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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

# IBTEX No. 23 of 2019 January 31, 2019

USD 71.08| EUR 81.73 | GBP 93.30 | JPY 0.65

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20383 | 42600 | **76.38** |

**Domestic Futures Price (Ex. Warehouse Rajkot), February**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20990 | 43869 | **78.66** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( March 2019) | 74.36 |
| ZCE Cotton: Yuan/MT ( May 2019) | 15,300 |
| ZCE Cotton: USD Cents/lb | 103.33 |
| Basis Difference (ICE March - Domestic Spot) | 1.98 |
| **Cotlook A Index – Physical** | **83.55** |

**Cotton Guide:** Trade talks enter the second day today. Talks between senior officials from the two sides were led by U.S. Trade Representative Robert Lighthizer and Chinese Vice Premier Liu He, at the White House complex in Washington. The dialogues will resume today, when President Donald Trump is expected to meet Liu. But uncertainty still prevails. The conclusions that would emanate can be in either direction - a trade settlement or non-settlement. Whereas a third option of extending the current truce for a period of another 3 months is still on the cards.

The ICE contract settled at 74.36 cents/lb with a positive figure of +21 points. The ICE May contract and the ICE July contract settled at 75.74 cents/lb and 77.02 cents/lb with positive figures of +26 points and +25 points.

On the domestic front, the MCX contracts also moved a bit higher where the MCX February contract settled with a positive figure of +30 at Rs 20,990 per bale. The MCX March contract settled with a positive figure of +60 whereas the MCX April contract settled with a positive figure of +70. These contracts closed at 21560 Rs/bale and 23000 Rs/bale respectively.

Arrivals in India are estimated to be 180,500 lint equivalent bales (source cotlook) which is a one month high. This figure includes 54,000 from Maharashtra, 48000 from Gujarat, and 31500 from Andhra Pradesh. Cotlook Index A has been adjusted to 83.55 which is a gain of +0.20. Shankar 6 prices are steady at 42,600 Rs/Candy.

Today cotton is holding up above 74 cents/lb. If it is able to surpass 75 then we should see it moving higher supported by weak USD. The Indian Cotton seems to be poised for a gradual rally.

The Foreign Agricultural Services (FAS) of USDA in an announcement yesterday brought to light that they will be releasing US Export sales report today i.e. 31st January 2019. This report will bear the data for the week ending December 20, 2018. On 7th February 2019, US export sales will be released for the week ended December 27, 2018 and on 14th February 2019, data will be released for the week ending 3rd January 2019.

The commitments of Traders, reports will be released every Tuesday and Friday until the reports cover all the backlogs. Similarly, the Cotton-On-Call reports will be released every Monday and Thursday until the reports cover all the backlogs.

On the other side of the news, there is information about a large long only spec fund rolling its positions from ICE March to ICE May contract.

On the Technical Front, ICE March cotton futures is trading in the range of 73-74.60 cents/lb. For now price is moving in an upwards sloping channel, failure to hold the channel could witness sharp decline in prices. However RSI in the daily charts are at 49 implying sideways movement for the day. Only a sustained move above range could bring further buying in cotton futures towards higher levels of 75.35, followed by 76.20. On the downside immediate support exists around 73.00-72.80 zones, only decline below price could slip towards 72.28 and 71.90 levels. In the domestic markets trading range for Feb futures contract will be 20800-21200 Rs/Bale.

**FED Rates unchanged** : The Fed kept the interest rates unchanged as the committee focused on the Fed Fund rates and the balance sheet. In essence the Fed said that they were in a wait and see mode, but the risks are no longer tilted in favour of additional rate hikes. The Fed appears to have capitulated to the markets, and will make decisions as they go along. No longer will the balance sheet be on autopilot. The Fed said that they had ample reserves on their balance sheet which means that they could be done with running it off. The Fed also said that they would be patient and would be diligent about the runoff in their balance sheet. Yields tumbled with the news, which could buoy commodity prices.

**Currency Guide**

Indian rupee may witness mixed trade against the US dollar but general bias remains weak. Supporting rupee is general weakness in US dollar post FOMC decision. Fed comments were seen as dovish as it took a patient stance on interest rate hikes and flexible approach to balance sheet reduction plan. Also supporting rupee is gains in global equity market post Fed announcement. However, weighing on rupee is rebound in crude oil price.

Brent crude trades above $62 per barrel supported by smaller than expected rise in US crude oil stocks and supply concerns relating to Venezuela. Also weighing on rupee are concerns about impact of announcement at the Budget on fiscal balance. Indian government is expected to announce sops for farmers which could put dent to fiscal balance however market players are awaiting clarity on extent of measures. Rupee may witness choppy trade but general bias may be on the weaker side given higher crude oil price and uncertainty ahead of Budget. USDINR may trade in a range of 70.7-71.3 and bias may be on the upside.

**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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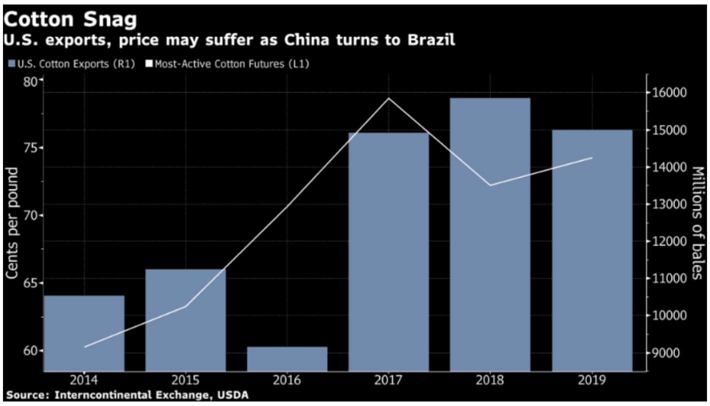
# INTERNATIONAL NEWS

## Trade War Risks Eroding U.S. Dominance of Cotton, Says Dreyfus

American cotton has dominated the global market for years. The U.S. trade war with China could soon challenge that.

The spat that's pitted the U.S., the world's top exporter, against top buyer China has seen Brazil emerge as a winner. That's according to Joe Nicosia, head of the cotton platform at Louis Dreyfus Co., one of the largest agricultural commodity traders.




Even if an accord is reached, there could be permanent changes to the supply chain as the South American nation has used the opportunity to strengthen its position by boosting production and investing in infrastructure, Nicosia said.

"What we have done in the U.S. is create a long-term competitor, and we introduced them to China to take our own place," he said Monday at a Commodity Markets Council event in Miami. "That's not going to disappear. It's no different than when your favorite restaurant closes and you go elsewhere. You might like it. You might go back to the other place."

American shipments accounted for about 40 percent of the freely traded cotton globally before the tit-for-tat tariff spat. China's move to purchase more cotton in Brazil mirrors what's happened in soybean markets and shows how political disruptions could have long-lasting effects. As American farmers suffered from tariffs, rivals like Brazil used the opportunity to fortify ties with China, the dominant player in a range of commodity markets.

The South American nation could pose the biggest threat to U.S. competitiveness, already suffering from cheaper prices in countries such as India and Pakistan. Brazilian shipments to China more than tripled in the second half of 2018 from a year earlier, according to government data.

“There’s expanding production, expanding acreage in Brazil,” said Nicosia. “Brazil is creating new infrastructure products. They are investing, they are buying new gins, constructing them, putting in new pickers, buying new equipment. That doesn’t go away. That’s there for years to come.”

