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The Cotton Textiles Export Promotion Council (TEXPROCIL)
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IBTEX No. 155 of 2018 July 25, 2018

USD 68.82| EUR 80.40 | GBP 90.49 | JPY 0.62

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22421	46900	**86.76**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
22130	46291	**85.64**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	86.70
ZCE Cotton: Yuan/MT (Jan 2019)	15,780
ZCE Cotton: USD Cents/lb	**89.57**
Cotlook A Index – Physical	**98.20**

Cotton Guide: The US ICE December cotton future was volatile on Tuesday's trading session. It was an outside range trading day moved in the range of 86.10 to 87.36 while ended the session at 86.70 down by 11 points from previous day. The other month contracts moved almost in similar trend.

The trading volumes were stable near 14K contracts and the open interests continue to hold at around 260K contract. There has been marginal improvement in the OI while trading volumes have shrunk in last one month much lower than the previous month's average.

No major development from cotton market except that Trump administration announced a 12 Billion USD emergency relief effort for select crop which include both Soybean and Cotton.

Coming back to cotton frontier no other news was important in the market. Technically market is taking strong support near 86 cents and we think any decline below 86 will have severe damage to price structure and it could pull down to 83.50 area. However the broad structure continues to be bullish supported by moving average and chart pattern.

On other side of the world Chinese cotton price has been trading steady. The Chinese daily cotton auction of the state reserves was around 69% and the cumulative rate is around 59%. The auction series started in 24 million bales and as of now 16.40 million bales are remaining.

From India cotton price continues to trade steady near Rs. 47500 per candy ex-gin with marginal weakness in rupee the parity comes near 87.80 cents per pound. We think overall market for Indian cotton is positive with steady trend. Lastly on the futures front the most active July future ended the session at 23400 per bale no major change from previous day's close. We think it might move in the range of 23280 to Rs.23570 per bale for the day.

Indian rupee- Indian rupee trades little changed near 68.95 levels against the US dollar. Rupee is range bound amid mixed cues. Choppiness in crude oil price, trade war worries and Fed's monetary tightening stance is weighing on rupee. However, supporting rupee is stability in equity market. Also supporting rupee are reports that central bank may announce bond purchases through its open-market operations.

Brent crude trades mixed near $74 per barrel as market players assess actual supply issues against prospect of higher supply from OPEC, US and Russia. Global equity markets have stabilized as trade war worries are countered by reports of higher Chinese infrastructure spending to boost growth. The US dollar index has also turned choppy as Trump's concerns about Fed's monetary tightening are countered by general optimism about US economy and higher yields. Rupee may witness choppy trade amid mixed cues but some depreciation is likely given trade war worries and Fed's monetary tightening outlook. USDINR may trade in a range of 68.75-69.15 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Annual China textile trade show opens in New York

The 19th China Textile and Apparel Trade Show, an initiative to help Chinese textile and apparel makers and factories explore the U.S. market, opened at the Javits Convention Center in Manhattan, New York, on Monday.

Over 600 Chinese garment, fabric and textile enterprises are attending this year's trade show, Xu Yingxin, vice-president of the China National Textile and Apparel Council, said at the opening of the annual event.

The three-day show has exhibitors from 17 countries and regions.

This year marks the 40th anniversary of China's reform and opening up. Over the past 40 years, the Chinese textile industry has established a highly efficient and leading industrial chain, enabling China to become the biggest textile manufacturer, exporter and consumer, Xu said.

"As a highly market-oriented industry, (the) Chinese textile industry has deeply integrated into the global textile and apparel supply chain and value chain. Our cooperation with (our) American counterparts in trade and investment keeps upgrading," he said.

China, for a long time, has been the biggest exporter of textiles and apparel to the United States, which is the largest market for the Chinese textile industry, he said.

Since 2010, the China Textile and Apparel Trade Show is held in parallel with Texworld USA, Apparel Sourcing USA, and the Home Textiles Sourcing Expo in order to better cater to American customers.

Source: xinhuanet.com - July 24, 2018

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Pakistan: Garments worth $2.578b exported

Readymade garments worth $2.578 billion were exported during 12 months of last financial year as compared the exports of $2.318 billion of corresponding period of last year.

About 49,149 thousand dozen of readymade garments were exported during the period from July-June, 2017-18 as against the exports of 35,158 thousand dozen, showing an increase of 11.22 percent as compared the last year, according the data of Pakistan Bureau of Statistics.

It is worth mentioning here that by the end of last financial year, textile group exports from the country witnessed about 8.67 percent growth and reached at $13.530 billion as compared the exports of US$ 12.450 billion during the same period of last year, the data reveled.

Meanwhile, country earned US$ 2.719 billion by exporting about 108,503 thousand dozen of knitwear, which were stood at 104,091 thousand dozen worth of $2.361 billion of same period of last year, it added.

During the period under review, about 373,513 metric tons of bed wear valuing $2.261 billion were exported as against the exports of 357,546 metric tons worth $2.137 billion of same period last year.

From July-June, 2017-18, raw cotton exports also registered 33.65 percent growth as 35,347 metric tons of the above mentioned commodity costing $58.227 million exported, which stood at 25,462 metric tons valuing US$ 43.567 million of same period last year.

