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IBTEX No. 4 of 2020 January 6, 2020

US 72.04| EUR 80.42 | GBP 94.26| JPY 0.67

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18900	39500	**69.80**
Domestic Futures Price (Ex. Warehouse Rajkot), January		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19610	40985	**72.43**

International Futures Price

NY ICE USD Cents/lb (March 2020)	69.20
ZCE Cotton: Yuan/MT (May 2020)	14,035
ZCE Cotton: USD Cents/lb	91.39
Cotlook A Index – Physical	**78.10**

Cotton Guide- Our predictions from mid-November have been hinting towards a positive tone and yes the prices are moving North with marginal gains each day.

Now the market is focused on What Next? Whether prices would continue their uptrend or will they consolidate before turning Negative. There are a few factors which can serve as an answer to these questions:

1. US China settlement- According to South China Morning Post Chinese officials will travel to USA to sign the first phase of the Trade Deal. This is a big bullish indicator for Cotton.

2. Increasing Demand-A renewed interest of Chinese Buyers into Global Cotton. This demand is expected to remain till mid-February.

3. Increasing Crude Oil Prices- The prices of Crude Oil are touching the Sky [US - IRAN Tensions]. We need to remember that an increase in Crude Oil is [to certain extent] directly proportional to an increase in Cotton Prices.

4. [Domestic] Weakening USDINR- A weak US Dollar has now made Indian Exporters to jump into the market and aggressively sell Indian cotton.

With all of the above we expect the ICE prices to cross 74 cents per pound in a time span of 25 working days. Prices can touch this figure easily as we expect mills to cover their stocks at the prevailing prices which in-turn can cause marginal increments each day.

The US Export Sales data of 246,200 Running Bales were up 82 percent from the previous week and 19 percent from the 4 week average.

Country	Increases in Running Bales
Vietnam	114,300
Turkey	36,100
Pakistan	32,800
Malaysia	16,200
Bangladesh	13,600
Table 1: Upland sales	

Exports were up by 11 percent. Following were the destinations:

Country	Exports in Running Bales
Pakistan	42,100
Vietnam	41,100
China	36,000
Bangladesh	22,700
Indonesia	20,800
Table 2: Upland Exports	

While speaking of Pima sales, for Indian Market players the following data is important as India is seen to have booked good amount of US Pima and a decent amount of Pima has already been shipped to India.

Country	Increases in Running Bales
India	5,400
Bahrain	2,600
Turkey	2,200
Bangladesh	2,000
Pakistan	1,300

Table 3: Pima Sales

Country	Exports in Running Bales
India	1,500
China	1,400
Pakistan	1,400
Indonesia	1,000
Turkey	500

Table 4: Pima Exports

On the fundamental front, expect marginal increments from here on for both ICE and MCX. On the technical front, in daily chart, ICE Cotton March price paused its rally after testing the 100% Fibonacci extension near 69.56. Meanwhile support holds near 5 day EMA (69.02), followed by 68.61 (9DEMA). The bias is still on the positive bias as positive crossover of 5 DEMA above 9 DEMA and higher RSI which moves around 67 supports the firmness in strength. Thus for the day we expect price to trade in the range of 69.86-69.05 with a sideways bias. Only a sustained move above 69.56, would rise further towards the 69.90-70.94 zone. In MCX Jan Cotton, we expect the price to trade within the range of 19500-19850 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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	Topics
1	China's textile industry posts stable growth
2	Pakistan: Knitwear worth $1.320 billion exported in five months
3	USA: Welcoming 2020 on a bullish note
4	Protectionism, after all: China, Korea, Japan use non-tariff barriers to impede imports
5	Inditex moves to Asia
6	Vietnam's 2019 trade surplus hits 4-year record
7	Bangladesh: Exports still in choppy waters
8	2019 in review: Bangladesh textile and apparel industry
9	Pakistan: Industry seeks govt support for growth
10	Pakistan: Cotton crisis – investment in R&D needed

	NATIONAL NEWS
1	India-Eurasian Economic Union to hold Preferential trade agreement talks soon
2	India close to concluding a trade package with US: Shringla
3	Further escalation in US-Iran tension may affect India's exports: FIEO
4	Revenue Dept cautions DGFT on 'star' exporters getting GST refunds using fake invoices
5	States stare at over Rs 1 lakh crore revenue gap post withdrawal of GST compensation in 2022
6	64 industries get YEIDA nod to set up units at textile hub
7	Analysis | India faces a year of tough trade negotiations
8	'Govt. making T.N. attractive for investors'

INTERNATIONAL NEWS

China's textile industry posts stable growth

China's textile sector reported stable development in the first 11 months of 2019, data from the National Development and Reform Commission showed.

Value-added output of enterprises above designated size rose 2.5 percent year on year, with output in the sub-sectors of fiber, industrial textiles and garment up 11.8 percent, 7.1 percent and 1 percent, respectively, according to the commission.

Domestic retail sales of apparel and knitwear stood at 1.2 trillion yuan (about 172.4 billion U.S. dollars), up 3 percent year on year.

Online garment sales continued to expand nationwide, with the turnover reporting a 16.5-percent yearly growth and new sales modes such as live video streaming attracting consumers, the data showed.

From January to November 2019, China's textile and garment export declined 2.6 percent year on year to 246.9 billion dollars, with the pace of drop decelerating 0.1 percentage point from one month earlier.

Textile firms over designated size generated combined operating revenue of 4.03 trillion yuan from January to October 2019, up 0.2 percent year on year, while the total profit dropped 8.7 percent year on year to 168.8 billion yuan.

