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US 70.72 | EUR 78.67 | GBP 91.10| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19617	41000	**73.87**
Domestic Futures Price (Ex. Warehouse Rajkot), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19490	40734	**73.39**

International Futures Price

NY ICE USD Cents/lb (December 2019)	64.23
ZCE Cotton: Yuan/MT (January 2020)	13,060
ZCE Cotton: USD Cents/lb	84.26
Cotlook A Index – Physical	**75.05**

Cotton Guide: Bulls [last week] had tried their best to push the market prices higher, only to lose the battle to the bears this week. The prices took a bearish turn. Lower settlement figures were seen in the last two sessions. The ICE December contract settled at 63.66 cents per pound with a change of -57 points. The ICE March contract settled at 65.27 cents per pound with a change of -37 points, whereas ICE May contract settled at 66.52 cents per pound with a change of -17 points. The reason attributed to this was the news of good harvest and firm dollar.

The total volumes were seen at 49,740 contracts which is again a good number, Higher Volumes in the last few days show that there is an easy shift of sentiments [sometimes Kneejerk] from bearish to bullish and vice versa.

The MCX contracts on the other hand, have displayed positivity. Untimely rains, have brought these prices up. The MCX November contract settled at 19,490 Rs per Bale with a change of +100 Rs. The MCX December contract settled at 19,440 Rs per Bale with a change of +120 Rs, while MCX January contract settled at 19,670 Rs per Bale with change of +140 Rs. The volumes were decent at 1368 lots.

The Cotlook Index A has been updated negatively to 75.05 cents per pound with a change of -20 points. The price of North Indian cotton is seen unchanged at 38,000 Rs per Candy.

Data of US cotton harvested was seen to show higher figure of 53 percent as of November 3, up from the previous week's figure of 46 percent and ahead of the five-year average of 51 percent. Total Cotton that was harvested in Texas is at 42 percent complete, higher by 6 percent as compared to the previous week. Harvesting in the Southeast and Delta gained ground this week under mostly favourable weather conditions.

The Market Participants especially the speculators are driving the prices at the moment. Currently the news in the Global Market is that Harvest is Good and supply has picked up. However, the news of Indian Crop damage due to Unseasonal November rains seems to not have reached the ears of speculators [who trade on data mentioned in official Reports]. The WASDE Monthly report scheduled to be released this week can make the markets choppy as market participants would like to speculate on this data. While speaking on the fundamental front, the market for the long term is positive, while in the short term the prices would remain highly volatile with big volumes.

On the technical front, ICE Cotton after giving an Inverse Head & shoulder pattern breakout, is trading within an upward sloping channel. However, price could test the lower end of the channel, which coincides around 50% Fibonacci extension level (62.98). Meanwhile, price is below the daily EMA (5, 9) at 64.18, 64.31 having a negative crossover, implying some sideways to negative bias. The momentum indicator RSI is at 52, also indicating sideways bias for the price. The immediate resistance for the price would be at 64.78-65.00, 76.4% Fibonacci extension level. Thus for the day we expect price to trade in the range of 65.00-62.90 with sideways to negative bias. In MCX Nov Cotton, we expect the price to trade within the range of 19350-19650 with a sideways to bearish 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

US-China 'phase one' deal is not a win for the apparel industry, trade group says

As the U.S. and China close in on an interim trade deal that would thaw tensions between the two economic powerhouses, the American Apparel & Footwear Association (AAFA) said it is "incredibly not happy" over the situation.

"We don't see a win for us in this deal," Rick Helfenbein, president and CEO of the trade organization, told CNBC's "Squawk Box" on Monday. "At the end of the day, we hope these tariffs will go away and that will make a difference."

Last month, the U.S. and China reached a truce and started working to finalize a "phase one" trade agreement that includes a pause in tariff escalation and Chinese purchases of U.S. agriculture products.

U.S. Commerce Secretary Wilbur Ross said Sunday that the agreement could be signed by American President Donald Trump and Chinese President Xi Jinping in one of several locations, including Iowa, Alaska, Hawaii or somewhere in China.

The deal was originally supposed to be signed at this month's Asia-Pacific Economic Cooperation summit in Chile, but the event has since been canceled due to protests in the country. The White House said it still plans to ink the deal "within the same time frame."

"On one hand, we're really, really happy everybody's talking," Helfenbein said. "But for our industry, in particular, there's nothing in this deal for us. We're under tariff now. We will remain under tariff."

"We're really glad that the interest rates went down last week because we have to borrow money now to pay for these tariffs," he added, in reference to last month's decision by the U.S. Federal Reserve to cut its benchmark funds rate by 25 basis points.

China: An 'integral part' of the supply chain

As the holiday season approaches, Helfenbein acknowledged that the sector is likely to "struggle" through the period and has already "given it up."

"When are these tariffs going to go away because we rely on China. We need China," he said. "China is an integral part of our supply chain."

As a result of the tariffs placed by Washington on Beijing's exports, Helfenbein said: "We have to reduce our exposure in China, which is something, quite frankly, we don't want to do and it's very difficult to do."

"Onshoring is not going to happen," the trade group leader admitted. "We don't have the facility to do it. We don't have the ability to do it."

"We don't have a place to go but China and we're just going to have to pay those tariffs," Helfenbein said.

Source: cnbc.com- Nov 05, 2019

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US-China trade war accelerates apparel factories' shift from China to Southeast Asia and Bangladesh

Fashion brands must focus on current affairs as well as current trends. Lately industry executives have been expending a lot more time and effort than expected on working out what US President Donald Trump will do next.

On October 1, Trump fired another shot at the heart of Chinese manufacturing when he increased existing tariffs on US$250 billion worth of Chinese goods from 25 to 30 per cent.

An additional US$300 billion worth of Chinese imports were also taxed at a 15 per cent rate – and much of the focus was on apparel. This has caused major problems for the many fashion brands that make their goods in China and market their wares in the United States.

Since the start of Trump's presidency, household names such as Uniqlo , Levi's, Crocs, Calvin Klein and Tommy Hilfiger have moved their entire manufacturing base out of China.

Politics is not the only factor – rising labour costs and an increasing reluctance in China to produce low-cost goods were prompting the sourcing caravan to move on even before the trade war began. There is no doubt Trump sped up their departure, however.

"There is a real sense of panic," says Sean Coxall, the president of solutions at Hong Kong-based supply chain manager Li & Fung. "We have been working with key customers on a backup plan since Trump came into office, and any company that did not do this in advance is pretty stupid in my opinion. Trump has done most of what he said he would, so why wouldn't he follow through here?"

The more entrenched the trade conflict with China becomes, the more appealing it is for companies to divert supply chains, despite the risk involved, and move – although very few of them are eyeing up the US as a final destination, which is Trump's apparent motive.

"All the companies I work with are anxious and nervous, but one thing nobody is doing is suggesting we open factories in the US," says Matt Priest, the president of the Footwear Distributors and Retailers of America. "There is a lot of concern, though, as the supply chain cannot shift as quickly as political decisions come down, and while our members have been moving out of China for a long time, about 70 per cent of their products are still made there."

What about Chinese-designed brands that also have buyers in the US market? Even if America is not their focus, do they also need to move their manufacturing offshore to retain their US clients?

"China could surpass the US as the world's biggest fashion market in 2020, according to most data we have seen, so certain Chinese brands will not care what is going on in the US, as it is no longer the centre of the entire industry," says Weyan Lui, of intelligence firm L2. "But there is no doubt that any Chinese brands with interests in the US will be hit by this and concerned about what a heavy hike in price will do to their US sales."