Cotton futures traded in New York are down about 12 percent since the end of June, just before China rolled out most of its tariffs on American crops. Prices fell even as U.S. production disappointed.

Still, the Chinese haven’t totally moved away from U.S. markets yet. While short-term sales have dried up and some cargoes have been canceled, sales for the following year are holding up well. “They have been unwilling to let that cotton go, and they have been rolling it forward,” he said. “They are saying: ‘We still want it’.”

While China has been using up some of its state stockpiles in recent years, driving imports lower, the nation eventually will need to buy about 14 million to 16 million bales annually, he said. Dreyfus forecasts China’s cotton imports will exceed 15 million bales in 2021-2022, according to Nicosia’s slide presentation.

“Why is it important that we need to solve this trade issue? Well, one of the most important issues is because when we look at China, we are at the cusp of a real opportunity,” Nicosia said. “China being the largest importer is going to need it, and whoever gets that business, their cotton business is really going to explode.”

In the meantime, uncertainty caused by the trade war has weighed on oil prices, making it cheaper to produce polyester, which competes with cotton.

“Without a trade deal as we look forward, U.S. supplies will get burdensome, very burdensome,” he said. “We are going to see commodity prices get depressed as we go through it.

Farm income is going to suffer in order to ration production. That’s a polite way of saying the repercussions will be: ‘we are going to force farm communities to go broke’.”

Source: sourcingjournal.com- Jan 30, 2019

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## USA: Cotton Research on a High Gear

New research and innovations in cotton address the immediate needs of the industry.

Today, in a meeting in Lubbock organized by the Memphis-based The Cotton Board, about 65 people participated to discuss about the present and the future of cotton research and development.

Dryland cotton will be the future in the High Plains of Texas-the largest cotton growing patch in the United States of America.

Ginning byproducts, cotton seed developments, clean cotton initiatives, developing functional cotton and quality aspects were deliberated in the meeting attended by cotton farmers and researchers.

Opening the meeting, Shelley Heinrich, Southern Plains Regional Communication Manager of The Cotton Board traced the history of the cotton research and promotion program that started in 1966 which is continuously supported by the cotton growers. Stating that the research and promotion budget managed by Cotton Incorporated for this year is US$ 82 million, Heinrich added that the research program has been a role model for other commodity industries.

With competition from other fibers and the need to increase the market share of cotton, particularly in burgeoning economies, researchers working of innovative projects met with area cotton producers to seek their input. The strength of the United States' cotton sector has been the active involvement of producers in taking the industry to the next level in research and policy matters.

It was clear that the cotton sector was interested in promoting cotton seed as a nutritious meal. As its share in the seed crushers is nearly saturated, efforts are underway to take it beyond cattle feed and dairy industry. Recently, the United States' Department of Agriculture has deregulated gossypol free cotton seed, which opens-up new opportunities for the seed. "We are waiting on the FDA approval of the gossypol free seed, which will lead to commercial use for feeding aquaculture, poultry, swine and even humans," stated Kater Hake, Vice President of Agriculture and Environmental Research at Cary-based Cotton Incorporated.

Kristie Rhodes, Manager Product Development at Cotton Incorporated showcased several new fabrics that utilize new technologies such as dyeing cotton using sulfur dyes from cotton byproducts.

This scribe has been advocating for thinking beyond the yield and fiber quality issues and focus on functional aspects of fiber and textiles. A project funded by Cotton Incorporated in the Nonwovens and Advanced Materials Laboratory at Texas Tech University is focused on finding industrial applications for low micronaire cotton such as toxic and crude oil absorbent mats.

Source: cottongrower.com- Jan 30, 2019

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## China: Cotton options give boost to textile enterprises

Cotton options were listed on the Zhengzhou Commodity Exchange Monday, along with options for rubber and corn trading on the Shanghai Futures Exchange and Dalian Commodity Exchange respectively, adding to the tools available to hedge price risks in the world's major commodity market.

"The cotton options will offer enterprises in cotton-related businesses more strategies to hedge against price swings," said Zhang Biao, deputy manager of Zhongwang Industry and Trade Co., Ltd in Yuli County in northwest China's Xinjiang Uygur Autonomous Region.

The medium-sized cotton textile enterprise Zhang works for has a production base of 4,000 hectares with a competitive annual sales volume of over 15,000 tonnes.

Since 2016, Zhongwang began to take advantage of cotton futures to enhance risk management. Zhang thus has a firm belief in financial tools and holds high expectations for the new cotton options.

The cotton futures, listed on Zhengzhou Commodity Exchange in June 2004, have become one of the most sophisticated products in China's futures market.

Over the years, more cotton enterprises in China have turned to cotton futures to secure profits, enhance risk management and facilitate business operation, given that the spot commodity prices of cotton have seen frequent fluctuations in recent years.

Zhang's company was among the early attempts in Xinjiang.

China's total cotton output in 2018 reached 6.09 million tonnes, among which Xinjiang, a major cotton-producer, accounted for over 80 percent.

In 2014, Xinjiang was included in the pilot zones to reform the target price of cotton, allowing the market to play a major role in pricing.

Xinjiang boasts the country's major cotton production areas, while the processing and consumption areas are usually located in the far-off eastern and central provinces.

Cotton transportation has heavily relied on the railways and highways. Forty percent of Zhang's sales volume is sold at the cotton futures prices when he signed contracts with textile enterprises in eastern and central provinces.

Zhang said the contracts he signed are no longer "fixed price" but are determined by the cotton futures prices on Zhengzhou Commodity Exchange, allowing the sales price to remain closer to the market price.

Industry experts believe that Chinese cotton ginneries, traders and cotton textile enterprises are faced with mounting capital turnover pressure and weak capability to fend off risks.

Cotton options will help enterprises improve the efficiency of capital turnover and optimize risk management mechanisms, said an industry expert surnamed Sun.

"Cotton options, along with other financial tools including cotton futures and insurance, will contribute to the reform of the target price," said Luo Hongcheng, director of the futures department of China Securities Regulatory Commission.

Luo said cotton options would offer more support and protection for agricultural development and speed up shaping of the policy on agricultural subsidies.

Zhang believes cotton options will serve as a new and effective financial tool for cotton textile enterprises, and inject new energy into the country's cotton textile industry.

Source: brinkwire.com- Jan 30, 2019

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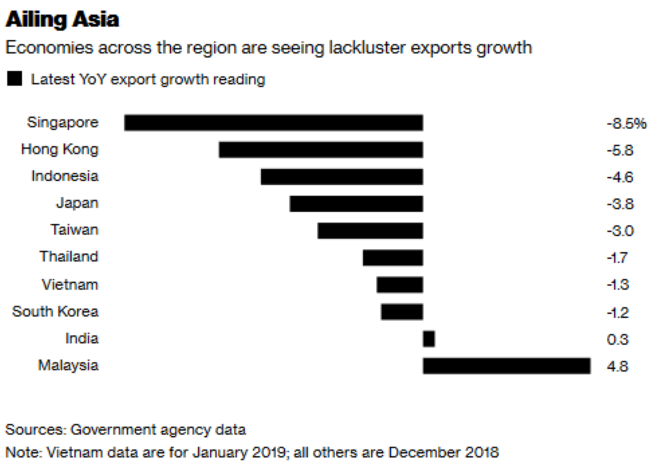
## China's Economic Woes Have Further to Spread Across Asia

China's weakening economy is roiling export markets in the rest of Asia -- and there's more pain to come.

