IBTEX No. 237 of 2017 November 28, 2017

USD 64.59 | EUR 76.92 | GBP 86.09 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
17641	36900	**72.89**

Domestic Futures Price (Ex. Gin), November

Rs./Bale	Rs./Candy	USD Cent/lb
18380	38447	**75.94**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	72.00
ZCE Cotton: Yuan/MT (Jan 2018)	15,020
ZCE Cotton: USD Cents/lb	**87.67**
Cotlook A Index – Physical	**81.6**

Cotton & currency guide: Cotton futures settled discreetly lower across the board but the market still seemed relatively strong. March settled at 7142, down 51 points. The other months settled today from 8 to 62 points lower. Trading volume was 33,033 contracts. Cleared Friday were 24,333 contracts. There was no impact on good cash sales and inquiries in the last week amid thanksgiving holiday.

Speculators have been willing to invest in cotton and have appeared to be the prominent buyers lately. Friday's normal CFTC Commitment of Traders' Report was released Monday and it confirmed that theory in the data through November 21st. It showed speculators added sizeable net longs for the first time in 10 weeks. Dec had its second notice day on Monday and so far, there are zero notices. Dec open interest began today at 560 contracts, down 114 contracts on Friday.

Certified stocks have remained unchanged for over a week, at 47,951 bales with zero bales awaiting review. There is time, though, for more bales to be added to make Dec delivery. Last notice day for Dec is December 13th and last delivery day is December 20th.

This morning ICE cotton for March is seen trading lower by half per cent at 71.04 cents per pound. Market is taking a bit price correction from the recent high however; holding above 70 cents means market to remain overall upbeat. The trading range would be between 70 to 72 cents per pound.

On the domestic front, the spot price of S-6 which was earlier in the last week trading around Rs. 40000 per candy has declined to around Rs. 39650 per candy amid higher arrivals. The latest estimate of daily seed cotton arrivals is 181,000 lint equivalent bales (170 kgs). Figure includes 48,000 reported in Maharashtra, 39,000 in Andhra Pradesh/Telangana and 36,000 in Gujarat.

From futures front November ended at Rs. 18400 down by Rs. 80 from previous close. The difference between November and December widened the spread contango to Rs. 140 meaning December posted a close at Rs. 18540 on Monday's trading session. Amid the former contract expiry the market has changed its pulse. For the day with ICE cotton trading lower and domestic spot market hovering down the futures may remain weak. From now we shall discuss on the December future which is expected to trade in the range of Rs. 18600 to Rs. 18300 per bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Canadian consumers to pay more if NAFTA talks fail
2	China's shift to high-tech: Can Bangladesh keep up?
3	NAFTA Freight Flows Fall in September
4	China Cuts Import Tariffs to Aid Consumer Spending
5	Report: Rising Sourcing Costs Will Demand Deeper Supply Chain Involvement from Brands
6	Black Friday Foot Traffic Dims Slightly, but Online Sales Set All-Time High
7	Pakistan: CPEC and SEZs
8	Pakistan: Tackling trade deficit by facilitating exports
9	USA: High production cost hinder smart textiles growth: report
	NATIONAL NEWS
1	Textile industry facing shortage of labour: Texpreneurs Assn
2	Govt's subsidy schemes, tech upgradation to aid 2.5 mn ailing powerlooms
3	Textile exports may fall 10-15% in FY18 following paring of tax exemptions
4	Export growth slowdown disquieting
5	Indian textile sector's cautious optimism on govt decision
6	Cotton prices jump 7% on fear of fall in output
7	New body soon to push exports, says Suresh Prabhu
8	SIMA organises Texfair 2017 in Coimbatore
9	Meet Suresh Amritlal Kotak: The cotton man
10	Exports from India falter; not the rupee, here are the factors to be blamed

INTERNATIONAL NEWS

Canadian consumers to pay more if NAFTA talks fail

Consumers in Canada and the U.S. would be among the biggest losers if North American Free Trade Agreement is terminated, according to two economic reports released Monday.

Prices for consumer goods would rise roughly 0.8 percentage points, due to the weaker exchange rate for the Canadian dollar and modestly higher tariffs, according to a report from BMO Capital Markets, "The Day After NAFTA."

That would translate into an increase of roughly $400 to $500 per household, assuming a household income of between $50,000 and $60,000, according to the report's lead author, BMO chief economist Douglas Porter.

"That's not earth-shattering by any means . . . but every bit counts, every little bit does affect consumers," said Porter.

Ontario would be the most susceptible province by far to NAFTA disruption, due to its tight linkages to the U.S. economy. Consumer sectors, including clothing and textiles and food and beverages, would be affected, according to the BMO report.

At the same time, a report from global management consulting firm A.T. Kearney, in partnership with the Retail Council of Canada (RCC) concluded that the end of NAFTA could cost Canadian retailers between $4 billion and $21 billion annually — some or all of which would be passed on to consumers.

"From a consumer point-of-view, the breakdown of NAFTA has only downside – there is no winner among consumers," said Johan Gott, principal, Washington D.C., A.T. Kearney.

NAFTA eliminates tariffs on most goods flowing between the U.S., Canada and Mexico, according to the Kearney report, and goods originating in the United States – worth approximately $108 billion in 2015 – are an important source of supply for retailers in Canada.

The Kearney report estimates that for every 1 per cent increase in tariffs if NAFTA ends, retailers would see their costs increase by at least $1 billion in direct impacts alone. Indirect effects would boost that figure.

The report looked at three different scenarios, including a reversion to the Canada-U.S. Free Trade Agreement (FTA) from 1989, which is similar to the current NAFTA deal; an end to North American free trade, which would see tariffs on U.S. imports applied on other nations' exports to Canada under World Trade Organization (WTO) rules, and a return of protectionism, which could see the U.S. break with the WTO treaty and raise tariffs to protect domestic industry.

While increases would likely be minimal under a reversion to the FTA, under the other two scenarios, the cost of goods sold could increase from $4 billion to $21 billion for the sector as a whole, according to the report.

The report points out that there is also likely to be a "flywheel effect," characterized by slower growth and a reduction in consumer spending if NAFTA fails.

As the changes reverberate through the economy, household retail spending could drop from between $170 to $1,000 a year, depending on what replaces NAFTA.

The middle range of that spread dovetails with the estimated $400-$500 cost-per-household increase forecasted in the BMO report.

"We also think it would be a negative for the U.S. economy and the U.S. consumer as well," said Porter.

"I think that is a point that needs to be stressed here. Basically, it's a lose-lose situation if NAFTA is terminated."

The combined impact of the rise in cost of goods and decline in sales will reduce profit for the retail sector by between $5 billion and $25 billion, according to the Kearney report.

"When we started this, this was seen as pretty fanciful," said RCC spokesperson Karl Littler. "People thought there would be some sabre-rattling . . . but that NAFTA was going to be renegotiated."

Although NAFTA is sometimes cited as a reason for the decline in manufacturing in North American, ending NAFTA would not significantly boost Canada's manufacturing sector, Porter said.

