The Southern India Mills' Association
Post Box No. 3783, 41 Race Course, Coimbatore - 641 018
Phone: 0422 4225333 | Fax: 0422 4225366
E-mail: info@simamills.org | Web: www.simamills.org

NEWS CLIPPINGS –03-11-2018

India ease of doing business rank jumps 23 places to 77 in World Bank's Doing Business 2019 survey	Live MInt https://www.livemint.com/Politics/GwXhAdltCo1TCbRTAm5z0H/India-up-23-places-in-ease-of-doing-business-rankings.html

The sharp rise in India's ease of doing business rank is seen burnishing the reformist credentials of PM Narendra Modi ahead of 2019 Lok Sabha elections

India's rank in the World Bank's Ease of Doing Business 2019 survey climbed 23 places to 77 among 190 countries surveyed, making it the only country to rank among the top 10 improvers for the second consecutive year. The sharp rise in the ranking will burnish the reformist credentials of the Narendra Modi-led National Democratic Alliance (NDA) and help the prime minister build a positive narrative ahead of elections in five states next month and Lok Sabha elections in 2019.

Last year, India saw a record jump of 30 places to reach the 100th position in the rankings. In more than four years of the NDA, India's ranking improved 65 places from 142nd in 2014 to 77th in 2018, a record for a major economy. (The complete list of countries in World Bank Doing Business 2019 rankings can be accessed here)

Bharatiya Janata Party (BJP) president Amit Shah sought to quickly extract political dividend. "It is worth noting that under an "economist" PM, Dr. Manmohan Singh, India's #EaseOfDoingBusiness rankings plummeted from 132 to 142 between 2011 and 2014! Corruption, cronyism and policy paralysis of the UPA adversely impacted the nation," he tweeted.

The reforms in India included streamlining the process of obtaining a building permit and improved building quality controls," the World Bank said. "Starting a business was made easier through consolidation of multiple application forms and introduction of a goods and services tax (GST), while getting electricity was made faster and cheaper. Other reforms in India included strengthening access to credit as well as making it easier and faster to pay taxes and trade across borders."

Industry secretary Ramesh Abhishek said that earlier, breaking into the top 50 in the World Bank rankings looked difficult.

"At 77, we are within striking distance of top 50. Momentum of reforms will continue. 'Team India' will work harder, together, build more & more trust with users & deliver on the promise," he tweeted.

The Doing Business 2019 report bases the rankings on field surveys and interviews with corporate lawyers and company executives in Delhi and Mumbai. India is seeking to reach the 30th position by 2020, according to an output-outcome framework document prepared by the government.

India saw a massive jump in the parameter "dealing with construction permits" to 52th position from 181st a year ago by reducing time for processing permit applications, streamlining procedures, and improving transparency among other measures.

"By implementing the single-window clearance system in Delhi and the online building permit approval system in Mumbai during the second half of 2017, India also continued to streamline and centralize its construction permitting process," the report said.

India saw a similar improvement in the "trading across borders" section to 80th position from 146th a year ago. This improvement was made possible by reducing the time and cost to export and import through various initiatives, including the implementation of electronic sealing of containers, upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures under its National Trade Facilitation Action Plan 2017-2020.

Industry exhibits low enthusiasm towards loan portal for MSMEs	**Tribune India** https://www.tribuneindia.com/news/ludhiana/industry-exhibits-low-enthusiasm-towards-loan-portal-for-msmes/678155.html

Chairs remained unoccupied as only a handful of entrepreneurs turned up to a programme organised for the launch of easy loans portal for MSMEs by the Central Government at Government College for Girls on Friday.

Union Minister of State for Textiles Ajay Tamata was the chief guest and a live telecast of the launch programme was organised. The speech of Prime Minister Narendra Modi was telecasted live after the PM launched a portal which approves loans for MSMEs registered with the GST portal within 59 minutes. For the state, the portal is www.psbloansin59minutes.com. The portal also supports MSMEs in easier environmental clearances, lesser inspections, 2 per cent subvention or rebate on incremental new loans of up to Rs 1 crore, etc.

MSME owners and association members say one of the reasons for lack of enthusiastic presence during the function is that while the government has been making tall promises, but they have delivered little so far.

Meanwhile industry associations were unimpressed with the announcements. Speaking about it, Badish Jindal, president, FOPSIA (Federation of Punjab Small Industries Associations), said: "During the last four years, MSMEs have been in the worst position. The government has dropped most of the schemes such as CLCSS (Credit Linked Capital Subsidy Scheme) and the subsidies have been pending for years."

When asked, Ajit Lakra, Head, Textile Division of FICO (Federation of Industrial & Commercial Organization) said even though the industry always welcomes such annoucements, but the problem is that these are not really implemented at the ground level.

