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# IBTEX No. 1 of 2020 January 2, 2020

US 71.32| EUR 79.90 | GBP 94.21| JPY 0.66

## Cotton Market (Dec 31, 2019)

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 18852 | 39400 | **70.43** |

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 19500 | 40755 | **72.85** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb (March 2020) | 69.56 |
| ZCE Cotton: Yuan/MT ( May 2020) | 13,890 |
| ZCE Cotton: USD Cents/lb | 90.21 |
| **Cotlook A Index – Physical** | **77.85** |

**Cotton Guide**- As predicted yesterday the prices are approaching 70 quickly. There were gains of more than 50 points for most of the active contracts. The ICE March contract settled at 69.56 cents per pound with a change of +64 points and the ICE May contract settled at 70.75 cents per pound with a change of +67 points. However, the volumes could not cross the 30K contract mar

Today being the last day of the year can make prices less volatile, therefore it is unlikely that ICE Prices will emanate massive changes.

Another important factor to be noticed is that the ZCE contracts usually have a change below +100 Yuan. However, yesterday the changes seen were more than +300 Yuan. This shows the intent of both the US and Chinese market participants to be positive.

The MCX contracts after having bottomed out last week, have headed for a marginal rise each day. The MCX January contract settled at 19,500 Rs per Bale with change of +40 Rs. The MCX February contract settled at 19,760 Rs per Bale with a change of +60 Rs. The Total Volumes were higher at 1415 lots with the January contract having maximum number of lots at 1174 lots.

We expect the MCX prices to show an uptrend in proportion to the changes at ICE.

The Cotlook Index A has been updated higher at 77.85 cents per pound with a change of +20 points. The Prices of Shankar 6 are moving higher in the domestic spot market by Rs 100 each day since last week. Today the prices are at 39,400 Rs per Candy for 29 mm, 3.7-4.5 MIC, 3% trash, 28 GPT, Gujarat Shankar 6 Cotton.

One of the main reasons why the prices are heading higher is due to the Geopolitical optimism. The two superpowers are expected to sign a deal in the first week of January. On the other hand, the Dollar is on a weak trend. Usually a weak US Dollar makes commodities, priced using it, less expensive for holders of other currencies.

On the technical front, in daily chart, ICE Cotton March price has witnessed a broad Inverse Head & Shoulder pattern, along with bullish flag breakout formation. Meanwhile price rallied towards 69.56 (61.8% Fibonacci extension level), with the support of 5 day EMA (69.05). Moreover, price is above the daily EMA (5, 9) at 69.05, 68.53 with a positive crossover acting as an immediate support for the price.

The momentum indicator RSI is at 70, also supports the bullish bias. The immediate support would at 68.53/67.32 (9 day EMA & 38.2% Fibonacci extension level). Thus for the day we expect price to trade in the range of 69.56-69.02 with a sideways bias. Only a sustained move above 69.56, would rise further towards the 70-7.94 zone. In MCX Jan Cotton, we expect the price to trade within the range of 19280-19640 with a sideways bias.

**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

## USA: Here's How Tariffs Impacted Manufacturing in 2019

Though President Trump has maintained his tariffs are designed to boost domestic manufacturing, new research shows the actual impact on the industry. And whether the good outweighs the bad depends on perspective.

"While existing research has mostly documented negative consequences of the tariff increases on the broad economy—including higher prices, lower consumption, reduced business investment, and drops in the valuations of affected firms—some might view these effects as an acceptable cost for achieving the policy aim of ensuring more robust manufacturing activity in the United States," new research from the study, "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector," found.

It's a perspective groups like the National Council of Textile Organizations (NCTO) may share; the council has been pushing for the levying of punitive tariffs to protect the domestic apparel and footwear industry, often as the rest of the sector largely battles against it.

In response to news of the phase one trade deal between the U.S. and China earlier in December, NCTO president and CEO Kim Glas said, "NCTO has strongly supported applying tariffs on finished products as key negotiating leverage since textile and apparel production is a key pillar of the Chinese manufacturing economy. Finished apparel, home furnishings and other made-up textile goods equate to 93.5 percent of U.S. imports from China in our sector, while fiber, yarn and fabric imports from China only represents 6.5 percent, according to government data."

The phase one trade deal reduced tariffs on finished products while maintaining duties on necessary inputs the U.S. doesn't make. Really, according to NCTO, the approach should have been the opposite—keeping duties on finished goods and cutting back on raw material tariffs. Done this way, it would reduce input costs for U.S. manufacturers.

"As domestic companies fight to compete with China and their illegal trade practices, it is important that U.S. manufacturers should be the first to see penalty duties removed on inputs not made in the United States," Glas said.

While in some ways the tariffs protect U.S. manufacturers from foreign competition, the added costs owed to the new duties have proved a setback.

“We find that tariff increased enacted in 2018 are associated with relative reductions in manufacturing employment and relative increases in producer prices,” said Federal Reserve Board members Aaron Flaaen and Justin Pierce, who authored the study. “In terms of manufacturing employment, rising input costs and retaliatory tariffs each contribute to the negative relationship, and the contribution from these channels more than offsets a small positive effect from import protection.”

In short, the good is far from outweighing the bad when it comes to Trump’s tariffs.

What’s more, the report says factory gate prices have gone up 4.1 percent as a result of higher input prices. Not surprisingly, U.S. manufacturing has slowed down.

“Manufacturing employment and output increased at a robust pace in 2017 and, indeed, through much of 2018. Since the end of 2018, however, manufacturing output has declined noticeably and manufacturing employment growth has stalled,” the researchers said.

Over the longer term, U.S. manufacturing activity could ramp up some as companies “fully adjust their supply chains to avoid U.S. import tariffs,” according to the report, though a wholesale Made in America resurgence is still unlikely as East Asian manufacturers are picking up what China is putting down, and an influx of both workers and skills to the U.S. isn’t expected.

The tariffs aren’t working according to Trump’s plan.