"It's really automation above all else that has weakened manufacturing jobs, because the decline in manufacturing employment has really been going on since the end of the Second World War, and it's really been going on across industrialized economies," said Porter.

"I would say that the losses that we've seen in the last 15 years have a lot more to do with automation and the industrialization of China than anything to do with NAFTA."

Source: thestar.com - Nov 27, 2017

HOME

****

China's shift to high-tech: Can Bangladesh keep up?

China remains the undisputed global giant in the textile and apparel industry. Its share of global apparel export is about 37 percent while the share of Bangladesh, the second largest readymade garment exporter in the world, is only about 6 percent. So, it is completely understandable that the actions of China will obviously influence the competitiveness of the other manufacturing hubs like ours.

To begin with, China's extensive material base is unparalleled. We still cannot provide a vertical supply chain and are still heavily dependent on imports of raw-materials. China has a long history of manufacturing and is constantly investing extensively in highly efficient and specialised ports, roads, bridges and services to support the movement of goods.

Our reliance on low wages for competitive advantage may soon be offset by inferior infrastructure and low worker productivity. Chinese workers are not only more skilled and experienced, but are also far more productive.

We often hear in many discussions that Bangladesh's apparel industry has a huge opportunity to avail from China shifting to high-tech industries. How authentic is this belief? A deeper dive into the present dynamics of

China's apparel industry will give us an idea on how to retain our competitiveness, rather than to remain complacent.

China is aggressively pursuing technological advancement as a core driver for retaining its competitiveness. With the Chinese central government eager to push China's manufacturing sector up the value chain and looking to shift from “made in China” to “created in China”, indigenous innovation is spurring. For example, Bealead Automatic Machine Co., a Chinese-based automation company, devised a system that increases the efficiency and reduces the labour component of the duck feather filling process into jackets, partnering with North Face, Moncler and Adidas.

The automated feather filling machine reduces the number of workers from five to two. The two workers require training to operate the machine and an additional technician to maintain it. In this case, investment in a single automated feather filling machine costs USD 33,000. With the average wage of a worker in China being USD 491, the company can recover the investment made in about one-and-a-half-years.

In a recent McKinsey survey of 130 companies across sectors, it was found that close to 80 percent of Chinese manufacturers expect that their company's competitiveness will increase with Industry 4.0 (current trend of automation and data exchange in manufacturing technologies), compared to just 57 percent of US respondents, 50 percent of respondents in Germany and 54 percent of companies in Japan.

The Digital Capability Center in Beijing is a model factory. By providing a centralised location for developing ground-breaking solutions, supporting clients at each stage of their transformation journey, and offering customised training modules, the Digital Capability Center in Beijing aims to help manufacturers in China realise the vision put forth in China's “Made in China 2025” policy.

Moreover, a Digital Technology Showroom has been established in China by McKinsey in partnership with Tsinghua University, one of China's leading academic institutions. The Center showcases cutting edge digital tools for end-to-end value chain transformations, provides a safe test-bed for piloting digital technologies, and hosts experiential training for capability building.

The Digital Capability Center is a one-of-a-kind facility, tailor made for China, which showcases technology, provides training, and develops innovative solutions. Manufacturers can quickly learn how to put digital operations and smart manufacturing to work in their companies and see noticeable improvements in innovation and efficiency.

Like many other industries that have been disrupted with technological and digital advances and the changing consumer expectations that comes with it, our fashion and apparel industry is “ripe for disruption”. A recent survey by McKinsey and Business of Fashion states that volatility and uncertainty is here to stay. The “forever connected” consumer, with shifting loyalties to brands — seeking alignment of their purchase with their deeper values — is much more difficult to please and unpredictable.

“Omni Channel”, “Instant Fashion”, “See now, Buy-now”, “Rapid Virtual Prototyping”, “Smart fitting rooms enabled with RFID and Augmented Reality”, “Virtual Reality Fashion Shows”, “Gender Neutral Fashion lines”, “Modest Fashion”, “Ethical and Sustainable Innovation”, “Smart Wearables like the Google and Levi's Project Jacquard Denim Biker Jacket”, are some of the top themes that our industry is seeing as a response to mechanisation of the retail end of the value chain.

With all this change happening at the buyers' end of the apparel value chain, can the supply chain remain unaffected? Will changing expectations not put similar pressures on the supply end of the line?

Like China, do our industry leaders and policymakers have a vision to set up such digital capability and innovation centres in Bangladesh, to lead our nation towards a “Made in Bangladesh 2021 or 2041” policy? Can we sustain our industry by supplying commodity items in the longer run? Do we have a strategy?

I want to leave readers with these questions and mention that these are what need to be addressed to retain the leadership of Bangladesh in the race of global apparel manufacturing business during the next era of Industry 4.0.

Source: thedailystar.net - Nov 28, 2017

HOME

****

NAFTA Freight Flows Fall in September

The value of monthly freight flows between the U.S. and its NAFTA partners totaled $94.4 billion in September, down 3.1 percent from August but up 3.6 percent from a year earlier, according to Department of Transportation statistics.

	Total		Canada		Mexico	
	Imports	Exports	Imports	Exports	Imports	Exports
Truck	+3.0	+2.9	+0.8	+5.0	+4.6	+0.5
Rail	-6.2	+2.2	-2.4	+12.0	-10.4	-8.1
Vessel	+27.2	+29.9	+49.9	+56.4	+15.2	+22.8
Air	-4.1	-2.7	-6.9	-3.6	+0.2	-1.3
Pipeline	+10.2	+5.1	+10.3	+15.5	-22.3	-15.6

The value of total U.S. trade with Canada fell 2.0 percent from August to $48.5 billion but was up 5.0 percent from a year earlier. U.S. trade with Mexico was valued at $45.9 billion in September, down 4.2 percent from August but up 2.1 percent from September 2016.

Vehicles and parts retained their position as the top commodity category transported between the U.S. and Canada across all modes of transportation but fell to second place with respect to U.S.-Mexico trade behind electrical machinery.

Percentage changes in the value of monthly U.S. freight flows with Canada and Mexico, as well as with both NAFTA partners combined, by mode of transportation from September 2016 to September 2017 are as follows.

Source: strtrade.com - Nov 28, 2017

HOME

****

China Cuts Import Tariffs to Aid Consumer Spending

China's Ministry of Finance has said it will cut import tariffs on consumer products, including apparel, as part of a drive to lower costs and spur domestic consumer spending.

The move, which takes effect on Dec. 1, will see deep cuts to import tariffs on 187 imported products. After the cut, tariffs on the consumer products–which also include food, health supplements, pharmaceuticals and recreational products–will average 7.7% percent, down from the current 17.3%, the Ministry of Finance said.

"People's consumption demands are ever increasing," the ministry said. "(The tax cuts) will benefit the choices available to consumers domestically, and help upgrade the domestic supply system."

Beijing faces pressure from the U.S., Europe and other trading partners for better access to its growing market. But the range of 187 products affected by the latest cuts was relatively small and it was unclear how China's trade balance might be affected, news outlets and analysts noted.