During 12 months of last financial year, about 521,959 metric tons of cotton yarn worth $1.371 billion was also exported as compared the 458,074 metric tons valuing $1.243 billion of the same period last year.

The exports of the cotton yarn during the period under review grew by 10.30 percent as compared the corresponding period of last year, where as the exports of yarn other than the cotton yarn grew by 38.85 percent, it added.

About 11,690 metric tons of yarn other than cotton yarn worth $33.411 million exported as against the 2,519 metric tons valuing US$ 24.063 million of same period of last year, it added.

The country earned $ 2.203 billion by exporting 2.250 thousand square meters of cotton cloth, which were recorded at $2.048 billion of same period of last year, the date reveled.

Source: nation.com.pk- July 25, 2018

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Uzbekistan to manufacture textile products under Zara, Nike, Adidas brands

Arnasoy Gold Tex, an Uzbek textile company, is planning to establish manufacture of products under the Zara Home Collection and Tac Home brands in the territory of Uzbekistan, Gazeta.uz reports.

Arnasoy Gold Tex, which has a factory with the latest textile equipment and quality standard of ISO 9001, has won the support and recommendations from such world fashion houses as Zara Home Collection and Tac Home.

The company has an Oeko-Tex Standard 100 certificate, which serves as an additional confirmation of the quality of its products. The factory will be launched in early 2019 and will provide jobs for more than 700 people. The presence of ISO 9001 certificate will allow Uzbek textiles to enter international markets, where the presence of such certificate is a mandatory requirement.

Also, it is planned to sign contracts with the world famous brands Nike and Adidas for production of sportswear. This news will be a real gift for football fans, especially now that Uzbekistan is actively developing this branch of sports and physical culture in general. The products to be manufactured at the new factory will easily compete with the products from the world textile leaders.

Residents and guests of Uzbekistan will have a great opportunity to buy comfortable and fashionable novelties from well-known manufacturers, made of domestic cotton and sold at an affordable price.

Source: en.trend.az- July 24, 2018

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US wants Bangladesh to withdraw cotton import restrictions

Cotton sector leaders from the United States want Bangladesh to lift the old fumigation rules on the import of US cotton as the process imposes an additional cost burden on the importers and spinners and results in increased lead time.

American Cotton Shippers Association (ACSA) president Raymond Faus recently urged Bangladesh to review the unfair restrictions.

The restrictions include phytosanitary requirements.

Only US cotton is subject to fumigation in Bangladesh, allegedly to prevent boll weevil, which has been eradicated from the United States long ago, Bangladesh media reports quoted Faus as saying.Faus was part of a US delegation that visited Dhaka recently on the occasion of Cotton Day.

The fumigation rule was enacted in the late 1960s reportedly to protect Pakistani cotton against competition from US cotton.

But the rule is irrelevant now as Bangladesh is not a major cotton producer and depends heavily on imports, said Sabbir Ahmed Chowdhury, programme representative of Cotton Council International (CCI) in Bangladesh. Bangladesh is the largest cotton importer in the world, while the United States is the largest exporter.

But the US share in the Bangladeshi cotton market is very less as the latter is overwhelmingly dependent on Indian cotton for feeding its readymade garment industry.

The United States can be a bigger source of high-quality, reliable cotton in Bangladesh if a level playing field can be created, according to CCI director William R. Bettendorf.

"Almost no other cotton importing countries including China or Vietnam have that phytosanitary requirement," Bettendorf noted.

Congestion at the Chittagong port also adds to the rise in cost while also creating much more exposure to price volatility, said Faus, who is the CEO of US cotton giant Omnicotton.

Even India imports most of its cotton from the United States, added Bettendorf.

Source: fibre2fashion.com - July 25, 2018

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Vietnam emerges as the new investment destination

Nguyen Thi Tuyet Mai, Secretary General of the Vietnam Textile & Apparel Association (Vitas) says, Vietnam is one of the world's leading destinations for investors in the textile & garment industry due to the bilateral and multilateral agreements that the country has signed.

Vietnam joined 16 FTAs, of which the two new-generation FTAs – CPTPP and EU-Vietnam FTA — are expected to facilitate the development of the industry.

Taiwanese company Far Eastern Apparel recently received an investment certificate to implement a $25 million garment project in VSIP II-A IZ in Binh Duong province of Vietnam. The company also signed a contract for leasing more land to expand its investment in its cloth and chemical fibre project in Bau Bang IZ.

Similarly, Singapore-based Herberton launched a textile and garment project, Ramatex in the Nam Dinh, with total investment capital of $80 million.

The project is expected to become operational the next year and generate 3,000 jobs. Meanwhile, Japanese Itochu has spent 5 billion yen ($47 million) to acquire 10 per cent of Vinatex's shares more, raising its ownership ratio in the Vietnam's largest textile & garment group to 15 percent.

Source: fashionatingworld.com - July 24, 2018

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Bangladesh: Highest in price competitiveness, lowest in compliance: study

Bangladesh offers the most competitive prices for the readymade garment products in the world but sourcing from the country involves the highest compliance risks and the longest lead time, according to a recent study.

The Department of Fashion & Apparel Studies of the University of Delaware in collaboration with the United States Fashion Industry Association conducted the study titled 'The USFIA Fashion Industry Bench Marking Study 2018'.