For any fashion brands concerned about tariffs the only option is to move their manufacturing abroad, and a number of other Asian countries have dangled carrots before their noses. Vietnam has long been the logical first choice – particularly when it comes to footwear. This comes down to a number of factors: Vietnam has free trade with end-market countries including the 28 nations of the EU, Australia, Canada, Japan, Mexico, New Zealand and Singapore.

Workers are skilled, and while wages are relatively high for the region (at US$216 a month), they are less than half that of China. Infrastructure is good and, unlike in some countries in the region, electricity remains reasonably cheap thanks to government subsidies.

“Vietnam is excellent in terms of high-value goods and is definitely a market that would benefit from a trade war between the US and China,” says Coxall.

“I would say at the moment that Bangladesh has the advantage in terms of apparel and Vietnam has the advantage in footwear; it produces a much higher amount of footwear than anywhere else in Southeast Asia. It also makes very high-quality footwear, which is why Uniqlo makes all its footwear in Vietnam even though they rely largely on Bangladesh for everything else.”

Bangladesh is still working on smoothing out the difficulties that previously beset its manufacturing industry. The Rana Plaza tragedy in particular – when a garment factory collapsed in the country’s capital, Dhaka, in 2013, killing 1,134 people – has been difficult for brands and customers to forget, even though safety standards have improved significantly since then.

“We’re noticing a lot of brands migrating to Bangladesh,” says Coxall. “They are training the workforce and importing new, expensive machinery. It’s the one place you could do everything: denim, jumpers, shoes, you name it. They have even developed the laser technology you need to create high-quality jeans.”

Click here for more details

Source: scmp.com- Nov 04, 2019

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Bangladesh's apparel: Wild ride ahead?

The evening's crawling rush hour traffic came to a complete halt in Kazipara in Dhaka as hundreds of garments workers, most of whom are women, got out of their factories at the end of their shifts. Their relentless hard work, albeit often underappreciated in the views of many, brought $32.5 billion to the coffer in 2018 alone representing 83 percent of total export earnings of Bangladesh. RMG sector is by far the top foreign currency earner of the country and has immensely helped Bangladesh maintain an over 6 percent annual growth since 2011.

Being the sector accountable for the country's over four-fifths of foreign income, RMG's future is strongly linked to the overall health of Bangladesh's economy. To that end, RMG has done remarkably well so far. The country's overall income and share in global clothes exports have increased slowly but steadily over the years. Its global share in apparel export has reached 6.3 percent in 2016, a net 3.3 percent increase from 2009. However, as the global fashion industry goes through a seismic shift, many predict the country's RMG is in for a wild ride in the coming years.

The world is spinning faster by the day. We live in a world where its largest taxi company doesn't have a taxi of its own or its largest hotel company doesn't have a hotel of its own. People's tastes are rapidly changing, perceptions are evolving, and methods of availing products and services are shifting. In the process, the established old consumer norms are getting replaced by new alternatives.

The fashion industry is slowly but steadily getting rid of traditional fashion seasons because of a trend called "fast fashion". Like fast food, fast fashion seeks a quick turnaround. Consumers are constantly looking for new designs and denying waiting until another fashion season begins. This trend, unsurprisingly, is driven by the Millennials and Generation Z, who, characterised as impatient generations by their older counterparts, seek instant gratification even in fashion.

It is getting further amplified by the ubiquitous presence of social media and celebrity endorsements. For instance, when celebrities like Sophie Turner or Bella Hadid wore cropped hoodies, search for the item skyrocketed. Fashion houses are rushing to tap into these demands before they fizzle. Therefore, the brands are getting increasingly interested in stocks that are smaller, easy to manage and can be produced in a matter of a week or so. As a result, the traditional spring/summer and fall/winter divide is being blurred and now some of the “fast fashion brands may issue as 52-weekly “micro-seasons” per year”. To keep up, traditional apparel brands are now debuting around 11 seasons a year.

Far-stretched supply chains with minimum order requirements and production lead time provide little to no maneuverability to the fashion houses to serve fast-fashion hungry consumers. As a result, they are bringing manufacturing facilities closer to the home where they can have greater control over the production process. An array of inventions and developments are influencing those decisions which were not possible even just a few years ago – something that we will continue to discuss in this piece.

Fast fashion has the potential to result in a considerable decline in the number of orders for Bangladesh’s RMG in the future and create competing factories in continental Europe, America, and Australia. It is difficult to predict the extent of the actual impact of fast fashion as it gets rooted further in consumer psyche. But one thing is for certain – it is here to challenge the status quo and challenge it aggressively.

Many consumers nowadays are not happy with just what they buy. In this age of the “woke”, consumers are also interested in how a product has been produced, what’s its carbon footprint, whether it was produced through a process that is fair to workers and the manufacturing process is sustainable and environmentally friendly, and so on. One statistic shows that in 2018, today’s fashion consumers looking for “ethical and style credentials” have increased by 47 percent.

Another research found that “nine out of ten Generation Z consumers believe companies have a responsibility to address environmental and social issues.” This goes a step further than the Millennials, who thought of environment preservation as the core issue. The opinions of these two generations are imperative as they account for an overwhelming lion’s share of global consumer spending.

And, the brands are listening. Manufacturers like Nike, Levi Straus, Gucci, Uniqlo, ASOS, H&M, Balenciaga and many more are stepping up to support social and environmental causes, which include, amongst others, responsible sourcing and manufacturing practices.

"Woke" mindset has and will continue to have a direct impact on Bangladesh's RMG, which has gone through numerous tumultuous events of its own, including Rana Plaza, in the past. This implies Bangladesh's garment factories will continue to be monitored by consumers and, therefore, by international brands. Safe, ethical, equitable and respectful production process and working conditions will continue to be a major consideration.

In the past, Bangladesh's RMG could increase its global competitiveness by spending considerably less on improving worker safety, disaster preparedness, working conditions, etc than its Chinese or Vietnamese counterparts. However, as "woke" becomes an ingrained part of the bargain, Bangladesh, too, must work hard to avoid any negative limelight. For Bangladesh, this could imply a competitive edge lost and more competition to retain cost leadership.

A key selling point that helps Bangladesh attract many global brands as a manufacturing destination is the abundance of its low-paid labour. However, multiple trends are in motion that could jeopardise it.

Like the rest of Asia, labour cost is rising in Bangladesh. Minimum monthly wages have risen to Tk 10,700 or $127 recently and there could be more increases in the future. However, Bangladeshi workers' average wage still remains lower than other RMG producing countries like China, Vietnam, Myanmar and Cambodia.

But there are countries that can offer even lower wages than Bangladesh. The average monthly wage of a worker in Ethiopia is $50. As a result, many manufacturers are opening shops in Ethiopia. For example, H&M has started to import from the Ethiopian factory which it has set up with help from Bangladesh's RMG player DBL.

As the African countries amass more expertise and experience while offering a lower cost, there could be a paradigm shift in the RMG manufacturing - something that could be substantially disadvantageous to Bangladesh.

Source: thedailystar.net - Nov 05, 2019

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Warning over Cambodia's garment workers as EU tariff threat looms

Tens of thousands of garment workers in Cambodia could face exploitation if proposed EU trade sanctions cause major fashion brands to downsize there, labour rights activists have warned.

The garment industry is Cambodia's largest employer and generates $7 billion annually, but it faces uncertainty after the European Union (EU) this year began a process that could see tariffs reintroduced next August.

The European Chamber of Commerce estimates that 90,000 jobs would be at risk if the EU suspended special trade preferences over Cambodia's record on democracy and human rights.

A sourcing manager at Britain's Primark said last week that European companies would "pull out of production" in Cambodia if trade preferences ended, while the head of production at Sweden's H&M warned of a "substantial backlash".

Workers who lose their jobs - mainly women - would likely end up in the entertainment or service industries, at bars and massage parlours, and be exposed to sexual exploitation, said Khun Tharo of the Center for Alliance of Human and Labor Rights.

