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September 24, 2018

USD 72.60 | EUR 85.25 | GBP 94.93 | JPY 0.64

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
22182	46400	81.76
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	Rs./Candy	USD Cent/lb
22310	46667	82.23
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)		79.13
ZCE Cotton: Yuan/MT (Jan 2019)		16,110
ZCE Cotton: USD Cents/lb		90.58
Cotlook A Index - Physical		91.30
<p>Cotton Guide: Four weeks of consolidation (80.40 to 84.25 cents/lbs.) was finally broken down onto lower side. In the last week cotton for December future made a weekly low of 77.90 but settled at 79.13 cents down by 3.30% from the previous week's close. China's ZCE futures looked much like ICE this week. The ZCE settled down 2.7% for the week.</p> <p>Since the price has declined considerably last week it is important to observe the trading pattern. The both aggregate trading volume and open interests have moved out of its average range. During the last week the trading volumes have increased substantially from 0.143 million contracts, in the previous week it was at 0.102. However, the aggregate open interests have declined to .250 million contracts. Notes: Four months ago when the price of cotton was at peak near 96+ cents the aggregate open interest then was more than 0.350 million contracts. The number has declined considerably.</p>		

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Coming to market sentiments, the US-China trade tariff war has actually ruined many markets, participants either side and trade relation into a very feeble state. The either side retaliation to each other has dampened the market- farmers and businesses have suffered a lot and more to come in the near future. Cotton price few months ago was about to hit 1 US dollar has now come down to upper 70s'. The Turkish crisis has undoubtedly played a role, however, China's dramatic reaction regarding cotton has shaken global supply chains and the confidence of spinners. US cotton has suffered both futures and basis weakness. Cotton should have been exempt for two reasons; first, imports under the WTO quota should have been protected and secondly, as long as the duties do not apply to Chinese cotton textiles and apparel imports it is totally unacceptable to block US cotton. For more details please get in touch with Kotak Commodity Research Desk.

Currency Guide:

Indian rupee has opened weaker by 0.4% to trade near 72.49 levels against the US dollar. Rupee has weakened amid general weaker risk sentiment on increasing US-China trade conflict. US' 10% import duty on \$200 billion Chinese goods and China's 5-10% import duty on \$60 billion US goods will become applicable from today.

Meanwhile, prospect of negotiations between the two nation weakened as China called off planned trade talks with US officials. Also weighing on rupee is firmness in crude oil price. Brent crude has moved back near \$80 per barrel as OPEC kept production strategy unchanged despite Trump's call for lower price and tightening global market due to lower Iranian supply.

Amid other factors, market players are awaiting government announcement regarding restrictions on imports of non-essential goods. Economic Affairs Secretary Subhash Chandra Garg was quoted saying that the government will "very soon" implement the second set of measures including curb on imports of non-essential items to shore up rupee to 68-70 level against the US dollar. Rupee may remain under pressure as trade worries keep risk appetite low. USDINR may trade in a range of 72.1-72.7 and bias may be on the upside.

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INTERNATIONAL NEWS

UK top clothing exporter in Europe

The UK is one of the biggest clothing exporters in Europe. And when it comes to buying British, the US is the biggest shopper followed by China. One of the major reasons for the rise in shopping from the UK is pricing.

The pound's falling value is helping make goods even more attractive to foreign wallets.

The other top motivations for cross-border buying are the chance to get hold of products not available in their own country and the opportunity to discover new things to buy.

Mobile shopping is also helping power the UK's international popularity. Also working in British retailers' favor is the fact the nation's top two export markets, the US and China, are at the forefront of this mobile revolution.

Here, smart phone shopping accounted for 61 per cent and 84 per cent of international online purchases respectively in the last year.

To build on this achievement, the country is making it easier and cheaper for UK firms to sell online to customers around the world – with face-to face support from e-commerce advisers, negotiated preferred rates on online marketplaces and information.

The ambition is to grow exports as a percentage of GDP to 35 per cent, and getting more UK firms to sell online is key to achieving this.

Source: fashionatingworld.com - Sep 22, 2018

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China might avoid Trump tariffs by exporting via Vietnam

Vietnam could suffer collateral damage if Chinese businesses use made-in-Vietnam labels to avoid U.S. tariffs, experts warn.

Economist Vu Dinh Anh said it is “highly possible” that Chinese businesses would seek to export their goods through Vietnam to the U.S. amid the trade war between the world’s two largest economies.

One way they can do this is exporting their products to Vietnam and asking a Vietnamese business to label them as “made in Vietnam,” he told Vn Express International.

They can also set up factories in Vietnam and manufacture products with materials imported from China, he added.

“This will result in bad consequences for Vietnam as the U.S. might impose the same tariffs on Vietnam as it did on China.”

Vietnam’s textile and footwear industry insiders expressed the same concern.

Pham Xuan Hong, chairman of the HCMC Association of Garment, Textile, Embroidery and Knitting, said it is possible Chinese garment products would be labeled as made in Vietnam and exported to the U.S.

“We propose that the government control this situation by tracing products’ origin and severely penalizing violations. Otherwise the whole industry will have to suffer consequences,” he told local media.

Diep Thanh Kiet, vice chairman of the Vietnam Leather, Footwear and Handbag Association (LEFASO), said there is a “very high” possibility that Chinese bags would be exported to the U.S. through Vietnam.

If Chinese bag makers want to export to the U.S., they can set up a factory in Vietnam to facilitate the exports, and this can be easily done with a budget of just \$200,000, he said.

If this cannot be controlled, there could be grave consequences for Vietnamese textile firms since “the U.S. might apply the same tariffs as they have done on China,” he warned.