In recent years, China has cut import tax rates on products including cosmetics and apparel in a bid to spur domestic spending as the government has steered policy toward a consumption-driven economy.

China reported a $510 billion global trade surplus last year, although total trade contracted in a sign of weak foreign and domestic demand.

President Trump has made narrowing the U.S. trade deficit with China a priority, amid concern that his focus on trade in goods might distract attention from issues such as increasing foreign access to finance and other industries in China's state-dominated economy.

The tariff cuts followed Trump's visit to Beijing during which the two sides signed a multibillion-dollar series of contracts in a tradition aimed at blunting criticism of Beijing's trade surpluses and market barriers.

Earlier this month, the U.S. Commerce Department concluded that China remains a non-market economy country for purposes of assessing antidumping duties.

The International Trade Administration explained that at its core the framework of China's economy is set by the Chinese government and the Chinese Communist Party, which exercise control directly and indirectly over the allocation of resources and do not seek economic outcomes that reflect predominantly market forces outside of that control.

Looking at a broader picture, China's gross domestic product growth remained robust in the third quarter, increasing 6.8% year-on-year, easing marginally from the 6.9% growth recorded in first and second quarters this year, compared to a year earlier.

Rajiv Biswas, Asia Pacific chief economist for IHS Markit, noted in a report that China's growth engine continues to be household consumption, which contributed 64.5% of total GDP growth in the first three quarters of 2017– 2.8% higher than the same period last year.

Exports also performed well in the first nine months of 2017, rising by 12.4% year-on-year, propelled by growth in shipments of mechanical and electrical products, which increased 13 percent and accounted for 57.5% of total export value.

"Sustaining such rapid growth of high-tech manufacturing indicates that the Chinese government's Made in China 2025 policy is succeeding, which is critical to the vision outlined by President Xi in his speech to the 19th Party Congress to transform Chinese enterprises into world class, globally competitive firms," Biswas said.

In the apparel and textile industry, the policy includes moving away from a low-cost manufacturing model to one of producing value-added merchandise and an upgrading of factories through state-of-the-art technology and machinery. There's also a concerted effort to manufacture more for the domestic market instead of relying on imports to serve consumers.

Source: sourcingjournalonline.com- Nov 27, 2017

HOME

****

Report: Rising Sourcing Costs Will Demand Deeper Supply Chain Involvement from Brands

Cost increases may be expected elements of doing business, but when they come in conjunction with increased competition and a consumer who refuses to pay full price more often than not, cost increases can mean major margin pressure.

Right now, a sizeable number of fashion brands are facing high inventories and sell-throughs that are hardly optimal, as addressed in a report released last week by Kurt Salmon, part of Accenture Strategy, titled, "From Cost Focus to True Value Creation—on the Road to Analytical Sourcing & Supply Chain."

"Full-price sell-throughs between 65 percent and 80 percent and stock turns above 4.0 to 5.0 have been more a rule than an exception in the past," the report noted. "Today both commercial fashion brands and premium/luxury brands struggle to maintain comparable levels. Often, even total sell-through falls to levels below 70 percent, causing inevitable margin losses from skyrocketing markdowns far beyond benchmark levels of 12 percent to 15 percent."

Adding to the struggle, apparel and footwear production costs have been steadily increasing in the last two years, and it's been more challenging to find a sourcing market with stable costs as many places making apparel have been increasing wages—and often in sudden spurts.

"The higher labor costs are not only rooted in rising minimum wages in developing markets, but also in strengthening competition for skilled factory workers and growing alternative work offers especially in China," according to the report.

Though some companies have been of the belief that continuously moving to the lowest-cost country could help them skirt the "gross margin trap," the report says the effects of doing that have proven limited.

Taking an item that sells for $100 at retail, with a $20 cost of goods sold, labor cost would typically be somewhere between $6 and $10 (30 percent to 50 percent of COGS). As the report explains, a 10 percent reduction in labor cost, would only impact costs between 60 cents and $1, or less than 1 percentage point in gross margin improvement.

“The shift from one sourcing country to another won’t be a long-term answer, as almost all current sourcing countries are getting more and more expensive,” according to the report.

The two biggest keys in combating increasing competition, factoring in sourcing pressures, will—not surprisingly—be product innovation and speed to market. And that’s what’s made sourcing more relevant than it’s been in years past.

“In markets with an abundance of brands and less and less differentiating products, product development and sourcing capabilities move back into the strategic focus of fashion retailers. It’s the key enabler for differentiation in the competitive environment,” the report noted. “Access to deep technical expertise and unique handwriting of product groups that are critical for brand building as well as curated supplier portfolios with the true ability to drive innovation, evolve to an indispensable asset to drive top line as well as markdown and margin performance.”

What’s coming down the supply chain pipeline now is a return to deeper value chain involvement from brands, which Kurt Salmon says will mean the importance of overseas buying offices will increase. These overseas offices, or even agents, will be needed to facilitate things like supplier search, prototyping, quality management and technical R&D capabilities.

Value chains will have to be set up to accommodate innovation, reasonable quickness to market and supply responsiveness as it relates to consumer demand.

“Differentiated supplier capabilities must be leverages and developed in close collaboration along the entire value chain, from planning, through design and development, material management, costing, down to logistics,” the report noted. “Intensified collaboration will also mean more common standards, definitions and KPIs.”

Managing these differentiated supply chains, according to the report, will come down to adequate transparency-supporting technology and greater analytical capabilities.

"Orchestrating the respective sourcing and supply chain capabilities will increasingly leverage digital interactions across all value chain partners, advanced predictive models, and emerging artificial intelligence capabilities to enable optimized decision making in volatile environments and on short timelines," the report noted.

Source: sourcingjournalonline.com- Nov 27, 2017

HOME

****

Black Friday Foot Traffic Dims Slightly, but Online Sales Set All-Time High

It remains to be seen how Cyber Monday sales will round out the holiday weekend shopping stats, but so far the urgency surrounding Black Friday shopping—and Thanksgiving Day in particular—may have tempered some, though not enough to dampen the outlook for the holiday season.

Early results from retail analytics firm ShopperTrak show shopper visits declined a combined 1.6% on Thanksgiving Day and Black Friday this year compared to last. Looking at Black Friday alone, store traffic was down less than 1 percent.

"There has been a significant amount of debate surrounding the shifting importance of brick-and-mortar retail, and the fact that shopper visits remained intact on Black Friday illustrates that physical retail is still highly relevant and, when done right, profitable," ShopperTrak senior director of advisory services Brian Field, said. The data indicates brick-and-mortar holiday shopping trends may be stabilizing.

Stores still seem divided over whether to open on Thanksgiving Day or not, though this year more stores opted let staff stay home, which also served to redistribute shopping visits to surrounding days, Field added.

"Based on several years of overall retail traffic data, we know that opening on Thanksgiving Day was merely pulling shopping visits from Black Friday, as opposed to creating an additional opportunity for shoppers to hit the stores. By remaining closed on Thanksgiving Day, retailers are able to re-distribute visits to the days before Thanksgiving Day, as well as this weekend," Field said.