Source: xinhuanet.com - Jan 05, 2020

HOME

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Pakistan: Knitwear worth $1.320 billion exported in five months

Knitwear exports from the country during first five months of current financial year grew by 8.69 percent as compared the exports of the corresponding period of last year.

During the period from July-November, 2019 about 51,240 thousand dozen knitwear worth $1.320 billion were exported as compared the exports of 48,315 thousand dozen valuing $1.215 billion of same period of last year, according the data of Pakistan Bureau of Statistics.

Meanwhile, readymade garments exports from the country during the period under review also grew by 13.19 percent as country fetched $1.156 billion by exporting about 26,181 thousand dozen of readymade garments as compared the exports of 19,225 thousand dozen valuing $1.021 billion of same period of last year.

During the period under review, textile group exports from the country increased by 4.68 percent as against the exports of the corresponding period of last year as textile products worth over $5.763 billion were exported as compared to exports of $5.506 billion of same period of last year.

Meanwhile, on month on month basis, textile exports from the country also grew by 7.03 percent in November, 2019 as it was recoded at $1.177 billion as against the exports of $1.099 billion of same month of last year. However, it was down by 3.10 percent as compared with the month of October, 2019 as textile products worth $1.214 billion exported in previous month, the data reveled.

During the period under review 206,971 metric tons of bed wear worth $1.013 billion exported as against the exports of 180,960 metric tons valuing $968.151 million of same period of last year.

Where as about 76,210 metric tons of towels worth $317.484 million also exported during the period under review as against the exports of 74,657 metric tons valuing $314.348 million of same period of last year, it added.

In last five months, cotton cloth valuing $847.106 million exported as compared the exports of $880.050 million of same period of last year, it was decrease by 3.74 percent.

Source: brecorder.com - Jan 06, 2020

HOME

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USA: Welcoming 2020 on a bullish note

Cotton's 2020 year begins with a bullish tone with strong upside fundamental potential compared to 2019. The little bull has its legs and has demonstrated some flair with a current seven month high in prices.

It is time to continue north to higher prices.

Let's review some of the Bullish and Bearish factors facing 2020. Granted, I will miss some.

BULLISH

- Nearby prices at 70 cent level after falling into the 50s
- The tendency of prices to move to 75 cents after a bearish year
- Increasing world consumption amid world economic rebirth
- Declining world carryover and declining U.S. carryover
- Declining world plantings and slightly lower world production
- Exceptionally robust U.S. economy and strong consumer spending
- Very active increase in speculative market purchases
- Bullish market technical projecting challenge of 75 cents
- On-Call sales (March/May/July) out distancing On-Call purchases
- Strong December cash sales, removing cotton from grower hands
- High yielding and increased lint quality from seed companies
- U.S. planted acreage falling 8-12%
- Export sales pace well exceeds USDA sales estimate of 16.5 million bales
- Tariff resolutions favors increased exports to China/limits cancellations

BEARISH

- Declining U.S. domestic mill use
- Market analysts' perception that the U.S.-China tariff hurts U.S cotton
- U.S. acreage lower, but still near 12 million
- Weekly U.S. export shipments must average 385,000 bales to reach USDA projection
- U.S. carryover stocks still 4.8-5.3 million bales
- Unchallenged entry into U.S. of Chinese textile goods
- Chinese overproduction due to unchallenged heavily subsidized price paid to growers
- Potential for increased U.S export cancellations without tariff resolution

The favorable technical and fundamental factors favor higher prices as the factors indicate. Both old crop and new crop contracts favor a breach of 75 cents. Prices for both market years have the potential to move to 77 cents or above.

Give a gift of cotton today.

Source: cottongrower.com - Jan 03, 2020

HOME

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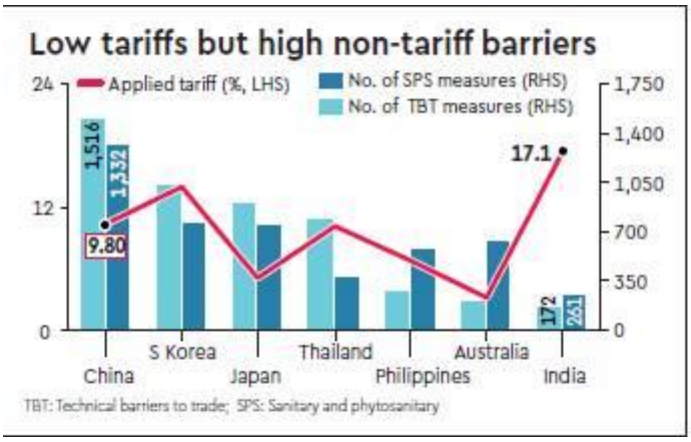
Protectionism, after all: China, Korea, Japan use non-tariff barriers to impede imports

Countries like China, South Korea and Japan may boast of low tariffs but they have erected huge non-tariff barriers (NTBs), most of which are tailored to mask the ferocity of trade protectionism, in a bid to control the imports they deem undesirable.

An internal analysis of the Indian commerce ministry ahead of the country's pull-out of the RCEP deal in November shows China has put in place 1,516 notifications that are nothing but technical barriers to trade (TBT), followed by South Korea (1,036), Japan (917) and Thailand (809), while India has initiated only 172 such steps (See the chart). The total number of TBT measures put in place by all RCEP members, including India, stood at 5,909. India's average applied tariff, however, stood at 17.1%, the highest among

RCEP members, while China's was 9.8%, South Korea's 13.7% and Japan's 4.4%.



