



IBTEX No. 156 of 2019

August 08, 2019

US 70.85 | EUR 79.42 | GBP 86.18 | JPY 0.67

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
19856	41500	74.77
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	Rs./Candy	USD Cent/lb
19930	41654	75.05
International Futures Price		
NY ICE USD Cents/lb (December 2019)		58.83
ZCE Cotton: Yuan/MT (September 2019)		12,260
ZCE Cotton: USD Cents/lb		78.77
Cotlook A Index – Physical		70.30
<p>Cotton Guide: The Cotton futures have all settled mixed. The bears were seen to be strong yet yesterday however, at the end of the day the bulls pulled the prices back towards its earlier closing figure. The ICE December contract settled at 58.83 cents/lb with a change of +11 points. The ICE March contract settled at 59.89 cents/lb with a change of -8 points. The volumes were decent showing some activity in the market.</p> <p>ZCE cotton ended up in slightly positive figures. The most active ZCE September contract settled at 12260 yuan/Tonne with a change of +40 yaun. Usually the indication of market directions come from China first followed by USA. We've seen this in quite a few instances where the West reacts to the sentiments of the East. ZCE currently is trading at 12,250 yuan/tonne with a change of -10 yuan.</p>		

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Turnover at ZCE, yesterday decreased by 178,778, to 488,210 contracts, summing up both the sale and the purchase. Open interest (OI) rose by 18,014, to 875,134.

The MCX contracts on the other hand show negative figures for all the new crop season, while the last contract month of the current season settled with a minor change of +10 Rs. The MCX August contract was range bound Yesterday, within a bracket of 20,230 Rs/Bale as the high figure and 19,760 Rs/Bale as the low figure thus settling at 19,930 Rs/Bale. The new season contracts settled at 19480, 19290 and 19240 Rs/Bale respectively for October, November and December contracts. However, it becomes difficult for us to comment on the validity of the prices of these new crop year contracts as the volumes are miniscule.

The cotlook Index A has been adjusted at 70.30 cents/lb with a change of +0.30 cents/lb whereas the CAI rates have been updated at 41,500 Rs/Candy.

Overall when we look at the conditions, for today our assumption is that the international contracts will come back to the initial levels of early 60's soon. The US Export sales data will be released this evening and we expect the data to show bearish figures. Therefore, today the prices will dip down even further and then revive in the upcoming sessions. We need to note that speculators are net short at the moment. For MCX we expect a similar dip for the new season contracts.

On the technical front, Prices made a hammer bullish candlestick formation indicates the short term bullishness till 57.50 breached on the downside. Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00, which may provide an immediate support for price to rebound towards the near term resistance zone at 60. RSI is below 30 indicates the oversold zone suggests a pullback is likely which is coinciding with the price pattern. So for the day we recommend to buy around 58.50-58.30 for the target of 60 levels with a strict stop loss below 57.50. In the domestic market MCX Aug future is expected to trade in the range of 19700-20500 with a positive bias. While a close below 19700 will weaken the price trend.

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allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	Topics
1	Cotton Prices Hit 10-Year Lows, and Trade War Could Send Them Lower Still
2	While the US rants, the rest of the world is working on free-trade deals
3	U.S. cotton exports to China decline
4	Malaysia's trade damped by trade war
5	US-African trade lagging despite free access
6	Bangladesh: Govt sets export target at \$54b
7	Vietnam garment makers face hitches in lucrative EU trade deal
8	Egypt's garment exports up four per cent
9	FTA to strengthen Pak-China bilateral trade ties
10	Vietnam: Thailand to speed up FTA negotiations
11	Zimbabwe yet to tap its full strength in textiles and apparels segment
12	Trade suspension won't affect Pakistan
13	Pakistan trade ban on India to reroute trade via Dubai, Singapore

NATIONAL NEWS	
1	India's exports may be hit after yuan plunges to 11-year low amid US-China trade war; what experts say
2	Insulate MSMEs from Basel III guidelines: Tea body urges government
3	Cushioning cotton: Measures to tap global potential
4	Pakistan's decision to suspend trade relations unlikely to harm India
5	July cotton prices fall in India
6	Odisha handloom to be promoted: Textile secy
7	India unveils draft guidelines for e-com firms
8	RBI reduces repo rate by 35 bps to 5.40%
9	Microsoft e-com platform to connect 6 lakh Bengal weavers
10	It's time cotton got some serious policy attention from the govt
11	Shipping Ministry floats new plan to settle past surplus of PPP cargo terminals

INTERNATIONAL NEWS

Cotton Prices Hit 10-Year Lows, and Trade War Could Send Them Lower Still

The U.S.-China trade war has caused sourcing shifts, concern over prices and general angst in the apparel and textile supply chain, but one sector seems to be really taking it on the chin.