The study was based on a survey of 28 executives at the leading US fashion companies from April, 2018 to May, 2018.

Approximately 68 per cent of respondents are self-identified retailers, 48 per cent self-identified brands, 56 per cent self-identified importers/wholesalers, and 4 per cent provide various fashion-related services.

According to the study, Bangladesh moved two steps up on the sourcing list in the US to become the fifth sourcing destination this year from seventh in 2017.

Nearly half of the respondents expected to somewhat increased sourcing from Bangladesh through 2020, up from 32 per cent in 2017, another seven per cent expected to strongly increase sourcing from the country, the study said.

The respondents expressed more interest in expanding sourcing from Bangladesh in the next two years as companies are actively seeking China alternatives.

The report found that 'Made in Bangladesh' enjoyed a prominent price advantage over many other Asian suppliers but the US companies still regarded risk of compliance as a notable weakness.

'Since compliance is so important to US fashion companies, concerns about the compliance risks involved in sourcing from Bangladesh could hold companies back from giving more orders to the country,' the report read.

Most of the respondents in the survey said that Bangladesh offered the most competitive price, followed by Vietnam.

They also said that cost competitiveness in many Asian countries weakened in 2018 compared with that a year ago.

The report showed that the efficiency of Bangladesh was lowest in managing supply chain management, while China and Vietnam offered shorter lead time than other countries in Asia.

'Although China's position as the top sourcing destination is unshakable, companies are actively seeking alternatives to "Made in China". This does not seem to be due to concerns about cost, but rather the worries about the escalating US-China trade tensions,' the study read.

Benefiting from the diversification away from China, Vietnam and Bangladesh are expected to play a bigger role as apparel suppliers for the US market in the near future, it said.

The respondents, however, said that sourcing from Bangladesh, Cambodia, and India involved higher compliance risks in general.

According to the survey, Asia as a whole continued to take the lead as the dominant sourcing region for US fashion companies as among the 10 most-utilised sourcing destinations in 2018, eight are located in Asia.

As per the study, the respondents sourced from as many as 51 countries or regions in 2018, the same as in 2017.

Consistent with the US official trade statistics, China (100 per cent of the respondents) and Vietnam (96 per cent of the respondents) continued to be the two most-utilised sourcing destinations, followed by Indonesia (79 per cent), India (75 per cent), Bangladesh (75 per cent), and Cambodia (61 per cent), the report showed.

According to the report, 90 per cent of the respondents expect their production or sourcing cost to increase in 2018, far more than 60 per cent last year.

The intensified trade tensions caused by the protectionist US trade policy agenda might force US companies to switch to more expensive sourcing destinations, it said.

'US apparel imports from China actually dropped by 1.6 per cent between January and April 2018, compared with a 1.7 per cent increase for products from rest of the world over the same period.

Thus, the worry about a looming US-China trade war is more likely to be the key driver behind the respondents' eagerness to find China's alternative than cost considerations,' the study observed.

Source: newagebd.net- July 24, 2018

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Singapore, South America customs union Mercosur launch free trade negotiations

Singapore and the South American customs union Mercosur have started negotiations for a free trade agreement (FTA), officials from both sides announced on Monday (July 23) on the sidelines of the 13th Pacific Alliance Summit held in Puerto Vallarta, Mexico.

Mercosur comprises Argentina, Brazil, Paraguay and Uruguay, representing a collective market of more than 260 million people and a GDP (gross domestic product) of US$2.5 trillion.

Singapore's total trade in goods with the Mercosur countries amounted to $3.97 billion in 2017, while trade in services amounted to $2.69 billion in 2016. Singapore's stock of direct investment abroad in the four countries was $1.91 billion as at end-2016.

The launch of the FTA negotiations was announced by Singapore's Senior Minister of State for Trade and Industry and Education Chee Hong Tat and his counterparts Argentina's Vice-Minister of Foreign Affairs Daniel Raimondi, Brazil's Ambassador to Mexico Mauricio Lyrio, Paraguay's Vice-Minister of Foreign Affairs Federico González and Uruguay's Vice-Minister of Foreign Affairs Ariel Bergamino.

Said Mr Chee: "Singapore and Mercosur are committed to fostering closer economic integration. The MSFTA (Mercosur-Singapore FTA) will encourage more trade and reduce barriers for Singapore businesses to explore opportunities in the Mercosur markets. It will also facilitate investments from companies in Mercosur who are interested to expand their presence in South-east Asia by using Singapore as a regional hub."

According to a Ministry of Trade and Industry statement on Tuesday, there were 94 registered companies from Mercosur countries in Singapore and about 68 known overseas affiliates from Singapore to Mercosur as at 2016.

Both Enterprise Singapore and the Economic Development Board have offices in Sao Paulo, Brazil. Singapore's business interests in the bloc are in the oil and gas, agribusiness, manufacturing, hospitality and logistics sectors. Singapore companies present in the four countries include Ascott, Changi Airports International, SMRT Corporation, Olam International, Wilmar International and Sunningdale Tech.

Source: straitstimes.com - July 24, 2018

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Bangladesh exports to UK rise 3.9 per cent in 2017-18

In fiscal 2017-18, Bangladesh's total apparel exports to UK was $3.71 billion – a rise of 3.9 per cent from 2016-17.

