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IBTEX No. 222 of 2018 October 27, 2018

USD 73.12| EUR 83.54 | GBP 93.84 | JPY 0.65

Cotton Market (26-10-2018)		
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**	

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.

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 new sales were 1,600 bales.

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

New Threads, New Kicks: US Apparel Spending Up Most Since 2005

Americans' spending helped drive economic growth beyond expectations in the third quarter — with apparel retailers in particular feeling a welcome recovery.

Consumption of clothing and footwear rose at an 11.7 percent annual pace, the biggest gain since 2005, according to the Commerce Department's gross domestic product figures released Friday.

That helped propel the increase in non-durable goods consumption to the fastest in more than five years. The apparel category accounts for about 3 percent of overall consumer spending.

The figures add to signs that this is shaping up to be one of the strongest holiday shopping seasons yet.

Low unemployment, elevated consumer confidence and stronger household finances are encouraging shoppers to dip confidently into their cash.

The average household expects to spend $1,536 this season, 25 percent more than in last year's survey, according to Deloitte.

Retail sales during November and December are expected to grow as much as 4.8 percent from a year earlier, beating the five-year average of 3.9 percent, according to the National Retail Federation.

That would bring total revenue — excluding cars, gasoline and restaurants — to a record $721 billion.

Source: sourcingjournal.com- Oct 26, 2018

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USA: "Where Do We Have Tariffs?" the President Asked. On Clothing and Footwear, For a Start

"Where do we have tariffs?" President Trump asked yesterday. One obvious answer is on imported clothing and footwear, where tariffs are both substantial and hit low-income consumers hard.

The United States raised $33.1 billion in tariff revenue in 2017, but $14 billion of that came from tariffs on apparel and footwear alone. These items account for 4.6 percent of the value of U.S. imports, but 42 percent of duties paid. That means while the average effective tariff rate for U.S. imports overall is just over 1.4 percent, rates for apparel and footwear are 13.7 percent and 11.3 percent, respectively.[i]

My colleague Daniel Ikenson has previously examined the evolution of clothing and textile protectionism. He concludes that such high tariffs do not protect domestic apparel manufacturing. Data from the U.S. Trade Representative shows that 91 percent of manufactured apparel goods and 96.5 percent of footwear are imported.

Why then are such highly regressive tariffs imposed? The answer appears to be the lobbying efforts of the capital-intensive U.S. textile industry. Textiles are the major input for labor-intensive apparel production, which largely occurs overseas. To quote Ikenson directly:

U.S. consumers pay the price of this protectionism, and poorer consumers especially. In 2016, the average household in the bottom income quintile spent $860 on apparel and footwear, or 3.4 percent of overall spending—the highest proportion of any income quintile.

The average single-parent household put 4.5 percent of total expenditure toward these goods. The poor spend a disproportionate amount on clothing and footwear, and family structures most likely to be recipients of means-tested welfare programs (single-parent households) spend most of all.

But this protectionism is not just regressive because of relative spending patterns. Edward Gresser's work has shown how, often, luxury clothes and shoes face lower tariff rates than inexpensive products.

Consider Table 3 from my report below (an updated version of Gresser's work.) Where duties are applicable, a pure cashmere sweater import incurs a 4 percent tariff, a wool sweater a 16 percent tariff, and an acrylic sweater a whopping 32 percent.

Table 3
Regressive tariffs (percentage on various goods)

Product	Luxury good	Medium-end good	Low-end good
Shoes	8.5 men's leather dress shoe	20 trail running shoes	48 sneakers $3 or under
Sweater	0.9 silk; 4 pure cashmere	16 wool	32 acrylic
Men's shirt	0.9 silk	19.7 cotton	32 polyester
Handbag	5.3 snakeskin	9 leather valued over $20 each/10 leather valued $20 or under	16 canvas
Necklace	5 gold necklace	6.3 silver	13.5 cheap silver rope necklace
Blanket	0 wool/cashmere	8.4 cotton	8.5 polyester

Source: United States International Trade Commission, Tariff Database, https://dataweb.usitc.gov/scripts/tariff.asp.

Men's silk shirts see a 0.9 percent tariff, cotton shirts a 19.7 percent tariff, and cheaper polyester shirts a 32 percent tariff. Leather dress shoes have an 8.5 percent tariff, whereas cheap sneakers would see a 43 percent tariff.

Windbreakers, leggings, tank tops, and other clothes made cheaply from synthetic fabrics face a 32 percent tariff if sourced from countries that the United States does not have a free-trade agreement with. Assuming poorer households tend to buy cheaper products, these differential tariffs have perniciously regressive effects.

The true overall cost of all this to poorer families is difficult to calculate. To get an accurate estimate would require detailed information on the effect on domestic substitute goods' prices, knowledge of products bought by poor families and their propensity to import in the absence of protectionism.

Nevertheless, we can develop cautious lower-bound estimates. The average household in the poorest income quintile spends $655 on apparel and $206 on footwear per year.

Assuming the import propensities for the population as a whole apply to poorer people implies $595 of apparel spending and $199 of footwear spending is on imported goods.

Taking average effective tariff rates for apparel and footwear for this spending (13.7 and 11.3 percent) implies a combined direct tariff cost of $92 per year for the average household in the poorest income quintile, or $204 per year for the average single-parent household.

These figures likely underestimate the true burden, because they only represent the direct cost from current spending on imported goods. They assume tariffs do not raise domestically produced goods prices, though in reality the anti-competitive effect of the tariffs would be expected to raise prices here too.

It also assumes the same effective tariff rates for apparel and footwear apply for the poorest households as for the whole population, but we have seen that products that the poor are more likely to buy tend to face higher tariff rates.

Consumer welfare losses from tariffs, of course, are higher than the implied costs here, since tariffs make consumers less willing to buy imported products that they would otherwise prefer.