This has happened before with steel. In May this year the U.S. slapped anti-dumping duties of 199.76 percent and countervailing duties of 256.44 percent on imports of cold-rolled steel produced in Vietnam using Chinese-origin substrate.

Anh said Vietnam should not repeat this mistake twice since there is a possibility that the U.S. would conduct investigations if it has any suspicion about product origin.

A chance to thrive

But there are opportunities for Vietnamese consumer goods exports amid the trade war.

About 27 percent of Chinese goods set to be affected by the new tariffs are consumer goods, and Vietnam exports many similar items to the U.S., said Can Van Luc, chief economist with the Bank of Investment and Development of Vietnam (BIDV).

“The escalating trade war will create opportunities for Vietnamese exporters of consumer goods to expand their market share in the U.S.,” Luc said.

A recent report by Bao Viet Securities (BVSC) said footwear and textile products have a “great opportunity” to grab U.S. market share from China.

Since the Chinese yuan has weakened against the U.S. dollar and dong, Vietnamese businesses would be able to import garment, leather and other materials cheaper, and this would result in more competitive prices in the U.S., the report said.

Other products to benefit from the trade war are wooden furniture, electronics, sports equipment, and toys, BVSC said.

Viet Capital Securities (VCSC) pointed out in a report, “Vietnam will benefit from the trade war if U.S. businesses look for an alternative supply chain and Americans start buying Vietnamese goods.”

It added that foreign direct investment might shift to Vietnam from China to avoid U.S. tariffs.

The U.S. administration said it would begin to levy new tariffs of 10 percent on about \$200 billion worth of Chinese products on September 24, with the tariffs to go up to 25 percent by the end of this year.

China retaliated immediately with 5 and 10 percent tariffs on \$60 billion worth of U.S. products.

The U.S. has been Vietnam's largest trading partner this year, with \$30.2 billion in turnover in the first eight months, according to the Ministry of Planning and Investment.

Source: e.vnexpress.net - Sep 24, 2018

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Japan-Vietnam partnership aiming to yield positive dividends

Japan and Vietnam are strengthening ties. Bilateral economic cooperation has developed in recent times. Japan is the largest foreign investor in Vietnam. More than 3,100 Japanese businesses have undertaken investment in Vietnam, marking an increase of 40 per cent in four years.

Japan has been implementing an array of collaboration programs with Vietnam in developing hardware infrastructure, such as bridges, seaports, airports, and expressways. Japan has partnered with Vietnam in perfecting the latter's legal system, training human resources, and improving labor productivity.

In the coming time, together with expanding investment areas and scale, Japan expects to continue cooperating with Vietnam in infrastructure development, thus supporting its sustainable development.

Vietnam is now in a great transition phase in terms of politics and economy, with abundant energy sources for growth.

Japan also hopes to join hands with Vietnam to improve its administrative capacity. Japan is prone to natural disasters and Vietnam is one of the countries hardest hit by climate change. The countries will work on minimising the negative impact of climate change.

Both Vietnam and Japan are members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In the context of rising protectionism in several economies, bringing the CPTPP into force at an early date is particularly crucial for both countries.

Source: fashionatingworld.com - Sep 22, 2018

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Sri Lanka: VAT reduction hailed by textile and fabric industry

The stakeholders of the fabric and textile industry hailed the government decision to reduce Value Added Tax (VAT) to support the sector.

“We have no issue with regard to the tax reduction. However, we were worried about the cess been removed.

The government considered our request and the cess is in place. This will support the industrialists in the long term,” President Local Textile Manufacturing Association Nimal Perera said.

Recalling the past, he said that Sri Lanka had a vibrant textile industry.

“We lost our way due to the removal of duties and the whole industry collapsed. We faced difficulties. However, with the re-imposition of cess in 2006-7 the industry started moving on.

The main reason for the re-introduction of cess was to prevent the under-invoicing that was going on.

The industry was revived and heavy investments were coming in to the industry which include textile, power loom, knitting, yarn manufacturing, dyeing and finishing,” he said.

The textile imports to the country increased by five folds during the last few years. This was more than the requirement. This disparity and the falling rupee value have a negative impact on the textile imports, he said.

Minister of Finance and Mass Media Mangala Samaraweera considering the request made by the stakeholders in the fabric industry reduced the VAT on imported fabric to 5 percent.

Minister Samaraweera signed the gazette notification last week. Earlier fabric was subjected to Rs. 100/kg cess at the time of imports.

The budget 2018 has proposed to impose a 15 percent VAT on goods and the Value Added Tax Act No 14 of 2002 was amended accordingly. The new VAT scheme came in to effect from August 16 2018.

As fabric was also subjected to this 15 percent VAT, the importers, traders and industrialists using fabric as raw material for making ready-made garments appealed to the Minister of Finance to provide them some relief as small scale traders and industrialists who are not covered under VAT Act have been adversely affected.

The Minister made the decision to amend the VAT Act further to reduce the VAT on imported fabric to 5 percent considering the possibility of giving a helping hand to proposed small scale industrialists under the Enterprise Sri Lankan scheme.

The Enterprise Sri Lanka, the subsidised loan scheme by the Ministry of Finance and Mass Media has introduced an interest subsidised loan scheme for medium and small scale manufacturing industrialists and they can obtain fabric as raw material at a low cost.

Source: sundayobserver.lk- Sep 23, 2018

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About 60,000 tons of cotton harvested in Tajikistan

About 60,000 tons of cotton was harvested in Tajikistan as of September 18 from the beginning of cotton harvest season, Tajik media outlets reported.

