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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 87 of 2018 April 26, 2018

USD 66.78| EUR 81.33 | GBP 93.14 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19457	40700	**78.09**

Domestic Futures Price (Ex. Gin), April

Rs./Bale	Rs./Candy	USD Cent/lb
20600	43090	**82.67**

International Futures Price

NY ICE USD Cents/lb (May 2018)	83.94
ZCE Cotton: Yuan/MT (Jan 2018)	14,910
ZCE Cotton: USD Cents/lb	**91.55**
Cotlook A Index – Physical	**92.2**

Cotton guide: Market is precarious as far as cotton is concerned. There has been good volatility in last two weeks. The price is swinging between highs and lows almost every day. Tuesday ICE cotton plunged over 3% without much of reason and the same has recouped the almost entire loss on Wednesday to settle the most active July contract at 83.94 cents per pound. There is no particular reason and trend to market on cotton these days. We believe this phenomenon may be continued for some more days unless some clarity comes into market. The world is waiting or the US per se is keenly waiting good rainfall to take place in Texas region as it is the major cotton growing region in the country. However, the rain forecasts are continuously disappointing the entire fraternity. This is one of the major reasons for market being volatile. On the other side the general macro factors like currency movement, global equity performance and other Agri-commodities are having significant effect on cotton trade so on the price.

Last week we had noted the unfixed on-call sales report which had increased and believe the fall in the price on Tuesday or early morning lower price on Wednesday may have prompted mills to fix their prior unfixed positions. This may be one of the reasons for price to rise on Wednesday.

Broadly we are uncertain about the market trend and believe the same should be continued in the near term. Today we have the US weekly export sales figure and surely should have significant on the prices post the actual number is released. In the previous week export sales stood massively higher at 520K bales more than 100% higher than the previous week. The report was released on 19th April and since then price moved up from 82 to 85+ cents. We expect any major change in the data will have significant impact on cotton price during the US session today.

From the trading perspective although price is volatile but the trading volumes continues to be almost in the same range of 30K contracts while aggregate open interests are mostly muted. This gives no clarity on cotton price trend in the market.

On the technical front market is becoming more challenging. In our previous report we had indicated a possible formation of Head and Shoulder pattern with the Tuesday's bearish trend likely to keep ICE cotton on the lower side. However, the most part of the loss has been recovered on Wednesday's trading session by gain more than 3%. Technically we call this move as engulfing pattern. This also means if 81 cent is considered and conditioned as support level then market may remain upbeat having 85 cents as immediate resistance level. So broadly ICE July is expected to trade in the range of 81 to 85 cents in the near term.

On the domestic front spot price has declined marginally on Wednesday. However, April future has moved along with ICE price trend. On parity the spread between spot and future has again widened to 4.5 cents risen over 1 cent from previous day. We expect MCX April due to expire this month on 30th to trade in the range of Rs. 20480 to Rs. 20760 per bale. The spread between April to May continues at Rs. 300 with premium (contango).

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

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INTERNATIONAL NEWS

Intertextile Shanghai Home Textiles fair in August

Intertextile Shanghai Home Textiles will be held in China from August 27 to 30. The home textiles trade event will feature a wide variety of home textile products ranging from bedding, bath, table and kitchen, curtains and upholstery and textile designs and technology, whole home, sun protection, wall coverings and carpets and rugs.

Intertextile Shanghai Home Textiles serves as an ideal platform for suppliers to introduce new products to the market as a large number of visitors including import and export corporations, wholesalers, distributors, chain stores and home product manufacturers are expected.

Euroart, based in China, will present both imported decorative fabrics and wallpaper as well as self-owned fabric brands. Buyers can expect to discover advanced jacquard, embroidery, silk and printing techniques.

Fabrics design company Jab Anstoetz will present new outdoor fabrics. Its Around The World collection possesses high color stability, mould-resistance and easy-care features. Jab will also introduce advanced Fiber Guard fabrics which prevent dirt and meet Oeko-Tex standards.

Bedding products are another highlight of the show. Advansa will display new fiber formula Suprelle 95, which is a combination of enhanced sleep comfort and ease of care.

French brand Today will promote its full range of fashionable bedding items.

Source: fashionatingworld.com- Apr 25, 2018

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Puma may shift from production from China with US trade tariffs

Puma may shift some production from China to other Asian markets if US tariffs are imposed on footwear.

The German sportswear maker currently makes about a third of its products in China. It is looking to move sourcing of footwear to countries like Vietnam and Indonesia and apparel to Cambodia and Bangladesh.

Apparel and footwear could be included in tariffs to be imposed by the US on Chinese imports. The tariffs could mean Puma has to accept a lower US margin or raise prices. However, Puma might have an advantage over larger rivals Adidas and market leader Nike in being able to move sourcing faster because its volumes are smaller.

For Puma first quarter sales in the Asia-Pacific region jumped 35 per cent. Puma has about 1,400 points of sale in China, compared to about 10,000 for its rivals.

The brand has already been shifting production away from China over the last couple of years due to rising labor costs.

However, it's unlikely tariffs could shift footwear production back to the United States, although medium to long-term it makes sense to move sourcing closer to its major markets.

Moving production for the US market could take about 12 months. The capacity freed up could also be used to make products for the booming Chinese market, where Puma's sales growth was exceptional in the first quarter.

Source: fashionatingworld.com- Apr 25, 2018

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Bangladesh garment makers want source tax waived

Bangladesh's garment makers want source tax on export receipts to be waived for three years.

As of now, there is a 0.70 per cent tax on total export proceeds from major export items, including garments.

Exporters suggest a tax of 0.50 per cent only on cutting and making instead of a source tax on export proceeds.

The plea from garment exporters come at a time when apparel shipments are on the rise.

Garment shipments rose nine per cent year-on-year in the first nine months of the fiscal year.

Source tax collected from export proceeds of garments is roughly the revenue collected as income tax from the apparel sector. Apparel makers enjoy a reduced corporate tax rate of 12 per cent.

Some garment exporters are said to import fabrics duty-free and sell them in the domestic market. Producers who make cloth for the domestic market say this hurts them.

Leather goods and footwear manufacturers and exporters have called for a reduction of tax on technical assistance and royalty fees and duty-free benefits for importing equipment to ensure fire safety at factories.

