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IBTEX No. 19 of 2020 January 24, 2020

US 71.28| EUR 78.77 | GBP 93.53| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19187	40100	**71.68**
Domestic Futures Price (Ex. Warehouse Rajkot), January		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19510	40776	**72.89**

International Futures Price	
NY ICE USD Cents/lb (March 2020)	70.03
ZCE Cotton: Yuan/MT (May 2020)	13,515
ZCE Cotton: USD Cents/lb	88.80
Cotlook A Index – Physical	**80.20**

Cotton Guide- It seems difficult to comprehend that an epidemic could drive cotton prices lower. But yes the Corona Virus in China is seen to have caused some damage to the ZCE futures. The ZCE Cotton futures are seen on a continuous downtrend. The outbreak in China weighed on market sentiments and pushed equities and oil prices lower as well.

We need understand, in such situations people usually travel less, decrease their frequency of moving out of the house, prefer to work from home, etc. This decreases trade to a big extent. This thus does not have a direct impact on cotton but definitely has a cascading effect on it to a certain extent. Market participants should keep track on this major news for prudent decision making.

The ICE cotton futures took a downturn by triple digit losses. The ICE March futures settled at 70.03 cents per pound with a change of -110 points. The ICE May futures settled at 70.75 cents per pound with a change of -109 points. The volumes were again average at 35,843 contracts.

The MCX contracts on the other hand followed the path of ICE. The MCX January contract settled at 19,510 Rs per Bale with a change of -240 Rs The MCX February contract settled at 19,800 Rs per Bale with a change of -220 Rs. The MCX March contract was seen to have 20,080 Rs per Bale with a change of -170 Rs. The volumes were up at 3296 lots.

The Cotlook Index A was changed at 80.20 cents per pound with a change of +180 points. The prices of Shankar 6 were lower at 40,100 Rs per Candy.

On the fundamental front, the market is waiting for further news on the export sales numbers which will be the first report after inking the Phase 1 trade deal. The numbers on the other hand could either be detrimental or incremental for the ICE Cotton prices.

On the technical front, in daily chart, ICE Cotton March has taken the support & reversed from the 50% Fibonacci retracement level around 68.50. Meanwhile price is around the 5 & 9 day EMA at 70.32, 70.34, along with RSI at 54 which reversed from the overbought zone suggesting a phase of sideways bias in the market.

The immediate resistance for the price is around the near high at 72.00 which coincides near the downward sloping trend line. However, the immediate support for the price would be 68.44, followed by 67.30 which are the 50% & 38.2% Fibonacci retracement level resp. Thus for the day we expect price to trade in the range of 71.30-68.70 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 19300-19600 with a sideways bias.

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

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INTERNATIONAL NEWS

Uzbekistan to phase out state monopoly in cotton trading

Uzbekistan will gradually reduce the state's role in cotton trading, opening up opportunities for private companies in the country—one of the world's top cotton producers, President Shavkat Mirziyoyev recently said. Traditionally, the government has bought all cotton from farmers, directing them how much to grow every season and taking care of exports.

To encourage private investment, that practice needs to be phased out, Mirziyoyev said, indicating a major policy shift, according to a news agency report.

"Our people might not be ready for it, but if we don't gradually switch (away from state monopoly) there will never be any (investor) interest," he told parliament.

Uzbekistan is the world's 10th-largest cotton exporter. However, the former Soviet republic plans to gradually cease raw cotton exports in favour of domestic textile production.

Source: fibre2fashion.com- Jan 23, 2020

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Iran garment output up 20 per cent

Iran's garment output rose 20 per cent from March to December 2019. After the ban imposed on imports of clothing, domestic units are taking all endeavors to boost the quality and quantity of their products.

Domestic units supply nearly 80 per cent of the requirement for clothing inside the country.

Improving and boosting domestic production has been one of the major strategies that Iran has been following in the past two years. Providing the required working capital for production units and offering them facilities is one of the major measures being pursued to support such units.

The contracts and agreements signed with domestic producers have resulted in a reduction of foreign currency expenditure.

Nine expert desks have been established for the promotion of domestic production in various areas including automotives, motorcycles, petrochemicals, and telecommunications, as well as copper and steel industries, and by the end of the current year seven more such desks will be held.

There is a big opportunity for existing textile and apparel plants to expand and for new entrants to set up shop. In addition the Iranian currency's depreciation has provided an additional boon by cutting imports and smuggling, which are the nagging problem of the industry. Smuggled clothing costs Iran and its apparel producers heavily in lost revenues.

Source: fashionatingworld.com- Jan 23, 2020

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Diversification is critical for Cambodia's economic growth

Since the first law on investment in Cambodia was promulgated in 1994, Cambodia's moves towards the diversification of the sources of growth and trade partners have produced only limited outcomes.

Cambodia is still heavily reliant on the garment and footwear industry as well as the hospitality industry and these cannot withstand the shocks of trade privileges being lifted or revoked or a sudden drop in tourist arrivals.

Cambodia's economic development and rapid reduction in unemployment, especially among women from the rural and semi-rural areas, have been largely driven by the textile industry and tourism sector.

The successful economic stories are normally associated with the capacity to diversify the sources of growth and move from a labour-intensive industry to a manufacturing industry and knowledge-based economy. Now the benchmark is higher, involving the achievement of a fully fledged digital economy.

Although the Cambodian government has put forward several policies such as an industrial policy to promote industrialisation, diversification and economic growth, it is hampered by a myriad of obstacles which makes the "Made in Cambodia" mission an uphill struggle.

In addition, the unstable global trading and economic environment, which is stagnating, and uncertainty about its future, which is also rising, adds to the problems brought about by lack of diversification. These trends weigh heavily on countries such as Cambodia, which depends heavily on the production and export of a small range of products that are sold in only a few overseas markets.

For Cambodia, economic diversification is inextricably linked with the structural transformation of its economy and the achievement of higher levels of productivity as a result of the movement of economic resources, both within and between economic sectors.

Some of the main obstacles that need to be overcome to attain the set goals are to increase productivity through skills development and transformation, reduce red tape and unofficial fees, strengthen transparency and accountability of the public sector, promote public-private partnerships and reduce the politics of labour unions.