“The traditional use of trade policy as a tool for the protection and promotion of domestic manufacturing is complicated by the presence of globally interconnected supply chains,” Flaaen and Pierce said. “The impact from the traditional import protection channel [which is supposed to protect domestic industries from foreign competitors] is completely offset in the short-run by reduced competitiveness from retaliation and higher costs in downstream industries.”

What happens in 2020 could bring an added adverse impact to the sector, though the hope is that the novelty of levying tariffs at a tweet's notice wears off in the new year.

Source: sourcingjournal.com- Dec 31, 2019

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## Sri Lanka: Apparel industry eyes 6% export growth in 2020

Sri Lanka's apparel industry targets a 6 percent year-on-year (YoY) growth in exports for this year, moving ahead with plans to set up a 200-acre fabric park with foreign investments in collaboration with the Board of Investment (BOI) in the Eastern province, eyeing to attract large-scale orders by reducing lead times with locally-sourced fabrics.

According to Sri Lanka's Joint Apparel Association (JAAF), Sri Lanka's apparel exports grew 5.8 percent YoY to US $ 4.8 billion during January-November, last year, surpassing the initial expectations.

The Sri Lanka Apparel Exporters Association (SLAEA) estimates apparel exports to have grown over 6 percent YoY to US $ 5.3-5.4 billion by end-2019.

"We are expecting growth to be around 6 percent overall for 2020, equally from both the United States (US) and European Union (EU) markets. The industry expects a significant growth to come from once the fabric park in Eravur is established, as we can source fabric locally, cutting down our lead times, instead of importing from overseas, specially from India and China. This is our main target for the year," SLAEA Chairman Rehan Lakhany told Mirror Business.

The apparel industry is currently awaiting the BOI to acquire the earmarked 200-acre land in Eravur to set up the proposed fabric park.

"Once the land is acquired, we will be working in conjunction with the BOI to develop the land and then will invite potential bidders to set up a centralised water treatment plant. Consequently, we will also invite investors from overseas to set up fabric mills and other finishing facilities in Sri Lanka," Lakhany said.

Initially, the proposed fabric park is expected to attract foreign investments from China and India, in the range of US $ 50-100 million, to set up fabric mills and other finishing facilities, particularly from firms based in China due to the on-going US-China trade war.

“There’s lot of interest from international fabric manufacturers based in India and China. Many Chinese manufacturers have moved to Vietnam and Bangladesh. Sri Lanka hasn’t been on their radar so far as we didn’t have proper facilities in Sri Lanka. Once the zone is in place, there will be lot of Chinese investments coming in,” he added.

Although Sri Lanka has faster shipping times to the US and EU markets, due to its strategic location, Lakhany pointed out that the apparel exporters were unable to capitalise on this as the country has to import fabrics from overseas, mainly from India and China, which contributed to a significant increase of lead times.

“Most of the fabrics that we import are from China and India and it heaps into the lead time. With locally-sourced fabrics, we can target much bigger orders. Further, we will also be saving lot of foreign exchange spent on fabrics as the local value addition increases,” he said.

In addition, polyester fabrics, which account for over 50 percent of fabric requirement, don’t qualify for the EU’s GSP Plus concessions as it is being imported from China.

“If we set up a plant to finish processing polyester fabrics in the fabric park, it will be qualified for GSP Plus,” Lakhany highlighted.

The SLAEA anticipates a significant demand to enhance capacities of apparel manufactures with increased foreign participation, once fabric mills are set up in the park.

The fabric park is expected to be fully operational within two years, given no delay in the BOI’s role in terms of facilitation.

In particular, locally-sourced fabric remains crucial for the industry to reach its medium-term target of US $ 8 billion in apparel exports by 2025.

Meanwhile, Lakhany expressed his concerns over the slow progress in FTA talks with India and China, which have come to a grinding halt since last year.

Sri Lanka's apparel industry has been targeting to diversify its export base into the BRIC countries, in particular to India and China, as the growth in mature clothing markets has slowed down.

However, Lakhany stressed that the proposed FTA with China and the proposed Economic and Technology Co-operation Agreement (ETCA) is crucial for Sri Lanka's apparel exporters to break into these markets.

During January-November, the US retained its position as Sri Lanka's top apparel importer. Sri Lanka's apparel exports to the US grew 3.76 percent YoY during the period to US $ 2.1 billion while the apparel exports to the EU grew at a faster rate of 6.13 percent YoY to surpass the US $ 2 billion mark.

In addition, Sri Lanka apparel exports to other markets such as Canada, India, Australia, Japan and China grew 12 percent YoY to US $ 666.5 million. The apparel and textile industry contributes to 6 percent of Sri Lanka's GDP while accounting for 40 percent of the country's exports.

Source: dailymirror.lk - Jan 02, 2020

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## Cambodia's growth may slow down if EBA withdrawn: IMF

Cambodia's economic growth is expected to slow down in 2020 if the European Union (EU) withdraws the Everything but Arm (EBA) trade scheme, the International Monetary Fund (IMF) said recently. Its economy is projected to grow by 6.8 per cent next year, slightly lower than 7 per cent this year, driven by continued export growth and strong construction activity, it said.

"Cambodia's economic outlook is subject to significant downside risks," IMF said in a press release. "The on-going EBA review by the EU, Cambodia's primary export partner, could lead to a suspension of preferential trade access later next year, which could have a large negative impact on economic activity."

The EU started in February an 18-month process that could lead to the temporary suspension of Cambodia's duty-free trading access to the EU market under the EBA scheme due to concerns over human rights and labour rights. A final decision on whether to withdraw the trade privilege from Cambodia or not will be made in February next year.

The country's export to EU was valued at $5.86 billion in 2018, about 95 per cent of which entered the EU duty-free taking advantage of EBA preferences, EU data showed. Garment and footwear products accounted for around three quarters of EU imports from the country.

The garment and footwear industry is Cambodia's biggest export sector, employing about 750,000 people in some 1,100 factories.

If stripped, tariffs on garment, footwear, and bicycle products to the EU market will increase by 12 per cent, 16 per cent and 10 per cent respectively, according to a recent World Bank report.

Source: fibre2fashion.com- Jan 01, 2020

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## Turkey: Exporters are not required to convert FX revenues into lira

Turkey has scrapped a requirement that exporters convert foreign exchange revenue into lira, according to an amended decree published on country's Official Gazette, reports Reuters.