In short, next time the President asks where tariffs are applied, someone shout “apparel and footwear.” They are both large and regressive.

Source: cato.org- Oct 26, 2018

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Google is working on an improved 'smart garment, here's the proof

Google is not just working hard in the smartphone, speaker and software departments but is also working on a different category of wearables.

The search giant has been awarded a patent that talks about giving improved haptic feedback to users who are wearing an 'interactive garment'. The firm thinks that including smart clothing in day to day lives is easier than including smartphones.

The patent states that the smart clothing by Google will have multiple points to give haptic feedback instead of just one point where the user may or may not feel it. A couple of use cases for this smart wearable could be that it may give feedbacks for an incoming notification or when someone taps on the touch sensitive parts.

As mentioned in the patent, the tech can be used in jacket, shirt or pants.

"This document describes techniques using, and objects embodying, a haptic feedback mechanism for an interactive garment. A wearable interactive garment (e.g., a jacket, shirt, or pants) may include various sensors that can sense user interactions in the form of single or multi-touch-input (e.g., gestures).

A haptic feedback mechanism is integrated within the interactive garment and includes a vibration source (e.g., a vibration motor) and a transmission structure coupled to the vibration source.

A controller is configured to control the haptic feedback mechanism to provide haptic feedback by causing the vibration source to distribute vibration to multiple vibration points within the transmission structure," states the patent abstract.

This is nothing new for Google as the firm introduced a similar product last year in partnership with Levi's. The firm introduced 'Commuter Trucker Jacket' that used company's own Project Jacquard software.

The jacked has touch sensitive features and the ability to let users control music playback, information about their commute and more. It uses a plastic sensor placed on the sleeves of the jacket.

Source: gadgetsnow.com- Oct 26, 2018

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Azerbaijan plans to grow new varieties of colored cotton

The number of varieties of cultivated colored cotton may increase in Azerbaijan.

Head of the State Seed Control Service of the Ministry of Agriculture Imran Jumshudov said that two varieties of colored cotton were grown so far in order to accumulate experience.

“Cotton seeds were delivered from China. According to Chinese experts, these varieties are suitable for cultivation by no means in all countries of the world, and they do not produce a normal crop everywhere. However, the climate of Azerbaijan makes it possible to grow such varieties of cotton, as colored and organic,” he noted.

The head of the state service said that these seeds were planted in the sown area of the Regional Agrarian Scientific Information Center of the Terter region.

“Very good results have already been achieved: at present cotton is at the stage of maturation," Jumshudov pointed out.

He went on to say that the cultivation of organic cotton makes it possible not to use chemical dyes for dyeing children's clothes, but to make clothes from colored cotton.

It is planned to grow other flowers of this cotton further in Azerbaijan, Jumshudov said. “For the time being, brown and light-brown cotton is grown in Azerbaijan. However, there are also varieties of red, green, light pink and blue cotton. If the already planted varieties give a big harvest, in the future other varieties of colored cotton can be grown in Azerbaijan,” he added.

Jumshudov further said that this variety of cotton is superior to local ones in quality and fineness of the fiber. The cotton industry, which was once the traditional branch of agriculture in Azerbaijan, is effectively reviving today.

Cotton production is most developed in Saatli (25,437 tons), Bilasuvar (24,234 tons), Barda (21,552 tons), Aghjabadi (19,555 tons) and Sabirabad (17,608 tons). President Ilham Aliyev, who constantly made accent on importance of developing of this sphere, raised this issue once again at a meeting of the Cabinet of Ministers dedicated to results of socio-economic development in the first half of 2017 and objectives for the future.

The head of state said Azerbaijan restored the glory of cotton growing by increasing crop area of cotton by about three times. In early 2017, the State Program for 2017-2022 was approved with an aim of strengthening measures directed at developing this sphere. The purpose of the State Program is to develop cotton growing, increase export potential in this sphere, ensure employment of the rural population and increase the production of cotton.

The new goal of the state is to bring the cotton production up to 500,000 tons by 2022 from the current 260,000 tons. There are ancient traditions of cotton in Azerbaijan. A flap of cotton fabric was found several thousand years old, during excavations at the construction site of the Mingachevir Hydroelectric Power Plant.

Cotton is a drought-resistant plant, but it does not tolerate frost and low temperatures, so Azerbaijan is a safe place to grow it. At the beginning of the eighties, Azerbaijan harvested up to a million tons of cotton per year. But then, like all other industries, as in all other Union republics, cotton growing declined and it could not receive the necessary investments for revival for a long time after that.

That is, on the one hand, Azerbaijan has a rich potential and experience in this matter, whereas, on the other hand, there is a high need.

The oil era is coming to an end, or at least the events of recent years have made the world's oil countries understand that the state treasury is not filled with oil, and attempts to prove the opposite are fraught.

And Azerbaijan became one of the first countries that promptly reacted to the challenges of the time, set as one task the diversification of the economy, in particular, the development of the non-oil sector.

On top of that, cotton growing is a highly profitable segment of the agrarian industry. Cotton is used in various areas of life. It goes to the textile processing for the production of cotton yarn first of all. Cotton is used to produce fabrics, knitwear, threads, cotton wool and more. Cotton fluff and cotton mats are used in the chemical industry as raw materials for the manufacture of artificial fibers and threads, films, varnishes, etc. It is also used in explosives ...

The practice of other states shows that cotton production can bring millions to the budget.

Source: azernews.az- Oct 26, 2018

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For Vietnam firms, ready or not, here the CPTPP comes

Most Vietnamese enterprises are unprepared to take advantage of the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), a senior trade official has said.

Speaking at a meeting titled "CPTPP: Opportunities and Challenges for Vietnam" on Thursday in HCM City, Pham Quynh Mai, deputy head of the Ministry of Industry and Trade (MoIT)'s Multilateral Trade Policy Department, said with its supporting industries remaining weak and rules of origin being strict in many countries, it is difficult for Vietnamese exporters to fully capitalise on the CPTPP.

