

****

US polyester yarn makers allege dumping from China, India

Two major US synthetic yarn producers—Unifi Manufacturing, Inc (Unifi) and Nan Ya Plastics Corporation, America (Nan Ya)—have filed petitions alleging that dumped and subsidised imports of polyester textured yarn from China and India are causing material injury to the domestic industry. The petitions have been filed with the US department of commerce.

“The purpose of these petitions is to establish conditions of fair competition in the US market. The petitioning domestic producers are asking the US government to investigate the dumping, subsidies and injury and to impose anti-dumping and countervailing duties on the imports of polyester textured yarn from the subject countries,” Kelley Drye & Warren LLP, who represent the petitioning companies, said in a press release.

Unifi manufactures polyester textured yarn at its production facilities in Yadkinville, North Carolina, and Madison, North Carolina, where the company employs approximately 1,100 and 470 people, respectively. Nan Ya manufactures the said yarn at its production facility in Lake City, South Carolina, where it employs approximately 900 people.

The petitions, also concurrently filed with the United States International Trade Commission (USITC), allege that producers in China and India are dumping polyester textured yarn in the US market at sizeable margins (China – up to 68 per cent; and India – between 40 per cent and 130 per cent).

The petitions also allege that the Chinese polyester textured yarn industry benefits from at least 20 different Chinese government subsidies, and that the Indian polyester textured yarn industry benefits from at least 38 different Indian government subsidies.

The allegations identify a number of significant national and regional programmes, including preferential export financing, export loans, and export credits; preferential income tax treatment; tax exemptions, rebates, and credits on inputs and capital goods used in the production of polyester textured yarn; the provision of goods and services by the governments for less than adequate remuneration; and grants for polyester textured yarn producers to assist in the development of export market and to protect against commercial risk.

US polyester textured yarn imports from China and India have increased at an astounding rate over the last five years, growing from approximately 38.4 million pounds in 2013 to 68.9 million pounds in 2017 (an increase of approximately 79 per cent), the release said.

“The substantial increase in unfairly-traded polyester textured yarn from China and India has harmed US manufacturers and their workers,” according to Paul Rosenthal of Kelley Drye & Warren LLP, counsel for the petitioning companies.

“Trade relief is essential to ensuring that the domestic polyester textured yarn industry can recover from its injured and vulnerable state, thrive, and fairly compete.”

Now, the US department of commerce will determine whether to initiate the anti-dumping and countervailing duty investigations, and the USITC will reach a preliminary determination of material injury or threat of material injury within 45 days from the date of filing.

The entire investigative process, however, will take approximately one year, with final determinations of dumping, subsidisation, and injury likely occurring by the end of 2019.

Polyester textured yarn, a synthetic multifilament yarn, is manufactured from polyester (polyethylene terephthalate). It is produced through a texturing process, which imparts special properties to the filaments of the yarn, including stretch, bulk, strength, moisture absorption, insulation, and the appearance of a natural fibre.

Source: fibre2fashion.com- Oct 22, 2018

HOME

****

Garment manufacturers group urges EU not to suspend trade preferences for Cambodia

The Garment Manufacturers Association in Cambodia (GMAC) has called on the European Union (EU) not to suspend trade preferences for Cambodia, saying that any sanctions may spell adverse impacts on the lives of workers and their families.

The call was made after EU notified Cambodia earlier this month that it had initiated the process for the temporary withdrawal of its preferential trade treatment under the Everything But Arm (EBA) scheme for Cambodia, citing concerns over human rights and labor rights.

In a letter addressed to EU Trade Commissioner Cecilia Malmstrom on Saturday and released to the media on Monday, GMAC Secretary General Ken Loo said some 1,000 garment and footwear factories in the kingdom directly employ about 700,000 workers with more than 85 percent being female coming from the rural provinces.

It is estimated that another 2 million out of the country's total population of 16 million economically depend on the sector, he said, adding that every month, more than 150 million U.S. dollars is paid out as salary to these workers.

"A temporary suspension of the EBA or any short-term unilateral sanctions may have long-term negative impacts on the lives of our workers and their families," Ken Loo said.

"We therefore appeal for your careful actions and thoughtful decision," he said. "GMAC stands ready to provide you with further facts as you may require during your monitoring process."

EU is an important trading partner for Cambodia, especially for the apparel and footwear sector, Ken Loo said, adding that more than 46 percent of Cambodia's total exports of apparel and footwear is to the EU. The kingdom's export to EU was valued at about 5.77 billion U.S. dollars last year.

Source: xinhuanet.com- Oct 22, 2018

HOME

****

Myanmar: EU's Revoking of Preferential Trade Status Won't Affect Investment: DICA

The EU's probable revoking of the Generalized Scheme of Preferences (GSP) will not have an impact on pending foreign investments in Myanmar, said a representative of Directorate of Investment and Company Administration (DICA), a government body under the Ministry of Planning and Finance.