"There is no safety net in those sectors," the charity's program coordinator told the Thomson Reuters Foundation.

The alternative would be migrating to Thailand where two million Cambodians are estimated to work, many of them undocumented and vulnerable to modern-day slavery, he said.

"Either way, serious risks will be taken."

'BIG CHALLENGE'

Cambodia benefits from the EU's "Everything But Arms" (EBA) trade programme, which allows the world's least-developed nations to export most goods to the EU free of duties.

The bloc is Cambodia's largest trading partner, accounting for 45 percent of its exports in 2018. Clothing factories in the country employ 700,000 workers, and garments make up a large share of exports to the EU, worth about $5.5 billion.

Yet the value of exports to Europe fell by about $600 million in the first half of 2019 compared with the same period last year, according to Ken Loo, secretary general at the Garment Manufacturers Association of Cambodia (GMAC).

"You can already see the impact, just on the threat of withdrawal," he said, predicting mass job losses from the second quarter of 2020 should the trade preferences be revoked.

David Savman, head of production at H&M, said the company would do less business in Cambodia if the trade benefits ended and named China and Indonesia as alternative sourcing countries.

He said H&M, which has about 50 factories in Cambodia, had an exit strategy to allow its suppliers to transition to new buyers, but that the firm had no further obligation to workers.

Xiaoxu Liu, sourcing manager for China and Southeast Asia at Primark, which has about 20 factories in Cambodia, said staying in the nation without the trade deal would be a "big challenge".

Attending the Textile and Apparel SEA Summit in Phnom Penh last week, the firms said they were working with suppliers in Cambodia to boost productivity in a bid to minimise job losses.

Cambodia's garment factories are estimated to employ one in every 25 people, most of them young women who provide for their extended families.

"These young women … in the garment industry, they are not just working for themselves," said Sok Chea Hak, national coordinator at the United Nations Industrial Development Organization. "It impacts close to one million households."

Source: reuters.com - Nov 04, 2019

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Intex South Asia textile show on Nov 13-15

The 5th edition of the highly successful Intex South Asia textile trade show in Sri Lanka will take place at the BMICH, Colombo next week - on November 13-15.

This year, more than 200+ leading suppliers from 12 countries and region will participate to promote their business and explore new business opportunities in South Asia and other International markets.

"This year Intex South Asia brings to Colombo for the first time, Cotton Council International (CCI), also known as Cotton US, which is the export promotion arm of the National Cotton Council of America (NCC). Cotton US, as 'our Innovation Partner', will bring you the latest in research, highlighting new ideas in technology, fashion, blends, processes etc," the organisers said in a media release.

Also presenting for the first time at Intex South Asia is 'Fashion for Good' which will give insights on trends and technological textile innovations, driving sustainability in the textile value chain and its South Asia programme, while the 'Better Cotton Initiative', as the Sustainability Partner, will highlight "Sustainability in Textiles" for better understanding of environmental, social and economic sustainability.

Joint Apparel Association Forum Sri Lanka Chairman, Sharad Amalean said, "Sri Lanka is proud to host Intex. Year-on-year, we have seen Intex up the game and today, we have exhibitors from different parts of the world in this region exhibiting textile fabrics, yarns and accessories."

He further stated, "Whilst agility, flexibility and digital solutions have become the crucial drivers of success, partnerships and relationships form the core. Intex South Asia provides an excellent forum for all stakeholders of the industry from Sri Lanka and overseas to build and develop these relationships."

This year, alongside the exhibition, the Cotton Textiles Export Promotion Council of India (TEXPROCIL) is also organising a trade delegation which is led by Dr. K V Srinivasan, Chairman and Managing Director of Premier Mills / Premier Fine Linens.

He said that, "The Intex South Asia provides a robust platform for untapped South Asian intra-regional trade, by delivering access to industry developments, networking opportunities and strategic initiatives with other global suppliers from across South Asia and the world to help expand industry and business, in one location, under one roof.

We are confident that the exclusive networking platform provided by Intex South Asia 2019 will be extremely useful for importers, wholesalers and agents." TEXPROCIL would be forming Indian Textiles Pavilion for the third time in a row.

Source: sundaytimes.lk - Nov 05, 2019

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Vietnam: Textile and garments likely to hit $40b in exports this year

Việt Nam's textile and garment industry was likely to reach its target of US$40 billion in export turnover this year despite facing difficulties in some markets.

The statement was made by Cao Hữu Hiếu, managing director of the Việt Nam National Garment and Textile Group (Vinatex) after the industry reported export earnings of $29.3 billion in the first nine months of the year.

Hiếu said the result was due to the industry's efforts to overcome difficult global economic conditions. To achieve this figure, solutions had been implemented synchronously to remove difficulties, especially input prices which had dropped sharply due to the impacts of the trade war.

"After a quiet period, the fibre sector has started to prosper. Customers are showing more interest in it while the price has also recovered. We hope the market will correct itself over the next year and return to the highs seen in 2016-17," Hiếu said.

With new-generation free trade agreements (FTAs) such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Việt Nam free trade agreement (EVFTA) which took effect this year, Vietnamese businesses will need to make efforts to take advantage of the preferences they offer.

Technology application is seen as a key factor to helping Việt Nam's textile and garment industry to promote its business and expand its markets.

According to Hiếu, many Vinatex firms had invested in automatic cutting and spreading machines to replace workers, and in 3D design. Meanwhile, yarn and dyeing were also under pressure from the fast development of technology.

He said in the fashion industry, creativity was very important, so there are stages that machinery cannot replace humans. "A Vinatex survey of about 150 enterprises showed that employment opportunities within the industry over the next 10 years would still be high."

"The domestic market is expected to earn $9 billion this year, so it's a massive sector. Besides, top global brands have already invested here, and Japan's Uniqlo will be arriving in 2020," Hiếu said.

Under such pressure, he said the industry needed to find its own path for Vietnamese fashion to reach the domestic market

"Vinatex is focusing on Vietnamese designs with materials suitable for Vietnamese people and the industry, ensuring quality and reasonable prices and increasing competitiveness," he added.

Many businesses have set up e-commerce systems deals or invested in their own online sales services to increase domestic market share.

Việt Tiến Company has invested in a fashion design centre, while Đức Giang Corporation has focused on building and developing its own brands such as Paul Downer, HeraDG and Forever Young.

Other enterprises such as Nhà Bè and May 10 are also offering fashionable products in various styles and categories to meet diverse consumption needs, ensuring quality and design to follow international trends.

According to economic experts, Việt Nam's accession to a series of FTAs had increased the openness of the domestic market by 200 per cent. Along with efforts to improve domestic market share, authorities needed to create favourable conditions for enterprises to restructure, especially when it came to raising capital, expanding production, and improving technology and management to compete with foreign brands.

Source: vietnamnews.vn- Nov 05, 2019

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Pakistan: Focus needed to boost production in downstream industries

The State Bank of Pakistan (SBP) has called for launching an industrial policy to kick-start the economy and reverse the strong downward trend reported since the last fiscal year.

The recently published annual report of the central bank paints a dismal picture of the economy as real gross domestic product (GDP) growth, private-sector credit and CPI inflation have been adversely impacted. The real GDP growth and private-sector credit growth have been the lowest since FY16 while inflation is at the highest level.

On the other hand, the reduction in growth may have helped improve the current account deficit as the demand for imports fell. However, the fiscal deficit and the gross public debt have increased.

The SBP clearly indicates that the economy experienced 'marked adjustments' as the exchange rate was realigned to market fundamentals, interest rates were increased, Public Sector Development Programme (PSDP) was curtailed and energy prices were increased. The purpose of the adjustments was to control the fiscal and current account deficits. Unfortunately, in an economy primarily driven by consumption, its compression is set to have an adverse impact on growth.