In other figures, Adobe Digital Insights said shoppers spent $5.03 billion online, a 16.9% jump over last year, making it the biggest online retail spend to date.

“Conversion rates across all devices saw double digit growth throughout Black Friday,” director of Adobe Digital Insights Taylor Schreiner, said.

Digital will continue to dominate Black Friday shopping, and if you ask Salesforce, online traffic that day was even higher than 16.9%.

“Shoppers no longer need to beat a path to stores on Black Friday,” Salesforce head of consumer insights Rick Kenney said in a blog post on the company’s site. “With an astounding 24 percent digital growth on Black Friday, the tide has officially shifted online as consumers are unshackled from the doorbuster sales of year’s past, and are free to shop on their own terms.”

Salesforce said Black Friday discounts amounted to an average of 28 percent, and 85 percent of those orders were shipped for free.

This year mobile dominated those digital sales, with phones accounting for 60 percent of online traffic to stores, up from 53 percent last year, according to Salesforce. And consumers aren’t just browsing from their smartphones, 42 percent of those Black Friday orders were made on the phone.

“This year represents a watershed for the shift to mobile, as this was the first Black Friday where computers accounted for less than half—49 percent—of all orders,” Kenney wrote. “Even bigger mobile days await, as the weekends during the season and the final few days leading up to December 25 are expected to see even more mobile shopping.”

According to ShopperTrak, eight of the 10 busiest shopping days still remain, including Dec. 30, which didn’t rank among the top 10 last year, because it falls on a Saturday this year.

Source: sourcingjournalonline.com- Nov 27, 2017

HOME

****

Pakistan: CPEC and SEZs

The Joint Coordination Committee (JCC) of the China Pakistan Economic Corridor (CPEC) envisaging projects in excess of 50 billion dollars met in Islamabad on Monday and Tuesday last and indicated that the time line for the completion of all proposed projects is sixteen years - 2014-2030.

The JCC, according to some reports, agreed on the location of three Special Economic Zones (SEZs) in three provinces in the first phase (with proposals from Balochistan still awaited); however while all reports maintain that there was considerable debate on the site selected by Khyber Pakhtunkhwa (KPK) yet some reports maintain that the JCC finally agreed to support the KPK government's site selection with others maintain that further discussions on the selection of the site may take place in future.

The two SEZ sites agreed for the first phase were: (i) Faisalabad (Punjab) - an industrially mature city contributing more than 5 percent to Pakistan's total Gross Domestic Product (GDP). It is a major textile manufacturing centre of the country and accounts for half of Pakistan's total textile exports (estimated at 13.8 billion dollars in 2012) and employs 20 percent of the country's entire workforce; and (ii) Dhabeji, located in the suburbs of Karachi, Sindh, and near Port Qasim industrial area, 50 kms from Karachi Airport, was regarded as an ideal site for establishment of new and existing businesses, and with the rather ambitious objective of attracting industrial units from developed countries subsequent to the provision of affordable and skilled labour force, and state-of-the-art infrastructure.

And finally, the bone of contention: the Khyber-Pakhtunkhwa government proposed Rashakai interchange with little existing infrastructure but which serves Nowshera and Mardan as well as northern parts of the province including Malakand, Swat, Buner, Dir and Chitral.

Thus the KPK government conceptualizes Rashakai as having the capacity to becoming the trade hub of the entire province and assist in enhancing the pace of development. The Chinese side supported Hattar, in Haripur district, with existing 117 operational manufacturing units including food and beverage, textiles, crockery, paper printing, chemicals, cement, publishing, chemical, rubber, carpets and leather products and served by Hattar railway Station.

The choice of the first phase SEZ in KPK clearly indicates the different priorities of the Chinese supported by Punjab and Sindh governments reflected in their choice of location and the KPK government - a difference that accounts for opposition by KPK and Sindh governments as well as by opposition political parties to specific projects under the China Pakistan Economic Corridor (CPEC).

The Chinese insist on utilizing existing infrastructure facilities in the first phase projects or, in other words, roads should be constructed that would link the existing network (which explains the charge of Punjab centric motorway under CPEC by opposition leaders); and by the same logic SEZs should be established in already developed areas which would reduce the time for their becoming operational rather than in setting up a SEZ in say Rashakai which would require considerable more time to provide the required infrastructure facilities.

The Sindh government supports the Chinese stance with respect to the SEZ location in the first phase however PPP stalwarts have frequently expressed reservations with respect to the road network agreed by the federal government under the first phase of CPEC.

CPEC envisions that the SEZs would attract around 40 billion dollars in investment however if that investment is not translated into more jobs or productivity (GDP growth) that can contribute to either more revenue collection or higher export earnings for Pakistan instead of for China then its fallout on our economy may remain minimal.

Paperwork available with *Business Recorder* notes that the government of Pakistan envisages SEZs to "allow economic corridors along major transport and communication networks to fully harness the physical and human resources of the country, contribute to the value chain of finished products in the region, enable relocation of industry to utilize abundant labour at lower costs and utilize the abundant savings in the region for a higher return on investment in a saving deficient developing country".

These are extremely desirable goals but their achievement would require appropriate fiscal, labour and export policies to be agreed with the Chinese in writing that are unfortunately not yet part of the signed agreements between China and Pakistan; or if they are they have not been shared with the general public.

The proposed incentives on offer for both SEZ developers as well as enterprises include: (i) ten-year exemption from all taxes on imported capital goods (Chinese investors are expected to bring in capital goods from China); and (ii) exemption from tax on income accruable from development and operations in SEZs for a period of ten years.

These exemptions would imply that a Chinese concern setting up business in an SEZ would be able to manufacture without paying any taxes for ten years or feel the need to employ domestic/local labour (Chinese units normally use mainly Chinese labour even when setting up plants in other countries) and export the items through Gwadar port (also under Chinese control) - terms that may be more favourable to Chinese manufacturing units located in China.

The Chinese units would of course pay for electricity used, which is taxed, and Gwadar port charges however more specific agreements need to be penned before the SEZs become operational.

Pakistan, a severely cash strapped country unable to attract foreign investment from other sources due to political uncertainty, economic constraints, law and order issues and poor governance reflected by a decline in its ranking in the World Bank sponsored ease of doing business index would, without doubt benefit from the numerous Chinese infrastructure projects under CPEC, however there is a need to ensure that appropriate policies are put in place to ensure that Chinese companies setting up in our SEZs benefit Pakistani investors and labour as well. That appears to be lacking.

Lack of transparency coupled with poor negotiating skills, as reflected in the LNG 15 year deal with Qatargas as well as CPEC, has been the hallmark of two PML-N administrations - Sharif and Abbasi. One can only hope that Ahsan Iqbal with multiple responsibilities reminiscent of Ishaq Dar would begin to ensure that competent and proactive lawyers are always on board when negotiating with other governments including China.

Source: fp.brecorder.com- Nov 27, 2017

HOME

****

Pakistan: Tackling trade deficit by facilitating exports

The Pakistan Bureau of Statistics (PBS) reported that the trade balance deficit in FY17 stood at $32.6 billion. This was an increase of more than 36% over the value reported in FY16. Imports increased by more than 18%, while exports decreased by 2%.