The garment industry is the country's main export earner. It is looking to hit 50 billion dollars in shipments by 2021.

Source: fashionatingworld.com- Apr 25, 2018

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Belgium keen to boost ties with Pakistan

Ambassador of Belgium in Pakistan Mr Frederic Verheyden has shown keen interest in the direct imports of goods from Pakistan instead of importing these sports goods indirectly from other European countries on higher prices.

He said that the import of these sports goods directly from Sialkot-Pakistan could be helpful in boosting the mutual trade ties between Pakistan and Belgium.

The Belgian ambassador announced full technical assistance to promote and develop the SMEs in Pakistan, saying that Belgium wanted to establish strong trade ties with Pakistan. He also stressed a need for making efforts to establish strong trade relations between Pakistan and Belgium.

He stated this while addressing a meeting of the sports goods manufacturers and exporters at Pakistan Sports Goods Manufacturers and Exporters Association (PSGMEAS). PSGMEA Chairman Husnain Iftikhar Cheema presided over the meeting.

The envoy added that Belgium was much keen to boost the mutual trade ties with Pakistan, pledging to make efforts to remove all the hurdles from the way of promoting the mutual trade between Pakistan and Belgium. He said that the time was high to do more for further increasing the mutual trade ties between Pakistan and Belgium.

Mr Frederic also pledged to make efforts to increase the mutual trade volume in favour of Pakistan, saying that Pakistan business community ensure maximum exports to Belgium and other European Union Countries through Belgium by taking the full advantages of GSP Plus status.

He said that the Pakistani businessmen would be welcomed in Belgium. The ambassador invited the Sialkot exporters to divert their business activities to Belgium.

He said that the Sialkot exporters have the great potential to explore and capture the international trade markets of Belgium and EU countries by exporting their diversified traditional and non-traditional export products.

He assured Sialkot exporters of easy access to international Belgian trade markets and even the EU trade markets through Belgium. He also asked the Sialkot exporters to participate in the international trade fairs and exhibitions to be held in Belgium.

He also stressed a need for making some effective joint efforts to boost mutual trade. He vowed to make sincere efforts to boost mutual trade ties, saying that the time was ripe to further strengthen trade ties. He said that both the countries have been enjoying cordial trade relations.

PSGMEA Chairman Husnain Iftikhar Cheema said that Sialkot exporters have a great potential to explore and capture the international trade markets of Belgium by exporting their traditional and non-traditional export products.

For improving bilateral trade, Sialkot exporters suggested that exchange of trade delegations and one-to-one meetings of businessmen of both the sides might be arranged.

He said that Sialkot-made sports goods, surgical instruments, leather products, gloves of all sorts, textiles items, sports wear, martial arts uniforms & accessories, musical instruments, kitchen ware, hollow ware, knives, cutlery items and military uniform badges etc. could find a good market in Belgium.

He said that both Pakistan and Belgium have always enjoyed cordial relations based on mutual trust and confidence in each other's expertise.

He stated that most of the sports brands and companies in Belgium were currently working with Sialkot sports industry and Belgium being a sports loving nation has a very special connection with the sports manufacturing industry of Sialkot.

Source: nation.com.pk- Apr 26, 2018

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Will Myanmar become the new Bangladesh?

Tuesday marked five years since thousands of workers were killed by the collapse of the Rana Plaza textile factory in Bangladesh. Due to the extremely low wages and tax advantages Bangladesh is the center for fast and cheap production of fast fashion. However, more and more Western fashion companies nowadays are moving further south-east, to Myanmar, to produce clothing. ALthough the country's young democracy is shaky, it has become attractive because of even lower wages and favorable trade regulations.

Has the retail industry learned anything from the Bengal factory disaster and will they change their strategies, or will Myanmar become the new Bangladesh?

Textile industry Myanmar is growing rapidly

Myanmar has a long history of clothing production. The first textile factories were built under British rule, between 1824 and 1948. In 1988 the first foreign investments were permitted in Myanmar causing the industry begin growing significantly.

The clothing and textile factory count has increased from 130 at the beginning of the century, to the nearly 400 it has today that employ 350,000 people. The fastest growing export market for clothes produced in Myanmar is the European Union.

In 2015, the EU imported garments worth € 423 million from the Asian country. That is an increase of 80 percent compared to the previous year, according to the report 'European Union, Trade in goods with Myanmar', prepared by the European Commission in 2016.

The number of Western fashion companies that have products manufactured in Myanmar is increasing and these companies are also expanding their supplier base.

Retailers such as Suitsupply and H&M produce in the country, says Stichting Onderzoek Multinationale Ondernemingen (SOMO) in her research 'The Myanmar Dilemma'.

What makes Myanmar so attractive for fashion companies?

After all, the country is only just emerging from full economic and social isolation. After Myanmar became independent in 1948, the country has remained unstable due to armed conflicts with various ethnic groups. Fifty years dictated a military junta Myanmar, which led to the withdrawal of governing bodies, the constitution and freedom of expression. It was only in 2011 that the military regime was put to an end. "Myanmar is still a young and fragile democracy," says Martje Theuws, one of the authors of the SOMO report, opposite FashionUnited. That can make the future of the country uncertain.

The Myanmar industry has grown by 5 percent annually in recent years. Data from the Asian Development Bank show that the gross domestic product increased by 7.2 percent in 2015 , yet Myanmar is one of the poorest countries in Asia. In 2014, 26 percent of residents lived below the poverty line, in studies conducted by the United Nations Development Program. According to the SOMO report, the growing export-oriented textile industry can offer a solution for this. "This industry can also aggravate matters by violating labor rights or contributing to negative consequences for employees, the environment and the economy."

The Swedish H&M Group believes that ts presence in Myanmar has a positive effect on the market. "We see a lot of potential in Myanmar because of years of experience in clothing production.

The H&M Group can contribute to creating jobs thus economic growth in the country," a spokesperson for the group informed FashionUnited. The company came to this conclusion on the basis of an extensive risk analysis it has carried out among stakeholders in Myanmar and Sweden.

Together with the local NGOs Action Labor Rights (ALR) and Labor Rights Defenders and Promoters (LRDP), SOMO researched twelve export-oriented garment factories in Myanmar where workers, fashion labels, factory owners, employers' organizations and trade unions were interviewed.

