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IBTEX No. 125 of 2019 June 28, 2019

SD 68.99| EUR 78.38 | GBP 87.41 | JPY 0.64

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
21531	45000	**83.08**

Domestic Futures Price (Ex. Warehouse Rajkot), July

Rs./Bale	Rs./Candy	USD Cent/lb
21500	44935	**82.96**

International Futures Price

NY ICE USD Cents/lb (December 2019)	66.09
ZCE Cotton: Yuan/MT (September 2019)	13,945
ZCE Cotton: USD Cents/lb	90.42
Cotlook A Index – Physical	**77.20**

Cotton Guide: The export sale figures were on the lower end as expected which pulled down the International and MCX future contract prices. For the week ended June 20, US Export sales of upland cotton for the year 2018/2019 crop year summed up to 72,000 running bales, including cancellations of 5,500 running bales. For the year 2019/2020, the export sales summed up to 45,300 running bales while export shipments were reported at 322,600 running bales. We expect jittery markets today with the release of the USDA June planting intentions.

We need to keep track of Total Volume figures seen at ICE which were very low at 13,145 contracts. This means that the market participants are eagerly waiting for some geopolitical news. There is a buzz going around that the meeting will be a successful one thus bringing in some positive results for the market participants. This is thus currently enforcing a lag in trade which is expected to remain the same until the exact confirming news is out.

Country	Running Bales
Turkey	19,900
Vietnam	11,200
Indonesia	11,100
India	10,400
Pakistan	6,800
Table 1: Net Upland Export Sales 2018/2019	
Reductions were seen for China 2,700 Running bales and Japan 2,600 Running bales	

Country	Running Bales
Mexico	18800
Indonesia	13200
Thailand	8400
Vietnam	2200
Table 2: Net Upland Export Sales 2019/2020	
Reductions were seen for China 1,300 RB	

Country	Running Bales
India	75,200
Vietnam	57,100
Turkey	44,500
Indonesia	31,400
China	27,000
Table 3: Upland Export shipments	

With the release of the weekly export sales, the ICE December contract settled at 66.09 cents/lb with a change of -30 points. All the ICE Contracts were seen to show a decline in the range of -16 and -50 points with the ICE July contract being the most volatile contract. The ICE December contract traded in the range of 65.78 and 66.86 cents/lb having a difference of 110 points between the high and the low figures. The open interest is still at a very low figure, similar to that of the past few days which is a 4 year low.

The MCX contracts on the other hand traded downwards with a range of -220 Rs and -280 Rs. The MCX June contract settled at 22,150 Rs/bale with a change of -170 Rs. The MCX July contract settled at 21500 Rs/bale with a change of -220 Rs. A -270 Rs change was seen for the MCX August contract which settled at 21,180 Rs/Bale. Total volumes at MCX were still lower in the 3000 lot range where the OI is also almost unchanged.

The cotlook index A is adjusted towards the positive end at 77.20 cents/lb with a change of 0.75 cents/lb. The Cotlook Forward index A is adjusted at 76.45 cents/lb with a change of 0.65 cents/lb. Prices of Shankar 6 are unchanged at 45,000 Rs/Candy.

For today we still favor the consolidated range bound movement, in the international futures as was seen in the previous 3 weeks. Whereas for MCX we can are bearish and we expect the inverse spread between June and July contract to drastically reduce or even be at par.

On the technical front, ICE Cotton is trading within a downward sloping channel & have restricted its momentum within a range, prices have held 65.40 from the past week & with EMA (5, 9) at (66.05, 66.09) being the supports for the price. However, a move below the support would witness a move till the lower end of the channel.

The immediate resistances for the price is at 67.80, which coincides with higher end of the channel & 23.6% Fibonacci retracement level. Momentum indicator RSI is at 42 bounced from the oversold zone suggesting sideways bias for the coming sessions. For the today's session we expect the prices to trade within a range of 67.80-65.40. However, a breach in the either direction would give the price momentum. In the Domestic market MCX Cotton June may trade in the range of 21900-22500.

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

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INTERNATIONAL NEWS

Tariffs Will Cost You Whether You Exit China or Not

It's easy to think a move out of China would be the best way to dodge the Trump administration's tariff blows, but a closer look could prove that reaction somewhat imprudent.

The slow retreat from apparel sourcing in China has been ongoing since labor costs started rising in the country, and the last decade's supply chain diversification has certainly minimized what could have been an even bigger disruption for apparel players making most of their goods in the country. The reality is, however, that no amount of diversification can make up for what China has when it comes to capacity and capability.

Since 2000, U.S. apparel imports from China have gone from roughly 5 percent to 42 percent today, according to American Apparel & Footwear Association (AAFA) executive vice president Steve Lamar. And though footwear imports have fallen from about 90 percent to 69 percent over the same period, neither is a small stake when all imports from China are at risk of new tariffs.

"There's a lot of diversification in apparel and footwear," Lamar said speaking at a recent Tariffs + Turmoil seminar hosted by Sourcing Journal in partnership with MMG Advisors, Alba Wheels Up, CIT, RSM, and Sorini, Samet & Associates, LLC. "Although China continues to be an incredibly competitive place to put your supply chain."

That predicament has many apparel companies looking to match what they get from China in other countries, but global companies selling to markets around the world may not be able to dial their China sourcing back enough to skirt the hit from new tariffs.

While the product China makes for the U.S. may be under threat, China is also making product for its own domestic market, for Europe largely, and for the rest of the world.

"Even folks that pull out of China are still going to have a lot of China production because they're selling to multiple markets," Lamar explained.

"That said, as they're looking at other countries, they're increasingly running into problems."

It's the "bumper car effect," Lamar said.

"You move out of China and pull out of factories, you're bumping people out of other factories, you're bumping into capacity constraints," he said. "So, if you look at the normal difficulties associated with moving supply chains…when you talk about this going on for an entire industry, you're going to run into capacity issues."

And with capacity issues, comes the inflationary impact.

"When you look at the 25 percent [tariffs] on China—which is 42 percent of our apparel and 69 percent of our footwear…since we're already at 25 percent, that's a huge inflationary impact just by itself," Lamar said. "But then when you add in all of the synthetic inflation or the opportunistic inflation that can occur when capacity is pushed back or when other countries are taking advantage of China's misfortune, then you can see cost and price pressures in every point in the supply chain coming from everywhere."

This, Lamar said, will have "massive" inflationary impact on the supply chain, no matter where companies have their sourcing concentrated.

"Even if you're not in China, even if you're outside of China, you're going to see the impacts," he said. "And it won't just be on the prices, it will be on customs…it will be on logistics."

Where does the industry go from here?

Whether it's Mexico, India or Vietnam topping the list of sourcing countries to turn to, the Trump Administration has made clear that no trade agreement is entirely safe from change or upheaval.

What had been most appealing to U.S. companies about sourcing in Mexico, apart from its proximity, was the predictability of the NAFTA trade agreement. Now that the trilateral trade deal has been transitioned to the new—albeit strikingly similar—United States Mexico Canada Agreement (USMCA) and Trump has threatened—and then indefinitely postponed—

tariffs on Mexican goods coming into the U.S., that predictability is hardly as reliable as it once was.

“It doesn’t even matter that the threat of tariffs are on hold,” Lamar said. “The fact that that predictability was shattered in a single tweet, the amount of [AAFA] members that are now saying they’ve been looking at Mexico has dropped precipitously.”

But Vincent Iacopella, EVP of growth and strategy at Alba Wheels Up International Inc., a customs brokerage company, is bullish on Mexico because he doesn’t expect to see tariffs there, despite how much the Trump administration may want it.

“There hasn’t been duty collected on the southern border for 25 years, every southern border has a minimum security bond, the finance companies don’t have infrastructure down there,” Iacopella said. “One of the reasons our government backed off is that even if you wanted to collect duties at the southern border tomorrow, you couldn’t do it because there’s not enough infrastructure.”

Looking at India, it may be the Trump administration’s next target.

Trade there is already set to grow more complex with the administration’s recent removal of the country from its Generalized System of Preferences (GSP) trade privilege program.

“Removing India from GSP, it doesn’t stop there in the sense that they’re talking about possibly a 301 case involving India,” Andrew Samet, principal at Sorini, Samet & Associates, said, indicating that the Trump administration could look to India to similarly impose tariffs—as it did with China—under Section 301 of the Trade Act of 1974, which gives the U.S. authority to impose trade sanctions or raise import duties because of unfair trade practices.

“India is the next China, obviously, and the administration has people who don’t want to see it develop in terms of its trade relationship with the United States in the same way, growing a huge deficit. The Indian economy, eventually, as China’s, will be bigger than the U.S. economy, and you can reach out and touch that time when that’s going to happen.”

Where Vietnam is concerned, Samet said, moving sourcing there will come with its own problems—including a ballooning trade deficit, an area that's been a thorn in President Trump's side, particularly with regard to China.