"The EU granted the GSP in 2013. It has been just five years. But before that, CMP [meaning 'cutting, making and processing,' which refers to the garment industry] had already been exporting. I mean EU countries have never been the leading investors in Myanmar, Asian countries are," U Than Aung Kyaw, DICA's deputy director-general, told reporters at the Myanmar Investment Commission on Thursday.

EU Trade Commissioner Cecilia Malmström announced on Oct. 5 that the bloc was considering withdrawing Myanmar's preferential trade status due to human rights violations committed against the Rohingya in Rakhine State last year.

"It may take months to do this; perhaps six months. Anyway, western countries are not major investors in Myanmar. We do have some investment from Britain and France but those are limited to oil and gas exploration. They don't invest in manufacturing, so their investments are not that significant," said U Than Aung Kyaw.

Myanmar's manufacturing industry is mainly dominated by Asian investors, he added.

According to DICA, the transitional budget from April 1 to Sept. 30 this year showed Myanmar received $2 billion in foreign investment. Singapore was the largest investor with $700 million, followed by China with $300 million, Britain with $174 million and Japan with $134 million.

Garment exports, however, account for some 70 percent of Myanmar's shipments to the EU, according to figures collected by the Myanmar Garment Manufacturers Association.

"Though the EU has not made direct investments in the garment industry, most garment exports are shipped to the EU. No matter who makes the investment—Japan or Korea or China or Myanmar citizens—in the garment industry, the majority of garment products are shipped to the EU. Therefore, it can be assumed that their orders might decline," U Khin Maung Aye, chairman of Hlaingtharyar Industrial Zone Garment Manufacturers Association told The Irrawaddy.

Foreign investment in Myanmar mainly goes into the manufacturing, property development, communications and energy industries, according to DICA.

Source: irrawaddy.com- Oct 22, 2018

HOME

****

Bangladesh: 10 exporters face Turkish duty on synthetic yarn export

Ten local exporters may face anti-circumvention duty on export of synthetic yarn to Turkey as the companies did not respond to an investigation initiated by the country in this connection.

Turkish ministry of trade has recently issued the final notification report on circumvention investigation into alleged export of China-made synthetic yarn from Bangladesh and Nepal.

According to the report, 10 companies which are resident in Bangladesh or associated with the investigation did not respond to the investigation questionnaire in a duly and timely manner.

Only Well Mart Ltd provided necessary information and documents, and made cooperation, the report said.

Bangladesh Textile Mills Association leaders, however, said that the companies under investigation were not genuine spinners in the country.

Turkey a few years back imposed anti-dumping duty on synthetic yarns and artificial staple fibre originated from China and some other countries.

In December 2017, the country initiated the anti-circumvention investigation against some traders of Bangladesh and Nepal who exported allegedly Chinese synthetic yarn and fibre using Bangladesh and Nepal as country of origin to avoid anti-dumping duty on the Chinese product imposed by Turkey.

In the investigation into the allegation, Turkey found that export of the product from Bangladesh increased to 3,510 tonnes in 2017 from 1,150 tonnes in 2015. The investigation team in an on–the-spot verification in July 9-10 this year found the information provided by the Well Mart Ltd authentic and did not perform any act to invalidate the measure.

On the other hand, the remaining companies did not cooperate in the investigation and did not provide any information stating that they performed manufacturing, the report said.

The investigation team forwarded the report to the Board of Evaluation of Unfair Competition in Importation of Turkey to take final decision on the issue. Members and officials of the Bangladesh Textile Mills Association said that Turkish authorities did not provide the names of the companies to the association.

They said that they had information that some four to five China and Hong Kong-based companies having business in Bangladesh were doing such fraudulence. They don't have spinning mills in Bangladesh but are exporting the product to Turkey after importing it from China, they said.

No one of them is member of BTMA, they said.

BTMA director, also managing director of Little Star Spinning Mills Ltd, Mohd Khorshed Alam told New Age that genuine Bangladeshi exporters were conducting export activities after taking endorsement from Turkey embassy in Dhaka, Bangladesh commerce and foreign ministries.

So, the Turkish move will not hamper business of any guanine spinners in Bangladesh, he said.

Source: newagebd.net- Oct 22, 2018

HOME

****

Levi's Proves Automation in Denim Manufacturing Could Substantially Speed Up Supply Chains

Automation may still sound like a "nice to have" for companies not yet invested, but leaders in the space have already made a case for the speed to market improvements it could afford.

Levi Strauss & Co. is one of them.

The denim purveyor has patent protection for an automated laser solution for finishing its jeans that shortens the process from 20 minutes to 90 seconds.

"The contrast between the previous finishing process and the new one is a striking illustration of the potential of automation," McKinsey & Company said in a report unveiled at the Sourcing Journal Summit in New York City this month.

Prior to automation, the manual process for distressing a pair of jeans for Levi's modeled after a designer sample required a factory worker to apply chemicals to the jeans, use sandpaper to distress them and introduce the holes and tears indicative of designer duds.

"This laborious, inexact process typically takes 20 to 30 minutes per pair," the report noted.