British businessmen are now willing to invest in Bangladesh as there is a big demand for Bangladeshi products in Britain. UK remains the third top destination for Bangladesh's apparel exports, beating Brexit fears.

Bangladesh has also sought GSP Plus facility from United Kingdom, its third biggest trade partner, following Britain's exit from the European Union. This facility would be granted to Bangladesh when it graduates out of the least developed country (LDC) club.

Source: fashionatingworld.com - July 24, 2018

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Drop in unit prices surges EU clothing imports

The massive drop in unit prices of garments has resulted in a stellar surge in clothing imports of the European Union, according to the data released by Eurostat.

Unit Value Realisation (UVR) in the period was € 17.05 per kg of fabric equivalent as against € 18.65 in the same period last year.

The rebound of the euro from a year earlier boosted demand from European buyers and due to a fall of unit prices in euro terms by 8.58 per cent on the yearly note, value of imports plummeted by 1.09 per cent.

The shipments from Bangladesh continued to cover the larger chunk in the European market beating even China which is losing ground in its clothing exports to EU.

Bangladesh clocked € 1.44 billion in the April month while China's exports could just hit € 1.15 billion in the month indicating Bangladesh is clearly pacing up to match the Chinese shipment values in EU.

Source: fashionatingworld.com - July 24, 2018

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Pakistan: APTMA demands zero-rating facility for machinery imports

The All Pakistan Textile Mills Association (APTMA) recently urged the country's caretaker government to immediately notify the zero-rating facility of sales tax on import of machinery that expired on June 30 and, as a result, machinery imported for balancing, modernisation and replacement (BMR) and for investing in greenfield projects are stranded at ports.

The statutory regulatory order issued was approved by the outgoing cabinet and only notification of the same is pending, Pakistani media reports quoted a press release by APTMA chairman Aamir Fayyaz Sheikh.

Sheikh urged the finance and commerce ministers to take stock of the situation to act immediately in this regard.

Source: fibre2fashion.com- July 24, 2018

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If Bangladesh could fix some policy, it can be the main player in fabric production and processing in the world...

Mohammed Shahinul Haque is a visionary textile engineer with an extensive experience who has been serving the textile sector for the last two decades.

After completing his B.Sc. in textile engineering from College of Textile Engineering & Technology (currently Bangladesh University of Textiles) in 1995, he started a career in Beximco, which was the pioneer in spinning and textile industry at that time, and served the organization for seven years.

Later on, he joined in NR group and after that, he joined in Badasha Group of industries and working for last sixteen years. He is now leading the group as Executive Director. Badasha Group is one of the highest capacity holding companies in Bangladesh in spinning and denim manufacturing.

Shahinul Haque has gathered in-depth knowledge in the textile industry set up including spinning, weaving, dyeing-finishing and machinery installation etc.

He implemented his knowledge to set up a new industry, operation, product development, production planning, sales, and marketing as well. He is one of the prominent experts in the country in modern machinery selection and erection to make a new project financially feasible.

Along with all these professional strengths, Shahinul Haque has special expertise in denim mill set up, from machine selection to fabric production. He designed and established the Pioneer Denim Limited, a sister concern of Badsha Group.

Recently Industry Research Team of Textile Today has met him to explore his professional experiences and Badsha Group's business operations. He has been selected as the 'Textile Icon' of July 2018 issue of Textile Today.

Textile Today: What initiative should we take to develop efficient people in this sector?

Mohammed Shahinul Haque: There is no alternative than training to convert our population into assets. We need to arrange training to increase the efficiency of our local people. Training can be provided by foreign experts or combined with local experts.

We also can arrange training for local trainers by foreign experts by a certain period so that our local trainee can become an expert trainer and train up other people.

Foreign tours also can be a good way of training. People can visit some industry in other countries and learn more knowledge practically. Training by the manufacturer of the machinery company also can help us to make technically sound.

Such training help in how to operate the machines and achieve the highest efficiency by using existing facilities in order to reduce manufacturing cost. Institutional training also can be a good way of training. BUTEX or other educational institution can conduct some training courses for our fresh or experienced people.

Textile Today: How Government should act to support our Textile industry?

Mohammed Shahinul Haque: Government is an important stakeholder of this sector. They should fix some policy for booming this business. Policies need to be taken in utility cost reduction, continuous supply of gas and electricity and infrastructure development etc. The government should subsidize in the power and energy sector. Utility price should not increase for the next 10 years at least to minimize the production cost.

In the industry, the price of finished products is not increasing where the material cost is upward. If utility cost also increases in parallel, the local manufacturer cannot compete and as a result, they need to sell the goods at manufacturing cost or lower than that to continue the running of manufacturing wheel. It is a question of survival for the industry. The sector will not survive if utility cost increases in every year.

Textile Today: What opportunities are waiting for Bangladesh textile industry?

Mohammed Shahinul Haque: Bangladesh has a good opportunity for the textile business. Our backward linkage is now stronger than before. Our spinning mills are meeting up 90% of local consumption for knit and 40% for woven. Our textile mills are providing a major portion of the required fabric for our own apparel export, which we had to import earlier, and now we are exporting fabric to other countries as well.