"Everyone's going Vietnam, Vietnam, Vietnam, but the Vietnamese trade deficit this year is going to grow past $40 billion toward $60 billion, and you can reach out in the next few years and see it as a No. 2 after China," Samet said. "Certainly, if the president is reelected, I would think that's going to draw his attention sooner rather than later."

Backtracking from China sourcing won't be the apparel industry's only concern in the coming years.

"Every program is on the table and every decision is on the table," Samet said. "That's the world in which we're operating."

Source: sourcingjournal.com- June 27, 2019

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USA: Tariffs Could Lead to 'Widespread Store Closures,' Analyst Says

A 10 percent tariff increase on goods imported from China wouldn't impact apparel and retail companies that much, but a hike to 25 percent could make investors more bearish on the sector.

Looking at a few what-if scenarios, equities analyst Jay Sole at UBS came to two key conclusions: there's a possibility that no price increases get passed along, and the industry could see margin erosion from too much discounting as the economy slows and stores shutter.

When it comes to price increases, the analyst said the abundance of goods available from other countries, particularly from online marketplaces, could make it hard for retailers to raise prices. Moreover, there are "far too many ways for consumers to search for cheaper goods online for price increases to hold. We imaging marketplaces like Amazon, eBay [and others] would be full of goods available at 'regular' prices," Sole said. And he noted that the experience at retail with tariffs placed on imported home goods from China "suggest raising prices will be hard." The analyst also pointed out that even if a company can raise prices, it will run the risk of hurting sales.

But an even bigger issue for companies in the fashion sector could be what happens if economic activity slows.

Tariffs can be absorbed when the economy is strong and growing, but less so when there's a contraction.

UBS' U.S. equity strategist Francois Trahan believes the U.S. economy is about to enter the late stage of a business cycle, a scenario that the strategist said could be bad for stock prices in general. And in a slowing-economy scenario, if the tariff rate is too high, Sole believes it would likely "cause widespread store closures." And when that happens, promotional activity jumps as closing stores liquidate to clear inventory. What's more, Sole said job losses are likely to increase, which then "compounds the effect of the tariffs themselves." Those are the reasons the analyst thinks the tariff "impact would be greater than many realize."

In a separate report on the impact from a tariff hike earlier this year, the analyst projected that $40 billion in retail sales and 12,000 store closures could be at risk.

In general, most softlines companies already have strategies in place to offset cost increases, whether through consolidation of vendors, reduction in unit orders or manufacturing capacity outside of China. Those initiatives, including agreements with manufacturing partners where they agree to share in the cost increases, help to offset a 10 percent tariff. Because different companies have different initiatives and arrangements, Sole estimated that a 10 percent tariff increase on a direct cost basis would likely cause fiscal year 2020 earnings per share estimates to drop 10 percent. And more importantly, most companies would likely see an earnings recovery by fiscal year 2021.

In contrast, a 25 percent tariff hike, using the same direct cost basis, would see a corresponding EPS decline by 25 percent. But the worst case scenario would be a 25 percent tariff hike while there's a global recession, and that's where the apparel and retail sector would see the most impact, including weaker demand, significantly elevated inventory levels and retail bankruptcies. According to Sole, EPS estimates could be lower by as much as

59 percent, presuming certain variables see little change, like the inability to migrate production out of China.

Looking at the apparel and retail stock in his coverage universe, Sole said Nike, Lululemon and VF Corp. could be “secular winners” in Wall Street parlance since all three are already well positioned, have EPS growth, and have brand names that investors would be willing to own.

Those that have weak earnings outlook are deemed “highly cyclical” or “structurally challenged.” According to the UBS analyst, the retailers Macy’s and Gap-and maybe Kohl’s–fall into that scenario, mostly because price-earnings ratios are already at or near 20-year lows, and could go lower if EPS falls significantly.

The big question marks are companies like HanesBrands and PVH. That’s because private label companies tend to get hurt since much of what is manufactured is produced in China. That scenario could create market-share opportunity for national brands, particularly if retailers like Walmart and Target bring in more nationally-branded merchandise because of their pricing power. Whether this would actually happen is debatable–Sole acknowledge that there’s little historical precedent to know conclusively whether this scenario would be a component of the investor mindset when they do their analysis for stock picks.

One retail channel that could do well is the off-price channel, although it, too, can get hurt initially and see stock prices drop before rising again.

Sole said retailers in this sector have more exposure to Chinese imports than anyone realizes. What could change investor sentiment after the initial decline in share price is the expectation that off-price “takes very big market share in fiscal year 2021,” which keeps price-earnings ratio high and investors more interested in the stock.

According to companies in his research universe, the UBS analyst pegs off-prices TJX Cos., Ross Stores and Burlington Stores as having 50 percent of its total manufacturing in China. They are followed by Nordstrom, Kohl’s, Macy’s and Skechers at 40 percent. American Eagle Outfitters, Ralph Lauren and Under Armour are at 30 percent, followed by Capri Holdings and Nike at 25 percent, and Gap at 22 percent. Limited Brands, Tapestry and VF Corp.

are at 20 percent, followed by PVH at 18 percent, Lululemon at 10 percent and HanesBrands at 5 percent.

It's hard to tell what the impact will be on companies' income statements until they report fourth quarter results. Most retailers follow the retail calendar, which means the closing date for their fiscal year is the end of January or very early in February. Earnings reports on how well they did–or not–start to flow in around March.

Source: sourcingjournal.com- June 27, 2019

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Australia hosts RCEP talks to promote free trade

As the world's media squarely focuses its lens on the Group of 20 (G20) summit in Japan, trade officials from 16 nations across the Asia-Pacific region will sit down in the Australian city of Melbourne on Friday, to negotiate the terms of the Regional Comprehensive Economic Partnership (RCEP).

First introduced in 2011, the RCEP is a proposed free trade agreement among the 10 members of the Association of Southeast Asian Nations (ASEAN), China, Japan, South Korea, India, New Zealand and Australia.

If finalized, the deal would become the world's largest economic trading block accounting for 39 percent of the world's total GDP.

"The exact content of today's negotiations are secretive, but it won't involve much more than any other major free trade negotiation," international trade law expert from Monash University Giovanni Di Lieto told Xinhua.

"Its more about the geopolitical plays that are behind the negotiations."

Looking to counteract U.S. unilateralism and increasing protectionist rhetoric, the Australian government has taken a firmer tone in the lead up to the G20 meeting when it comes to advocating for free trade and multilateralism.

“We are concerned about the use of unilateral tariff measures by the United States and the impact that has had in terms of undermining global economic confidence,” Australian Minister for Trade, Tourism and Investment Simon Birmingham told local cable news channel Sky earlier this week.

“We see now from the work of the IMF, the work of the OECD that projections around global trade growth are down and that flows through in the projections of global economic growth have been brought down as well.”

That’s why Australia is engaging with “other like-minded countries around the world to advance an agenda of how it is that we advocate for the maintenance of rules-based systems around international trade,” Birmingham said.

According to Di Lieto, there is clearly a change in attitude from the Australian government, “they are not just sitting on the fence anymore, they are becoming more proactive,” he said.

“On the one hand this is because after the recent election, the Morrison government is more settled and more confident and on the other hand, something just needs to be done because Australia benefits from the status quo and the ability to trade (without barriers).”

While it’s not expected that any major agreements will be reached at Friday’s meeting, Birmingham said, “what's really important here is that we recognize that in the period since World War II, the United States and other nations helped build international institutions such as the World Trade Organization and establish rules that have served us very well. But... in that time we've also seen phenomenal economic growth including in China who now sit alongside the United States as a great economic power.”

Hoping to quell any escalation in global trade tensions, Birmingham added that, the impact the trade dispute is “having on market conditions around the world and on growth prospects for our economy, and every other world economy,” needs to be recognized.

Source: xinhuanet.com- June 27, 2019

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China's textile industry in doldrums as demand products decline

The Sino-US trade war has dealt a heavy blow to the Chinese economy which is on a continuous decline. The textile and garment industry is also facing rough weathers due to the closure of several production units across the country. As official statistics by China Customs reveal, China's total import and export value in the first five months declined by 1.6 per cent from the previous year. Its exports to the United States declined by 8.4 per cent year-on-year, while imports fell by 29.6 per cent year-on-year. In May 2019, China's total import and export value declined by 3.4 per cent. Of this, its imports declined by 8.5 per cent. The country's exports however increased by 1.1 per cent compared with the same period last year.

China's year-on-year increase in May exports was due to the rush to export before new US deadlines forChinas textile industry in doldrums as demand products decline imposing new tariffs on $200 billion of Chinese goods. However, Xie Tian, a professor at the University of South Carolina's Aiken School of Business states it would be difficult to maintain long-term growth of these exports as no country has the market and purchasing power of the United States, and no country can tolerate China's surplus other than the United States.