Similarly, China has notified 1,332 sanitary and phytosanitary (SPS) measures, while South Korea and Japan have imposed 777 and 754 SPS barriers, respectively. In contrast, India has imposed only 261 SPS measures, according the analysis reviewed by FE. These two types of steps are the major sources of non-tariff measures (NTM), making up for over 80% of NTM notifications sent by various countries to the WTO. Developed countries like the US and those in Europe, too, impose such measures in large numbers.

While NTMs are not always aimed at curbing imports (for instance, safety, quality and environmental standards are put in place by all countries for imported products), what have often worried analysts is that they can be abused for trade protectionism, especially in times of frosty political ties between trading partners.

The NTBs slapped by various trading partners came up for deliberations at an inter-ministerial meeting on December 23, chaired by commerce and industry minister Piyush Goyal. It was also revealed that while most of India's key partners had built in elevated levels of NTBs, only about 10% of New Delhi's imported products were subject to various standards.

Concerned with a surge in inflows of sub-standard products, Goyal has now asked the Bureau Of Indian Standards (BIS) to develop standards for over 4,500 products (HS lines), preferably over the next six months.

The move marks a policy shift in New Delhi from a pro-liberalisation approach to external trade to a more discretionary one, where barriers could be erected, if required, to curb 'non-essential' and sub-standard imports that harm the economy, rather than benefit it. New Delhi's earlier approach was to curb non-essential imports through a hike in tariffs (it had raised duties on a number of electronic and other items in 2018).

Exporters say some of the common NTBs that they are subjected to are stringent rules on product certification, labelling standards and import approval requirements.

Customs clearances face delays and often (especially in case of China) factory has to be inspected at the exporter's expense. Customs value of the same item may vary for duty calculation depending on ports and rules are frequently changed and details are not easily available in English.

Rakeh Mohan Joshi, chairperson (Research) at the Indian Institute of Foreign Trade, said the entire trade strategy to protect a country's markets has, over the years, shifted from 'tariffs' to 'non-tariff' barriers, most of which are hardly transparent.

"Rather countries are becoming increasingly innovative to devise new barriers to trade on the grounds of quality, processes, environment or other technical issues that effectivley ward off the foreign goods to enter their domestic markets and have a translucent protectionistic strategy,"
he said.

India pulled out of the 16-nation RCEP agreement in November, as its proposals on safeguard measures to deal with any "irrational spike" in imports, among others, weren't adequately addressed by potential partners, including China.

Source: financialexpress.com - Jan 06, 2020

HOME

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Inditex moves to Asia

In the last decade, Inditex has shifted most of its factories from the European Union to Asia. In 2008, 43.5 per cent of the group's suppliers were within the common market.

Ten years later, their share has dropped to 24.6 per cent. In 2008, the European Union housed 43.5 per cent of the Spanish group’s suppliers. Ten years later, their share has been reduced almost by half, to 24.5 per cent.

The throne that Europe has lost is now held by Asia, which already represents 55.7 per cent of the total network of suppliers for Zara’s matrix. Ten years ago, the region accounted for 35.2 per cent, with just 417 suppliers.

A decade ago, Inditex totaled seven productive clusters in the world: Morocco, Turkey, Bangladesh, India, Portugal, Spain and Cambodia. In the last ten years, the company has added five more, Argentina, Brazil, Pakistan, China and Vietnam.

In total, the twelve areas contribute 96 per cent of the group's production. The African continent, meanwhile, today houses 145 Inditex suppliers, 44 more than in 2008.

In these ten years, the group has also made progress in transparency and compliance. In 2008, the company conducted 655 social audits. In 2018, the group conducted 12,065 audits.

Source: fashionatingworld.com - Jan 05, 2020

HOME

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Vietnam's 2019 trade surplus hits 4-year record

Vietnam's trade surplus reached a record high of $9.9 billion in 2019, according to the General Statistics Office's monthly report, which revealed last year's surplus was also the highest seen in the past four years, after $1.6 billion in 2016, $1.9 billion in 2017 and $6.8 billion in 2018.

The nation's trade turnover surpassed the $500-billion mark for first time in 2019, witnessing the stronger growth of the Vietnamese-invested sector compared to foreign invested sector, according to the report.

During the year, overseas shipments earned the country $263.45 billion, up 8.1 per cent year-on-year and higher than the target set by the National Assembly and the government of 7-8 per cent.

The domestic sector contributed $82.1 billion, or 31.2 per cent, of total exports, up 18 per cent year-on-year, while the foreign-invested sector made up $181 billion, up 4.2 per cent year-on-year or 68.8 per cent of the total (down 2.5 percentage points year-on-year).

Six groups of goods posted an export value of more than $10 billion, including mobile phones and spare parts with $51.8 billion, up 5.3 per cent; computers and components ($35.6 billion or 20.4 per cent); textiles and garments ($32.6 billion or 7 per cent); machinery, equipment and parts ($18.3 billion or 12 per cent), footwear ($18.3 billion or 13 per cent) and wood and wooden goods ($10.5 billion or 18 per cent)., according to a Vietnamese newspaper report.

The US retained its position as the largest export market of the country with a turnover of $60.7 billion in 2019, marking a yearly hike of 28 per cent. It was followed by the European Union ($41.7 billion), China ($41.5 billion), ASEAN ($25.3 billion), Japan ($20.3 billion) and South Korea ($19.8 billion).

From January to December, the country's import revenue experienced a modest yearly increase of 7 per cent, reaching $253.51 billion. It added imports mainly served export production at foreign-invested enterprises which accounted for 91.2 per cent of the total import value.