Our main competitor China is closing their business in this trade. 40 denim mills have already shut down and will reduce 50% of the industry in next two years due to labor cost rise and environmental issues. If we could fix some policy, we could grab this opportunity and will be the main player in the textile business.

Textile Today: What challenges do we need to confront to grab this opportunity?

Mohammed Shahinul Haque: Our main challenge is product diversification. We are producing the same category of products by almost every manufacturer. For example, Bangladesh has 400 spinning mills and almost every spinning mill is producing same cotton or cotton blend yarn. There is no special yarn producing by our spinners. 150+40D ACR (Air covering yarn) yarn is used for super stretch denim fabric, which, is not available in Bangladesh. Some entrepreneur should think about it to start working on it to set up spinning mills for such type of special product.

We have become our own competitor in the product category. This is damaging to our business. Buyers are taking this opportunity. They have many options to choose from and then they are playing with a price. We are getting very low margin, which is the main struggle for our business.

Shortage of technical knowledge is one of our primary weakness. Our entrepreneurs should have enough technical knowledge and information. If they can foresee, what trend is coming next, it'll give them an edge on planning their next business expansion.

Due to lack of proper information, business is not diversified and expanding in the same category. Investment in diversified product group can bring more success for this trade.

Textile Today: What techniques should an entrepreneur adopt for getting a better price?

Mohammed Shahinul Haque: Our entrepreneur should establish a common price policy. Our internal negative competition is harming this industry. When one factory set up a large capacity of the product then they need to sell the fabric for continue production and reduce the price. The customer is taking this advantage to other suppliers. Clients then claim if factory ‘A’ can provide with this price why you cannot. Then factory ‘B’ is bound to reduce the price. We need to overcome this price barrier and need a common price setting strategy.

Textile Today: What are the Badsha group’s current business operations?

Mohammed Shahinul Haque: Badsha Group is a three-decade experienced textile conglomerate. Its business operation started in 1978 with raw cotton and yarn trading. The main business operation started in 2000 by establishing Pioneer Sweaters Limited in international business.

Later on, it has expanded business in yarn manufacturing and established two spinning named Badsha Textiles Ltd. and Kamal Yarn Ltd. The latest addition in Badsha group is Pioneer Denim Ltd, a modern mill of denim fabric manufacturing.

Textile Today: What is the production capacity of Pioneer Denim Ltd and what are the major technologies using there?

Mohammed Shahinul Haque: Our manufacturing facility is 1.4 million sq. ft. and yearly production capacity is about 40 million yards.

For this huge production, we have high tech German machinery, and these are highly productive and efficient.

ETP is a most vital thing in denim production and we are aware of that. Pioneer Denim Ltd. has 6000 per day capacity of ETP considering the environmental issues. We have a plan of expansion of the production capacity more 40 million yards by 2019.

Textile Today: What are the Badsha Group's next expansions?

Mohammed Shahinul Haque: Pioneer Denim fashion Ltd. bottom factory will start in 2019 having 50 lines and will be extended in more 50 lines soon. We have established washing factory for denim washing. We also have 3000 Shima Seiki auto machine in sweater project and plan to expand more in sweater business.

For textile business expansion, our other project of fashion denim and super stretch or bi-stretch denim is under construction. It will help for import reduction and save our lead time.

Source: textiletoday.com.bd- July 24, 2018

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NATIONAL NEWS

Curious turn: A new trade order? China supply drops, US imports jump

India's imports from the US jumped a massive 38% in the first quarter of this fiscal to $8.53 billion, while those from China dropped 4% from a year before, an outcome contrary to what analysts would have expected at a time when the world's top two economies are engaged in a trade war.

While Washington's protectionist moves are directed at India too, China is widely believed to be looking for alternative markets like India to offset its reduced exports to the US.

Clearly, the Trump administration's insistence on greater market access is yielding results. The US emerged as India's second-biggest goods import destination (after China) in Q1, having improved its position from the fourth-largest exporter to New Delhi a year before.

Of course, what made the growth in India's purchases of American goods substantial was also the fact it came off an unfavourable base (imports had grown 33% in Q1FY18), while exports to the world's largest economy grew only 11.7% in the June quarter, showed the latest commerce ministry data.

This means India's merchandise trade surplus with the US could shrink for a second straight year — something the Trump administration will cheer. India's overall merchandise exports grew 14.5% in the first quarter, while imports rose 11.6%.

India's exports to China jumped, unusually, by almost 62% in the first quarter of this fiscal to $4.03 billion, albeit on a relatively low base. As for imports, China still remains India's largest destination, having accounted for goods supplies worth $17.36 billion in Q1, against the US' $8.53 billion.

Interestingly, India's exports to Hong Kong — considered a gateway to China — dropped 25% in the April-June period, while imports from Hong Kong rose over 8.8%. This suggests more Indian products are perhaps being shipped to China directly rather than through Hong Kong to bypass the traditional Chinese non-tariff barriers. In fact, at $14.69 billion, India's merchandise exports to Hong Kong beat those to China last fiscal.

While the Trump administration has targeted New Delhi, among others, in a bid to set right the US' trade deficit, New Delhi has been impressing upon Beijing to reduce the massive trade imbalance in the latter's favour.