Source: khmertimeskh.com- Jan 23, 2020

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Textile Policy 2020-25: Pakistan to increase textile exports to $25.3 bn by 2025

The draft of Pakistan Textile Policy for 2020-25 with four tier strategy and 21 recommendations is all set to be pitched any time before the ECC (Economic Coordination Committee) for approval. It will try to increase the country's textile exports target by 2025 to $25.3 billion and $50 billion by 2030. It was $13.33 billion in 2018.

The Pakistan Textile Policy draft, available with The News, also narrates a clear roadmap to achieve the textile export targets along with vision to fully utilize the potential of home-grown cotton augmented by Manmade Fibre/Filament to boost value added exports and become a major player in the global textiles supply chain.

The draft of Textile Policy also spells out its the objectives which include 1) Restoring profitability of cotton farmers by increasing cotton yield, improving quality of cotton and decreasing cost of production for the farmers; 2) Strengthening manmade fiber/filament sector to make this chain internationally competitive and export oriented; 3) Regionally competitive energy pricing fixed for five years; 4) Prompt Sales Tax Refund System; 5) Abolition of Zero- Rating has created serious liquidity crisis for exporting sectors as the current refund system is soaking up market liquidity and is not working; 6) Long Term Financing Facility for the entire textile value chain; 7) Revival of impaired textile capacity and introduction of bankruptcy law. 8) Establishment of Textile clusters and Export Processing Zones with plug and play facilities.

It says that the global textile trade that stands at $837 billion had an average growth rate of 0.1% over the last decade. When it comes to the global market for textile sector exports, it is dominated by China, which accounts for over 32pc of textile sector exports, valued at $266 billion.

Presently, Pakistan's share is 1.6pc in the world textile trade, which will be increased to 3 percent by 2025. The world textile export that stands at $837 billion will reach $843.35.

The textile export growth comparison of Pakistan and regional peer countries shows that our regional competitors have surpassed Pakistan manifold. Pakistan was once a leading player in textile trade but over the last decade, our textile sector growth has remained dismal owing to several policy limitations and lack of enabling environment necessary for industries to flourish.

Two decades back, Pakistan's textile exports were ahead of its regional peers like Bangladesh, Vietnam and Cambodia. In 2003, when Pakistan's textile exports were $8.3 billion, Vietnam's textile exports were $3.87 billion, Bangladesh's were at $5.5 billion. Now Vietnam is $36.68 billion and Bangladesh is at $40.96 billion.

The textile policy draft argues saying that the essence is that if these countries were able to achieve record growths in this short time period, the goal of reaching $50 billion of textile exports in next 10 years for Pakistan is attainable, subject to strict implementation of Long-term Textile Policy.

Mentioning about the roadmap to export growth, it mentions that the ultimate goal of export-led growth is poverty reduction and enhanced welfare of Pakistan's citizens. Rapidly growing exports and millions of new jobs created, along with skill upgrading, will increase productivity and wages, which over the long term is the only sustainable way to improve living standards. Furthermore, an ambitious strategy has been formulated to move from low value added semi-processed textile exports to high value-added garments and fashion articles.

A growth rate target has been set starting from 10pc in the first year of FY20 and gradually adding up to 13pc in fifth year would achieve almost $25 billion exports in the first phase of five years and for the second phase of six years 2025-30, growth rate of 15pc to 16pc on compounding basis be taken to achieve the target of $50 billion exports.

The graphs and tables mentioned in the Textile Policy show that growth in textile exports in FY20 will be at $14.66 billion, in FY21 $16.13 billion, in FY22 $17.90 billion, in FY23 $20.05 billion, in FY24 $22.46 billion and FY25 the textile exports will be at $25.38 billion. And summarily in the next five years, from 2025 onward to 2030, the textile exports will be at $50.15 billion.

It also highlighted the investment required to achieve the export growth target, saying that Pakistan's investment-to-Gross Domestic Product (GDP) ratio has been hovering around 15pc while countries like China, India and South Korea have maintained the ratio above 30pc to put their respective economies on a sustainable path. And to improve job creation, productivity and exports, investment-to-GDP ratio, the Pakistan Textile Policy draft says, should be raised to at around 20pc.

To achieve the targeted exports, business friendly policies should be ensured for the industry to grow and further achieve the increased targets. "Our industry cannot achieve any ambitious target within a short period of time since there are various complicated issues, including development of infrastructure which hamper growth," it says.

The draft also comes up with 21 recommendations to achieve the textile export of $25.3 billion by 2025 and $50 billion by 2030. It asks for the continuation of the provision of RLNG at $6.5 per MMBTU and electricity at 7.5 cents per unit, which is at par with energy cost of exporters of regional competitors such as Bangladesh, Vietnam and India for growth in exports. The provision of energy at the said cost would ensure Pakistan's products in international market at competitive rates. It advocates for the regionally competitive pricing for the whole textile chain with removal of implementation hurdles.

On the front of better cotton availability, it also urges the government to ensure acquisition of high-yielding seed technology from international sources with restructuring of R&D on modern lines. It also recommends the removal of non-tariff barrier and duties stressing facilitation of land routes. And to avoid the contaminated cotton, it also suggests to the government to place ban on use of Polyethylene film cotton picking bags. "Bags made of cotton should be provided to cotton pickers and specialized targeted outreach programs should be designed to educate women cotton pickers."

To encourage the value added sector, it also asks for favorable rebate rates. The Textile Policy draft also recommends reduction of corporate tax rate for exporters with upper cap to be fixed at 25pc and subsequently reduced to 15pc; it also asks for reduction in turnover tax to 1pc. It also advocates for reduction in sales tax rate, simplification of refunds system and asks for a specially-designated FBR cell to deal with complaints.

It recommends no sales tax on machinery imports and demanded that 90pc claim should be paid on “A” classification of companies' past performance on submission of sales tax return and 80pc of “B”, 50pc on “C” and nil on “D”.

Source: thenews.com.pk - Jan 24, 2020

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Pakistan: Garments export increases 12.80pc, reaches to $1.411 billion in first six months

Exports of ready-made garments during first half of current financial year witnessed an increase of 12.08pc as compared to the exports of the commodity during the corresponding period of last year.