Although the economic conditions are gloomy, the foreign reserves of the SBP are likely to increase as Pakistan receives loan tranches from the International Monetary Fund (IMF).

Furthermore, the exchange rate between the US dollar and Pakistani rupee has stabilised around 156 since early September 2019 and fluctuations in the exchange rate are likely to be less common.

The Pakistan Bureau of Statistics (PBS) reports that exports in US dollar terms improved in September 2019 by 2.67% compared to the value reported in September 2018. Cumulative exports in the first three months of FY20 increased 2.75% compared to the same period in FY19.

Similarly, imports decreased in September 2019 by 13.90% compared to imports in September 2018. Imports fell 20.59% in the first three months of FY20 relative to the same period of previous fiscal year.

The trade deficit in the first three months of FY20 contracted 34.85% relative to the same period in FY19. The fall in the trade deficit has a crucial role in reduction in the current account deficit.

Considering the disaggregated data of the PBS, exports of major product groups have increased. Exports of the food group increased 13.98% in the first three months of FY20 relative to the same period of FY19, and those of the textile group edged up 2.95%.

Exports of leather manufactures, footwear, surgical goods and medical instruments are also showing an uptick in the current fiscal year. Results for September 2019 compared to September 2018 have been encouraging.

Exporters of products that have struggled in the recent past are reporting an improving trend. Exports of knitwear and readymade garments – the two largest products in terms of export value – increased 11.14% and 11.48% respectively in the first three months of FY20 relative to the value reported in the same time period of FY19.

In FY19, the growth of several textile products was only in terms of volume. Interestingly, exports of cotton yarn and cotton cloth have declined. In essence, exporters have likely benefitted from not only the fall in value of the rupee but also an improvement in its stability.

Indications are encouraging as export growth is being reported for value added textile products such as knitwear and readymade garments rather than low-value unfinished goods. A decline in imports in the first three months of FY20 was reported for all major product groups compared to the first three months of previous fiscal year, except for the machinery group. It increased slightly by 2.35%. This could indeed be an additional crucial factor in 'marked adjustments' of the economy.

In a nutshell, the decline in imports has continued into FY20 as well as economic activity is suppressed. However, the revival of textile machinery imports can be important for boosting exports.

Ease of doing business

The recently published World Bank's Doing Business 2020 ranks Pakistan as one of the major reformers in the world as it jumped 28 places. The reforms adopted by the country to improve business environment are likely to pay dividends as they encourage the entry of small and medium-sized enterprises. However, caution is advised.

According to Unctad's Trade and Development Report 2019, the global and regional trends in real GDP growth in 2019 are expected to be the lowest since 2009. South Asia is expected to report its slowest year since 2012.

Furthermore, it is crucial to mention that commodity prices are expected to fall in 2019 after reporting positive trends in 2017 and 2018.

The size of fluctuation in prices of manufactured goods is typically lower compared to that of agricultural raw material, food and fuel commodities. Although it is crucial that Pakistan participates in global value chains, it should also introduce policies to enhance production in downstream industries in order to avoid the impact of shocks faced by low value-added commodities.

Source: tribune.com.pk - Nov 04, 2019

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Pakistan: Textile exports increases 2.95pc, reached to $470.584 million in 1QFY20

Textile exports from the country during first quarter of current financial year grew by 2.95% as compared the exports of the corresponding period of last year.

During the period from July-September 2019, textile worth $3,371,974 million was exported as compared to the exports of $3,275,303 million of same period of last year.

According the data released by the Pakistan Bureau of Statistics, the exports of raw cotton increased by 53.65%, about 6,980 metric tons of raw cotton valuing $10,828 million exported as compared to the 4,619 metric tons worth $7,047 million of same period of last year.

Meanwhile, 3,778 metric tons of yarn other than cotton yarn worth $9,462 million were also exported in first quarter of current financial year as compared to the exports of 2,457 metric tons valuing $7,759 million of same period of last year.

During the period under review, knitwear exports of the country also recorded positive growth of 11.14%.

Knitwear worth $779,548 million was exported as compared to the exports of $701,393 million of same period of last year.

Source: brecorder.com- Nov 04, 2019

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Fourth Cotton Day-Bangladesh held in Dhaka

Recently, COTTON USA held a seminar, and an eye-catching fashion show in Dhaka, to celebrate the fourth Cotton Day- Bangladesh. Cotton Council International (CCI) introduced this observance of Cotton Day back in 2016.

The idea was to celebrate US Cotton, as well as Bangladesh, which is the largest manufacturer and exporter of cotton apparel products.

120 spinning mills, garment manufacturers, cotton merchants and traders attended the seminar, followed by a gala evening of reception, fashion show, and dinner.

Also present at the event were US Ambassador to Bangladesh Earl R. Miller, and the Prime Minister's Adviser for private industry and investment, Salman F Rahman.

In the fashion show, leading brands of the country like Yellow and Amanat Shah, as well as Cotton USA Licensee and Cotton Leads partner mills — Envoy Textiles Ltd, Hamid Fabrics Ltd, and Square Group, showcased a selection of Bangladeshi and western clothing.

Envoy textiles also had a chance to showcase their innovation, a 2.5-ounce Supima denim fabric in a kurta.

This is the first time in the world that such a lightweight denim fabric has been developed with Supima and US Cotton.

Source: thedailystar.net- Nov 05, 2019

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Bangladesh denim exports to the US up five per cent

Bangladesh's denim exports to the United States rose by 5.42 per cent in January to August, 2019.

In the same period, Vietnam's denim exports to the US rose 34.43 per cent. Pakistan's denim exports to the US rose 14.20 per cent. As the second-largest exporter of apparel goods, Bangladesh was supposed to gain from trade conflicts in capturing a bigger market share of denim products.

However Bangladesh's competitors, Vietnam and Pakistan, have gained a higher share. Most of China's trade is shifting to Vietnam and Cambodia as US retailers and investors feel comfortable due to a shorter lead time and a better business environment.

Vietnam has gained the most from the US-China trade conflict because of its readiness to welcome the redirected trade and it has a diversified product basket and received a large amount of FDI relocated from China.

Buyers are not willing to come to Bangladesh as the ease of doing business is still lower compared to other competing countries. Vietnam and Pakistan have gained as they have devalued their currencies, while the appreciation of Bangladesh's currency against the dollar is eating up Bangladesh's competitiveness in global markets.

Bangladesh needs to offer better incentives such as quicker services by bringing in regulatory reforms to attract FDI and improving infrastructure to cut time in shipment.

Source: fashionatingworld.com- Nov 04, 2019

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Pakistan: APTMA demands textile policy, says capable of doubling exports in five years

The All Pakistan Textile Mills Association (APTMA) has demanded the government to introduce long term textile policy soon.

APTMA Chairman Amanullah Machera said that Pakistani exporters are facing stiff competition from Bangladesh and Vietnam.

The chairman was of the view that Pakistan can counter the competition only after exporters get a five year textile policy at hand, so they know what will be the rates of taxes and energy prices.

Meanwhile, APTMA Punjab Chairman Adil Bashir has said that the government needs to announce a long term and comprehensive textile policy if it wants to see a return of capital investment.

The industrialist added that if the government accepts this demand, they are capable of doubling textile exports in the next five years.

APTMA officials informed that 70 percent of the textile industry is in Punjab, where more than 100 mills have been closed due to poor energy policies of previous governments.

The previous textile policies have not been much of a success story, as the Textile Policy 2014-19 failed to achieve all its targets including doubling value addition from $1 billion per million cotton bales to $2 billion per million cotton bales, increasing textile exports from $13.1 billion to $26 billion as well as creation of 3 million jobs in five years.