India's goods trade surplus with the US dropped almost 6% to $22.9 billion in 2017 from the year before, according to US official data. India is one of the few countries with which US' trade deficit has decreased in the last one year.

While China alone accounted for a massive $375 billion, or 46%, of the US goods trade deficit of $810 billion in 2017, India made up for just 2.8% and occupied the ninth spot in the list of nations with which the Trump administration seeks to pursue a trade balance agenda.

India's massive trade imbalance with China has long been a sore point with New Delhi, which has raised the issue in almost all bilateral trade discussion with Beijing for years now, but with very limited success. India's merchandise trade deficit with China touched a record $62.9 billion last fiscal.

Precious and semi-precious stones were the biggest imported item segment, having made up for 18% of the total imports from the US in Q1, followed by coal, coke and briquettes (almost %). Telecom equipment made up for close to 12.5% of India's imports from China and electronic equipment 6.5%.

India and the US are working on a trade package. For India, greater access to the American market in food, farm, engineering goods, auto and auto parts segments hold promise in the long term (over five years), said a senior government official.

The US sees good prospects for its companies in Indian civil aviation, oil and gas, education service and agriculture segments. India is seeking an exemption from the US' additional tariff on steel and aluminium and has conveyed to the World Trade Organisation its desire for retaliatory action involving $235 million worth of American goods if the US doesn't roll back the "unfair" duties.

India has also been seeking greater market access from China in various sectors, especially agriculture, pharmaceuticals and IT, to improve trade balance.

Source: financialexpress.com-July 25, 2018

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Indian exports to BRICS grow 7.5% in Q1 2018 in terms of total volume

The growth for BRICS, led by India and followed by China was due to their growing exports to the world at 13 per cent and 5 per cent year-on-year respectively

Overall exports from India to BRICS saw an upswing of 7.5 per cent in the first quarter of 2018 over the corresponding period of last year in terms of total volumes, a report said on Monday.

Ahead of the BRICS summit in South Africa, Maersk Line, one of the leading container shipping company, has released the BRICS Export-Import (EXIM) containerised trade data.

The world registered a year-on-year growth of 1.5 per cent in the first quarter of 2018 as against in the same period last year.

"The overall exports from India to BRICS saw an upswing of 7.5 per cent in Q1 2018 year-on-year in terms of total volumes while the country's imports from BRICS nations is reduced by 3.5 per cent," the report said.

The growth for BRICS, led by India and followed by China was due to their growing exports to the world at 13 per cent and 5 per cent year-on-year respectively.

Commenting on the export development amongst BRICS nations, Steve Felder, Maersk Line Managing Director for India, Sri Lanka, Bangladesh, Nepal, Bhutan and Maldives said, In 2017, the BRICS nations contributed to 23.6 per cent of the world economy in terms of GDP value and as per IMF, this will rise to 26.8 per cent by 2022.

Source: business-standard.com-July 24, 2018

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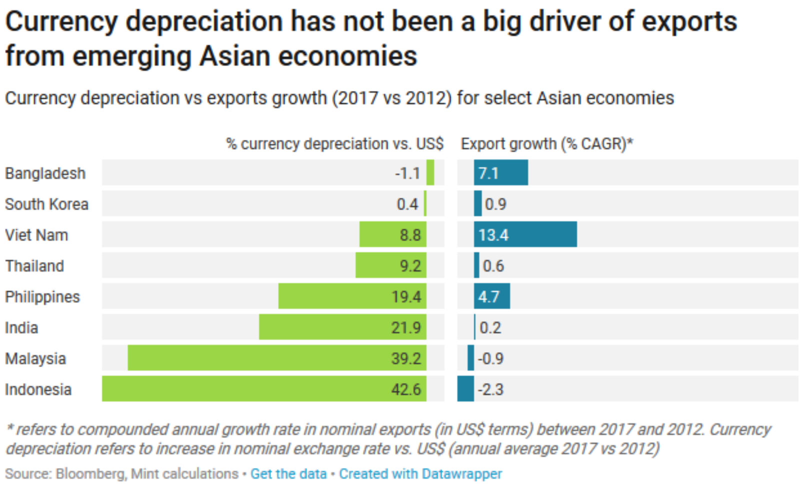
Weak rupee may not boost trade performance

Unless India's infirmities in trade policies, infrastructure are addressed, a mere depreciation in rupee is unlikely to boost exports much, shows analysis

As the threat of a currency war looms large over the globe, it is worth asking if the weakness of the rupee could boost India's performance in global trade.

An analysis of trade flows and currency movements suggests that the overall buoyancy in global trade flows has a far greater impact on the export performance of most emerging markets including India compared with currency movements.



Among major Asian economies, the ones which saw the most currency depreciation versus the dollar in the last five years have also been the ones with the worst export performance. India's currency weakened around 22% against the dollar between 2012 and 2017 and the compound annual growth rate in exports during the same period was a meagre 0.2%.

It is worth noting that this period witnessed a slowdown in global trade, with the global trade-to-GDP ratio declining from 60.6% in 2012 to 56.2% by the end of 2016.