"Cotton harvesting in Tajikistan began in late August in the southern regions of the republic," the press center of the Tajik Agriculture Ministry reported.

The cotton growers of Khatlon region as of September 18 collected 45,759 tons of cotton, which is 18.3 percent of the forecast figure for the current year.

In Sughd region and districts of republican subordination, 12,404 tons (12.5 percent) and 1,250 tons (1.8 percent) were collected respectively.

Since the beginning of the cotton harvest season, as of September 18, 59,413 tons of cotton or 16.2 percent of the planned amount has been harvested.

As many as 185,817 hectares of land was allocated in Tajikistan for the cultivation of cotton this year.

Specialists of the industry noted that the decision to increase cotton crops was made by the government of the country in connection with the growth of market needs. Thus, cotton fields were expanded at the expense of grain and fodder crop areas.

In 2017, Tajik farmers managed to meet the Agriculture Ministry's forecast for the first time over the past several years. Thus in 2017, 380,000 of cotton was harvested in Tajikistan, 5.2 percent more than in 2016.

Until the middle of the 2000s, cotton was considered one of the two main export goods of Tajikistan (along with aluminum). In the 1980s, about 800,000 tons of cotton was harvested annually in Soviet Tajikistan.

At the same time, most of the cotton fiber produced in the country is exported as raw materials. The processing of these products within the country is insignificant.

Source: azernews.az- Sep 21, 2018

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RCEP May Turn Chinese Trade Trap For India – Analysis

RCEP (Regional Comprehensive Economic Partnership) may turn into a nightmare for India with China suspected to ploy a trade trap in the trade block. Hit by Trump's fierce trade war, which will downsize China's export, China is believed to offset the loss by aggressive exports to India through the platform of RCEP.

In the trade block, China is the biggest exporter and India is the biggest consuming country because of its demographic advantage. Eventually, the real aim of India to be within the block will be defeated. It will succumb to bigger trade deficit.

China is the biggest stake holder in RCEP, which includes ASEAN 10 + 6 (China, Japan, Australia, South Korea, New Zealand and India). It accounts for more than one-fifth of member countries of RCEP. At present, India reels under trade deficit with RCEP members. Given the China's predominance in RCEP, the major concern for India is that trade deficit would swell, leading to a paranoia of trade trap.

In 2017-18, RCEP accounted for 64.4 percent of India's world trade deficit. China was the main cause for India's trade imbalance with RCEP member countries. It accounted for 60.4 percent of India's trade imbalance with RCEP.

The vulnerability of India's joining RCEP cropped up when it was perceived that the trade block would impart a reverse impact on India. Instead of gaining in export, India will be a major import market.

The major beneficiary will be China. The spill over impact of RCEP will prove double whammy for India, with China asserting for a new and big untapped market in India.

A close study of the trade relation between India and RCEP versus China in the represents that China will be the game changer. Given the China's predominance in the block, critics cried foul , saying how can RCEP be a springboard for India's export buoyancy?

They feared that with the tariff concessions invoked in the block under FTA, it would leverage opportunities to China for larger eligible entry into Indian market and eventually the country would witness import surge from China, causing another dose of trade deficit.

Hitherto, China was exploring Indian market through backdoor using China –ASEAN FTA vis –a –vis India -ASEAN FTA. These FTAs became easy route for China to push its cheap products to India via ASEAN , while utilizing low tariffs. China signed FTA with ASEAN in 2010. Anecdotal evidences proved that since 2010, India's trade deficit with ASEAN widened further. It increased by over 68 percent in between 2009 -2010 to 2017-18.

Another empirical evidence to prove China using FTA with ASEAN to make a backdoor entry into India was dramatic changes in the basket of imports from ASEAN. Imports of engineering and plastic goods from ASEAN doubled in between 2009-10 to 2017-18 , where China has a bigger propensity to produce cheap goods. These product groups accounted for 27 percent share in total imports from RCEP member countries in 2017-18, against 23 percent in 2009-10.

This made Indian policy makers wary to conclude the RCEP deal and adopt a dilly-dally approach in the last Singapore meeting. Nevertheless, India could snatch away the commitment from the members of the trade block for continuing the negotiations over to the next year, leaving the target of this year in abeyance.

India had several FTAs and CEPAs in the past. The common argument is that India roiled into a mess in utilizing FTA's for its export buoyancy. According to estimates, not more than 5 percent of India's exports utilized FTA routes.

What are the reasons which decimated FTA benefits to India. Broadly, there are three reasons which shadowed the use of FTA. They are low competence in manufacturing, inverted duty structure and strict Rules of Origin.

Inverted duty structure prohibits Indian exporters to benefit from the tax concessions under FTA. The inverted duty structure means where custom duty on imports of components, parts and intermediaries are higher than the finished products. Given this duty structure, it is uncompetitive to produce products for exportable purposes. Several industries depend on imported raw materials and components.

India's competitiveness in manufacturing is low as compared to partner countries of FTAs. Big domestic market and protection by high tariff resisted Indian manufacturers to improve qualitative and cost-effective production. Advantage of low labour cost is eroded by low availability of skilled workers. Only 4.7 percent of working population are formally skilled in India against 24 percent in China.

As a result, Indian exporters failed to enter the export market with qualitative and cost competitive advantages. They are much behind of China and South East countries in manufacturing capability who developed export based model of economy.

Indian exporters expressed concern over Rules of Origin in some major partner countries under FTAs. According to a FICCI survey, who are mainly engaged in trade with major six countries of ASEAN, viz, Singapore, Malaysia, Indonesia, Thailand, Philippines and Vietnam, Rules of Origin were posing hurdles to Indian exporters.