High material prices and low demand impact textile growth

July and August is generally the textile industry's offseason in China as most companies go on a vacation. However, this year this vacation has already begun for many garment factories. Large garment exporters along the coast have gone bankrupt as US buyers no longer purchase from China. Zhejiang Shaoxing Keqiao Textile City, China's largest textile trading market, has closed around one-third of its enterprises. Textile companies are under pressure from two ends as the raw materials prices have increased while at the same time sales have been blocked. This uncertain outlook on trade has made manufacturers wary of taking new orders.

The impact of the Sino-US trade war on the cotton spinning industry chain has far surpassed industry estimates. In the first quarter of this year, China's share of US apparel imports declined slightly with the proportion of many categories of Chinese clothing declining by double digits. These declines are further likely to accelerate after the increase in tariffs.

Low demand leads to increased inventory

A report by Capital Futures, a China-based research firm indicates demand for Chinese textile products continues to weaken with inventory of most enterprises increasing by over 50 per cent compared to the same period last year. The inventory of individual enterprises increased by 10-15 days' sales compared with the same period last year, with some even exceeding 40 days.

The increase in cotton and yarn storage has made it impossible for some textile mills to save money to buy lint cotton. While a few small factories have stopped production, many are producing in shifts. In all, a pessimistic wave pervades the entire textile industry which is eagerly waiting for the sun to shine again.

Source: fashionatingworld.com- June 27, 2019

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Japan PM Abe calls for strong G20 message on free trade

Japanese Prime Minister Shinzo Abe on Friday urged leaders from the Group of 20 major economies to deliver a strong message to support "free, fair and indiscriminate" trade as he expressed "deep concerns" over the current landscape of global trade.

Speaking on the first day of the two-day Osaka G20 summit meeting, Abe also said Japan, as a flag-bearer of free trade, would strongly promote improvement in a multilateral trade system and negotiations over agreements on economic cooperation.

"Today, I want to discuss with leaders measures to further enhance momentum towards reform in WTO, (World Trade Organisation)", he said.

Source: reuters.com- June 27, 2019

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UK to explore free trade agreements with GCC countries after Brexit: Liam Fox

UK exports to the region and investments from the region to the UK have increased in recent years.

The UK will explore the possibility of free trade agreements, FTA, with individual countries in the Gulf Cooperation Council after leaving the European Union, a British minister told the Emirates News Agency, WAM, on Thursday.

"The question of whether bilateral trade agreements [with individual countries are possible] is something we want to explore after we have left the EU," said Liam Fox, the UK Secretary of State for International Trade.

He added that the UK is not allowed to negotiate any FTAs until it leaves the EU.

The UK-GCC trade relations are strong as the UK exports to the region and investments from the region to the UK have increased in recent years, Fox continued.

According to the UK Department of International Trade, the UK exports more to the GCC countries than China, with trade between the UAE and the UK alone reaching GBP16.3 billion in the second quarter of 2018.

Source: khaleejtimes.com- June 27, 2019

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South Korea and Malaysia to Conclude FTA This Year

The South Korean and Malaysian governments declared the initiation of bilateral FTA negotiations on June 27. The two governments are going to complete their negotiations by November this year.

The Ministry of Trade, Industry and Energy of South Korea announced on June 27 that South Korean Trade Minister Yoo Myung-hee and Malaysian Trade Minister Darell Leiking had a video conference in Gwacheon and

Kuala Lumpur in the afternoon of that day to officially declare the initiation of the negotiations.

At the conference, the two trade ministers welcomed the initiation of the process following the completion of domestic preparation on both sides. Earlier, South Korea and Malaysia agreed to sign a free trade agreement at their summit meeting held in March this year.

The two governments are going to have talks in the fields of goods, services, investment and economic cooperation so that the conclusion of the FTA can be announced at the South Korea-ASEAN special summit scheduled for November this year.

"The FTA with Malaysia, one of South Korea's top four trade partners in the ASEAN region, will further strengthen the economic ties between the two countries and help South Korean companies diversify their export markets and global production networks," said the trade minister of South Korea.

Source: businesskorea.co.kr- June 27, 2019

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Russia remains main consumer of Uzbek textiles

Russia is the main consumer of textile products from Uzbekistan, according to the Uzbek State Statistics Committee. In January-May 2019, more than 38 percent (worth $250.2 million) of Uzbekistan's textile exports were shipped to this country.

According to official data, over the past three years, exports of Uzbek textiles to China have more than doubled, from $90.9 million in January-May 2017 to $190.3 million in the same period of 2019.

Turkey is also one of the largest consumers of textile products from Uzbekistan. From the beginning of the year, products worth $63.6 million were shipped to Turkey. Then come Kyrgyzstan with $34.9 million, Iran - $19.7 million, Kazakhstan - $16.6 million and Poland - $10.7 million.

According to the State Statistics Committee, in January-May 2019, total exports of textile products amounted to $653.7 million and increased by 21.9 percent compared to the same period of 2018, which is 10.2 percent of total exports.

The main share in the structure of textile exports is taken by cotton yarn (58.6 percent), as well as finished knitwear and garments (22.4 percent). Since the beginning of the year, more than 336 types of these goods have been exported to 50 countries.

As a result of the creation of new capacities and the organization of cluster activities in 2019, as many as 78 percent of the harvested cotton fiber will be processed in the country, which is twice as much as in 2017.

By 2020, the transition to the complete processing of cotton fiber will be completed. According to official estimates, the share of finished products will be increased from 40 percent to at least 60 percent.

Source: menafn.com- June 27, 2019

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Asean garment makers meet on working together

Garment manufacturers from Asean countries yesterday gathered for a two-day meeting in Phnom Penh to discuss challenges facing the industry and promote region-wide cooperation.

The ASEAN Federation of Textile Industries (AFTEX) meeting, organised by Garment Manufacturers Association of Cambodia (GMAC), is aimed at discussing problems such as how to lower production costs and adding value to products.

AFTEX is a group of textile and garment associations of the 10 ASEAN member countries.

Van Sou Ieng, GMAC and AFTEX Cambodia president, yesterday told Khmer Times that AFTEX has been playing an important role in building collaboration among all garment producing members of Asean to help each other grow in a win-win situation.

“One of the important subjects discussed today is the common stance of AFTEX on the Rule of Origin (ROO) for garments for RCEP (regional comprehensive economic partnership), which is a mega Free Trade Agreement between Asean and China, India, South Korea, Japan, Australia and New Zealand,” he said.

He said that Asean in the last 10 years has been viewed as a strong regional grouping having performed better economically than any other regions in the world.

Mr Sou Ieng said that the region has become an important player in the global textile and apparel industry. However he noted that the garment industry has gone through a lot of changes, particularly recently.

“AFTEX is not looking to compete against each other. We are looking to build partnership and collaboration. The good times are not over have only become more challenging,” he said. “It requires smart government policies, innovative ideas of the industry players and collaboration locally and to a larger extent regionally to meet these challenges.”

“The industry has long and complex supply chain, so collaboration among various actors locally and regionally is very important. Since Asean, as an economic community, is looking to create a single production base, AFTEX really has a major role to play to realise this goal,” Mr Sou Ieng added.

He noted that AFTEX was set up in 1978 and the group been able to maintain the spirit of collaboration and unity through regular meetings organizesd in all countries on a rotation basis.

Yuttana Silpsarnvitch, chairman of National Federation of Thai Textile Industries, said while there are differences in each country, textile representatives are working to combine the supply chain among the Asean countries to help reduce costs.

“In Singapore they want to focus on branding, trading, and design, but Myanmar, Laos, and Cambodia try to promote productivity and want to transform from CMP [cut-mark-pack] to FOB [free on board],” he said. “In Thailand, Malaysia, Indonesia, and Vietnam we try to promote more value of the products because of increasing minimum wages and the cost of doing business.”

Source: khmertimeskh.com- June 27, 2019

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Vietnam starts e-certificate for Mexico export eligibility

Vietnam's ministry of industry and trade (MoIT) recently launched an electronic certificate of eligibility (C/E) issuance system for textile-garment exports to Mexico as part of efforts to accelerate administrative reforms and facilitate import-export of textile products in line with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The MoIT has worked with Mexican authorities to come up with a rational mechanism to control the flow of garment between the two countries, according to deputy minister of industry and trade Tr?n Qu?c Khánhhe. The electronic issuance of C/E will help connect supply chains in both nations, he added.

Attending the launch ceremony, Mexican ambassador to Vietnam Valdes Bolano described the country as a significant trade partner of the North American country, according to a report in a Vietnamese newspaper.

Source: fibre2fashion.com- June 27, 2019

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Rieter awarded large contract from Egypt

Rieter Group, a leading supplier of systems for short-staple fibre spinning, has signed contracts with the Cotton & Textile Industries Holding Company, Cairo (Egypt), at the ITMA 2019 in Barcelona.

These seven projects entail a total of 180 million Swiss francs. The contract comprises delivery of compact- and ring-spinning systems over the next two years.