Source: brecorder.com - Nov 04, 2019

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NATIONAL NEWS

India refuses to sign up for RCEP; says its core concerns remain unresolved

Growing protests from industry, farm sector and political parties also the reason; other bloc members to give Delhi time to consider

India has decided not to join the Regional Comprehensive Economic Partnership (RCEP) pact saying it will not "compromise" on its core issues.

But other RCEP members, including the ASEAN bloc, China, Japan, South Korea, Australia and New Zealand, are keeping the door open for New Delhi if it decides to join at a later date once its concerns are addressed.

"India has conveyed its decision not to join the RCEP agreement... India had significant issues of core interest that remained unresolved. The country has participated in good faith in the RCEP discussions and had negotiated hard with a clear eyed view of our interests.

In the given circumstances, we believe not joining the agreement is the right decision," said Vijay Thakur Singh, Secretary (East), Ministry of External Affairs, addressing a press conference in Bangkok after the RCEP Summit.

Other RCEP members, though, want India to keep its options open. "India has significant outstanding issues, which remain unresolved. All RCEP participating countries will work together to resolve these outstanding issues in a mutually satisfactory way. India's final decision will depend on satisfactory resolution of these issues," the statement said.

The statement also said that fifteen RCEP countries (all members other than India), had completed the negotiations for the RCEP agreement and would sign the deal next year.

“We noted 15 RCEP participating countries have concluded text-based negotiations for all 20 chapters and essentially all their market access issues, and tasked legal scrubbing by them to commence for signing in 2020,” the statement said.

Guided by impact: PM

Prime Minister Narendra Modi, in his speech at the Summit, said that his decision of not joining the agreement was guided by the impact that it would have on the lives and livelihoods of all Indians, especially the vulnerable sections. He referred to Mahatma Gandhi and his advice on recalling the face of the weakest and poorest and asking if the steps being considered were of any use to them.

Growing opposition

One of the reason for India’s decision to not join the trading bloc was the growing agitation against the pact not just from the Indian industry but also from farmer groups. Representatives from a large number of industrial sectors, ranging from steel and engineering goods to textiles and plastics, had asked Commerce and Industry Minister Piyush Goyal to protect them against zero-tariff imports, especially from China.

The All India Kisan Sangharsh Coordination Committee (AIKSCC), a forum of over 250 farmers organisations from across the country, has been aggressively protesting against the RCEP for the past few weeks stating that cheap imports would destroy the dairy sector as also vegetable and fruit growers.

The Swadeshi Jagran Manch, the economic wing of the RSS, had also asked Prime Minister Modi not to lead India into the RCEP as it would spell doom for the Indian industry, especially the small sector.

A number of oppos)ition political parties, including the Congress, had asked the government to go slow on the deal and take into consideration all the pros and cons.

Lose-all proposition

"The main problem with the RCEP pact was that it was too ambitious for India's good. As part of the agreement, India would have had to eliminate import duties on 80-90 per cent items over a period for which our industry and farmers were not prepared. Moreover, India was not getting anything in the area of services. So, it was a lose-all proposition for India," a Delhi-based trade expert told BusinessLine.

What made the problem worse for India was that RCEP members were not agreeing to the safeguards it had proposed, in the form of stringent rules of origin and safeguard tariffs, to protect against a possible surge in imports. This proved to be the deal-breaker.

Despite protests from stakeholders, India had continued with the negotiations as the RCEP would have resulted in the world's largest free trade bloc. The 16 members together account for 39 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment flows, and 45 per cent of the total population.

Source: thehindubusinessline.com- Nov 04, 2019

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'Regional pacts in the past proved to be adverse for India'

Post FTAs, trade deficit with ASEAN tripled to $26.6 bn from $9.4 bn: Emkay

With the Regional Comprehensive Economic Partnership deliberations entering into a crucial phase triggering a nationwide uproar over possible adverse effects, a research firm has pointed out that past experience with such regional partnerships had proven to be adverse for India.

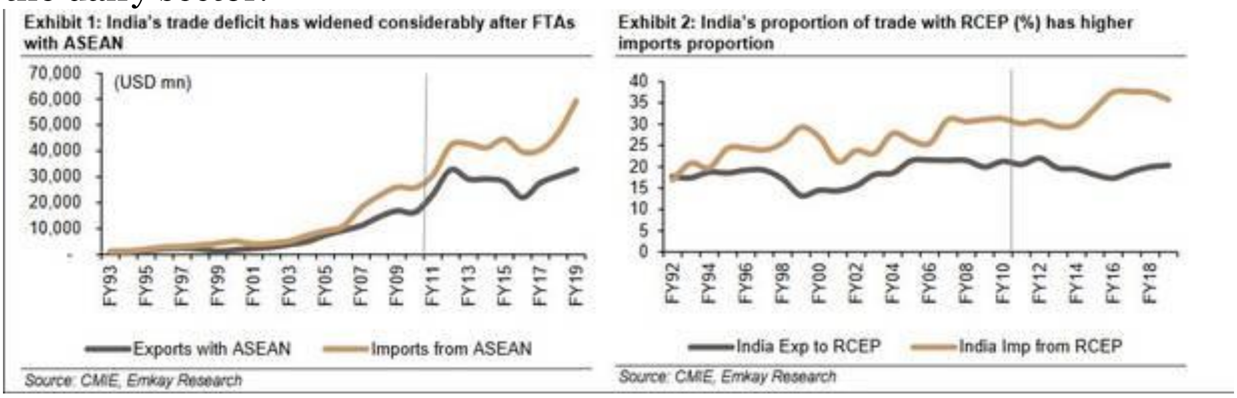
Trade deficit had widened considerably post such treaties. "India's past experience with FTAs warrants caution.

The country's trade deficit with ASEAN has tripled since FTA with some of them," an analysis by Emkay Global Financial Services has said.

The RCEP seeks to create a free trade zone among the 10 member states of the Association of Southeast Asian Nations (ASEAN - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and its six FTA partners, China, Japan, India, South Korea, Australia and New Zealand.

If the pact is concluded, it will emerge as the world's largest economic bloc, covering nearly half of the global economy.

At a time when China is looking out to diversify its exports and India's MSME sector in a terrible state after it was hit by demonetisation and GST, the RCEP in the current context might prove to be adverse for the country. Entry of New Zealand, a very strong player in the diary industry, could also impact the dairy sector.



"We already have FTA arrangements in place with most countries (forming 20.3 per cent and 35.7 per cent of the block of 10 (ASEAN) countries. In that context, this agreement would be important with respect to its trade relations with China, Australia and New Zealand," the report said.

Past experience

The free trade pacts have mostly hurt the country's trade position in the past. Most of the country's FTAs with some of the RCEP members have turned out to be adverse with trade deficit almost doubling.

"The trade deficit with ASEAN tripled to $26.6 billion from $9.4 billion in 2009-10. FTA tariff reduction has happened in four major sectors – textiles, metals, automobiles and machinery," it said.

Quoting the 2016-17 Economic Survey, it said FTAs have had a bigger impact on metals on the importing side – a 10 per cent reduction in tariffs for metals increases imports by 1.4 per cent. The trade balance has worsened in 13 out of 21 sectors.

However, Indian players in some sectors could not utilise the benefits of FTAs because of lack of information on the same, delays and administrative costs associated with the rules of origin, and non-tariff measures.

What's in store

Micro Small and Medium Enterprises (MSMEs), which have been majorly impacted after demonetisation, need to be strengthened to face competition from other players. India's agri sector might also be impacted with FTAs.

"It is tough to say whether Indian services will benefit, as China and Thailand are emerging as new services hubs for attracting FDIs (foreign direct investments)," the report said.

