

IBTEX No. 221 of 2018

October 26, 2018

USD 73.43 | EUR 83.42 | GBP 94.08 | JPY 0.65

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
21585	45150	78.72
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	Rs./Candy	USD Cent/lb
23150	48424	84.43
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)		77.68
ZCE Cotton: Yuan/MT (Jan 2019)		15,300
ZCE Cotton: USD Cents/lb		85.02
Cotlook A Index - Physical		89.25
<p>Cotton Guide: Cotton future had a very bumpy ride this week. It had attempted to move beyond 80 cents failed and fell straight down to 76.14. However Thursday it managed to close positive at 77.68 up by 61 points from previous close. The trend is precarious and volatile. On Thursday market had initially dropped to 76.14 with the expectation that the weekly export sales figure will very draw down in numbers however it had no surprise remained mostly in line with prior week figure. Therefore after making a major decline the cotton future quickly reversed higher to end at 77.68 cents.</p> <p>Talking more on the export sales number for the week ended October 18th; net sales for both crop years including Pima were 56,600 bales (upland 45,200/pima 11,400). That included 61,200 bales in cancelations. For the 2018/19 season China canceled 35,300 bales and unlike the last several weeks, there were not matching new crop sales. China's net new sales this week were a negative 37,900 bales which included some destination changes. Vietnam canceled 19,300 bales, but net new sales were 1,600 bales.</p>		

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

The top 5 buyers this season are: Vietnam 2,005,300 bales (shipped 482,300 bales); China 1,730,400 bales (shipped 196,300 bales); Mexico 993,500 bales (shipped 222,900 bales); Indonesia 957,100 bales (shipped 187,000 bales); and Bangladesh 717,600 bales (shipped 116,900 bales). Weekly shipments were 144,300 bales (upland 139,200/pima 5,100). 40-1/2 weeks remain in the season. Even with business so slow the last 2 months, export sales registrations remain over a million bales ahead of last year.

Further the Weekly CFTC On-Call Cotton Report for the week ended October 19th was released after the market close. December on-call sales have decreased nearly every week since they hit their peak at 55,310 contracts on June 15th. Today's report had Dec on-call sales at 22,681 contracts, down 740 contracts last week. That confirmed last week's statements of light fixations. Dec on-call sales a year ago were 22,149 contracts, almost identical to this year. Dec on-call purchases were 17,689 contracts, down 640 contracts. Dec on-call purchases a year ago were 14,361 contracts. Total on-call sales were 137,581, up 1,049 contracts, the first increase in six weeks. Total on-call sales a year ago were 137,210 contracts. Total on-call purchases were 45,239 contracts, down 175 contracts. Total on-call purchases a year ago were 36,656 contracts.

On the pricing front though market has reversed from 76.14 cents to 77.68 but neither it has become bullish nor yet has come out of the major price band of 75.30 to 80.40. We think the broad trend shall be maintained in the short term unless any clear outcome from China- US trade worries.

Coming to domestic market the spot price has softened a bit from Rs. 47100 to 46800 per candy ex-gin which translates to 81.45 cents per pound given the INR movement against the US dollar. The spot price quoted here is for Shankar-6 variety. The supply to market from new arrivals is increasing. As of Thursday the all India arrivals stood at 101000 bales out of which 33000 from North zone, 20000 from Gujarat and around 18000 from Gujarat. Lastly on the futures front the active November contract trades at MCX ended at Rs. 22650 down by 0.66% from previous close. We think due to supply pressure market might remain under stress. However the fluctuated movement in ICE is spoiling the linearity of the trend. For the day we expect the given contract to trade in the range of Rs. 22500 to Rs. 22800 per bale.

FX Guide:

Indian rupee has opened weaker by 0.24% to trade near 73.45 levels against the US dollar. Weighing on rupee is continuing volatility in global equity market. Asian equity markets trade largely lower while DJIA futures point to a negative opening for US market later today. Weighing on market sentiments are geopolitical tensions relating to Saudi, concerns about impact of higher interest rate and import tariffs on US economy, slowdown in Chinese economy and concerns about European economies amid Italy crisis and Brexit impasse. The US dollar index is trading near the highest level since mid-August supported by Fed's support for rate hikes despite weakness in equity market. Cleveland Fed President Loretta Mester says financial markets are "far from a scenario" in which falling equity prices will lead to a significant pull-back in risk-taking and spending that could hurt the US economy. However, supporting rupee is weakness in crude oil price. Brent crude trades weaker near \$76 per barrel amid weaker risk sentiment and rising US crude stocks and despite mixed signals from OPEC regarding production. Rupee may remain under pressure unless we see significant improvement in risk sentiment. USDINR may trade in a range of 73.2-73.65 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	Topics
1	USA: These 5 Automation Technologies Hold the Most Promise for Apparel Manufacturing
2	How the WTO is under attack
3	For Indonesia FTAs is the way forward for apparel industry
4	Amazon Europe retail losses bigger than Sears: Report
5	Nearshoring gains ground with focus on speed to market
6	Pakistan imposes regulatory duty on textile items
7	Vietnam apparel exporters turn domestic market
8	Italian textile factory inaugurated in Ethiopia's Tigray
9	Zimbabwe to double cotton production
10	Pakistan develops import substitution
11	Pakistan: 'Appreciation to impact exports'
NATIONAL NEWS	
1	Mills cut capacity on fall in cotton arrivals
2	India must create jobs in textiles, leather
3	Power loom weavers seek power tariff on lines of Maharashtra
4	Trade with LatAm, Caribbean huge opportunity: Exim Bank
5	To cut trade deficit, India plans to boost export of 200 products to China
6	Chinese imports are undermining 'Make in India'
7	Bangladesh opens Chattogram, Mongla ports for trade with India