Goods categories reported a significant import turnover such as raw materials with $119.5 billion or 47 per cent of the total value; machinery, means of transport and parts ($111.7 billion, or 44 per cent) and consumer goods ($22.3 billion or 9 per cent).

China continued to be the largest import market of Vietnam with a total turnover of $75.3 billion, signifying an increase of 15 per cent. That meant Vietnam had to face an all-time high trade deficit of $33.8 billion with its neighbour.

Meanwhile, Vietnam's trade deficit with other markets such as ASEAN and South Korea experienced a slight decrease of 6 per cent at $27.5 billion and 3.2 per cent at $6.8 billion, respectively.

Source: fibre2fashion.com- Jan 06, 2020

HOME

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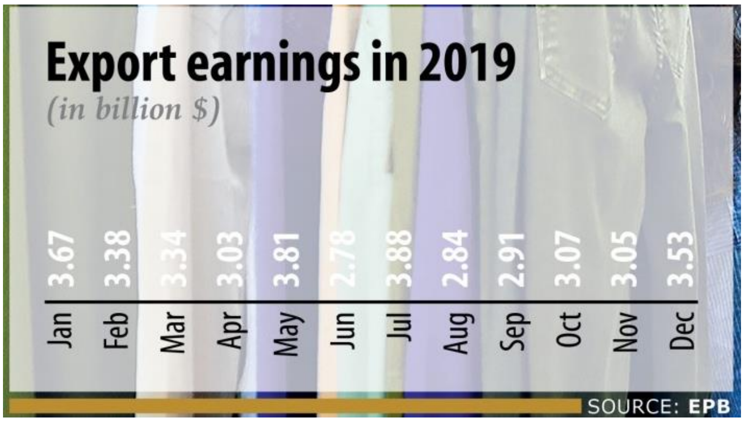
Bangladesh: Exports still in choppy waters

Export earnings fell 5.84 percent year-on-year to $19.3 billion in the first six months of the fiscal year mainly because of lower shipment of apparel items.



The receipt between July and December was also 12.77 percent lower than the half-yearly target of $22.12 billion. Of the six months, shipment rose only in July and December, data from the Export Promotion Bureau (EPB) showed.

Export rebounded in December with Bangladesh fetching $3.52 billion in the month, registering a 2.89 percent year-on-year growth.

In the first half, the shipment of apparel, which usually makes up more than 80 percent of national exports, fell 6.21 percent to $16.02 billion.

Knitwear exports were down 5.16 percent to $8.20 billion and woven declined 7.28 percent to $7.81 billion.

However, export earnings from apparel items improved a bit in December in comparison to November.

But the increase in December does not signify that the sector is turning around as such, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association.

“December and January are peak months anyway and compared to that, we haven’t had any significant gain,” Huq told The Daily Star in a WhatsApp message.

The first two weeks of December remained negative while the second half picked up slightly.
“I am strongly stressing on one point: We are losing competitiveness. And we won’t be able to sustain the general expectation of riding on high tides lest we have policy support,” Huq said.

The shipment of leather and leather goods, the second highest export earner after garments, kept up a falling trend, weighed down by lower global demand and lower production at tanneries.

Between July and December, export earnings from leather and leather goods fell 10.61 percent to $475.83 million.

“There is little possibility of a rebound for export of leather and leather goods over the next two years as the demand for non-leather goods is on the rise worldwide,” said Md Shaheen Ahmed, president of Bangladesh Tanners Association.

Non-leather goods are comfortable and less expensive compared to leather goods, he said.

Major leather and leather goods-producing countries such as India and China also faced negative export growth last year. Only Vietnam achieved 13 percent growth.

According to Ahmed, all the tanneries at the Savar leather estate are not fully ready to tan rawhide. So far, 125 out of 155 units have gone into production.

Because of a lack of the vital Leather Working Group certification, Bangladesh receives one of the lowest prices from international buyers from the sales of leather items.

Frozen and live fish exports declined 7.7 percent to $290.5 million between July and December. The export of cement, specialised textiles, home textile, and terry towel also declined.

Source: thedailystar.net - Jan 06, 2020

HOME

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2019 in review: Bangladesh textile and apparel industry

After the incidents of unrest for a few years, mainly for wage hike for the 4.4 million workers, the garment sector witnessed a peaceful and stable environment in the year 2019. However, the garment sector, which typically contributes 84 percent in the national export in a year experienced a negative shipment since August.

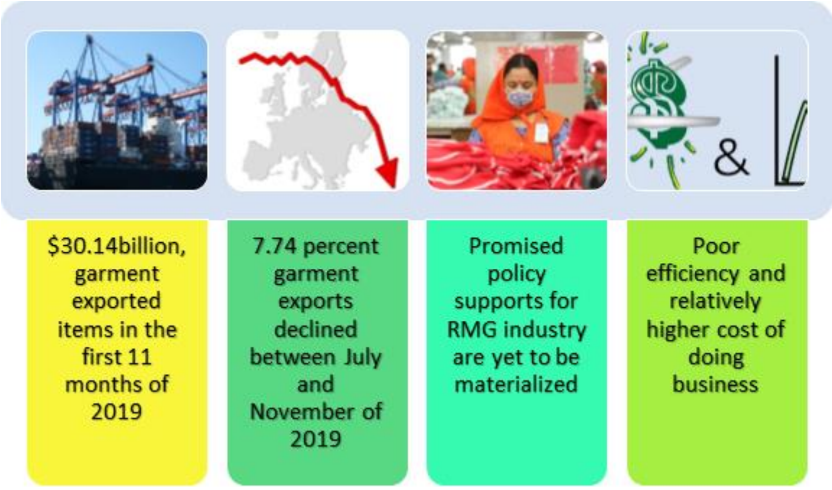
The negative trend continued up to November this year and the export trend showed that the earning might be in the negative zone also in the month of December. But looking ahead, garment manufacturers are expecting a better year in 2020.