From Hong Kong to Japan, exports data for December showed a marked downturn as supply-chain disruptions triggered by U.S.-China tensions and a cyclical slowdown in the world economy, led by China, hit the trade-reliant region.




More bad news is in store for January: Bloomberg Economics' early indicator shows China's economy slowed further this month, while Thursday's purchasing managers index is set to show another decline in factory output.

Nikkei PMIs for seven of the region's economies are due Friday, with four of them already in contraction or less than half a point from contraction. A separate business survey on Wednesday showed South Korea manufacturers' confidence for February at the most depressed level since the global financial crisis a decade ago.

Hong Kong's worse-than-expected plunge in exports was telling for its broadly subdued demand from the rest of Asia, especially mainland China. Trade-dependent Singapore posted its biggest fall in exports in more than two years, while in Indonesia, the biggest economy in Southeast Asia, the drop in shipments was the worst since mid-2017.

South Korea and Taiwan had a pair of ugly exports reports last week, and Japan followed with the second decline in four months. January data for Vietnam, where trade accounts for twice the nation's gross domestic product, showed a 1.3 percent contraction in exports from a year ago, the worst performance in five years.

**Deeper Slowdown**

Even in Malaysia, where export growth surprisingly picked up in December, shipments to China fell 0.5 percent from a year ago.

China's growth has been steadily weakening over the years, reaching 6.6 percent last year, the slowest pace since 1990. As the world's second-largest economy, it contributes about a third of global growth.

Beyond China, exports in the region are also being hit by a cooling technology sector, which had buoyed powerhouses like Taiwan and Singapore for much of the past couple of years.

Bloomberg Intelligence analysts point to other economic data showing worsening conditions. Smaller dry bulk ships, which are "workhorses of global trade and not just China-dependent," are signaling an unprecedented decline in activity, which probably means a deepening global industrial slowdown, according to BI analysts Rahul Kapoor and Chris Muckensturm.

From Apple Inc. to Caterpillar Inc., companies are feeling the pain. Caterpillar, the bulldozer manufacturer, posted its biggest quarterly profit shortfall in a decade on Monday, while Nvidia Corp., the largest maker of chips for computer graphics cards, cited deteriorating conditions in China for weaker consumer demand for its products.

A Bloomberg dashboard of 10 critical global trade indicators now shows two flashing red, with a couple more -- expectations of German businesses and of China's exporters -- poised to slip into below-average territory.

Other third-party gauges also offer warning signs for the world's exporters. An Asia exports index created by analysts at Nomura Holdings Inc., which is meant to give a three-months-ahead read on export growth in Asia ex-Japan, is at its worst level since October 2016.

Source: bloomberg.com- Jan 30, 2019

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## China unveils draft law to allow fully foreign-owned enterprises

The proposed law was expected to end forced technology transfer for foreign investors in China, which is one of the demands of Trump.

China has unveiled a draft foreign investment law, making provision for wholly foreign-owned enterprises with legal cover for overseas investments and technology - a key demand of US President Donald Trump to end the trade war between the world's two largest economies.

The draft foreign investment law will be submitted to the upcoming plenary session of the National People's Congress (NPC), the rubber stamp parliament, scheduled to be opened on March 5.

The decision was made by the NPC Standing Committee on Wednesday at a closing meeting of its two-day session, state-run Xinhua news agency reported.

Once adopted, the unified law will replace three existing laws on Chinese-foreign equity joint ventures, non-equity joint ventures (or contractual joint ventures) and wholly foreign-owned enterprises.

The proposed law was expected to end forced technology transfer for foreign investors in China, which is one of the demands of Trump.

The foreign investment law will be a basic law in that field, and its drafting is an important move in implementing the strategy of further opening-up made by the ruling Communist Party of China, the report said.

The drafting of the foreign investment law is also necessary in help with China's efforts to attract more foreign investment, protect foreign investors' legitimate rights and interests, foster an environment favorable to doing business, as well as provide legal guarantee to opening-up at a higher level, according to the document.

"China will not close its door to the world; but will only become more and more open," said Li Zhanshu, chairman of the NPC Standing Committee.

Plans to bring about a foreign investment law was announced as Chinese Vice Premier Liu He is set to hold two-day talks with his American counterpart Robert Lighthizer on January 30-31 in Washington to work out a crucial deal to end the trade war. Liu is heading a 30-member delegation.

Trump has been pressing China to bring down USD 375 billion trade deficit in the bilateral trade, which he attributes to unfair trade practices by Beijing.

Officials said talks are expected to deliver specific commitments on Trump's demand that China to expand market access for US in China, improve protection of intellectual property rights (IPR) and reduce the trade surplus with the US, but it would take time to reform state-owned firms another major source of friction.

Trump has set March 1 as the deadline for a deal. He has threatened to slap tariffs on all Chinese exports to US if the two sides fail to reach a deal.

Early this month, Elon Musk, the CEO of US electric carmaker Tesla, laid foundation to set up USD seven billion plant in Shanghai, becoming the first to benefit from a new policy allowing foreign carmakers to set up wholly-owned subsidiaries in China.

The new plant, Tesla's first outside the United States, is located in Lingang Area, a high-end manufacturing park in the southeast harbour of Shanghai. It is designed with an annual capacity of 500,000 electric cars.

China has softened its stand by offering a mix of concessions by resuming purchases of US soybeans, suspended punitive tariffs on imports of US cars and toned down its 'Made in China 2025' plan, which aimed at breaking the country's reliance on foreign technology and pull its hi-tech industries up to Western levels.

Source: thehindubusinessline.com- Jan 30, 2019

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## Japan Nikkei falls ahead of US-China talks, Fed decision

Headline equities of the Japan share market closed down on Wednesday, 30 January 2019, as risk sentiments muted on caution ahead of the conclusion of a Federal Reserve policy meeting and U. S.-China talks with high level negotiations set to begin later stateside.

Total 29 sub-indexes of TOPIX fell into red terrain, with shares in Securities & Commodities Futures, Electric Power & Gas, Other Financial Business, Textiles & Apparels, and Warehousing & Harbor Transportation Services issues being notable losers. At closing bell, the 225-issue Nikkei index fell 108.10 points, or 0.52%, at 20,556.54. The broader Topix index of all First Section issues on the Tokyo Stock Exchange dropped 6.33 points, or 0.41%, to 1,550.76.

Tokyo market came under pressure of position-squaring selling by investors who were waiting to see the outcomes of the U. S. Federal Reserve's policy-setting meeting ending later in the day and the ministerial-level trade talks between the United States and China in Washington through Thursday.

All eyes are on a Federal Open Market Committee meeting ending Wednesday. Although the Fed is expected to leave its short-term interest rate unchanged, the nuances of a press conference by Chairman Jerome Powell will be closely watched. Ahead of the start of the two-day FOMC meeting, speculation grew that Fed policymakers would discuss slowing or ending the U. S. central bank's move to shrink its balance sheet.

Top US and Chinese trade officials return to the bargaining table on Wednesday, with extra tension in the atmosphere amid Washington's sweeping prosecution of Chinese telecoms giant Huawei. resident Donald Trump will reportedly meet Chinese Vice Premier Liu He in an attempt to move negotiations forward.

But the Justice Department's charges against Chinese tech giant Huawei, its subsidiaries and a top company executive may be a hurdle. China has urged U. S. authorities to end what it called an "unreasonable crackdown" against

Huawei, which has been accused of stealing technology and violating sanctions on Iran.