This order is part of a comprehensive modernisation programme of the Egyptian textiles industry. The order intakes are anticipated to be realised in 2019 with sales posted in the 2020/2021 financial years.

The contracts were signed at the ITMA in Barcelona by Dr Ahmed Moustafa Mohamed, Chairman Cotton & Textile Industries Holding Company, and Dr Norbert Klapper, CEO Rieter.

Dr Klapper was very pleased at the formal signing of contracts. “We would like to thank our Egyptian business partners for the confidence they are placing in Rieter by awarding us this contract,” he said.

“Rieter has been the partner of choice of the Egyptian spinning industry for decades. We are delighted to be given the opportunity of making such an important contribution to the modernization of the Egyptian textile industry.”

Rieter is a leading supplier of systems for short-staple fibre spinning. Based in Winterthur, Switzerland, the company develops and manufactures machinery, systems and components used to convert natural and manmade fibres and their blends into yarns.

Rieter is also a leader in the field of precision winding machines. With 16 manufacturing locations in ten countries, the company employs a global workforce of some 5 150, about 20% of whom are based in Switzerland.

Source: knittingindustry.com- June 27, 2019

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Air cargo players need to find new markets as traditional business softens

Agility will be the key for freighter operators which need to find new markets.

The latest data shows May, as expected, was another soft month in air cargo, with demand falling again, and trade tensions are not helping, but they are triggering a faster shift away from China.

“It is well known that air cargo is a cyclical business,” noted John Cheng, head of cargo markets and products for Cathay Pacific, in a note to customers yesterday.

“All signs point to the industry experiencing headwinds after two very good years, and the high base that they created. This normal fluctuation has been exacerbated by global trade tensions affecting two of our principal markets, along with other geopolitical uncertainties around the globe.

“These have clearly had an affect on both market sentiment and consumer confidence, so we are seeing lower demand on some of our main cargo routes.”

But, he added, Cathay had options.

“We can address these imbalances through agile deployment of our fleet across our wider network, enabling us to match capacity to demand.”

Cargolux thinks so too. Yesterday it announced it had launched a service to Jakarta, its 16th Asia Pacific destination.

The once-a-week flight, leaving Luxembourg on Sunday and arriving in Jakarta on Monday, then goes through Hong Kong and Ashgabat before returning to Luxembourg on Tuesday morning.

Cargolux claims it is the only maindeck direct flight between Europe and Indonesia, and it is expected to carry oil and gas equipment, machinery, spare parts and aircraft engines.

While carriers have been closely watching the South-east Asia market, owing to uncertainty in China, Indonesia is, however, not expected to pick up much of the tariff-escaping traffic.

As Muhammad Zulfikar Rakhmat, research associate at the Institute for Development of Economics and Finance in Jakarta, noted in the South China Morning Post, in fact, foreign direct investment in Indonesia nearly halved between the end of December and March this year.

He added: “Secondly, the slowdown of Asia’s largest economic power, and one of Indonesia’s foremost trade partners, only promises to reduce foreign investment further and impact raw goods exports, such as palm oil, wood, rubber and coal.

“And lastly, Indonesia’s existing trade ties with the US – commodity goods, not manufacturing – are not affected by US tariffs.”

While Cargolux has no doubt found good reason for the flight, other countries may be more attractive.

DB Schenker clearly sees value in Bangladesh, the world’s second largest exporter of apparel after China. It has opened a new entity in the country, as part of its India cluster. Previously it relied on partner Schenker Logistics Bangladesh.

The new entity will have offices in Dhaka and Chattagram and focus on six vertical markets: aerospace, electronics & solar semiconductor, automotive, retail & consumer, healthcare and industrial & chemical.

A fascinating article in Bangladesh’s Daily Star points to benefits for the country from the China-US trade war, which could see it find an additional $400m of exports, according to the Asia Development Bank.

As the article notes: “The garment sector is expected to reap the most benefits, as it accounts for 80% of Bangladesh’s total exports. As the trade war escalated, the country’s garment industry observed significant growth as American retailers are placing more work orders with Bangladesh in order to offset increasing tariffs.

According to the US Office of Textile and Apparel, Bangladesh enjoyed a 6.46% growth in share in the United States market during the first three quarters of 2018.”

McKinsey said in 2012 that Bangladesh’s textiles market would triple in value between 2010 and 2020 as China moved out of labour-intensive industries to higher-tech sectors.

The article also argues that, as companies look to re-locate from China, Bangladesh has more advantages than places such as Vietnam and Cambodia, owing to a large population and cheaper, less unionised workforce.

Source: theloadstar.com- June 27, 2019

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Pakistan: Agri-exports: let's not lose perspective!

What will take for Pakistani exports to pick up steam? Certainly not currency devaluation. Prima facie, that's the verdict of 11MFY19 numbers released by PBS. Barring petroleum, export value across major commodity groups is down compared to same period last year. Eighteen months since Pak rupee began its freefall against dollar, is it time to name and shame the laggards?

Turns out, textile group – responsible for nearly three-fourths of total export value – barely managed to keep its head at surface, but not above. Hopes of textile resurgence persist, nevertheless. As value-added segments of garments, knitwear, and bedwear products reflected a growth-spurt (For more detail on textile performance, read: "Exports constant, but quality improves" published on June 26, 2019).

Folks at Q-block and commerce ministry had predicted that exports would take off beginning April-19. But much like the movie godfather, "just when we thought exports would grow, what has pulled them back down again! (sic)" Short answer? Food group. But more correctly, agri-exports, which declined by a cumulative 5.4 percent.

First, a note of clarification. Net of raw cotton, textile group export has recorded an improvement over the eleven-month period, albeit of marginal 0.22 percent. The re-classification is necessary as export of all other agri-based commodities is grouped under food group.

Historically, agri-based exports have contributed twenty percent of annual commodity exports on average, within which contribution of rice stands at forty percent on average. The white kernel did not disappoint this year either, managing to expand its share in the food pie to 45 percent, even as year-on-year dollar value only improved by two percent.

Within paddy, the saving grace turned out to be IRRI (others) category, with a 70 percent share in total rice exports. IRRI also managed to fetch a higher per unit price by two percent over last year. In sharp contrast, the premium basmati rice, which until last year fetched 2.53 times average IRRI per ton price, recorded 7 percent fall in unit price. Thus, growth in basmati came at the expense of reduced margins, as basmati to IRRI premium dropped to 2.33x. On annualized basis, rice export may yet prove to be the highest in at least past 5 years.

Given the above-par performance by the dominant food group commodity (on overall basis), what proved to be the dampener? Both on per unit basis and value terms, wheat recorded the highest percentage decline compared to previous year of nearly hundred percent. However, this mostly came on the back of weak international price. Nevertheless, since its contribution to food group value in recent memory barely crosses five percent, the hit was not nearly large enough to fully explain the overall contraction.

That explanation comes from sugar. Recall that last year total agri-based exports peaked at $4.8 billion, level last seen in FY13. That peak came on the back of half a million-dollar worth of sugar exports, a result of a Rs2 billion subsidy against export quota of 1.5 million tons.

Ever since, not only has the new government failed to extend similar level of support to the sector, per ton export price has also declined from period average $350 per ton to $317 (at a time when international prices have climbed down from $360 to $327 per ton).

Much has been written in this space regarding the competitiveness of the sugar sector viz export market. However, what is interesting to note is that net of sugar and wheat export – both of which are government subsidized commodity operations – agri-based exports recorded a growth of almost three percent.

Surely not a poor performance in a year when overall crop sector noted a negative growth of -4.43 percent, according to latest economic survey. It is worth questioning whether exports that cost billions to exchequer are worth the foreign exchange. Meanwhile, if the headline numbers appear to be declining without costing the taxpayer additional billions in subsidy, maybe its time let them fall.

Source: brecorder.com- June 27, 2019

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Pakistan: Cotton market steady

Prices on the cotton market stayed stable on Thursday though phutti (seed cotton) arrival remained slow consecutively for the second day. The Karachi Cotton Association also kept its spot rate on fixed at Rs8,400.

Phutti prices were recorded between the range of Rs3,500-4,100.

Cotton experts said phutti arrival remained limited as growers have halted the picking process due to low prices currently being offered. However, slow arrival has resulted in price stability.

According to experts, Senate Standing Committee on National Food Security and Research in April last had asked the government to set minimum support price for cotton to ensure that growers earn reasonable profit on their crop.

However, so far the government has ignored the recommendation. The government should intervene to safeguard and protect the interests of cotton growers who are worried because declining trend in the prices of cotton, they added.

The following are Thursday's Karachi Cotton Association (KCA) official spot rates for the crop (2018-19) local dealings in Pak rupees for base grade 3 staple length 1-1/16" micronair value between 3.8 to 4.9 NCL.