About 30 percent of the respondents exporting pharmaceuticals, automotive parts and chemical products to these countries highlighted the Rules of Origin as one of the main barriers to reap the benefit from FTA.

Given the past experiences of FTA utilization and trade structure between India and RCEP, where China will be the game changer, it presages a threat of trade trap by China.

In the light of this, it is advisable for India to give second thought for participation in the trade block, unless changes are made in the original model. In this perspective, longer period of phase out of the tariff reduction, particularly in case of China and entry of service sector, with easing of visa regulation, are imperative.

Source: eurasiareview.com- Sep 21, 2018

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Indian fabric makers eye Bangladesh

Indian manufacturers look to capture a bigger share of the fabric market in Bangladesh as the country has already shown its strength in the global readymade garment supply chain, India's textile raw material exporters said.

Bangladesh, the second largest garment exporter worldwide, largely relies on India, apart from China, for garments raw materials.

Currently, Bangladesh imports fabric worth \$7 billion a year to run its garment sector. Of them, fabric worth more than \$2 billion come from India and \$5 billion from China, according to industry people.

"Bangladesh is a better garments manufacturer than India and the garment sector is dependent on fabric import, which has created an opportunity for Indian fabric manufacturers," said Rahul Kaviya, director of Ayma Creations Pvt Ltd, India.

Kaviya spoke while taking part in the 19th Textech Bangladesh International Expo 2018, at International Convention City Bashundhara in Dhaka.

Around 1,200 foreign companies, including some 92 textiles related firms, took part in the four-day fair.

Ayma Creations is a Gujarat-based manufacturer of suiting fabric and exporter to Gulf countries.

Kaviya said he would not have known about the demand of fabric in Bangladesh had he not taken part in the event.

"I discussed with a number of garment manufacturers in Bangladesh and they showed interest to purchase our products," he said.

Ayma Creations is also thinking about importing a huge volume of garment items from Bangladesh as prices are cheap compared to those in Vietnam and Indonesia, he said.

"The quality is also very good," Kaviya told The Daily Star.

He said another advantage of importing garment items from Bangladesh is that Ayma Creations will not have to pay duty as Bangladesh has duty-free access to Indian market. This offers a good chance to garment manufacturers to boost their exports to India, Kaviya said.

Rajesh Kumar Somani, director of Ramkumar Textiles Pvt Ltd, sees a good future for the Indian fabric manufacturers in Bangladesh thanks to increasing demand for Indian fabric.

He lauded the entrepreneurs of Bangladesh for developing the garment sector. Somani said the fabric manufacturing sector is yet to develop in Bangladesh compared to India largely because of non-availability of raw materials.

Ramkumar Textiles exports to Latin American and Gulf countries. The fair has opened the door to export its products to Bangladesh, Somani said.

Hanish Vikmani of AM Industries Ltd, an exporter of premium shirting and suiting fabric, said he is hopeful to start exporting products to Bangladesh as a number of customers have shown interest.

Rawalwasia Yarn Dyeing Pvt Ltd, a manufacturer and exporter of woven and knitting fabrics, is trying to enter the market in Bangladesh.

And Pradip Marathe, head of customer service of the company, believes that Rawalwasia Yarn will get a good market share as it manufactures high quality products.

Babita Singh, proprietor of Ashok Vatika, a Kolkata-based fashion house, said she is looking for partners to set up joint venture in Bangladesh.

Ashok Vatika will provide technical support along with fabric.

“Our products have big demand among the fashion-lovers in Bangladesh. During Eid-ul-Fitr, a huge quantity of our products is imported to Bangladesh. So, I am confident about capturing a share of the market.”

Source: thedailystar.net- Sep 23, 2018

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Pakistan: Trade wars - are they good and easy to win?

“Trade wars are good and easy to win,” so tweeted President Donald Trump after imposing tariffs (customs duties) of 25% on imports of steel and 10% on aluminium in March 2018.

When some exporting countries such as China, Canada and Turkey reacted by imposing tit-for-tat tariffs, the US president further fueled the fire by imposing more tariffs on those countries.

Now Canada and the US have \$16.6 billion of tariffs on each other's goods. Similarly, the US counter-reacted to Turkey's tariffs and doubled its import duty on imports of steel and aluminium from Turkey, thereby almost shutting out Turkish exports of these products.

But the biggest tariff battles are being fought between the US and China. The US government has already imposed tariffs on \$250 billion worth of Chinese imports. China has responded with counter-measures including tariffs on \$110 billion of imports from the US.

It has been six months since the tariff war started. It is not enough time to make a final appraisal but early signs are that the trade war has started hurting economies of several countries and US producers are amongst the major losers.

In particular, the US farmers have already started losing their export markets. For example, soybeans are the largest US agricultural export and China is the bigger buyer.

After China retaliated by imposing tariffs, US exports of soybeans fell by \$700 million in July 2018, a 16% drop from the previous month. To make up for losses of the US farmers, Trump announced subsidies of \$12 billion, which many farmers say is not enough.

Manufacturing is faring no better. According to various surveys conducted by US manufacturers, it is not just the cost of raw material and components which has been increasing but also there are long delays for supplies reaching factory production lines.

Most exporters fear that a prolonged trade war would result in cost increases and thus reduce their competitiveness.

Many commentators are of the view that the world's two largest economies are now entering the opening stages of a new economic Cold War, one that could persist for some time to come.

The current US tariffs are an aberration of its trade policies, which it has been following since the 1930s, when steep tariffs had resulted in global trade slowdown and the Great Depression.

Learning from the disastrous impact of those tariffs, the US has always been one of the biggest champions of free trade and open markets. While it has occasionally resorted to trade measures under WTO rules, this is the first time it is using national security provision since the establishment of the World Trade Organisation in 1995.