The conclusion they came to was that the low wages are one of the biggest problems.

The minimum wage was 3600 kyat, or 2.48 euro per day, which according to the researchers is insufficient for employees to living a comfortable life. The report also shows that sixty-hour work weeks are a requirement in the factories and that child labor occurs. In many cases child labor is necessary for production because unemployment among adults is a big problem. "Above 35 years you will be written off," says Theuws.

It is clear that the safety measures taken in Myanmar textile factories are insufficient. "Only 21 percent of the workers interviewed had training in health and safety at work." Fire safety training is more common: "31 percent of the interviewed employees said they had taken part in such a training," the study said.

Will Myanmar become the new Bangladesh?

"You see the same problems in Myanmar as in Bangladesh and other clothing-producing countries like Cambodia and India. Hopefully it is not too late to turn the tide, but the signals are not very hopeful, "says Theuws over the phone. She does state that companies have been thinking more consciously about safety since the Rana Plaza disaster. "

You see other types of factories in Myanmar, with only one or two floors, and buildings are further apart." However, it also remains a great risk if the clothing industry in Myanmar grows just as quickly as it did in Bangladesh, according to Theuws. "Then there was unsupervised and unsafe building."

What can clothing brands do to improve the situation around low wages and long working hours? Theuws states that it can be difficult to exert influence in Myanmar, because factory buildings may be in the hands of the military. That is an extra effort for labels. "We also see a role for fashion companies in facilitating the establishment of trade unions," says Theuws.

"Now we see that founders and leaders of trade unions are being fired. It is difficult for a worker to make his or her voice heard, while the latter knows best what goes wrong in the workplace." In addition, it is important that clothing brands commit themselves to providing a living wage for factory workers. "With their purchase prices they can make that possible."

In both these areas, the H&M Group says it is working intensively on ways that they can improve. "All our suppliers must sign the Sustainability Commitment (formerly Code of Conduct), which guarantees compliance with labor and environmental protection laws.

In the long-term, H&M works to increase wages in the textile industry by collaborating with workers through representatives such as trade unions and national governments. "In 2016, the Swedish retailer, in collaboration with the ILO, launched another initiative aimed at" creating strong and representative employee organizations," the spokesman stated to FashionUnited.

Suitsupply, which works with a foreign-owned supplier in Myanmar, informed FashionUnited that it is also busy trying to improve the situation in the country.

"Because we have built up a strong relationship with production partners, we have an influence on the way in which factories are exploited. We use this influence to positively influence wages, the working environment and freedom of speech," according to a spokesperson for the label. In addition, Suitsupply provides training in the field of safety and health and carries out two to four yearly quality checks in factories.

If initiatives such as these continue to be taken, Myanmar does not, according to Theuws, have to follow Bangladesh, although "the developments so far have been little hopeful". "The clothing industry is an industry that offers employment. That is badly needed, because Myanmar is a poor country.

But it has to be decent work." Theuws notes that positive developments are already taking place, including a new minimum wage that will come into effect soon. "It is an increase compared to the current minimum wage, but still far from livable. Whether it will lead to more income is still the question.

Source: fashionunited.in- Apr 25, 2018

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Vietnam: Textile-garment exports seen at $35b this year

The textile and garment industry earned US$31 billion from exports last year, a year-on-year increase of over 10 per cent.

The Việt Nam Textile and Apparel Association believes exports will top $34-35 billion this year helped by many positive factors.

Vũ Đức Giang, the association's chairman, talks to Việt Nam News 's reporter Xuân Hương about this and the efforts made by the industry to enhance their competitiveness and add value to their products.

What do you think about the textile industry's export prospects this year?

The textile and garment industry earned nearly $8 billion from exports in the first quarter of the year, an increase of 13.5 per cent over the same period last year. This is the highest growth rate in the first quarter in the last four years.

The exports in the second quarter are expected to be $8.5 billion and we forecast exports in the first half to go up by 14 per cent over the same period last year.

We believe the industry's exports for the whole year will increase to $34-35 billion, and there are three factors that give us confidence.

Firstly, free trade agreements, especially the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), have created a driving force for enterprises to penetrate markets where we previously had very small market shares such as Canada, Australia and New Zealand.

Secondly, the Việt Nam-EU FTA, which is expected to take effect in 2019 or 2020, is also a spur for local and foreign investors to invest in core areas and areas that face a supply shortage such as yarns, fabric and other inputs.

Promoting investments in production of fabrics and input materials will enable us derive greater benefits from FTAs. Once we can increase the supply of inputs, we will be more active in our development strategy of switching

production methods from FOB to ODM (Original Design Manufacturing) to raise added value and competitiveness for the products.
The third is the technology factor.

Now our manufacturers are focusing much on technology, especially Industry 4.0 technologies. There are many kinds of modern machines and equipment in the textile, dyeing, and yarns industries.

A machine that can replace two to three workers is the driving force for attaining higher labour productivity and shorter delivery times, which enable us to compete better in terms of prices.

We also invest in 3D design software to facilitate making ODM products. Manufacturers have invested more in their factories and facilities to ensure a green and safe environment for workers and consumers.

These are factors affecting the attractiveness of the products and importers' assessment of Việt Nam's textile industry.

Can you tell us more about the benefits of Industry 4.0 technologies to manufacturers?

There are many Industry 4.0 technologies.

For instance, in the yarn sector, previously we invested in 50,000 spindles, we needed about 400 workers to handle them. But with the current technology we need just 100 workers, or even just 58, to handle a 50,000-spindle factory.

In the weaving sector, previously one worker could manage four to five weaving machines, but with the current automated machinery, one worker can manage nine or 10 or 12 weaving machines. These machines are extremely modern and offer high productivity.

Dyeing previously needed some manual work, but the dyeing process can now be done automatically through software.

In design, previously a designer could make two designs or so a day. Now 3D design software can give us a design sample within 15-20 minutes or even less.

The development of technology has helped manufacturers reduce their production time and consumers to access more new products.

Does the growth of such technologies affect jobs?

Not everything in the garment industry can be automated, not all products are produced automatically. Only a few products with simple seams can be automated. Products with complicated seams still need human hands to make them.

Can you tell us about foreign direct investment in the textile and garment industry?

