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

IBTEX No. 198 of 2018 September 25, 2018

USD 72.79| EUR 85.50 | GBP 95.40 | JPY 0.65

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22182	46400	**81.48**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22340	46730	**82.06**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	78.58	
ZCE Cotton: Yuan/MT (Jan 2019)	16,080	
ZCE Cotton: USD Cents/lb	**90.34**	
Cotlook A Index – Physical	**91.30**	

Cotton Guide: The start of the week market was quiet across contracts. Dec settled at 7858, down 55 points. That was almost Dec's lowest settlement in 5 months. Last week Dec had a 7852 settlement on Tuesday and 7847 on Thursday; otherwise it's back to April 24th for a lower settlement (7759). For contrast note the highest Dec settlement in the last 5 months was 9296 on June 14th. Market was mostly light given public holidays in various countries including China, Taiwan, Korea, Japan, and Australia. Other markets have not had much influence on cotton lately and that was probably the case on Monday. Both grains and the US equities ended mixed.

On the trading front the volume was 15,799 contracts. Cleared Friday were 21,435 contracts. The aggregate open interest held near 250,000 contracts. Meanwhile, the Chinese ZCE futures did not trade and there was no State Reserve cotton auction.

Technically, prices appear to be forming another flag, or perhaps a pennant. Either one is typically a continuation pattern; meaning odds are good for an eventual resumption of the primary (down) trend. The bulls would be advised to disrupt this pattern by pushing the market higher. The daily modern work is nearly all 'down,' so this might not be easy. Support is 7800, 7750, and 7600 (all +/–). Resistance is 7950+ and roughly 8050 to 8250. Daily momentum is neutral.

USDA Crop progress report was published after the market close for the week ended September 23. Conditions overall had a slight improvement for the second week in a row. Texas and Oklahoma had another good week. Today's report showed cotton: 58 percent opening bolls versus the 5-year average of 57 percent; and 16 percent harvested, ahead of the 9 percent average.

On the domestic front, price for shankar-6 traded steady to lower near Rs. 45750 per candy ex-gin, 80.30 cents per pound. Rates for 2018/19-crop Punjab J-34 are marginally easy at Rs. 4,605 per maund (77.00 cents/lb). Likewise, the MCX cotton future for October ended the session at Rs. 22340 no major change from the previous close.

This morning ICE cotton is seen trading lower at 78.48 cents per pound for December future, ZCE cotton is trading steady while Indian rupee is close to new low. We think market will continue to see more volatile trading session on today's trading session. The trading range for October would be Rs. 22200 to Rs. 22500 per bale.

FX Guide:

Indian rupee has opened weaker by 0.4% to trade near 72.9 levels against the US dollar. Rupee remains pressurized by higher crude oil price, trade war concerns and Fed's rate hike expectations. Brent crude trades above $81 per barrel amid worries about tighter global market as Iran supplies are falling and OPEC has refrained from take any further action. Rising crude price have fuelled inflation and trade deficit concerns for India. Trade worries intensified as China called off talks with US while import tariffs announced last week became applicable. Market focus is now shifting to Fed decision later this week. Fed is largely expected to raise interest rate by 0.25%. Widening yield gap between US and India will increase concerns about investor outflows. Indian government measures to boost the currency have failed so far. Market players are now awaiting announcement relating to restriction in imports of non-essential goods. Rupee may remain under pressure amid trade worries and ahead of Fed decision. USDINR may trade in a range of 72.65-73.2 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

Apparel Prices at Walmart, Gap Already Set to Rise in the US-China Trade War

The tariff wars are heating up between the U.S. and China, and if clothing ultimately gets caught in the crossfire, that'll have a lot to do with the price of pants in America.

With new 10 percent tariffs taking effect Monday on China-originating goods like travel bags, leather clothing, woven fabrics and wool yarn used for things like sweaters—where China has particular expertise as a manufacturer—companies like Samsonite and Gap have already expressed plans to raise prices.

Gap CEO Art Peck told Bloomberg that the company is watching the trade changes carefully and that "in some cases, we'll have no choice but to pass the impact of these tariffs through to our consumers."

Samsonite had already alerted retailers as early as August that a 10 percent tariff from Trump would have to translate to a 10 percent price increase.

In a letter to the U.S. Trade Representative sent Sept. 6, Walmart warned the Trump administration that moving forward with the additional tariffs would impact a "significant" number of common consumer goods.

"The immediate impact will be to raise prices on consumers and tax American business and manufacturers," Sarah F. Thorn, senior director for global government affairs at Walmart, wrote in the letter.

With the tariffs in effect, Walmart said its customers will face higher prices for things like backpacks, hats and car seats—and escalating these tariffs to 25 percent would pose a sizable burden to lower-income families that frequent its stores.

"Walmart and our suppliers will pay the cost of increased duties, which are simply taxes levied on products at the border. As a result, either consumers will pay more, suppliers will receive less, retail margins will be lower, or consumers will buy fewer products or forego purchases altogether," Thorn wrote.

And despite the impending price hikes for America's consumers, apparel organizations are either disappointed about the new, and potentially forthcoming tariffs, or disappointed that apparel hasn't already been targeted.

In a statement following Trump's announcement of the second set of tariffs on Chinese imports, this time targeting $200 billion worth of goods, the American Apparel & Footwear Association (AAFA) expressed its disappointment in the former, noting that its lobbying efforts against tariffs on apparel and textiles may have been in vain.

"During the public review process, AAFA and many of its members detailed the extreme damage this new tax will do to our industry, our nearly four million U.S. workers, and to every American family. It seems most of those pleas were ignored," AAFA president and CEO Rick Helfenbein said.