According to Nobel laureate Paul Krugman, "Trumpian trade policy has, almost casually, torn up rules America itself created more than 80 years ago — rules intended to ensure that tariffs reflected national priorities, not the power of special interests ... and this will have nasty consequences".

Some studies such as by Unctad suggest that if the trade war continues, average tariffs could rise from negligible levels to as high as 30-40% for major exporting countries. Even for developing countries that played no role in starting the conflict, the tariffs could rise from 3% to 37%.

Impact on Pakistan

How can Pakistan be impacted by the tariff war? The US is Pakistan's largest export market and one of the very few with which it enjoys a substantial trade surplus, with exports of \$3.5 billion against imports of \$2 billion.

This week's US tariffs of \$200 billion on China cover several consumer goods including textile and clothing articles (but exclude bed linen and towels). The tariffs would raise prices of Chinese goods and thus could be an opportunity for countries like Pakistan to increase their market share. Another impact of the tariff war has been the recent planning and speeding up of shifting of labour-intensive industries to lower-cost Southeast Asia.

Most of the relocation is currently being planned to countries such as Vietnam, Bangladesh, the Philippines and India. Pakistan is in the process of setting up Special Economic Zones under the CPEC initiative but there seems to be no signs of relocation of these industries here.

With the abatement of the energy crisis and improved law and order situation, Pakistan should not let go of this opportunity. Unfortunately, our short-sighted protectionist policies are not helping the situation as some of our influential business interests are making every effort to avoid any competition.

Source: tribune.com.pk- Sep 24, 2018

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Primark cotton programme to be extended to Pakistan

Primark plans to expand the Primark Sustainable Cotton Programme to encompass suppliers in Pakistan. The retailer plans to enroll 30,000 farmers on the programme by 2022, receiving training and support in order to successfully provide Primark with cotton that adheres to its sustainability criteria.

The Primark Sustainable Cotton Programme was established to train and support smallholder farmers in the application of 'sustainable' farming methods. In association with CottonConnect, growers are educated on the most appropriate farming techniques for their land. This advice covers topics including seed selection, sowing, soil, water, pesticides and pest management, picking, fibre quality, grading and storage of harvested crop.

The initial roll-out of the programme began in 2013 and was exclusive to India, with over 6,000 independent farmers in Gujarat working with the programme pioneered by the high street retailer. On average, Primark claims, profits increased by almost 200 per cent for those who completed training; a figure which almost certainly makes the initiative easy to sell to many independent Pakistani growers.

Source: fashionatingworld.com- Sep 22, 2018

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Pakistan to increase exports up to \$27bn

In a positive development, very important buying mission from China is coming to Pakistan on September 27 and will place orders to import many items from Pakistan.

This will help reduce the trade deficit in bilateral trade with China which stands at over \$14bn, senior top notches of the commerce ministry said.

There is a realisation, the officials said, in Beijing that Pakistan's trade deficit with China has increased manifold particularly after the implementation of FTA-1.

'Now the authorities in Beijing have decided to dispatch a buying mission to Pakistan which will purchase many items may be worth \$300mn-\$400mn depending the availability of exports surplus Pakistan entrepreneurs have with them.

The government wants that sending the buying mission by China should be a regular feature other than the formal trade between the two countries. Pakistan's imports from China currently stands at over \$16bn whereas export to China stand at over \$2bn showing the trade deficit of over \$14bn which is heavily in favour of China.

Meanwhile after announcing Rs44bn subsidy to export-oriented industry particularly for textile industry, the Imran Khan government has decided to jack up the exports of the country to \$27bn from existing \$23.4bn in nine months of the ongoing fiscal 2018-19.

According to top notches in the government, the government has asked the zero rated industry to enhance the exports of the country up to \$27bn by June 2019 arguing what the industry wanted has been provided. 'Though the target seems ambitious, but at the same time it is realistic as well.

'We are sure that the target will be achieved on account of two reasons; one is that global economies have started recovering and their masses are now in spending mode and the second is that Pakistan rupee has been devalued for 4 times, the officials said adding: 'We are expecting the growth in the exports as the international trends are going in favour.

The textile sector has been communicated that those business tycoons who goes for value addition and increase their focus on garments will be more beneficiary of the subsidy.

In the supply chain, high end business houses will be get more benefits.

However, lower end business houses in the supply chain for example those who deal in yarns will also get the benefits of the subsidy but at lower side.

Pakistan is braving right now the overall trade deficit of \$37bn as the imports stand at \$60bn and exports are at \$23.4bn.

Source: menafn.com- Sep 23, 2018

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NATIONAL NEWS

EU-India “fully committed” to move forward on free trade pact, says EU Official

The European Union and India are “fully committed” to moving forward on the proposed free trade agreement and discussions are on between the two sides on the much-delayed pact, according to an EU official.

The negotiations for the pact, officially dubbed as the Bilateral Trade and Investment Agreement (BTIA), have been held up since May 2013 and have witnessed many hurdles.

“Discussions between European Union and India are going on. Both sides are fully committed to moving this agenda forward and discussions are on,” Ambassador of the 28-nation grouping to India Tomasz Kozlowski told PTI when asked about the BTIA talks.

The negotiations for the pact were launched in 2007. Besides demanding significant duty cuts in automobiles, the EU wants tax reduction on wines, spirits and dairy products, and a strong intellectual property regime.

On the other hand, India is asking it be granted data secure nation status by the EU. The country is among the nations not considered as data secure by the EU.