The slowdown trend

In the first 11 months, between January and November in 2019, Bangladesh exported garment items worth $30.14billion, according to data from the Export Promotion Bureau (EPB). In the year 2018, Bangladesh exported $32.93billion worth of apparel items, the data also said.

The earning from the garment started declining mainly because of five reasons. The slowdown in export growth is apparently a reflection of the decaying competitiveness of Bangladesh's RMG industry.

"I consider this is a correction," said David Hasanat, Chairman and Managing Director of Viyellatex Group, a leading garment exporter.



"Companies can take this opportunity to restructure their capital expenditure, operating expenditure and supply chain. Then they will have a very good future," David Hasanat added.

Between July and November, garment exports declined 7.74 percent year-on-year to $13.08 billion, which was 13.63 percent below the target set for the period, according to data from the Export Promotion Bureau (EPB), whereas as per the latest information Vietnam's export grew by 6.41 percent during July-October 2019.

Reasons for slowdown in export

The five major reasons behind such slowdown in export could be –stronger currency exchange rate.

Policy incentives by competitor countries, which is why they are being able to get more business by lowering prices.

Few policy supports promised for the RMG industry and most of those are yet to be materialized.

Increase in production cost which is significantly fueled by the minimum wage increase in December last year.

Poor efficiency and relatively higher cost of doing business (evident by the Doing Business index) are significant drawbacks to our trade competitiveness. Over concentration of the industry to a few product items ranging in the lower tier of price and over-concentration of markets are also among the top-rated challenges.

The year 2019 was a time of reforms in the garment sector. The factories have completed their corrective action plans given by the Accord and Alliance earlier. As a result, the image of the sector was brightened to the international communities.

Closure and establishment of new factories

Still, between January-November 2019 a number of 61 factories have been shut down that resulted in a job cut of 31600 workers. But, at the same time, some 58 new garment factories were established during this time with the creation of employment for almost 60,000 workers.

The export data on a monthly basis, the trend is still giving a dull picture. The analysis of export data for the first fortnight of December shows a decline by more than 3 percent meaning that the growth trend may still remain plummeted in December.

It is difficult to project the trend since the global market looks volatile due to the emergence of a number of factors like EU-Vietnam FTA, the strategic move by China to offset the impact of punitive tariff by lowering prices, and the emergence of new sourcing destinations.

The growing share of online sales will also bring a major disruption in the conventional way of doing business in the medium term. If we do not take proper steps now to get ourselves on par with our competitors, it will be difficult to get the rhythm back in our exports.

Click here for more details

Source: textiletoday.com.bd - Jan 05, 2020

HOME

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Pakistan: Industry seeks govt support for growth

Two governments, three prime ministers and eight years later, there's little 'change' in the state of the economy, although Umar is now the government's point man for economic development in Islamabad.

In 2020, the industry continues to look towards Islamabad for patronage in the shape of concessions, subsidies and SROs. Some demand favours to enhance export earnings while others point out the need to placate foreign investors. Some demand subsidies for the sake of farmers, others seek handouts in the name of unskilled workers.

They love government intervention only when it suits them. Subsidised electricity and gas for industrialists are good, but price checks on medicines aren't. Merchant energy markets are welcome, but so are capacity payments. Taxes are bad, but taxpayer-funded public-sector projects aren't as long as they lift the profits of cement makers.

Speaking about his years in the private sector, Umar had said that instead of running his corporation, he'd end up spending most of his time badgering the powers that be in Islamabad.

Now that the shoe is on the other foot, he and his fellow ministers should try to discourage the kind of rent-seeking that he set out to eliminate eight long years ago.

Shahid Sattar
Executive Director, Aptma

The investment outlook seems bright for the textile sector in 2020. The new textile policy focusing on growth and innovation is about to be announced. The textile sector is willing to invest in manufacturing infrastructure and upgrade production units to deliver on the aim of enhanced exports with the government's determination to reduce the cost of doing business and eradicate bottlenecks in the policy implementation. The textile sector envisions an increase in textile exports from $13.33bn (2018-19) to $50bn (2029-30) with an additional cumulative investment of $29.54bn in the next ten years.

To achieve the targeted exports, business-friendly policies should be ensured for the industry to grow and attain the increased targets on a yearly basis. There is a will and potential in the textile industry to play its role in the economic turnaround. The value-added garment sector has a huge capacity to grow along with synthetic clothing since the world market for these fibres is enormously increasing as consumer preferences shift away from natural fibres like cotton.

However, there are a few policy impediments. Correcting them will further facilitate export-based industries. These include the revival of zero-rating for export sectors, long-term tariff policy for raw material imports, rationalisation of regulatory duties on imports of synthetic yarns, efficient system of refunds to improve liquidity, reduction in the turnover tax to one per cent and the availability of credit facilitation schemes like the long-term financing facility and the duty and tax remission scheme to indirect exporters.

Click here for more details

Source: dawn.com - Jan 06, 2020

HOME

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Pakistan: Cotton crisis – investment in R&D needed

The federal government's decision to withdraw customs duty and sales tax of 5% each on the import of cotton in view of the falling domestic output of the commodity, which underpins the country's industrial and export performance, is understandable.