However, the clothing and leather and textile sectors, among others, would see the biggest growth under CPTPP, she said.

Clothing and leather products, chemicals, plastic products, and transport equipment and machinery are expected to get an export boost while imports will grow in almost all sectors.

The CPTPP will provide greater market access to Vietnamese firms but also open up the country to foreign products, increasing competition.

Experts said industries such as automobile and agriculture would face intense competition.

Tran Thị Thu Huyen, head of the Ministry of Finance's International Cooperation Agency, said under the CPTPP average trade-weighted tariffs would drop from 1.7 percent to 0.2 percent for Vietnamese exporters.

Non-tariff measures are predicted to reduce by 3.6 percentage points in terms of tariff equivalence, she said.

As market access increases and tariff commitments take effect, sectors such as textiles, footwear, electronics, and equipment would have an opportunity to increase their exports to other member economies, she said.

Trịnh Thị Thu Hien of the MoIT's Export-Import Department said with strict rules of origin, Vietnam would have to develop supporting industries to benefit from the trade deal.

Tran Thi Thanh Thuy of the Multilateral Trade Policy Department said Vietnam planned to improve the investment environment and protect intellectual property rights to attract investors.

Government institutions and administrative systems also needed to be reformed to take advantage of the CPTPP, she said.

Experts said the effort could be expensive in the short term, but in the long run would help Vietnamese companies take full advantage of such trade agreements.

It is also necessary for Vietnam to focus on small and medium-sized enterprises (SMEs) and reform State-owned companies.

SMEs account for a majority of the economy and labour market, and the Government should support them if it wants the SMEs to align themselves further with the global supply chains.

Vietnam is expected to fulfil its trade liberalisation commitments and ratify the CPTPP within this year.

At the Vietnam Business Summit held last month, Prime Minister Nguyen Xuan Phuc had said his Government would summit the CPTPP to the National Assembly for approval this month.

New Zealand ratified the CPTPP on Wednesday, taking to four the number of economies that have done so.

New Zealand Minister for Trade and Export Growth David Parker said Japan, Mexico and Singapore had ratified the deal in July and Australia and Canada are expected to join very soon, which means the tariff reductions and increased exports would begin very early in 2019.

The other signatories are Vietnam, Brunei, Chile, Malaysia, and Peru.

The CPTPP would come into effect 60 days after at least six member countries ratify the trade pact.

The trade agreement was signed last March following a period of turbulence caused by the departure of the US.

It is designed as an open free trade agreement, enabling economies to join by accepting its standards and signing agreements with its member economies.

Source: sgpnews.org.vn- Oct 26, 2018

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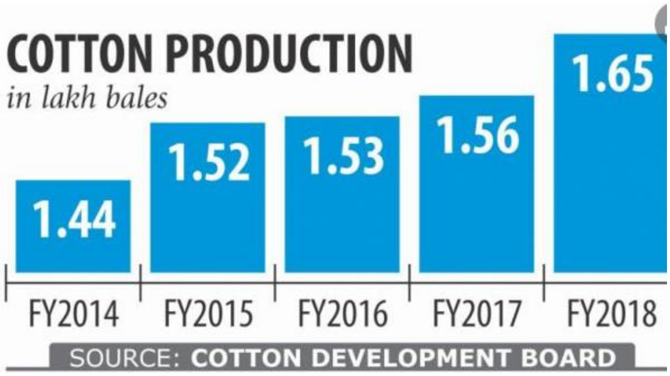
Bangladesh: Steps underway to boost cotton yield

The government targets to raise cotton yield, as the local spinners and yarn producers have to spend billions of dollars to import the white fibre to produce garment items.



The Cotton Development Board (CDB) has already started providing funds to cotton farmers—Tk 15,000 per head from a fund of Tk 5 crore—to encourage more people to produce the fibre.

The board is also looking for new cotton farming lands in hilly and char areas in different districts along with the existing areas in Jashore, Rangpur, Dinajpur, Rajshahi, Gazipur and Mymensingh.

“We have a target to expand the cotton cultivation area to 55,000 hectares from 43,500 hectares now in the next five years,” said Md Akhtaruzzaman, deputy director of CDB.

“We will also use hybrid seeds to double the production by this time.”

Currently, yield per hectare stands at 1.5 tonnes and it would go up to 3-3.5 tonnes if hybrid seeds are used, he said.

The CDB hopes to produce 2.5 lakh bales of cotton by 2021, which would meet nearly 5-7 percent of the annual demand for the fibre in Bangladesh, the largest cotton importer in the world.

Currently, Bangladesh imports $3 billion worth of cotton a year.

Last fiscal year, the country produced 1.65 lakh bales of cotton, which can meet less than 3 percent of the annual demand of 10 million bales. One bale equals to 282 kilograms.

Some private seed companies also produce and market high-yield hybrid variety of cotton seeds as many farmers and spinners are showing interest to grow cotton as it has the possibility of becoming a cash crop.

Last fiscal year, the country imported 7.1 million bales of cotton, meeting 97 percent of the demand of the country's more than 440 spinning mills.

Mehdi Ali, president of the Bangladesh Cotton Association, is hopeful that one day the local cotton will meet at least 15 percent of the demand.

“I am hopeful because some major seed companies are making new investments to grow cotton,” he said, adding that spinners are also showing interest to cultivate the crop under contract farming.

“We need our own cotton as we can't depend on foreign cotton always,” Ali said.

However, Monsoor Ahmed, secretary of Bangladesh Textile Mills Association, said local cotton production is too scanty to meet a minimum portion of the local demand.

Spinners and cotton traders still prefer to depend on imports because of its low prices in the global markets, he said.