Since the beginning of this year FDI in the textile and garment industry has been worth $1.1 billion. They invested mainly in yarns and textiles.

The first quarter also coincided with the Lunar New Year, so foreign investors did not invest much in this period. The investment is expected to increase strongly from the second quarter onwards.

China, Taiwan, Hong Kong, Japan, South Korea, Thailand, the US, the EU, and Russia have enhanced investment in Việt Nam's textile and garment industry.

The ASEAN-Hong Kong free trade agreement will enter into force in 2019. Do you think it will have big impact on the textile and garment industry?

I think this FTA will not have much impact on the industry compared to other FTAs such as CPTPP or the Việt Nam-EU FTA because Hong Kong has a small population.

What the textile industry looks forward to is the CPTPP. If the UK or South Korea join the agreement or the US comes back, it will be a great motivation for the Vietnamese textile and garment industry.

Source: vietnamnews.vn- Apr 26, 2018

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Pakistan: Buyers active on cotton market

Brisk buying activity witnessed on the cotton market on Tuesday as spinners picked all lots offered by ginners at slightly lower prices.It was encouraging that yarn market was also supportive because of higher off-take from value-added sector.

The 7.7 per cent growth in textile exports to $9.9 billion in the first nine months of this fiscal year also induced sentiment. Fall in the rupee value also made the country's exports cheaper.

The Punjab government plans to give Rs700 subsidy on cotton-seed and provincial agriculture department has fixed next cotton crop target at 10 million bales for which a strategy has been also evolved to support growers.

The Karachi Cotton Asso-ciation (KCA) kept its spot rates steady at Rs7,500 per maund.

The following deals were reported to have changed hands on the ready counter: 400 bales, Pano Aqil, at Rs7,400; 400 bales, Rahimyar Khan, at Rs7,800; 400 bales, Khanpur, at Rs7,775; 1,000 bales, Shujabad, at Rs7,600; 1,000 bales, Liaquatpur, at Rs7,725; 500 bales, Multan, at Rs6,600 to Rs6,800; 1,100 bales, Jalalpur, at Rs6,600; 400 bales, Fort Abbas, at Rs6,450; and 600 bales, Bahawalnagar, at Rs6,300.

Source: dawn.com- Apr 25, 2018

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Amazon Will Officially Become Largest Apparel Seller in 2018, But What About Promotional Apparel?

The rumors of Amazon's apparel market share have not been exaggerated. Back in January, we heard rumblings that Amazon was projected to become the largest apparel retailer by the end of 2018, and it looks like that prediction is still holding strong.

According to TechCrunch, Amazon is taking advantage of the massive growth that the direct-to-consumer online shopping experience is seeing, and the company has no plans to slow down. Thanks to the Amazon's free returns, high-resolution photography and greater selection, the company is the largest retailer by gross merchandise volume.

However, this is not enough for the e-commerce giant. Third-party sellers currently make up 86 percent of Amazon's apparel offerings. Because apparel is one of the most profitable sectors for the company, with 40 percent peak gross margins in the last 10 years, Amazon has a lot of incentive to ramp up its in-house apparel brands.

The one area Amazon is lacking in is its reputation: It's not exactly a trend-setter in the apparel game. TechCrunch suggested Amazon could remedy this problem by purchasing a "buzzy brand" like Everlane.

TechCrunch outlined the steps Amazon has taken to become an apparel powerhouse, and all of these phases certainly position Amazon as a massive threat in the apparel world.

First, the company sold a ton of apparel to learn consumer trends for its market research. Next, it began to sell its private-label clothes to generate higher gross margin. Finally, tech advancements like Prime Wardrobe and Amazon Echo aim to reduce the points at which Amazon Prime customers can choose not to purchase a product. Not only that, but more data can be collected. The more data Amazon has on shoppers, the more of a threat the company becomes to any of its competitors.

But what about promotional apparel? Should the industry be worried about Amazon's apparel presence? The simple answer is: probably.

With Walmart jumping into the promo arena with its PromoShop website, it's not unheard of for an e-commerce giant to make waves in the promo world. In fact, it's probably only a matter of time before Amazon starts pushing direct-to-consumer promotional apparel.

Amazon Custom already exists, where shoppers can customize products with text and personal images. While it's not advertising its apparel offerings, a simple search for T-shirts generates a lot of options. Already shoppers can get their custom apparel through Amazon, and the company has hardly even promoted this.

Perhaps Amazon is planning on focusing attention on promotional apparel once it has completed its total takeover of the retail world. But hopefully, it will find a way to work with suppliers and distributors once that day comes.

Until then, we'll keep watching the e-commerce giant.

Source: promomarketing.com- Apr 24, 2018

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NATIONAL NEWS

US-China trade war: If global trade suffers, India will struggle too

Given the technology and strategic leadership contest between US and China, it is likely that trade confrontation of the two countries may continue

Since the beginning of the year, the US-China trade dispute has intensified, beginning with countervailing duties on stainless steel flanges from China (and India) to safeguard duties on the washing machine and solar cells aimed at China. The US move to apply tariffs on steel and aluminium imports to protect its domestic industry resulted in China issuing an intent to impose duties on agricultural goods worth $3 billion imported from the US.

Following the publication of the US Trade Representative (USTR) report of its investigation of China, the Trump administration decided to impose 25% tariff on over 1,300 products coming from China, as per the list announced on April 3. These items account for $46 billion of US imports from China.

The next day, China announced a list of 106 US products that would be subject to the same tariff rate, impacting almost $50 billion worth of Chinese imports from the US.

If, after due process, all these tariffs are instituted, they would price higher about 15% of bilateral goods trade.

April witnessed further trade measures from the two countries directed at each other. The US banned its companies from selling components to Chinese telecom equipment manufacturer ZTE for seven years, citing violations of sanctions against Iran. Anti-dumping deposits were imposed on US exports of sorghum to China, its major market by far for the product. The US then threatened tariffs on another $100 billion imports from China.

Such steps have significant implications for global trade. The US is the world's largest importer of goods at $2.2 trillion and the second largest exporter with $1.4 trillion, while China ranks top in exports with $2.1 trillion and second in imports at $1.4 trillion as of 2016.