Source: thehindubusinessline.com- Nov 04, 2019

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Dealing with FTA hit on direct taxes

India loses direct tax revenues on the value of its imports. The answer is to tax imports, and review levies such as MAT, DDT

Most free trade agreements seek to introduce a level-playing field; in other words, the government collects the same tax irrespective of source, for domestic output or imports. This is apart from providing certain incentives for exports, and for transaction with free trade zones (FTZs).

Importers pay the equivalent of GST (CGST and SGST) as IGST on the value of goods they import. Similarly, when there is an import of service, the importers pay full GST as IGST on reverse-charge mechanism. When there are inward investments into India, any payment of interest and dividend is subject to withholding taxes, TDS, dividend distribution tax (DDT), and corporate taxes. These establish a level-playing field for the domestic manufacturers/service providers and exporters to India.

But what is not generally discussed in free trade forums is the impact of trade on direct tax collections. No doubt, exporters pay the direct taxes imposed by the host country in the country of manufacture and hence there is generally no discrimination, under the MFN principle.

But the point often missed is that the government of the importing country tends to lose that much revenue by way of lost direct taxes (corporate tax on profits, personal/corporate income taxes on salaries, interest and rent) which it could have gathered had the goods under import been manufactured within India. The shares of these in the value of output in India (as per ASI 2017-18) are 7.2 per cent, 0.27 per cent, 2.32 per cent , and 5.87 per cent respectively (15.66 per cent cumulatively).

India's trade deficit was about ₹10.4 lakh crore in 2017-18. If the value equivalent to exports had been manufactured and sold within India, it may have yielded an additional direct tax revenue of ₹41,000 crore at, say, 25 per cent.

In the case of domestic production, there is also a secondary impact; this is of recipients spending their money leading to further goods/services being bought yielding taxes thereon. Even if one assumes a multiplier of three, the level of direct taxes would be around ₹1.23 lakh crore — or around 12 per cent of the trade deficit of ₹10.4 lakh crore.

Since this level of 'opportunity taxes' escape the system, the government has to look for alternative avenues of taxation either as direct or indirect taxes, both of which are detrimental to domestic manufacturers and citizens.
A host of taxes

In order to make good this deficit, the government has been finding new ways to milk the nation. In the last about two decades, the government came up with dividend distribution tax, the reasoning being it wants to encourage reinvestment (taking Germany's example). But the tax tripped soon on its own logic.

Thus if the DDT is 15 per cent and a company wanted to distribute ₹100 as dividend, it would deduct ₹15 and pay the government and remit the balance ₹85 to the shareholder. This is if the levy is not 'grossed up'.

But under the current system, the company pays ₹17.65 to the government and remits ₹100 to the shareholder. Moreover, the government has sought to tax those receiving more than ₹10 lakh as dividend (those who are most likely to reinvest) once again in their individual capacity. Ridiculous indeed.

Then came MAT. None of the ASEAN countries has it, that too at almost normal tax levels. The two countries that do — the Philippines and Cambodia — require an entity to pay 1-2 per cent and forget about all other requirements, including book-keeping.

To cap the high rate of MAT, we have CSR (Corporate Social Responsibility) levies and this year's steep increase in surcharge.

An equivalent tax

Instead of these measures, the government should levy a withholding tax (or with any other with a suitable nomenclature) on imports equivalent to the loss in domestic direct taxes such imports cause. This may merit a levy equivalent to about 12 per cent of the import value.

It is true that other countries would be tempted to levy similar taxes. Hence, it would be preferable to agree on a common rate in both countries and document the same through the free trade agreements. The importing country should collect the direct tax equivalent against which credit should be allowed to the exporter in the exporting country.

This mechanism would neutralise the unfair advantage created by countries exempting exports in various ways.

It is true that other countries would levy such a tax on India's export of services. India's net service exports in 2017-18 were ₹4,99,968 crore and its net trade deficit was ₹10,31,727 crore, as per the Economic Survey.

The net imports of goods and services on which such a levy would have applied is ₹5,31,759 crore. At 12 per cent, the government would have netted ₹63,811 crore on its net deficit on trade in both goods and services in 2017-18.

This amount would be sufficient to forego the levy of taxes on dividend distribution, dis-allowance of CSR expenses, securities transaction tax, estate duty, wealth tax, fringe benefits tax and banking transaction tax.

Without such an equalising levy, the burden on the direct tax payers would keep rising along with the increase in our trade or current account deficit and bizarre ways of levying taxes on residents would continue. An equalising levy would also help partially improve the cost competitiveness of Indian industry.

Source: thehindubusinessline.com- Nov 04, 2019

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Sweeping reforms to boost exports

Close to two decades ago, a top global consulting firm made a presentation to then prime minister Vajpayee on raising India's growth to 8% or more. Half a percentage point could come from fixing land titling, for instance, another three fourths by ensuring contracts were honoured … the list was exhaustive, and impressive.

When the presentation was over, most in the room were quite exhilarated with the prospect of India's growth accelerating, even the PM seemed moved; he then said to the gentleman making the presentation, "Yeh sab to theek hai Guptaji, lekin yeh sab karega kaun?" (this is all very well Mr Gupta, but who is going to do all of this?).

Much the same thought strikes you while reading the excellent report of the High-Level Advisory Group (HLAG)—chaired by economist Surjit Bhalla—on how to increase India's exports. The amnesty scheme for funds stashed abroad, though, is odd, both because HLAG gives credence to bizarre estimates of Indian money lying idle overseas and because decades of failed amnesty schemes haven't dampened its ardour for one more.

HLAG, however, rightly identifies many of the hurdles to India's exports as being domestic ones—bad labour laws, high cost of capital, etc—and offers valuable solutions. But, as the late PM had asked the consultant, who is going to fix all of this?

Perhaps the most telling table in the report (see graphic) is the one on India's falling rank in global exports, from 10 in 2003-11 (when global exports rose 11.5% a year and India's by 20.5%) to 33 in 2012-17 (global exports grew just 0.3% and India's exports 1.5%); the collapse in India's rank makes it clear that the current slowdown is more India-related than driven by the global slowdown.

So, while it is surprising HLAG still believes India's target of doubling exports by 2025 is achievable, the report is a combination of good macro strategies and sector-specific ones.

The good news here, and one on which HLAG justifies its optimism about the government undertaking sweeping reforms, is the corporate tax cut two months ago; HLAG had made this suggestion, to align India's tax rates with global ones.

If HLAG's recommendations spurred the tax cut, that is indeed a big win, but the question is whether the government will move on other important recommendations. Five years ago, the Shanta Kumar panel recommended moving towards area-based cash incentives for farmers in place of the complicated MSP-cum-subsidy regime that actually hurt farm growth, but, till recently, there wasn't even a half-hearted attempt at doing so.

Rigid labour laws,which have pushed India's wages to globally uncompetitive levels, are something that HLAG wants reformed. In the case of readymade garments, where countries like Vietnam and Bangladesh continue to gobble export-share, India's minimum wage is 2-3 times that in Bangladesh while the productivity is similar; India's wages are around 10-20% higher than Vietnam's, but the latter's productivity is around 30% greater, power costs are 40% lower, and lending rates are around half those in India.

In addition, HLAG points to the need for a complete rejig of India's policies. While HLAG talks of the need to build scale to get globally competitive—keep in mind India is most competitive in the spinning sector where most units are large-scale ones—India's textiles/garments policies tend to favour SMEs.

And, while global textiles markets use more man-made fibres than cotton, India's tax structure favours the opposite. Essentially, HLAG is asking for a reversal of decades-old policy if textiles/garments exports are to boom.