Although the relative decline in exports is marginal, it is disconcerting that exports are currently at $20 billion. On the other hand, imports have increased to above $53 billion. The trade deficit has increased more than 31% in the first quarter of FY18 over its value in the same period in the previous fiscal year.

Although imports have increased more than 22% over the aforementioned periods, the uptick in the exports was 10%. This rise is mainly due to the recently awarded temporary relief packages to exporters such as cash subsidies and payment of sales tax refunds.

According to the World Development Indicators by the World Bank, exports as a percentage of GDP for Pakistan were 8.7% in 2016, compared to the global average of 29.4% (in 2015) and 18% for the South Asian countries. Pakistan reported its lowest level since 1971 in 2016.

Country needs qualified officers to boost exports

Total trade as a percentage of GDP for Pakistan was reported at 24.5%, compared to an average of 39% for South Asian countries. As total trade includes both exports and imports, the comparison suggests that Pakistan is less open to trade, in terms of its GDP, relative to the other South Asian countries.

Pakistan imposes higher tariff rates on the import of goods, particularly imports of primary goods. According to the data on tariffs provided by the World Trade Organization (WTO), Pakistan ranks amongst the top 20 countries with the highest applied most favoured nation (MFN) tariff rates as well as bound rates on the imports of non-agricultural products. Post 2000s, lower tariff rates have become a norm and have allowed product fragmentation across international borders to flourish.

Although majority of the products imported into Pakistan face less than 10% tariff rates, a large percentage of the tariff lines report rates between 15% and 25%. Interestingly, the products commonly imported into Pakistan such as minerals and metal, petroleum, chemicals and non-electrical machinery report the lowest average MFN tariff rates. On the other hand, MFN tariff rates are higher on the imports of beverages and tobacco, dairy products, transport equipment and clothing.

The recent levy of regulatory duties is likely to be counterproductive. It may not only penalise importers who are reliant on imported inputs to remain competitive in the domestic as well as in their export markets, but also increase imports through illegal channels as is common for products typically facing higher tariff rates.

In essence, it is likely to increase the costs of production and reduce the competitiveness of businesses that rely on imported raw materials and intermediate goods. Sudden deviations in tariffs may reduce the diversity of inputs necessary to boost domestic productivity levels.

Analysing the data and using product classifications from World Integrated Trade Solutions (WITS), Pakistan imposes higher tariff rates on the imports of finished goods than several other Asian countries such as China, India and Vietnam. Furthermore, Pakistan also imposes higher tariff rates on the imports of intermediate goods of textile, footwear, electronics as well as vehicles, relative to China, India and Vietnam.

Tariffs on imports of intermediate vehicles exceed those of Bangladesh as well. Higher tariff rates on intermediate goods reduce the ability of Pakistani firms to participate in global value chains, particularly if the exporters are reliant on imported intermediate goods.

On the other hand, Pakistan receives duty-free trade concessions from several of its major trading partners.

For instance, the European Union provides duty-free concessions on imports of almost all non-agricultural manufacturing products from Pakistan. Similarly, China provides duty-free concessions on approximately 30% of its imports from Pakistan.

Textile industry demands reforms to further boost exports

These concessions are primarily provided to improve the competitiveness of Pakistani exports in their markets. Unfortunately, with rising costs faced by exporters, they often struggle to remain competitive and take advantage of the concessional rates offered.

Pakistan Development Update

Managing Risks for Sustained Growth, released in November 2017 by the World Bank, indicates that exports from Pakistan declined even though there was an increase in the prices and the global demand of textile products and rice in FY17. Although textile exports from Bangladesh and Vietnam benefitted, Pakistan's textile imports declined by 2.4% in FY17. Further, it is expected that textile exports from Vietnam will increase by 7% in 2017.

It is suggested in the report that the decline in exports from Pakistan is likely a result of poor trade facilitation, lack of export diversification and protectionist and discretionary trade policies adopted by the government.

However, on a brighter note, the predicted increase reported in exports is 4.7% in FY18 and 10.50% in FY19 contingent upon macroeconomic and political stability, oil prices remaining low and the implementation of reform programmes to reduce the constraints on growth. It is indicated in the report that the industry sector will expand at 7% in FY18, primarily as a result of the completion of power and construction projects planned under CPEC.

On the other hand, it is suggested that current macroeconomic imbalances require more flexibility in the exchange rate regime as well as an improvement in the competitiveness of exports. The report predicts that a higher inflation and a weaker rupee as a result of a moderate devaluation of the rupee are likely to have a moderate impact on consumer spending and debt financing.

In essence, it is crucial to improve the competitiveness of domestic businesses by pursuing an effective trade policy regime, which emphasises on greater integration of Pakistani firms into global value chains.

Cash subsidies and payment of overdue funds are only stopgap measures to temporarily boost exports and must not be relied upon as effective instruments in the long-run.

Source: tribune.com.pk- Nov 27, 2017

HOME

****

USA: High production cost hinder smart textiles growth: report

Growing usage of nanotechnology in fabrics and a rising demand for wearable technology are the two key drivers for the smart textiles market worldwide, says a study, which found high production cost and incompatibility with the electronics industry as two major barriers to this market's growth. Excessive cost has not scattered the market as well, it said.

The study report, titled 'Global Smart Textile Market Outlook, Growth, Trends and Forecast 2017–2023', was released recently by Albany-headquartered Market Research Reports Search Engine (MRRSE), an online catalogue of market research reports.

More collaboration is required between smart textile and electronics manufacturers to make smart textiles a success in the global market, an MRRSE press release quoted the report as saying.

The report profiles major players based on company overview, business strategies, financial overview and recent developments. Players include Globe Manufacturing Company LLC, E.I. DuPont De Nemours and Co., Milliken & Company, Outlast Technologies LLC, Texas Instruments Inc, Gentherm Inc and Noble Biomaterials Inc from the United States; Ohmatex ApS from Denmark; Koninklijke Ten Cate nv from The Netherlands; and Schoeller Technologies AG from Switzerland.

Source: fibre2fashion.com- Nov 28, 2017

HOME

****

NATIONAL NEWS

Textile industry facing shortage of labour: Texpreneurs Assn

The textile industry in the region at any given time requires three lakh to five lakh workers, a member of Indian Texpreneurs Federation (ITF) said today.

The industry in and around Coimbatore, Tirupur, Karur and part of Bengaluru was facing shortage of labour, particularly skilled workers, ITF board member Srihari Balakrishnan said.

He was speaking at a function organised to distribute certificates and appointment orders in ITF member mills trained under Skill Development Programme.

Balakrishnan further said ITF has organised a job mela where 1,000 trained candidates were given certificates and 170 received appointment orders.

Giving details of the scheme under Prime Minister Kaushal Vikas Yojna, ITF convenor Prabhu Dhamodaran said in the pilot phase the member-mills have skill-trained 18,500 workers and for the second, it has signed an MoU with National Skill Development Corporation (NSDC) to train and employ 50,000 candidates.