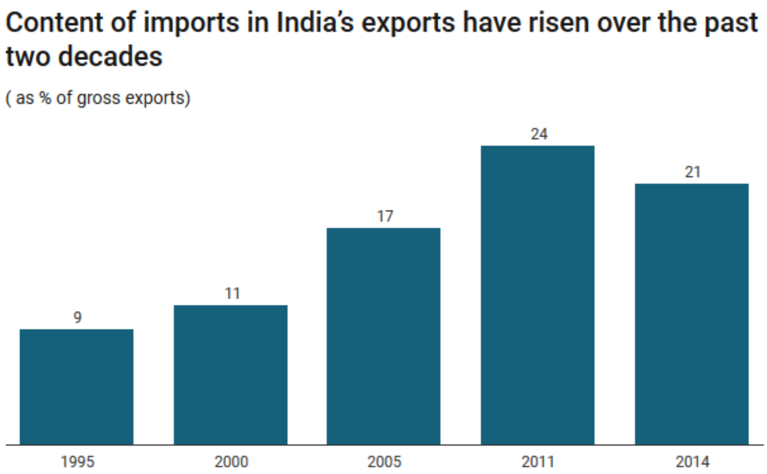
Most emerging markets including India performed poorly in export markets in this period.

A historical analysis of India's trade performance suggests that the biggest factor driving India's export performance has been world demand.

It is no surprise then that when global trade tanked after the global financial crisis of 2008, India's exports slipped into red, declining 2.8% on a year-on-year basis after having consistently attained double-digit growth in the preceding seven years.

After a brief recovery since then, India's export performance has been lacklustre despite several spells of rupee weakness. For instance, in 2012, India's exports fell 4% despite a 13% depreciation in India's nominal exchange rate in that year as world trade stagnated.

Given that the China-US trade conflict could dampen world trade once again in the months to come, the prognosis for India's trade performance does not look bright. The IMF identified the threat of trade conflict as the greatest threat to global growth and prosperity in its recent update of the World Economic Outlook published earlier this month.



With India's manufacturing sector becoming increasingly integrated with the rest of the world and using more of imported inputs, it has become more difficult for India today to reap the benefits of a cheaper currency than it was earlier. Even though the content of imports in India's exports shows a decline post 2011, it still makes up for over 20% of India's gross exports, sharply higher than just 9% in 1995.

As the domestic value added of India's manufacturing sector declines and it becomes more reliant on foreign inputs, currency depreciation will lead to higher costs of production.

This will eventually lead to higher inflation in prices of domestically produced goods and will prevent them from becoming more competitive in the world market. Thus, higher inflation—due to imported prices—might offset any gains from depreciation in terms of export competitiveness.

If domestic inflation continues to remain high and exceed the depreciation in rupee-dollar exchange rate, then the currency would witness appreciation in real terms.

In fact, the real effective exchange rate (REER) has risen for India gradually since 2000 and accelerated post 2013 even as rupee depreciated against the dollar in nominal terms. The contrasting stories of India and Vietnam's exports to the US illustrate why nominal currency depreciation is often not the biggest factor in trade performance.

Between 2012 and 2018, India's share of US imports rose marginally from 6.5% to 7.5% while those of Vietnam rose from 7% to around 12%, shows a report dated 5 July by Saugata Bhattacharya and other economists of Axis Bank.

During the same period, the rupee fell around 30% against the dollar while the Vietnamese dong depreciated by just 10%. More than currency movements, it is infrastructural bottlenecks that seem to hobble India's export performance. A 2015 IMF working paper suggests that unreliable and costly supply of electricity or fuel (coal or gas) limit the ability of India's export-oriented firms to quickly respond to changing international prices or to exchange rate movements.

While agricultural exports might not face as many bottlenecks as manufacturing, they are the victims of ad hoc restrictions on exports.

As a previous Plain Facts column pointed out, the pro-consumer bias of India's trade policy has often deprived Indian farmers of remunerative returns in global markets. These restrictions in trade policy seem to have adversely affected India's share in global food exports, which have declined from about 2.6% in 2013 to 2.3% in 2017.

Unless the infirmities in India's trade policies are addressed and infrastructural bottlenecks cleared, mere depreciation is unlikely to boost India's exports much.

Source: livemint.com-July 24, 2018

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Government panel gives recommendations to prevent illegal cultivation of HT cotton

Minister of State for Environment Mahesh Sharma pointed out that there were reports on cultivation of unapproved HT cotton in Andhra Pradesh, Telangana, Maharashtra and Gujarat.

A government constituted committee has submitted recommendations for short and long term measures to prevent illegal cultivation of Herbicide Tolerant (HT) cotton in the country, the Rajya Sabha was informed today.

Minister of State for Environment Mahesh Sharma said in a written reply that there is no third kind of Bt cotton in the country.

He pointed out that there were reports on cultivation of unapproved HT cotton in Andhra Pradesh, Telangana, Maharashtra and Gujarat.

"The Government had constituted a Field Inspection and Scientific Evaluation Committee (FISEC) in the Department of Biotechnology to assess the veracity of spread of unapproved HT cotton in the country," he said.

He was asked whether it is a fact that non-approved 3rd kind of Bt cotton is being cultivated in some parts of the country The minister said FISEC has conducted investigation on the availability and cultivation of illegal, unapproved HT variety in the cotton growing states, and submitted its report in this month.