INTERNATIONAL NEWS

USA: These 5 Automation Technologies Hold the Most Promise for Apparel Manufacturing

Chasing cheap labor in low-cost sourcing countries may have bought the apparel industry time in terms of embracing automation, but with on-demand apparel production gaining importance and automation tech advancing in accordance with the industry's needs—the pace of adoption will quicken in the coming years.

Already, according to a McKinsey & Company report launched at the recent Sourcing Journal Summit in New York City, the automotive industry has a sevenfold lead over apparel when it comes to uptake in industrial robots, and electronics is four times more automated than apparel.

“Whereas some garment manufacturers have started investing in automation, neither automation nor advanced manufacturing have been a priority for the buyers at mass-market apparel brands and retailers,” McKinsey said.

That's owed, at least in part, to low labor costs in core Asian sourcing markets, and a focus on traditional efficiency improvements and leaning the supply chain rather than automating it, McKinsey said. It's also because fabrics have long proven challenging for bots to handle. But that has already begun to change, with solutions for full automation in sewing certain fabrics emerging as market ready.

And there's a much bigger case for the adoption of automation than simply improving the production process.

“For certain products, automation will not only make nearshoring more attractive for U.S. and European mass-market apparel brands and retailers, but it will also make onshoring to the U.S. economically viable in the future, McKinsey noted.

But for many manufacturers, it's a matter of where to begin and which technologies are best for the business.

According to McKinsey, there are five that stand to have the most promising impact on apparel manufacturing.

Sewing

Naturally, as the most labor-intensive step in apparel manufacturing, with sewing accounting for more than half of the total labor time per garment, advancements in automation for sewing will have the greatest impact.

“The potential for labor reduction is highly dependent on product type and design—as much as up to 90 percent of the sewing of simple garments can be automated,” McKinsey said. “While there are a variety of different semi-automation solutions, SoftWear Automation is currently on the forefront of fully automated sewing and many others are making investments.”

Intralogistics

After sewing, picking and packing in warehouses in the next most labor-intensive part of apparel production, and also the most error-prone.

“Robotics in intralogistics throughout the production process as well as warehousing can halve labor intensity, reduce processing time and errors, and improve worker ergonomics,” McKinsey said.

“Technologies in the market today include overhead garment-on-hanger systems, which utilize the previously empty overhead space in a warehouse to store, sort, and pick display-ready garments, and self-driving warehouse vehicles that can transport items as well as load and unload washing machines and dryers.”

Gluing/Bonding

Though it may not be first to mind for companies seeking out automation technologies, new technologies in gluing and bonding could allow manufacturers to skip sewing altogether while adding functionality for performance garments.

“The times when only outdoor brands used adhesive technology to improve water resistance are gone. Gluing today is also used in the high-end design segment,” the report noted.

“Combined with robotics, gluing and bonding have the potential to significantly reduce labor and increase the production speed.”

Knitting

Knitting technology advancements, whether 3-D or computer controlled, will make the best case for customization, and companies like Ministry of Supply have already tapped into what co-founder and CEO Aman Advani calls “print-knit,” producing sweaters on-demand for consumers in its Boston, Mass. store.

Advanced knitting technologies, according to McKinsey, make knit garments more versatile, and also increase the garment’s commercial value—which may motivate apparel companies to embrace more knits over wovens.

“Nike’s Flyknit product line, for instance, uses a computerized knitting process that has reduced material waste by 80 percent,” McKinsey noted. “Knitting innovation also supports single-item production and new factory-in-store concepts.”

Finishing

Because of its already low labor requirement, automating steps in the apparel production like digital printing or laser finishing, could make it possible for apparel companies to wholly nearshore their finishing process.

“Digital printing can reduce labor by up to 70 percent and abrasives by up to 90 percent,” McKinsey said. “Levi’s laser technology drastically cuts finishing time for a pair of jeans.”

Source: sourcingjournal.com- Oct 25, 2018

[HOME](#)

How the WTO is under attack

The stasis in negotiated liberalisation of trade has, over the last 18 years, whittled down the standing of the WTO as an intergovernmental institution of eminence. However, in all these years, the WTO has been held aloft by the success of its dispute settlement function.

No doubt, the record even here is not impeccable and the WTO has not scored a perfect 10. There have been delays in the completion of procedures as litigant members have engaged on contentious issues, and a few members have dragged their feet on compliance. Nevertheless, the results obtained in dispute settlement have been reassuring, on the whole.

And yet, the dispute settlement system of the WTO is under attack. It is ironic that the assault is being led by the very member that helped build it up—the United States. It was the US that pressed for its judicialisation, argued for the rule of negative consensus and strongly supported the introduction of the appellate review stage.