Rupee gains most in a day in five years	**The Hindu** https://www.thehindu.com/todays-paper/tp-business/rupee-gains-most-in-a-day-in-five-years/article25408049.ece

Oil fall, U.S.-China 'deal' spur gains

The rupee posted its best daily gain against the dollar in five years as it appreciated 101 paise or 1.36% to end the day at 72.45 a dollar as compared with the previous close of 73.45.

A combination of factors like ebbing global crude oil prices and a possible U.S.-China trade deal led to the strengthening of the rupee.

"A confluence of factors helped the sharp uptick in rupee today. Falling crude prices, better global risk appetite on U.S.-China trade-related hopes and broad dollar weakness helped the currency. This is the biggest single day gain for the rupee since early September of 2013," said Madhavi Arora, economist, FX and rates- Edelweiss Securities Ltd.

Rupee was the best performing emerging market currency on Friday after Korean won which appreciated 1.45%. Brent crude, the international benchmark, was trading at $72.98 per barrel.

Falling crude prices will help bridge the current account gap, which is seen a positive for the rupee.

The future trajectory of the rupee could be decided by several external factors, including Brent prices and the mid-term polls in the U.S.

Coimbatore to benefit from announcements for MSMEs	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/coimbatore-to-benefit-from-announcements-for-msmes/article25408525.ece

182 applications received within a few minutes of PM announcing loan scheme

Union Defence Minister Nirmala Sitharaman said here on Friday that she was confident of Coimbatore benefiting from the announcements made by Prime Minister Narendra Modi for Micro, Small, and Medium-scale Enterprises (MSMEs).

As many as 182 applications were received from Coimbatore by banks for loans within a few minutes of the Prime Minister announcing the 59-minute loan approval scheme and in principle approval given for nearly Rs. 40 crore, she told presspersons.

The Minister was in Coimbatore to take part in an outreach programme for MSMEs organised by the District Lead Bank on Friday. The Prime Minister's announcements for MSMEs were telecast at the meeting. Similar programmes were held in 100 centres across the country. In Tamil Nadu, it was held in six centres, including Coimbatore.

The MSMEs could submit their grievances and seek relief through the e-samadhan system announced by the Prime

Minister on Friday. The mandatory procurement by Public Sector Undertakings from MSMEs had been increased to 25 % from 20 %. Of this, there was 3 % reservation for units run by women, she pointed out. These announcements covered all the micro, small, and medium industries.

The 12 announcements made under four categories by the Prime Minister addressed the holistic needs of the MSMEs in detail, the Minister told the industries earlier.

On the job working engineering units' demand for reduction of GST, she told presspersons the representations had gone to the GST council and the decision should be taken by the council. Minister for Municipal Administration S.P. Velumani said that the State's Finance Minister would take up the issue at the GST council again.

TS tops in per capita energy consumption	**The Hindu** https://www.thehindu.com/todays-paper/ts-tops-in-per-capita-energy-consumption/article25408562.ece

Per capita consumption grew 59.32% in last five years

After starting its journey as a heavy energy-deficit State in 2014, Telangana has topped in the growth rate of total energy consumption and per capita consumption during 2017-18 in the country, according to the Central Electricity Authority's (CEA) annual report for the last financial year.

Seen among the indices of development by planners, the newest State has achieved 13.62% growth in terms of total energy consumption and 11.34% in case of per capita consumption of energy during 2017-18, compared to the previous year. Statistics in the CEA annual report also indicate that Telangana has achieved 11.94% growth rate in maximum demand for power (peak load).

"From a power-starved State, when it came into existence on June 2, 2014, Telangana has covered long miles in achieving the highest energy consumption growth rate in four years time as its annual energy consumption growth rate of 13.62% is about 122.91% higher than the country's average growth rate of 6.11%", Chairman and Managing Director of TS-Genco and TS-Transco D. Prabhakar Rao said reacting to the CEA report.

In terms of per capita energy consumption, Telangana has achieved 59.32% growth in five years as it reached 1,727 units in 2017-18 from 1,084 units in 2013-14. Mr. Rao said that the State could achieve the highest growth rate in per capita and annual consumption of energy mainly due to uninterrupted power supply being provided to all sectors except agriculture from 2016 and also to agriculture from January this year.

He explained that the State has also achieved 51.37% growth rate in giving new agriculture connections. As against 2,82,875 new connections given from 2010 to 2014, 4,28,208 new connections were given from 2014 to 2018. The yearly average of agriculture power connections sanctions has also increased from 70,000 in four years till formation of the State in 2014 to 97,000 in four years after Telangana came into being. In the current year, 40,628 new connections have been sanctioned so far.

The CEA report stated that Telangana has achieved maximum power demand (peak load) of 10,284 mw in 2017-18 from just over 6,660 mw when the State was formed.