Instead, he noted, President Trump's additional tariffs show "a deep disregard for American business, American workers and American families, who will be negatively impacted by this decision. This is a very dangerous game to play, one that will not end with a winner."

Sharing a similar sentiment, the United States Fashion Industry Association (USFIA) said the new tariffs will spell "considerable disruption" for supply chains.

"The fact that the tariffs will start at 10 percent now and will rise to 25 percent on January 1st creates additional chaos in the fashion industry's supply chains, which will have a wide-ranging negative impact on consumers, companies, and jobs in the United States," USFIA said in a statement. "These tariffs on imports of textiles, apparel and accessories do little to punish China for its intellectual property and technology transfer prices but do a lot to harm American fashion brands and retailers as well as consumers of their products."

Trump's latest list of tariffs did remove some textile items, like rayon fiber, some dyes and certain chemicals, which organizations like the National Council of Textile Organizations lobbied for the exclusion of as China was the only source of significant supply.

“Had U.S. textile manufacturers been forced to pay higher duties on the excluded items, it would raise costs for manufacturers making goods that must compete with like Chinese products,” NCTO president and CEO Auggie Tantillo said.

But for NCTO, adding tariffs to apparel would further improve conditions for the domestic sector.

“Adding tariffs on finished Chinese textiles home furnishings and apparel is the most effective sanction the United States could impose on China because like products from the NAFTA and CAFTA regions using U.S.-made textile inputs immediately become more competitive, thereby incentivizing the reshoring textile manufacturing jobs,” Tantillo said.

Whether that will happen remains to be seen, but Trump has made no secret of his preparedness to put tariffs on all items the U.S. brings in from China if China doesn’t fall in line with trade in a way Trump deems favorable enough for the U.S. That means another $267 billion in tariffs could be in the pipeline.

“It’s time to take a stand on China,” Trump said in a Fox News interview Thursday. “We have no choice. It’s been a long time. They’re hurting us.”

Source: sourcingjournal.com - Sep 22, 2018

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Trade War Reality Sets In as U.S and China Stick to Their Guns

The world's two biggest economies are digging in for what could be a long and bruising trade war, testing the resilience of the strongest global upswing in years.

The Trump administration just after midnight on Monday slapped tariffs on $200 billion in Chinese goods. China responded with duties of its own on $60 billion in U.S. products. The Chinese government also called off planned talks with U.S. officials as the consensus grows in Beijing that substantive discussions will only be possible after U.S. midterm elections in November, according to people familiar with the matter.

U.S. stocks fell as investors faced the grim reality of a protracted trade war between the two powers.

Ignoring the warnings of business leaders and economists, President Donald Trump isn't backing down from his plan to confront China over what he argues are its unfair trading practices and abuse of U.S. intellectual property. Chinese President Xi Jinping is refusing to bow to U.S. aggression, preparing stimulus measures to cushion the impact on the Chinese economy.

The hardening rhetoric is increasingly giving way to actions that are hurting the world economy, Fitch Ratings said in its latest global outlook.

"The trade war is now a reality," Fitch chief economist Brian Coulton said in the release. The ratings firm downgraded its world growth forecast for 2019 by 0.1 percentage point to 3.1 percent and warned of further downside risks.

The latest round of U.S. duties took effect on a list of products ranging from frozen meat to television components. Trump has said that Chinese retaliation would spur new duties on another $267 billion in Chinese imports.

If the president follows through on the threat, U.S. tariffs would cover all goods the nation imported from China last year, risking an escalating conflict that could upend the supply chains of multinational companies.

China on Saturday called off planned trade talks with U.S. officials, with a move by the U.S. State Department to sanction China's defense agency and its director on Thursday contributing to the decision, according to people familiar with the situation.

"The door for trade talks is always open but negotiations must be held in an environment of mutual respect," according to a white paper carried by the state-run Xinhua News Agency. Negotiations "cannot be carried out under the threat of tariffs."

Efforts at diplomacy have failed, with no breakthroughs since high-level talks began in May. Trump has warned that the 10 percent tariffs on $200 billion in Chinese goods will rise to 25 percent in January if Beijing refuses to offer concessions. Still, the U.S. remains open to talks, Lindsay Walters, deputy White House press secretary, said in an emailed statement.

"President Trump has an excellent relationship with President Xi and our teams have been in frequent communication since President Trump took office," Walters said. "We remain open to continuing discussions with China, but China must meaningfully engage on the unfair trading practices."

Neither side has backed down since the tit-for-tat tariff war began in July when the U.S. imposed duties on $34 billion of Chinese goods. Another $16 billion of goods were included in August and China retaliated in kind to both moves.

"Retailers are already facing a tidal wave of tariffs. This latest tranche is a tsunami," said Hun Quach, vice president of international trade for the Retail Industry Leaders Association. "With thousands of consumer products included, little warning, and no time to prepare, businesses are left scrambling."

Beijing's latest tariffs include an additional 5 percent duty on about 1,600 kinds of U.S. products including computers and textiles and an extra 10 percent on more than 3,500 items including chemicals, meat, wheat, wine and liquefied natural gas.

Source: sourcingjournal.com - Sep 24, 2018

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Next Tariff Threat Would Hit US Apparel and Footwear Firms Hard, Moody's Warns

U.S. apparel and footwear firms face negative exposure if President Trump follows through on threats to impose tariffs on all goods imported from China.

A new Moody's report analyzing the impact of tariffs in markets and on companies said the negative effects on U.S. apparel and footwear companies will vary, with consumers bearing some of the higher costs.