Rate for	Ex-Gin Price	Upcountry Expenses	Spot rate Ex-Karachi
37.324kg	**8,400**	**160**	**8,560**
Equivalent 40kg	**9,002**	**171**	**9,173**

According to sources, growers in Punjab are switching to maize while those in Sindh are opting for sugarcane. This is an alarming situation and will cause losses to the country's economy, the sources added.

Meanwhile the Punjab government has announced to constitute cotton revival committee which will comprise of cotton growers, cotton scientists, government officials and experts. The committee will devise both short- and long-term policies.

The following transactions were reported to have changed hands on the ready counter:400 bales, Sadiqabad, at Rs8,700; 2,000 bales, Rahim Yar Khan, at Rs8,600; 200 bales, Bahawalpur, at Rs8,400; 200 bales, Hyderabad, at Rs7,850; 600 bales, Sanghar, at Rs7,900-8,000; and 1,400 bales, Tando Adam, at Rs7,800-8,000.

Source: dawn.com- June 28, 2019

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Pakistan: Textile sector receives Rs44.5bn under PM's package

The Ministry of textiles has so far paid Rs 44.5 billion to the local textile industry under Prime Minister's Exports Enhancement Package since July 2017, with an objective to help boost exports from the country, senior official in the ministry told APP here on Thursday.

During the last ten months, the ministry paid Rs 20 billion to the textiles industry, while it intends to pay more Rs 6 billion in coming month of July, the official said.

During the upcoming year, the government would pay further Rs30 billion to the textile sector for value addition, which the official said would boost country's external trade.

The Exports Enhancement Package was aimed at bridging gap between exports and imports by encouraging the export-oriented industry and incentivizing the industrial sector for introducing the innovative, modern and cost cutting technologies, particularly in the textile industry.

Replying to a question, he said that so far State Bank of Pakistan (SBP) has received Rs 50 billion refund claims under the package, which he said would be processed accordingly.

He said in last seven months, the government had paid Rs 20 billion in terms of outstanding claims, adding that pending liabilities of Rs. 6 billion would be paid off in coming months.

"The government is committed for the execution of PM export enhancement package for development and growth of the textiles sector for increasing country's export," the official added.

He further said that increasing country's exports and creating job opportunities for the people were the top most priorities of the government.

The official said the government is also committed for promoting Small and Medium Entrepreneur (SMEs) in the country.

Source: brecorder.com- June 27, 2019

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World calls for joint efforts to protect global growth as G20 draws near

The bloc of major economies will soon be in the Japanese city of Osaka as the global economy is increasingly threatened by protectionism.

In the name of protecting domestic industries, Washington has slapped steep tariffs on billions of U.S. dollars' worth of products from its partners, heightening trade tensions worldwide and rocking the foundation of the multilateral trading system.

"Today uncertainty is not so much about integration but about disintegration. Multilateralism and free trade have come under pressure, for example, with international trade conflicts," said Burkhard Balz, a member of the executive board of Deutsche Bundesbank.

Moving towards isolationism and unilateralism damages the G20 spirit significantly, said Lee Hee-ok, a professor of political science at Sungkyunkwan University in Seoul.

Finance ministers from the G20 economies on June 9 issued a joint statement, saying global growth "remains low and risks remain tilted to the downside" and listing trade tensions as the key factor.

The latest World Trade Outlook Indicator reading of 96.3 remains at the weakest level since 2010, signalling continued falling trade growth in the first half of 2019, said the World Trade Organization (WTO).

According to a key UN report released earlier in June, global foreign direct investment (FDI) slid to 1.3 trillion dollars in 2018, in its third straight annual decline.

Factors such as escalating trade tensions "risk continuing to weigh on FDI in 2019 and beyond," said Mukhisa Kituyi, secretary-general of the UN Conference on Trade and Development.

"Economic prospects are now weaker in nearly all G20 countries than previously anticipated," said the Organization for Economic Cooperation and Development (OECD) in its recent interim economic outlook.

Besides, there are other major risks such as geopolitical tensions and climate crises.

Kituyi said the main drag on FDI in Europe is the "negative pull of Brexit in Britain," which has created considerable uncertainty.

In its latest monthly report, the U.S. Energy Information Administration cut its 2019 world oil demand growth forecast by 0.2 million barrels per day (bpd) to 1.2 million bpd, amid escalating tensions in the Middle East.

"According to the World Bank, air pollution costs societies more than 5 trillion dollars every year," said Joyce Msuya, deputy executive director of UN Environment.

"This meeting is coming at a time which is seeing perhaps the most significant shift in the global environment since the Cold War," said Australian Treasurer Josh Frydenberg.

NEED FOR CONSENSUS

What concerns the international community the most is whether G20 economies can show solidarity at the upcoming summit in tackling the risks of global economic downturn.

Although many G20 economies have repeatedly called for coordination of economic policies over the past few years, the bloc is still divided on certain thorny issues, such as rising protectionism and climate change.

For example, the G20 ministerial meeting earlier in June failed to include the part of opposing trade protectionism in the joint statement due to objections from the U.S. side.

"The United States ... lost interest in cooperating in a multilateral format and actually stalled the process of reforming the system of global governance," said Professor Yana Leksyutina of St. Petersburg State University.

Besides, the UN climate change conference held last year in Poland also witnessed some countries voicing opposition to including the draft text in the final outcome document.

Participating countries of the G20 summit should act positively to reach some agreement "which would be beneficial to people across the world," Qian Meijun, professor of the College of Business and Economics in the Australian National University, told Xinhua.

OECD Chief Economist Laurence Boone suggested "governments should coordinate policy actions to avoid a further downturn."

In an interview with Xinhua, Atsushi Sunami, vice president at the National Graduate Institute for Policy Studies in Tokyo, called on all to understand the real impact of trade tensions, and end the trade frictions as soon as possible.

There will not be any winner, Takakage Fujita, a political analyst, told Xinhua.

He said the economic and trade friction provoked by the United States hurts not only China, but also U.S. farmers as well as U.S. industries, which have already issued warnings against such reckless acts of the U.S. government.

Economy has no borders, Tadashi Yanai, founder of the famous Japanese clothing brand Uniqlo, told Xinhua, adding he hopes all could understand that the world is closely linked, and people of all countries look forward to a peaceful and stable life.

CALL FOR IMMEDIATE ACTIONS

Many hope that G20 economies can take concrete actions such as returning to the negotiating table to alleviate trade tensions.

Fujita suggested major economies like the United States should, from the perspective of being conducive to world peace and development, return to talks, and solve issues through rational negotiation and consultation.

Talks are the only right choice, he said.

In his telephone conversation with U.S. President Donald Trump on June 18, Chinese President Xi Jinping said that both countries gain from cooperation and lose from confrontation, adding that the two sides should, in accordance with the consensus he has reached with Trump, push forward the China-U.S. relationship featuring coordination, cooperation and stability on the basis of mutual respect and mutual benefit.

As the world's two biggest economies, China and the United States should jointly play a leading role in pushing for positive outcomes at the G20 Osaka summit, so as to inject confidence and vitality into the global market, added Xi.

Meanwhile, the international community also urged G20 economies to develop open and fair platforms like the China-proposed Belt and Road Initiative (BRI) and promote the reforms of international organizations, to better defend the multilateral trading order.

The BRI really supports the growth of the global economy, said Sunami.

It is a more open and multilateral idea that goes against unilateralism and isolationism, said Lee.

Developing countries should take part in the effort to strengthen the role of the UN in world affairs and reform backbone institutions such as the International Monetary Fund, the World Bank and the WTO, said Leksyutina.

During the G20 summit in Argentina last year, many leaders called for a WTO reform. And so did the joint statement issued after the foregoing G20 ministerial meeting.

It is important for G20 leaders to come up with more transparent rules, especially concerning trade tensions and the digital economy, said Sunami.

They need to talk about the WTO and other world organizations, and whether the WTO can play a more active role in creating a fair environment for everybody to agree on, he said.

"Leaders must do something more than repeat the call. It is imperative that we see action," Director-General of the WTO Roberto Azevedo said.

He particularly called on joint efforts to reform the WTO's dispute settlement system to avert an acute Appellate Body crisis.

Chen Yulu, deputy governor of the People's Bank of China, also suggested carrying out an IMF quota reform to objectively reflect the relative positions of member countries in the global economy, and strengthen the voice of emerging market economies.

"How the major central banks should react to the most recent developments on the market and the world economy, including interest rates, quantitative easing as well as currencies, is another issue," said Dawie Roodt, chief economist at African financial services company Efficient Group.

Experts also expect the upcoming summit to help find solutions to climate change.

According to Ottmar Edenhofer, director of the Potsdam Institute for Climate Impact Research, G20 leaders should consider carbon pricing and the development of new low-carbon technologies to cut emissions, and integrating their carbon markets to push forward ongoing international negotiations.

Source: xinhuanet.com- June 27, 2019

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NATIONAL NEWS

Trump asks India to withdraw tariff hike; calls it unacceptable

India imposed higher tariffs on 28 US products following US' withdrawal of key trade privileges under GSP

US President Donald Trump on Thursday demanded India withdraw retaliatory tariffs imposed by New Delhi this month, calling the duties "unacceptable" in a stern message that signals trade ties between the two countries are fast deteriorating.