During the period from July-December, 2019-20 about 31,534 thousand dozens of ready-made garments worth $1.411 billion exported as compared to the exports of 23,832 thousand dozens valuing $1.259 billion of same period of last year.

According the data released by the Pakistan Bureau of Statistics, during the period under review textile group exports from the country recorded 3.94pc growth as textile products worth $6.905 billion exported as against $6.644 million of same period of last year.

Meanwhile, the textile exports on month on month basis also grew by 0.36pc in month of December, 2019, as textile products worth $1.142 billion exported as compared to the exports of $1.138 billion of same month of last year, it added.

During the first two quarters of current financial year, country also managed to exports about 62,593 thousand dozens of knitwear worth $1.587 billion as compared to the exports of 59,189 thousand dozens valuing $1.475 billion of same period of last year.

In last six months about 240,939 metric tons bed wear valuing $1.197 billion exported as against the exports of 215,724 metric tons costing $1.116 billion of same period of last year.

The exports of towels during the period under review also grew by 0.22pc as 91,120 metric tons of towels worth $378.846 million exported as against the exports of 89,406 metric tons valuing $378.017 million of same period of last year.

It is worth mentioning here that exports in rupee term surged by 24.82 percent during last six months of current fiscal year as compared to the corresponding period of last year.

The exports of the country during July-December (2019-20) were recorded at Rs. 1,805,074 million against the exports of Rs. 1,446,166 million during July-December (2018-19), showing growth of 24.82 percent, according to the provisional figures released by the bureau.

Meanwhile, on year-on-year basis, the exports of the country increased by 7.63 percent during the month of December 2019, and amounted to Rs. 308,697 million as compared to the exports of Rs. 286,802 million in December 2018.

Source: brecorder.com - Jan 23, 2020

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Bangladesh: Small garment factories feeling the heat

Units closing thick and fast as export orders contract

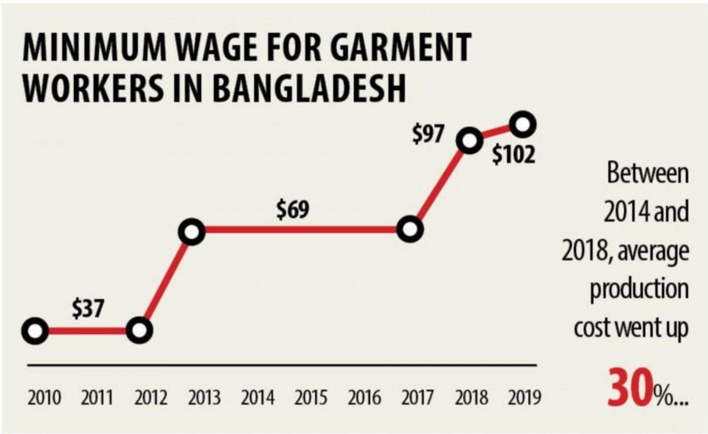
Rowshan Ali had everything going for him: a small sweater factory he set up in Demra on the outskirts of Dhaka in 2011 was raking in $2 million in export receipts every year.

So well was the humble factory with 350 workers was doing that he began to harbour hopes of expansion.

Just as he got off to executing his plan did he starting feeling headwinds: the price that foreign buyers were prepared to give him for knitwear started cratering and at the same time production costs were rising.

He started to feel the squeeze, which only intensified over time. Then finally in June last year, with a heavy heart he decided to pull the trigger on his business.

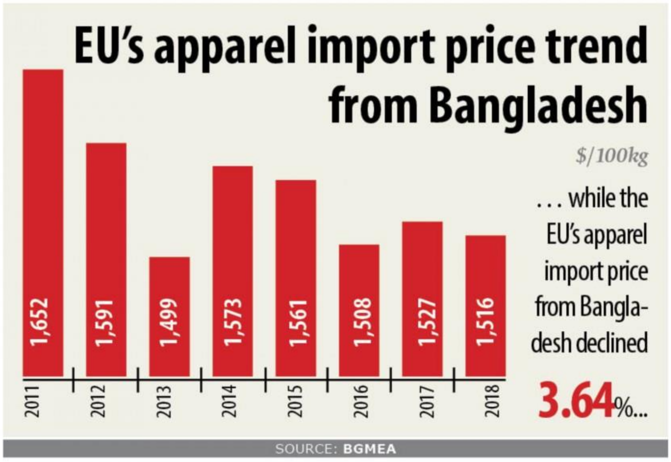
“The cutting and making (CM) charge now is unviable for me. So, I decided to shutter my unit for good,” said a rueful Ali.



Ali is not alone. The list of such cases is getting longer by the day. Over the last four years, about 1,200 factories of that scale had closed down. The small and medium garment factories mushroomed in the 90s to avail the quota system of international buyers.

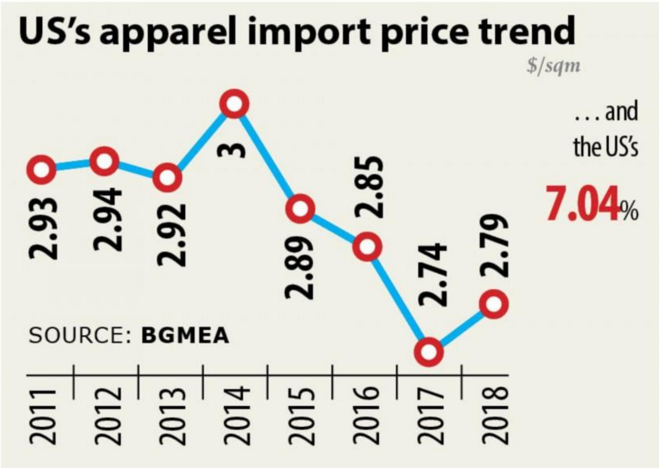
Such openings started petering out from January 2005, when the quota system in apparel trade was eliminated with the final phasing out of the Multi Fibre Arrangement (MFA). The MFA was an international trade agreement that imposed quotas on the amount of clothing and textile exports from developing countries to developed countries between 1974 and 2004.