The decree, requiring exporters to convert at least 80% of their overseas revenue into lira was published on September 4, 2018, during the height of a currency crisis which wiped some 30% off the value of the Turkish currency.

The rule had been criticised by exporters because Turkey relies on raw materials from overseas for manufacturing, and imports cotton, scrap metal and chemicals priced in foreign currency.

Turkish companies are still required to bring revenue from export transactions into the country within 180 days of actual date of export, according to the amended decree, which was published late on Tuesday.

Turkey's exports totalled $156.9 billion in January-November period last year, according to official statistics data. Turkey is a big exporter of textiles, clothing, machinery, steel and cars.

Source: middleeastmonitor.com - Jan 02, 2020

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## Pakistan: PM Imran Khan, his financial teams tell APTMA: No zero rating status for export sectors

Prime Minister Imran Khan and his financial team headed by PM's Adviser on Finance and Revenue Dr Hafeez Sheikh refused to restore zero rating status for the export sector, here in meeting held on Wednesday with the All Pakistan Textile Mills Association (APTMA) delegation.

The government said that it is not possible as the IMF does not allow restoring zero rating status. However, the government has accepted all other demands other than zero rating. The meeting, was also attended by FBR Chairman Shabbar Zaidi and Adviser to PM on Commerce, Textile, Production and Industry Abdul Razak Dawood.

The APTMA delegation, according to a senior official who attended the meeting, led by patron-in-chief Gohar Ejaz advocated with convincing arguments to restore zero rating for export oriented sectors (sports, carpets, leather, textile and surgical) and said the FBR wrongfully argues that every month tax collection agency overstates its revenue collection by Rs22 billion per month which is actually refundable to the textile industry.

An official quoting the textile industry delegation said the FBR, collected Rs108 billion in last 5 months till November 2019 of the ongoing financial year 2019-20 out of which it only paid Rs15 billion in refunds putting industry in the hot waters as this has triggered a huge liquidity crisis. Owing to this very fact, the industry is unable to meet export orders and cannot expand its operations to create exports surplus.

However, the government side mentioned that it is going to ensure additional credit of Rs200 billion for exporters under the Export Finance Scheme (EFS) in the current financial year. The interest rate differential (between Kibor and EFS markup) will be paid by additional Rs10 billion subsidy by the government. In addition, SBP will give additional Rs100 billion worth of lending to the exporters, to be subsidised by government through the SBP profits.

On the energy package, the APTMA raised the issue of charging quarterly adjustments of over Rs2 per unit more from textile industry other than teh already agreed 7.5 cents per unit in the meeting. The government side assured that the quarterly adjustments will not be charged. The APTMA also asked for continuation of the energy package for another five years.

The government assured by saying that APTMA should come up with policy draft and the government will look into these issues positively. Under an energy package the export industry is being extended power tariff of 7.5 cents per unit and gas tariff at $6.5 per MMBTU. The APTMA wants the package for a five-year term to increase the exports to the maximum.

In the meeting, Prime minister Imran Khan was apprised that the production cycle requires 185 days to complete and the FBR collects sales tax on value added items at each stage but the refunds are only available after export and this is how the FBR is overstating its revenue collection by Rs22 billion per month which is actually refundables.

So it is better to restore the zero rating status for the export industry in the national interest. However, the government has not shown any inclination to accept this demand because of the fact that IMF does not allow the government to do so.

The APTMA expressed the fear that the textile exports will not increase as the country faces the cotton deficit of 5 million bales due to locust attack. The prime minister asked the Commerce Ministry to appoint a focal person to look after the affairs relating to cotton production.

In the meeting the APTMA sensitised the premier by saying the textile industry is forced to import 5 million tones bales at the cost USD 2 billion to meet the requirements in the ongoing financial year. He was told that it was 2014-15 when the country produced a bumper crop of cotton and achieved the 14 million bales target, but in 2019-20, the country only produced just 9 million bales.

During the meeting, the prime minister assured of taking a decision on the recommendations of APTMA about increasing the cotton production in the country.

The APTMA has suggested to the government to amend the Seed Act and formulate new rules and asked for legislating the Plant Breeder's Act and its effective implementation. The APTMA also stressed for innovation to acquire advanced seed R&D technology.

The APTMA also suggested that public-private and international collaboration is required to acquire advanced seed R&D technology for quality seed development. It also asked for such seed technology that effectively controls weeds and insects. The APTMA also said the cotton cess collected from textile industry should be allocated to the development of the cotton seed.

Source: thenews.com.pk- Jan 02, 2020

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## China lowers import tariff for many items under free trade agreements with Pakistan, other countries

China lowers tariff rates in accordance with the free trade agreements it has separately signed with Pakistan, New Zealand, Peru, Costa Rica, Switzerland, Iceland, Singapore, Australia, the Republic of Korea, Chile and Georgia, as well as the Asia-Pacific Trade Agreement, starting Wednesday (today).

The second phase of China-Pakistan Free Trade Agreement (CPFTA) allows the Pakistani manufacturers and traders to export around 313new products on zero duty to the Chinese market, according to official sources here.

Pakistan was already enjoying zero duty on export of 724 products to China under the first FTA signed between the two countries in 2006. After the implementation of the second phase of FTA, Pakistan has been allowed to export a total of 1047 products to China on zero duty.

The new facility will particularly benefit the textile sector to enhance its export to China as textile exports to China will virtually be duty free.

There are a number of other items particularly leather and agriculture products as well as confectionery and biscuits etc which Pakistani manufacturers can export to China.

According to experts, Pakistan, can now increase its export around US$ 1 billion in the short term while the export of these items are likely to touch US$ 4-5 billion in the medium term after setting up a new industry in the special economic zones being constructed in Pakistan under the China-Pakistan Economic Corridor (CPEC) flagship project.

In the long-term, Pakistan can enhance its exports to China up to US$ 10 billion in the next few years as the volume of Chinese import market is around US$ 64 billion.