The report noted that the most recent round of tariffs mostly excludes apparel and footwear, but does include certain apparel accessories such as handbags and leather gloves, textiles and yarns, leathers and cotton.

"Large, rated apparel manufacturers derive more than half of their revenue from the US; therefore, these additional tariffs, if imposed, would be credit negative for the US apparel & footwear sector because of the higher cost of goods sold for the US divisions of companies that import goods from China," report stated, adding the impact of the new tariffs will vary by company. The effect will depend on "how much they source products from China, the degree they can diversify away from China, their pricing flexibility and how they adjust product designs or cut costs elsewhere in their businesses."

For example, it noted that G-III Apparel Group generated around 88 percent of its 2017 revenue in the U.S and purchased around 65 percent of its 2017 inventory from China. Other companies that could be set to take a hit include footwear companies Caleres Inc., Payless Inc. and Wolverine World Wide. On the other hand, Levi Strauss & Co. and V.F. Corp, "are well positioned from a diversity standpoint, with less than 20 percent of their products sourced from China, "Moody's said.

Most companies will look to pass along at least some of the additional cost to consumers, including on premium products where there is less price sensitivity, the report noted. Larger companies with stronger margins and balance sheets, such as Wolverine and PVH Corp., "could decide to absorb higher costs in an effort to gain market share," the report said. In addition, some firms will try to save on costs by adjusting product designs to achieve a cost or product pricing level or could cut costs within their organizations.

“Smaller apparel companies with high leverage or low profit, or both, could have particular exposure if their earnings decline relative to debt service costs or if they experience any disruptions in their supply chains – for instance reduced vendor or factor support or ill-timed shipment delays,” Moody’s added.

Source: sourcingjournal.com- Sep 24, 2018

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Ethiopia Wants China to Help Boost Its Textile Manufacturing Industry

A special adviser to Ethiopian Prime Minister Abiy Ahmed said in an interview that recruiting China for help will be crucial for boosting its growing textile manufacturing sector.

This is something we've touched on before—countries outside of the usual manufacturing hubs (like China and Vietnam) are increasing their presence in the international textile manufacturing game, and Ethiopia is high on that list. What's new is the way Ethiopian officials are being so up-front about their need for China, a perceived competitor, to help them get there.

According to the interview with Xiinhuanet, the adviser, Arkebe Equbay, said that China could help Ethiopia hit $30 billion in revenue from textile manufacturing in 10 years.

Ethiopia needs China's experience and knowledge in the textile and apparel sector to fill our skill gap and make Ethiopian textile products competitive in the global market," he said. "Ethiopia has an abundant trainable labor force, low energy cost and almost free provision of land for those interested to invest in the textile and apparel sector."

He added that Ethiopia is currently negotiating with 12 large Chinese textile mills for them to set up plants in Ethiopia after the African country further understood the need for integrated supply chains.

Liu Yu, an economic and commercial counselor at the Chinese embassy in Ethiopia, said that the China-Africa Cooperation (FOCAC) summit in Beijing this month ended with China pledging to assist African countries in eight "major initiatives," including infrastructure, trade facilitation, environmental development and industrial promotion.

"China in the next three years will provide 60 billion U.S. dollars in financing for African countries," Liu said. "And Chinese companies will be encouraged to invest $10 billion during the next three years, based on the principle of open and inclusive approach to African countries."

A key benefit for Ethiopia here is that China is coming into this having learned its lessons from its own industrial growth, namely the importance of environmental awareness. That way, it won't have to deal with the costly and lengthy environmental cleanup or adverse side affects seen in cities like Beijing. Ethiopia, furthermore, is aiming to become carbon-neutral by 2025.

"We advise Chinese investors to establish environmentally friendly manufacturing plants, in strict compliance with Chinese and Ethiopian environmental standards," Liu added.

Source: magazine.promomarketing.com - Sep 24, 2018

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Japanese apparel firm plans outsourcing from Pakistan

A world famous apparel brand Uniqlo plans to outsource textile garments from three Pakistani companies for its more than 3,000 outlets worldwide, people familiar with the matter said on Monday.

Uniqlo Inc – a subsidiary of Japanese retail holding company Fast Retailing Inc. – has planned joint venture with three local companies, which would boost textile exports, an official told The News.

Uniqlo initially selected five textile companies in Lahore, Faisalabad, and Karachi and sent its two member team to meet their representatives and assess the potential.

“The initial visit of the Uniqlo team has been successful, which is a big breakthrough,” the official said, requesting anonymity.

Uniqlo finally chose three companies for joint ventures in Pakistan. “They still requested for some more companies for shirt fabric and others for circular cutting and sewing,” the official added.

Pakistan’s textile exports rose around nine percent to $13.53 billion for the fiscal year ended June 30, which account for more than 60 percent of the country’s total exports. Yet, Pakistan has lost its textile export share in the world market to 1.7 percent from 2.2 percent over the last decade.

In February, Spanish Inditex Group, the world’s biggest clothes retailer and owner of an internationally-acclaimed fashion brand Zara, opened its maiden branch office in Pakistan to double its imports from the country.

Other key foreign buying houses in the country include IKEA, Walmart Global Procurement, Li and Fung Pakistan, Target and JC Penny.

The official said Uniqlo’s team planned another trip to Pakistan by end of the current month to conclude agreements with the local factories made in August.

Uniqlo is a household name In Japan and known for very high quality products at low price. The brand is known for maintaining on-ground presence for quality control. “Therefore, any significant move by Uniqlo into Pakistan for investment and procurement will generate a ripple effect… it will boost textile export. From its factories, Uniqlo supplies apparels to its more than 3,000 sales outlets all across the world,” the official added.