With the automation technology, the factory worker is removed from the process; a Levi's designer creates a digital image of the distressed jeans with instructions the laser technology can understand, and the lasers can then replicate every element of the design—from fades to tears—onto a basic pair of jeans. And finishing that process takes just 90 seconds.

"The technology allows the company to produce unfinished jeans in Asia, then send them to nearshore countries for finishing," McKinsey said. "This means that the company can test many different styles, quickly reproduce the best sellers, and have them in stores within days."

Levi's is presently piloting the technology, which it expects to roll out to all of its factories by 2020.

In denim, automation could completely reshape the supply chain for the beloved blues.

"Assuming that all key technologies currently in development are implemented, about 40 to 70 percent of labor time can be reduced through automation, since the labor time per pair of jeans can be cut from 36 minutes to 20 in a more conservative scenario, or even to 11 minutes in a more optimistic scenario," McKinsey said. "As sewing accounts for more than half of the labor time in the standard production process of denim trousers, sewing automation will be the biggest driver for reducing labor, accounting for about 21 to 46 percent."

That means making denim in Mexico could suddenly be on par with producing in Bangladesh, from a cost perspective.

Automation of denim production in Mexico, a key nearshore market for the U.S., could save 60 cents to 90 cents per pair of jeans, according to McKinsey. In places like Turkey, a major nearshore market for the EU, automating denim manufacturing could save as much as $1.30 to $2 per pair.

"With the automation of manufacturing, nearshoring of denim sourcing to Mexico becomes cost competitive, not just for relocation from China, but even for relocation from low-cost sourcing market Bangladesh," the report noted. "Even onshoring from China to the U.S. achieves breakeven from a pure cost perspective in the optimistic 70 percent labor time reduction scenario."

That, if anything, may make the case for automation adoption in an apparel industry long driven by the cheapest cost—at almost all costs.

"Adding the commercial value from increased speed and flexibility from near- and onshoring to the financial scenario makes an even stronger case for implementing advanced manufacturing technologies in near- and onshoring markets," McKinsey said. "With a 5-percentage-point higher sell-through when denim trousers are sourced in a near- or onshoring region, relocation from Bangladesh or China to an automation-enhanced sourcing base in Mexico or the U.S. is economically viable."

Source: sourcingjournal.com- Oct 22, 2018

HOME

****

NATIONAL NEWS

Despite challenges, exports will reach new high this fiscal: Commerce Secretary

Despite many challenges, including issues like protectionism adopted by some developed countries, India's exports this fiscal will witness a record high.

"Given the export growth till now, I am confident that the number that we reach in the end will be a record growth — in both dollar and rupee terms," Commerce Secretary Anup Wadhwan said. The Government has set an export target of $350 billion for the current financial year while the peak number was achieved in 2013-14 with exports of $318 billion.

In the face of challenges, there were some concerns from exporters on issues like credit availability. They sought enhancement of export promotion measures. "We will certainly consider those," he told newspersons after addressing an interactive session with exporters organised by the Federation of Indian Export Organisations (FIEO).

Wadhwan said the export ecosystem in the region, especially in Tamil Nadu, is healthy. Export growth both at the country level and at Tamil Nadu level has been very encouraging and the State is a key partner in achieving export-related goals.

The State has been growing at double-digit rate for over a decade and exports at around 10 per cent. The economy and export basket have increasingly become sophisticated over a period of time.

Tamil Nadu exporters have diversified bundle of goods and services, including agriculture products, marine products, automobile, auto parts and IT services.

During the meeting, exporters had raised issues involving bank credit. "We will work with agencies concerned to ensure that," he said. There was a request for enhanced benefits under certain schemes given the challenging global environment.

There is growing protectionism in some developed countries which are unilaterally raising duties, often in violation of WTO obligations. There is also the challenge of a very fragile recovery from the global downturn that started in 2008-09, he said.

“We have used our right to impose duties to meet our developmental interests just as all the countries in the world have used their rights in the past. There is no conscious or large scheme that we have to do any protectionist measures. WTO obligations will do what is necessary for India to meet its developmental goals,” he said.

A Sakthivel, Regional Chairman, FIEO (Southern Region), said though the September export data show a marginal negative growth due to high base effect last year, the aggregate value of exports during the month was much more than in April, June and July — that recorded as high as 17 per cent growth. “I am sure, we will reach the milestone of $350 billion targeted for this year,” he said.