China wants to import quality products from different countries including Pakistan. If our traders actively participate in different trade fairs in China to market their goods, they can get import orders at good prices.☐

The present government has resolved export rebate issue and it is giving subsidy to exporters on electricity and gas. The State Bank of Pakistan has also increased funds limits for the traders and manufacturers under the export refinance scheme which will help increase exports.

Currently, cotton yarn, copper, rice, chromites nephrite, seafood and ethylene alcohol are main products being exported to China.

Meanwhile, according to a Global Time report, the second phase of the China-Pakistan FTA is expected to further bridge the trade deficit between the two countries by boosting Pakistani exports to China.

How to narrow the trade deficit between China and Pakistan has become a very important topic in the China-Pakistan relations.

It is hoped that a significant lowering in tariff levels between the two countries will deepen trade ties by cutting the deficit, thus effectively promoting the construction of the Belt and Road Initiative and the development of the China-Pakistan Economic Corridor (CPEC).

Agricultural cooperation is a key area in which China and Pakistan will seek cooperative efforts aimed at reducing the trade deficit.

Agriculture is a pillar industry of Pakistan's economic development, accounting for about 40 percent of its economy, while China is now the world's largest importer of agricultural products, importing about $130 billion of agricultural goods annually.

At present, agricultural departments from both countries have signed a number of cooperation agreements and Memorandums of Understanding in the fields of agricultural information exchange, training of technical personnel, processing of agricultural products and animal and plant quarantine, as well as production and maintenance of agricultural machinery.

For instance, as cotton-related products account for nearly 60 percent of Pakistan's total exports, experts from the Chinese Academy of Agricultural Sciences are actively engaged in technology exchange and cooperation with Pakistani experts on how to improve the quality of cotton seeds.

So far, the China-Pakistan Cotton Biotechnology Joint Laboratory is the only agricultural project under the CPEC program.

Moreover, data shows that Pakistan's mango exports to China jumped 42 percent year-on-year to 115,000 tons as of mid-September. Exports are further expected to reach a new high of 120,000 to 130,000 tons.

Source: app.com.pk - Jan 01, 2020

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# Pakistan: Govt focusing on research for enhancing yield of cotton, other crops: PM

Prime Minister Imran Khan on Wednesday said the government, in cooperation with China, was focusing on research for enhancing the yield of various crops, including cotton as 60 percent of the country's exports were related to latter.

He was talking to a delegation of All Pakistan Textile Mills Association (APTMA), which called on him here.

The prime minister said cotton was an important crop of Pakistan and its produce created economic and job opportunities in the country.

He stressed for strict action against the mafias involved in the adulteration of pesticides and seed varieties.

The prime minister, on the suggestion of delegation, directed the Commerce Division to appoint a focal person to look after the matters relating to cotton production.

He also directed for the consideration of proposals regarding amendments in the Seed Act and the allocation of cotton cess for the research relating to the cotton crop.

The process of registration of seeds of various varieties and tax refunds should be made easy, the prime minister added.

The APTMA delegation thanked the prime minister and the government's economic team for the measures regarding the augmentation of textile exports.

They told the prime minister that the country's textile exports in the current fiscal were feared to drop due to last year's "Tiddi Dal" (locusts) attack on cotton crop which caused enough losses and reduced the production.

The delegation also presented various suggestions for enhancing the production of cotton in the country.

The delegation included Gohar Ejaz, Rehman Naseem, Amir Fayyaz Sheikh, Fawad Mukhtar, Khawaja Muhammad Anees, Danish Qaisar, Kamran Arshad, Abdur Raheem Nasir, Yusuf Abdullah, Shahid Sattar, Hamid Zaman Khan and Tariq Masood.

Advisor on Commerce Abdul Razak Dawood, Advisor on Finance Abdul Hafeez Sheikh, Board of Investment Chairman Syed Zubai Gilani, Federal Board of Revenue Chairman Syed Shabbar Zaidi, and the Secretary Commerce Division were also present in the meeting.

Source: app.com.pk- Jan 01, 2020

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## Bangladesh: BGMEA wants banks to cut lending rate, now

The apex representative body of the garment owners has urged the government to enforce the single-digit lending rate from today (Wednesday) instead of April 01 next.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in a letter, sent to Finance Minister AHM Mustafa Kamal on Tuesday, made the request.

The top management of private commercial banks during a meeting with Finance Minister AHM Mustafa Kamal on Monday agreed to bring down interest rates to 9.0 per cent on all loans barring that on credit cards from April 01 next.

BGMEA president Dr Rubana Huq in the letter said the prime minister has instructed the authority to reduce the interest rate to a single-digit mainly to help cut operational costs, boost investments and achieve competitiveness against the competitors.

The PM's instructions came following the long-cherished demand for the same from the country's all trade bodies including BGMEA, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and Bangladesh Textile Mills Association (BTMA), she added.

"The textile and readymade garment (RMG) industry has been facing a 'critical situation' including an increase in its operational costs to sustain," Ms Huq observed.

In such a situation, she said, implementation of the decision about the 9.0 per cent interest rate on bank loans from today (Wednesday) is a must to increase exports, boost investments and reduce business costs.

On behalf of other trade bodies in the sector, the BGMEA president also requested the finance minister for taking necessary measures to instruct commercial banks in this regard.

Source: thefinancialexpress.com.bd- Jan 01, 2020

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## Cambodia: Factories given export rights

The Ministry of Commerce granted export rights under the preferential trading system to 78 garment, footwear and bag factories in the first 11 months of last year, its annual report stated.

The ministry registered 51 such facilities from January to November last year, an increase of 24 per cent on the 41 in the same period in 2018, the report said.

Twenty-seven bag factories were registered, an increase of 170 per cent year-on-year on the 10 registered in the proceeding period, while 138 exporters and other factories registered, a 21 per cent increase.

Garment Manufacturers Association in Cambodia (GMAC) secretary-general Kaing Monika told The Post on Wednesday that Cambodia has seen positive effects from the US-China trade dispute, which has prompted a surge in garment and footwear registrations.

“The growth of garment factories last year was boosted mainly by the trend of finding alternative sources to China, and recently by the US-China trade war. The growth in travel goods factories was strengthened by the eligibility of the products for the US’ Generalised System of Preferences,” Monika said.