Bangladesh made the best of this agreement: it was the springboard that sent the country to the number two spot in global apparel trade, grabbing. Small and medium-sized factories typically employ between 300 and 600 workers, whereas the large ones have workers to the tunes of thousands.



Those that survived in the post-MFA era are now finding the new order in global apparel trade beyond them. Stricter compliance set by the Accord and Alliance after the Rana Plaza building collapse in April 2013 and the discontinuation of garment production in a sub-contracting units and shared buildings meant that these small and medium factories are dropping off from the international buyers' radar, according to industry insiders.

As many as 75 small knitwear factories -- including Ali's -- had closed last year, according to Mohammad Hatem, senior vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).



And another 61 garment factories had closed, rendering 31,600 workers jobless, according to Md. Rezwan Selim, director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the sector's apex trade body. Selim is responsible for labour affairs and monitoring the factory situation in the sector.

"The small factories do not have work orders as they cannot follow the strict compliance. So, they are failing to run their business anymore." Moreover, the salaries of workers are increasing every year. For instance, this January the factory owners have to increase the salary of workers by 7 per cent as per the provision of the labour law. The minimum wage was hiked 51 per cent to Tk 8,000 per month from Tk 5,300 in December 2018.

"Sometimes the situation turns so bad that the factory owners flee the country to avoid facing their workers -- they cannot pay the salary. " The situation will worsen for small and medium factories in the near future because of the ever-shrinking profits and work orders.

However, the bigger units can do good business as the Rana Plaza tragedy was a watershed for them, Selim said. The big garment entrepreneurs remediated their factories to global standards.

Now, Bangladesh can boast having more than 100 LEED-certified (Leadership in Energy and Environmental Design) factory buildings. More than 500 such buildings are waiting to be certified by the by the US Green Building Council.

Of the world's top 10 greenest buildings, top six are in Bangladesh. Ahsan H Mansur, executive director of the Policy Research Institute, echoed the same as Selim. The bigger units will ride out the storm of shrinking work orders arising out of economic contraction in the importing countries.

"Overall exports will not be affected but the number of small and medium factories will go down further in future," he said, while calling for a special fund from the government and the BGMEA for revival of the small and medium units.

In the face of squeezing profits, the small factory owners are also struggling to pay off their bank loans, the interest rate on which is in double digits. One such owner is Mozammel Haque, who had to forfeit his four small units employing 1,600 in total in July last year. He had a Tk 300 crore bank loan that he was unable to service and the bank took control of the units and auctioned them off.

Haque blamed the declining prices of garment and the rising production costs for his current woes. "Still, I continued my business for a few years hoping for better prices from buyers in the near future. But that never happened. Now I am out of business," an emotional Haque told The Daily Star over phone.

The cost of production of apparel during 2014-2018 has increased 30 per cent, said BGMEA President Rubana Huq.

In a market economy, an increase in production cost without reciprocity in efficiency or value added would either result in less demand or offering cheaper price, she said. Over the past 4 years, the value addition of the industry has gone down by 1.61 per cent though the apparel export has increased from $28.10 billion to $34.13.

This means that the growth is happening in physical terms only, but the value added per piece of garment produced has rather declined over years, she said. "Unplanned expansion is like an epidemic that is silently killing our industry. While we are trying to find our way out from the price-trap situation, we need to look at ourselves and stop unplanned expansion and overcapacity."

Overcapacity is perhaps the weakest point behind Bangladesh's garment manufacturers' poor bargaining ability, Huq said. A narrow list of export destinations and little product diversification are the other problems afflicting the country's garment exports.

"EU and North America has been major markets, where almost 85 per cent of our exports are concentrated. Product diversification is also not happening at desired pace. Factories are overwhelmingly dependent on a few product category like t-shirt, trouser, sweater and cotton shirt."

Besides, about 75 per cent of Bangladesh's garment products are made of cotton whereas the world market is heading toward man-made apparel, she added. "Of course these small- to medium-sized garment industries need to survive," said KI Hossain, president of the Bangladesh Garment Buying House Association.

If the businesses are closed, unemployment will increase at a huge rate.

"This will create a great deal of social unrest," he said, adding that the banks and financial institutions that have invested in the sector will also have to face uncertainty.

Source: thedailystar.net - Jan 24, 2020

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NATIONAL NEWS

Textile industry worried as Govt scraps export sops

The textile industry has expressed shock and anguish over the withdrawal of four per cent incentive given under the Merchandise Export Incentive Scheme on made-ups and garments, with retrospective effect from March 7, 2019.

Further, it was said that all incentives under MEIS that was granted to the exporters of made-ups and garments on exports till July 31, 2019 will be recovered.

Expressing deep concern over the announcement, KV Srinivasan, Chairman of the Cotton Textiles Export Promotion Council, said withdrawal of MEIS with retrospective effect has caused deep crisis for exporters and has indeed come as a big shock.

Exporters of cotton made-ups are already facing a tough situation financially due to the non-implementation of the Scheme to Rebate State and Central Taxes and Levies (RoSCTL). Nine months after it was first announced, the scheme to refund taxes announced to boost export of made-ups and garments is yet to be operationalised, he said.

Further, MEIS of 4 per cent was also freezed for made-ups and garments from last August. Moreover, there are some pending claims under the erstwhile ROSL scheme which was discontinued from March 7, 2019.

“Exporters are already facing serious working capital problems affecting their day-to-day operations,” said Srinivasan.

While negotiating with the importers, Indian textile companies have factored in the 4 per cent MEIS incentive and RoSCTL scheme which together account for 8.2 per cent of export prices. Export orders have to be executed in the next nine months.

With the removal of MEIS benefits, exports at the prices agreed upon will become uneconomical and exporters have to bear huge losses and start defaulting on their bank loans.

Many of the exporters have also paid advance tax on their receivables as required under the Income Tax Act, which has further aggravated the problem.

Scrapping export benefits with retrospective effect will make the new Textile Policy unrealistic. Any changes or modification of existing benefits should be with prospective effect, he said.

Urging the government to restore the benefits, Srinivasan said exporters are already working against tough competition from Bangladesh, Sri Lanka, Vietnam and Pakistan notwithstanding the high import duties levied by the US, EU and China on shipments from India.