The long-term impact on the cotton market is sending ripples from the farm to the commodities market, with prices taking a sizable hit as the U.S. loses out on its major export market, China. Along the way, the supply and demand dynamic is being torn apart.

U.S. spot cotton prices fell to 52.73 cents a pound on Monday from 53.76 cents on Friday, according to the U.S. Department of Agriculture (USDA). This is the lowest price for the commodity since 2009. Prices bounced back a bit on Tuesday, closing at 53.09 cents per pound.

Prices averaged 57.75 cents per pound for the week ending Aug. 1. That was up from 57.71 from the prior week, but down from 85.78 cents reported the corresponding period a year ago, USDA reported.

U.S. cotton futures prices for October contracts closed at 57.91 cents a pound on Monday from 58.94 cents on Friday and 64.24 cents on July 25. On Tuesday, they inched up to 58.25 cents.

“When the cotton market sees a major export market like China disappear, particularly in a short period of time, the reaction is to contract and prices plunge,” Robert Antoshak, managing director of Olah Inc., said. “That’s because there isn’t any overnight solution to demand, and it is a supply and demand situation.”

Since China implemented a 25 percent retaliatory tariff on imports of U.S. cotton fiber last July, its imports from the U.S. have dropped 44 percent, or 868,000 bales, according to the USDA.

On top of that, Antoshak pointed out that when there’s a very large and healthy U.S. crop, the feeling is that “it makes it worse.” A lot farmers and traders, he said, are left asking “now what?”

“Chinese buyers always came in and bought the best cotton because they wanted quality, especially for the ring spinning they were doing,” he said.

Before the trade war started and tariffs were imposed, cotton was at around a \$1 a pound.

“I have some people telling me it’s going to crash through 50 cents,” Antoshak said. “If that kind of stuff happens, I think for a lot of famers and the cotton infrastructure, I don’t know what they will do.”

Source: sourcingjournal.com- Aug 07, 2019

[HOME](#)

While the US rants, the rest of the world is working on free-trade deals

The World Trade Organisation-based global order that the United States helped put in place is threatened by the unilateral policies of American President Donald Trump’s administration.

Governments not used to the burden of leadership are searching for ways to fill the void, and two agreements – one in Asia, the other in Europe – offer hope.

The more significant of the two, Asia’s Regional Comprehensive Economic Partnership (RCEP), moved closer at a recent meeting in Beijing towards the goal of creating the world’s largest free-trade area by the end of the year.

Every effort should be made to meet the target; it would support multilateralism while being a bulwark against Washington’s protectionism.

Vice-Premier Hu Chunhua said at the meeting that negotiations had reached a key stage.

He said 80 per cent of the Association of South East Asian Nations-inspired agreement, involving Asean’s 10 members, China, Japan, India, South Korea, Australia and New Zealand, was complete, but significant obstacles still had to be resolved.

India is known to be reluctant to open its markets, even though doing so would be in its interests and mutually beneficial for other nations; its commerce minister did not attend, citing parliamentary commitments.

An escalating trade dispute between Japan and South Korea could also prove problematic.

Another pact being worked on between the European Union and Canada likewise offers a way around the US blocks. An aspect is an alternative to the WTO dispute settlement system, which the Trump administration has brought to a standstill through refusing to appoint judges.

At their meeting last month in Nice, Brussels and Ottawa effectively issued an open invitation to other governments to participate. Ways have to be found around the governance crisis that the US has created, just as free-trade pacts are a means to counter the damage done by its tariffs and bans on goods and equipment.

The WTO's rules and global trading system need to be revamped, a reality recognised at the last summit of the Group of 20 leading economies in Osaka, Japan.

But words need action and the G20 is being held hostage by the US, a key member.

That is obvious by the way Trump's negotiators have been dealing with China, claiming to have made positive progress in the latest round of trade war negotiations, but the president just days later saying that a 10 per cent tariff would be imposed on US\$300 billion of Chinese products on September 1.