Source: thehindubusinessline.com- Oct 23, 2018

HOME

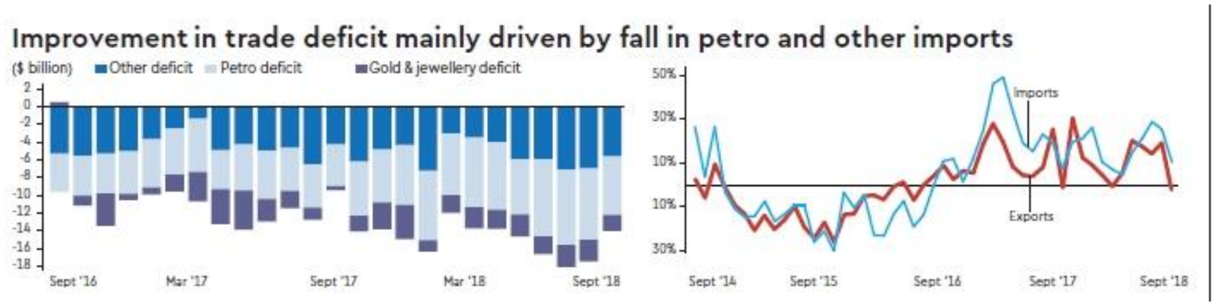
****

Why the Rupee depreciation has not helped in improving India’s exports yet

While exports are not along the lines hoped for, base effects played a large role in the September numbers. But, the exchange rate, by itself, can do little

The main argument of proponents of non-intervention in foreign exchange markets in the face of a rapid depreciation of the rupee is that the currency acts as an equilibrating mechanism to shrink India’s current account deficit. The merchandise trade data for September 2018 was probably the first empirical test for the hypothesis.

As a summary, if only a narrow one, the metric of the exchange rate—the USD-INR rate—fell from an average 67.0 during April-June to 68.7 in July, 69.6 in August to 72.3 in September. Although it is still early days yet—factoring in of lags in trade pricing contracts and transactions invoicing—evidence of trade elasticities responding to the depreciating currency should have begun to show up.



In the first sign of a response of India's trade to the depreciated rupee (INR), the merchandise trade deficit narrowed sharply to $14 billion in September 2018, down from an average $17 billion over May-August. However, the $3.4 billion cut in the deficit was almost entirely due to lower imports, with exports barely creeping up by $100 million.

The $3.3 billion lower imports was mainly to a drop in machinery and transport equipment ($1.3 billion), crude and petro products ($0.9 billion) and coal ($0.5 billion). There is some uncertainty about how much the lower industrial imports might be a sign of slowing demand, but domestic sales suggest that it might be a factor.

While exports in September contracted 2.2%, this might not be an accurate metric of a business response to the currency, being largely because of the base effect of the sharp spike in export growth in September 2017 that was probably the result of a one-time adjustment to pent up demand, post the frictions generated before and just after the transition to GST.

This said, export by value remained at the $28 billion monthly level in September, about the same as the average $27.5 billion during the four previous months. In terms of the composition, the approximately $1 billion rise in petro products and gems and jewellery over August 2018 was offset by a drop in exports of engineering goods and textiles.

What stands out in a longer term perspective on contributors to the trade deficit is the sharp rise in the petro group deficit over the past 6-7 months, which had shrunk in September 2018. Indeed, there are now signs that demand for diesel, petrol, kerosene and other products has come off in response to the rise in outlet prices. The gold-related deficit, while lower than in FY18, has remained quite stable over the months in FY19.

As an aside, services trade (with data available till August) also does not seem to have responded much. Exports, imports and the surplus have remained rock steady at $16.5 billion, $10.5 billion and $6 billion per month, respectively, since December 2017.

Taking a more granular view on merchandise trade over the years, imports in FY18 (at $466 billion) had already crossed the FY14, FY15 levels of $450 billion, while exports at $ 303 billion were still short. Exports during April-September FY19 were 12% higher than the corresponding period last year, while imports were up 17%. While the growth rates are likely to converge over H2FY19, our projections for the full FY19 suggest that this gap will only increase, unless there is a sharp expansion of exports.

While it might be early days yet to take a call on the response of trade to the rupee, a look at trends in the accompanying graphic provides a perspective. The trends suggest that, over FY18 and FYtd19, import growth has been flat, but export growth seems to have trended marginally lower.

This, unfortunately, is in a global environment where trade had actually improved in value terms, although mostly due to higher prices, while volumes have crept slightly lower. This narrative is also corroborated by trends in shipping prices (the Baltic indices, where the trend of falling shipping rates over the past decade, even adjusted for excess shipping capacities) had reversed since September 2016. Global trade metrics, though only available till July 2018, indicate that emerging Asia trade volumes had risen 4.8% month on month; India’s trade value was down 3%.

Based on current readings of export dynamics (which might change), our current account deficit (CAD) estimate for FY19 still remains at 2.7% of GDP, with the expected deficit compression offset by a shrinking GDP (in USD terms). This is based on our assumption of average Brent crude in FY19 at $77/bbl (actual price in H1 was $74/bbl).

The Purchasing Managers Index (PMI) survey responses show a steady rise in export orders (and this is corroborated by channel checks), and the cost of financing receivables due to delays in credit of GST taxes are also now reported to have mitigated.

However, studies by think tanks and our own research suggests that the exchange rate alone does very little of the heavy lifting of trade adjustment.

The government and other authorities have already initiated measures, but more effective structural measures are needed as an ongoing process to increase India's competitive efficiency.

Source: financialexpress.com- Oct 23, 2018

HOME

****

Is 'formalisation' of the non-farm economy possible?