Fast Retailing is considered as the world’s third largest apparel manufacturer-retailer company. The company has 236 manufacturing factories and all are in Asia.

Several are located in China and Bangladesh. Uniqlo has 3,370 sales outlets across the world and its total annual turnover is almost equal to $17 billion.

Source: thenews.com.pk - Sep 25, 2018

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US cotton prices under pressure

Currency depreciation in Turkey, Brazil and India has put pressure on US cotton prices. But if the currencies move in a different direction demand could increase.

China isn't buying as much cotton as it was before the tariffs but is still purchasing US cotton. The textile process has moved to Southeast Asia, a growing market for US cotton. Vietnam is the largest consumer of US cotton.

Cambodia, Thailand, Indonesia are also significant consumers. The price competition between polyester and cotton has shifted toward cotton.

This was led by China cracking down on polyester manufacturing facilities because of water and air pollution. Additionally, consumers are again expressing a desire to return to the comfort offered by cotton.

A counter-cyclical tariff on cotton by Turkey could disrupt some established trade flows, but the critical shortage of US quality cotton this year and the next would mean that the solid Turkish market honed out by US merchants and cooperatives would shift to other export locations and US export volume would not be hurt.

Simply, Turkey would end up paying more for cotton than it currently does. Demand for US cotton – already one of the cheaper growths in the world – will do nothing but boom.

Source: fashionatingworld.com - Sep 24, 2018

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Garment industry has high expectations for South Korean market

Vietnam's textile and garment exports to South Korea are expected to increase by 20 percent this year and continue rising in upcoming years.

The advantages for Vietnam's textile and garment exports increased after multilateral and bilateral agreements took effect. According to the General Department of Customs (GDC), in the first seven months of the year, Vietnam's total export turnover to South Korea reached $10.2 billion, increasing by 32 percent compared with the same period last year.

Of these, textile and garment exports to South Korea reached $1.5 billion, an increase of 24.9 percent. In July alone, the figure was $270.7 million, up by 24.18 percent over June and 24.06 percent over July 2017.

Vietnam and China are the two biggest suppliers of textiles and garments in South Korea which hold 32.7 percent and 34.5 percent of market share, respectively, compared to 29.5 percent and 40.2 percent as seen three years ago.

Vietnam has made a big leap in the South Korean market, narrowing the market share gap with China. Also according to GDC, South Korea has become the fourth largest export market of Vietnam, after Japan, with import turnover of $2.7 billion in 2017.

The EU-Vietnam FTA (EVFTA) applies cumulative rules of origin, allowing Vietnamese exporters to use fabric made by third countries which have FTAs with Vietnam or the EU. South Korea is one of the third countries.

Analysts commented that the principle will bring new opportunities to Vietnam to boost exports, because in the future, when more ASEAN countries sign FTAs with the EU, Vietnam will be able to expand material supply sources, while still enjoying preferential tariffs.

As such, Vietnam can import fabric from South Korea to make products domestically and then export finished products back to South Korea, and use South Korean materials to make products for exports to the EU.

This is a great advantage for Vietnam, which has been mostly importing materials from China.

Analysts predict that Vietnam's textile and garment exports to South Korea will increase by 20 percent this year.

They said becoming the biggest garment supplier to South Korea is within reach of Vietnamese enterprises as South Koreans favor Vietnam-made garment products.

As Vietnam's textile and garment exports have bounced back, the price of textile and garment companies' shares has increased by 20 percent.

Thanh Cong Textile & Garment, Investment and Trade (TCM) reported that its profit in July alone was equal to 77 percent of the profit of the entire third quarter of 2017.

Source: english.vietnamnet.vn - Sep 24, 2018

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Indonesian textile industry targets exports of $14 bn

With a January-July 2018 exports figure of $7.74 billion, the Indonesian textile and apparel industry is hopeful of meeting an export target of $14 billion by the end of this year.

The completion of the Indonesia-Australia comprehensive economic cooperation agreement (IA-CEPA) will help boost exports, according to minister of industry Airlangga Hartarto.

Interacting with representatives of 100 small and medium textile industries at Bandung in West Java recently, Hartarto said the import duty on Indonesian textile and clothing products to Australia would be abolished after a an agreement is signed later this year.

Both sides announced the substantive conclusion of negotiations on IA-CEPA on 31 August this year.

Indonesia is also trying to finalise a free trade agreement (FTA) with the European Union and the United States, Indonesian media reports quoted the minister as saying.

The export value of the country's textile industry was $12.58 billion in 2017, up 6 per cent over the previous year.

Source: fibre2fashion.com- Sep 25, 2018

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Zimbabwean cotton output at 5-yr high of 130,000 tonnes

Cotton output in the southern African country of Zimbabwe has risen by 76 per cent year-on-year to 130,000 tons in the 2018 marketing season.

The output is the highest in nearly five years, and has been achieved due to the government support under the Presidential Inputs Scheme. Owing to steep increase in production, cotton exports are expected to jump.

Under the Presidential Inputs Scheme, the government gave various free support initiatives to farmers to help them increase their cotton cultivation.

The Reserve Bank of Zimbabwe is expecting that the country would get around $85 million in foreign exchange through cotton exports this year.

In 2011, Zimbabwe produced 268,000 tonnes of cotton which decreased to 135,000 tonnes in 2013-14 and further to 100,000 tonnes in the year 2014-15.

In 2016, cotton yield was just 28,000 tonnes, the lowest since 1992. Due to government's efforts, production increased to 70,000 tonnes last year.