The rule of negative consensus means that, unless the Dispute Settlement Body (DSB) decides by consensus not to do so, the request by a member for the establishment of a panel is accepted or the report of a panel or of the Appellate Body (AB) is adopted. Thus, the procedures were freed from blockages that had made the dispute settlement mechanism dependent on negotiations and, therefore, ineffective during the GATT 1947 days.

It was the United States, again, that had put forward the proposal for stipulating time limits for each stage of the procedure, to fall in line with its domestic procedures. Others agreed in the belief that it would help to curb recourse to unilateralism under the Section 301 of the US Trade Act 1974, which the world abhorred.

What could be the agenda of the US in trying to debilitate the dispute settlement machinery of the WTO? The US's attempts to weaken the dispute settlement procedures began in the pre-Trump era. In 2011, the US quietly manoeuvred to deny a second term in the AB to Jennifer Hillman, a US nominee, and it was widely suspected that her government was not pleased with her rulings in the AB reports.

A more overt intervention was seen in 2016, when the US opposed a second term for Seung Wha Chang from South Korea. While opposing the reappointment of Seung Wha Chang, the US complained of judicial overreach in appeals in which he was one of the three AB members who had made the ruling. Some WTO members did question how the AB report could be attributed to one member when the ruling was made in a collegiate manner by three.

Leaving this question aside, it was clear that the aim of the US was to keep the AB members on a short leash. Denial of automatic reappointment for a second term was clearly aimed at curtailing the independence of AB members and was bad enough. But things have got progressively worse since president Trump assumed office. Now, the United States is not only stalling reappointments to the AB on the expiry of the initial term of four years, it is also routinely blocking altogether all appointments to fill up vacancies in the AB.

The US is also insisting that solutions must be found to a number of issues relating to the functioning of the AB before the selection procedures for filling up the vacancies can proceed. Could an AB report bear the name of a member who had participated in the decision but had demitted office before its submission? In the light of the DSU mandate for appeals to be concluded in 90 days, what is the legal status of an AB report that has not been concluded within the stipulated period? Should the AB steer clear of advisory opinion or obiter dicta? Should the AB examine a member's domestic law as a matter of law rather than treating it as a matter of fact? Should AB rulings be treated as a precedent to be followed in future cases?

None of the issues raised by the US is unreasonable, although some of them have less weight than others. What is unreasonable is the linkage of the solutions with the filling up of the vacancies in the AB. Further, the fact that the US has not made any definitive proposal on the solutions raises the question of whether it is really interested in seeking solutions.

There is more than a hint of suspicion that its objective is to emasculate the dispute settlement machinery of the WTO by rendering the AB non-functional. Indeed, after the completion of the tenure of another member in September 2018, the AB has already been reduced to three members, the minimum number necessary to keep it working.

In December 2019, two more members will retire and the AB will cease to function.

What happens then? The Dispute Settlement Understanding (DSU) mandates that a panel report must be adopted by the DSB within 60 days of its circulation unless a party to the dispute formally notifies its decision to appeal. After the AB has become non-functional, a decision by the losing party to appeal will imply that a dead-end has been reached in the procedure for the settlement of disputes under the DSU. In that situation, the dispute settlement system of the WTO, as a whole, will stand substantially dismantled. It will, of course, remain open for the parties to try to negotiate further on the dispute on the basis of the findings and recommendations in the panel report and we would go back to the GATT 1947 days when the settlement of disputes was essentially a matter for negotiations.

On a number of occasions, president Trump has threatened that the US would leave the WTO. The question that arises now is if the US has decided to destroy the WTO from within, instead. A further question is why the US is aiming to enfeeble the dispute settlement machinery that it had sought to strengthen a little over 23 years ago. What are the reasons for the reversal of US objectives? One possible explanation that has been talked about is that the expectation in the US at the time of negotiations was that its laws would be consistent with the WTO Agreement and US will be a complainant rather than a defendant in future disputes.

The US wanted a strong dispute settlement machinery to ensure that other members, mainly the developing countries, carried out their obligations in the new areas of trade in services and trade-related intellectual property rights. Since the reality now is that the US, too, is a defendant in a number of cases, and in fact has been repeatedly bruised in anti-dumping disputes, a strong dispute settlement machinery has created some amount of discomfort.

The WTO members are faced with a formidable challenge. Since a strengthened dispute settlement machinery underpins the rules-based multilateral trading system embodied in the WTO Agreement, there could be an existential threat to that system.

Source: financialexpress.com- Oct 26, 2018

[HOME](#)

For Indonesia FTAs is the way forward for apparel industry

Indonesia is hoping for a series of trade agreements. Eight are in the process of negotiation, three are under revision and two are in the process of negotiation. One agreement is with Australia.

Another is the Regional Comprehensive Economic Partnership, a proposed free trade agreement between Asean and China, India, Japan, South Korea, Australia and New Zealand.

Yet another is the European Free Trade Association. Agreements with Mozambique, Tunisia and Morocco are expected to be completed this year.

For Indonesia, trade agreements with partner countries can increase the export value and increase market share. With such agreements in place Indonesia expects its exports of textile and textile products to increase three-fold.

The cooperation agreement with Japan has helped increase Indonesia's exports. Till now lack of market access has been a constraint for the textile industry.