Of the imports, nearly 50 percent comes from India, down from about 60 percent two or three years ago, as importers have found some alternative markets, particularly in Africa, according to Ali.

Source: thedailystar.net- Oct 25, 2018

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Japan top destination for Bangladeshi garments in Asia

Bangladesh is the second largest garments exporter, with Japan being the top destination for garments in Asia, Bangladesh ambassador to Japan Rabab Fatima said at a seminar in Tokyo.

Bangladesh is the third largest garments exporter to Japan in value and volume, with 5.9 per cent of the volume and 3.9 per cent of the value of Japanese imports, she said.

During January-August 2018, the 128.2 per cent growth in garment exports was the highest among all exporting nations, she said. Knitwear is at present the top export item to Japan, Bangladesh media reports quoted Fatima as saying.

The seminar was organised by the embassy of Bangladesh in collaboration with the ministry of commerce and export promotion bureau of Bangladesh, and was supported by Japan External Trade Organization (JETRO), United Nations Industrial Development Organization (UNIDO), Japan-Bangladesh Committee for Commercial and Economic Co-operation (JBCCCEC),the Japan and Tokyo Chamber of Commerce and Industry (JCCI & TCCI) and Japan Textile Importers Association (JTIA).

The seminar was part of the Fashion World Tokyo 2018 show.

Source: fibre2fashion.com- Oct 27, 2018

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H&M biggest user of sustainable cotton: Textile Exchange

Hennes & Mauritz (H&M), one of the largest retailers offering high fashion, is the world's biggest user of sustainable cotton and man-made cellulosic materials, according to a recent report from Textile Exchange. This has put the Sweden-based firm one step closer towards our goal to only use recycled or other sustainably sourced materials by 2030.

H&M group is also the world's biggest user of sustainably sourced down and one of the biggest users of sustainably sourced wool, revealed the Preferred Fiber Materials Market Report.

Living on a planet with limited natural resources means that the fashion industry will not be able to operate in the same way in the future as it does today. We believe that a business model fueled by sustainable materials that can be reused again and again is the only way to keep fashion sustainable, H&M said in a press release.

"The benchmark leaders show a deep commitment to improvement. The data shows that the longer you have been benchmarking, the more you improve, confirming the impact of the program. These companies recognize the need to step up and truly embed these successes more deeply within their company structures," said Liesl Truscott, director of Europe & Materials Strategy, Textile Exchange.

H&M is fully committed to the goal to only use recycled or other sustainably sourced materials by 2030. One of its milestones in this journey is that all cotton should come from sustainable sources by 2020. We are proud to be the world's biggest users of sustainable cotton – which includes organic, recycled and cotton from the Better Cotton Initiative – and sustainable man-made cellulosic materials, the release added.

"With our yearly and steady increased use of recycled or other sustainably sourced materials, we not only push the demand of widely used materials such as organic cotton, but also influence the scalability of new sustainable materials.

We hope to inspire other players in the industry towards a sustainable fashion future," said Cecilia Brännsten, environmental sustainability manager at H&M group.

Looking ahead, the fashion industry of the future will use many different materials than what the company does today. Through the H&M Conscious Exclusive collection, every year H&M group introduces new materials into its assortment to explore the latest innovations.

Source: fibre2fashion.com- Oct 26, 2018

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Indonesia plans to complete 13 trade agreements

The Indonesian government is seeking to complete 13 trade agreements with other countries and trade organizations in an attempt to boost its exports amid the trade war between China and the United States, which has seen a trend toward global trade protectionism.

Trade Minister Enggartiasto Lukita said from the 13 afforded agreements, eight of which were in the process of negotiation, three were under revision and two were still in the initial process of negotiation.

“Most of the trade agreements can be signed next year,” he said in Jakarta on Tuesday, as quoted by kontan.co.id, adding that several others were expected to be signed this year.

He said one of the agreements that would be signed was the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), the negotiation of which has been completed. “Substantively, the IA-CEPA has been completed. We are just waiting on our foreign policy,” Enggartiasto said.

Another process that has been given high priority is the Regional Comprehensive Economic Partnership (RCEP), a proposed free trade agreement (FTA) between ASEAN and six Asia Pacific states — China, India, Japan, South Korea, Australia and New Zealand, the minister said, adding that the RCEP would represent 45 percent of the world’s population.

He said the Indonesian government was also pushing negotiations on the trade agreement between ASEAN and Australia and New Zealand (ANZFTA) as well as a trade agreement between Indonesia and the European Free Trade Association (IE-CEPA).

Meanwhile, trade agreements under the Preferential Trade Agreement (PTA) scheme with Mozambique, Tunisia and Morocco were expected to be completed this year, said Enggartiasto. “Most of the trade agreements can be signed next year,” he said.

Source: thejakartapost.com- Oct 26, 2018

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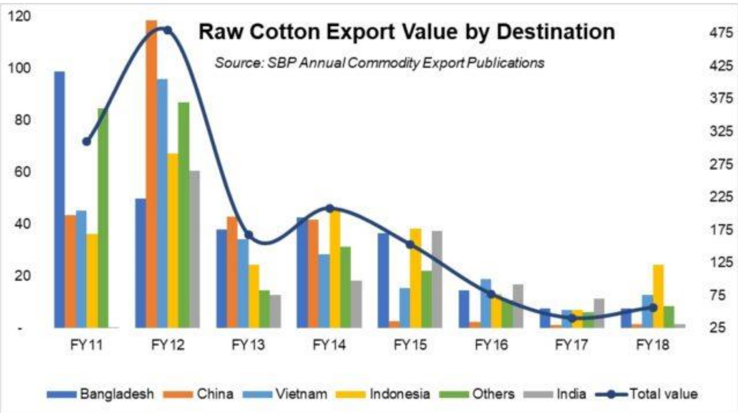
Pakistan: Cotton trade: what’s happening?