Source: fibre2fashion.com- Sep 24, 2018

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Vietnam: Emerging a strong world trade centre in a tariff-hit global economy

Nothing is isolated in world economy today. The US government, in its attempt to punish China for unfair trade practices and reduce its $3.75 billion trade deficit, is forcing some of its strongest allies to run for protection.

A prominent partner, Vietnam exported around 35 per cent of its goods to China and the United States last year.

However, the US-China trade war led to a sharp devaluation of the Vietnamese currency causing a steep decline in its stock markets. Rumors spread about an influx of cheap Chinese consumer goods and the threat of American protectionism spreading in ways that would affect Vietnam's vital exports.

Nearly $5 billion of Vietnamese exports, that are a part of China's value-added supply chain, may feel the impact of being exposed to punitive American tariffs.

Business shifting out of China to avoid tariff

The trade war has also led many foreign companies to shift their production to Southeast Asia. Around 72Vietnam Emerging a strong world trade centre in a tariff hit global economy 001 Japanese businessmen are planning to expand their investment out of China to shun the risks caused by rising production costs and US-China trade war which is making it difficult for Japanese firms to exports their products to the US from China.

Also, wages in Vietnam are barely a third of those in China, making it easier for brands like Adidas to manufacture twice as many shoes as it does in China. The race is to secure excess manufacturing capacity all around the region — in Thailand, Indonesia and elsewhere, is heating up.

Effect of tariffs on supply chain

China exports complex products to the United States. These are assembled in China from a staggering array of foreign components and raw materials.

For instance, a laptop made in China, may have a South Korean screen, a Japanese hard drive and a memory chip from Taiwan. A tariff hurts every part of this international supply chain.

To offset the conflict's negative impact, Beijing has slashed tariffs for Asian countries. This appeal, however, may not stop the flow of manufacturers out of China to Southeast Asia.

The American shoe-and-accessory maker Steve Madden, for example, is shifting its handbag production from China to Cambodia. New tariffs are being planned for another $200 billion worth of Chinese imports, with 6,031 products on its target list.

Vietnam to benefit from trade war

Chinese companies may shift more operations southward using ''tariff-jumping" tactics to get their goods to the United States.

The Vietnamese, at least, are vigilant against Chinese intrusions. In fact, the country might benefit from China's conflict with the United States, Vietnam's strongest allies.

The Vietnamese government is projecting negligible decline in growth over the next five years.

In July, Standard Chartered raised its growth forecasts for Vietnam to 7 per cent this year, based on the influx of foreign direct investment. In addition the country may also pull in American buyers eager to diversify their imports from outside China.

Source: fashionatingworld.com- Sep 24, 2018

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Bangladesh's apparel export to India increases by 111 per cent

As per BGMEA data, Bangladesh's apparel export to India saw an increase of 111 per cent (on a point-to-point basis) in this time period. In monetary terms, the total apparel export amounted to $218 million, it was $97 million at the same time last year.

And as per Bangladesh's Export Promotion Bureau, between July and December last year, garment shipments to India increased 5.99 per cent year-on-year to fetch $111.33 million.

Global retail giants like H&M and Walmart have already started sourcing from Bangladesh to cater to Indian consumers. With a host of retailers increasing their footprints in the country, sourcing from Bangladesh is set to get a further boost.

M&S and GAP are planning to open another 50 stores in India in the next two years, while Adidas has outlined plans to open around 30-40 big flagship stores across Delhi, Mumbai, and Bengaluru, by 2020, which in turn has prompted many more to enter the lucrative Indian market.

Only recently, Uniqlo announced its first store to open in Delhi in 2019. Aeropostale, an American teen fashion retailer, has chosen to enter India over China, and expects India to be among its top three markets over the next four years with revenue target of US $ 74.12 million.

IKEA has already opened its first store in Hyderabad while future stores are reportedly planned in Mumbai, Delhi-NCR, Bengaluru, Pune, Surat, and Ahmedabad.

Source: fashionatingworld.com- Sep 24, 2018

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NATIONAL NEWS

Rising imports from China hit MSMEs hard: House panel

Trade between the two countries has been lopsided, with India running a deficit of $63 billion with China.

Rising imports from China have taken a heavy toll on the employment-generation potential of the manufacturing sector, especially among the micro, small and medium enterprises (MSMEs), the parliamentary standing committee on commerce said.

The major impact of Chinese imports has been felt by labour-intensive sectors like textile, steel and power. “The stainless-steel industry is a case in point, where a number of MSMEs have had to close down, particularly manufacturers of stainless steel grades of the 200 series due to Chinese imports,” the report, titled ‘Impact of Chinese goods on Indian industry,’ said.

The panel recommended that India take more stringent measures to completely protect local industries against illegitimate, protectionist and unfair trade practices used by trading partners.

However, the committee observed that imposition of anti-dumping duties against Chinese products have largely failed as these duties are relatively few compared with the amount of Chinese dumping that takes place.

“Nearly 75-80% of Chinese steel products are covered under anti-dumping duty, yet despite this, import of such steel products have increased by 8%. This clearly shows that anti-dumping measures have become completely ineffective,” the committee noted in its report.

The report suggested further measures to curb dumping of Chinese goods. It said that quality standards and technical regulations are potent tools to check sub-standard Chinese imports. “However, the Quality Control Orders and Compulsory Registration Orders laying down technical standards of the products being imported need strengthening,” the report said.

The committee said that the impact of Chinese imports was far reaching as downsizing and closing of industrial units would adversely impact the tax collection and Make in India program.