With no resolution in sight, partnerships like the RCEP are important. RCEP nations have 47.4 per cent of the world's population, cover 32.2 per cent of global GDP, 29 per cent of trade and 32.5 per cent of investment.

Through striking a free-trade deal, they would be sending a powerful message to Trump while protecting multilateralism.

Source: scmp.com- Aug 07, 2019

[HOME](#)

U.S. cotton exports to China decline

US cotton exports to China have declined substantially due to the US-initiated trade war. The quantity tumbled from some 5 million bales in 2012-13 to somewhere between 1.7-1.8 million bales in the 2018 marketing year.

China consumes the largest volume of cotton in the world -- about 40 million bales annually, or roughly one third of the global production. However, the market share of US cotton in China tumbled to a range of 11 percent to 13 percent in the past year, from 44 percent to 45 percent during the two years leading up to the trade tensions.

Given the unparalleled magnitude of China's cotton demand, potential gains in other markets by no means would offset a decline in total exports of US cotton, if a trade deal between the world's two largest economies remains far down the road.

Source: fashionatingworld.com- Aug 07, 2019

[HOME](#)

Malaysia's trade damped by trade war

The US-China trade war is having a negative impact on Malaysia. Not only is Malaysia a small and open economy with a relatively high dependence on trade, much of that trade is also deeply integrated with global supply chains. Over 82 per cent of large firms in Malaysia and nearly half of all small to medium sized enterprises participate in global value chains.

Besides, Malaysia has a high degree of exposure to the Chinese economy, with China being both its largest trading partner and a top source of tourists. This means that disruptions to the Chinese supply chain will have significant knock-on effects on Malaysian exports.

The global economy as a whole is also affected. Directly, it dampens global economic activity through lower global trade flows as well as increasing prices for households and manufacturers. Indirectly increased uncertainty curtails business investment, increases financing costs for businesses and depresses global productivity as global supply chains are disrupted.

It has been almost a year since the first round of US tariffs was imposed on Chinese imports. Since then, the United States has imposed two additional rounds of tariffs on China, which has retaliated by levying its own tariffs on US goods. Fresh US tariffs on Chinese goods are due to take effect in September.

Source: fashionatingworld.com- Aug 07, 2019

[HOME](#)

US-African trade lagging despite free access

Trade between the United States and sub-Saharan Africa is in the doldrums despite a 2000 US law designed to boost access the American market, a conference in Ivory Coast has been told. The African Growth and Opportunity Act, which in 2015 was extended to 2025, provides tariff-free access on 6,500 products to 39 countries, ranging from oil and agricultural goods to textiles, farm and handicrafts.

Trade quadrupled in value from 2002 to 2008, a year when it reached \$100 billion, but fell back in 2017 to just \$39 billion, according to figures compiled by the US agency USAID. The surplus is widely in Africa's favour, but most exports to the US are in oil or petroleum-based products, not the industrialised goods that provide a value-added boost to local economies. "I do not think that AGOA has been the game-changer for many countries on the continent that we hoped it would be," Constance Hamilton, assistant US trade representative for Africa, told the 18th AGOA Forum, ending in the Ivory Coast's economic capital Abidjan on Tuesday.

"AGOA has not led to the trade diversification for which we originally hoped," she said in remarks on Monday. "Petroleum products continued to account for the largest portion of AGOA imports, with a 67 percent share," Hamilton said. "And the volume of AGOA trade remains modest. In the AGOA clothing sector, for example, we get about \$1 billion per year from Africa," he said, adding that this amounted to just one percent of all US clothing imports.

The United States is Africa's third biggest trade partner after the European Union and China. But Africa attracts only about one percent of all US foreign investment.

Deputy US Trade Representative Curtis Mahoney said Washington had drawn up a "variety of new initiatives" to "lay the groundwork for an even closer trade and investment partnership".

"We will combine the promise of the AfCFTA with these new US initiatives and help maximize the potential of US-Africa trade," he said.

The AfCFTA - the African Continental Free Trade Area - is a scheme for demolishing trade barriers among the 55-member African Union.

The long-negotiated agreement was ceremonially launched at a summit in July, but will need a year to become operational, the AU says.

According to the conclusions of a pre-forum meeting of ministers ahead of the Abidjan conference, only 18 out of 39 countries have set down a national strategy for exploiting the benefits of the AGOA. Many African companies either do not know of the advantages that are on offer, or they do not know how to use them, the ministers found.