Tirupur Exporters' Association president Raja M Shanmugham said there was a need to tap the real potential of the textile industry in India, which has only four per cent share in the international market.

Source: business-standard.com- Nov 27, 2017

HOME

****

Govt's subsidy schemes, tech upgradation to aid 2.5 mn ailing powerlooms

The government has introduced subsidy schemes to provide financial assistance of up to 90 per cent under the Pradhan Mantri Credit Scheme for powerloom weavers.

Under this scheme, the government will provide margin money subsidy of up to 20 per cent of the project cost with a ceiling of Rs 100,000 as well as interest subvention at six per cent per annum for working capital and term loan up to Rs 10,00,000 for a maximum period of five years.

The government has also introduced technology upgradation plan — Sustainable and Accelerated Adoption of efficient Textile technologies to Help small Industries (SAATHI) — for India's ailing powerloom sector.

"This initiative is expected to benefit almost 2.5 million powerloom units across India, which produce 57 per cent of the total cloth in the country.

The use of efficient equipment would result in energy savings and cost savings to the unit owner who would in turn repay in instalments to EESL (Energy Efficient Services Limited) over a three- to four-year period," said Ujwal Lahoti, chairman, Cotton Textiles Export Promotion Council (Texprocil).

The schemes provide for powerloom units to not only upgrade their technology, but also to install solar power equipment to cut energy costs. After repayment of bank loans in three-four years post installation of efficient technology, the cost of electricity for powerloom units will become virtually zero, say experts.

"The Union Textile Ministry and state governments have announced several promotional schemes for powerloom textile industry, but there is hardly any awareness of the schemes in the industry.

The maximum benefit of these schemes has been taken by the entrepreneurs of Gujarat and Tamil Nadu. The solar energy scheme for small powerloom units will help the unit to pay back bank loans within 3-4 years.

After this initial repayment period however, the unit shall get practically free electricity," said Kavita Gupta, Textile Commissioner while speaking on the occasion of the buyer-seller meet in Mumbai.

Of the 2.5 million powerlooms, 50 per cent are in Maharashtra. There are 108 powerloom clusters in the country and 72 textile parks.

While welcoming the increase in the Merchandise Exports from India Scheme (MEIS) from two-four per cent, Lahoti urged the government to include cotton yarn under this scheme and also increase the MEIS on cotton fabrics from two to four per cent.

"While every other segment in the textile value chain, including man-made fibre spun yarn, has been provided with the MEIS benefits, cotton yarn has been excluded for some inexplicable reason, even though it was included in the Focus Market Scheme (FMS), Incremental Export Incentive Scheme under the earlier Foreign Trade Policy. At present, there are no benefits extended to the export of cotton yarn under the Foreign Trade Policy," Lahoti said.

The spinning sector with its huge investments is presently passing through difficult times and is losing market share to Vietnam and Indonesia due to increasing costs.

Withdrawal of the export incentives for cotton yarn has reduced India's competitive edge as local prices have increased by 5-6 per cent. Increase in exports of cotton yarn will benefit not only the spinning sector but also the cotton farmers and the value-added segments of fabrics and made-ups/garment, he added.

Source: business-standard.com- Nov 27, 2017

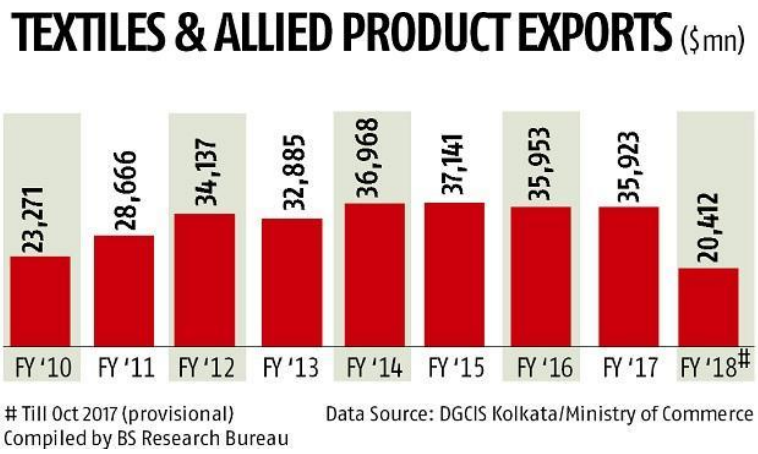
HOME

****

Textile exports may fall 10-15% in FY18 following paring of tax exemptions

India's textile exports are likely to decline by 10-12 per cent for the current financial year due to the reduction in tax exemptions granted to exporters, appreciation in the Indian rupee against the dollar and shifting of import orders to competing countries.

In an alarming situation, India's readymade garments exports, which are part of textiles segment, declined by 41 per cent in October to Rs 5,398 crore ($830 million) compared to Rs 9,111 crore ($1.4 billion) in the corresponding month last year. Exports of manmade yarns, fabrics and made-ups also declined by 8.3 per cent to Rs 2,310 crore for October 2017 from Rs 2,518 crore in the same month last year.



India's overall exports of locally made retail and lifestyle products have grown at a compound annual growth rate (CAGR) of 10 per cent during FY2012-13 to FY2015-16, mainly led by bedding bath and home decor products and textiles. The government set a target for textile and garment sector exports at $45 billion for FY2017-18 as against total exports achieved worth $38.6 billion and $40 billion for FY2016-17 and FY2015-16, respectively.

The decline in exports of readymade garments indicates India's failure to grab global market share, especially when the world leader China (around 42 per cent of global market share) has ordered shut down of a number of textile units due to environment concerns.

Indian textile exporters are working hard to grab the space which China tends to vacate. But, unfavourable government policies with reduction in overall duty exemptions may push Indian exporters on the back foot, say industry experts.

"India's overall textiles exports are likely to decline by at least 10-15 per cent this year due to the reduction in overall tax exemptions. While the government has increased the Merchandise Exports from India Scheme (MEIS), the Remission of State Levies (ROSL) remains far below our recommendations.

Unfortunately, the government did not consider central tax rebate at all. Overall, textile exporters are witnessing a shortfall of 2.7 per cent in incentives now compared to the pre-Goods and Services Tax (GST) era. Also, appreciation in the rupee has hit exporters' receivables," said Ashok Rajani, chairman, Apparel Exports Promotion Council (AEPC).

The Directorate General of Foreign Trade (DGFT) in a recent notification raised MEIS rate from 2 per cent to 4 per cent on readymade garments and made-ups for exports between November 2017 to June 2018 through allocation of Rs 1,143.15 crore and Rs 685.89 crore for 2017-18 and 2018-19, respectively.

Also, Union Textile Ministry has recently announced the Solar Energy Scheme for small power loom units, on grid solar photovoltaic plant (without battery backup) and off-grid solar photovoltaic plant (with battery backup), where the government will provide Rs 250,000 subsidy for setting up one plant. "This will help the unit to pay back bank loans within 3 - 4 years, after which the unit shall get practically free electricity," said Kavita Gupta, textile commissioner, Ministry of Textiles while inaugurating buyer-seller meet here today.