As govt, RBI spar, IMF wades into row backing independence of central banks	**Business Standard** https://www.business-standard.com/article/economy-policy/imf-says-it-s-monitoring-govt-rbi-row-bats-for-central-bank-s-independence-118110200120_1.html

he International Monetary Fund has said it was monitoring the development in India with regard to the reported rift between the Reserve Bank of India and the Centre.

It expressed its opposition to any move that compromises with the independence of central banks anywhere in the world.

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"We're monitoring the development on that issue and will continue to do so," IMF Director of Communications Gerry Rice told reporters on Thursday when asked about the row.

T he row was sparked off last Friday when RBI Deputy Governor Viral Acharya in a hard-hitting speech warned that undermining central bank's independence could be "potentially catastrophic", possible indication of the RBI being pushed to relax its policies ahead of general elections next year.

Sources privy to development said the government had sent at least three letters on different issues under Section 7 of the RBI Act that gives it powers to issue any direction to the central bank governor on matters of public interest.

The standoff was in relation to RBI's handling of weak public sector banks, tight liquidity in the market and ways of resolving bad loans in the power sector. Unconfirmed reports claimed Governor Urjit Patel was considering stepping down if the government were to issue an unprecedented direction.

Without acknowledging that the notices have been sent to the RBI, the Finance Ministry in a statement said that the "autonomy for the central bank, within the framework of the RBI Act, is an essential and accepted governance requirement. Governments in India have nurtured and respected this".

Welcome benefits for the MSME sector	**Economic Times** https://economictimes.indiatimes.com/blogs/et-editorials/welcome-benefits-for-the-msme-sector/

The benefits announced by the Prime Minister for the micro, small and medium enterprises (MSME) are welcome. A plan to let MSMEs obtain a loan in 59 minutes has grabbed the headlines, but the substantive reform is mandating all large firms — defined as companies with a turnover over Rs 500 crore — to make their procurement from MSMEs eligible for factoring.

This is to be achieved by compulsory listing of all bills of supply from MSMEs on the Trade Receivables electronic Discounting System (TReDS).

The promise of higher interest subvention to exporters is welcome, too, although the real reform the sector needs is faster release of much-delayed input tax credit on exports. Factoring is like bill discounting, except that the factor, normally a bank, takes over from the supplier collection of the receivable from the buyer, making large companies negotiate with banks rather than with small vendors.

Factoring could not take off because large firms cut out from their supply chain small suppliers who took their receivables to a factor — big firms like free credit from small suppliers, whom they pay with a lag of four months or more.

Forcing large companies to list all their receivables on TReDS will curb this practice and benefit the MSMEs. In addition, the government could altergoods and services tax (GST) rules to make large buyers collect and take credit for the GST on their purchases from the small sector, so that MSMEs do not have to bear the financing cost of the tax they pay till they are paid by their supplier.

The grandiose plan to give loans in 59 minutes begs the question, on what collateral, by which branch with what relationship with the borrower and with what guarantee of debt servicing? Without clear titles to land, what collateral will MSMEs offer?

A well-functioning debt market is the solution to MSME finance, along with greater freedom for the emerging fintech sector to operate in trade credit. NBFCs, small finance banks, etc, can raise money from the debt market and service MSMEs that cannot access the debt market directly. The government and Reserve Bank of India must work to this end.

India defers retaliatory duties on 29 US products yet again	Business Line https://www.thehindubusinessline.com/economy/india-extends-deadline-for-imposition-of-higher-import-duties-on-29-us-products/article25399230.ece

India, for the third time, extended the deadline for the imposition of higher customs duties on 29 US products, including almond, walnut and pulses, by another 45 days until December 17, the government said Thursday.

According to a notification by the finance ministry, the implementation of the duty hike has been postponed until December 17. The commerce ministry had asked its finance counterpart to extend the deadline for the rollout of duty hike further.

In June, India decided to impose retaliatory tariffs from August 4. But it was extended by another 45 days till September 18 and then again till November 2. As part of imposition of higher import duties, New Delhi has notified higher tariffs on several products. While import duty on walnut is to be hiked to 120 per cent from 30 per cent, duty on chickpeas, Bengal gram (chana) and masur dal will be hiked to 70 per cent from 30 per cent. Levy on lentils will be hiked to 40 per cent from 30 per cent.

Other products which would attract higher duties include boric acid, phosphoric acid, diagnostic reagent, flat rolled products of iron, certain flat rolled products of stainless steel. The duty hike move by India was in retaliation to US President Donald Trump's March 9 decision to impose heavy tariffs on imported steel and aluminium items.

Senior officials of India and the US are in discussions to finalise a kind of trade deal. Both the sides holding two track discussions -- to increase trade in short and medium term, and identify long term trade potentials.

India is pressing for exemption from high duty imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic products under their generalised system of preferences (GSP), greater market access for its products from sectors, including agriculture, automobile, auto components and engineering. As many as 3,500 Indian products from sectors such as chemicals and engineering get duty-free access to the US market under the GSP, introduced in 1976.