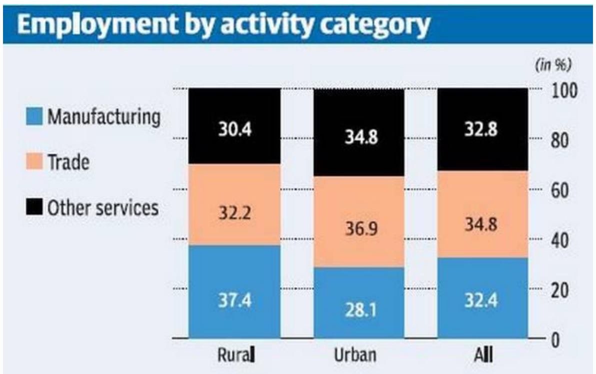
The persistence and spread of informal work suggests that current official attempts at formalisation are simply not working

In recent times, the clamour for formalising economic activity, or shrinking its unorganised component and expanding the organised, has been heard from diverse sources. There are those who want formalisation to occur because the unorganised sector is seen as being largely outside the direct and indirect tax net, depriving the government of much-needed resources.

Hence, for example, one feature seen as favouring the Goods and Services Tax regime is that it is likely to force formalisation by requiring transactions to be recorded whenever those transactions are between the organised and unorganised units.

Others see formalisation as the process through which workers realise workplace benefits such as written contracts, legal minimum wages, paid leave and social security.

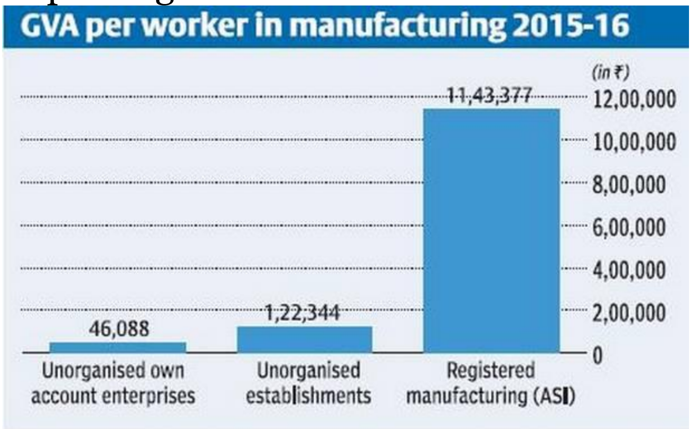
Framing and implementing legislation that ensures workers one or more of these benefits is seen as transforming the nature of the workplace as well. This, however, ignores the fact that a substantial part of the workforce even in the organised sector is "informal".



Yet others see in formalisation a process of transferring workers from low productivity units to higher productivity units. So anything facilitating formalisation also contributes to a rise in average productivity and growth.

Favourable for women?

Finally, there is a perception that since women obtain the residual jobs in the labour market, they are the ones more likely to be involved in informal work. So formalisation is often seen as particularly favourable for women, improving the conditions of their work and the remuneration received.



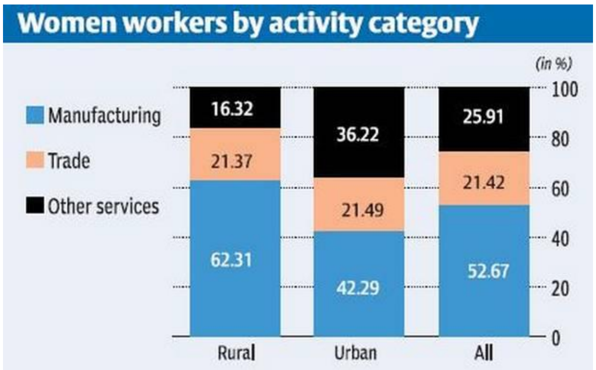
However, there has been a sharp fall in women's labour force participation rates, from 42.7 per cent in 2004-05 to 31.2 per cent in 2011-12. In addition, women do not feature predominantly in a sector that accounts for the largest increases in employment in the non-agricultural sector.

Construction accounts for a substantial share of non-agricultural employment, with the figure having risen from 14.4 per cent in 1999-00 to 30.1 per cent in 2011-12. There were 51 million construction workers in 2011–12, 93 per cent of whom were in the unorganised sector. However, men constituted 82 per cent of the construction workforce, with women contributing just 11 per cent and children (aged 18 years or less) 7 per cent.

Implicit in all of these perspectives on the unorganised sector is the idea that it is a site for units that reflect an early, backward stage in a process of linear development. In this view, economic development is an inexorable process of formalisation and the aim of policy should be to accelerate that process.

Growth drivers

However, the evidence increasingly shows that the factors stimulating growth and determining the institutional features of the organised and unorganised sectors are quite separate. The drivers of growth do not necessarily ensure the displacement of the unorganised by the organised.