Further, the closure of industry will also stress the banking sector, which is already reeling under the burden of huge non-performing assets (NPAs), the report said.

The trade between the two countries has been lopsided, with India running a trade deficit of $63 billion with its neighbour. This accounts for 40% of India's total trade deficit.

During the period 2007-08 to 2017-18, India's exports to China increased by $2.5 billion; imports, however, increased by $50 billion during this period, the report said.

Making an observation on Chinese competitiveness, the report said that the Chinese industry has also been benefited by opaque government interventions to boost low-cost production.

The effect of this legitimate and illegitimate support has helped China create a huge inventory of products and dump their products globally, the report said.

China is involved in anti-dumping investigations for 214 products. In comparison, there are 86 anti-dumping cases initiated against the EU, 64 cases against South Korea, 62 cases against Taiwan and 41 cases each against Japan and the US.

"China faces the major chunk of anti-dumping investigations which is a clear indication that Chinese goods are causing unfair trade disruption," the report said.

Source: financialexpress.com- Sep 25, 2018

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India's trade with neighbours only 31% of total potential: World Bank

Currently, India's actual trade in South Asia accounts for $19.1 billion which is just three per cent of its total global trade at $637.4 billion and around $43 billion below the potential

India's current trade in goods with its neighbouring countries in the South Asian region is a mere 30.65 per cent of the potential trade of $ 62 billion, which can be boosted if certain restrictions on the current trade, like tariffs, port restrictions and other non-tariff barriers can be eased, a report from the World Bank said.

Currently, India's actual trade in South Asia accounts for $19.1 billion which is just three per cent of its total global trade at $637.4 billion and around $43 billion below the potential.

According to Sanjay Kathuria, lead economist at the World Bank, owing to economic and non-economic barriers, it is cheaper for India to import the same set of goods from Brazil as compared to its neighbour Pakistan, while for Sri Lanka or Bangladesh, imports from Nepal are more costly as compared to Brazil.

The report indicates that while the trade between India and Pakistan presently stands at $2 billion, without any trade barriers, this alone could go up to $37 billion which will far exceed India's current total trade with south Asian countries. Average tariffs in south Asia during 2016 stood at 13.6 per cent as against the global average tariff of 6.3 per cent.

“Despite significant liberalisation in tariff regimes, south Asian countries still maintain a long list of products which are exempted from the tariff liberalisation programme while several countries in this region maintain high para tariffs which have not been included in the free trade agreements”, Kathuria said.

According to Kathuria, liberalisation of air services between India and Sri Lanka is an example how countries stand to benefit from such a process.

A book titled ‘A Glass Half Full – The Promise of Regional Trade in South Asia’, which Kathuria has edited, shows that India has the highest number of flights with Sri Lanka at 147 departures and arrivals in a week while only six flights are scheduled between India and Pakistan.

In effect, the book has claimed that since 2003, when the first such air service liberalisation happened, there was a steady growth in Sri Lankan tourist arrivals in India and since 2005, India is the biggest source of tourist arrivals in Sri Lanka.

“Besides the tariff barriers, there is also the problem of non-tariff barriers as well. Information about the clearance procedure, regulations and standards is an obstacle while trust deficit is also a major issue – in fact, trust is very fragile in south Asia”, Kathuria said.

The other key non-tariff issues impacting trade are lack of absorbing the imported goods in a consuming country, issues at the borders and capacity of countries to produce testing and certification centres for exports.

According to the World Bank, India will be coming up with six more Border Haats (Border Marketplaces) taking the total to 10 from the existing four. These Border Haats, which are set-up on the zero line between India and Bangladesh, are crucial towards trust-building measures between the buyers and sellers from both India and Bangladesh.

Currently, on the Indian side of the border, two such Border Haats are located in Meghalaya in Kalaichar in West Garo Hills and Balat in East Garo Hills while another two are located in Tripura in Srinagar and Kamalsagar.

Although not featuring as a significant revenue contributor for either India or Bangladesh in their foreign trade, such weekly marketplaces bring in people from both sides of the border together and help in confidence-building measures.

Vending permits for such Haats are issued to 50 vendors per country from a 5-kilometre catchment area radius are products ranging from fruits and vegetables, cottage industry products to garments, plastics,, kitchenware and baby food, among several other items are bargained and sold.

Kathuria is of the view that that such Haats has not only helped India and Bangladesh build more trust in each other but has also helped curb illegal trade between these two countries.

Source: business-standard.com- Sep 25, 2018

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Telangana to open 400 cotton, 3,000 paddy procurement centres

After record sowing in cotton and paddy this kharif, Telangana is gearing up for the procurement season, with the Government lining up about 400 cotton procurement centres and over 3,000 paddy procurement centres in different parts of the State.

Cotton farmers went for sowing on a record 46 lakh acres, against the normal area of 41 lakh acres, despite the productivity challenges they faced last year, expecting minimum guarantee returns from the fibre crop.

The farmers, however, faced challenges, both in terms of pink bollworm attack and in selling the produce last year as the number of procurement centres was very small.

Telangana Irrigation and Marketing Minister T Harish Rao asked the officials of Cotton Corporation of India (CCI) to open 25 procurement centres by October 10.

While the Marketing Yards would buy cotton at about 100 centres, private ginning mills would open 288 centres by October 20. But the domination of ginning mills in procurement is attracting criticism from farmers.

A team of scientists from Prof Jayashankar Telangana State Agriculture University (PJTSAU) found that the ginning mills proved to be home for dormant pink bollworms that come with the produce from farmers.

They found advancement of pink bollworm attack by a couple of months in some areas surrounding the ginning mills, triggering concerns among scientists and farmers.