Merchandise worth $637 billion was exchanged between the two countries in 2017, with two-way flows including services exceeding $711 billion. Volatility resulting from uncertainty about the implementation of threatened tariff measures has hit markets.

USTR report

The USTR report, on which the recent round of tariff hikes is based, was initiated in August 2017 under Section 301 of the US Trade Act following long-standing complaints from US companies about being pressurised to share technology with China in return for market access. The findings imply that the Chinese government deploys unfair, opaque and unwritten ways to compel American enterprises to open up their proprietary technologies.

The report also alleges that China supports and incentivises acquisitions of and investments in US technology firms to gain intellectual property.

One key claim of the report is that the Chinese government indulges in ‘unauthorised intrusions’ into US commercial computer networks and cyber theft of intellectual property belonging to US enterprises. The USTR claims are refuted by China.

The US-China ‘trade war’ is thus a tussle for technology leadership and strategic dominance. Chinese investments in US technology firms, too, have been on the US radar. The rapid progress made by China in so-called ‘Industry 4.0’ technologies is causing concern in the US. Given this technology contest, it is likely that trade confrontation of the two countries may continue.

India’s trade with the US, China

For India, the US is its largest export market and second largest source of imports with total trade in goods at $66 billion (April-February 2017-18), as per official data.

China remains by far India’s largest import partner with close to $70 billion of goods purchased from the country in the first 11 months of the fiscal year. However, Indian exports to China were less than $12 billion.

If the tariff barriers imposed by the US and China play out as announced, global trade could contract, impacting India's recent upturn in exports.

A possibility could be that the US and China would consider third producers, including India, for their import necessities. Reportedly, India has offered to sell soybean and sugar to China during the Strategic Economic Dialogue held in Beijing in April.

India's exports of tariff-impacted products

Machinery, mechanical appliances and electrical equipment account for $34.2 billion of the 1,300 affected US imports from China. Looking at US import items from China valued at over $500 million, it is found that India's exports to the US of these items (at four-digit level) in 2016 were very limited (see table below).

Only four of the 15 items aggregated more than $100,000 and none came in over $300,000 value.

It is, therefore, unlikely that US demand of these products from India would pick up considerably in the short term.

Regarding Chinese imports from the US on which retaliatory tariffs are proposed, the top category is transportation goods at $27.6 billion, followed by vegetable products ($13.7 billion) and plastics and rubber ($3.5 billion).

For all but two of the items for which imported value is over $500 million (at six-digit HS Code), India's exports to China are nil or negligible (Table 2 below). The only exceptions are cotton and vehicle parts.

Thus, India would probably not be considered by China as a potential replacement source for its US imports of these goods.

Implications for India

The above analysis shows that India would not see much positive trade diversion coming its way from the ongoing US-China trade spat. For one, with about 15% of bilateral trade slated to suffer from higher tariffs, the first and second round spillover impact on world trade from lower bilateral trade would be inimical to Indian exports.

Second, the high-value imported goods on which tariffs are proposed by both countries are not significant in India's export profile for the two partners. In some cases, such as electrical equipment and machinery, India lacks manufacturing capacity. In others, as for example, soybeans, China's import barriers for Indian products have prevented India from accessing its market.

Three, given the current US stance, there is a risk of further trade barriers on US imports from India. India has been placed on the Priority Watch List in the USTR Special 301 Report for intellectual property rights (IPR) implementation. Its foreign exchange policies are also under US watch. H1B visa regulations have been made tougher, and fewer Indians are applying for them. US has also voiced concerns about high tariffs in India for certain US products.

The US has further announced a review of the general system of preferences (GSP) which permits imports of certain goods from India at zero tariffs, impacting $5.6 billion of India's exports to the US of key labour-intensive products such as textiles and gems and jewellery. These are part of the overall US protectionist trade sentiments and policies, which could escalate, depending on domestic reaction and global retaliation.

On the Chinese side, there has been a reluctance to address India's trade concerns, including for agricultural products. At the meeting of trade ministers in March, there were no significant outcomes. Hopefully, the upcoming visit of Prime Minister Narendra Modi to China would take up trade issues.

Investment dimension

There is some potential for positive diversion to India on the investment side. China's foreign direct investment (FDI) in the US has dropped considerably in 2017 over the previous year. With Chinese firms taking positions in India's technology sector, there is a possibility for higher inflows from that direction.

US investments in India fell between 2015-16 and 2016-17 and stayed muted in the April-December 2017-18 period at a cumulative total of $22 billion from April 2000 to December 2017. Its outward FDI was $299 billion in 2016 alone.

Strong efforts would be required to attract the US and Chinese FDI to India.

Technology implications

With technology development and intellectual property rights (IPR) as issues of contention, India will need to be watchful regarding its own position in the evolving Industry 4.0 technologies. India compares well with China in terms of English language proficiency and cultural connect, raising less anxiety about data security and IPR loss.

As long as India adheres to a strong IPR regime and continues to encourage non-resident patent applications, it would stand out as a reliable technology partner for the future. However, China's focused and accelerated approach towards the target of technology dominance should incite deeper strategic thinking in Indian policy circles to avoid India being marginalised in the technology leadership competition between the US and China.

Future direction

The US-China trade disputes are part of two larger developments. The first is the general context of strategic geopolitical tensions exhibited within an economic and technological expression.

Second is the waning gains that overseas enterprises perceive in a Chinese economy where the trade-off between market access and IPR loss is yielding lower margins.

It is unclear which direction the trade tensions could take in coming months. On the one hand, there is the possibility of de-escalation of trade measures and counter-measures, which would require a period of intensive negotiations between the two sides.

On the other, the increased clamour from different constituencies (primarily in the US) could lead to further rounds of offensive policies.

For India's policymakers, the fact that the items of interest to the world's largest traders figure insignificantly in its export basket with these markets flags the country's continued low penetration of world markets.

The Indian government would need to ensure a strategic approach to the many dimensions of the export endeavour in this evolving trade scenario and accelerate export competitiveness in mission mode to reinstate its efficacy as a growth driver for the country.

It must also continue to take measures to encourage its R&D engagement and boost technology industries.

Source: business-standard.com- Apr 26, 2018

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Textile mills seek reduction of hank yarn obligation

Over 150 textile mills in the region have sent letters to the Union Textile Minister seeking reduction of hank yarn obligation.