India slapped higher duties on 28 US products after the United States withdrew tariff-free entry for certain Indian goods. Washington is also upset with New Delhi's plans to restrict cross-border data flows and impose stricter rules on e-commerce that hurt U.S. firms operating in India.

"I look forward to speaking with Prime Minister Modi about the fact that India, for years having put very high tariffs against the United States, just recently increased the tariffs even further," Trump said on Twitter. "This is unacceptable and the tariffs must be withdrawn!" said Trump, who will meet Modi at this week's G20 summit in Japan.

Government sources rejected Trump's argument, saying Indian tariffs were not that high compared to other developing countries and US tariffs on some items were much higher. India's trade ministry did not immediately respond to a Reuters email seeking comment.

Trump's tweet came hours after US Secretary of State Mike Pompeo left New Delhi after meeting Modi. Pompeo had said the nations were "friends who can help each other all around the world" and the current differences were expressed "in the spirit of friendship".

In one tweet, though, Trump may have badly undermined Pompeo's efforts to reduce friction between the two countries.

Trump in May scrapped trade privileges for India under the Generalized System of Preferences (GSP), under which New Delhi was the biggest beneficiary that allowed duty-free exports of up to $5.6 billion. India initially issued an order in June last year to raise import taxes as high as 120 per cent on a slew of US items, incensed by Washington's refusal to exempt it from higher steel and aluminium tariffs.

But New Delhi repeatedly delayed raising tariffs as the two nations engaged in trade talks. Trade between them was worth $142.1 billion in 2018, with India having a surplus of $24.2 billion. The relationship took a big hit with India's sudden introduction of new e-commerce rules for foreign investors in February.

That angered the United States which saw a protectionist New Delhi effort to help small traders at the expense of U.S. firms such as Walmart and Amazon.com Inc. Companies such as Mastercard and Visa have also been battling Indian central bank rules that mandate them to store their data only in India.

Source: thehindubusinessline.com - June 27, 2019

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FIEO elects Sharad Kumar Saraf as President

Exporters body FIEO on Thursday said it has elected Sharad Kumar Saraf as its new President.

Saraf has replaced renowned exporter Ganesh Kumar Gupta, who will hand over the charge to the new President on Friday.

Federation of Indian Export Organisations (FIEO) said in a statement that Saraf will work in further pushing the issues of exporters at different forums and boost the country’s exports.

He is also Chairman and Founder of Technocraft Industries (India).

Saraf in his earlier stints at FIEO has served twice as Vice-President and four times as Regional Chairman (west region).

Saraf during his earlier stint as VP, established Indian Exporters Grievance Forum for addressing exporters’ grievances through legal channel.

Source: thehindubusinessline.com - June 27, 2019

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A roadmap for sustainable growth: What the export sector expects from Budget 2019

The government has projected an ambitious target of $1 trillion of merchandise exports and $1 trillion of services exports. From the base of $535 billion, achieved during 2018-19, this is a tall order but within the realms of possibility. However, this requires a comprehensive long-term strategy with medium and short term goals which needs to be analysed and evaluated at frequent intervals, to keep them within the broad contours of the long-term strategy.

The key challenge faced by the country is its limited exports basket. Indian exports are not significantly present in the segment in which major global trade is happening. Our share in medium and high technology exports, electronics goods and office automations are almost negligible.

The budget should encourage investments in such sectors through investment-linked benefits, so as to exploit the growing export market since we have a large pool of technical manpower to provide competitiveness to such exports .

Inward FDI may be encouraged so as to bring technology and develop cluster-based MSMEs in hub-and-spoke model. The reduction in corporate tax would be a step in that direction particularly when companies in the US and China, facing the heat of tariff war, are looking for investment in India so as to produce both for domestic consumption and exports. However, the reduced corporate tax in the US can be a dissuading factor and thus reduction in corporate tax would act as stimulus.

R&D and product innovation are integral parts of sustained exports. Unfortunately, India's R&D spending is considerably low when compared to South Korea, Israel, Scandinavian countries, China and the US. R&D investment and product innovation, being long gestation activity with uncertainty, should be encouraged by providing 200 percent tax deduction.

On customs front, the instances of inverted duty structure needs to be looked into. More importantly, the end-use exemption for the domestic industry on inputs required for manufacturing of products imported through FTA route should be given forthwith to push domestic manufacturing and imports substitution .

Striking a balance between duty-free import of technology and level-playing field to domestic capital goods industry is a tricky issue. However, the budget should look into reducing customs duty on capital goods which are not produced in the country so as to do justice with both entrepreneurs as well as domestic capital goods industry.

For MSME exporters, marketing and showcasing of their products require substantial expenditure. The current support extended through various schemes is grossly inadequate. We require an export development fund with a corpus of 0.5 percent of export value so that MSMEs aggressively participates in international exhibitions and trade shows.

The share of exports of brands in our exports is miniscule. This is also the reason for extreme price sensitivity of Indian exports. The government should look at branding a product or produce as has been done by Israel -- all citrus products which are marketed by the government under a brand name showing it a produce of Israel.

Individual brands may be encouraged through tax deductions on expenditure made in developing such brands by clearly defining the various elements of the same.

Creation of employment is the biggest challenge faced by the country. If we have to reap demographic dividends, we have to provide jobs to millions who are seeking jobs on month-on-month basis. We would urge the government to provide support to units who provide additional employment in export sector.

Such a scheme will also help the workers to move from informal employment to formal employment, which is a priority of the government. Incentives may be provided based on twin criteria of growth in exports and growth in workers so that while on the one hand exports are increased, on the other, the employment intensive units also get a boost.

A lot of micro and small exporters would like to get all refund for exports at one place. At present, for refund of the basic customs duty, they have to get duty drawback and for refund of Input Tax Credit (ITC), they have to file separate application. This adds to the transaction time and cost. We, therefore, propose a comprehensive Duty Drawback Scheme which covers the incidence of both basic customs duty and ITC.

The Drawback Committee may calculate two rates, one covering only basic customs duty on the inputs and other including both basic customs duty and ITC. The exporters who wish to avail comprehensive drawback will forego GST claim. This will provide huge relief to micro and small exporters particularly in carpets, handicrafts, textiles, agro and allied sectors where they take supply from unregistered suppliers and find it extremely difficult to keep detailed record required for ITC refund.

Source: cnbctv18.com - June 27, 2019

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Measures essential to boost manufacturing, bolster disposable incomes

There is an overall expectation that the Government will use the Budget to push its flagship programme of 'Make in India' by incentivising manufacturing and providing a fillip to exports. Given the current slowdown in the economy, it is also hoped that there will be some relaxation in individual and corporate taxes to increase disposable incomes and boost capital expenditure, respectively.

Tap rural market

Tapping rural and lower-tier markets is a big opportunity area for the FMCG industry — rural market contributes nearly 50 per cent of the country's GDP, comprises approximately 170 million households out of a total of nearly 280 million households in India and constitutes more than two-thirds of the Indian population.

The government can provide a fillip to the FMCG industry and boost local production and employment by incentivising setting up of large manufacturing hubs in Tier-2, -3 and rural towns, similar to what we have seen in other parts of Asia.

Employment potential

This will not only help create employment in these regions and but also absorb the local population there. It will also reduce wastage, transportation costs and bring down the overall costs of production.

Given the 100 per cent electrification of villages in India, this is a great opportunity to leverage this by spreading the manufacturing footprint. Specialised training centers could also be set up near these hubs to provide training to the local population.

Employment will also help boost rural consumption as people will live and work in these areas, using their earnings to consume more. Innovative manufacturing "plug-and-play" hubs should be set up/incentivised where manufacturers can come and set up local production using existing facilities and assets.

Lower GST

The government could also look at bringing more FMCG items in the lower tax slabs of GST to reduce prices and drive consumption, besides ensuring more GST compliance.

This would go a long way in achieving the 'One Nation One Tax' objective that the government is pursuing and provide a fillip for consumption, especially in rural markets where consumers are more price sensitive.

GST rate cuts on components would not only provide the manufacturers an incentive to expand production, but will also ensure that the cost of consumer durables are reduced, thereby further increasing demand and consumption.

This will also help reduce imports of components into India, and will be beneficial both from the point of view of the Government's push for "Make in India" as well as the government's Phased Manufacturing Programme (PMP).

Source: thehindubusinessline.com - June 27, 2019

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Finance ministry asks public sector banks to address MSME sector challenges

The finance ministry has asked state-owned banks to address micro small and medium enterprises (MSME) sector's challenges, particularly pertaining to availability of credit.

"It is therefore, requested that a CGM/GM (chief general manager/general manager) level officer may be specifically designated to do an in-depth analysis of the progress made and issues in availability of credit, still being faced by the MSMEs," the finance ministry said in a statement on Thursday.