Paddy procurement

With the farmers going for paddy on 24 lakh acres this kharif, which is slightly more than the normal area, and two lakh acres more than in the previous year, the State expects an output of 57 lakh tonnes.

“As against 18 lakh tonnes the State agencies procured last year, we target to procure 34 lakh tonnes this year,” Finance Minister Eatala Rajender said.

The procurement price for Grade-A paddy has been pegged at ₹1,750 a quintal.

A Government official said that as many as 3,140 paddy procurement centres would be opened as produce begins to arrive. While Primary Agricultural Cooperatives (PACs) would buy paddy by opening 1,800 procurement centres, about 1,100 Indira Kranthi Patham (IKP) centres too would buy the commodity. This would require 8.59 crore gunny bags.

Source: thehindubusinessline.com- Sep 24, 2018

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More cargo must traverse the waterways

Government’s focus on coastal shipping and river transportation will help pare India’s high logistics cost

A few days ago, Government of India further eased the cabotage law. This time, the Shipping Ministry has allowed foreign flagged vessels to transport fertiliser between Indian ports without licence.

Fertiliser is the seventh item that has been freed from restriction imposed by the cabotage law which specifies that only Indian flagged vessels are allowed to carry cargo between Indian ports and foreign vessels can ply, after obtaining a licence, only if an Indian vessel is unavailable.

Earlier this year, the government relaxed norms for foreign vessels to transport, among other things, agriculture, horticulture, fisheries and animal husbandry cargo.

Late in August, two barges carrying 1,233 tonnes of fly ash were flagged off on river Ganga (National Waterway-1) from National Thermal Power Corporation's Kahalgaon power plant. The barges will travel 2,085 km across multiple waterways — longest haul ever through an inland waterway — to reach Pandu Inland Port in Assam.

The two developments reflect the government's commitment to reducing the high logistics cost in the country, which is at 14 per cent of GDP; India's logistics cost is way above the 8-10 per cent levels in evolved economies.
High logistics costs blunt India's competitive advantage, especially when it comes to the 'Make in India' initiative.

The Golden Quadrilateral and other road projects have helped move goods faster within the country. So has the recently implemented Goods and Services Tax. But transporting goods through road still costs ₹1.5 per tonne kilometre.

The 3,228 km dedicated railway freight corridor that the government is building, when commissioned, will reduce both the time and cost of transportation. Currently, it costs ₹1 per tonne kilometre to transport goods by rail.

But the government's obsession with transporting cargo over water is not without reasons. It costs as low as 30 paise per tonne kilometre. Apart from being the cheapest mode of transportation, it is also less polluting.

If the country effectively leverages its 7,500 km coastline and 14,500 km of potentially navigable waterways, a lot of pressure can be taken off the road and rail infrastructure, which are costly to build and expand. The 3,228 km dedicated rail corridor under construction, for instance, costs over ₹81,000 crore.

Despite these obvious advantages little over 5 per cent of the goods are moved over water in India with road (over 60 per cent) and rail (over 30 per cent) shouldering most of the load.

That is not the case in China where 47 per cent of goods are moved over water or Japan (44 per cent) or even Bangladesh (35 per cent).

The relaxation of the cabotage law will, as an immediate step, increase the supply of ships for coastal shipping. This should push industries and others to move goods such as cement, fertilisers, agriculture and horticultural produce through sea at lower cost. This shift in usage pattern is critical as the government implements its ambitious ₹8.57-lakh crore Sagarmala project, which promises to enhance port connectivity and modernise existing ports apart from other objectives.

The government's efforts to use the inland waterways for moving cargo is also welcome. Efforts like the movement of fly ash on NW-1 will establish that it is, indeed, possible to use our waterways to transport cargo.

The challenges ahead

But significant challenges remain. Today, even on river Ganga (NW-1) only a few vessels can ply that too during the day and in monsoon months when water levels are high. The river bed needs to be dredged, inland ports need to be built apart from putting in place a proper river information system and digital GPS for night navigation.

It is not surprising that the government, in January, approved ₹5,369 crore for capacity augmentation on NW-1 alone. This will be completed in 2023. The government has identified 106 more waterways for navigation.

Similarly, infrastructure needs to be built along the coast. Making ships available is a good short-term measure. But once coastal shipping picks up, need for better berthing facilities, ensuring quick evacuation of goods from the port and leveraging technology to offer single document for multi-modal transportation will become apparent.

Also, what the government has refrained from tackling so far is the high port charges in India. A ship calling on an Indian port pays port charges that are double that of Singapore's.

The government is right in focussing on water-based transportation to sharply reduce logistics cost. Just that it should go about it in a measured manner. If demand does not keep pace with its reform zeal, it could create excess capacity forcing Indian shipping companies to under-invest.

Such a scenario will undermine government efforts to build a vibrant coastal shipping sector.

Source: thehindubusinessline.com- Sep 24, 2018

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Rains cloud cotton prospects

Experts fear loss of crop and poor quality due to damage to bolls in North India

The heavy rains over the cotton growing regions of Punjab, Haryana and Rajasthan have cast a shadow over crop prospects. Experts see quality getting hampered due to the 'ill-timed' rains during the harvest period.

According to information from various sources in the trade in North India and the Cotton Association of India (CAI), the cotton belt of North India received heavy rains during the last three days, which could prove detrimental for the standing cotton crop, which was at the harvest stage.

"Due to the rains around this time, the crop is likely to get hampered to the extent of about 10 lakh bales in the North region.