Source: thehindubusinessline.com- Jan 24, 2020

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Free Trade Agreements: Talks with European Union, UK soon, says Piyush Goyal

Commerce and industry minister Piyush Goyal on Thursday said India would hold talks with the EU and the UK to forge free trade agreements (FTAs). He, however, insisted that the China-dominated Regional Comprehensive Economic Partnership (RCEP) pact, in its present form, is an "unbalanced trade agreement which is really not fulfilling the guiding principles on which it started".

New Delhi could also clinch a trade deal with Australia — an RCEP member – in the next 6-8 months, having revived talks that were stuck, he said. Formal talks with the UK will likely start after the Brexit, which is expected to be over by January 31.

Speaking at a session of the World Economic Forum (WEF) summit at Davos, Goyal also exuded confidence that the Indian economy is well-poised to take off and there is growing enthusiasm among foreign companies to invest in the country. At least four or five companies – some of them are big names – have said that over a half of their total workforce would operate out of India in the coming years, the minister stressed, without revealing the names of the firms.

"Things have once again started showing an uptrend… The economy is well poised to take off from here," he said. Goyal's comments assume importance as economic expansion is projected to crash to a 11-year low of 5% in FY20, hemmed in by a collapse in investment growth to just 1%. Analysts are divided over green shoots in the economy, with many predicting a longer-than-usual cycle of slowdown.

Also, world trade is witnessing heightened uncertainties. A trade war between the US and China and a collapse of the WTO's dispute appellate system have only multiplied challenges for India that has been a staunch advocate of the multilateral trading system.

Commenting on India's pull-out of the RCEP talks in November last year, the minister said: "RCEP was effectively becoming an FTA between China and India. I don't think India is ready to engage unless we see better transparency and a greater market access for Indian goods and services on a reciprocal basis."

India had pulled out of the RCEP talks in Bangkok on November 4 last year on the ground that its key issues, including extra safeguard mechanism to curb irrational spike in imports and tougher rules on the origin of imported products, were not addressed adequately.

Of the 16-nation RCEP grouping, India already has FTAs with the 10-member Asean, Japan and South Korea. However, RCEP was supposed to be more ambitious than its existing FTAs. The presence of China in the grouping had reinforced fears of Indian industry about potential dumping.

Interestingly, India has got an invitation from RCEP members to address its concern in meetings on February 3 and 4 in Bali, the first credible effort by RCEP nations to get New Delhi back at the negotiating table. The invitation has been extended by the Asean secretariat.

On Wednesday, Goyal had said India was working on ways to have fairer and more equitable terms in its trade relationships with various countries.

Even without the RCEP, India's merchandise trade deficit with China stood at $53.6 billion in FY19, or nearly a third of its total deficit. Its deficit with potential RCEP members (including China) was as much as $105 billion in

FY19. Indian industry fears trade deficit would only increase further without adequate safeguard tools and meaningful concessions from others.

Source: financialexpress.com- Jan 24, 2020

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Trade with India plunges significantly: Pakistan

Imports from China — Pakistan's largest trade partner — fell to $4.8 billion during July-December versus $5 billion in same period last year

Pakistan's central bank has said that trade between Islamabad and New Delhi plummeted significantly this fiscal, apparently due to the ongoing tensions with India over the Kashmir issue.

The State Bank of Pakistan data in the first half of 2019-20 fiscal starting from July 1 showed that Pakistan's exports to India during the period came in at an insignificant $16.8 million as compared to $213 million in first half of 2018-19, reported the media.

But the declining trade across the border had not affected the balance of trade which was still heavily skewed in favour of India, it said.

Meanwhile, imports from India also fell to $286.6 million as against $865 million in the same period. As a result, Pakistan's trade deficit with the eastern neighbour amounted to $269.8 million.

India on August 5 revoked the special status to Jammu and Kashmir and bifurcated the state into two Union Territories, evoking strong reactions from Pakistan which has been trying to internationalise the issue.

Pakistan reacted by downgrading diplomatic ties with New Delhi and banning trade with India.

The ties have not recovered from the jolt and trade and commercial activities have suffered.

The central bank data showed that imports from China — the country's largest trade partner — fell to $4.8 billion during July-December versus $5 billion in same period last year.

However, exports slightly rose to $936 million, up from $889 million in the first half of 2019-20. This meant a trade balance with China at a negative $864 billion.

With the second largest partner, the United Arab Emirates (UAE), there was some improvement as exports to the Gulf country increased to $827 million in the period, from $638 million. This was driven by a significant decline in imports to $3.6 billion, down from $5 billion.

Pakistan has succeeded to drastically reduce the current account deficit mainly through cut in imports bill, which is also reflected in the above-mentioned two cases.

Source: thehindubusinessline.com - Jan 23, 2020

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Budget 2020: 'Rationalise duties to encourage exporters to sell high-value goods'

For the past few years, much has been said about the diminishing importance of the Union Budget. This is largely because the Budget is seen as a macroeconomic policy statement rather than a practical resource-allocation exercise.

The positive side is that it shows that the industry is maturing and can stand on its own without government assistance. Also, steps like the goods and services tax (GST) have meant that there is no annual announcement of tax tweaks for the corporate sector.

However, at times like now, when the economy is floundering, the Budget assumes greater importance. It shows the government's path out of the gloom.

At this point, all eyes are on the government to resolve at least some of these issues and create some optimism in industry sectors, especially among small and medium enterprises (SMEs).

SME exporters are looking for steps that will help them in a tough global environment. So, what can the Budget do to boost SME exports?

Rationalise duty structure

One of the key instruments to promote exports while ensuring that the imports are restricted is the duty drawback scheme.

Successive governments have used the scheme to ensure that exporters do not lose out when buying input components. The duty drawback scheme offers a rebate on duties and tax on the materials used in manufacturing export goods.

The idea is to ensure that exporters are able to offer competitive rates in the global market. However, while the duty drawback is a percentage of the export price of the product, it comes with a cap.

So, for instance, the duty drawback on ballpoint pens and fountain pens is 4.2 percent, subject to a cap of Rs 270.7 per 1,000 pieces.