Pakistan has been a net importer of raw cotton (HS codes 5200) for a long time. This is not a bad thing for a number of reasons. For one, garment manufacturers tirelessly make efforts to position ourselves as a hub of value-added segment.

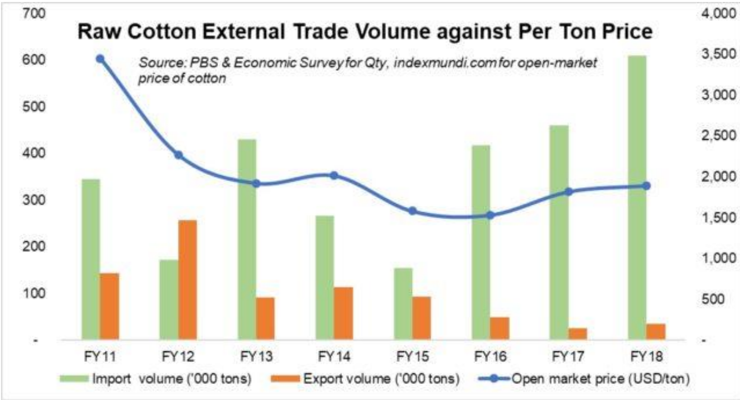
If that means importing higher quality cotton to meet buyers’ requirements, then so be it, as exchange earnings made from value-added are surely to compensate for import of raw material.



Flawed incentive structures for growers also don’t help. In order to ensure that textile exports remain price competitive in global market, it is imperative that domestic cotton prices remain in line with those in global market.

Duty structure on cotton import is also laced, to ensure that in years of drought and poor crop yield, the export sector does not suffer from raw material shortage.

In this backdrop, it is not necessarily worrying if domestic net import of cotton is increasing. After all, top apparel exporting nations such as China, Bangladesh, Vietnam and India are net importers of raw cotton too.



However, the story doesn't quite add up when increasing raw material import doesn't quite fully translate into growing value-added export, which has been the bane of textile industry for the past five years.

Talk to textile player of any size and they blame the previous government's ill-informed policy to holding off US rupee depreciation and, rightly so. For almost three years, textile exporter failed to keep up margins due to overvalued rupee. But if exports weren't increasing, how did raw cotton import quantity managed to keep growing?

Production against Consumption

Qty in Mn Tons	Production	Consmption	Area under cultivation ('000 hectares)
FY11	1.91	2.20	2,689
FY12	2.29	2.10	2,835
FY13	2.00	2.41	2,879
FY14	2.08	2.47	2,806
FY15	2.30	2.50	2,961
FY16	1.54	2.15	2,902
FY17	1.66	2.15	2,489
FY18	1.82	2.35	2,699

Source: Economic Survey

For one, the collapse of cotton price post FY12 in the global commodity market meant that the value-added sector could afford to import higher quality cotton from places such as Brazil and USA. During this period, per ton price of cotton declined from the peak of $3,500 in FY11, bottoming out in FY16 at $1,536. This was particularly significant in the backdrop of overvalued rupee, which made imports more affordable.

This period also saw consistent decline of raw cotton exports (in value terms) to all major traditional destinations. After peaking at $480 million (HS code 5201) in FY12, raw cotton export declined to one-tenth of the original value, clocking in at just $41million by FY17.

While export to China almost came to naught as a result of the ill-conceived FTA, export to India and Bangladesh also came down to near zero.

The explanation does not appear to be very complicated. Price of cotton in global commodity market was at historically low levels, which meant that there was little demand for poor quality cotton from Pakistan. As a result, area under cotton cultivation also declined by 14 percent between FY12 and FY17.

So where was all the imported raw cotton was going, if not into exports? Industry analysts point towards increase in higher thread count yarn (HS code: 5205) import during the same period. Read together, analysts opine that overvalued rupee may have inadvertently led to increase cotton and cotton-based yarn import to service consumption of local demand (read lawn sales).

Source: brecorder.com- Oct 26, 2018

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Pakistan: Textile industry for long-term policies to enhance exports

The All Pakistan Textile Mills Association chairman Syed Ali Ahsan has said that in order to boost exports the government should announce long-term investment and growth policies so that industry could undertake new investment decisions for technology upgradation and value-addition, which will not only generate more exportable surplus but also new sustainable jobs.

He was addressing a press conference at APTMA Punjab on Friday. He said the industry has envisaged to double exports from $13.5 billion to $27 billion in next 5 years with the investment of $ 7 billion which will create additional 1.5 million jobs. He appreciated the vision of the government in recognizing importance of exporting industry, the only way forward to export-led growth to overcome trade deficit and the consequent financial crisis faced by our economy.

Chairman APTMA said the government has fulfilled its commitment for crisis ridden exporting industry (5 zero rated sectors) by announcing regionally competitive tariff for both gas and electricity i.e. flat regionally competitive electricity tariff US cents 7.5/kWh all inclusive and flat gas tariff USD 6.5/mmbtu all inclusive for captive and processing use in 5 zero rated sectors (exporting industry).

He said the initiative of flat regionally competitive electricity tariff would not only reduce interprovincial disparity but also inter sectoral (captive/prime user) disparity. Now, prime users of electricity will enjoy the same tariff as is to captive industrial units, he added.

He said resolving the energy affordability issue is a positive step for reviving 30% closed/idle capacity, which is located predominantly in Punjab. However, he added, this regime should continue for next 5 years for the growth of industry on sustainable basis.

Regarding the announcement of flat gas tariff, he said priority of exporting industry has been upgraded and moved to 2nd in Gas Allocation and Management Policy 2013. This will ensure gas availability throughout the year, he added.

Meanwhile, Gohar Ejaz welcomed initiatives for providing affordable energy to export industry by the government as promised to do so within a period of three months. This will go a long way in taking the textile industry to a new height, he added.