On the other hand, the US is demanding greater market access for its farm and manufacturing products, including medical devices. India's exports to the US in 2017-18 stood at USD 47.9 billion, while imports were USD 26.7 billion. The trade balance is in favour of India.

Meanwhile, the US on Thursday ended duty-free concessions on import of about 50 Indian products, mostly from handloom and agriculture sectors. These goods were so far availing duty-free access to the US market under the Generalized System of Preferences (GSP).

In April, the US announced eligibility review of India for the GSP. According to the USTR, the total US imports under GSP in 2017 was USD 21.2 billion, of which India was the biggest beneficiary with USD 5.6 billion, followed by

Thailand (USD 4.2 billion) and Brazil (USD 2.5 billion).

Out of USD 5.6 billion, these 50 products accounted for USD 72.35 million worth of duty free exports to the US in 2017. Some of the Indian products removed from the provisions include dried pigeon pea seed; areca nuts, fresh or dried, in shell; mangoes, prepared or preserved by vinegar or acetic acid; and sandstone, merely cut into blocks or slabs of a rectangular (including square) shape.

Trade wars: US scraps GSP sops, India still defers counter-move	**Financial Express** https://www.financialexpress.com/economy/trade-wars-us-scraps-gsp-sops-india-still-defers-counter-move/1369823/

India has decided to defer its plan for a third time to retaliate against extra US duty on its steel and aluminium, even as the Trump administration on Thursday withdrew the benefit of concessional tariffs under its so-called generalised system of preference (GSP) for 50 Indian goods.

India has decided to defer its plan for a third time to retaliate against extra US duty on its steel and aluminium, even as the Trump administration on Thursday withdrew the benefit of concessional tariffs under its so-called generalised system of preference (GSP) for 50 Indian goods.

The imposition of extra tariff worth $235 million by India on 29 American goods will be delayed by 45 days from the November 2 deadline as India hopes to clinch a mutually-acceptable trade package from the ongoing negotiations, an official source told FE.

New Delhi takes heart from the fact that it still remains the biggest beneficiary of tariff concessions under GSP and that the US' was not a country-specific move rather a product-specific one (as many as 94 items were dropped from the GSP list, impacting a number of nations).

The 50 now-ineligible items accounted for exports of only $72.4 million to the largest economy in 2017. Nevertheless, the move signals the Trump administration's toughening stance in trade negotiations with India. The source said India still remained the largest beneficiary of the GSP regime and the move was part of the usual tweaking it does once supplies of certain products to the US cross stipulated thresholds. The products that are now ineligible for tariff concession accounted for less than 2% of the country's exports worth $5.58 billion to the US under the GSP regime and only a tiny fraction of India's total goods exports of $45.2 billion in 2017. Still, since the 50 products include textiles, chemicals, dairy, leather, musical instruments, dried pigeon pea, processed fruit and vegetable, mango, carpets and musical instruments, the withdrawal of tariff benefits could hit some small and medium enterprises.

As part of the trade package, for which talks are on, while India wants an exemption from the additional duty on its steel and aluminium, the US is also seeking to use GSP benefits it offers to India and some others to extract greater market access from New Delhi and reduce a trade imbalance.

For India, greater access to the American market in food, farm, engineering goods, auto and auto parts segments hold promise in the long term (over five years). The US sees good prospects for its companies in Indian civil aviation, oil and gas, education service and agriculture segments. It is particularly interested in India removing price cap on bioresorbable stents. India is a large market for stent makers and it imported medical instruments, including stents, worth around $1.6 billion from the US in the last fiscal, up 10% from a year earlier.

The GSP, the largest and oldest US trade preference programme, is designed to promote economic development by allowing duty-free entry for thousands of products from designated beneficiary countries. Some of the items from other countries like Argentina, Brazil, Thailand, Suriname, Pakistan, Turkey, the Philippines, Ecuador and Indonesia have also been dropped from the GSP list.

The United States Trade Representative (USTR) in April announced that it is reviewing the GSP eligibility of India, along with Indonesia and Kazakhstan. According to the USTR, the total US imports under GSP in 2017 was $21.2 billion. India was the largest beneficiary, followed by Thailand ($4.2 billion) and Brazil ($2.5 billion). The programme has now been renewed through December 31, 2020.

Indian industry bodies like Ficci had submitted to the USTR that the termination of the GSP benefits would be contrary to the legislative objective and the history of the Trade Reform Act of 1974 of furthering the economic development of developing countries. However, it's still unclear if withdrawal of the GSP benefit, which is the discretion of the US, can be successfully challenged at the World Trade Organization. But some analysts said India had challenged a similar rollback of a programme by the EU earlier.