The world's two largest economies are battling for nothing less than future dominance in critical high-tech industries, according to US Trade Representative Robert Lighthizer, the lead US negotiator. A little over three years ago, Beijing launched a strategic plan dubbed "Made in China 2025" that aimed to make the nation the global leader in aerospace, robotics, artificial intelligence, new-generation autos and other areas -- sectors US officials say now represent the "crown jewels" of American technology and innovation. US President Donald Trump has repeatedly said he favors a healthy Chinese economy but not at the expense of American business and know-how.

In specific, US officials are attacking Chinese trade practices they say are unfair, spotlighting the forced transfer of American technology through requirements that foreign companies form joint ventures with local firms, as well as the alleged theft of American intellectual property through hacking.

To pressure Beijing, the White House has slapped tariffs on $250 billion in Chinese imports. And Trump is poised to more than double US duty rates on $200 billion in goods from China to 25% on March 2 should the talks fail. Beijing has responded by slapping duties on virtually every product it buys from the United States, or about $110 billion in exports.

Given the complexity of issues, a finished agreement is unlikely to emerge from the two days of talks in Washington this week. But US Treasury Secretary Steven Mnuchin said Tuesday he expected "significant progress," and noted the governments have another month left in the 90-day truce declared in December.

Daiwa Securities Group Inc. tumbled 6.22 percent after the company announced disappointing consolidated earnings for April-December on Tuesday. Akebono Brake Industry Co. plunged 18.22 percent following its announcement Wednesday morning that the major auto parts maker's request for the start of alternative dispute resolution, or ADR, procedures for out-of-court business reconstruction was accepted. Other major losers included clothing retailer Fast Retailing Co. and automaker Suzuki Motor Corp.

By contrast, electronic parts makers related to Apple Inc. gained ground as the U. S. technology giant's sales forecast for January-March, released Tuesday, fell within market expectations. Taiyo Yuden Co. jumped 4.23 percent and Murata Manufacturing Co. rose 2.57 percent. Shin-Etsu Chemical Co. gained 2.07 percent thanks to its brisk earnings in April-December.

ECONOMIC NEWS: Japan retail sales were up a seasonally adjusted 0.9 percent on month in December, the Ministry of Economy, Trade and Industry said on Wednesday, following the downwardly revised 1.1 percent decline in November (originally -1.0 percent). On a yearly basis, retail sales advanced 1.3 percent - following the 1.4 percent gain in the previous month.

Source: business-standard.com- Jan 30, 2019

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## Yarn Spinning Technology Has Potential to Boost Made in America

Advancements in yarn spinning and manufacturing have the potential to disrupt global sourcing and change the formula for the cost of production.

During a Texworld USA seminar last week, experts in the sector discussed how technology and new machinery are creating a new dynamic in the process for making yarns and knit apparel. Those factors could also lower costs at the production level to encourage investment in manufacturing in places that have often been seen as too expensive, like the U.S.

“We all want to achieve certain goals,” said David Sasso, vice president of marketing and sales at Buhler Quality Yarns/Samil Spinning Co. “Consumers want better quality, they want to be in trend and they want value. The retailers want to make better margins, sometimes just by lowering the cost of making goods, which can have the opposite effect than what consumers want.”

Then there’s speed to market that most companies in the supply chain want, which comes only through understanding the supply chain, how to source and the challenges presented in different countries and regions.

"It's about speed," Sasso said. His comment was a double entendre, of sorts, as Sasso was both referencing the key ingredient in reducing costs through faster spinning machines and an explanation by Akitsugu Mori, Vortex product manager at Japanese firm Murata, about the benefits of using a Vortex spinning machine. Vortex spinning is a technology that uses an air vortex to spin out the yarn. Fibers formed by these air flows provide the yarn with a wide range of functionalities.

"The Vortex air jet can be the answer to many needs for speed and cost savings," Mori said.

What's more, as new machinery technology and machines from companies like Murata and Rieter get faster, Sasso said, "the fiber requirements become even more stringent–how do we process fiber for this high speed equipment?"

Thomas Kuettel, president and CEO at Rieter, noted than among the four types of spinning technologies–ring, compact, rotor and air jet–the newest development, air jet, is 20 times faster than the slowest, which is ring-spun yarn.

"In the U.S. we have a very favorable situation because energy costs are relatively low," Kuettel said. This means that if companies convert to air-jet machines, they can more quickly achieve return on investment, he said.

The main point of product development and new machinery, according to Chuck Butts, sales and technical adviser for Murata, is to "help manufacturers reduce costs on the back end."

For Sasso, though, it's also about how quickly things can get to market.

"Speed is what we are striving for," Sasso said. "Being in the Western Hemisphere [Buhler is based in Jefferson, Ga.], the more automated I get, the more productive I get, my costs become more equal to global costs. The energy factor is huge, the supply of raw material nearby is huge, and the ability for shirt runs and quick response is huge. As these machines are becoming more available, it changes the dynamic of sourcing."

Source: sourcingjournal.com- Jan 29, 2019

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## U.S. Treasury Secretary Steven Mnuchin Signals Chance to End China Trade War Ahead of Talks

U.S. Treasury Secretary Steven Mnuchin said that if China presents enough trade concessions to President Donald Trump, there's a chance the administration may lift all tariffs.

"Everything is on the table," Mnuchin said early Tuesday during an interview on Fox Business Network. The Treasury chief is set to meet with top Chinese officials in Washington on Wednesday and Thursday alongside U.S.

Trade Representative Robert Lighthizer about a month before the U.S. is set to escalate its trade war with China with fresh tariffs.

Trump and China's Xi Jinping gave their officials until March 1 to work out a deal on "structural changes" to China's economic model. If they fail, Trump has promised to raise the tariff rate on $200 billion in Chinese imports to 25 percent from 10 percent. The collapse of talks would dash hopes of a lasting truce that would remove one of the darkest clouds hanging over the world economy.

China is facing added urgency to end the trade spat amid the weakest domestic growth since 2009.

Divisions remain within Trump's trade team, with hawks including Lighthizer and National Trade Council Director Peter Navarro seeking tougher terms from China, and Mnuchin and White House economic adviser Larry Kudlow prioritizing preserving U.S. growth.

Mnuchin pushed back on speculation that the U.S.'s latest actions against Huawei Technologies Co. were tied to the trade talks. U.S. prosecutors on Monday filed criminal charges against Huawei, accusing the Chinese company of stealing trade secrets and committing bank fraud. But Mnuchin insisted the case was separate from trade negotiations, adding that he wasn't aware in advance of Monday's charges.

In a sign of the importance the White House is placing on the talks, Trump is expected to meet China's top trade negotiator at the end of the week. In addition to U.S. demands for structural changes to China's economy, the latest round of talks will cover Beijing's pledge to buy more American goods.

While Mnuchin acknowledged that growth has slowed in Europe and in China, he does not expect that to impact U.S. growth. "We see no indication whatsoever of a recession on the horizon," he said, adding that the trade dispute with China is not hurting the U.S. and that "there is still a very good case for 3 percent growth this year."

The non-partisan Congressional Budget Office on Monday painted a different picture of the U.S. economy. Budget deficits are seen widening and economic gains will be "muted," slowing to 2.3 percent for this year and 1.7 percent in 2020, the CBO said, adding that the burst of economic growth in 2018 fueled by Republican tax cuts will fade in the coming years, while tariffs imposed by the Trump administration may dent the economy and hit business confidence.