It is mandatory for the textile mills to sell in the hank form 40 % of the yarn they produce so that the yarn needs of the handlooms are met. Members of the Indian Texpreneurs Federation have demanded that the obligation should be reduced to 10 %.

In the letter to the minister from the association and its members, the mills pointed out that between 1987-1988 and 2009-2010, the number of handlooms declined by 41 % (from 36.10 lakh looms to 21.47 lakh). However, yarn production has increased 133 % (from 1321 million kg to 3079 million kg).

Handloom fabric production is likely to reduce further now while yarn production is only on the rise. Further, under the Goods and Services Tax, both, cone yarn and hank yarn attract uniform 5 % tax. The mills are unable to market the hank yarn as the demand has reduced over the years.

But, they might face action for not meeting the hank yarn obligation as hank yarn is covered under Essential Commodities Act. The Ministry should hence reduce the hank yarn obligation to 10 % from the current 40 %, the association said.

Source: thehindu.com- Apr 26, 2018

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India's e-commerce policy framework in 6 months: official

In the next six months, India will come out with a framework for a national e-commerce policy to deal with competition, regulation, data privacy, taxation and technical issues like localisation of servers and technology transfer, commerce secretary Rita Teaotia said. The government will set up a task force to finalise the policy contours, she said.

The decision for a task force was arrived at during the first meeting of the think-tank, chaired by commerce and industry minister Suresh Prabhu, on the framework for such a policy, according to Indian media reports.

The think-tank, which includes officials from the ministries of commerce, finance, home affairs, corporate affairs and electronics & information technology along with representatives from telecom, IT and e-commerce companies, will give its report in the sixth month after the taskforce submits its recommendations in the fifth month, she said.

The policy will help India articulate its stand on ecommerce at the World Trade Organisation, she added.

Most players are reportedly in favour of light-touch regulation, not a heavy-handed mandate.

Source: fibre2fashion.com- Apr 26, 2018

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MSME Digital Trade Desk to be set up to push global collaboration

The government will set up a Digital Trade Desk to push collaboration between Indian micro, small and medium enterprises and their global peers, a top MSME ministry official said on Wednesday, in New Delhi.

Speaking during the Valedictory function of the first International SME Convention organised by Ministry of Micro, Small and Medium Enterprises concluded in New Delhi on April, 24, MSME Secretary Arun Kumar Panda said that the ministry has planned to set up a Digital Trade Desk aimed at furthering more collaborations between SMEs of India and other countries and for exchange of data.

He also said that another mega international event is being planned in a few months. He also said that going by the success of the Convention it is planned to make it an annual feature with 79 countries already showing interest to participate in the next Convention.

160 SMEs from 39 countries participated in the three day event where issues of international best practices on SME development and cooperation, global business opportunities for SMEs, problems faced by women entrepreneurs were discussed. Poland, with 15 SMEs, had the largest delegation, followed by Uzbekistan with 8 SMEs and Ghana with seven. Four hundred SMEs from India also participated.

23 agreements were signed between SMEs of India and SMEs of UK, Russia, Uzbekistan, Poland, Bhutan, Austria, Czech Republic, Cameroon and Sri Lanka.

These agreements are in 12 sectors: food processing, agriculture, textiles, defence, ammunition, waste management, dairy products, coal, jewellery, health care and education.

Four foreign SMEs have also signed expression of interest for entering into joint ventures with Government of India.

Source: smetimes.in- Apr 25, 2018

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Businessmen worried as textile, apparel exports dip

Exporters in the city are worried due to a decline in apparel and textile exports in India.

They added that the exporters alone could not bring back India to the top in exporting apparel and textiles till the government provided them with incentives.

While expressing concern over the issue, Narinder Chugh from Million Exporters Private Limited said the Apparel and Textile Industry in India had provided employment to about 45 million people of which 12 million jobs were solely provided by the Apparel Industry.

He said apparel and textile exports were 14 per cent of the total exports in the country.

"It is the second largest sector after agriculture in providing employment to the needy. But because of poor policies of the government, less focus is being given to the industry.

The Apparel and Textile Industry of India is losing its shine at the global level. In March this year, the figures suggested that the exports have declined by approximately 13 per cent. Last year, it was about 10 per cent. It is a cause of concern for all exporters in the country, who are about 8,500 in numbers," said Chugh.

Another exporter Harish Dua from KG Exports said, "In the past few years, countries such as Bangladesh and Vietnam have left India behind. Developed nations, including the US and UK, are giving bulks orders to these countries as they enjoy favoured access through several treaties. At the same time, India is under pressure from the World Trade Organisation to phase out subsidies and incentives given to the textiles sector as it has already achieved 'export competitiveness'."

"Technology upgrade needs funding while trade treaties need to be reviewed to ensure that India gets access for its competitive products in major markets. Above all, Indian entrepreneurs need to also focus on creating their own global brands rather than simply producing other labels," added Dua.

IGST refunds stopped

Exporters are worried as their integrated goods and services tax (IGST) refunds, which started after the intervention of the Prime Minister's Office, have been "stopped abruptly" in past 10 days.

Narinder Chugh, who has to get refunds worth about Rs 2 crore, said he got to know from the local office that the IGST refunds had been stopped following the directions of higher-ups.

Chugh said," Earlier, the IGST used to be refunded two to three times a week, but for the past more than 10 days, no scroll has been generated. After the intervention of the PMO, the exporters had started receiving the IGST refunds.

But from March onwards, Goods and Services Tax Network (GSTN) had stopped transmitting the data to various ports. Sea ports have been verbally instructed not to release anymore IGST refunds."

Source: tribuneindia.com- Apr 26, 2018

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Textile tangle

We in the textile industry do not need any support in the form of incentives but need policy support. Here is what India as a country needs for a competitive textile industry

- Removal of hank yarn obligation for the spinning industry.

- Inverted GST structure from fiber to fabric in the MMF sector, at 18% for fiber, 12% for yarn and 5% for fabric and no refund at fabric stage the tax burden is pushing up costs at fabric stage and is making Indian fabric non competitive.

- GST on power, transport and real estate. These sectors are out of GST regime. If brought into the GST regime will help push up each of the sectors viz spinning, weaving and garmenting by 1% each

- Scrap anti-dumping duty on monopoly products like polyester filament, viscose filament and fiber and acrylics and spandex.