Of course there are strong linkages between the organised and unorganised sectors, which influence the profitability and/or survival of both. But these linkages are not the means through which the organised pulls the unorganised into its own fold. Instead, most often, organised-unorganised sector linkages reproduce and perpetuate the backward unorganised sector. These features of the dualism characterising economic activity in a country like India are partly reflected in the size and nature of the unorganised sector.

NSSO survey

A recent survey that provides information on the unorganised sector is the National Sample Survey Organisation's 73rd Round survey of Unincorporated Non-Agricultural Enterprises (excluding Construction) in India.

The survey, relating to 2015-16, covered unorganised enterprises except those in construction as well as units registered under the Factories Act, Beedi and Cigar workers (Conditions of Employment) Act, and the Central Electricity Authority.

Going by the survey, there were 111 million workers (including part-time workers) working in unincorporated non-agricultural enterprises excluding construction, or about a quarter of the workforce of 459 million workers employed in that year. This implies that unorganised sector employment in construction even in 2011-12 accounted for more than 40 per cent of workers in the rest of the non-agricultural unorganised sector in 2015-16.

A noteworthy feature is that those employed in the unorganised non-agricultural sector were rather evenly distributed across rural and urban areas with urban workers accounting for 55 per cent of the total.

To the extent that it could be argued that units located in semi-urban and rural areas rather than in urban areas would be less advanced and unlikely to be precursors of more productive non-agricultural activities, this distribution suggests that these activities persist and proliferate because of the absence of more 'decent' jobs in the organised sector.

Interestingly, these non-construction jobs in the unorganised sector were more or less equally distributed across manufacturing (32.4 per cent), trade (34.8 per cent) and 'other services (32.8 per cent). This would imply that there were 36 million workers engaged in unorganised manufacturing in 2015-16, as compared with just 14.2 million employees (of which 11.1 million were workers) in the registered manufacturing sector.

If there is one sector in which formalisation possibilities are like to be the highest, it is manufacturing. So the fact that those employed in unorganised manufacturing are two-and-a-half to three times the number engaged in organised manufacturing indicates starkly the limited degree to which the transition to 'formality' has occurred.

There are two other features of non-construction, non-agricultural unorganised employment that are striking. One is that the share of female workers was the highest in manufacturing (52.67 per cent) followed by 'other services' (25.91 per cent) and trading (21.42 per cent).

To the extent that residual jobs accrue to women because of the gender bias in labour markets, this indicates the kind of manufacturing jobs that are being generated in the unorganised sector. The second is the high share of trade and services in unorganised sector employment outside of manufacturing.

Overall, the persistence and spread of informal work suggests that current official attempts at formalisation are simply not working.

Source: thehindubusinessline.com- Oct 22, 2018

HOME

****

'Input tax credit refund available for zero rated export of exempted items'

Rule 89 of the CGST Rules, 2017 allows either the recipient or supplier of such supplies to claim refund of tax paid thereon

Q. We are a "hospital service provider" registered under GST. We wish to procure capital goods, both imported and indigenous, under EPCG authorisations, as we have sufficient foreign exchange earnings to fulfill the export obligation. For indigenous procurement of capital goods, we are paying CGST/SGST/IGST, as applicable. Can we get refund of the same?

Yes. You may get the EPCG authorisation invalidated for import of items you want to source domestically and get invalidation letter or ARO. Supplies against EPCG authorisation are deemed exports as per notification 48/2017-CT dated October 18, 2017. Rule 89 of the CGST Rules, 2017 allows either the recipient or supplier of such supplies to claim refund of tax paid thereon. Notification 49/2017-CT dated October 18, 2017 prescribes the evidence required for claiming refund on such deemed exports.

Q. We manufacture and export 99 per cent of reusable sanitary pads (HS Code 96190090). Earlier the product attracted 12 per cent GST, so we were able to claim refund of input credit of raw materials. Now the government has exempted sanitary pads from payment of GST, because of which we are not able to get refunds of GST paid on the new materials. On account of this the cost of the product has gone up by seven per cent, and we fear we may lose the export market as Chinese products are already available quite cheap. How can we recover the input tax paid on the raw material used?

As per section 16(2) of the IGST Act, 2017 credit of input tax may be availed for making zero- rated supplies, notwithstanding that such supply is an exempt supply. Also, as per section 2(47) of the CGST Act, exempt supply includes non-taxable supply. Further, as per section 16(3) of the IGST Act, a registered person making zero-rated supply shall be eligible to claim refund when he either makes supply of goods or services, or both, under bond or letter of undertaking (LUT), or makes such supply on payment of integrated tax. So, you would be eligible for refund of unutilised input tax credit in such cases in accordance with Rule 89 of the CGST Rules, 2017.

Q. We imported certain machinery on duty payment, which we found defective. The supplier has agreed to give a replacement. Please advise us on the procedure to re-export for replacement, so that upon import of machinery by way of replacement, we do not have to pay import duty.

You can re-export the imported goods under claim of drawback under Section 74 of the Customs Act, 1962 read with the provisions of Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995. There is no exemption notification for replacement goods.

Q. Can we effect some export shipment without IGST payment under LUT and some shipments on payment of IGST under refund claim? If answer is in the affirmative, please advise relative provision of GST law.