10 handicraft parks being planned to provide infra support to small exporters	**Business Line** https://www.thehindubusinessline.com/economy/10-handicraft-parks-being-planned-to-provide-infra-support-to-small-exporters/article25405632.ece

With small exporters of handicrafts finding it difficult to meet the stringent international standards of manufacturing in most developed-country markets, the Export Promotion Council for Handicrafts (EPCH) plans to bring such units together in handicraft parks to be set up across the country, with common facility centres (CFCs), testing labs and raw material banks.

"We are planning to set up about 10 handicraft parks throughout the country. The first such park is coming up on the Yamuna Expressway," Rakesh Kumar, Executive Director, EPCH, told BusinessLine.

The CFCs will serve as a training/skill development facility as well as a manufacturing hub for the handicraft exporters, who will be provided with the latest machinery required for augmenting production and exports, Kumar said.

The testing labs shall serve the purpose of testing products for meeting international standards and the raw material bank shall ensure steady supply of inputs thereby decreasing the lead time to delivery to the exporters.

"The facilities in the parks will be especially significant for small exporters as they often operate from very small set-ups and do not have access to the infrastructure that is required to meet the standards of buyers in markets such as the EU, the US or Japan," Kumar added.

The park on the Yamuna Expressway could also be the answer to the woes of the small & medium enterprise (SMEs) in Delhi facing a sealing drive carried out by the municipal corporations. "This handicrafts park would offer an alternative to SMEs to set up their units in the proposed park thereby facilitating uninterrupted, social and environmentally compliant production," Kumar said.

While the handicraft park on the Yamuna Expressway will house about 300-400 units spread over 200 acres, some parks that are being planned could be much smaller depending on the place, he said.

India's handicrafts exports declined 1.8 per cent to $3.57 billion in 2017-18, while overall exports from the country posted an increase of 9.8 per cent to $302 billion.

China Lowers Imports Tariffs to Diversify Sourcing Amid Trade War with U.S.	**Strade** https://www.strtrade.com/news-publications-China-tariff-reduction-sourcing-301-110518.html

China lowered its import duties on 1,585 tariff lines as part of a long-term plan to diversify sourcing away from the U.S. The move is expected to benefit suppliers such as the European Union, southeast Asia, and countries participating in China's "One Belt, One Road" initiative.

China has responded to each stage of the Section 301 tariff increases the U.S. has imposed against imports from China with duty hikes of its own. However, this retaliation has resulted in higher costs for imports from the U.S., including key components in the supply chains for finished goods produced in China. Anticipating that these mutual tariff increases will remain in place for an extended period, Beijing has announced several rounds of duty decreases to encourage more sourcing from other countries. Affected products have included cancer-related drugs (effective May 1) and automobiles, auto parts, and some consumer goods (effective July 1).

The latest round, which took effect Nov. 1, included lowering the average duty rates for the following products as indicated.

- construction machinery, instruments, and other mechanical and electrical equipment that have substantial domestic demand from 12.2 percent to 8.8 percent

- textiles, construction materials, etc. from 11.5 percent to 8.4 percent

- resource commodities such as paper products and primary processed products from 6.6 percent to 5.4 percent

(While affected goods from the U.S. will also benefit from these changes, they also remain subject to the retaliatory duties described above.)

As a result of these and previous adjustments, China's overall average import duty rate has been reduced from 9.8 percent in 2017 to 7.5 percent today.

EU Revises Plan to Fix WTO in Bid to Get U.S. on Board	Bloomberg https://www.bloomberg.com/news/articles/2018-11-01/eu-is-said-to-revise-plan-to-fix-wto-in-bid-to-get-u-s-on-board

The European Union is revamping its plan to reform the World Trade Organization in an effort to win support from the U.S., according to two people briefed on the process.

The European Commission, the EU's Brussels-based executive, is looking to address U.S. concerns about the WTO's hobbled dispute settlement system when it introduces a revised reform paper prior to the organization's Dec. 12 general council meeting, the people said, asking not to be identified discussing confidential plans.

A commission spokeswoman said that the effort remains a work in progress and declined to offer further details.

The commission introduced a "concept paper" in September with a proposal to fix some of the WTO's flaws and address U.S. concerns about the dispute settlement system.

Specifically, the commission paper sought to address a half-dozen U.S. complaints about the functioning of the WTO appellate body, which has the final say in upholding, modifying or reversing rulings that often affect some of the world's biggest companies and billions of dollars in commerce.

U.S. Block

For more than a year President Donald Trump's administration has blocked new appointments to the appellate body, complaining that the forum has consistently over stepped its remit with aggressive interpretations of the rules.

If the U.S. continues its hold, the body will be paralyzed in late 2019 because it won't have the three panelists required to sign off on rulings.

The EU's initial plan would have meant an increase in the number of appellate body members, extend their term limits, and provide them with full-time jobs. Deputy U.S. Trade Representative Dennis Shea blasted that proposal during an Oct. 4 panel discussion at the WTO.