Interestingly, while Bhalla told Hindu BusinessLine—the interview appeared on the morning before the official announcement was made—that India needed to 'put our house in order' before joining RCEP, the report generally plumps for India joining RCEP-type FTAs as India needs to be part of trading groups when multilateralism under the WTO is being replaced by FTAs; and, in any case, if putting our house in order has to come first, India will never sign on any FTA since these reforms have been pending for decades.

For the same reason of boosting trade, HLAG recommends India wooing the Samsungs and Apples of the world if exports of mobile phones are to grow (bit.ly/2Nc5WFX and bit.ly/32eZxOo)—the two firms comprise the major portion of the global smartphone market—instead of the current policy that distributes incentives over hundreds of firms, and has resulted in a huge hike in imports of mobile-phone components from China.

But, despite working on this for well over a year, the government has not been able to make up its mind on wooing a few majors in the manner countries like Vietnam have done. In which case, as in the past, when China exited the low-end textile/garments market, India could lose this China opportunity as well. Indeed, HLAG is critical of India's rising protectionism; the decision to not join RCEP, will likely end up increasing protectionism.

One of the HLAG's big concerns, not surprisingly given Bhalla has been voicing this for decades, is the need to cut the cost of capital. But, RBI reducing repo rates, desirable as it is, alone, won't help. For one, government-mandated small savings rates act as a floor for bank deposit rates; also, till NPAs are high, banks will keep margins high. Risk-premiums, too, will remain high till banks can trust borrowers more; the large number of funds-siphoning and corporate downgrades make it clear this premium isn't going away in a hurry.

Also, as this newspaper has argued for a long time, even if lending rates were to fall dramatically along with corporate tax rates, firms will not invest till government policy remains hostile. And, whether it is telecom or taxation or e-commerce or oil/gas, etc, there are too many recent and ongoing examples of policies that the government needs to convince investors are a thing of the past. Doing that isn't going to be easy.

Source: financialexpress.com- Nov 05, 2019

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No deal: India pulls out of RCEP pact as partners play hardball

India on Monday pulled out of the 16-nation Regional Comprehensive Economic Partnership (RCEP) agreement, capping six years of talks to clinch the world's biggest free-trade deal in the face of stiff resistance from domestic industries and political circles and reluctance of partners like China to grant it meaningful concessions despite hard negotiations in recent weeks.

Briefing reporters in Bangkok, the venue of the RCEP leaders' summit, Vijay Thakur Singh, secretary (east) in the ministry of external affairs, suggested the RCEP deal, in its current form, would have had "significant issues of core interest impact" on the livelihood of India's vulnerable sections.

Separately, sources said India would, from now on, generally seek to sign trade pacts with only those countries with which it has trade surplus (unlike the RCEP grouping). It could explore the possibility of a trade pact with the US and the UK (after the Brexit), and also resume negotiations with the EU for the proposed free trade agreement (FTA).

Interestingly, a joint statement of RCEP nations after Monday's summit doesn't mention about India's decision to pull out.

It merely said: "India has significant outstanding issues, which remain unresolved. All RCEP participating countries will work together to resolve these outstanding issues in a mutually satisfactory way. India's final decision will depend on satisfactory resolution of these issues."

This joint statement of RCEP nations suggests other nations are probably keeping the doors open for India to join back should it so decide.

Asked if New Delhi would like to come back to the negotiating table if other members tried to address its concerns, the MEA secretary (East) told reporters that India had already conveyed its decision of not joining the RCEP to all the partners, indicating that New Delhi was unlikely to reconsider its pullout move.

"India has participated in good faith in the RCEP discussions and had negotiated hard with a clear eyed view of our interests. In the given circumstances, we believe not joining the agreement is the right decision," Singh said at the briefing. She, however, didn't specify the India's concerns that were not adequately addressed, saying the partners were well aware of them.

Sources said India was willing to back the RCEP deal at the leaders' summit provided it got an assurance from partners that its concerns on safeguard mechanism for domestic industry, tariff concessions etc would be addressed and changes would accordingly be made in the final text of the agreement before it's ready to be signed next year. However, some members were not willing to wait longer and negotiate with India.

Former NIti Aayog vice-chairman Arvind Panagariya said without India, the RCEP isn't a huge deal, as others already have some kind of agreements among themselves. However, he said he wasn't clear about the additional safeguards India was seeking, as tools like anti-dumping and safeguard duties were already there under the WTO framework for industrial goods, although the farm sector might have some concerns.

Biswajit Dhar, professor at the Centre for Economic Studies and Planning of JNU, said the pull-out would give the government some breathing space to draw new strategies to bolster domestic competitiveness, especially in the farm and industrial sectors. "Things have to change fundamentally, from the ground," he stressed.

Differences between India and some others like China still persisted on certain crucial aspects–especially in safeguard mechanism, tariffs and rules of origin–even after tough negotiations over the weekend, a source aware of the talks had told FE.

Each side had presented the outcome of the talks to their respective leaders. Given the state of the negotiating positions and the reluctance of some partners to be more accommodative in protecting India's interests, Prime Minister Narendra Modi took the call against joining the RCEP.

The deal has faced severe domestic opposition from not just industries, including steel and dairy, but also the government departments overseeing these sectors, thanks to persisting fears of dumping by countries like China. Both steel and dairy ministries were critical of the RCEP. Recently, the Congress party also stepped up its opposition to the trade deal.

However, several experts, including noted economist Arvind Panagariya, had highlighted the importance of India joining the RCEP to better integrate with the global value chain and improve its trade competitiveness.

Most RCEP members wanted to conclude the negotiations in 2019 so that a deal could be formally signed in 2020 (after the announcement by the leaders on Monday). Some of them were earlier upset with what they called India's "recalcitrance" in sealing a deal early.

For its part, India has been trying to safeguard the interest of its industry that fears higher trade imbalance (Its past free trade agreements with Asean, Japan and Korea have already widened its trade deficit).

Source: financialexpress.com- Nov 04, 2019

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India's cotton yarn exports drop due to Pak-China's Free Trade Agreement

The Free Trade Agreement (FTA) between Pakistan and China has dented India's cotton yarn exports after Indian cotton exports declined by a massive 38.8 percent during the first six months of the current fiscal year that ended in September 2019.

According to a report in Deccan Herald, cotton yarn exports between April and September this year were recorded at 422 million kgs, valued at $1.27 billion as compared to 654 million kgs valued at $2.08 billion recorded in the same period last year.

The report states that the FTA between China and Pakistan has been the major factor behind India's cotton yarn decline, as India cotton yarn exports to China dropped after the second phase of China-Pakistan FTA came into effect. The FTA was signed in April on goods worth $64 billion that mostly pertained to textile products including cotton yarn.

K V Srinivasan, Chairman of the Cotton Textiles Export Promotion Council informed that there is an import duty ranging from 3.5pc to 5pc on cotton yarns imported from India into major markets like China, EU, Turkey and

South Korea as against imports from competing countries like Pakistan that enjoys zero percent import duty in these markets.

Under the new FTA, China would open up 90 percent of its market for Pakistani goods whereas Pakistan would share 65pc of its market with Chinese exports.

Source: brecorder.com- Nov 04, 2019

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Government mulling setting up mega parks near ports to attract FDI: Textile Secretary

'The government is very seriously contemplating mega parks in this country limited, maybe ten and compete with the best of the world,' the Secretary said.

The government is mulling setting up around ten integrated mega parks with state-of-the-art infrastructure near ports to attract foreign direct investment, a top official said on Monday.

Addressing a conference, Textile Secretary Ravi Capoor said there has been a "very good response" from state governments on the proposed mega parks.

He noted that there are serious issues regarding India's competitiveness as far as exports, cutting across all sectors, are concerned and that the fear of all Free Trade Agreements essentially comes down to the fact that India is not so competitive.