“The grant of a data secure nation status to India by the EU will provide the country’s IT firms enhanced market access to European nations and also improve their business prospects significantly,” EAZY ERP Technologies Managing Director Kunal Singhal said.

The two sides have to also iron out differences related to the movement of professionals. Two-way trade between India and the EU dipped to USD 88.4 billion in 2015-16 from USD 98.5 billion in the previous fiscal.

Source: financialexpress.com- Sep 23, 2018

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Commerce Ministry rues steep decline in export credit

To discuss the issue with RBI, banks and Finance Ministry

The Commerce Ministry has decided to take up with the RBI, the Finance Ministry and banks, the problems faced by exporters due to a sharp drop in export credit despite an increase in exports.

“Commerce Minister Suresh Prabhu will hold meetings with the Department of Financial Services in the Finance Ministry, the RBI and leading bankers to discuss ways to increase credit flow to exporters,” a government official told BusinessLine.

In July 2018 (up to the 20th), export credit provided by banks fell about 47 per cent to ₹21,900 crore compared to the same month last year. Overall lending to the priority sector, however, increased 7.5 per cent during the month, as per the latest RBI data. Even compared to March this year, there has been a 22.7 per cent drop in export credit.

“The flow of credit to the export sector is at an all-time low. When export growth is over 15 per cent, there is no reason that export credit is down by 25 per cent or more. This is going to affect all exporters,” said Ajay Sahai of the Federation of Indian Export Organisations (FIEO).

MSMEs worst hit

It is the MSME sector that is hit the most by the credit crunch as, without liquidity, they are unable to take orders.

With the refund of input tax credit continuing to be a stiff challenge, especially at the State level, it is a double whammy for exporters.

Exports from sectors dominated by MSME units — such as plantations, marine products, readymade garments, jute manufacturing including floor covering — continue to post a decline despite an overall growth in exports.

“The government has to realise that you cannot talk about pushing up exports while not addressing the liquidity problems of exporters,” said a Delhi-based exporter of garments.

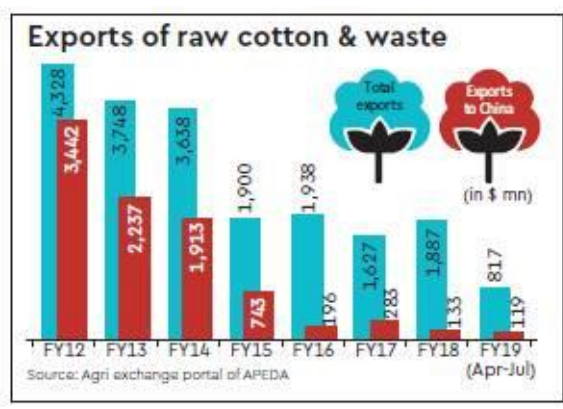
“Banks have to be convinced to loosen their purse strings for exporters. If that doesn’t happen export growth will be erratic and labour-intensive sectors will continue to suffer.”

Source: thehindubusinessline.com- Sep 23, 2018

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US-China trade war: India’s cotton exports to China may see a fivefold jump

India’s cotton exports to China may see a fivefold jump to 4 million bales in the marketing year starting October 1 (2018-19), after the neighbouring country slapped a 25% additional duty on imports of the fibre from the US on July 6, amid the trade standoff between the world’s two biggest economies, trade sources said.



Indian traders have already entered into a forward contract with Chinese buyers to deliver about 1.2 million bales between November and January, these sources added. Though some quantities have been contracted for exports to Bangladesh and Cambodia as well, maximum contracts have been with China.

China is set to return as a major cotton importer, taking 10 million to 15 million bales each year by 2019-20, Reuters has reported recently, quoting an analyst at trading house Louis Dreyfus Company.

However, a likely decline in India’s cotton production in the next season, low closing stocks (2.2 million bales) and higher minimum support prices announced recently might dent India’s export prospects, analysts said.

India is slated to conclude cotton exports of 0.8 million tonnes to China in 2017-18 (October-September) season. In value term, the country’s exports of the fibre peaked at \$3.4 billion in the financial year 2011-12 and has since fallen sharply to \$133 million in FY18; in April-July this fiscal, the exports were \$119 million.

“China’s cotton stocks have reduced and it has been a net importer to meet its garment demand,” said Atul Ganatra, president of the Mumbai-based Cotton Association of India.

China has an annual output of 35 million bales against consumption of about 50 million bales. The country has not been able to increase cotton production in recent years since the focus shifted to food and feed crops. China’s buffer cotton stocks began depleting since 2015.

The Gujarat government has come out with its first production estimate of 8.8 million bales for 2018-19 cotton year, down from 10.6 million bales produced last year, Ganatra said. Gujarat, the largest producer of cotton among Indian states, may further cut the estimate, he said.

India’s cotton output for the 2017-18 (October-September) season is pegged at 37 million bales, up 7% from the previous year; while traders say next season’s output would be slightly less than this year’s, the Cotton Advisory Board hasn’t made any estimate so far.

Thanks to the new minimum support price, cotton prices will rise by a whopping 28%, from Rs 40,200 per tonne for kapas to Rs 51,500 per tonne. Given the conversion ratio of around 33%, this means the prices of finished cotton will rise to about Rs 156,400 per tonne, up 20% from the current global prices.

At this price, India’s cotton exports will be uncompetitive, though the rupee’s fall would cushion the fall a bit, according to DK Nair, former secretary general of Confederation of Indian Textile Industry.

India had pipped China to be the world’s largest cotton producer a couple of years ago.