The decision, however, does not address the twin problems responsible for the drop in cotton production – the decreasing area under cultivation and the falling yield.

In FY15, the country produced 13.96 million bales of cotton. In FY16, however, cotton output dropped sharply to 9.91 million bales. The following two years saw an increase in output to 10.7 million bales and 11.9 million bales respectively.

In FY19, however, cotton production slipped to 9.9 million bales. Cotton output for the current financial year is projected at 10.20 million bales against the target of 15 million bales. Thus, between FY15 and FY19, cotton output dropped 29%. On average, during FY15-19, annual cotton output of 11.27 million bales was recorded compared with average annual consumption of 14 million bales.

Cotton output is a function of two variables – the area under cultivation and the yield. In FY15, cotton was grown over an area of 2.96 million hectares, which in FY19 decreased nearly 20% to 2.37 million hectares. Cotton's share in total crop area came down from 12.72% in FY15 to 10.47% in FY19.

Likewise, FY15 saw cotton yield of 802 kg per hectare, which by FY19 had fallen 11.8% to 707 kg per hectare. Thus, the two key variables combined to push down cotton output. In terms of area under cultivation, cotton is Pakistan's third largest crop behind wheat and rice. The decrease in the area under cultivation of cotton, inter alia, signifies that farmers are using their land to grow another crop.

Being a Kharif crop, cotton competes with two other major crops, namely rice and sugarcane, for the growers' land. The annual production of rice, which is another export crop, has been around 7 million tons over the past five years.

On the other hand, the output of sugarcane went up from 62.82 million tons in FY15 to 83.3 million tons in FY18 before falling to 67.17 million tons in FY19.

Click here for more details

Source: tribune.com.pk- Jan 06, 2020

HOME

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NATIONAL NEWS

India-Eurasian Economic Union to hold Preferential trade agreement talks soon

The preferential trading agreement is one in which tariffs are reduced on certain products and can be termed as an FTA.

Moscow has made a decision to hold talks with Delhi on a preferential trade agreement (PTA) with between the Eurasian Economic Union (EAEU) bloc and India. EAEU is one of the largest trading bloc and five members - Russia, Kyrgyzstan, Kazakhstan, Belarus and Armenia, integrating 180 million people and GDP of around $5 trillion.

The preferential trading agreement is one in which tariffs are reduced on certain products and can be termed as an FTA. EAEU already has FTAs with China, Iran, Vietnam, Serbia, Tajikistan, Egypt, Uzbekistan, Moldova and Ukraine.

In 2016, speaking at the St Petersburg International Economic Forum, Russian President Vladimir Putin said, "In now we propose considering the prospects for a more extensive Eurasian partnership involving the EAEU and countries with which we already have a close partnership – China, India, Pakistan and Iran – and certainly our CIS partners."

India and Russia have "Special and Privileged Strategic Partnership" and this year will see PM Modi visiting the country to participate in the 75th victory day celebrations in Moscow on May 9th. Victory day is the celebration of the Soviet Union's victory over Nazi Germany in World War 2.

Source: dnaindia.com - Jan 06, 2020

HOME

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India close to concluding a trade package with US: Shringla

India and the US are close to concluding a trade package that would provide enhanced market access to both countries, India's outgoing Ambassador to the US Harsh Vardhan Shringla has said.

Shringla made the comments while addressing a group of Indian-American entrepreneurs during a farewell lunch on Friday organised for him by TiE DC, a regional chapter of the global non-profit membership and mentoring organization for entrepreneurs.

"We are close to concluding a trade package that would provide enhanced market access to both countries," Shringla said during the event.

The outgoing Ambassador, who would take up his new assignment as India's next foreign secretary later this month, however, did not give an exact date for the inking of the much anticipated trade deal.

The trade deal was first announced by US President Donald Trump when he met Prime Minister Narendra Modi in New York in September on the sidelines of the UN General Assembly.

Trump on September 24 said his country will soon have a trade deal with India to boost economic ties between the two nations.

Shringla said the signing of the trade package would pave the way for a much bigger bilateral trade deal between the two largest democracies of the world, which will only benefit the companies of the two countries.

"We see a lot of openings," he said.

Shringla, who is scheduled to leave for India later this month, said that the India- US bilateral trade has increased significantly in the last one decade and it is expected to be over USD160 billion by 2019.

Noting that there are a lot of complementarities between the Indian and the US economy, the Ambassador said that Indian-American entrepreneurs and in particular organizations like TiE DC play an important part in strengthening these bilateral ties, not only people to people but also economic and strategic relationship.

Ravi Puli, an entrepreneur from TiE DC, said that in just about an year, Shringla has made a great impact on India-US relationship.

"As an ambassador, he has taken the US- India relations to a level that all of us are feeling very proud and we are looking forward to take it even further with his leadership as a foreign secretary of India," he said.

The event was attended by eminent Indian-American entrepreneurs from in and around Washington DC and leaders of other chapters from various parts of the country.

Source: economictimes.com - Jan 05, 2020

HOME

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Further escalation in US-Iran tension may affect India's exports: FIEO

Further escalation in the tension between the US and Iran will have implications on India's exports to the Persian Gulf nation, apex exporters body FIEO said on Sunday.

Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said so far exporters have not flagged any concerns related with exports to Iran.

“However, if the tensions will continue, it may have affect on India's exports to Iran,” he said. He added that due to existing trade sanctions on Iran, Iranian shipping lines are only taking Indian consignments to that country.