- FTA with SAFTA , now duty free imports are available from Bangladesh and Sri Lanka and host of LDC countries who can easily use Chinese of Indonesian fabric. If rules of origin are set that Indian yarn and fabric needs to be used Indian exports from textiles will go up.

No incentives are needed. Just policy help

Source: thehindubusinessline.com- Apr 26, 2018

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India looking at feasibility of a preferential trade pact with Iran

Pharma, man-made fibre, automotive parts are areas that hold a lot of promise

Keeping its promise to Iranian President Hassan Rouhani during his visit in February, the Indian government has started examining the feasibility of a preferential trade agreement (PTA) with the country.

“India’s focus is on market access for products such as pharmaceuticals, man-made fibre, rice and automotive parts,” a government official told BusinessLine.

Iran has been keen on a PTA with India for long, but New Delhi had not been pursuing it with vigour as it was already engaged in a number of bilaterals with other countries.

“Things have changed now and India is keen on a PTA as it realises that the Iranian market could be promising. A number of new opportunities opened for the Indian businesses in Iran when the country was hit by economic sanctions from Western economies, including the US and the EU,” the official said.

The Federation of Indian Export Organisations, had sent a list of items to the Commerce Ministry, where it feels there is scope for increased exports. “We are positive that a PTA with Iran will benefit Indian exporters a lot. The foothold that we gained in the Iranian market while the economic sanctions against Iran was in place and there was less competition will help us expand our exports if a PTA is signed,” FIEO Director General Ajay Sahai said.

Iran-Pakistan ties

There are other geo-political factors, too, which might be guiding India’s interest in Iran, including the on-going negotiations for deepening of the PTA between Iran and Pakistan. Pakistan could be a competitor for India in the Iranian market for several items and if it gets preferential access for its exports it could hurt India’s interest. The Indian Cabinet recently cleared a double taxation avoidance agreement between India and Iran, which will promote investment flow and curb tax evasion.

The Cabinet also gave an ex-post-facto approval for the MoU between India and Iran for cooperation in the field of agriculture and allied sectors. The MoU was signed in February during Rouhani’s visit to India.

Another MoU on cooperation in the fields of health and medicine was also approved.

The MoU covers exchange in training of medical doctors and other health professionals, assistance in development of human resources and setting up healthcare facilities, regulation of pharmaceuticals, medical devices and cosmetics, and exchange of information among others.

“There are political signals in both India and Iran to get close on the economy front. It is a good time for a PTA that serves both countries,” the official said.

Iran’s exports to India in 2017-18 were worth $11.11 billion, a growth of 5.76 per cent over the previous year. India’s exports to Iran grew 11 per cent to $2.65 billion during the fiscal. The trade imbalance is mainly because of India’s import of oil from Iran.

Source: thehindubusinessline.com- Apr 26, 2018

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Canals still dry, pest risk up for cotton crop

Unavailability of canal water for sowing the cotton crop is giving sleepless nights to growers in Muktsar and Fazilka districts. Though farmers started to sow the cash crop in mid-April, water will be released in canals which pass through these two districts on April 28.

TARGET FOR SOWING COTTON

Late sowing of the cotton crop increases its risk to pests

District	Area (in hectares
Bathinda	1.4 lakh
Mansa	88,500
Fazilka	80,000
Muktsar	70,000
Sangrur	12,000
Barnala	6,000
Faridkot	3,000
Moga	500
Total	4 lakh

A major reason behind the farmers' concern is that the cotton crop is more prone to pest attacks when it sowed late. With the whitefly pest causing widespread damage to the cotton crop in Punjab in 2016, cultivators are saying they cannot survive another bad season in 3 years. Sowing of the crop will continue till May 15.

Sowing of the fibre crop till the first week of May is considered ideal. Punjab irrigation department officials said water would be released in these districts on April 28, and it would reach the tail end by April 30. In Bathinda and Mansa, though, canal water reached most parts by April 21.

Sources said even after water gets released in Fazilka and Muktsar, most of it might be used for irrigation of kinnow orchards. Abohar and Khuian Sarwar blocks of Fazilka are more prone to pest attack due to large number of kinnow orchards. Here, late sowing of cotton could adversely affect the crop.

According to information with Punjab agriculture and farmer welfare department, cotton had been sown over nearly 2,000 hectares by April 24. It has fixed a target of 4lakh hectares for sowing cotton in the state this year. Sources said cotton acreage might not cross 3.5 lakh hectares as yield was below expectations in the previous season and its rates prices remained under Rs 5,000 per quintal.

In 2017, cotton was sown over 3.82 lakh hectares. "We are waiting for water to be released in distributaries, so that we can sow cotton. We plan to sow the crop over five acres," said farmer Santokh Singh from Khuian Sarwar.

Irrigation department superintending engineer (SE) at Ferozepur, H S Chahal, cited cleaning of distributaries for the delay. “It will be completed in a couple of days. Initially, the plan was to release water sometime between April 7 and 21, but was delayed due to repairs.”

Agriculture and farmer welfare department joint director Sukhdev Singh confirmed that sowing was getting delayed in Muktsar and Fazilka due to non-availability of canal water.

“The department has taken up matter with the irrigation department and PSPCL. We have advised farmers to complete sowing of cotton by May 15 as delay makes the crop prone to pest attacks,” he said.

Source: timesofindia.com- Apr 26, 2018

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3.11 million jobs added in 6 months, first EPFO payroll count shows

The Union government’s first-ever estimate of payroll count based on Employees’ Provident Fund Organisation (EPFO) subscription database showed that 3.11 million jobs were added in the formal economy in six months, even as there was a fall of 22 per cent in incremental employment in February 2018, compared to January to a four-month low of 472,075 persons.

The payroll count is essentially the difference between the number of workers who joined and exited from the EPFO’s fold and as such is the net addition to jobs.

The provisional figures released by the EPFO for six months showed 3.11 million workers joined the workforce in the formal sector during September 2017-February 2018. On a pro-rata basis, this would mean that 6.22 million additional jobs were created in 2017-18.

However, this may be a generalisation as the pattern of jobs every month was quite erratic from September to February. For instance, addition to jobs slowed in three months out of the six months under review. The slowdown was steepest for February on a monthly basis.