"Our view is that that means less accountability," he said. "We cannot support something that will make the appellate body less accountable."

Reform Talks

European Trade Commissioner Cecilia Malmstrom will discuss the commission's ideas Nov. 9 in Brussels at meeting of the European Foreign Affairs Council on Trade. She will brief ministers from the 28-country bloc about her outreach efforts with trade officials from China, the U.S., and Japan, among others.

Last week, Malmstrom joined a dozen other senior trade officials in Ottawa to discuss prospects for reforming the Geneva-based trade body. Ministers agreed to work together to strengthen the three core pillars of the WTO's work -- negotiation, dispute settlement, and trade monitoring -- and review their efforts at the WTO's January meeting in Davos.

Still, delegates from the U.S. and China were not invited and the question of how to get the world's two largest economies involved hangs over the reform effort.

Sri Lanka chosen as SLCP launch point	**Eco Textile** https://www.ecotextile.com/2018110223835/social-compliance-csr-news/sri-lanka-chosen-as-slcp-launch-point.html

Sri Lankan textile association JAAF has announced that the Social and Labour Convergence Project (SLCP) has chosen the South Asian country for its global launch.

The SLCP claims that it has the potential to revolutionise the way customers can evaluate manufacturers within the global apparel and footwear industry as well as address what it says is one of the key challenges in the industry, audit fatigue.

Domestic supplies important to Vietnamese garment & textile industry	**English Vov** https://english.vov.vn/economy/domestic-supplies-important-to-vietnamese-garment-textile-industry-386498.vov

Vietnam's textile industry could not take full advantage from the new-generation free trade agreements like the Europe-Vietnam free trade agreement (EVFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) if it continues dependence on imported raw materials and accessories, according to watchers.

A report from the Ministry of Industry and Trade (MoIT) said Vietnam shipped US$22.56 billion worth of garment and textile products to foreign countries in the first nine months of this year. Meanwhile, cotton import turnover in the period surged 30.3% to US$2.41 billion, and purchase of fabric increased 13.5% year on year to US$9.39 billion and that of yarn was estimated at US$1.78 billion, up 34.6%.

Deputy Minister of Industry and Trade Tran Quoc Khanh has said the garment and textile sector is expected to earn high revenue of 35 billion USD this year. "We have enjoyed high export earnings but we do not have materials," he pointed out.

Particularly, when the EVFTA and the CPTPP take effect in the end of this year, with tax lines cut to zero, Vietnamese garment and textile products will have opportunities to expand its market share in Canada, New Zealand and Australia. However, the two deals set high requirements in terms of thread and fabric origin, which poses barriers to the industry when it is tangled in the middle, productive in terms of final products but grinding to a halt in the production of materials.

Pham Tat Thang, a senior researcher at the MoIT, said domestic textile firms are able to produce 0.8 billion metres of fabric each year, meeting only around 13% of the total demand. This means the country still has to import 5.2 billion metres of fabric annually.

Thang said that even the home-made amount is not qualified to make high-quality products. In fact, many businesses have to import more than 90 percent of its material to satisfy production.

Chairman of the Vietanm Textile & Apparel Association (VITAS) Vu Duc Giang said that the association has called for foreign investments to ensure sufficient supply for the sector. During January-August, the country secured over US$2 billion in foreign direct investments (FDI) in the garment and textile industry. Those include a US$50 million sheep wool yarn spinning plant in Da Lat city, invested in by German Sudwolle, and a US$13.8 million sewing threads factory in Quang Nam province by German Amnn Group.

Domestic firms have also invested heavily in weaving and dying. Advanced technology has been applied in Phong Phu International JSC in softerner wash process for its jeans and khaki products. Meanwhile, Bao Minh company recently opened its weaving factory in Nam Dinh province, with a designed capacity of over 35 million metres of fabric each year – 70% of which will be yarn-dyed.

Giang expressed his belief that with the presence of new weaving companies, the sector will have sufficient material to ensure its sustainable development.

PCCC to expand cotton research activities: Dr Khalid	**Nation.com** https://nation.com.pk/03-Nov-2018/pccc-to-expand-cotton-research-activities-dr-khalid

Cotton Commissioner and Vice President Pakistan Central Cotton Committee (PCCC) Dr Khalid Abdullah said on Friday that PCCC was expanding cotton research activities and to employ new technology to off-set the adverse impact of weather changes on crop. He said this during a visit to Central Cotton Research Institute (CCRI) Multan where he was briefed on on-going cotton research activities by director CCRI Dr Zahid Mahmood. Cotton Commissioner said that ministry of national food security and research was committed to promote agriculture to materialize Prime Minister Imran Khan's dream of prosperous farmers and prosperous Pakistan. He observed that prosperity of the country was linked with the prosperity of farming community. He said that the ministry was committed to make access of farmers to modern facilities and technologies easy.