What this means is that regardless of the value of the raw materials used in pens made for export, the exporter will only get Rs 270.7 as duty drawback. This acts as a disincentive to the exporter using high-quality input materials that will fetch a higher price.

The other scheme intended to help exporters is the EPCG (Export Promotion Capital Goods), which allows duty-free import of capital goods on the condition that the importer ensures a certain quantum of exports in a specified time period.

The EPCG scheme seems to be running out of steam, judging by the numbers. While the revenue foregone due to the EPCG scheme was at Rs 11,218 crore in FY2013, provisional figures suggest it dropped to Rs 3,220 crore in FY2019.

What this means is that manufacturers are spending less on procuring capital goods to manufacture export products.

To encourage exporters to look at more high value-added exports, the government will need to look at rationalising the duty structure.

WTO-compliant export policies

For the export-driven SME sector, the big event to look forward to in 2020 is the introduction of the new Foreign Trade Policy (FTP). The existing FTP is likely to end on March 31, 2020, and a new policy is expected soon after.

Before the new FTP is announced, exporters believe that the government will allocate resources and make appropriate provisions for spending in the Budget.

The World Trade Organization (WTO) frowns upon heavy government subsidies to exporters. So, while a certain degree of tax benefits can be offered to exporters, this may not be sufficient. The government needs to find a way around this and support exporters.

Here are some ways to do that:

Access to credit: It is important for small exporters to have access to credit. While there are some government schemes in place for this, the Budget could spell out what large banks and financial institutions can do to encourage small and medium exporters. Making credit access easy could be a big step in boosting exports. Plus, over the past few years, the Budget has dwelt upon the importance of fintech in making credit easily available. This year too, the industry hopes that fintech will receive a

Raise awareness: The government can expand its existing schemes to educate exporters on international laws and standards, so that they know where they can sell their goods and services.

A focus on market assistance and trade intelligence will help exporters identify and tap potential markets. When MSME exporters become part of the global value chain, they grow stronger, which, in turn, is good news for the country.

Skills development: India has long had a manufacturing advantage over other countries through the easy availability of labour. However, this has largely been unskilled labour.

To boost productivity and improve quality, it is essential to train the labour force. The government has recognised this need, and the Skill India mission is intended to provide industry with a large pool of skilled workers. This mission needs a further impetus.

Export promotion councils sporadically offer upskilling and reskilling programmes. With greater budgetary allocation, these programmes can be beefed up to reach a larger number of workers.

Technology upgrade: This has been a focus area for successive governments. MSME exporters need to be able to compete in digitally driven markets. They also need to be able to keep up with the rapidly changing dynamics of the world trade. But getting access to cutting-edge technology or even upgrading their existing technology requires funds. This is where the government can step in. There are technology upgradation funds already available for specific sectors such as textiles; these now need to be replicated in other sectors like plastics, marine, etc. The Budget is expected to increase funding to aid technology infusion that will help MSMEs modernise operations.

Improve infrastructure: Industrial corridors, the Sagarmala network of water transport systems, the Bharatmala network of roads, dedicated freight corridors, and other projects were spoken about last year. However, budgetary allocation was far lower than expected, as the government pushed for public-private partnerships in infrastructure development.

Towards the end of 2019, the government announced it would invest $1.4 trillion in infrastructure projects over the next five years. Such spending is imperative to boost the economy. While the government is likely to identify employment-creating infrastructure projects, it is also important that it looks at boosting trade-specific infrastructure such as warehousing and cold chain networks.

Focus on intellectual property: Indian exporters have long been aware of the importance of intellectual property, thanks to the WTO's agreement on trade-related aspects of intellectual property rights (TRIPS).

The National Intellectual Property Rights (IPR) Policy lays out the government's framework to bring all aspects of intellectual property rights under one umbrella. An important section of IPR is Geographical Indication (GI) tag.

The GI tag is used on goods having a specific geographical origin and possessing qualities that can be attributed only to that geography; classic examples are Kolhapuri chappals and Tirupati laddus.

GI has been given the status of intellectual property since the product gets more value commercially by its association with a place.

When it comes to exports, the GI tag assumes greater value than generic goods. The government has been actively encouraging GI tagging, and a greater budgetary support will help exporters.

The Budget is not a silver bullet that can kill negative sentiment and magically change economic fortunes overnight. However, it is a key indicator of the government's spending intentions, and industry hopes that it will show some positive steps in the coming year.

By allocating resources towards education and skills development, the government can show that it is serious about sustainable, long-term economic growth, and boost India’s outbound trade in the process.

Source: moneycontrol.com - Jan 23, 2020

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India, Brazil to discuss trade pact, cooperation in bio-fuel during Bolsonaro’s visit

India and Brazil will discuss possible expansion of the existing India-MERCOSUR preferential trade agreement and a number of pacts for collaborating in the area of oil and gas, including bio-fuel, science and technology, space and agriculture and food processing during Brazilian President Jair Bolsonaro visit later this week, the Ministry of External Affairs said.

Bolsonaro, who will be the chief guest at this year’s Republic Day Parade on January 26, is leading a high-powered delegation comprising eight Ministers, senior officials and influential business representatives during the four-day visit beginning January 24.

"India is eager to expand its PTA with MERCOSUR. We will discuss it with our Brazilian counterparts," said Vijay Thakur Singh, MEA Secretary (East), at a press conference on Thursday.

Singh said there will be intense discussions between the government and the industry on cooperation in oil and gas, especially in the area of hydrocarbons, bio fuel and minerals.

The MERCOSUR countries, including Brazil, Argentina, Paraguay and Uruguay, have been engaging with India for expanding the tariff lines covered under a bilateral PTA, which could give a big push to trade. New Delhi wants to expedite the matter as it wants to use the pact to increase its foot-print in Latin America.

India could also gain from collaborating in the area of bio-fuel, as Brazil is the world's second largest consumer and producer of bio-fuels. In fact, last month, the Union Cabinet approved for signing of Memorandum of Understanding between India and Brazil on bio-energy cooperation.

The MEA Secretary said there will be agreements in agriculture, food processing and animal husbandry as both countries shared the same genetic heritage.