GMAC members operate more than 500 factories in the Kingdom and employ more than 700,000 workers.

Minister of Commerce Pan Sorasak has said that to boost exports to international markets, the ministry is continuing to strengthen the supply chain and diversifying the exports market through integration within the Asean Economic Community.

"In order to compete within the regional and global framework, the Ministry of Commerce is striving to improve capacity and efficiency by strengthening human resources, and reforming management and administrative structures, as well as improving public services," Sorasak said at the opening of the ministry's annual meeting last month.

Cambodia's exports to international markets reached more than $10 billion in the first 10 months of last year, mainly from the garment, textile, footwear and travel products sectors, according to the Ministry of Commerce report.

It shows that Cambodia exported more than $10.8 billion of goods, up 6.45 per cent year-on-year.

According to a breakdown of the data, garment exports were worth $6.4 billion, textiles $40 million, footwear $905 million and rice $286 million, while other products accounted for more than $3.1 billion.

Source: phnompenhpost.com - Jan 01, 2020

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# NATIONAL NEWS

## India-Mauritius FTA nears finalisation

The proposed free trade agreement between India and Mauritius is nearing finalisation as both the sides have concluded the negotiations for the pact, the commerce ministry said on Wednesday.

The proposed India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA) seeks to mutually benefit both the countries in the area of trade in goods and services, it said in a statement.

Negotiations were held across several sectors including goods, services, rules of origin, technical barriers to trade and sanitary and phyto-sanitary measures, trade remedies and dispute settlement.

“India-Mauritius CECPA negotiations for trade in goods and trade in services, have been completed. The agreement is near finalisation,” it said.

In a free trade agreement, two trading partners cut or eliminate duties on majority of goods besides liberalising norms to promote services trade and boost investments.

Mauritius was the second top source of foreign direct investment (FDI) into India in 2018-19. India received $8 billion (about Rs 56,000 crore) foreign inflows from the country.

The bilateral trade between the countries increased marginally to $1.2 billion in 2018-19 from $1.1 billion in 2017-18.

India exports petroleum products, pharmaceuticals, cereals, cotton and electrical machinery, apparel and clothing accessories to Mauritius.

The island nation’s exports to New Delhi include iron and steel, pearls, precious/semi-precious stones and optical, photographic and precision instruments.

It also said that in order to promote India-Africa trade and economic relations, the ministry regularly reviews trade ties through institutional mechanisms like Joint Commission Meetings, Joint Trade Committees and Joint Working Groups.

Source: thehindubusinessline.com- Jan 01, 2020

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## Pickup in export demand lifts cotton prices by 5%

*Domestic prices of cotton have increased to Rs 38,500-39,500 per candy of 356 kg.*


Cotton prices have increased about 5 per cent in the past one month owing to a pickup in export demand from main importers China, Bangladesh and Vietnam, said traders. The prices may stay firm and exports are likely to increase amid the likelihood of the US signing the first phase of a trade treaty with China this month, they said.

Domestic prices of cotton have increased to Rs 38,500-39,500 per candy of 356 kg, said Mahesh Sharda, president, Indian Cotton Association. "If international prices are supportive, then we can easily see a rise of 10 per cent in prices by March," he said.

"Since the past one month, trade inquires have started picking up from China and Bangladesh and contracts are being signed for January-February deliveries. We expect our markets to remain steady to firm," said Sharda. Overseas firms such as Louis Dreyfus, Reinhart, Olam, Cargill, Cofco and Glencore are bidding for new season cotton and so are mills such as Vardhman, Trident and Nahar, said ginners.

As per trade estimates, India has exported 1.5 million bales of 170 kg each and another 200,000-300,000 bales have been contracted. The industry expects exports to increase to 5-6 million bales, from 4.7 million bales in the year-ago period, till the cotton season ends in September.

Ravindra Rao, head of commodity research at Kotak Securities, said that easing of tensions between the US and China had led to a 9 per cent increase in cotton prices in the past ten days on the ICE Futures to 69 cents per pound. “Similarly, on the MCX, prices increased 3 per cent to Rs 19,600 in the same period.

Source: economictimes.com- Jan 02, 2020

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## India speeding up FTA talks with Switzerland, Norway, Iceland

Officials from India and EFTA countries recently interacted on crucial issues of IPR , rule of origin, services

India is making efforts to speed up free trade negotiations with the EFTA countries comprising Switzerland, Norway, Iceland and Leichtenstein in parallel with its discussions with the European Union on a similar pact.

“Officials in the Commerce Ministry recently held discussions with their counterparts from the EFTA countries on the crucial issues of services, intellectual property rights and rules of origin.

The outstanding issues in these areas were discussed as a way forward to re-start the negotiations,” an official told BusinessLine.

India’s focus on putting the stalled free trade talks, officially called the broad-based trade and investment agreement (BTIA), with both the EFTA and the EU back on track assumes greater importance given the fact that the country walked out of the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) involving 16 countries in November 2019.

“EFTA countries are significant trade partners for India. India exported goods worth about $2 billion to the bloc in 2018 and imports were around $1.7 billion.

There is enormous opportunity for the amount to go up if there is a free trade pact. Moreover, India also hopes to gain significantly in services,” the official said.

### IPR issues

Although talks on the India-EFTA BTIA were launched in 2008, shortly after the India-EU BTIA negotiations began, they were put on hold in 2013 due to disagreement over a number of issues. Talks resumed in 2016 but significant progress has not been made due to lingering differences in areas such as IPR, services and rules of origin.

"IPR is an important area for both India and the EFTA countries, especially Switzerland, which is home to a large number of pharmaceutical giants. This is a sensitive area as while the EFTA wants India to make its IPR laws favourable to patent holding drug majors, India has to protect the interests of its generic producers. The current talks are therefore focussed on ironing out this contentious issue," the official said.

Rule of origin is another major issue that needs to be sorted out as it was one of the major reasons for collapse of talks with RCEP members. "India wants strict ROO so that third countries can't take advantage of the free trade pact by supplying their items through the markets of the partner country," the official said.