Meanwhile, textile products from neighboring countries, such as Vietnam, can enter with zero per cent import duty.

At present, the market share of new domestic textile products is around 1.8 per cent while in Indonesia the textile industry has been integrated from upstream to downstream so that the potential for development is still large.

The industry in Indonesia wants downstream products to be protected from the onslaught of imports.

Source: fashionatingworld.com- Oct 25, 2018

[HOME](#)

Amazon Europe retail losses bigger than Sears: Report

The losses made by American chain of department stores, Sears, in 2017 were about the same as Amazon's European retail holding company Amazon EU SARL, according to a latest report. Sears made loss of \$981 million, very close to Amazon EU SARL's \$988 million, as per the accounts recently filed by both the companies at London's Companies House.

Sears was struggling to adapt to a changing world before e-commerce was invented, and it did no better after e-commerce came along, says the report released by Clothesource, an Oxford-based apparel industry consultancy, which helps the global garment community improve production and sourcing.

The report 'Emperors' Clothes' adds that well run physical retailers are prospering: the biggest clothing specialists on either side of the Atlantic (Inditex and TJX) get almost all their sales from physical stores and they have just upped their sales and profit forecasts.

In fact, with online accounting for just 8.9 per cent of US retail in 2017, "The effect of Amazon, or any other online retailer, on Sears is widely over-rated," says Mike Flanagan, CEO of Clothesource.

In both Britain and the US, more people are working in retail today than a decade ago. "So the problem is not about inevitable shifts in consumer purchasing: the main problem lies with many retailers' management," says Flanagan. "Too many have lost touch with their customers: Clothes stores keep aiming at millennials - broke, indebted and in precarious jobs - when most clothes spending comes from the middle-aged," he adds. "They are selling fashion when their customers just want stylish clothes that fit properly."

The report also says that online specialists like Amazon, buoyed by seemingly limitless ability to raise money and chasing sales growth, seem to be selling below cost. This drags the whole retail industry into a downward spiral of price-cutting and vanishing margins. But successful retailers have fought this.

Source: fibre2fashion.com- Oct 25, 2018

[HOME](#)

Nearshoring gains ground with focus on speed to market

A McKinsey and Germany's RWTH Aachen University study states, Western countries sourcing from across Asia will shift production to neighboring countries. Western companies expect more than half of the clothes they source to come from "nearshoring" by 2025.

Resurgence of domestic markets

British fashion brands like Burberry and others moved some of their production back to England as the tag 'Made in England' became attractive to luxury buyers after an import boom in the 1990 and early 2000.

Hugo Boss, the German fashion label, has started selling a 'Made in Germany' collection, produced completely in Metzingen, the company's corporate seat.

However, this strategy is not attractive for low-priced and mid-range clothing producers who have to constantly compromise between low production cost and a short time to market.

These producers, in recent years had moved their production to cheaper countries such as Vietnam and Bangladesh; in 2017, China's share of apparel imports dropped both in the European Union and the US.

Failure to respond to consumer demand may result in huge volumes of unsold clothing.

Producers must treat short lead times as the No. 1 priority. Fast fashion is giving way to ultra-fast fashion, as practiced by online retailers such as Boohoo, Asos and Lesara. This doesn't work well with shipping from Asia: Delivery to big Western markets takes about 30 days by sea.

Need to focus on quick delivery

Eventually, producers in China, Vietnam and Bangladesh will need to concentrate on delivering quickly to markets in their immediate neighborhood, creating capacity shortage for Western buyers.

As McKinsey states cheaper freight and lower duties make it less expensive to produce a pair of basic jeans in Mexico than in China for the US market and in Turkey for the German market. But Bangladesh still significantly undercuts Turkey for the European market and matches Mexico's costs for the US and moving production home -- to the US and Germany -- is still a non-starter; it increases cost by 17 per cent in the US and by 144 per cent in Germany.

But as lead times gain importance, shortening them compensates for some of the labor cost disadvantages by increasing the share of clothes sold at full price. Raising it by 6.1 per cent for a garment that takes 60 minutes to produce would justify the transfer of production from China to the US.
Automation to reduce costs in Western countries

Automation can drive down the cost in Western countries.

Now, sewing a pair of jeans takes an average 19 minutes, more than half of the total production time. McKinsey and RWTH Aachen figure robotics can cut that time by 40 to 90 per cent. At another important step, distressing jeans, technology exists to cut the time necessary from about 20 minutes to 90 seconds: Levi's does it with lasers.

Almost 82 per cent of sourcing managers surveyed by McKinsey say production of simple garments will be fully automated by 2025.

If they're right, production is coming back -- but jobs aren't. And China isn't likely to fritter away its current advantage even as it becomes more expensive: Chinese garment companies are building factories in cheap labor countries closer to Europe such as Ethiopia.

With these caveats, it's likely that buyers of mass market clothes, not just expensive designer threads, will be dressing in garments from geographically closer countries soon.

Source: fashionatingworld.com- Oct 25, 2018

[HOME](#)

Pakistan imposes regulatory duty on textile items

To strengthen the local textile industry, Pakistan's Federal Board of Revenue (FBR) has imposed regulatory duty on the import of various textile items. Notification no SRO 640(I)/2018, released in May this year, has been issued for imposing duty on imported items including textiles falling under the Pakistan Customs Tariff (PCT) code of the first schedule.