Source: financialexpress.com- Sep 22, 2018

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Strong opposition pushes MSME Bill to backburner

If the Bill is not passed within the next two sessions of the Lok Sabha, it is likely to lapse

The Bill to redefine Micro, Small and Medium Enterprises (MSMEs) may not see the light of the day as the government seems to have developed a cold feet.

The Bill, which was introduced in the Lok Sabha during the monsoon session, is facing opposition not only from various political parties or trade bodies related with MSMEs, but also from an affiliate of the Rashtriya Swyamsevak Sangh (RSS), Swadeshi Jagran Manch (SJM).

“There is very strong opposition to the Bill. In all probability, it is on the back burner now,” a senior government official told BusinessLine.

Ashwini Mahajan, Co-convenor of SJM, feels the Bill, if enacted, will end the distinct identity of MSMEs. “No where in the world, turnover is sole criteria to define MSME, so why here?” he said adding that there should be an arm’s length to the large industry so that they can evolve with all support from the government.

Since the Bill was introduced in the Lok Sabha, its life is till the term of the 15th Lok Sabha. Only two more sessions (winter and budget sessions) remain for the current House. If the government does not get the Bill passed during the next two sessions, it will automatically lapse.

The government official, however, maintained that the new Bill has been designed keeping in mind changing business scenario, not just in India but also globally.

Even after a change in the definition, various exemptions and conditions such as mandatory sourcing from MSME will continue. There will also be no change in the policy of granting more and more finance on easier terms.

The MSME Development (Amendment) Bill, 2018, prescribes any business with a turnover of up to ₹5 crore will be considered a ‘micro enterprise’. The other slabs are ₹5-75 crore for ‘small enterprise’ and ₹75-250 crore for ‘medium enterprise.’

At present, there are two sets of definitions, depending on whether the units produce goods or services. Under the goods category, the slabs are up to ₹25 lakh for micro, ₹25 lakh to ₹5 crore for small and ₹5-10 crore for medium. In the case of services, the slabs are: up to ₹10 lakh , ₹10 lakh to ₹2 crore and ₹2-5 crore.

“It has been felt necessary to change the criteria for the classification in order to align it with the needs of the current times and changing business ecosystem,” said the Bill’s statement of objects and reasons.

The statement also said the criterion of investment entails physical verification, bringing with it transaction costs. It also incentivises promoters to keep the investment size small to retain the MSME tag.

“Overall, the turnover based classification will promote the ease of doing business and will put in place a non-discretionary, transparent and objective classification system,” the statement read.

MSME numbers

The number of MSMEs registered on Udyog Aadhaar Memorandum (UAM) Portal till July 12, 2018 (since September 2015) is 48.40 lakh. However, as per the data received from the 73rd round of the National Sample Survey on ‘Unincorporated Non-Agricultural Enterprises (excluding Construction)’, conducted by National Sample Survey Office (NSSO), Ministry of Statistics & Programme Implementation (during July 2015 to June 2016), the total number of MSMEs in the country was 633.88 lakh.

India’s export of products from the MSMEs increased to \$137.1 billion in 2016-17 from \$130.8 billion in 2015-16, registering a growth of 4.8 per cent, which was an improvement from the negative growth of 5.9 per cent in 2015-16.

Source: thehindubusinessline.com- Sep 22, 2018

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Migration of older cargo terminals to new rate regime is bound to fail

Ministry sets rules for shift and opens a four-month window

Disputed liability worth a few thousand crores and high revenue share payable by terminal operators could spoil a Shipping Ministry plan to permit cargo terminals governed by a 'faulty' rate regime from 2005, to shift to a market-friendly pricing structure finalised in 2013 for new projects.

The public-private-partnership (PPP) operator will have to settle all disputes ahead of shifting to the 2013 rate regime, which will be done through a re-bid, according to guidelines set for the migration.

Litigation pending before any court of law, including arbitration cases initiated by him against the port trust, the Tariff Authority for Major Ports (TAMP) and the Union of India, should be withdrawn "unconditionally" before bids are called.

The disputed amount arising out of operation of stay orders passed by courts of law should be kept in an escrow account, while the PPP operator withdraws the litigation.

The application seeking withdrawal of litigation from the courts should also seek the manner of utilisation of the disputed amount, according to the guidelines.

The project proposed for migration should be free of all encumbrances and liabilities. All outstanding dues to the port trusts and all liabilities arising out of litigation or otherwise should be settled mutually by the PPP operator and the port trusts.

Terminals operating under the 2005 rate regime will never agree to this precondition set by the ministry simply because the disputed amount they are sitting on is "huge" – in one case, it is higher than the project cost itself.

Besides, surrendering the disputed money and dropping all litigation would make a mockery of the court cases they are fighting the port trusts concerned and the rate regulator on what they believe was "a mistake on the part of

TAMP to punish them for being efficient by handling more than the projected volumes”.

So, telling the older PPP operators to surrender all the money and start afresh, is simply asking for the impossible. But, this could also help the government build a ‘case’, where they can go back and tell the court that while the aggrieved older terminals working under the 2005 rate regime were allowed an opportunity to shift to the 2013 regime, nobody opted for it.

Then, the ministry can tell the court that its earlier submission to the court on allowing migration was no longer valid because the terminal operators were not willing to migrate under the conditions set by it.

So, either the conditions for migration will have to be changed or they can tell the court ‘sorry, I can’t do anything about it and this is what it is’.

The second aspect is the reserve royalty to be set for re-bidding purpose. The Shipping Ministry says that the existing royalty or revenue share converted into royalty of the relevant project would be set as the reserve royalty.

This is based on the premise that migration to the de-regulated rate regime of 2013 would fetch higher revenue to port operators, which has to be shared with the port trusts. And, the best way to discover the royalty price afresh was to re-tender the project keeping the existing rate as the base price, so that the port trusts are not hauled up later by the government auditor or investigating agencies for causing revenue loss, besides the political ramifications it may entail.