Source: sourcingjournal.com- Jan 29, 2019

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## Cambodia garment exports up 24 per cent

Cambodia's garment and footwear exports increased 24 per cent in 2018. One of the reasons is better performance of the global economy.

The EU bought 46 per cent of Cambodia's total garment and footwear exports last year, the US 24 per cent, Canada nine per cent and Japan eight per cent.

Travel goods exports, which Cambodia obtained with duty-free export status from the US since July 2016, accelerated remarkably and could be a major factor in last year's sped up growth in garment and footwear exports.

The value of apparel exports last year accounted for 74 per cent of Cambodia's total exports. The sector employs about 8,00,000 workers.

The Cambodian garment sector benefits from 'EU's Everything But Arms' trade preferential treatment, but this may be removed this year.

The EU is about to impose trade sanctions against Cambodia as a result of alleged human rights violations in the country. That means Cambodia won't be allowed to export goods duty-free and quota-free to the EU.

Sanctions will damage Cambodia's economy, where a $5billion garment industry employs 7,50,000 people and is the biggest exporter.

In addition the EU is mulling imposing tariffs on Cambodian rice for three years as a result of a surge in imports deemed to have hurt European rice producers.

Source: fashionatingworld.com- Jan 30, 2019

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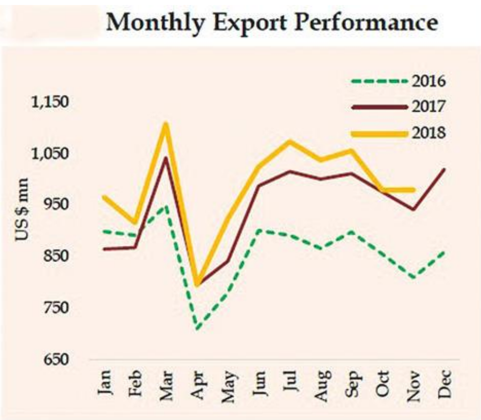
## Sri Lanka: Merchandise export income up by 4.1% in Nov.

Under industrial exports, export earnings from textiles and garments increased notably in November 2018 mainly driven by exports to the USA. In addition, garment exports to non-traditional markets such as India, Canada and Australia as well as the EU market increased along with textile and other made up textile articles.




Sources: SLC, CBSL

Earnings from petroleum products increased significantly in November 2018 reflecting higher bunker and aviation fuel prices despite a slight reduction in export volumes in comparison to that of November 2017.

Export earnings from machinery and mechanical appliances also increased substantially during November 2018 due to improved performance in all sub categories therein. Further, export earnings from food, beverages and tobacco, rubber products and base metals and articles rose in November 2018 contributing towards the increase in industrial exports.

However, export earnings from printing industry products, gems, diamonds and jewellery and leather, travel goods and footwear declined in November 2018. Earnings from agricultural exports recorded a decline during the month due to poor performance in almost all sub categories except the categories of unmanufactured tobacco and vegetables.

Reflecting lower average export prices and exported volumes, export earnings from tea declined in November 2018. Export earnings from spices also declined during the month due to the lower volumes in most categories of spices.

Further, earnings from coconut exports declined due to the drop in both kernel and non-kernel products. Earnings from seafood exports also declined in November 2018 while in cumulative terms seafood exports rose with higher exports to the EU market.

The export volume index in November 2018 increased by 2.9 per cent while the export unit value index increased by 1.1 per cent, implying that the growth in exports was driven mainly by the increased volume, rather than the price, compared to the volume and unit value indices in November 2017.

Source: dailynews.lk- Jan 30, 2019

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## China To Build Largest Textile City In Egypt

Egyptian Minister of Trade and Industry, Amr Nassar says, in a recent announcement, China has started building the largest textile and garment city in Egypt.

The textile and garment city- being built by Mankai, a Chinese holding company, will cover more than three million square meters in the city of Sadat, north of Cairo and it will consist of 592 factories.

The minister of trade and industry, Amr Nassar, said the project will utilize the latest technology in the textile industry.

Adding that factories in the first stage will begin their trial operation in May this year.

Egypt already has key textile bases in el Mahalla, el-Kubra and other cities. The Chinese government has signed initial sales contracts for 48 first-stage factories for Chinese companies.

Meanwhile, the Chinese company Mankai has agreed to inject new investments into leather goods in the city of Badr.

Source: annafrica.net- Jan 30, 2019

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## Moving out of China may not be easy

For decades, China dominated supply chains, with most manufacturing countries following a China Plus One strategy for sourcing or diversifying their operations by adding another location in Asia.

But now China's growth has weakened. China's production numbers are dropping and factory activity is slower than expected.

In September, US companies paid 54 per cent more in tariffs year over year, and many are now recognizing the importance of diversifying their supplier base to more than just plus one.

In fact, more than 60 per cent of apparel companies are now sourcing from at least 20 countries.

Supplier diversity is a hallmark of business wisdom, but when companies add to their supplier base it introduces other variables that can offset the benefits of simply leaving China and its uncertainty behind.

For instance, labor costs are by no means fixed, and in many countries that are popular substitutes for China sourcing–Bangladesh, Vietnam, Mexico–labor costs are expected to rise between five per cent and 16 per cent.

In Bangladesh, labor costs are expected to increase by 51 per cent in the coming months.

Another key consideration for companies is that, even if they move production out of China, they'll avoid potential tariff costs only if specific conditions apply.

Source: fashionatingworld.net- Jan 29, 2019

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## Tunisia clothing exports up 18 per cent

Tunisia's textile, clothing and leather exports rose 18.6 per cent in 2018. The plan is to raise textile and clothing exports to the European Union. The textile and clothing sector in Tunisia accounts for 35 per cent of the country's GDP and offers 161,425 jobs.

Also 95 per cent of Tunisia's textile and clothing exports are aimed at Europe. Similarly, 82.7 per cent of companies located in Tunisia are totally exporting. Tunisia was the first country along the southern coast of the Mediterranean to have achieved free trade with the European Union. In the 1990s, Tunisia signed a free trade agreement with the EU to facilitate economic exchanges between the two shores of the Mediterranean.

The textile and clothing industry in Tunisia plays a critical role in the socio-economic development of the country. Tunisia is among the top 15 garment suppliers in the world, and has the advantage of being close to the European market.

It is the fifth largest supplier to the European Union as well as the leading trouser supplier to the EU. Other important products are work wear and lingerie. The main foreign investors in the apparel sector in Tunisia are France, Germany, Belgium and Italy.

Source: fashionatingworld.com- Jan 30, 2019

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## Sri Lankan apparel firms want more Indian market access

The Sri Lanka Apparel Exporters Association (SLAEA) recently urged the government to negotiate through the Economic and Technological Cooperation Agreement (ETCA) for sector-specific liberalisation so that apparel manufacturers from the country can have greater access to the Indian market. Sri Lanka's apparel exports to India are limited, up to $40 million.

Despite the request, SLAEA sees 'a serious reluctance' in the negotiation process, its chairman Rehan Lakhany said at the 36th annual general meeting of the association.

SLAEA drew the attention of the high commissioner of India to Sri Lanka Taranjit Singh Sandhu, who was present at the meeting, to the issue and hoped that a negotiated settlement is possible, according to a report in top Sri Lankan financial daily.