Earlier the crop expectations was at 60-65 lakh bales, which is feared to come down to around 50-55 lakh bales. There is greater concern over flower shedding because of rains joined by winds. Also, there is an increased risk of pest attack due to cloudy and wet weather," said a source privy to the condition.

The water-logged farms and increased moisture level in the bolls, which open around September, has increased the possibility of deterioration in quality and also in the crop.

“It is difficult to say at this juncture about the possible damage because rains continued till today. Only now has the sky has started to clear in the cotton belt. But rains at the time of picking will hurt crop prospects.

There could be damage of about 5-10 per cent in some areas, while in some places this rain has benefited the crop. So, currently there is no clarity about the extent of loss,” said Ashwani Jhamb, a cotton expert and director at Indian Cotton Association.

Cotton Association of India (CAI) is conducting its meeting on October 1 for estimation of the cotton crop.

The India Meteorological Department (IMD) reported that extremely heavy rains occurred over isolated places in Punjab and Himachal Pradesh, while Haryana, Gujarat and East Rajasthan saw heavy to very heavy rain during the past 24 hours. The IMD has predicted heavy to very heavy rains at isolated places in Haryana, and heavy rains in Punjab and East Rajasthan over the next 24 hours.

Per Agriculture Ministry data, as on September 20, cotton acreage stood at 120.64 lakh hectares, about 0.89 per cent down from 121.72 lakh hectares in the same period last year. The area in Punjab, Haryana and Rajasthan stood at 2.84 lakh hectares (3.85 lakh), 6.65 lakh hectares (6.56 lakh) and 4.96 lakh hectares (5.03 lakh).

According to farmer sources, heavy rains around September will adversely affect arrivals, as picking may be delayed by a week. Normally, farmers in North India pick up to November, post which they take off the cotton plants and switch to winter crops.

Source: thehindubusinessline.com- Sep 24, 2018

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TIDITSSIA urges govt to establish textile park at Manaparai

Tiruchi District Tiny and Small Scale Industries' Association (TIDITSSIA) has urged the State government to establish the textile park at Manaparai to strengthen the textile sector further in the region.

The association also asked for the provision of subsidy benefits for manufacture of 'korai' mats, handloom and power-loom products, and readymade garments to strengthen rural economy.

Rural youth must be imparted skills through training programs of Ministry of Small and Medium Enterprises, Entrepreneurship Development Institute of India, District Industries Centre and Tamil Nadu Industrial Investment Corporation to avail the utility of Unemployed Youth Employment Generation Program, Prime Minister's Employment Generation Program, and New Entrepreneur cum Enterprise Development Scheme, and other schemes, the association added.

The forum called for creation of a right eco-system for development of the region through operation of daily day-train services to Coimbatore and Bengaluru, establishment of Directorate General of Foreign Trade branch in Tiruchi, and upgrading the cargo division at Tiruchi International Airport to global standards.

The capacity to export fruits and vegetables must be augmented and the customs procedures must be simplified, they said. The association also called upon the government to issue an early order for formation of a Special Purpose Vehicle to establish the Trade Centre.

The Ring Road project on which the success of the Trade Centre hinges must be executed quickly, another resolution said. The meeting also called for expansion of the ELCOT's IT Park in Navalpattu.

The State government must ensure that at least 20% investment was routed to the Tiruchi region after the Global Investor Meet 2019, the forum added.

Source: knnindia.co.in- Sep 24, 2018

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Re-import of the exported goods allowed duty free, says expert

An important condition is that the re-imported goods must be identified as the same as exported

We had exported certain goods without payment of Goods and Services Tax (GST) under legal undertaking. The buyer had paid for the goods. However,the buyer says that he wants to send back the exported goods for repairs and re-export. How to deal with the situation under FEMA, GST and Customs laws?

You can re-import the exported goods under notification no. 158/95-Cus dated 14th November 1995 without payment of basic customs duty and IGST.

You have to execute a bond with the Customs that you will re-export the goods after repairs, within six months from the date of re-import. This period can be extended by six months. If you fail to re-export the goods within the period allowed, you have to pay full duties and IGST that were exempted. An important condition is that the re-imported goods must be identified as the same as exported.

At the time of re-export, the goods again must be identified as the same as imported and you must seek redemption of the bond upon fulfilment of the conditions of the notification and the bond. You can re-export the goods without IGST payment under legal undertaking. Since the customer has already paid for the goods and has only sent it back for removal of defects, there is no FEMA implication. You can get a GR waiver from banks for the re-export and submit to the customs.

We have placed an order for import of goods from a foreign party. The payment terms require us to open a letter of credit. There are many conditions in the order. So, we asked our bankers to make the order a part of the letter of credit but they have refused. Are they correct?

Yes. A documentary credit is, by its very nature, a separate transaction from the sale or other contract on which it may be based. The letter of credit must be seen essentially as a tool to facilitate the process of payment against performance as evidenced by the documents presented.

Banks are not in any way concerned with or bound by the terms and conditions in the contract, even where any reference to it is included in the letter of credit.

Banks should discourage any attempt by the applicant to include, as an integral part of the credit, copies of the underlying contract, proforma invoice and the like. Article 4 of Uniform Customs and Practices for Documentary Credits (UCP 600) is explicit on this point.

We have obtained advance authorisation on self declaration basis, as the standard norms are not fixed. We have filed necessary documents but we have not heard anything from the Norms Committee regarding fixation of the norms. How can we know the status of our application?

Please see DGFT Trade Notice no. 24 dated 16.08.2018 regarding the facility to view status of your application online. The status displayed is for information only. For regularization of authorisation, you need actual signed minutes.

Source: business-standard.com- Sep 25, 2018

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