In effect from early this month, the FBR has imposed 50 per cent duty on the articles of apparel and clothing accessories, of leather or of composition leather.

Footwear with outer soles of leather or composition leather and uppers of textile materials will be charged 40 per cent.

Further, the government has taxed 10 per cent on woven fabrics of cotton containing 85 per cent or more by weight of cotton, mixed mainly or solely with manmade fibres and other woven fabrics of cotton, 8 per cent on woven fabrics of synthetic filament yarn and artificial filament yarn.

Import of cotton yarn (other than sewing thread), woven fabrics of polyesters, artificial staple fibres and synthetic staple fibres is charged 5 per cent. While, 2 per cent regulatory duty is imposed on yarns from synthetic staple fibres, artificial staple fibres and man-made staple fibres.

Source: fibre2fashion.com- Oct 25, 2018

[HOME](#)

Vietnam apparel exporters turn domestic market

Vietnam's garments exports has been growing steadily in the past 10 years to Europe and North America.

Early warnings at the beginning of 2017 suggested US withdrawal from the Trans-Pacific Partnership would narrow the pathway for garments from Vietnam.

After struggling for the first six months, garment companies scored a record high of exports to the US toward the end of the year. Garments topped the export list in 2017 and give more hope for the country's export prospects in the coming year.

Vietnam's traditional garment destinations are: Asean, Eastern Europe, the EU, Japan and South Korea.

Vietnam's fashion industry has been growing, developing the energy to let designers leap and flourish. If a decade ago, Vietnamese consumers preferred fast fashion imported from China, now they tend to turn to domestic products.

However, garment companies have not been able to establish a firm foothold in the country. Export-oriented companies who want to set up sales boutiques have to deal with PR, marketing campaigns and after sales service.

Another reason contributing to the less secure production output is the material resources.

Domestic fabric production makes only 2.3 billion meters a year. Since the industry requires 8.7 billion meters to function, the balance has to come from imports.

Source: fashionatingworld.com- Oct 25, 2018

[HOME](#)

Italian textile factory inaugurated in Ethiopia's Tigray

Italian fashion company ITACA recently inaugurated a \$15-million textile factory at Ashegodain of Tigray state in Ethiopia. The factory has already started exporting clothes to different European countries, according to ITACA chief executive officer Federico Fraboni.

The company expects to earn around \$794,000 every month through exports.

State trade minister Mebrahtu Meles said the factory will create job opportunities and contribute to development, according to Ethiopian media reports. Investment director at Tigray Trade, Industry and Urban Development Bureau, Haftom Fantahunegn said the factory has created 1,000 jobs and two additional textile factories will start production soon.

Source: fibre2fashion.com- Oct 26, 2018

[HOME](#)

Zimbabwe to double cotton production

Zimbabwe is seeking to double cotton production in forthcoming summer cropping season amid growing demand for the country's produce on the international market.

According to the international market ratings, Zimbabwe cotton is the third best cotton in the world. The crop has the potential to generate foreign currency.

The government has already started distributing cotton inputs ahead of the summer cropping season to ensure that farmers are not inconvenienced.

It has also put in place mechanisms to ensure proper grading so that farmers who produce high quality cotton are not prejudiced.

Last year cotton farmers delivered more than 75 000 tonnes of cotton to merchants compared to 138 000 tonnes delivered this year.

More than 300 000 farmers and approximately one million people rely on cotton farming in Zimbabwe. Midlands' cotton farmers alone have so far this year delivered more than 70 000 tonnes to cotton merchants.

Source: fashionatingworld.com- Oct 25, 2018

[HOME](#)

Pakistan develops import substitution

Pakistan is opting for import substitution as a way to add value to its textile chain. Growth of the textile sector is directly linked to the availability of cotton which is consumed by at least 16 sub sectors starting with cotton ginning up to the manufacturing of fashion garments.

Small and medium enterprises are being encouraged to switch over to latest technologies so that their overall share in Pakistan's exports can be enhanced. The country is working on upgrading its supply chain and improving productivity.

There is room for further expansion of the textile sector with improvement in the law and order and energy situations. In order to promote value addition and exports, the regulatory duty on import of yarn and other raw materials has been significantly decreased.

The regulatory duty has been revised only on 90 items whereas the same has been increased on 100 luxury items. Further, rebate will also be paid with the export proceeds electronically in order to facilitate the exporters.

The process of validating licenses – for export-oriented units and manufacturing bonds – will be soon automated. The audit will also be done automatically by the system. Pakistan's textile exports constitute a major portion of the country's overall exports.

Source: fashionatingworld.com- Oct 25, 2018

[HOME](#)

Pakistan: ‘Appreciation to impact exports’

The prolonged currency fluctuation period has created uncertainty and confusion, not only in domestic market but also for exporters as they are unable to quote the correct price required for entering into deals with their foreign buyers.

Leading exporters have expressed their resentment over the current situation with rupee appreciating by around 1.56 per cent or Rs2.10 over the dollar on Wednesday.

“Only last week there was a dip and today there is an appreciation in the rupee value against the dollar,” stated the Chairman Pakistan Bedwear Exporters Association.

Exporters have become hostage to the uncertainty because there is always a fear of huge loss when locking a deal, he added.