Tensions between Iran and the US increased after an American drone strike killed top Iranian general Qasem Soleimani last week. Iran is a key trading partner of India. Its major exports to India are oil, fertilisers and chemicals, while it imports cereals, tea, coffee, basmati rice, spices and organic chemicals, among others.

India's exports to the Persian Gulf nation in 2018-19 were worth $ 3.51 billion (about Rs 24,920 crore), while imports were valued at $ 13.52 billion (about Rs 96,000 crore). The trade imbalance is mainly because of India's import of oil from Iran. Both the countries are holding negotiations for a bilateral preferential trade agreement (PTA) to increase trade.

Unlike a free trade pact, where two trading partners significantly reduce or eliminate duties on maximum number of goods traded between them, PTA involves removal of duties on certain identified products.

FIEO had earlier said that Iran holds huge export opportunities in sectors such as agriculture, chemicals, machinery, pharmaceuticals, paper and paper products, man-made fibre and filament yarn and essential oils.

Source: thehindubusinessline.com - Jan 05, 2020

HOME

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Revenue Dept cautions DGFT on 'star' exporters getting GST refunds using fake invoices

The Revenue Department has brought to the notice of the Directorate General of Foreign Trade (DGCF) instances of 'mis-availment' of Integrated Goods & Services Tax (IGST) refunds, based on fake invoices, by some exporters holding 'star' status.

It has also advised the DGFT, under the Commerce Ministry, to make the exporters' accreditation system more robust.

"A note from the Revenue Department to the DGFT's office pointed out that since an exporter enjoying star status is allowed many facilities, including reduced Customs inspections, it would make for a strong case for the DGFT to continuously (or annually) seek a compliance and verification reports from other regulators," a government source said.

"It could also oblige exporters to produce statutory records of compliance, including certifications from banks of no NPAs."

Of the 241 cases taken up for scrutiny, the data of 82 star exporters showed that their Income-Tax and GST declarations varied significantly, the source said.

Data matching

The I-T and GST data matching also showed that 40 of the 241 entities declared turnovers ranging from nil to less than ₹1 crore in 2017-18 and 2018-19, whereas an entity must maintain exports of $3 million a year to be eligible for the star status, he added. These instances emphasise the need to make the system of accrediting exporters more robust.

Preliminary enquiries on four star exporters confirmed that they had got credit on fake invoices and encashed it via IGST and ITC refunds.

Source: thehindubusinessline.com - Jan 05, 2020

HOME

****

States stare at over Rs 1 lakh crore revenue gap post withdrawal of GST compensation in 2022

At the time of implementation of the Goods and Services Tax (GST) on July 1, 2017, the Centre had promised to compensate states for loss of revenue for five years at an agreed formula.

States might be facing a consolidated revenue gap of up to Rs 1.23 lakh crore on account of withdrawal of compensation after the five-year GST transition period ends on June 30, 2022, says a report by economic think tank NIPFP.

At the time of implementation of the Goods and Services Tax (GST) on July 1, 2017, the Centre had promised to compensate states for loss of revenue for five years at an agreed formula.

"If the GST compensation is withdrawn after June 30, 2022, consolidated revenue gap of states would vary between Rs 1,00,700 crore to Rs 1,23,646 crore depending on expected tax buoyancy and reliability of data sources," the report said.

"This implies that states will need to either generate an equivalent amount of revenue from exiting sources to continue with committed expenditures and/or cut down expenditures to cope up with revenue shock in 2022-23," it added.

Due to the ongoing shortfall in overall GST collection as well as rising revenue gap between GST compensation requirement and GST compensation cess (GSTCC) mobilisation, timely release of GST compensation has become a matter of contention between the union and state governments.

The report said that the withdrawal of GST compensation and fall in overall State Goods and Services Tax (SGST) collection will have substantial impact on state finances of Punjab, Odisha, Goa, Chhattisgarh and Karnataka, among major states.

Among minor states, substantial revenue gap is expected for Himachal Pradesh, Uttarakhand, Tripura and Meghalaya.

Given the ongoing shortfall in GST collection and uncertainty associated with revenue on account of SGST collection, many states have approached the 15th Finance Commission for possible extension of the GST compensation period by another three years, i.e. up to 2024-25.

“Any shock to state finances due to withdrawal of GST compensation after the GST transition period may have profound impact on India’s fiscal management and thereforemacroeconomic stability,” the report noted.

It pointed out that even if the GST compensation period is extended beyond June 30, 2022, the Centre may not have adequate fiscal space to provide GST compensation to states at the ongoing annual growth rate of 14 per cent, unless either tax buoyancy and/or nominal growth rate of GDP improves.

To provide GST compensation to states, GST Compensation Cess (GSTCC) was introduced along with GST on some specific items to mobilise resources for the GST Compensation Fund.

The union government manages the fund.

Source: thehindubusinessline.com - Jan 05, 2020

HOME

****

64 industries get YEIDA nod to set up units at textile hub

The apparel park at Yamuna City is set to become a reality soon as the Yamuna Expressway Industrial development Authority (YEIDA) recently approved allotment for 64 industries for the area. The hub has been planned on a 300 acre plot in Sector 29 and 150 textile units will come up in the cluster.

The allotment is expected to be made by January 10 and the YEIDA may give possession to the industries in the next six months. The park is expected to provide employment to more than five lakh people, including about 60% women, officials said. The industries are set to invest around Rs 5,000 crore in creating the park.

“There are 150 industrial units planned in the area and of those, we recently got approval for setting up 64. The authority has to now complete the formalities as soon as possible.