Agri-trade potential

Brazilian Agriculture Minister Tereza Cristina Correa da Costa Dias is already in India and had a meeting with her Indian counterpart Narendra Singh Tomar on Thursday. Tomar said at $1.04 billion, the agriculture trade between the two countries is way below potential and is not reflective of the strengths of the economies. "We are interested in diversifying our commodity basket with regard to agricultural exports to Brazil. Brazil imports onions, fresh and dried grapes, wheat, maize, rice, soyabean and cotton from other countries of the world. I would request Brazil to explore sourcing these agricultural items from India," Tomar said.

Bilateral trade between India and Brazil increased to $8.2 billion in 2018-19, It comprised $3.8 billion of Indian exports to Brazil and $4.4 million as imports by India. Major Indian exports to Brazil include agro-chemicals, synthetic yarns, auto components and parts, pharmaceuticals and petroleum products. Brazilian exports to India include crude oil, gold, vegetable oil, sugar and bulk mineral and ores.

Indian investments in Brazil were at around $6 billion and Brazilian investments in India are estimated at $1 billion in 2018, as per government figures. Brazilian investments in India are mainly in automobiles, IT, mining, energy and biofuels sectors. India has invested in Brazil's IT, pharmaceutical, energy, agri-business, mining and engineering sectors.

Source: thehindubusinessline.com - Jan 23, 2020

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SGTPA urges govt to shift textile mills out of city

While the devastating fire in the Raghuvir Celeum textile market served as another wake-up call to the administration on fire hazards in textile markets, mill owners seem to be really singed by the loss their fraternity suffered in the recent inferno.

More than 40 textile mill owners in the city areas have approached the state government for allotting them land outside the city limits for safe operations. For the purpose, the South Gujarat Textile Processors Association (SGTPA) has also identified about 20 lakh square metre land at Gabheni village outside the city limits for shifting the textile mills out of the city areas.

The shifting of the textile mills will not only reduce pollution in the city areas, but also protect residents from fire hazards.

President of SGTPA, Jitu Vakharia said, “We have been pursuing with the state government for the land on the outskirts of the city. We have identified government land in Gabheni village, located around 20km away from the city for setting up mills too.”

Last year, the government had approved specified shifting zones for the industrial units with the addition of few provisions in the General Development Control Regulation (GDCR).

The textile mill owners wanting to develop their factories in the special approved areas will get base floor space index (FSI) of 1.8 free, while 0.9 FSI will be chargeable based on the jantri rates. The textile mill owners are upbeat as the FSI for industrial units in city areas is only 1.2, whereas they will be getting a total of 2.7 FSI in the special nod areas located under the new development plan (DP) of SUDA.

Keeping in mind the future development, provisions has been made to construct wider roads. To check the reservations suggested in SUDA DP 2035, a local level consultative committee has been formed under the chairmanship of SUDA president and Municipal Commissioner, M Thennarasan.

About 65 textile mills are operating in the city's residential areas including Khatodara, Udhna, Ashwani Kumar Road, Ved Road, Bombay Market, Puna Kumbharia etc. In these areas, Particulate Matter (PM10) levels is exceedingly high than the national annual average at 184 per micrograms per cubic meter of air (UG/M3) per annum.

Source: timesofindia.com - Jan 24, 2020

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'Potential huge for collaboration between Indian and Swedish companies'

Sustainable textiles, Information Technology, and infrastructure are some of the areas where private investors or companies in Sweden may be interested in collaborating in India.

Viktor Soderberg, partner at JRS Asset Management and chairman of AGERUS AM, a technology company, who was in the city recently, told The Hindu that there are several companies in Sweden that have exposure to India and other emerging markets, including Brazil, south east Asia and now African countries.

"So, it is relevant to keep track of the emerging markets," he said on the purpose of his visit to India.

Stockholm is a hub for technology companies and there is a huge need for IT workforce. "That is an added reason why I came to India," he said. Mr. Soderberg is looking at holding meetings with IT companies in which his company has invested in or work with in Sweden and see how capacities can be developed and collaborations can be established with IT companies in India, including Coimbatore.

He also wants to facilitate joint ventures between Indian and Swedish companies so that capital investments can be made later in India.

In India, English knowledge, IT competency, economy based on private initiatives, and the potential to be tapped are all advantages.. “That makes it interesting to invest here, personally for me and with my partners,” he said. However, there is a lack of investment in infrastructure and India should have direct flight connectivity with Stockholm.

Investment in small infrastructure projects such as roads and water are opportunities. In Sweden there is a lot of interest in sustainable textiles. Garment companies that make such products and can win the confidence of the buyers have huge potential, he pointed out.

Source: thehindu.com- Jan 23, 2020

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Centre gives nod for common facility to help powerloom units

The Centre on Wednesday gave the final approval to establish a common facility centre (CFC) to support powerloom units in Palladam and Somanur areas.

Powerloom unit owners said the facility would help them to produce value added weaving products rather than depend on master weavers every time. They found Palladam Powerloom Weavers Cluster Private Limited, a special purpose vehicle, to run the CFC.

The approval was granted at the 52nd steering committee meeting of the micro small enterprises-cluster development programme (MSE-CDP) conducted by the ministry of MSME in New Delhi on Wednesday.

The Rs 17.62-crore centre would come up at Kethanur, where the powerloom owners association had purchased four acres for the purpose. While the Centre would fund 67% of the cost, the state government and the powerloom units would bear 10% and 23% of the cost respectively.

More than two lakh powerloom units are functioning in Palladam and Somanur areas in Tirupur and Coimbatore districts. They undertake job works from master weavers.

“The powerloom units produce fabric from warp and weft supplied from master weavers. Around 10% of master weavers are from Erode, and the rest are from cities like Ahmedabad, Surat, Jaipur and Kolkata,” said M Balasubramaniam, secretary of the Tirupur-Coimbatore districts’ powerloom owners association.

“As each powerloom unit could not separately set up facilities for sizing, bleaching, printing and stitching, they could not add value to the produced fabrics.

But with the CFC, they would have such facilities and it would help them develop their own weaving products, both apparel and home textiles, and market them,” said Balasubramaniam, who was also managing director of Palladam Powerloom Weavers Cluster.