Yes. You can do so. There is no bar in the GST laws to do so.

Source: business-standard.com- Oct 22, 2018

HOME

****

India in a Bind as it Considers How to Respond to Trade Skirmishes with the US

In two weeks, India will have to decide whether it wants to impose retaliatory tariffs on US goods. At stake is the GSP scheme, which accounts for 12% of Indian exports to the US.

The Narendra Modi government faces a tough call as its November 2 deadline, which has been deferred more than once already, for imposing retaliatory import duty on 29 US products nears.

If it goes ahead with proposed punitive tariff changes, the Trump administration could respond with tit-for-tat measures, including withdrawal of Generalised System of Preferences (GSP) benefits to Indian exports.

In June, India announced retaliatory action against the US decision to hike tariffs on steel and aluminium imports. However, it has twice extended its imposition deadline to give diplomacy a chance to sort out trade issues with the US.

Apart from retaliatory tariffs, Trump's demand for a more open market for agriculture products, automobiles and capping of prices for medical devices are the other potential flashpoints in India-US trade ties.

Under the GSP scheme, India exported merchandise worth $5.6 billion to the US at zero or low tariff in 2017-18, which accounted for nearly 12% of its total exports to that country.

If India is shut out of the GSP, its exports to the US could become 5-6% costlier. In that case, India could lose US market share to rivals like Vietnam and Bangladesh, which have duty-free access, warn trade experts.

Engineering, chemical and textile sector are some of the sectors that could be hit hard in case GSP benefits are withdrawn by the US. This is a worrying prospect, considering all these sectors are dominated by small and medium-sized enterprises.

Benefits offered by the US to the developing countries under the GSP scheme are non-reciprocal. However, the US can withhold GSP benefits to a trading partner if it finds that its exports are facing market access hurdles in that country.

The US Trade Representative is currently conducting a review of India's eligibility to avail GSP benefits. It is examining two petitions submitted by dairy producers and manufacturers of medical devices.

While the National Milk Producers' Federation and the US Dairy Export Council have complained about restricted market access for farm products, the Advanced Medical Technology Association has raised the issue of price caps on coronary stents and knee implants.

Trump has publicly attacked India and even called it a "tariff king" and threatened to retaliate. However, there are indications that Indian policymakers have not taken his threat seriously as they feel that the flourishing India-US strategic partnership will prevent Trump from acting unilaterally in trade matters.

Another reason why they think that Trump will desist from carrying out his threat is modest duty gain (nearly $200 million) that will accrue to the US if GSP benefits to Indian exports are withdrawn.

The share of India's GSP exports to total US has fallen from 30% in 2011-12 to 11.5% in 2017-18, Ajay Sahai, director general, Federation of Indian Export Organisation (FIEO) noted to highlight India's declining dependence on GSP quota.

But Sahai agreed that even if the GSP may not be that critical for overall Indian exports, individual exporters could be hit if the benefits are withdrawn by the US.

"SMEs exporting to the US think that GSP gives them sufficient cushion," Sahai told The Wire.

However, experts have warned against taking Trump's threat lightly given the way he has declared trade war against China and imposed retaliatory tariff on imports from allies like Japan and Korea.

For example, Anwarul Huda, professor at Indian Council for Research on International economic Relations (ICRIER), feels that Trump's threat, which may be bargaining tactic, should be taken seriously.

Huda fears that selective withdrawal of GSP benefits to Indian exports could dent its competitiveness in the US market, working to the benefit of rivals like Vietnam and Bangladesh.

Trump recently said India has offered negotiations to sort out bilateral trade issue with the US. He exulted at the reported Indian offer, presenting it as victory of his hard-nosed approach on trade relations.

"We have a country, take India. Good relationship. They want to make a deal now because they don't want me to do what I'm going to do, with I have to. So, they (Indians) call us. They didn't want to make a deal with anybody else," Trump had gloated.

The US's industrial tariffs have fallen to close to zero after several rounds of trade liberalisation. But on the other hand, India still continues to impose high import duty, which riles Trump.

For example, India has kept high tariffs on automobiles and motorcycles (60-75%), alcoholic beverages (150%) and textiles (some ad valorem equivalent rates exceed 300%).

What is even more worrying for the US is that as much as 25% of India's industrial tariffs remain unbound at the WTO.

According to latest WTO data, in 2015 India's average bound tariff rate was 48.5%, while its simple 'most favoured nation' average applied tariff was 13.4%.

The US has expressed concern over this, saying its exporters face tremendous uncertainty as India has considerable flexibility to change tariff rates at any time.

Source: thewire.in- Oct 22, 2018

HOME

****

JNPT mulls acquisition of three ports in Maharashtra; aims at doubling profits

The Jawaharlal Nehru Port Trust (JNPT) is also going ahead with its efforts to develop an offshore port at Wadhawan, north of the financial capital.

Country's largest container port JNPT is mulling to acquire three ports in Maharashtra, as it targets to more than double its profits.