Good offers in the services sector are also important for India as it has a booming service economy and is especially interested in greater access for its work force in other countries.

Source: thehindubusinessline.com- Dec 31, 2019

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## Researchers grow higher-yield, coloured cotton in Maharashtra

A group of researchers from the country has grown a variety of coloured cotton with a higher average yield in Maharashtra.

In June, the researchers–associated with Central Institute for Cotton Research, Dr Panjabrao Deshmukh Agricultural University, and Indian Council of Agricultural Research's Central Institute for Research on Cotton Technology–planted 'Vaidehi 95' variety of khaki-coloured cotton over 15 ha in Akola district of Maharashtra.

So far, there has been no instance of pest attack or disease hampering the crop, officials with Dr Panjabrao Deshmukh Agricultural University said. At the end of the year, the expected output is around 10,000 kg, they said.

Two pickings of the crop have concluded and the final round is awaited, said Vinita Gotmare, a scientist with the Nagpur-based Central Institute for Cotton Research.

The expected yield is 600-700 kg per ha, she said. The average yearly yield of white cotton is 500 kg per ha, according to the Cotton Association of India.

India accounts for around one-third of the world's total cotton acreage and around 21% of the global cotton output, the association said.

In India, the largest producer of cotton, output has been averaging around 35.5 mln bales since the last few years.

Source: cogencis.com- Jan 01, 2020

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## Commerce ministry for promoting India–Africa trade

In order to promote India-Africa trade and economic relations, Ministry of Commerce and Industry regularly reviews India's trade with Africa through institutional mechanismslike Joint Commission Meetings (JCMs), Joint Trade Committees (JTCs), and Joint Working Groups(JWGs), an official release said on Wednesday.

The 9th Session of the India-Kenya Joint Trade Committee was held in New Delhi on 19-20 August, 2019 under the co-chairmanship of Minister of Commerce and Industry, Piyush Goyal and his Kenyan counterpart Mr. Peter Munya, Cabinet Secretary (Minister) for Ministry of Industry, Trade and Cooperatives, Government of the Republic of Kenya.

During the meeting, wide ranging discussions were held cutting across sectors like MSME, Agriculture, Information Communication Technology (ICT), Tourism, Administration of Standards, Development of Human Resources in Higher Education, Science & Technology, Investment Promotion and Protection, Air Services, Energy, Plastics, Textile, Pharmaceuticals, Oil & Gas, Health, Immigration, Automobile and other engineering products.

Collaboration in the field of issue of recognition of Indian Pharmacopoeia in Kenya was also discussed.

The First India-Nigeria JTC was held on 19th – 20th December, 2019 in New Delhi, under the Co-chair of Commerce Secretary, Government of India and his Nigerian counterpart.

During the meeting discussions were held in various sectors including oil and natural gas, market access in bovine meat, rice, recognition of pharmacopoeia, cooperation of SME sector, higher education and power.

The first meeting of the India-South Africa JWG on Trade and Investment was held in January, 2019, to deliberate upon the bottlenecks including non-tariff barriers, and suggest the way forward to further deepen India's trade with the region.

The proposed India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA) seeks to mutually benefit both the countries, in the area of trade in goods, and trade in services.

Seven rounds of India-Mauritius CECPA negotiations have been held till now. The 7th round was held during 19-23 November, 2018 in Mauritius.

On the Occasion of World Cotton Day organized by WTO in Geneva on 7th October, 2019, Ministry of Commerce & Industry, Government of India announced the launch of Phase-II of C-TAP in 11 African countries.

The programme is aimed at enhancing productivity in cotton sector, improving the post-harvest and plant by-products industry in the participating countries, as well as building the capacity of the cotton-based textile sector.

Department is currently working on implementation plan in consultation with stakeholders such as foreign counterparts through Indian Missions, Ministry of External Affairs, institutes engaged in cotton research and capacity building activities in India.

In order to leverage the huge presence of Indian business community in Africa for promoting India's exports to the region, three rounds of interactions of Minister of Commerce & Industry were organized through Indian Missions with Indian business community in Madagascar, Tanzania, Mauritius, Kenya, Uganda, South Africa, Zambia, Mozambique, Ghana, Botswana, Nigeria, Morocco, Senegal, Zimbabwe, Cote d'Ivoire, Ethiopia and Egypt over Digital Video Conference (DVC) in May, 2019.

For promoting India-Africa trade and economic relations, a regional conclave was organised by Ministry of Commerce & Industry, Government of India jointly with Confederation of Indian Industry (CII), in March, 2019 at New Delhi.

On the sidelines of the Conclave/Regional Conclave, bilateral meetings with participating countries were also held at the Ministerial level to boost up Indian participation in project exports opportunities in African countries.

The conclave was attended by Head of the States from three African countries. More than two dozen Ministers along with around 500 business delegates from Africa participated in the Conclave.

Source: smetimes.in- Jan 01, 2020

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## GST mop-up rises to ₹1.03-lakh cr in Dec

*Revenue tops ₹1-lakh cr for 2nd straight month on robust collections by big States*

Indian economy began the new year on a positive note with the gross GST revenue collections for the December coming in at Rs 1,03,184 crore. This is the second straight month when GST collections surpassed the Rs 1 lakh crore mark, raising hopes that the economy may have bottomed out from the slowdown seen in recent months.

So far in the nine months this fiscal, the gross GST collections have surpassed the Rs 1 lakh crore mark only five times (April, May, July, November and December), which is a clear indicator that the data numbers are still quite lumpy and the GST system is yet to stabilise despite two and a half years since launch in July 2017.

For the December 2019, the CGST stood at ₹ 19,962 crore, SGST at ₹ 26,792 crore and IGST at ₹ 48,099 crore (including ₹ 1,295 crore collected on imports) and cess at ₹ 8,331crore (including ₹ 847 crore collected on imports). The total number of GSTR 3B Returns filed for the month of November up to December 31, 2019 stood at 81.21 lakh.

The GST revenues during the month of December, 2019 from domestic transactions grew 16 per cent over the revenue during the month of December, 2018.