Madan Sabnavis, chief economist with CARE Ratings, said, "Definitely some jobs are being created. The last few months of a financial year are never really a recruiting time, if you are looking at the organised sector. Also, people may exit during the end of the financial year. That is why February figures might be throwing a lower number."

However, more hands were hired in February than September and October.

"It has now been decided to publish the age-band wise estimate of all new subscribers as declared by their employers. This data can be helpful in policymaking, planning and research work as the planners may have an idea as to what is the estimate of employees in different age band," the Ministry of Labour and Employment said in a press statement.

The payroll estimates, released by the EPFO based on its enrolment, threw up some contrasting trend between September 2017 and February 2018. While there was a net addition of 8.4 per cent to non-farm sector payroll in January, there was a net reduction of around 14 per cent in workers on payroll in December 2017.

In November, while there was a 64.3 per cent jump in workers on payroll, there was a 9.5 per cent decline witnessed in the previous month.'

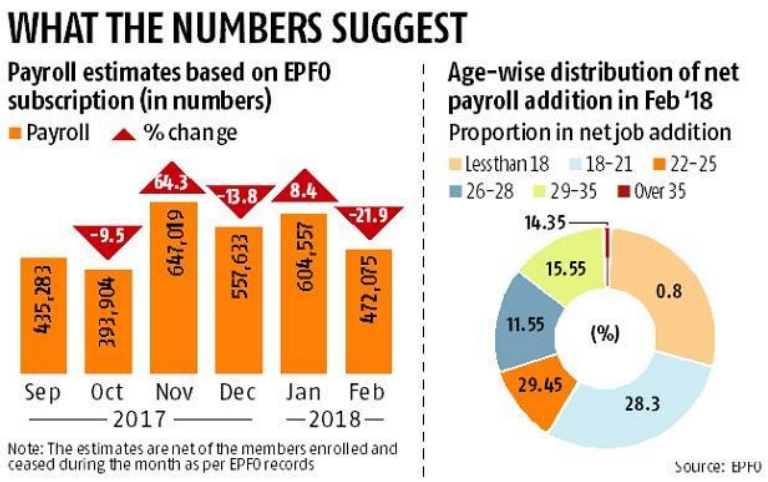
A majority – over 57 per cent – of the new enrolments was in the age group of 18-25 years in February 2018. Workers over 35 years of age constituted around 15 per cent of net addition to the payroll.

One significant trend observed from the payroll estimates is that there was a consistent dip in the payroll for workers belonging to the age group of less than 18 years and 18-21 years since November last year. The payroll addition of workers belonging to these age groups was the lowest in February in the last six months.

This is the first-ever month-wise estimates on payroll count released by a government agency in India. The EPFO manages social security funds of workers in the organised and the semi-organised sector and it has 60 million members with active contribution at present.

However, the payroll database by EPFO will cover firms, employing more than 20 workers, which are required to mandatorily make provident fund contributions, at present. In India, 99.35 per cent of the firms employ less than 20 workers, as per the Sixth Economic Census of 2013-14.

The government's payroll estimates follows a study titled 'Towards a Payroll Reporting in India' conducted by State Bank of India (SBI) Chief Economic Advisor Soumya Kanti Ghosh and Indian Institute of Management (IIM) Bengaluru professor Pulak Ghosh in January.



The study had estimated 7 million jobs employment generation in 2017-18 and critics had argued for a similar access to EPFO, National Pension System (NPS), and Employees' State Insurance Corporation (ESIC) database based on which the two researchers had arrived at its estimates. Ghosh and Ghosh had recommended the government to release a monthly payroll data.

Instead of using EPFO payroll data on the pro-rata basis for the remaining months of 2017-18, if one combines Ghosh and Ghosh data with the one released by the EPFO on Wednesday, around 4.6 million jobs were created during April-February 2017-18, Soumya Kanti Ghosh said.

"If we project the March number on pro-rata basis, the total FY18 payroll as per the EPFO records would be thus around 5.1 million," he said. However, the task force on employment data, led by former NITI Aayog Vice-Chairman Arvind Panagariya, had pointed to a few "serious limitations" to gauging job creation based on administrative data from EPFO, NPS, and ESIC.

"An important limitation of these datasets as sources of estimates of job creation is that new entries into these datasets do not necessarily represent new jobs.

For example, only firms with 20 or more workers are required to contribute to EPFO for their employees. This means that when a firm with 19 workers adds another worker to its payroll, it must begin contributing to the EPFO for all its employees," the taskforce said. It, however, said that the data sources can be useful in getting a count of formal jobs.

Source: business-standard.com- Apr 26, 2018

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Changing GST rules, pending refunds continue to hamper SEZ exports

Incessant changes to the goods and services tax (GST) rules, also affecting refunds, and procedural issues affect export from special economic zones (SEZs). The Export Promotion Council for Export Oriented Units & Special Economic Zones (EPCES) has listed a number of persisting procedural and regulatory obstacles.

"There have been a staggering 367 changes to the GST rules till April 15, since the new tax structure came into being last year," EPCES Chairman Vinay Sharma said.

A one-size-fits-all policy, he added, was not taking into account many ground realities.

Both Arun Goyal, special secretary, GST Council, and Yogendra Garg, additional director general, Directorate of GST, have been urged by businesses to allow the use of regional languages during the generation of e-way bills.

The issue of pending GST refunds continues to dog exports. While refunds from the central government have started flowing, those from state governments are still piling up, said Sharma. SEZ exporters say over 60 per cent of their refunds are stuck, severely reducing their working capital.

EPCES has pointed out that according to official data, a total of Rs 176.16 billion has been disbursed by the government as refund till March.

However, the 204 such zones saw 18 per cent increase in exports between 2016-17 and 2017-18. Software exports from SEZs alone rose 17 per cent.

Combined exports from SEZs were Rs 5.5 trillion in 2017-18, from nearly Rs 4.7 trillion in 2016-17.

EPCES has suggested these zones be treated as deemed foreign territory for the purpose of the 'place of supply' rule under integrated GST regulations for services exports.

Also, that both the National Securities Depository and GST portals be linked, so that duplicate data submission does not occur. There are also suggestions for faster processing of refund claims by suppliers.

Source: business-standard.com- Apr 26, 2018

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