Looking at various schemes and incentives offered to boost the textiles sector, the government has set a target for India's overall apparel exports at $20 billion for FY 2017-18 against the actual exports of $16.8 billion for FY 2016-17.

However, Rahul Mehta, president, Clothing Manufacturers Association of India (CMAI) believes that the export target for 2017-18 is not achievable and is likely to remain at the last year's level.

Rajani said that overseas importers are shifting orders from India to Bangladesh, Cambodia, Vietnam because of preferential treatment being given to these countries. Interestingly, cost of production in these countries is also lower because of cheap electricity.

Source: business-standard.com- Nov 28, 2017

HOME

****

Export growth slowdown disquieting

GST disruptions transitory but structural issues need to be addressed: Crisil

It is disquieting that India's export growth is decelerating at a time when the global environment is becoming more conducive for trade, according to Crisil.

Though the IMF expects global growth to rise to 3.6% in 2017 from 3.2% in 2016 and global merchandise trade is expected to grow stronger at 4.2%, boosting trade intensity of growth for the first time in six years (that is world trade growth being higher than world GDP growth), India's exports have not been able to take as much advantage of the stronger trade growth unlike many of its Asian peers like Vietnam, South Korea and Indonesia, according to a Crisil statement.

"... the subdued export performance in recent months cannot be attributed to unfavourable currency competitiveness," it said, adding a relatively stable rupee and improving global growth suggest that domestic developments might have had a greater role to play in the current export growth slowdown — in particular the disruption caused by Goods and Services Tax (GST) implementation. "This is evident in the low export growth in sectors such as gems and jewellery, textiles, and leather.

"Incidentally these sectors are also the most labour-intensive. So, employment in these sectors could have faced a setback," Crisil added.

Structural issues

Disruptions due to GST are transitory but structural issues plaguing these sectors need to be addressed to boost their competitiveness in the global market, it said.

The competitiveness of these labour-intensive sectors has been on a sequential decline, according to the rating agency, adding that "high export growth, particularly in the labour-intensive sectors, is vital to sustain growth that is employment intensive."

Source: thehindu.com- Nov 27, 2017

HOME

****

Indian textile sector's cautious optimism on govt decision

The Indian textile industry has expressed cautious optimism on the government decision to raise the incentive under the Merchandise Exports from India Scheme (MEIS) for readymade garments and made-ups and notify post-goods and services tax (GST) rates on their exports under the scheme for remission of state levies, saying it will address declining exports.

The textile industry organisations include the Confederation of Indian Textile Industry (CITI), Tiruppur Exporters' Association (TEA) and the Coimbatore-based Southern India Mills' Association (SIMA).

The commerce ministry recently enhanced the export incentives to 4 per cent from 2 per cent for the garment and made up sectors under MEIS. Similarly, under the scheme for remission of state levies (RoSL), the government has increased the refund of state levies by an average of 0.5 per cent.

However, the notified drawback and RoSL rates are only interim relief as these benefits have not considered various embedded taxes and inverted duty on fabric stage, according to SIMA.

Both SIMA chairman P Nataraj and TEA president Raja M Shanmugham urged the government in separate press releases to announce the new duty drawback rates without further delay with effect from October 1 to minimise the financial stress of exporters.

Several garment and made-ups exporting units have already curtailed their production to the tune of 20-30 per cent rendering several lakhs jobless, Nataraj said.

Nataraj is hopeful that the government would consider the remaining embedded taxes while announcing the revised duty drawback rates and ensure the same level of competitiveness that the industry had under special export garment package to enable exporters to retain existing customers and remain competitive in the global market.

Noting that the exports of readymade garments had declined by 39 per cent to $829 million in October 2017, CITI chairman Sanjay K Jain said yarn and fabric, which have also witnessed a steep fall in exports, have not been given any relief. Even in garments and made-ups, the overall incentives and refund of duties on exports is still about 3 per cent less than pre-GST levels, he added.

Source: fibre2fashion.com- Nov 27, 2017

HOME

****

Cotton prices jump 7% on fear of fall in output

Cotton prices have jumped 6-7% in a week, as the trade is speculating a big fall in output due to pink bollworm attacks in some states, even though there is little clarity yet on the extent of the damage.

“Prices have increased by 250-300 per quintal last week. From our earlier estimate of 400 lakh bales, the trade expects production to fall to 340 lakh bales,” said Pradip Jain, president of the Jalgaon Ginning and Pressing Association. Concerns about crop quality have also impacted prices. “Of late, instances of rejections of cotton bales by buyers have increased,” said Jain.

Various government and trade bodies have undertaken surveys to reassess the crop. A Maharashtra government official, who did not want to be named, said the fall in yields could be 15-20%.

Textile commissioner Kavita Gupta said: “Maharashtra has been somewhat more impacted by bollworm. Telangana has also got impacted, while Gujarat has been minimally impacted. Some states like Gujarat have declared bonus above MSP, which will help the farmers.”

The Cotton Association of India had pegged India's 2017-18 cotton production at 375 lakh bales (each 170 kg). Cotton bolls are plucked multiple times and about 70% of the crop has already been harvested.

Losses due to pink bollworm were higher during the first pickings. However, now the research agencies have noticed an improvement in quality. Blaise D'souza, head of crop production at the Central Institute of Cotton Research in Nagpur, said: "Timely action taken by farmers by spraying pesticides has improved the condition and the next pickings may be of good quality."

Source: economictimes.com- Nov 28, 2017

HOME

****

New body soon to push exports, says Suresh Prabhu

The government is in the process of setting up a new organisation to promote exports in different geographies of the world, developing global linkages Suresh Prabhu, the minister of commerce and industry, said on Monday.

"For the first time, the government is working on creating a new organisation to promote India's exports globally.We will have offices at least in 10 different geographies, with market research back-up and promotional activity.

With a completely different approach, we will work with the private sector on this, so that we can penetrate global markets effectively," said Prabhu, addressing a CII event. It is not possible for a small businessman to sit in India and do business globally.

We want to create support system ... by creating brand equity for India globally. Linkage with global market is necessary for promoting Indian products and we will do that," he added.

Source: economictimes.com- Nov 27, 2017

HOME

****

SIMA organises Texfair 2017 in Coimbatore

Southern India Mills' Association (SIMA), Coimbatore, organised Texfair 2017 – the largest expo of textile machinery, spares and other supporting services and Farm to Finish Expo 2017 – which showcased from farm to finished products recently at CODISSIA Trade Fair Complex, Coimbatore.

In his inaugural address the Chief Guest Sanjay Jayavarthanavelu, Chairman and M D, Lakshmi Machine Works, spoke about the imbalance between various segments of the textile value chain highlighting the need to narrow the gap by upgrading technology and scaling up capacities.