He said that he was aware of the problems of research bodies and promised all possible financial and technical support to resolve them. Earlier, CCRI director Dr Zahid Mahmood said that scientists were busy in developing new cotton varieties that can defeat pest attack, weather changes and give higher yield. He disclosed that new cotton varieties that can survive extreme hot weather and consume less water were also being developed at CCRI Multan.

Vietnam garment exports surge on U.S.-China trade war	**Reuters.Com** https://www.reuters.com/article/vietnam-garments/vietnam-garment-exports-surge-on-us-china-trade-war-idUSL3N1XD23M

Vietnam's garment exports are set to rise by 14.8 percent this year to $35 billion, an industry official said on Friday, as U.S. retailers diversify their product sourcing to keep costs under control amid an escalating trade dispute with China.

The U.S. has already imposed tariffs on $250 billion worth of Chinese goods, and China has responded with retaliatory duties on $110 billion worth of U.S. goods.

Garments, Vietnam's second largest export-earner after smartphones, are not yet subject to U.S. tariffs, although some manufacturers have sought to move at least some production to the Southeast Asian country, anticipating potential penalties.

"We are seeing more and more orders coming in, especially from the United States," Vu Duc Giang, chairman of Vietnam Textile & Apparel Association, told Reuters.

Garment exports to the United States rose 12 percent in the January-October period to $10.5 billion, while exports to China surged 40 percent to $1.1 billion, according to a government statement released on Thursday.

Ngo Quang Thoa, chairman of Swimax International Joint Stock Co, a contractor which produces swimwear and underwear products for U.S. companies such as Target and Express, said he had received a large increase in orders from the United States since January.

"This is because of the trade war between the U.S. and China," said Thoa, who added that he expected to see his exports to the United States increase by up to 20 percent by the end of the year.

Some U.S. clients are already making strategic adjustments to their business plans to diversify their supplies, even though Trump hasn't targeted Chinese garments in the tariff war yet," he said.

Vietnam is home to over 6,000 textile and garment factories which employ around three million people, Thursday's government statement said.

Giang, chairman of Vietnam Textile & Apparel Association, told Reuters those figures were likely to grow, thanks to a plethora of Vietnamese free-trade agreements, and not just because of the U.S.-China trade spat.

Vietnam has signed around a dozen free-trade agreements that will remove or reduce taxes on several imports and exports.

Foreign investors poured in $2 billion in Vietnam’s garment and textile production in the first eight months of this year, Giang said.

Most investors were from Japan, South Korea, Taiwan and China, he added.

“They have been upping their investment in Vietnam for years,” said Giang. (Reporting by Khanh Vu; Editing by James Pearson and Gopakumar Warrier)

FALL IN WORLD COTTON PRODUCTION LIKELY THIS YEAR	**Fashionating World** https://www.fashionatingworld.com/new1-2/fall-in-world-cotton-production-likely-this-year

Global production of cotton is expected to decrease in 2018-19. Although Brazil and West Africa are expected to see an uptick in planted area, they are unlikely to be significant enough to offset losses in Australia, China, India and the United States.

The decline in global ending stocks continues as well, down 22 per cent from 2014-15. The trend is expected to continue next year, with the projected six per cent decrease further eroding stocks. Due to uncertainties in the world economy and trading market, the global consumption forecast for 2018-19 has been revised downward to 27.5 million tons. Demand for Indian cotton is robust from China as a trade war is prompting the world's top consumer to avoid imports from the United States.

Indian cotton prices are ruling 10 per cent lower than international prices. The minimum support price is up 26 to 28 per cent, notwithstanding favorable monsoon conditions.

WORLD MANMADE YARN EXPORTS DOWN 36 PER CENT IN Q2	**Fashionating World** https://www.fashionatingworld.com/new1-2/world-manmade-yarn-exports-down-36-per-cent-in-q2

World manmade yarn exports dropped 36.28 per cent in the second quarter. The drop was 36.25 per cent if compared to the corresponding period last year. Manmade filament yarn exports fell 32.25 per cent over the previous quarter and 24.50 per cent over the corresponding period of last year. Manmade staple fiber yarn exports witnessed a drop of 47.41 per cent over the previous quarter and a 45.75 per cent drop over the corresponding period of the last year.

India’s manmade yarn exports grew 3.02 per cent in the second quarter over the previous quarter and compared to the same period last year the growth climbed to 28.88 per cent. Under total manmade fiber exports, India’s synthetic filament yarn exports accounted for a share of 95 per cent.

Synthetic filament yarn exports from China grew 12.43 per cent over the previous quarter and 33.09 per cent over the corresponding period last year. Turkey's manmade yarn exports grew 3.91 per cent over the same period last year but from the previous quarter there was a fall of 7.67 per cent.

Mexico is the top export market for USA's synthetic filament yarn. The other top export markets are Canada, El Salvador, United Kingdom and China.