The Jawaharlal Nehru Port Trust (JNPT) is also going ahead with its efforts to develop an offshore port at Wadhawan, north of the financial capital.

Union Shipping and Ports Minister Nitin Gadkari told PTI that the JNPT, which handles more than half of the overall container traffic, is looking to acquire Vijaydurg, Revas and Dighi ports.

It can be noted that of the three, only Dighi is an operational port while the other two are concessions held by corporations with little or no development on the ground.

Gadkari said the Revas port, where the concession is held by Reliance Industries, is “in problem” and a solution will have to be found in co-ordination with the Maharashtra government.

The minister also said that the port is in talks to acquire Vijay Kalantri-promoted Dighi Port in Raigad district, which is facing financial trouble and has been undergoing resolution in insolvency courts.

According to reports, the Dighi Port owes over Rs 1,600 crore to a consortium of banks led by the Bank of India.

While Gadkari did not elaborate on the Vijaydurg port buy, it can be noted that the port for which concession is held by BJP MP Rajeev Chandrashekhar promoted Jupiter Capital will act as the home port for the proposed mega refinery at Nanar, to be built by state-run oil marketing companies.

Asked if JNPT will be given budgetary support for the acquisitions, Gadkari said money is not an issue and the port, located off the financial capital, has enough reserves as it makes Rs 1,400 crore profits a year.

Gadkari said there are “environmental and political” issues with regard to the greenfield Wadhawan port development but added that the ministry is still going ahead with it.

Meanwhile, JNPT’s acting chairman Neeraj Bansal said the port is targeting to more than double its profits to Rs 3,000 crore in the next seven years and will take it up to Rs 2,000 crore in the next three years.

Without elaborating, he said a detailed plan has been prepared to achieve the profit growth.

Source: financialexpress.com- Oct 23, 2018

HOME

****

Indian cotton prices lower than world prices

Indian cotton prices are ruling 10 per cent lower than international prices. Even in 2017-18, Indian cotton prices were lower than international prices. The minimum support price (MSP) is up 26 to 28 per cent, notwithstanding favorable monsoon conditions.

The area under cotton declined marginally. And Gujarat and Maharashtra together account for more than half of the country's total cotton production.

Cotton quality is expected to be much better during 2018-19 compared to earlier season because of the efforts made by the Cotton Corporation of India in (CCI) enforcing quality parameters and ginning practices.

Textile mills have been advised against panicking over reports of a tight cotton stock position during the current season.

The Indian Cotton Federation has appealed to traders to desist from speculating on the production of cotton and increasing the price of the white fiber.

During the last cotton season, the trade had projected a very tight closing stock, but in reality the stock was comfortable, which in turn helped in a downward correction of the price by Rs 2,000 to Rs 46,500 during the end of the season.

Demand for Indian cotton happens to be robust this year from China as a trade war is prompting the world's top consumer to avoid imports from the United States.

Source: fashionatingworld.com- Oct 22, 2018

HOME

****

Blazing a trail for organic cotton farming

An American decides to use blockchain technology to promote 'ECOfashion'

Setting a trend, she has become an ambassador for eco-friendly textiles. Meet Marci Zaroff, who after completing her specialisation in business management from University of California, Berkeley, coined the term 'ECOfashion' by promoting various lifestyle brands.

The American, who is the founder-CEO of MetaWear, a leading sustainable fashion manufacturer, has now decided to use blockchain technology in Andhra Pradesh from sowing seeds to the final product to prove genuineness on organic cotton-growing. She also has plans to replicate it in China, Turkey, Pakistan and Africa in future through partner-NGOs.

She is involved in promoting cultivation of organic cotton in various parts among marginalised sections mainly women and tribal people through Chetna, an NGO in Telangana, Odisha, Maharashtra and Madhya Pradesh and Grameena Vikas Kendra in Andhra Pradesh.

During the past one and half decades, through Chetna, 2,500 tonnes of processed cotton was procured and supplied to 30 popular brands in the United States. The value of cotton was put at $5 million. The value of final product was in the range of $30 million to $40 million.

In Andhra Pradesh, she is supporting the launch of a pilot project involving 250 tribal farmers in Gummalakshmipuram in Vizianagaram district.

Expansion plan

Ms. Zaroff has plans to expand it to over 15,000 farmers in five years. During her recent visit, she told The Hindu that they wanted to sequestration of 80,000 to 160,000 tonne of carbon by 2022.

She said implementation of eco-friendly best practices would not only benefit the farmers in getting higher yield but also reduce cost of operation and ensure climate resilient cotton farming.

Ms. Zaroff said the total organic cotton produced in India was 59,470 tonne during 2016-17 growing season. India is on top in the world in organic cotton production followed by China, Kyrgyzstan, Turkey, and Tajikistan.

"We have been successfully selling T shirts, neckwear, legging, bedding, summer clothes and undergarments through various brands by associating at various stages of supply chain be it retailer, branding and stockists," she said.

Source: thehindu.com- Oct 22, 2018

HOME

****