Along with the report, it has also submitted recommendations and action points for short-term, long-term and immediate strategies and measures to be implemented by various ministries and departments of central and state governments and relevant agencies to prevent illegal cultivation of HT cotton, he added.

Source: newindianexpress.com-July 23, 2018

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India's manufacturing weakness hits free trade agreement ambitions

Tripura, in India’s North East region, is the country’s second largest producer of rubber.

But exporters from Tripura have to lug the rubber sheets out to neighbouring states to send it across the border to Bangladesh. This is despite Tripura having more than one trading station with Bangladesh, says Jayanta Choudhury, senior lecturer teaching rural development at Tripura University.

There are problems of reciprocity with Bangladesh too, but the cumbersome rules for rubber export from Tripura that if sorted would add to the state’s economy handsomely, has been in vogue for decades.

The rules demonstrate why India, despite its booming economy, scores so low in global trade coming in at 20th position (WTO data).

The key lesson from free trade agreements (FTA) is they offer preferential access to the markets of other countries than is possible through the WTO framework.

“Big, medium, small – all countries are searching for such access across the world”, says Amitendu Palit, Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies, Singapore.

But as a “trade purist”, India showed no interest in developing these platforms till the late nineties. “It was only after the Uruguay round of trade negotiations when we saw other countries setting up trade arrangements did India sign its first FTA with neighbour Sri Lanka”, says Ashok Sajjanhar, former Indian Foreign Service officer. The Ambassador, who has done stints in Europe and Asia, said the string of agreements has shown Inda has made little use of its FTAs.

India's unwillingness to engage in FTAs is also dictated by the puny size of the domestic manufacturing sector at less than 18 per cent of the GDP. Most products are not competitive abroad as stand-alone brands. "It is largely on account of our own product deficiency.

We can use FTAs only if our producers can tap the global value chain. Else its no good," said former commerce secretary Rajiv Kher and now distinguished fellow, RIS.

The deficiency could have been made good by undertaking what Palit calls "comprehensive approach on potential FTA partners in alignment with national interests – both economic and strategic", but ministers scared about backlash from both industry and labour signed on the documents with hardly any conviction.

This made it easy for the customs department under the finance ministry to set up stiff terms. "Customs duties are an important source of revenue which is difficult to compromise on. With persisting fiscal stress, it made our reluctance to give up tariffs and offering of greater market access much more than just a domestic industry issue, said Palit.

Yet, as commerce secretary, Rita Teotia says India's trade is balanced with those countries with which there are no agreements. She says FTAs with countries like Australia or New Zealand offer little benefit for India as their interest is limited to only a few tariff items.

When India sails out to do FTA with partners like Korea or EU, the lack of competitive advantage of Indian manufacturing makes the process unequal. So, there is no reason to rush to sew up preferential trade agreements. Kher says "India must finalise trade agreements with Eurasia, Iran, some African nations such as Kenya and Ethiopia, and Latin American countries such as Peru, post haste".

But the commerce ministry would rather not walk on any FTA as of now. Her bleak assessment is shared by most in the industry. This is despite the risk posed by the threatened walkout from WTO by the USA under President Donald Trump that is making others work on mutual trade arrangements that would survive the collapse of the global trade architecture.

Abhijit Das, head and professor at the Centre for WTO Studies, said FTAs also agreed, adding it makes little sense for India to keep engaged on FTAs.

Except for India-EU FTA, which would have helped the textiles, he supported Teotia's position that none of the other FTAs would help India.

Source: business-standard.com-July 24, 2018

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SEZ Rules to be amended to sync them with GST laws

New rules will be out by the end of the month

The Centre will come out with amendments to Special Economic Zones (SEZ) Rules, to synchronise them with the Goods and Services Tax (GST) laws by end of this month, a senior government official has said.

"We have been working for a few months on the amendment of SEZ Rules, 2006 to synchronise it with the GST laws.

Following due consultation process with the Department of Revenue, I am glad to tell you that this fairly elaborate amendments of the rules is likely to come out now by the end of this month.

It is almost at the final stage," said Bidyut Behari Swain, Additional Secretary, Department of Commerce, at an Assocham International SEZ Investment Summit on Tuesday.

Swain said while the Department of Commerce consistently looks at facilitating ease of doing business by removing bottlenecks, it was observed that there is a possibility of different authorities handling administrative and financial matters being at slight variance with each other, according to an Assocham release.

Clear guidelines

"We have taken up a project in which we would like to have a very clear set of guidelines regarding how administrative and financial matters by the authorities are carried out and we are hopeful that we will come out with a report in two months which should be implemented in three months," he said.

Pranab Kumar Das, Special Secretary and Member Customs, Central Board of Indirect Taxes and Customs (CBIC), said his department will get in touch with the Commerce Ministry to explore possibility of connecting SEZ Online with National Import Database (NIDB) for better uniformity and transparency in operations, the release added.

"We will definitely get in touch with Ministry of Commerce and try to find out whether the SEZ Online can also be housed in our system and with facilities provided to development commissioners and officials posted there so that they get benefit not only from SEZ Online but also the robust facility that is already available within CBIC," said Das.

Source: thehindubusinessline.com-July 24, 2018

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