Lakhany requested Sandhu to initiate any interim measure to enhance the quota of eight million pieces, without attaching strings like the usage of Indian fabric.

Lakhany also urged the Export Development Board to avoid introducing ad-hoc policies and practices by different authorities without consultation, which may disturb the business environment.

Source: fibre2fashion.com- Jan 30, 2019

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## Pakistan certifies first organic cotton bale

Balochistan on Wednesday marked the certification of Pakistan's first organic cotton bale at a ceremony held at Kot Sabzal.

Balochistan's Minster for Agriculture Engineer Zamrak Khan said the provincial government was committed to promoting organic agriculture throughout the province.

He further said that Balochistan would be developing an organic agriculture policy soon.

WWF-Pakistan Director General Hamad Naqi Khan said, "We have made a major breakthrough in the cotton sector of the country that will benefit stakeholders and the overall economy of Pakistan."

In his remarks, Secretary Agriculture Balochistan Khaleeq Nazar Kiyani appreciated the efforts of WWF-Pakistan and the Agriculture Extension team.

"The certification is a step towards a more sustainable Pakistan. Production of organic cotton will propel the cotton sector into a new direction," he said.

Later, a consultative workshop was conducted in which representatives from ginners, spinners, textiles, brokers and brands participated and presented their concerns regarding development of a tenable supply chain of organic cotton in Pakistan.

WWF-Pakistan's Director Sustainable Agriculture and Food Programme Arif Hamid Makhdum conducted the introductory session.

**Going Organic**

In 2015, WWF-Pakistan secured financial support from the C&A Foundation, and in collaboration with Balochistan's Directorate of Agriculture Extension started work on a project titled 'Organic Cotton Cultivation Promotion with Small and Marginal Tribal Farmers in Pakistan'.

The project is helping improve livelihoods of smallholder cotton farmers by promoting organic cotton cultivation and development of its supply chain.

Organic cotton is grown without using any chemical fertilisers or pesticides and is cultivated on land that is detoxified from residues of chemical fertilisers and pesticides over a period of at least three years.

Seeds used to grow organic cotton are not genetically modified and are kept clean from chemical impurities during processing and packaging.

If the cotton crop produced adheres to the standards of organic cotton farming in its initial two years, it is called in conversion cotton. By the third year, the yield is certified as organic cotton.

Pakistan is the fifth largest producer of cotton in the world and the third largest exporter of raw cotton.

Cotton and its products contribute about 10 per cent to gross domestic product and 55pc to the foreign exchange earnings of the country.

Source: dawn.com- Jan 31, 2019

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## Pakistan: Cotton prices steady on strong demand

Sustained demand for cotton kept the commodity's prices firm, and the market outlook positive on Wednesday. Demand mostly originated from small- and medium-sized spinning mills.

According to market sources, rapidly falling phutti (seed-cotton) arrivals panicked some spinners as they had to meet their cotton demand from domestic sources.

Phutti prices also decreased, with Sindh and Punjab varieties being quoted between Rs3,000-3,600 per 40kg and Balochistan in the range of Rs3,000-3,500 per 40kg.

There are reports that cotton stocks with ginners are also depleting rapidly owing to brisk demand from textile mills.

The current cotton season is expected to close much earlier due to short crop, according to the brokers.

The Karachi Cotton Association spot rates were firm at Rs8,700 per maund.

Trading on ready counter was fairly moderate where a big deal of 5,000 bales from Rahimyar Khan was done at Rs8,850-8,900.

Other deals included: 400 bales, Khanpur, at Rs8,850 and 600 bales, Mianwali, at Rs8,090.

Source: dawn.com- Jan 31, 2019

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# NATIONAL NEWS

## Textiles minister Smriti Irani calls for innovation in tech textiles sector

"We have already trained over 22,000 Indians only in this area of technical textiles in the past 3-4 years," Irani said.

Union Textiles Minister Smriti Irani Tuesday released HSN codes for technical textiles that is expected to act as a catalyst for achieving the market size of up to Rs 2 lakh crore by 2020-21.

"The HSN codes for technical textiles is expected to benefit 900 million farmers in the country. It is a step that will help us grow to over Rs 2 lakh crore in the tech textile sector," the minister said after releasing HSN codes for technical textiles at the National Conclave on Technical Textiles here.

To fulfil long-standing demand of industry to declare technical textile items as separate category, the government has notified 207 HSN codes as technical textiles. It will give major boost to the sunrise sector, she said.

In order to help the potential investors to enter into technical textiles, ministry has set up Focus Incubation Centres (FIC), Irani said.

"We have also focused on incubation centres and set up 11 such centres in the country. Under the aegis of textile ministry we have undertaken 40 geo textile projects for roads, water reservoirs and ensured that our farmers embraces agro tech at 54 agro tech demonstration centres and distribute kits, which basically tells them how to use agro tech in their day-to-day working across the country," the minister added.

The minister said, around 530 prototype campus has already been developed under the textile ministry in the past 4 years and 8 centres of excellence has already been set up at the cost of close to a Rs 140 crore.

"We have already trained over 22,000 Indians only in this area of technical textiles in the past 3-4 years," she added.

But our capacity to grow and touch the sky is only possible with the industry partnership and farmer participation, she said.

"In one such participation, we will be setting up an innovation centre for technical textile in the hub of the national capital next month with the support of the industry," she added.

The ministry had constituted a committee under V K Saraswat to give recommendation on research and development plan for the future growth of technical textile and specially preparing a way forward for high perform ace speciality fibres in India, the minister informed.

The report on technical textiles highlights that one of the biggest challenges is the imports of speciality fibres, Irani said, adding that "we are the affordable innovators of the world."

Source: economictimes.com- Jan 30, 2019

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## Textiles sector to benefit from robust demand, weak rupee

India Ratings has maintained a stable outlook for the textile sector for 2019-20 following strong domestic demand, waning impact of the disruptions due to GST and demonetisation and rising exports aided by a weak rupee.

India's textiles sector may see higher growth following robust domestic demand and depreciating rupee value, a report said.

India Ratings has maintained a stable outlook for the textile sector for 2019-20 following strong domestic demand, waning impact of the disruptions due to GST and demonetisation and rising exports aided by a weak rupee.

The textile companies are likely to improve cash-flow from operations for FY20, as their working capital would stabilise as challenges related to demonetisation and the GST subside, Ind-Ra report said.

The sector is also likely to continue deleveraging gradually in FY20 in view of strong annual growth generation and some moderation in the debt level.
The liquidity of the majority of players in the sector is likely to remain adequate, alongwith an improvement in operational cash generation, backed by steady raw material costs and strong demand from end-user segments, it added.

Ind-Ra expects the domestic and global stock-to-use ratios to remain under pressure during cotton year 2018-19.

The agency said global cotton production is likely to decline in cotton year 2018-19 owing to a low acreage and adverse weather conditions in key cotton-growing nations.

Domestic cotton price moderated to an average rate of Rs 128 per kg during the third quarter of FY19 from the average level of Rs 134 per kg during the second quarter of the current year.

While expectations of a high acreage during cotton year 2019-20 narrowing global production gap could keep prices range-bound.

China's cotton production continues to be much lower than its consumption. Its cotton deficit was increasingly met through imports over the last three years.

With its cotton reserves declining, the sensitivity of global cotton prices to China's cotton policies have increased in the past few quarters. Any decision by China to further increase imports could lead to a rise in global cotton prices.