The park will create over five lakh jobs. Currently, the apparel export value from Gautam Budh Nagar is around Rs 18,000 crore. After the park is set up, we expect the exports in the district to increase to about Rs 30,000 crore,” said Lalit Thukral, president, Noida Apparel Export Cluster (NAEC).

He, however, said that the Authority needs to give possession to the units at the earliest after completing civil infrastructure in the area, like wide roads, sewerage and electrical connections.

The NAEC plans to employ local workforce for the industries and it will also be holding training sessions in neighbouring villages.

“We will be surveying the villages that can be reached by buses within an hour from our Noida cluster and we will establish training centres in the villages for getting skilled workforce. Creating employment for five lakh people is a huge task. But it will be better if we can employ local people. We will eventually start buses for transportation of the workers from the villages to the park,” Thukral added.

Source: timesofindia.com- Jan 05, 2020

HOME

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Analysis | India faces a year of tough trade negotiations

After RCEP walkout, government to focus on renegotiating FTAs and bilateral deals in 2020

After walking out of negotiations on the 16-nation Regional Comprehensive Economic Partnership (RCEP) free trade agreement, the government said it would renegotiate its existing Free Trade Agreements (FTA) and redouble its efforts to conclude other trade negotiations. The task is likely to swamp both the Commerce and Industries Ministry (CIM) and the Ministry of External Affairs (MEA) negotiators in 2020.

To begin with, the RCEP walkout isn't cast in stone yet, as the other 15 countries including 10 ASEAN members (Indonesia, Thailand, Singapore, the Philippines, Malaysia, Vietnam, Brunei, Cambodia, Myanmar and Laos) and their FTA partners China, Japan, Australia, New Zealand and South Korea, will complete legal reviews by June and are only expected to sign the deal in November 2020.

In the interim, many countries, most notably, Japan, Australia and even China, have said they would be keen to work with India to convince the government to rejoin RCEP. The issue was due to come up when Japanese PM Shinzo and his Australian counterpart Scott Morrison — both of whom have had to cancel visits to India in the past month — reschedule their trips and meet Prime Minister Narendra Modi.

EU-India summit

While the RCEP is being wrapped up, India's long-pending negotiations with Australia for a Comprehensive Economic Cooperation Agreement (CECA), as well as Commerce Minister Piyush Goyal's plans to reopen existing FTAs with ASEAN, Japan and South Korea will have to take a backseat.

The next big trade focus for the government will be during the EU-India summit expected in March, when Mr. Modi is expected to travel to Brussels, to meet the new European Commission President Ursula Von Der Leyen, and discuss restarting EU-India Bilateral Trade and Investment Agreement (BTIA) talks. However, this is easier said than done, given that the talks that began in 2007 and stalled in 2013 over tariff issues, have not been resumed despite several efforts.

A possible new trade deal, with the U.K., will become a possibility when Britain concludes the Brexit process this year, and talks might start when Mr. Modi travels to Glasgow for COP26 in November and meets Prime Minister Boris Johnson.

Bridging gap with U.S.

Finally, the CIM and MEA will focus on closing talks with U.S. Trade Representatives. In 2019, President Trump rescinded India's GSP special status for exporters, which has led to more bitterness over the issue. Mr. Modi and Mr. Trump discussed the trade issues on two occasions when they met in 2019, but negotiators have been unable to forge any kind of deal, despite visits by Mr. Goyal to the U.S.

In the New Year, both sides hope that a package of smaller agreements can be announced soon, but a free trade agreement could be several years away, as it hasn't even been discussed officially yet.

Dedicated team

Given all the challenges, the government is actively considering a sharper and leaner trade negotiating team that merges the best strengths of CIM officials and MEA diplomats, on the lines of countries with a consolidated Department of Foreign Affairs and Trade (DFAT). The team will have to contend with the shift in the global economic climate in the face of slowdowns worldwide, the dilution of the WTO's arbitration powers and the impact of the U.S.-China trade war.

There is also a perceived increase in anti-immigrant sentiments, and India will not be able to drive as hard a bargain as it would like on services exports, in exchange for allowing more market access to goods imports.

With the world being carved up into regional trading blocs like EU, NAFTA (for North America), MERCOSUR (South America), GCC (Gulf Countries) and RCEP (South-East Asia), and India's only regional Bloc, for SAARC nations (SAFTA) stalled, the odds of concluding more bilateral trading agreements will be that much harder in 2020.

Source: thehindu.com- Jan 05, 2020

HOME

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'Govt. making T.N. attractive for investors'

The Confederation of Indian Industry (CII) has appreciated the Tamil Nadu government over the State's performance in the Good Governance Index (GGI). T.N. was ranked among the top five in six parameters.

In a press release, S. Chandramohan, Chairman, CII Tamil Nadu State Council, said recent measures like the single-window portal for large industries and the MSME sector, the launch of the Biz Buddy portal to address the issues facing industries and several comprehensive policy initiatives on e-vehicles, startups, textiles, defence and aerospace were certainly ensuring investments from several countries, despite the current economic slowdown.

K. Hari Thiagarajan, vice-chairman, CII Tamil Nadu State Council, said the State's ranking in GGI will help attract more foreign investment in manufacturing and services. "It is also a boost to the image of T.N. in the global map," he said. M. Ponnuswami, Chairman/Managing Director, Pon Pure Chemical India Pvt. Ltd., said the single-window clearance and Business Facilitation Act were reviewed regularly.

P. Ravichandran, president, Danfoss India, said, "Our experience with the government has been extremely positive."

Source: thehindu.com- Jan 05, 2020

HOME

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