"If we consider IGST collected from imports, the total revenue during December, 2019 has increased by 9 per cent in comparison to the revenue during December, 2018. During this month, the IGST on import of goods has seen a negative growth of (-) 10 per cent, but is an improvement over (-) 13 per cent last month and (-) 20 per cent in the month of October", an official release said.

The government has settled ₹ 21,814 crore to CGST and ₹ 15,366 crore to SGST from IGST as regular settlement. The total revenue earned by Central Government and the State Governments after regular settlement in the month of December, 2019 stood at ₹ 41,776 crore for CGST and ₹ 42,158 crore for the SGST.

In December 2018, the gross GST revenue collections stood at Rs 94,725 crore.

On State-wise gross domestic GST collections for December 2019, Maharashtra topped with Rs 16,530 crore, up 22 per cent over Rs 13,524 crore in the same month in previous year. Large States that recorded robust growth include Gujarat, Uttar Pradesh, Haryana, Tamil Nadu and Karnataka

**Experts' take**

Commenting on the latest GST revenue collections for December 2019, M.S.Mani, Partner, Deloitte India said:"With the collections now stabilising for two successive months, the planned introduction of e-invoicing and new returns in the coming months would assist in improving the collections".

Abhishek Jain, Tax Partner, EY said:" The GST collections crossing Rs 1 lakh crore second month in a row and a 16 per cent growth vis-a-vis December

2018 is quite a positive development. It seems that efforts of the Government, like restriction on availment of unmatched credits, to plug GST evasion is bearing results".

Source: thehindubusinessline.com - Jan 01, 2020

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## Is the global trade conflict a blessing in disguise for India?

India will become more like Latin America than a miracle Asian economy

Trade conflicts among large players involving China, the United States, the European Union and many others, including India, dominated the global economic narrative in 2019.

The multilateral trading system of the WTO (World Trade Organisation) has already been under serious stress. Due to a number of preferential/regional trading agreements as well as various deadlocks, its relevance is already in decline.

In these circumstances, every important economic player is devising different strategies to deal with the situation. With only about 2 per cent share in global exports, new dynamics in global trade architecture could be an opportunity for India to improve its performance. However, this can only happen with correct fundamentals and an appropriate liberal trade policy framework.

As the recent World Development Report shows, trade growth since 2008 has been sluggish and expansion of global value chains has slowed. So, it is not very easy now for India to be part of those global value chains, which might be relocating from China.

Still, a few countries such as Bangladesh, Vietnam, Cambodia, Thailand and the Philippines, among others, have shown that it is still possible to emerge as new centers of manufacturing -- at least in few specific products. These include clothing, footwear, food processing, electronic integrated circuits and the like.

More than half of global trade is through value chains. And China is at the center of this network. Chinese labour cost is rising. Its environmental regulations are becoming stricter. Now trade tensions with the US have added more trouble. Still, apart from very few sectors (mobile phones), India is not really emerging as an attractive alternative even when some of these companies are in the process of relocating units from China.

The reasons are manifold. Despite all the talk of Make in India in the past five years, Indian manufacturing sector has still not taken off. In fact, some of the flagship sectors are in difficulty. As columnist Swaminathan Aiyar argued earlier during economic liberalisation in the 1990s, three sectors in the economy viz. information technology, pharmaceuticals and auto became international and produced world-class Indian multinationals. This trend has changed in 2010s and many of these companies are in trouble. Some new emerging companies (unicorns) like Ola Cabs, Flipkart are just cloning western techniques and lack new technological innovation, according to Aiyer.

There is a clear lack of focus. Resources and reforms in the public higher education sector are crucial for any new high technology sector to take off. Instead of state nurturing, the higher education system is facing a crisis.

New Delhi's decision to opt out of the Regional Comprehensive Economic Partnership (RCEP) shows that Indian economy is still not ready to participate in Asia's economic rise. Possible reasons cited by analysts are more than $100 billion trade deficit with RCEP countries as well as slowdown in growth and exports.

Apart from political opposition from the Congress, the main reason perhaps is opposition coming from Swadeshi Jagran Manch and Bharatiya Kisan Sangh, the two affiliates of Rashtriya Swayamsevak Sangh (RSS). The Narendra Modi government has been very cautious about trade deals and investment agreements anyway. Hardly any new trade agreement has been signed by India in the past five years. A number of bilateral investment treaties have also been terminated.

With such a cautious approach towards trade negotiations and investment treaties, it is hardly surprising that India has not become an important player in global value chains. Even in global apparel trade, India's share has stagnated around 4 per cent. This, despite the advantage of large domestic market for scaling, domestic supply of cotton and other raw materials and a large labour pool. Bangladesh and Vietnam are already bigger players than India on this front.

With the WTO deadlocked, can India become a global economic player without signing trade and investment agreements with the RCEP bloc, the EU and the US? That's a serious question.

Due to distortions in land and labour markets as well as weaknesses in infrastructure and the banking sector, Indian companies are already struggling in traditional areas. With protectionist mindset, increasing income inequality and lack of focus on public higher education, India is unlikely to emerge as an important player in emerging areas of high technology. India now will become more like Latin America than a miracle Asian economy.

A large country like India has the capacity to change global value chain architecture. Despite the rhetoric, however, the last few years have shown that New Delhi is still a reluctant participant in globalisation and global value chains. So, India is somewhat insulated from the consequences as well as opportunities from global trade wars. Whatever happens between major global trade players will have limited impact on India.

Source: moneycontrol.com - Dec 31, 2019

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## Govt mulls single application form, investment clearance cell to woo investors

The government is considering setting up an investment clearance cell and provide defined timelines for all kinds of state and central approvals to attract investments, an official said.

In order to further ease the business climate of the country, it is also looking at developing a single application form for all kinds of clearances and provide deemed approvals, the official said.

For onboarding central departments and states, the government is looking at two single point of contacts, one each from central department and state;

list of licences and documents; detailed processes; timelines for each approval /deemed approvals; and support for IT systems integration from all departments, the official added.

The Department for Promotion of Industry and Internal Trade (DPIIT) is working on the proposal, which could be implemented in four phases.