Meanwhile, the India's textile exporters are likely to continue to benefit from improved cost competitiveness due to a weak rupee, which would drive volume growth.

Over the first nine-month of FY19, the Indian rupee depreciated at a higher rate against the US dollar than the currencies of key apparel-exporting countries like Vietnam and Bangladesh.

India's apparel exports also showed signs of recovery in the third quarter of FY19 and are likely to rise in FY20 after remaining weak for three years, the report said..

Source: moneycontrol.com- Jan 30, 2019

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# Technical Textiles Sector Estimated To Grow To Rs 2 Lakh Crore By 2020-21

India's Technical Textiles sector is estimated to grow to Rs. 2 lakh crore by 2020-21 noted the Union Textiles Minister Smriti Zubin Irani, at the National Conclave on Technical Textiles, jointly organized by the Ministry of Textiles and FICCI, in Mumbai yesterday.

Under the aegis of Ministry of Textiles, for the first time in the history of India, the government has dedicated to the nation 207 HSN codes for technical textiles. This decision alone can enable the sector to grow at a massive pace in coming years.

Speaking about the potential of agricultural textiles, the Minister said that it has been proven that the income of a farmer who uses agrotech goes up by 60% - 70%.

She said that the contribution of agrotech is at the forefront of the Prime Minister's desire to double farmers' income. Technical textile industry can proudly say that we help those who feed us, said the Minister.

The job-giving potential of the technical textiles sector is huge; every Rs. 1 crore investment generates 70 jobs, said the Minister. She said that this will lead to growth in sectors such as research, education and facilities such as testing labs as well.

Partnership between agrotech companies and Krishi Vigyan Kendras can be very impactful, noted the Minister.

She cited a McKinsey Global Institute report, according to which application of agricultural technologies can help close to 90 million farmers by 2025.

Source: business-standard.com- Jan 30, 2019

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# Cotton prices soften further on poor demand

Cotton prices have softened further, despite a lower crop, on weak demand from both yarn mills and overseas markets. Cotton prices are now hovering around ₹42,500-44,000 levels per candy (356 kg each), a decline of about a tenth over the comparative prices in October. At the beginning of the cotton harvest season in October, cotton prices were around ₹47,000.

Trade sources said the poor offtake by mills, which are saddled with yarn stocks, amidst rising arrivals and sluggish exports has resulted in a softening trend. Also, multinationals have stayed away from purchases on lack of export parity as the prices in the domestic market are higher than in the global market.

The trade is keenly awaiting the outcome of the ongoing talks between the US and China, two large markets. The outcome of the US-China trade talks could set the direction for cotton prices in the days ahead.

"Uncertainty still looms over the trade truce between the US and China. This is causing a range-bound movement for cotton. Indian cotton prices have now bottomed out as there is no room for further correction. Ginners are already facing costly inputs due to the increased minimum support price (MSP)," said Atul Ganatra, President, Cotton Association of India (CAI), the apex trade body.

## Reduction in crop size

The Centre had increased the MSP to ₹5,450 per quintal for raw cotton or kapas. Erratic rainfall and pest attacks have shrunk the crop size this year. The trade has estimated a cotton crop of 335 lakh bales, about 8 per cent lower than last year's 365 lakh bales and the lowest since 2011-12, when it was pegged at 373.25 lakh bales.

So far, farmers across the country have sold about 160 lakh bales from the current crop. There's still an equal quantity of cotton that farmers will be bringing into the markets over the next couple of months. This is even as ginners are finding it hard to sell the processed cotton. "It is a peculiar situation. While the buyers are slow in terms of their purchases, ginners have turned choosy on whom to sell to in order to avoid payment issues.

Finding the right buyer has become a challenge for them. As a result, the stocks with ginners are going up," said Ramanuj Das Boob, a sourcing agent in Raichur, Karnataka.

However, with arrivals gaining momentum in the market, market prices have declined below MSP at several markets, mainly in Telangana and parts of Maharashtra.

## CCI procurement

The Cotton Corporation of India (CCI) has already been making purchases at MSP. According to sources, so far about 6 lakh bales of cotton have been procured with about 80 per cent from Telangana alone and the rest from Maharashtra, Odisha, Karnataka and Gujarat. Sources estimate that CCI procurement may gain momentum in the coming weeks till February end. Last year, CCI had purchased about 3.5 lakh bales at MSP.

Exports have been slow on lack of price parity. "But so far we have been able to ship about 23 lakh bales (each of 170 kg) till the end of January, which is still a good quantity and with a weak rupee, we are seeing parity returning for exports," said CAI's Ganatra.

"There is no demand at present. Since Diwali there has been slackness in the consuming sectors such as yarn makers.

Considering US-China trade situations, and the uncertainty on the truce, we don't see any long-term bullish trend. On the other hand, in the event of lower crop projections, there are less chances of a further downside in prices," said Ahmedabad-based cotton expert Arun Dalal.

Exporters however, believe that a spurt in prices is likely in the event of a US-China trade truce. "We are seeing favourable rupee conditions for the past few days and exports are taking place in the neighbouring countries.

Export contracts are being offered at around 74-75 cents per pound. International cotton prices may firm up from here if China agrees to buy US cotton. This will fuel prices in the domestic market, too," said a leading cotton exporter from Ahmedabad.

Cotton futures on the Intercontinental Exchange (ICE) will have a direct impact on Indian prices. ICE cotton futures traded at 74.13 cents on Wednesday. Any spurt in ICE will make a favourable case for Indian cotton exports.

Source: thehindubusinessline.com- Jan 30, 2019

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## India needs the right approach to guarantee maximum benefits from RCEP

Despite many rounds of negotiations, the suspense regarding India's participation in the proposed 16-member mega-trade deal, Regional Comprehensive Economic Partnership (RCEP) continues.

The Indian government has engaged three consultants: ICRIER, the Centre for Regional Trade housed in the Indian Institute of Foreign Trade (IIFT), Delhi, and the IIM, Bangalore — to hold stakeholder consultations on India's strategy in goods, services and investment negotiations.
Diverse opinions cause concerns

The sentiments regarding the RCEP are quite divided. The first point of objection is that India's trade deficits have always widened with nations after signing free-trade-agreements (FTAs) with them.

This is evident from its FTAs with the ASEAN, Japan, Korea, and Singapore, most of which are RCEP nations.

Some economists and free trade proponents believe RCEP to be beneficial for the Indian economy. In a very compelling argument, Geethanjali Nataraj and Garima Sahdev recently inferred the long-term benefits of joining the bloc far outweigh the short-run costs.

The authors state that if India aims its 'Make in India' to become a global success, it needs to become a part of the Asian value and supply chain which either begins or ends in India.

While "Make in India" will attract foreign investment, this was never conceived of at the cost of domestic industry.

Even after 25 years of economic reforms, Indian manufacturing is yet to be competitive enough to face the vagaries of competition brought about by international trade.

This situation prevails also due to the unimplemented reforms in the markets besides multiple GST rates across India.

## Agreement likely to derail growth plans

Despite low relative labor cost, manufacturing productivity is still one of the lowest in the world. Under such circumstances, the Indian industry is hardly in a position to India needs the right approach to guarantee maximum benefits from RCEP 002 compete in a level playing ground in a free-trade region.

"Make in India" is meant to create enabling conditions for both domestic and foreign businesses to thrive. If the domestic industry has to thrive, it needs to be protected. Mega-trade deals like the RCEP may derail the timing and coordination of such plans.