He urged the government and the economic managers to ensure earliest issuance of related notifications so that the industry can focus on production, secure export orders and undertake new investment initiatives.

He also demanded of a long term export-led growth policy, containing initiatives for availability of raw materials, both cotton and polyester staple fibre, without incidentals and at regionally competitive price, immediate payment of pending refunds of the industry, and the facility of LTFF to indirect exports for making investment in technology and value addition.

He said foreign exchange earnings from exports is the only sustainable solution instead of looking towards IMF or a country specific support. The industry is all set to work in tandem with the government to achieve national economic goals, he concluded.

Source: nation.com.pk- Oct 27, 2018

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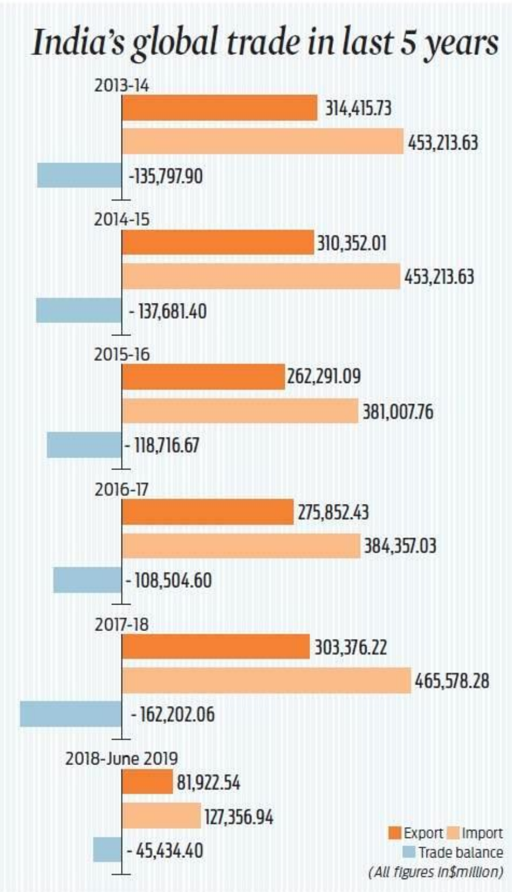
NATIONAL NEWS

Commerce ministry working on export incentives

In the first half of the current fiscal, exports grew by 12.5 per cent to $164 billion, while they registered a growth of around 10 per cent during 2017-18 at over $300 billion.



The Commerce Ministry is working on a comprehensive plan to boost exports, including export incentives that can make Indian exporters more competitive in markets where competing exporters enjoy some kind of free trade agreement.

The ministry is also working on tax rebates, duties and embedded taxes, besides alternative payment mechanism in countries like Venezuela, Sudan, Cuba and CIS nations.

Speaking at the Confederation of Indian Industry's Export Summit, Director General of Foreign Trade (DGFT) Alok Chaturvedi said that the Commerce Ministry is "trying to finalise a scheme (where) you can provide incentive to partially compensate for that disadvantage" in such markets.

The DGFT said that it was the right of exporters to get rebate on those levies as "those duties and taxes should not be exported". The ministry is working on a pilot scheme for this, he said.

According to the DGFT, the ministry has prepared several action plans for specific sectors, including engineering, gems and jewellery, chemicals, textiles and pharma, and issues pertaining to these areas are being taken up with the concerned departments. It is also planning to revamp the IT system for exporters completely.

In the first half of the current fiscal, exports grew by 12.5 per cent to $164 billion, while they registered a growth of around 10 per cent during 2017-18 at over $300 billion.

Meanwhile, Commerce Minister Suresh Prabhu asked the industry to be more aggressive in exploring export opportunities in new markets such as Africa and latin America.

“There are huge opportunities for exports in SAARC and Asean countries,” Prabhu said, adding India is working with the US to resolve all the pending issues to boost bilateral trade.

Source: newindianexpress.com- Oct 27, 2018

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India's exports to reach new high: commerce secretary

India’s commerce secretary Anup Wadhawan has said exports will hit a record figure both in rupee and US dollar terms in 2018-19.

Underlining government commitment to address concerns of the leather and textile sectors like easier credit availability and lack of enough incentive schemes, he said export growth has been steady in the last two and a half years.

The export scenario in the region, especially in Tamil Nadu, is healthy, he said, lauding exporters for their performance despite protectionism and unilateralism, according to a news agency report.

The government is doing its best to expedite a free trade agreement with the European Union, he added.

Source: fibre2fashion.com- Oct 27, 2018

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Textile expo in Coimbatore next year to be global model, says Minister Manian

The three-day international textile expo, beginning here from January 27 next year will be a model to the entire world, Tamil Nadu Handloom Minister O S Manian said here on Friday.

At a function as a prelude to the expo, Manian said the handloom sector in the State, next to the agriculture, was growing in production and exports year on year and this would be the first time a State Government was organising such an exhibition.

There would be 600 stalls at the expo, in which 300 importers and buyers from different countries were expected.

Chief Minister K Palanisamy had taken up the problems being faced by textile exporters with the Centre, Manian said, adding that the Government was also periodically discussing the issues during the GST Council meeting.

State Municipal Administration Minister S P Velumani said Tamil Nadu was contributing one-third to the textile sector in the country, and through this to the economy. The government had allocated Rs 2 crore for the conduct of the expo, Velumani added.

Source: covaipost.com- Oct 26, 2018

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State Government to release textile policy soon

Rs. 40,000 crore worth of business happening in T.N. textile industry: Minister

The Tamil Nadu Government will announce a textile policy very soon, according to Minister for Handlooms and Textiles O.S. Manian.

At a curtain-raiser event held here on Friday for Tex TN, an international textile expo to be organised in Coimbatore, the Minister told presspersons that about Rs. 40,000 crore worth of business was happening in the textile industry in Tamil Nadu, with investments by the Governments and the private players in the sector.