“It could be said that currently the exporters have adopted a ‘wait and watch’ strategy as, in case they sign an export contract at the current rupee-dollar parity and within a week the rupee appreciates against the dollar, it will cause immense loss to them,” lamented Shabir Ahmed.

He further said that only last week he entered into an export contract with rupee at 134.00 against the dollar, but today the tables have turned and dollar has fell to Rs131.8, following Saudi Arabia’s \$6 billion financial support to Pakistan.

This contract would cause substantial loss to his company now.

Naqi Bari, a leading exporter of home textiles, said that the current uncertainty on currency market is also causing difficulty for exporters to know the exact per unit cost of their products because many components are imported and the rupee-dollar parity has a direct impact on imported goods as well.

Aslam Karsaz, exporter of value-added textile goods, said the erratic price movement in currency is adversely impacting cotton, yarn and fabric prices which are major inputs of value-added textile goods.

Pakistan Hosiery Manufacturers Association Chairman Jawed Bilwani said that currently exporters find themselves stuck between the 'devil and the deep blue sea' because when the rupee depreciates the buyers immediately ask for a margin. This results in little gain to exporters.

However, when the rupee appreciates against the dollar, buyers are not willing to pay the increased per unit price of the product which leaves exporters in a fix.

In both the situations, the exports suffer badly because around 50 per cent of components used in our products are imported which become costlier if the rupee depreciates, he added.

Bilwani urged that this should come to an end at the earliest so that exporters could enter into export contracts without apprehension over the quoted price for their products or any subsequent losses due to currency value fluctuations.

Source: dawn.com- Oct 25, 2018

[HOME](#)

NATIONAL NEWS

Mills cut capacity on fall in cotton arrivals

Cotton arrivals declined significantly in Maharashtra, the second-largest producer of the fibre crop, forcing ginning mills to operate at less than 30 per cent capacity as farmers held back stocks on expectations prices will rise.

The daily all-India cotton arrivals are currently at 75,000 bales to 80,000 bales of 170 kg each, according to Atul Ganatra, president of the Cotton Association of India.

“However, cotton arrivals in Maharashtra have been ruling low at about 7,500 bales per day against the normal daily arrival of about 15,000 bales a day around this period of the year,” said Ganatra.

Half of the cotton comes from Punjab, Haryana and Rajasthan, while the remainder is from central and south India, said traders. In Maharashtra, cotton arrivals have started from Khandesh region, while supplies from Marathwada and Vidarbha are yet to pick up.

Trade sources said farmers are waiting for prices to rise to offload stocks, while ginners are going slow on purchases, expecting rates to cool once the prices of cotton seed soften with growing arrivals.

Raw cotton prices have increased to Rs 5,850/ quintal in Maharashtra – more than the MSP prices for medium staple and long staple cotton of Rs 5,150/quintal and Rs 5,450/quintal, respectively.

Ginning mills have been operating at 25-30 per cent of capacity, said BS Rajpal, a Maharashtra-based ginner. “Farmers are holding the crop, expecting prices to move up further,” said Rajpal.

Source: economictimes.com- Oct 25, 2018

[HOME](#)

India must create jobs in textiles, leather

‘It will benefit unskilled youth’

India needs to work on creating jobs in sectors such as textile, garments and leather to generate employment for its unskilled youth, Zarin Daruwala, CEO, Standard Chartered Bank India said at the India Summit 2018 organised here.

“People are always talking about the macro situation. They should focus on the micro story which is very, very good.

India’s engineering exports is growing among merchandise exports. We have three times increased exports of auto components and have achieved 40% increase in automobile production,” she said.

“[As many as] 1,400 global multinational companies have opened their global centres in India. More than 45% of their global centres outside their own countries are in India. This micro story is making Indian industry a high tech one. Since that part of the economy has moved up, the government should now need to work on how to create jobs to the youth who are not that educated,” Ms Daruwala said.

She said the jobs can be generated by the ‘government sectors’ which can create employment in 100 poorest districts of India. “The wages in these districts are low and comparable to Bangladesh. If India can focus on getting some business for this sectors, we can create many more jobs for the unskilled population,” she said.

Speaking at the event Amitabh Kant, Chief Executive, NITI Aayog said improvement in ease of doing business ranking in eastern states will help India to further move up in the World Bank ranking.

“India is a very large country, a lot depends on the states. Since a lot of investments happen in states, the ease of doing business must improve there. To ensure that we are ranking states and there is intense competition among them,” Mr Kant said.

“The good thing is that the eastern States like Odisha, Jharkhand, Chhattishgarh are doing extremely well in ease of doing business ranking. Once the eastern part of India starts doing well then India will certainly improve its ranking,” he said.

“Because these are mineral rich states and attract big investment. Any improvement there will help India to do well. We are putting the ranking in public domain and naming and shaming states to improve their ranking and it is helping,” Mr. Kant added.

Source: thehindubusinessline.com- Oct 25, 2018

[HOME](#)

Power loom weavers seek power tariff on lines of Maharashtra

Representatives of Federation of Gujarat Weavers' Association (FOGWA) and Federation of Indian Art Silk Weaving Industry (FIASWI) met chief minister Vijay Rupani and deputy chief minister Nitin Patel in Gandhinagar on Thursday and submitted a slew of demands for ailing power loom weaving sector in the new textile policy.