Whether this complementarily in FTAs really exists is a working hypothesis without any solid empirical analysis or evidence. Rather, things may simply work the other way round. It needs to be looked at whether the RCEP will really lead to cheaper intermediate goods, or cheaper final goods.

So far, the rise in Indian trade deficit with its FTA partners has occurred due to cheap imports of final products that have led to an increase in consumer surplus (or consumer well-being), but adding to the angst of the domestic producers. Cheaper intermediate goods can rather help in making Indian exports competitive.

## RCEP complicate skilled labor movement

In FTAs with East and Southeast Asian economies, India capitalises on its pool of 'skilled' labor force for improved access to employment opportunities in these economies. Although this can be achieved by easing the movement of professionals through the liberalisation of the Mode 4 in services trade, it raises a matter of concern in the context of the RCEP.

As this will be the first mega-trade deal of such comprehensive nature that India is engaged with, the ToR of the three consultants should not be confined to merely holding stakeholder consultations. They should place a more comprehensive report on the benefits and costs of India's participation in the RCEP. Now that bilateral negotiations are being pursued, India needs to adopt the right approach to extract maximum benefits from this mega-trade deal.

Source: fashionatingworld.com- Jan 30, 2019

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## DIPP rechristened to include internal trade

The government has notified changing the name of the Department of Industrial Policy & Promotion (DIPP) to the Department for Promotion of Industry and Internal Trade, and has enhanced its role.

The notification has also included four new categories of responsibilities the renamed body will be in charge of, including the promotion of internal trade (including retail trade), the welfare of traders and their employees, matters relating to facilitating Ease of Doing Business, and matters relating to start-ups.

These are in addition to the previous responsibilities of the erstwhile DIPP relating to general industrial policy, administration of the Industries (Development and Regulation) Act, 1951, industrial management, productivity in industry, and matters related to e-commerce.

The inclusion of the promotion of internal trade in the name and responsibilities of the body has been welcomed by the traders' body Confederation of All India Traders.

"Long standing demand of CAIT [has been] accepted by the Government and retail trade is now under DIPP Ministry of Commerce," CAIT said in a statement. "CAIT was making demand of Ministry of Internal Trade since last 10 years. With creation of the Department for Internal Trade, the way is paved for creation of a Ministry. Traders across country are pleased with the move. It's a step which will bring retail trade in mainstream of the economy."

Source: thehindu.com- Jan 30, 2019

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# Populating e-Way bill data in GSTR-1 to ease returns filing

Filing Goods & Services Tax returns will now be easy with a new facility to import e-Way bill data in the returns form GSTR-1. The facility has been made available on the GST Network, the IT backbone of the indirect tax regime.

Under the new facility, "the taxpayer will not be required to enter data in his Form GSTR 1 for all invoices for which he has generated e-way bill. This will avoid double data entry by taxpayers. This facility will help the taxpayers fill up their Form GSTR 1 in less time. This will also avoid any data entry mistakes made while filling details," Prakash Kumar, CEO of GSTN, said here on Wednesday.

On an average, 5 crore e-Way bills are generated every month while invoice distribution reaches 90 crore. Considering the data is huge, the measure to check double entry is expected to boost the number of returns filed.

The law says every person registered under the GST will have to file returns in some form or the other. Returns could either be on a monthly (normal supplier) or quarterly basis (supplier opting for composition scheme).

This is mandatory even for a non-resident taxable person who will also have to file returns for the period of activity undertaken. Another provision under law makes it mandatory for the assessee to generate e-Way bill for a consignment of goods with value exceeding ₹50,000, and is generated from the GST Common Portal.

## New facility

Under the new facility the taxpayer can import data in his GSTR-1 form or import the same and use it with GSTR-1 Offline tool to create his GSTR-1 Return Form. While generating e Way bill, details of supplier, receiver and other invoice details like number, date, goods, quantity, HSN code etc are provided by the taxpayer on e-way Bill Portal.

This data is now transferred to GST portal and segregated in three categories to be used in GSTR-1 — business-to-business supplies or B2B, business-to-consumer or B2C (large) covering supplies of value more than ₹2.5 lakh and HSN (Harmonised System of Nomenclature, code for goods and services) wise consolidated supply data.

In the last 18 months, around 90 per cent of taxpayers have reported up to 50 B2B and B2C large invoices in a month. Since that many invoices can be easily seen on the screen, facility to import the data directly into GSTR-1 has been provided for such taxpayers.

These taxpayers can edit the details so imported in GSTR-1, if required, and then file their Form GSTR 1 online after adding other details like B2C supplies.

For those having more than 50 invoices but up to 500, there is a facility to download the data of three sections as mentioned in the 'csv' file format. These files can then be imported into GSTR 1 Offline tool.

The Form GSTR 1 can be prepared using offline tool after adding other data and then generating a json file while can be uploaded on the GST portal.

In case the number of invoices is more than 500, the invoice details in respect of B2B, B2BL and HSN summary can be imported from Return Dashboard on GST portal as a zip file, which can be unzipped to extract three files in Excel format.

Excel will be in 'GSTR1 offline format'.

The tax payer can add more invoices (like those below 50,000 in value) and fill other sheet like B2C etc. and upload in offline tool to prepare his/her return.

Source: thehindubusinessline.com- Jan 31, 2019

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# Banks to launch blockchain-based funding for SMEs

*Group of 11 well-known banks to launch blockchain-based funding for SMEs*

ICICI, Axis, HDFC along with 8 other banks are all set to launch the country's first block-chain linked funding for small as well as medium enterprises (SMEs). The step is expected to bring about a major difference to the lending practices.

The list of banks includes ICICI Bank, Axis Bank, Yes Bank, HDFC Bank, RBL Bank, Kotak Mahindra Bank, Standard Chartered Bank, and South Indian Bank.

Apart from these, the State Bank of India, IndusInd Bank and Bank of Baroda will also be involved in this initiative as outside members, as per the report by The Economic Times.

As per the sources, all the discussions between the participating banks is being mediated by a consortium called the Blockchain Infrastructure Company (BIC). The bank representatives have had a few meetings for establishing a live network to ensure transparency and security in the supply-chain finance.

According to Mr. Singh, the major reason to have a ledger-network is for ensuring transparency in the credit disbursement process, 'especially in the underbanked section'.

The network will allow the banks to access public credit data, helping them in avoiding high-risk situations. The data entry made by any member will also be visible to every stakeholder in the supply-chain. In the words of Vivek Belgavi of PwC, "It is impossible to change the entry once it is made, therefore providing immunity to frauds."

Source: horizonscottages.com- Jan 29, 2019

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# Artisan Speak: Ministry of Textiles signs pacts with leading textile cos to help weavers

The Union textile ministry Monday signed agreements with leading clothing/textile playes like Raymond, Welspun, Titan, Reliance Retail and the Sachin Tendulkar-promoted True Blue, under which these companies will procure more from the weavers directly.

Textile minister Smriti Irani said the initiative aims at exploring the synergy between culture and textiles and the initiative will be extended to rest of the country. She was addressing an outreach programme called the Artisan Speak where these agreements were signed.

All our schematic assistance including provision of loans, skilling, provision of yarns etc are aimed at lowering the cost of production and enhance the income of weavers," textile secretary Raghavendra Singh said.

He said the ministry is coming with QR coding post registration and pre-registration of all its weavers for geographical indication tags.

Source: freepressjournal.in- Jan 29, 2019

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