Trade war impact deepens across Asia, but 'real economic shock' yet to hit	**Reuters** https://www.reuters.com/article/us-global-economy/trade-war-impact-deepens-across-asia-but-real-economic-shock-yet-to-hit-idUSKCN1N63IS

The economic impact of the intensifying trade war between Washington and Beijing appeared to deepen last month with factory activity and export orders weakening across Asia, but analysts warned the worst was yet to come.

In a sign conditions for exporters and factories were deteriorating, manufacturing surveys showed marginal growth in China, a slowdown in South Korea and Indonesia and a contraction in activity in Malaysia and Taiwan.

Those figures follow weaker-than-expected industrial production data from Japan and South Korea on Wednesday, with output in the latter shrinking the most in over 1-1/2 years.

By contrast, the U.S. ISM manufacturing survey for October due later on Thursday was expected to show a much faster growth pace than in Asia, albeit a tad slower than in September, supporting the outlook for further Federal Reserve rate hikes.

Worryingly, the prospects for higher U.S. rates could feed back more market pain for the region's externally vulnerable economies — Indonesia, India and the Philippines, which have already been forced to raise rates to mitigate a sell-off in currencies, stocks and bonds.

"You have a tightening of monetary conditions around the world, a slowdown in Chinese demand, and financial market turmoil that affects sentiment and investment decisions," said Aidan Yao, senior Asia EM economist at AXA Investment Managers.

Yao said many orders from abroad are still frontloaded in anticipation of yet more tariffs and the impact is still mostly indirect, through the business confidence channel.

"The real economic shock is yet to come," he said.

China's manufacturing sector barely grew last month after stalling in September and export orders contracted further, according to a private sector manufacturing report. An official survey on Wednesday showed the manufacturing sector expanding at its weakest pace in over two years, hurt by slowing demand both externally and domestically.

Japan showed more resilience, with activity picking up, though at a slower rate than in a previous flash estimate. The world’s third-largest economy faces pressures in other areas with its central bank trimming the inflation outlook on Wednesday, flagging external risks.

Its tech-specialist neighbor and Southeast Asian economies look more exposed, however.

A DBS analysis of Asian supply chains for products bound for the United States shows the biggest exposures in machinery and electrical equipment in South Korea, Singapore, Malaysia, the Philippines and Taiwan.

South Korea’s minerals and petrochemicals exports were also exposed, as well as Indonesia’s transportation industry, according to the DBS report, which looked at the correlation between China’s imports from Asia and its U.S. exports.

The Harpex index, which tracks weekly container shipping rate changes and is a measure of global shipping activity, is now down 25 percent since its June peak.

CHINA SLOWDOWN

The pressure on China’s economy is not just external. Economic growth cooled to its weakest quarterly pace since the global financial crisis at 6.5 percent, exhibiting lackluster domestic demand by Chinese standards.

Things can get worse.

Washington has already imposed tariffs on $250 billion worth of Chinese goods, and China has retaliated with duties on $110 billion worth of U.S. goods in a row sparked by U.S. President Donald Trump’s demands for sweeping changes to China’s intellectual property, industrial subsidies and trade policies.

But absent any deal between Trump and Chinese leader Xi Jinping, who are expected to attend a G20 summit this month in Buenos Aires, the recently introduced 10 percent tariffs on $200 billion of Chinese goods will be raised to 25 percent and other tariffs may be placed on the remaining $250 billion-or-so of Chinese products which escaped the initial rounds.

“As everyone anticipates a further tariff hike...there is still a lot of front-loading going on. After Jan. 1, we expect many trade and economic activities to tumble,” said Kevin Lai, senior economist at Daiwa Capital Markets.

That all bodes ill for Asian financial markets, with many of the region’s currencies and bourses deep in the red this year. Those economies with high current account deficits have been particularly vulnerable to capital flight.

The rate hikes that central banks deployed to stop rapid declines in their currencies might also further slow activity.

“I would argue it to be wise to remain wary of EM currencies into those trade discussions a few weeks hence, and lean towards the U.S. dollar instead,” said Michael Every, senior APAC strategist at Rabobank.

OUTLIERS

Manufacturers in India, which rely more on domestic demand, defied expectations for a slower expansion in activity in October and grew at the fastest pace in four months.

Vietnam was another standout economy in the region, showing an acceleration in manufacturing activity in October. The country’s labor base is still cheap by regional standards while its trade ties with the United States remain clear of the kind of disputes with which its larger Asian peers are wrestling.

As such, it’s seen as potential winner from the Sino-U.S. trade war as companies consider rebasing and re-routing their supply chains away from the crossfire between the world’s two largest economies.

“Vietnam, by our estimation is the least impacted country in Asia...because if global companies have to move, Vietnam is a viable option,” AXA’s Yao said.

“But it will take a long time for Vietnam to take up some of the market share that China leaves behind.”