But, it should also be borne in mind that the older port concessions were bid out at very high numbers with terminal operators quoting aggressive royalty/ revenue shares that were upwards of 40 per cent. Nobody can match those high rates today, let alone exceed them simply because the market cannot take it. Thus, re-bidding with a reserve royalty is bound to be a big-time failure; nobody will take it.

Source: thehindubusinessline.com- Sep 21, 2018

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Early sowing can increase cotton yield: study

Crop forecasting—prediction of crop production under different weather conditions through computer simulations— can guide decisions to maximise production under a particular weather condition. Such predictions have become important under the emerging climate change scenario where knowledge about impact of changing weather patterns on crop productivity can help in minimizing yield loss.

A team of Indian scientists, in their study published in journal *Current Science*, have predicted that the yield of cotton can be maximized if the crop is sown early (by mid-May) and irrigated during ball formation and maturity stages in case of drought conditions. They identified the stages of cotton plant sensitive to water availability by simulation techniques.

The study involved analyzing rainfall patterns during June to September from 2002 to 2014, which included two drought years (2002, 2014) and two excess rainfall years (2010, 2013). Researchers then collected yield data of three Bt cotton varieties - Pancham-541, RCH-791 and SP-7007, which were cultivated in Hisar district of Haryana, during the Kharif season of these four years.

It was found, through simulations, that early sowing (Mid- May) always yielded better cotton production as compared to late sowing (June). Further, it emerged that irrespective of sowing time, irrigation at ball formation stage (66 to 101 days after sowing) and again at ball maturation stage (101-135 days) can increase the yield in case of drought condition.

“With changing climate, cotton crop production is affected which has corresponding socio-economic impacts. This can be alleviated with help of improved irrigation support and pest control management”, explained Dr. A. P Dimri, author of the study and Professor at Jawaharlal Nehru University.

Water availability is one of the prime factors that determines crop production. However, it is not economical to go for irrigation throughout the season. Consequently, such studies which help in understanding critical stages of water requirement for a particular crop are essential to make better decisions in times of water scarcity.

Source: thehindubusinessline.com- Sep 21, 2018

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Focus on quality of cotton, stakeholders told

The Indian Cotton Federation has stressed on the need for all stakeholders to focus on quality of cotton.

J, Thulasidharan, president of the federation, said at its annual meeting on Sunday that grading of cotton needs a closer look. “Only when quality is assured we can move to the next stage of branding of Indian cotton. Contamination needs to be controlled at every stage,” he said.

Further, packing of cotton needs to be standardised. Ginners use different kinds of packing, he pointed out. The Government should look at the possibility of bar coding cotton bales.

Cotton farmers need to adopt better irrigation systems to conserve water. The Government and banks should come forward to fund cotton purchase.

Mr. Thulasidharan said the Cotton Advisory Board had estimated the cotton production this cotton season from October 2017 to September 2018 to be 370 lakh bales. For the next season (2018-2019), farmers have shown more interest in cotton.

However, due to pink bollworm and pest attacks, the volume of the crop is expected to be between 360 lakh bales and 380 lakh bales. “As of now, the supply position will be able to meet the demand for cotton at the current spindleage. Regarding prices, they were on steady to firm levels,” he said.

Source: thehindu.com- Sep 23, 2018

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Industry pins hope on textile revival

Kerala should try to build textile industry hubs as it creates higher number of jobs in the local economy than any other industry, said industry leaders. With government implementing a single-window clearance system for industries, chances of developing a hub is a realistic target, they said.

“Other states are aggressively promoting textile industry and setting up hubs. This is because they have understood this industry’s job creation potential. Jharkhand is setting up a hub in 500 acres, where Aravind Mills and Page Industries are starting manufacturing facilities,” said Kitex Garments MD Sabu M Jacob.

He added that Odisha is also promoting the industry in a big way that they have termed it an essential service, where flash strikes will not be permitted. “Many states are setting up multiple hubs; there are states with five or six hubs,” Jacob said.

Kitex has serious expansion plans. “We will be investing Rs 2,000 crore by 2025 to set up new manufacturing facilities. Our board of directors have passed the plans for Rs 920 crore investments,” he said, adding that the new investment destination has not been chosen and Kerala's single-window clearance is an attractive proposition.

Maryan Apparel MD Thomas Olickal believes that there is a huge opportunity in providing uniforms to schools and companies in India, which Kerala should tap. “Kerala’s domestic market for uniforms could alone sustain 20 companies like that of mine,” he said.

There is an increased demand for workwear in India, which is a result of growing awareness among corporates regarding the benefits of workwear, said a report from Technopark, a management consultancy.

“Indian hospitals, for instance, have understood that when adopted, uniforms not only assist patients in identifying the hospital staff, but also create an atmosphere of professionalism and team spirit among staff. Other sectors are now realizing these benefits,” it stated.

Workers in manufacturing and allied sectors such as automobile, oil and gas are becoming aware of occupational hazards, and hence companies are enforcing a safer work environment, added the report.

“Vendor companies that have tie ups with MNCs are often required to comply with international safety standards. Furthermore, having workwear assists in creating a better corporate identity. These drivers are fuelling growth in India’s workwear market,” said the report titled ‘Work Apparel Uniform and Non-Uniform’.

Jacob said that small export oriented units of Kerala could tap the Middle Eastern markets, easily.

“There are small markets in GCC countries which could be individually serviced by Kerala companies,” he said.

Source: timesofindia.com- Sep 24, 2018

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