The State led in textile production across the value chain and had several co-operative societies for the handloom sector.
To a specific question on waste cotton, the Minister said it was a byproduct and the Government did not want to levy cess on it.

The expo to be held in January will have 600 stalls and about 300 participants are expected from other countries. Speaking at the programme, Mr. Manian said the expo would be held at CODISSIA Trade Fair Complex for three days in January.

The State Government had sanctioned Rs. 2 crore. The stalls would be provided to the participants at a minimal cost. This was the first time a State Government was conducting such an event. The Government was supporting the growth of the textile industry in the State with several schemes and discussions with the industry.

Minister for Municipal Administration S.P. Velumani said the event would showcase the strengths of the textile sector in the State to international customers.

The textile sector was significant for growth of manufacturing and employment generation. The Chief Minister had announced several schemes for the development of Coimbatore, he added.

The Ministers launched the brochure, website, and logo for the expo.

Kumar Jayant, Secretary of Handlooms and Textiles, said the expo would be held from January 27 to 29 next year and after that once in two years. Tamil Nadu was a leading textile producer in the country. “We want to build on the strength,” he said.

The industry needed to constantly innovate, expand, and change. If the industry prepared the content, got the trainers, and identified candidates for skill development, the Government would support with funding, he said.

Source: thehindu.com- Oct 26, 2018

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GST likely to have three-slab rate structure in future: Bibek Debroy

The current four-slab GST rate structure is likely to be reduced to three as the process of rationalising India's new indirect tax regime proceeds further, the Prime Minister's Economic Advisory Council (PMEAC) Chairman Bibek Debroy said on Friday.

In his address at the launch here of "GST: Explained for Common Man" written by former Central Board of and Excise and Customs Chairman Sumit Dutt Majumder, the PMEAC Chairman noted that only very few countries that have implemented GST follow the principle of "dual GST" (Goods and Services Tax) whose "terminal role from an economists point of view is to have a single tax structure."

"Only a few countries have actually implemented GST," Debroy said.

"Only very few..two or three, including India, Canada and perhaps Australia have dual GST, while the rest have a single, unitary tax," he said.

Noting that a multiple tax structure makes GST implementation an "extremely difficult" process, he said the consensus on this overhaul of India's indirect tax regime was that the reform, although not perfect, should be rolled out and "it (GST) could be tweaked as we go along".

He pointed out that countries had taken as long as 10 years for their GST systems to stabilise.

"Going ahead, we in India will probably have three rates, instead of the current four," Debroy said.

In his address earlier, former President Pranab Mukherjee recalled how the "biggest reform of India's indirect tax system" had been proposed by the previous Finance Minister P Chidamabaram in the Union Budget in 2006, but the process of political consensus building had stalled it around 2011.

He said that cooperative federalism had finally been institutionalised through the Committee of State Finance Ministers, which later became the GST Council that has taken all its decisions unanimously in its 30 meetings held so far since new tax regime was rolled out in July 2017.

Source: business-standard.com- Oct 27, 2018

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Waterways connectivity to boost India-Bangladesh trade

India and Bangladesh have signed several agreements for enhancing inland and coastal waterways connectivity between the two countries for trade and cruise movements.

The agreements will facilitate easier movement of goods and passengers between the two countries, giving an impetus to trade, tourism, and export-import cargo by reducing logistic costs.

The two countries have signed an agreement to use Chattogram and Mongla Ports in Bangladesh for movement of goods to and from India, India's shipping secretary Gopal Krishna and his Bangladesh counterpart Md.

Abdus Samad said while briefing media person in New Delhi after signing the agreements.

A Standard Operating Procedure (SOP) has also been signed for movement of passenger and cruise services. In addition to this, an addendum to 'Protocol on Inland Water Transit and Trade' (PIWTT) between India and Bangladesh has been signed for inclusion of Dhubriin India and Pangaonin Bangladesh as new Ports of Call.

"The two sides agreed to consider inclusion of Rupnarayanriver (National Waterway-86) from Geonkhali to Kolaghat in the protocol route and to declare Kolaghatin West Bengal as new Port of Call. Chilmari was agreed to as a port of call in Bangladesh.

The new arrangement will facilitate movement of flyash, cement, construction materials etc from India to Bangladesh through IWT on Rupnarayanriver," India's ministry of shipping said in a statement.

Further, both sides agreed to declare Badarpur on river Barak (NW 16) as an Extended Port of Call of Karimganj in Assam and Ghorasal of Ashuganj in Bangladesh on reciprocal basis.

Currently 3.5 MMT cargo is transported on protocol routes through inland waterways which is expected to increase substantially after the declaration of additional Ports of Call and extension of protocol routes.

The North Eastern states would get connected directly to the ports of Kolkata and Haldia in India and Mongla in Bangladesh through waterways which would facilitate movement of export-import cargo and would also reduce the logistic costs.

In another important understanding reached at between the two countries, the Standard Operating Procedure (SOP) for movement of passengers and cruise vessels on Inland Protocol route and coastal shipping routes have been finalised. These river cruise services are likely to commence between Kolkata – Dhaka – Guwahati – Jorhat and back.

Both sides have also agreed for development of Jogighopa as a hub/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.

Source: fibre2fashion.com- Oct 26, 2018

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India's export on 6-year high in 2017-18, says Suresh Prabhu

Suresh Prabhu, Union Minister of Commerce and Industry and Civil Aviation, on October 26 said that nation's exports rose by 9.8 percent in the financial year 2017-18, which is the highest rate of growth in last six years.

The minister said this at Export Summit organized by Confederation of Indian Industry in New Delhi. Union Minister Prabhu said, "This positive growth in exports has taken place at a time when there are a lot of negative headwinds globally."

The minister further said, "The Commerce Ministry is working on a strategy to revitalize India's exports and is working with key exporting ministries to formulate sectoral, commodity and territory specific export strategy.