MSME sector has always been one of the key focus areas of Prime Minister Narendra Modi-led government and has been taking steps to iron out issues the sector is grappling with. MSME sector plays a crucial towards employment generation as well as exports, thereby propelling economic growth.

The lingering effect of demonetization and the subsequent roll out of the goods and services tax (GST), coupled with a slowdown in the economy brought disruption in the MSME sector.

Towards easing the sector's woes, in November, 2018, the Prime Minister introduced several measures including an option of getting loans up to ₹1 crore in 59 minutes.

The government has also asked the bank general managers to get details of MSMEs who are availing loans from the banks, details of accounts that have turned into bad loans. They have also been asked get details of accounts where resolution has been done, as per the banking regulator's January 1, 2019 circular.

"The Heads of all PSBs have been also asked that all sincere efforts should be made so that during the process of formalisation, the MSMEs may not suffer in want of credit which should be available to them as per the extant guidelines," the ministry said.

Source: livemint.com - June 27, 2019

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Government has Taken Various Initiatives to Make Khadi an International Brand

Government in the Ministry of Micro, Small and Medium Enterprises, through Khadi and Village Industries Commission (KVIC), has taken various initiatives to make Khadi an international brand. Details of the initiatives taken are as follows:

1. To ensure genuineness of Khadi "Khadi Mark" has been notified by Government of India.
2. Ministry of Commerce and Industry, Govt. of India has extended KVIC, the status of Deemed EPC, for supporting promotion of Khadi and Village Industries products in international market. 1088 Khadi & Village Industries Institutions and REGP/PMEGP Units have taken its membership to enter the field of export. KVIC through its assisted institutions and units participates in various international exhibitions:
3. Tie up arrangement with premier institutions like Federation of Indian Export Organization (FIEO), World Trade Centre (WTC), Indian Trade Promotion Organization (ITPO), Trade Promotion Council of India etc., for invigorating business opportunities in the overseas market by conducting exhibitions and workshops for Khadi Institutions.
4. Tie up arrangements for bringing out innovative export quality product designs with NIFT, etc.
5. KVIC participated/Exhibited/Promoted Khadi products on the occasion of 72nd Independence Day celebrations on 15th August 2018 in 10 Indian Consulates abroad.
6. Exhibited/Promoted Khadi products under an activity of "Global Khadi" on the celebration of 150th Birth Anniversary of Mahatma Gandhi in 57 Indian Embassies/ Missions abroad.
7. To unique identity of "Khadi", a separate HS code for 22 items of Khadi product is also requested from the Ministry of Commerce for recognizing the potential of export of KVI products.

8. Participated in International Exhibition in St. Petersburg (Russia) organized by ITPO from 12-14 March, 2019 with ten KVI Institutions/ Units from Rajasthan, Himachal Pradesh, West Bengal, Karnataka, Gujarat and Kerala. The Exhibition provided an opportunity and strong platform to showcase quality of KVI products.
9. KVIC engaged fashion designer of national and international repute for Fashion Designing to make Khadi products more competitive and appealing in the domestic as well as overseas market segment.
10. Financial support under International Cooperation (IC) Scheme of Ministry of MSMEfor Technology infusion and/or up-gradation of MSMEs, their modernization and promotion of their exports through participation in international exhibitions/trade fairs etc.
11. To and Fro economy class air fare subject to a maximum of Rs. 1.50 lakh or actual fare paid, whichever is lower.
12. 100% of the space rent subject to a maximum of Rs. 1.00 lakh or actual rent paid, whichever is lower.
13. US Dollar 150 per day Duty allowance.
14. Assistance would be provided under the MPDA Scheme to the eligible Khadi and Village Industries (KVI) Institutions for participation in International Exhibitions/Trade Fairs held in foreign countries in order to showcase KVI products to foreign countries, access international buyers and sellers and forge business alliances, etc.

The eligible items for such participation and the scale of assistance would be as under:

Some countries such as Germany are using Khadi as a brand and selling their products.

In Germany, the Best Natural Products (BNP) has obtained registration of Trade Mark “Khadi” under classes-3,21,31 from the European Union Intellectual Property Office (EUIPO) and selling the products like soap, perfumeries, hair oils etc.

S. No.	Eligible items	Scale of assistance for KVIs
i)	Space Rent	100% of the space rent subject to a maximum of Rs.1.25 lakh or actual rent paid, whichever is lower (for one representative from each participating enterprise)
ii)	Air Fare	100% of the Economy Class air fare subject to a maximum of Rs.1.00 lakh or actual fare paid, whichever is lower (for one representative from each participating enterprise)

The following steps were taken by the Government to prevent/misuse of Trade Mark of 'Khadi':

- KVIC had filed invalidation application against BNP and filed appeals in the matter; but it could not succeed.
- KVIC has filed application for revocation of the Trade Mark "KHADI" registered by BNP on the ground of non-use. The proceedings are pending.
- KVIC is also proposing to negotiate with BNP for assignment of its registered Trade Mark "KHADI" in favour of KVIC.
- Further, KVIC also filed fresh applications in EU under 13 classes i.e. 1, 3, 5, 16, 18, 20, 21, 23, 24, 25, 26, 27, 35.
- KVIC has already obtained registration under Trade Mark "KHADI" in 5 countries of the world viz. Germany, UK, Australia, Russia and China.

This information was given by Shri Nitin Gadkari, Union Minister for Micro, Small and Medium Enterprises in written reply to a question in Lok Sabha today.

Source: pib.nic.in- June 27, 2019

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WTO: Australia, EU laud Modi govt's flagship PM KISAN scheme

The Narendra Modi government's flagship scheme, the PM Kisan Samman Nidhi Yojana, which promises income guarantee to farmers, drew praise from Australia and the EU at the World Trade Organization (WTO). Both Australia and the EU said that such schemes should be expanded in India to cover more products.

However, the country's other farm sector schemes such as the Transport and Marketing Assistance scheme for specified products, dairy policy, public stockholding of wheat and transparency with green box measures, came under attack from a number of countries at the recent meeting of the WTO's Committee on Agriculture (CoA).

"Australia said, in contrast with its contentious pulses and sugar polices, India's PM-KISAN income guarantee scheme is a welcome move, marking a switch from indirect income support to direct income support.

It encouraged India to further expand such schemes to cover more products. The EU shared the view," a Geneva-based trade official told BusinessLine.

PM-KISAN is a cash transfer scheme which proposes to give ₹6,000 to small and marginal farmers in three instalments annually.

"While the cash transfer scheme will help poor farmers live a better life, it is also essential for India to continue with its minimum support price (MSP) and other schemes for the agriculture sector as these address different needs of the poor farming community," a government official said, adding that cash transfer schemes can't replace all other schemes.

At the CoA meeting, India admitted the new Transport and Marketing Assistance scheme is an export subsidy but insisted that, as a developing member, it is entitled to continue such subsidies till 2023.

"India's TMA scheme was introduced in 2019, so it is in compliance with Nairobi Ministerial Decision on Export Competition," India's representative pointed out.

US subsidy package flayed

Several WTO members, including India, China, Australia and the EU, also targeted the US'two subsidy packages worth up to $28 billion announced recently and said they were worried that it might happen again in the future.

Australia said the amount of subsidies was equivalent to two-thirds of Australia's agriculture output and the US set a very "dangerous precedent" for its policies which risk distorting the global market.

Source: thehindubusinessline.com - June 27, 2019

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Is there no light at the end of the tunnel for beleaguered SMEs?

Size matters. A case in point here are the small and medium-sized enterprises (SMEs).

Even though large companies have been hurt due to adverse demand conditions, SMEs have borne the brunt of most events, right from demonetization to the ongoing liquidity crunch.

"Clearly, given the credit crunch and demand slowdown, at the overall corporate level, the outlook for SMEs has moderated. Take for instance, the auto component sector which is facing a challenge in terms of rising inventory.

The incremental funding needs of these companies, nearly 60% is through higher credit periods both from suppliers as well as clients. Working capital cycles are a tad higher than previous year," said Hetal Gandhi, director at Crisil Research.