Machinery, spares manufacturers/suppliers and other supporting service providers from China, Japan and Switzerland and local players from across the country showcased their products and services. At the Farm to Finish Expo, various varieties of cotton, man-made fibers, regenerated fibers, yarn, cloth samples, fabrics, made-ups, garments and special clothing such as sportswear, baggage, etc were exhibited by the textile mills across the country.

The expos gave an opportunity to various industry clusters to gain an insight on latest technologies and the availability of domestic and import substitution spares. More than 250 exhibitors showcased their products and services in over 300 stalls.

The Expos attracted significant number of visitors and generated business worth Rs 500 crores. Business visitors from countries like China, Indonesia, Thailand, Bangladesh and Sri Lanka attended the Expo.

Source: fashionatingworld.com- Nov 27, 2017

HOME

****

Meet Suresh Amritlal Kotak: The cotton man

Suresh Amritlal Kotak is not a man of the limelight. Though often hailed by his peers as the 'cotton man of India,' he does not clothe himself in the trappings of success. But then, the senior Kotak belongs to a different generation of businessmen.

As the wooden stairway to 240, Navsari Building in Mumbai winds up to the offices of Kotak & Co, the fragrance of incense sticks and the musty smell of worn-out wood greets visitors. Many a time, one has to hastily make way for that chaiwallah to zip past balancing a tray of cutting chai glasses. The tiled landing on the first floor is dim, with rays filtering in through the doors of a leading private bank. A few paces to the left, and one reaches Kotak & Co.

Replete with white wooden paneling and wall cabinets, rounded pillars, old-fashioned calendars and empty lunch boxes left to dry, Suresh Kotak's headquarters is reminiscent of a Bollywood set from the 1980s.

The Cotton Man

The 84-year-old Kotak knows the value of time, both his and other's. He walks out of his small cabin to receive this ET correspondent at the appointed hour, on the dot. His handshake is a light grip, right for a man who doesn't really need to make more of an impression. He personally calls for water for his guests — a long-maintained habit.

Immediately noticeable on his desk — nestled amid neatly arranged industry reports and management books — is an incongruous notice that says, "Remember, you are talking to a friend." With a smile, Kotak explains "that saying is just to put my visitors at ease."

There are many other surprising facets to the amiable octogenarian. Kotak listens very patiently. Unlike newgen corporate honchos, his attention doesn't waver at the ping of cellphones or the hum of work and printers outside his modest cabin. When Kotak gives you time, the time is all yours.

Perhaps it is his willingness to hear out, and understand, people that helped Kotak successfully mediate over the convoluted standoff between Bombay Port Trust, Sewri Godown Owners and the Mill Owners

Association in the mid-1990s. The dispute, which had ground on for over 18 years and accumulated over 200 individual cases, was resolved in three months as a result of intense mediation by Kotak (a BPT trustee at that time) and his team.

The art of mediation can be quite tricky, since all the parties involved feel their actions are completely justified. This makes it important for mediators to have enormous standing in the industry. Additionally, the cases that come up for arbitration in the commodities market involve large sums of money, which adds to the complexity.

Kotak is an active proponent of alternate dispute resolution and a much sought-after international arbitrator. He started rooting for mediation and negotiated settlements in the commodities market in the mid-1960s. Along with Trikamdas Chabildas Seth (a reputed cotton dealer who dealt for the famous Thakersey Group), Kotak mediated over and resolved hundreds of disputes in the suburb Cotton Green market.

"I just try to be fair and equitable to all parties involved," he says unassumingly.

Cotton All The Way

Bharat Wala, president of Saurashtra Ginners Association, hails Kotak as the Bhishmpitah of the cotton industry. Kotak's largest contribution, according to Wala, is his work in popularising the Shankar-6 variant in world markets. Shankar-6, grown mostly in Saurashtra region, has been somewhat of a thorn for the industry.

The variety, famous for its superior quality, is an easy contender for the numero uno spot, but for contamination from other varieties while plucking pods and packing cotton. At the start of the millennium, Kotak embarked on a whirlwind tour of the Saurashtra region to educate over 20,000 farmers on the methods required to cut down on such contamination.

"These days, Shankar-6 is quite popular among buyers of natural cotton in world markets," says Wala. "The yield has also increased. Sureshji took Shankar-6 to the world."

In fact, the success of Shankar-6 has prompted the Indian government to promote Suvin, another type of cotton. Many in the industry consider Suvin to be comparable with Egyptian cotton, thanks to its superior fibre quality. India is the second-largest producer of cotton in the world after China, accounting for about 18% of the global production. The country's cotton output this fiscal is expected to increase 12-15% to 338 lakh bales of 170 kg each.

"I think the demand for natural cotton fibre will always remain," opines Kotak. **Click here for more details**

Source: economictimes.com- Nov 28, 2017

HOME

****

Exports from India falter; not the rupee, here are the factors to be blamed

At a time when both global growth and trade are perking up, India's exports aren't seeing any traction. In fact, disconcertingly, the growth in exports has lagged those from Asian peers. Global growth is expected to clock 3.6% in 2017 up from 3.2% in 2016, according to estimates by the International Monetary Fund (IMF), while global merchandise trade is expected to grow at a more robust pace of 4.2%.

However, the momentum in markets overseas doesn't appear to have helped accelerate exports from India. Between April and October, they grew at sub-10%—just 9.5% year-on-year. In contrast, competing economies such as Vietnam and South Korea reported increases that were much higher at 23.8% and 18.4%, respectively. Usually, a strengthening currency is identified as the chief culprit. But this time around, the currency must be absolved of any crime since, after some steep appreciation till March, it has been relatively stable.

In fact, a broader indicator, the real effective exchange rate (REER), has remained stable since April, dipping slightly in August. Economists at CRISIL believe domestic policy changes, such as the roll-out of GST, could have impacted exports, slowing them down. Small and medium enterprises, they say, have been adversely impacted by the problems related to GST.

Sectors such as leather, textiles and gems & jewellery, which are labour-intensive, appear to have been among the worst hit. Had the loss of momentum in exports from these sectors been entirely due to GST, the trend would have reversed once the disruption due to GST was addressed. However, CRISIL's economists believe the problem is a much more deep-rooted one, stemming from structural issues.

The lack of competitiveness of these labour-intensive sectors, they believe, had begun to erode even before GST. In their words, the revealed comparative advantage (RCA), or generally speaking, competitiveness of these labour-intensive sectors, was already on the decline. In the decade between 2006 and 2016, the RCA declined for three of the sectors; demonetisation and GST exacerbated the problem. The RCA for gems & jewellery fell to 3.96 in 2016 from 6.38 in 2006. Given how crucial it is to generate exports and employment, these labour-intensive sectors must regain their competitiveness.

In an analysis some time ago, economists at HSBC had observed that the biggest reason for India's poor export performance was domestic bottlenecks—just around a third of the problem, they noted, was related to global growth.

With the rebound in global growth, it would appear now the hurdles to better exports have more to do with poor infrastructure and cost and price disadvantages—these include high real rates of interest as well as high wages, especially after being adjusted for productivity. The government needs to study these problems closely and come up with a solution, else exports could falter further.

Source: financialexpress.com- Nov 28, 2017

HOME

****