The industry leaders demanded special power tariff for existing and new power loom units on the lines of Maharashtra, capital subsidy of 10 per cent for units within the city and 15 per cent for units outside the city with cap of Rs20 crore subsidy, interest subsidy of 5%-8%, 25% subsidy on modernization of power looms, 45 per cent subsidy on woven technical textiles etc.

FOGWA leader Ashish Gujarati said, “We had to personally visit Gandhinagar and meet chief minister and deputy chief minister for putting forth our demands as Southern Gujarat Chamber of Commerce & Industry had ignored us in the last meeting.

The power loom weaving sector is on death bed due to unresolved credit lapse issue under Goods and Services Tax. We want the state government to help us and provide incentives to keep the industry operational.”

Gujarati added, "Many power loom weavers have shifted their base to Navapur in Maharashtra due to proactive textile policy of the government there. The power tariff in Navapur is Rs3.50 per unit and we are paying Rs7.50 per unit. Fabrics manufactured by Navapur units are cheaper compared to us."

Source: timesofindia.com- Oct 26, 2018

[HOME](#)

Trade with LatAm, Caribbean huge opportunity: Exim Bank

Strengthening bilateral ties between the Latin America and Caribbean (LAC) and India will be mutually beneficial as it provides huge opportunity for both the regions, Export-Import Bank of India (Exim Bank) said.

In the last decade, India's total trade with LAC has more than doubled to reach USD 36 billion in 2017, with significant untapped potential for expanding, Debasish Mallick, deputy managing director of the Exim Bank of India said.

"The potential strength of this partnership can be gauged from the fact that the combined GDP of the two regions is close to USD 8.1 trillion with a combined population of almost 2 billion people," he said.

In an era of growing challenges in the world economy, diversification of trade partners and access to new markets has become a priority for both the sides, he explained

R Viswanathan, former ambassador and former distinguished Fellow, Latin America Studies, Gateway House, said, the LAC has phenomenal potential and India should grab the opportunity of setting ambitious targets of increasing bilateral trade to USD 100 billion by 2025 (including targeted exports of USD 50 billion) from the USD 36 billion levels and of 2017.

"India is the second largest importer of crude oil from LAC and we should look at increasing crude oil exports from here to mitigate risks emerging from instability in the Middle East region," he said.

Indian exporters can tap opportunities in business sectors such as communications, alternative and renewable energy, coal, oil and natural gas, machinery and mechanical appliances, plastics and petroleum products amongst others, he pointed.

India has become Argentina's fifth-ranking export market, Chile's sixth, Brazil and Paraguay's eighth, and Bolivia's 10th. LAC, for its part, allocates 2.1 per cent of its exports to India and receives 1.5 per cent of its imports from that country, the statement said.

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

[HOME](#)

To cut trade deficit, India plans to boost export of 200 products to China

The plan includes seeking duty waiver on a raft of products under the Asia Pacific Trade Agreement

India is devising a plan to boost shipments of around 200 products to China as part of a strategy to cut down the deficit with its biggest trading partner, a person with knowledge of the matter said.

The plan includes seeking duty waiver on a raft of products under the Asia Pacific Trade Agreement, the person said, asking not to be identified as the talks are still on. New Delhi wants China to scrap levies on items including uncombed single cotton apart from castor oil, menthol, granite, diamonds and glass envelopes for picture tubes when negotiations for expansion come up in April 2019.

An analysis by Prime Minister Narendra Modi's administration shows that Southeast Asian nations, Australia, and South Korea among others have competitive advantage over India due to free trade agreements with China.

In marine products, especially frozen shrimps and prawns, India loses its competitive advantage due to tariffs while shipments from the Association of Southeast Asian Nations are allowed duty free.

APTA, established in 1975, seeks to create a liberal trading regime between Bangladesh, India, Laos, Korea and Sri Lanka and China. Apart from seeking tariff concessions, the ongoing U.S. and China trade conflict also presents an opportunity to cut down the \$56-billion trade gap it runs with China, the person said.

India's Commerce ministry spokeswoman didn't immediately respond to two phone calls to her mobile phone.

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

[HOME](#)

Chinese imports are undermining 'Make in India'

Manufacturing strategy needs to be synchronised with phasing out of under-invoiced imports from China

Most countries are critical of China's approach to trade and investment. The 145th Report of the Parliamentary Standing Committee on Commerce, July 2018, is critical of the impact of massive Chinese import through unscrupulous means (under-invoicing/misdeclaration/smuggling, selling of substandard/counterfeits/rejects and routing export through FTA countries).

The Report of Directorate of Revenue Intelligence (2015) to the Supreme Court-appointed SIT on black money has alleged massive under-invoicing (prices lower than even basic manufacturing cost) of Chinese imports. Over the last 10-15 years, massive inflow of cheap Chinese imports have made our manufacturing uncompetitive.

The Chinese 'deluge'

The removal of quantitative restrictions in 2001, decline in weighted average basic import duty rates (22 per cent in FY 2003 to 9 per cent in FY 2008) and the steady appreciation of rupee have spurred imports from China. It surged at a CAGR of 52 per cent during FY 2004-08.