“We have planned to take at least 100 powerloom units on board, and so far, 54 have joined in the cluster. Nowadays, powerloom units are struggling to get regular orders and job works rates are also insufficient. With the CFC, the powerloom units would get wings to fly on their own,” he added.

Source: timesofindia.com- Jan 24, 2020

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Project SU.RE hosts B2B workshop on sustainable fashion

The Clothing Manufacturers Association of India (CMAI) and IMG Reliance hosted the first Sustainable Resolution (SU.RE) B2B workshop on sustainable supply chain in Mumbai. The workshop was a step towards SU.RE initiative launched with 16 of Indian fashion retail brands at Lakmé Fashion Week in August 2019 supported by Ministry of Textiles & United Nations.

Project SU.RE is a commitment by India's apparel industry to set a sustainable pathway for the Indian fashion industry. The day-long workshop was exclusively conducted for senior supply chain and sustainability representatives from each of the 16 signatory brands.

The workshop was driven by the objectives of discovering trends and innovations for sustainability in the apparel value chain globally and in India, connecting and forging new relationships with innovative stakeholders in the sustainability sector and creating a roadmap for SU.RE with short term to long-term sustainability goals and success metrics.

The sessions focused on building a responsible and viable supply chain in terms of sustainable raw materials, chemical management, sustainable consumption and production, reduction of carbon footprint and technology; the sessions concluded with a discussion of fashion brand case studies.

The United Nations Development Programme (UNDP) addressed building a responsible and viable supply chain. They focused on the restorative and regenerative role of circular economy in fashion and addressed the social, economic, and environmental aspects of the 17 SDGs. C&A Foundation spoke about their initiatives towards ensuring sustainability across the apparel value chain.

C&A Foundation works with change-makers all over the world and gives them financial support, expertise, and networks that help accelerate their impact. Global Organic Textile Standard (GOTS) addressed issue of sustainability and chemical management in textile processing. Setting the roadmap for the future Circular Apparel Innovation Factory (CAIF) shared their inputs on goal setting and future course of action for SU.RE.

India’s first study on sustainability is underway by The Voice of Fashion, the online fashion and design magazine. The Positive Fashion Survey will study and document consumer awareness, communication, commitment and clarity on sustainability issues as well as Indian fashion brand’s commitment, choices, solutions, and challenges in the implementation of sustainability. The 16 signatory brands were a part of this survey.

“The agenda of the first SU.RE workshop was to persuade some of the top brands to partner together and create a resolution to shift the industry to a more sustainable supply chain. This would be a very crucial first step in making the world slightly cleaner and slightly better for the future generations,” said Rahul Mehta, chief advisor, CMAI.

“Sustainability has always been at the centre of all our objectives and it is a matter of great privilege for us that an initiative of this magnitude was pioneered at Lakmé Fashion Week. The first SU.RE workshop is an organic extension of the resolution and we look forward to continued engagement with brands to help them achieve their SU.RE goals by 2025,” said Jaspreet Chandok, head - lifestyle businesses, IMG Reliance Ltd.

The closing remarks were given by Mehta and Chandok who addressed the forum and workshop as a beginning of immense work that will be done in the field of sustainable fashion in the years to come and expressed belief in the participating SU.RE members to be the torchbearers for the other industry stakeholders.

The 16 signatories of India’s top fashion and retail brands are Aditya Birla Fashion & Retail, Arvind Fashions, Bestseller, Biba, Future Group, House of Anita Dongre, 109F, Lifestyle, Levis, Max, Raymond, Shopper’s Stop, Spykar, Trends, W and Westside.

Lakmé Fashion Week is jointly organised by Lakmé, the cosmetics and beauty services brand in India and IMG Reliance Pvt Ltd, leaders in sports, fashion and entertainment marketing and management.

Lakmé Fashion Week has been conceived and created with a vision to ‘Redefine the future of fashion and Integrate India into the global fashion world’. Lakmé Fashion Week is organised twice every year.

IMG Reliance Pvt Ltd is an equal joint venture between Reliance Industries Limited (RIL), India's largest and most recognised private sector company, and IMG Worldwide (IMG), global leaders in sports, events, media and fashion. The joint venture company develops, markets and manages sports, fashion and entertainment in India.

Source: fibre2fashion.com- Jan 24, 2020

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Raymond reports 12 pc growth in Q3 revenue amid sluggish domestic consumption

Fashion and textile retailer Raymond Ltd has reported 12 per cent year-on-year growth in its consolidated revenue for the third quarter of current fiscal (Q3 FY20) at Rs 1,903 crore.

The figure stood at Rs 1,706 crore in Q3 FY19. However, earnings before interest, tax, depreciation and amortisation (EBITDA) for Q3 FY20 were down by 2 per cent to Rs 182 crore.

The reported net profit was Rs 196 crore with underlying net profit at Rs 36 crore. The debt reduction during the quarter by Rs 415 crore was led by Rs 350 crore infusion from net proceeds of the land sale.

"Domestic consumption continued to be sluggish coupled with a liquidity crunch in the trade channels, impacting profitable growth during the quarter. However, the company continued to consolidate its market share with topline growth," said Chairman and Managing Director Gautam Hari Singhania.

The branded textile segment sales were at Rs 866 crore, up by 2 per cent over the previous year, driven by 10 per cent growth in the B2C shirting business. The branded apparel segment sales totalled Rs 488 crore, up by 23 per cent over previous year.

On the other hand, garmenting segment sales were at Rs 239 crore, higher by 29 per cent over previous year led by exports growth in the United States and Japan. Luxury cotton shirting fabric segment sales moved up by 5 per cent at Rs 168 crore due to higher domestic fabric sales and yarn sales.

The quarter also witnessed the deleveraging of balance sheet with over Rs 400 crore primarily driven by the net proceeds of land sale. With a focus on value creation during the quarter, the company also announced demerger of lifestyle business as a separate business entity.

"This move will enable us to have a focused strategy and specialisation for sustained growth across our businesses," said Singhania.

Raymond is India's largest integrated worsted suiting manufacturer that offers end-to-end solutions for fabrics and garmenting. It also has business interests in men's accessories, personal grooming and toiletries, prophylactics, engineering and auto components across national and international markets.

Source: in.news.yahoo.com- Jan 23, 2020

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