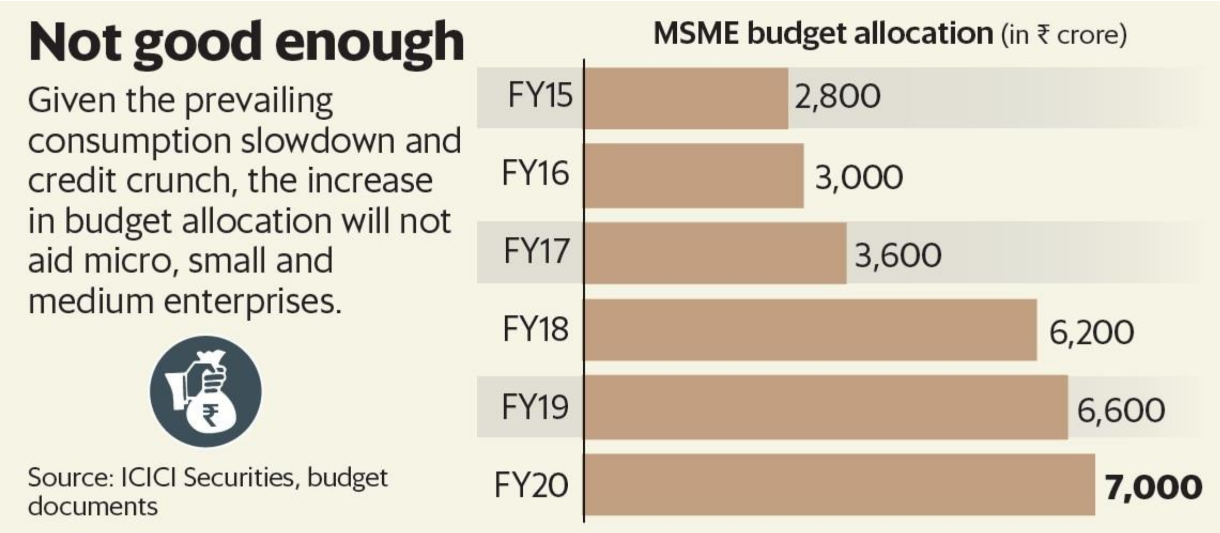
Unfortunately, their financial health, which took a knock post demonetization, is still fragile.

A recent analysis of nearly 3,000 SMEs across sectors by ICICI Securities Ltd showed that sales growth has been declining for five consecutive years. Debt levels, too, have remained elevated. It should be noted that financial earnings data for these companies was available only until fiscal year 2018 (FY18).

“At a universe level of these 3,000-odd companies with total debt of ₹2.5 trillion, 28% by number, but 75% by total debt (₹1.9 trillion) appear to be stressed. The interest cover of this universe has dwindled from 1 time in FY13 to 0.05 time in FY18, depicting a dire picture," ICICI Securities said in a report.

Labour-intensive sectors including textiles, construction and hotels account for a large portion of this stressed debt, added the report.

Similarly, a survey by industry body Federation of Indian Chambers of Commerce and Industry for the June quarter of FY20 showed that outlook for manufacturing industry has moderated, with higher input cost playing a spoilsport. Responses for this survey were collected quarterly from large and small companies across 12 sectors including textiles, pharmaceuticals and leather products among others.



The poor state of SMEs is also a consequence of lack of a significant increase in credit growth and benign private sector capital expenditure in the past few years. Additionally, the global slowdown has not helped export-linked sectors. These have come as a double whammy for SMEs.

Of course, the government is doing its bit. But that’s not enough. The expectations from the forthcoming Union budget aren’t too high either.

Gandhi of Crisil Research noted that the government's budgetary allocation for SMEs will be ₹7,000 crore for FY20, which is not a significant increase from the previous fiscal year's figure.

"What we need here is more flexibility and incentives for larger corporates to aid higher number of MSMEs to participate in formal channels. While these are some long-term steps, from the upcoming budget we expect some concessions for SMEs given the kind of funding pressures they are going through," she added. MSMEs are micro SMEs.

In short, for the health of SMEs to significantly improve, many things have to fall in place. Not only more government steps are required but also the external environment in terms of demand has to improve.

Source: livemint.com- June 27, 2019

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India must take jobs to its people and not vice-versa

One of the first things that Prime Minister Narendra Modi has done in his second term is to set up two separate yet interlinked cabinet committees on investment and growth and employment and skill development, both to be headed by him. This shows the seriousness of the crisis faced by India, a country ambitious enough to aim for a $5 trillion economy by 2024.

At the root is a simple fact. The Indian economy has failed to engage most Indians in the production of goods and services. Most of our workforce is characterized by low incomes and low-to-medium skills. As an economy which is predominantly consumption-led, with consumption expenditure contributing more than half the gross domestic product (GDP), this is extremely worrying. Making matters worse is plateauing demand among the population's top 100 million who have held up the economy through the years. The answer will lie in the combined efforts to encourage consumption and promote investment.

The central government has already taken steps to reduce non-essential imports, encourage domestic industries to fill the gap, and promote exports where it can. It has also begun to identify manufacturing clusters around the country catering to complete value chains in a particular geography.

Similar initiatives will be required by state and local governments, which will need to adopt policies that can promote local industries and create decent income-generating opportunities for local residents. Ensuring economies of agglomeration will be the key in this regard. This will give a fillip to consumption demand in the country.

However, in our own work on strengthening the discourse on "Good and Better Jobs" in India, supported by the Ford Foundation, we have learnt that economies of agglomeration in India are few and far between.

For instance, in the textile and apparel sector in Rajasthan, we find that most workers in the powerloom and garments industry come from states like Uttar Pradesh and Bihar. A simple question to ask is why industries that need their skills can't be located closer to where these workers are. Absent economies of agglomeration also result in huge variance in minimum wages, thus impacting the consumption capacity of workers.

Apart from an enabling regulatory regime, manufacturing clusters need to provide the necessary hard and soft infrastructure, house skilled workers and attract relevant industries for businesses to leverage the economies of agglomeration. Creating such clusters would require sound policies that can take good jobs to people, thereby fuelling consumption demand.

To put it simply, we need to focus on creating self-sustaining clusters across several geographic locations and ensure that they work for the well-being of an enterprise as well of a worker. Such strategies are likely to increase local workforce participation, making respective state governments more sensitive towards the well-being of workers.

Additionally, these can bring down input costs for an enterprise. States then can become truly competitive on the back of their peculiar strengths. An intended consequence of such an approach will be better agency and incomes for workers, which in turn can help us avoid a demand crisis of the kind we are currently seeing.

However, sparking consumption demand alone is not enough. It needs to be complemented by investments. India today is at a stage where it cannot choose a consumption-led growth model over an investment-led growth model. India would need both, particularly in light of the fact that with shrinking export avenues, the most promising market that India has is India itself, at least for essential items. With the apparel sector in Rajasthan as an example, we observe a trend of export-oriented units turning to the domestic market because of a slump in export demand.

The participation of larger corporations in apparel retailing is aiding this transition, but among other things, a lack of competition and fair contractual terms is inhibiting growth, which could potentially be faster. This might result in the migration of workers to other areas in search of better income-generating opportunities, creating difficulties in ensuring economies of agglomeration. Central and state governments will need to act fast to facilitate a level-playing field in apparel and other sectors and clamp down on unfair contract terms.

The choices for Indian policymakers are tough, with an emphasis needed on structural policy changes. In order to enjoy a certain growth level, India has had to work hard to maintain fiscal discipline, keep inflation low and its current account deficit in check.

The present situation is so complex that the pressure on policymakers to ignore some of those bounds is huge. If we do so without addressing India's structural problems, we will again be resorting to palliatives that would prove inadequate to the challenge over the long term.

We need structural changes that can take good jobs and livelihood to people and multiply economically active clusters, which means looking at consumption and investment through the same lens without focusing on one at the expense of the other.

These structural changes will inevitably happen at the intersection of multiple policies—industrial, competition, trade and labour, for example—and will come with difficult trade-offs for which we need to be ready.

Source: livemint.com- June 27, 2019

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Welspun India gains after overseas JV

Welspun India rose 1.77% to Rs 57.60 at 9:20 IST on BSE after the company announced a joint venture with Sense Organics Import & Trading GmbH, Germany.

The announcement was made after market hours yesterday, 26 June 2019.

Meanwhile, the S&P BSE Sensex was up by 62.80 points, or 0.16% to 39,654.88.

On the BSE, 775 shares were traded in the counter so far compared with average daily volumes of 1 lakh shares in the past two weeks. The stock had hit a high of Rs 57.60 and a low of Rs 57 so far during the day. It hit a 52-week high of Rs 78.20 on 7 September 2018 and a 52-week low of Rs 46.25 on 18 February 2019.

Welspun India has entered into joint venture with Sense Organics Import & Trading GmbH, Germany (SOIT). Welspun India has also acquired 51% of the share capital, at, par, of Pure Sense Organics Myanmar (PSOML), a company incorporated under the Myanmar Companies Act 2018 on 24 January 2018.

Welspun India will be investing amounts upto US$140,000 during year 2019 as a part of the company's sustainable sourcing strategy. Neither SOIT nor PSOML are related parties of the company.

On a consolidated basis, Welspun India reported net loss of Rs 79.29 crore in Q4 March 2019 as compared to net profit of Rs 86.62 crore in Q4 March 2018. Net sales rose 3.4% to Rs 1557.20 crore in Q4 March 2019 over Q4 March 2018.

Welspun India, the flagship company of Welspun group, is among largest home textile manufacturers in the world with presence in bed, bath & flooring. It is the largest exporter of home textile products from India.

Source: business-standard.com- June 27, 2019

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