"A country which is competitive need not fear about anybody, no country. Our fears stem from the fact that we know we cannot sustain the onslaught of the most competitive country or that particular product," Capoor said.

"The government is very seriously contemplating mega parks in this country limited, maybe ten and compete with the best of the world. Provide integrated parks close to the port. Today when you say about China-US trade war, they are looking for places to invest," the Secretary said while addressing a CII event here.

The government needs to provide this type of infrastructure to global players to attract FDI and also to the country's people, he added. Highlighting that world-class manufacturing can only happen if India is competitive globally, the Secretary said India needs to create mega-brands in the textile sector and the ministry was working on all these issues.

Besides, he said, he may lead a delegation of manufacturers to Bangladesh in a fortnight to request the country to source fabric from India, as it cannot unilaterally impose a fabric forward policy with the neighbouring nation since it is not covered under the South Asian Free Trade Area (SAFTA).

"Normally under these agreements, you have a rule called fabric forward policy, which means you can sell the apparel to me, provided you take fabrics from me. It is an old agreement, this element did not find a place there, therefore it is not possible unilaterally for India to introduce a fabric forward policy with Bangladesh," Capoor said.

Source: newindianexpress.com- Nov 04, 2019

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India opts out of RCEP: Axe on Chinese imports, trade deal with US likely

The latest twist in India's policy on foreign trade may, however, benefit the US

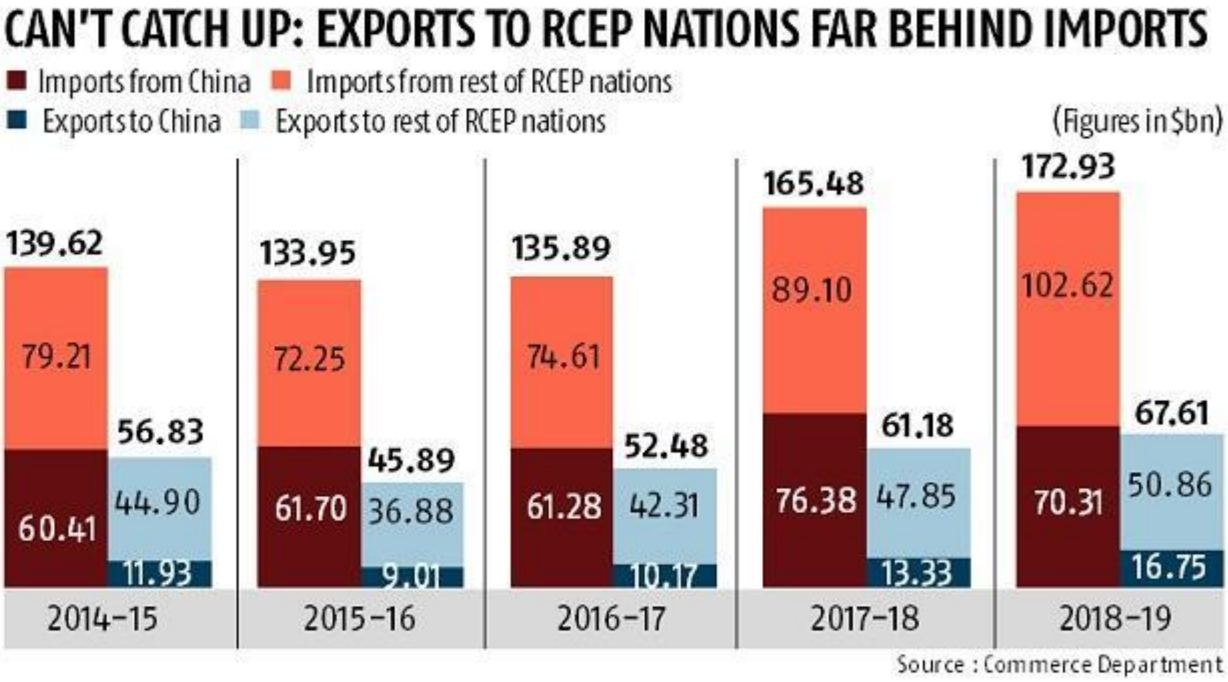
Further curbs on Chinese imports and a trade deal with the United States may follow India's move to pull out of the Regional Comprehensive Economic Partnership (RCEP).

China figured prominently in New Delhi's move on Monday to pull out of the pact after 7 years of back and forth negotiations. India said on Monday that a lack of assurance on safeguards to protect the domestic industry from dumping by China and no credible promise by Beijing to allow market access to Indian goods were reasons it was quitting the pact.

As a result, the government will double down on its efforts to curb imports from China, which were more than $70 billion in 2018-19, senior officials in the know said. "Presence of significant amounts of major non-tariff barriers that are publicly known and China's unwillingness to remove them were major hindrances towards a treaty," a trade expert said.

India had also feared that rules of origin would continue to be flouted by Chinese producers, who ship high-value goods such as mobile phones and electronics through Vietnam and other Asean nations, to dodge relatively higher tariffs.

Possible US deal



The latest twist in India's policy on foreign trade may, however, benefit the US. "US President Donald Trump has over the past two years continued to put pressure on India for a broad based free-trade agreement (FTA) talks. These may start sooner rather than in the distant future," a senior trade expert said.

Case in point: During Prime Minister Narendra Modi's last visit to the US, Trump had promised a trade deal with India “very soon”, and a larger deal down the line. This was followed up by Commerce and Industry Minister Piyush Goyal last month batting for 'closer trade engagement' with the US. "India and the US have resolved most of their broad trade differences and the countries must look at a much larger deal like a bilateral agreement," Goyal had said in no uncertain terms.

While both nations are sorting out multiple fights over the reduction of tariffs and market access, trade negotiators have been trying to create a 'trade package' encompassing multiple sectors.

The package consists of mutual trade concessions that provide an amicable solution to grouses from both sides. India is considering the dismantling of its current price cap regime for coronary stents with a trade-margin policy, while it may also allow lower duties on import of certain information and communication technologies products such as high-end mobile phones and smart watches from the US. Further, bilateral talks are expected soon.

Over the past few months, the government has upped the ante against the previous United Progressive Alliance regime, bashing it for compromising India's trade interests. The government had also remained cautious on not repeating a deal similar to India's FTA with the Association of the Southeast Asian Nations (Asean) bloc. India's revenue foregone due to New Delhi's first major multilateral deal has more than doubled to nearly Rs 26,000 crore in 2018-19.

Being the basic framework of the RCEP deal, the FTA with the 10-nation grouping came into effect in 2010. Exports to the 10 economies stood at $37.4 billion in 2018-19, up by 9 per cent on year. On the other hand, imports were higher at $59.31 billion, up by 25 per cent from the previous year's $47.13 billion.

The figure has strengthened calls for a more stringent review of existing FTAs with South Korea and Japan, which haven't been able to reduce India's trade deficit with these nations. On the other hand, the revenue department feared the tax loss may be as high as Rs 60,000 crore for the proposed RCEP.

As a result, India may also push forward in its objective to review of the deals, trade experts predicted.

Source: business-standard.com- Nov 05, 2019

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FM Sitharaman unveils two IT initiatives for faster customs clearance

Finance Minister Nirmala Sitharaman on Monday unveiled two new information technology initiatives for improved monitoring of clearance of the imported goods and making it easier for international passengers to arrive in India.

These two initiatives are ICEDASH and ATITHI. ICEDASH is an ease of doing business monitoring dashboard of the customs department, helping public see the daily clearance times of import cargo at various ports and airports.

ATITHI is a mobile app for international travelers to file the customs declaration in advance.

Source: business-standard.com- Nov 05, 2019

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