According to the proposal, an investor would also be able to track the status of his/her application.

Currently, an investor has to seek several approvals such as company incorporation, GST registration, import export code, environment clearance, and NOC for ground water extraction, at central and state government levels.

Investors require single application, self certification, document submission at single place, time bound/deemed approvals, real time status update.

The department is also considering framing a law for the proposed investment clearance cell and defined timelines for approvals for central departments.

Source: economictimes.com - Dec 31, 2019

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## Coimbatore industries look forward to revival measures in 2020

'Economic slowdown, drop in market, lack of stability in policies affected them'

Coimbatore's manufacturing sector took a beating in the last one year, leading to unutilised capacities, job losses, and financial stress. As a new year dawns, the industry hopes for measures from the government for demand to revive.

For most of the sectors, the first six months went off relatively well. Things started getting worse from July, say industry association heads here. The general economic slowdown, unseasonal rain affecting crops, drop in market, and lack of stability in policies have all affected the industry, sources say.

Since June-July, it was not just the automobile sector, but many other sectors that started seeing a slowdown. It has affected jobs and working capital availability for industries, especially the Micro, Small and Medium-scale Enterprises (MSMEs), says R. Ramamurthy, president of Coimbatore District Small Industries Association.

“The MSMEs in Coimbatore are facing 30 % to 40 % slowdown and nearly 40 % capacities remain unutilised. We are unable to meet the overheads,” he says.

Coimbatore supplies nearly 40 % of the country’s pumpsets, mainly in the agricultural and domestic sectors, and the pumpset industry usually sees good demand from States such as Rajasthan and Madhya Pradesh during November -December. This year, unseasonal and excess rain affected crops and demand dropped drastically in the third quarter, says V. Krishnakumar, president of Southern India Engineering Manufacturers’ Association.

The market in the southern States picks up after Pongal. But the demand starts in the northern markets earlier. That has not happened this year, he says.

Rain, hail storms, political disturbances, and slowdown in the construction sector have all affected the pumpset industry.

In the case of textiles, “the year 2019 was a challenging one for the Indian textile and clothing industry, especially the spinning sector, due to steep fall in cotton yarn exports,” according to Southern India Mills’ Association (SIMA). Majority of the textile mills had to cut down production and face an unprecedented crisis, the Association said.

Export of cotton yarn declined 37 % between April and October this year compared to the corresponding period last year. While the country used to export on an average 120 million kg of cotton yarn a month in 2013-14, it is just half that volume now. It is not just yarn, but export of cotton fabrics and made ups reduced 2 % and that of man made yarn, fabric and made ups, and ready-made garments all registered 5 % and 3 % negative growth respectively. The industry is concerned as imports of fabrics and MMF ready-made garments have increased during the same period.

According to J. James, president of Tamil Nadu Association of Cottage and Tiny Enterprises, the year 2019 was one of the worst for the micro units as every bigger factory that gives job orders to these units insist that the unit should have GST registration.

The micro units continue to demand total exemption from GST, he says.

However, data available with the District Lead Bank shows that bank advances in the district registered growth in the first six months this year.

Between April and December 2018, the banks lent ₹69,650 crore. This year, between April and September, the banks had lent ₹72, 387 crore. Bank credit flow to MSMEs between April and December last year was ₹17,317 crore and this year, from April to September, it was ₹17,579 crore.

Higher advances could be because the industry is stressed and borrowed more, says Mr. Ramamurthy. Further, some industries would have invested in the first two quarters and the capacities are lying idle now, he says.

Union Finance Minister Nirmala Sitharaman's announcement on Tuesday related to ₹102 lakh crore national infrastructure funding should be implemented at the earliest. The government should start executing its projects so that the demand revives, he says.

The SIMA says that any policy should remain stable for three to five years to enable ease of doing business. Further, all export-related refunds should be disbursed without delay so that the industry does not face financial crunch.

Industry sources say unless there are immediate measures from the government in the next three months, the industry will face a tough situation next year too.

The government should focus on reviving demand, implement the policies it has announced and help the industry grow, they say.

Source: thehindu.com - Jan 01, 2020

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# Expert dwells at length on globalisation

Learning should be a continuous process, he says

The future needs global citizens equipped with global skills. The learning process for students should continue life long as it will give them the potential to join the global workforce, according to L. Prakash Sai from IIT Madras.

Delivering a talk on ‘Genesis of globalisation’ organised by the Department of Business Administration at PB Siddhartha College of Arts and Sciences on Tuesday, Prof. Sai pointed to the current state of ‘Slowbalisation’, a slowdown of the global economy and said trade experts were hopeful that it was only a temporary phase.

Taking the students through a brief history of globalisation, he referred to the recent discovery at Botswana suggesting that all humans alive today were descended from people living in Southern Africa, two lakh years ago, from where the earliest humans migrated to different places in the world. He then spoke about the ‘early’ preachers who brought people together using religion, a belief system as a force to make people subscribe to one system and how Buddhism originated as the first religion in India before reaching Japan and China.

Then came on the scene great explorers like Vasco da Gama, Christopher Columbus, Ferdinand Magellan and John Cabot. “Vasco da Gama circumnavigated Africa and tried to discover a trade route to India which was known for its world class products like pepper, spices and textiles,” said Prof. Sai.

Columbus lost the way to India and discovered a continent -- The United States of America. But he did not know what it was. He assumed North America to be India. “At that time (1600-1700) India and China together controlled more than two thirds of the global GDP and Europeans were interested in finding trade routes to the two countries,” he said

Prof. Sai went on to explain how imperialism impoverished colonies like India. “We missed many Industrial Revolution opportunities because the British rulers never allowed India to develop technologically. It wanted to keep India as a supplier of raw material so it could exploit the situation and supply finished goods.”

## Trade blocs

Speaking about trade blocs, Prof. Sai referred to what he called “new impediments for countries to come together at the cost of the World Trade Organisation. “We seem to be moving towards regionalism and nationalism in a big way. “Things are moving at a slower pace, a condition coined as ‘Slowbalisation’,” he said.

Source: thehindu.com– Jan 01, 2020

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