The trade deficit with China was 40 per cent of the total deficit in FY 2018.

Chinese imports in dollar terms (without accounting for under-declared value of imports) multiplied by 68 times with a CAGR of 23.5 per cent over 1998-2018 period. Their share in non-oil imports increased from 3.4 per cent in FY 1998 to 21.4 per cent in FY 2018.

Massive Chinese imports have undermined capacity utilisation, technological advancement and dented capex. Markets for electronics, electrical goods, solar panels, chemicals, bulk drugs, metals, furniture, many household/gifts items, toys, footwear, hardware, tiles, automobile components, tyres, bicycle parts, bearings, and machinery are dominated by Chinese products. Make-in-India is swamped by Made-in-China.

Chinese imports have led to the closure of many businesses, switching from manufacturing to trading and over-dependence on Chinese inputs.

The spread of banking, digital payments, financial inclusion drive, opening of Jan Dhan accounts were expected to improve the GDP to currency with public (CWP) ratio. However, it steadily declined from 11.26 in 1990s to 9.65 in 2000s and further to 9.25 during 2011-16. This ratio was stable at around 11.5 during entire 1985-00 period.

It shows significant decline in later years coinciding with a surge in under-invoiced/smuggled Chinese imports. Concomitantly, the share of high-denomination notes (500 and 1000 notes) in CWP steadily increased from 27 per cent in FY 2001 to 70 per cent in FY 2008 and further to 87 per cent by October 2016. Despite greater formalisation of the economy following demonetisation and GST, CWP now exceeds pre-demonetisation level. Reportedly, high-denomination notes are not returning to banks. All these, imply the use of larger volume of cash to finance huge unscrupulous import from China.

Export subsidies (17 per cent — as per the 145th Parliamentary Committee Report), economies of scale, flexibility in production of goods as per importers' specifications in terms of quality, price, counterfeits, under/mis-invoicing create unequal competition for domestic industries versus Chinese import. Connivance among exporters, importers, clearing agents, brokers and customs aid and abet this. Even small businesses have found it easy to import Chinese goods thanks to the network of Indian brokers in India, China, Hong Kong and the convenience of hawala payments.

The remedial measures

There is an urgent need to address the issue of Chinese imports. Dismantling of the shady importing nexus, random and surprise check of imports at ports in terms of invoice prices/description of goods and their actual/reference prices in the national/international markets, fixing of minimum import prices wherever possible, blacklisting and taking punitive actions against importers/exporters/clearing agents/customs involve in dubious imports etc. are some of the steps the government must take.

International cooperation in sharing information on illegal money transfers by banks in hawala-heavens like Hong Kong, Dubai can be useful in fixing accountability of such banks. Scrutiny of GST and e-way bills relating to imported items can help in detecting malfeasance.

The tax authorities can track the sale prices of imported items in the trade chain with the help of the goods and services tax network/market survey and check if an importer has underdeclared prices.

However, we have to take well calibrated measures without creating sudden and large disruptions as many industries are dependent on import of raw material and components from China.

We can first begin with inessential and consumption imports. The Make in India strategy needs to be synchronised with planned phasing out of illegal/under-invoiced imports and spurring domestic capex and capacity.

Source: thehindubusinessline.com - Oct 25, 2018

[HOME](#)

Bangladesh opens Chattogram, Mongla ports for trade with India

Pact also inked to launch cruise service between Kolkata and Dhaka

A cruise service will be launched between Kolkata and Dhaka from March next year, an operator who will launch the service said here on Thursday.

The cruise operator, Exotic Heritage Group, has already booked the service for five years. Exotic heritage group already runs cruises on River Ganga. “The bookings are already done for five years,” Raj Singh, Group Chairman, Exotic Heritage Group, told BusinessLine.

Singh said this on the sidelines of a conference where India and Bangladesh signed an agreement to use Chattogram and Mongla Ports in Bangladesh for movement of goods to and from India. Both the countries also decided to initiate river cruises services between Kolkata- Dhaka- Guwahati-Jorhat.

Both sides agreed to develop Jogighopa as a trans-shipment terminal for movement of cargo to Assam, Arunachal Pradesh, Nagaland and Bhutan and notifying Munsiganj River terminal by Bangladesh Customs for routing third party Exim cargo through Kolkata Port.

Speaking to the media, Shipping Secretary Gopal Krishna said the move will strengthen trade ties between the two neighbours.

“An addendum to Protocol on Inland Water Transit and Trade (PIWTT) between India and Bangladesh was also signed for inclusion of new ports Dhubri in India and Pangaon in Bangladesh,” said Krishna.

On December 3, the trade representatives from both countries will sort out the issues at a meeting in Kolkata, Chairman of Inland Waterways Authority Pravir Pandey, said.

Discussions were also held to make Nakugaon Land Port in Bangladesh and Dalu ICP in India operational and to connect Gelephu in Bhutan as tripartite cross border route.

Bangladesh shipping secretary Md. Abdus Samad expressed satisfaction with the present round of talks and said that the next round of talks is expected to be in December.

“The last round of talks between India and Bangladesh was held in 2016 and I am happy that India has resumed the talks after two years.” These agreements will boost trade between the two countries.

Source: thehindubusinessline.com- Oct 26, 2018

[HOME](#)