Meetings with concerned ministries have already been held where different ministries and stakeholders have been consulted after which a matrix of specific action points have been prepared sector wise, commodity wise and territory wise."

He further added that he is personally monitoring the progress and regular meetings that are being held with sectoral ministries, export promotion councils and exporters.

Certain issues which were affecting the growth of exports have been specifically taken up with the Department of Revenue and Ministry of Environment.

Source: tehelka.com- Oct 26, 2018

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Govt working on product and region-specific export strategies: Commerce Minister

Exports must drive India's growth story going forward, Commerce Minister Suresh Prabhu said on Friday, adding that the government was working on product and region-specific export promotion strategies.

“We are preparing sectoral export strategies and project specific strategies,” Mr Prabhu said while speaking at a CII event. “Commodity and territory specific strategy is also being prepared. We are looking at boosting trade with smaller countries and explore new territories like Africa which has 54 countries but accounts for only 8% of exports from India.”

The Minister said that India’s exports have been constantly rising for the last year, despite significant global headwinds.

“We must now achieve more,” he added. “India’s export must drive India’s growth story.” “Global disruptions present opportunities to increase Indian exports,” Mr Prabhu said. “India and China are working together to resolve issues relating to market access.

India and China will hold meetings Indian exporters soon to address their concerns relating to market access and trade regulations. Some progress has already been made with Indian rice exports being shipped to China.”

Source: thehindu.com - Oct 26, 2018

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Tax evasion in cotton trade causes losses

The evasion of market fee and goods and service tax (GST) in cotton trade has been causing revenue losses to the state exchequer.

Introduction of the GST last year had reportedly led to a spurt in incidents of tax evasion as shell firms operating in the cotton belt indulged in generating fake cotton produce bills.

The Indian Cotton Association (ICA) said some complaints had been forwarded to the GST authorities for action against tax evaders.

0.80% Rural Development Fund	0.2% Market fee	5% Goods and service tax

Year	Cotton production	Arrivals (in lakh quintals)
2014-15	92	49.55
2015-16	47.16	23.16
2016-17	96.90	41.48
2017-18	77.23	40.29

FIGURES FROM HARYANA ASSEMBLY

Ram Kanwar, farm activist, said comparison of cotton production and arrival in mandis indicated large-scale evasion of market fee and GST.

He said figures provided by the government in the Assembly revealed that 313.29 lakh quintals of cotton had been produced in the state from 2013 to 2018.

He said only 157.48 lakh quintals of cotton had arrived and was procured in mandis while no market fee, VAT or GST was paid on 155.81 lakh quintals.

In a complaint to the Directorate of GST in Delhi, Kanwar exposed the modus operandi of unscrupulous traders evading taxes.

“Farmers brings cotton for sale through arhtiyas, who collect tax under reverse charge mechanism and pay the government. The tax is collected from ginning mills for raw material. The cotton is processed into refined or ginned cotton, which has 5 per cent GST,” he elaborated.

“The cotton is sold by ginners to agents, spinning mills or textile unit. At this point, bogus bills are issued by shell firms by purchasing high tax goods such as steel, supari and sugar, on which accumulated input tax credit under the GST is passed by way of bogus bills of cotton,” he explained.

Jatinder Singh, ICA secretary, said traders, ginners and suppliers gave third party bills of cotton, which were not traceable. He said bogus billing and third party bill accounts vanished after two or three seasons.

“Such a malpractice is a black spot on traders. It is creating unhealthy competition and hurting the genuine people. It is like a silent volcano waiting to erupt and hit all of us who are into this trade,” he wrote.

Source: tribuneindia.com- Oct 26, 2018

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Internet services sector in India to reach $124bn by 2022

The internet services sector in India has a potential to reach $124 billion by 2022 if certain critical factors are realised, says a report by the Internet and Mobile Association of India (IAMAI).

The sector includes e-tail, fin-tech, food-tech, digital classifieds, digital advertisements, e-travel and ticketing, edu-tech and digital entertainment.

The Indian internet services sector is currently valued at $33.8 billion, and is expected to reach $76.4 billion by 2022, says the report titled 'Economic Impact of Internet Services in India'. Right now, the market size in 2022 has been estimated considering the growth of existing sub-sectors in internet services. However, it has the potential to grow bigger, owing to rapid innovations and emergence of new sub-sectors.

The critical factors identified by the report, which can lead the sector to grow to its potential are forward looking and supportive government policies, better infrastructure for widespread internet connectivity, developed distribution network enabling better reach and connectivity to customers in tier II/III cities for e-commerce, adoption of digital and advanced technologies across the ecosystem and offline sectors, etc.

IAMAI, in course of the study has recognized that the digitization of conventional sectors being enabled by the internet services, can have long run positive consequences for the Indian economy.

There are currently around 51 million SMEs in India, which contribute approximately 37 per cent of the manufacturing output, 46 per cent of exports and employ 117 million people.

It has been observed that digitally enabled SMEs generate 2x revenues as compared to offline SMEs, attributed to the access to a wider base of customers, newer geographies/markets, additional sales channel etc.

However, presently only 2 per cent of these SMEs are digitally enabled. There is a conscious effort by government agencies and internet businesses to digitize SMEs, and this trend is expected to generate immense benefits.

By the year 2022, India is expected to become a country of 1.4 billion people. With the proliferation of affordable internet connectivity, the number of internet users in the country is projected to increase 1.6x times from 481 million to reach 762 million in 2022.

Along with increased availability of internet connectivity, the number of smartphone users in India too is estimated to grow at 1.75x times to reach 526 million in 2022. On the technology and business side of the internet services, internet will fundamentally change the way the needs, aspirations and demands of the consumers will be addressed.

Pivoting on that, the internet services sector is expected to witness plethora of changes in the future.

Source: fibre2fashion.com- Oct 26, 2018

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