Source: fp.brecorder.com- Aug 07, 2019

[HOME](#)

Bangladesh: Govt sets export target at \$54b

The government yesterday set the export target for the current fiscal year at \$54 billion, up 15.20 percent than that a year ago.

Of the amount, merchandise export target has been fixed at \$45.50 billion, which is 12.25 percent higher than the achievement of last fiscal year.

Meanwhile exports from services sector has been set at \$8.50 billion, a 34.10 percent year-on-year rise from that attained last fiscal year.

Md Mofizul Islam, senior secretary to the commerce ministry, announced the target after a meeting with businesspeople and leaders of trade bodies and business chambers at his secretariat office in Dhaka.

The target for the new fiscal year has been fixed on the achievements of the immediate past fiscal year.

World economic outlooks, government policy supports, changes in the dollar exchange rate, market and product diversification, supply side capacity, improvement of safety standards in garment factories and effects of the US-China trade war have been taken into consideration during fixing of the target, Islam said.

Last fiscal year receipts from merchandise shipment amounted to \$40.53 billion and services sector \$6.33 billion.

Overall exports had registered a 14.30 percent growth, 10.55 percent in goods shipments and 46.06 percent in services sector.

As usually, the highest export target has been fixed for the garment sector in the current fiscal year. This year the garment export target has been fixed at \$38.20 billion, which is 11.91 percent higher than the achievement of last fiscal year.

Of the amount, \$18.85 billion has been targeted from knitwear and \$19.35 billion from the woven sector. Last year Bangladesh exported garment items worth \$34.13 billion, registering a 11.49 percent year-on-year growth.

With exports not diversifying at the expected pace, the contribution of garment items in national exports claimed a larger share last fiscal year.

The contribution of garment sector (knitwear and woven) increased to over 84 percent from more than 82 percent last fiscal year.

Diversification in exports is slow despite government initiatives on providing cash incentives to different sectors with potential.

Last fiscal year the garment sector even exceeded the annual target by 4.42 percent. The target was set at \$32.68 billion, according to data from the Ministry of Commerce.

Apart from garment items, the leather and leather goods sector has been considered as one of the most important sectors having potential in the current fiscal year. The commerce ministry set the export target at \$1.09 billion from receipts of \$1.01 billion last fiscal year.

Leather and leather goods was the second highest earning sector after garments. Only leather and leather goods sector could exceed the one billion US dollar-mark after garment items last fiscal year.

Replying to queries of journalists, Islam said the government has been providing incentives to some sectors like leather, footwear, plastic goods and light engineering to encourage product diversification. The government has already taken a project to diversify the export basket, he said.

While Mohammad Ali Khokon, president of Bangladesh Textile Mills Association, was talking about the problems and prospects of the primary textile sector, Islam said the ministry would hold a separate meeting with businesspeople to know of their comments for taking future course of action.

If the current trend of export continues, it is very much possible to achieve the export target of \$60 billion by the end of 2021, said Islam.

Source: thedailystar.net- Aug 08, 2019

[HOME](#)

Vietnam garment makers face hitches in lucrative EU trade deal

For Tran Nhu Tung, Vietnam's newly signed free trade deal with the European Union presents both huge opportunity, and a logistical headache.

The vice chairman of Thanh Cong Textile Garment Investment Trading (TCM) in Ho Chi Minh City is planning a rapid expansion in anticipation of the influx of orders the tariff-slashing EU-Vietnam Free Trade Agreement (EVFTA) promises to bring.

"The EVFTA is the game changer that will pave the way for Vietnamese garments to dominate the European market," Tung said amid the clack of thousands of sewing machines in the metal-roofed factory on the outskirts of Vietnam's commercial centre.

Analysts say garments worth around 10 per cent of Vietnam's exports and currently subject to EU tariffs of around nine per cent, will be by far the biggest beneficiary of the EVFTA finalised last month.

The EU is already Vietnam's second largest garment market after the United States, accounting for 15 per cent of the country's total garment exports last year, Vietnam Customs data shows.

Tung expects orders at his factory, which produces company uniforms and sportswear, to increase by at least 15 per cent once the EVFTA, which will reduce duties on nearly half of all garment products to zero, is ratified by the European Parliament.

Vietnam, backed by more than a dozen free trade agreements, has emerged as a key link in the global manufacturing supply chain.

Last December, Prime Minister Nguyen Xuan Phuc told a Hanoi business forum that Vietnam had become "one of the world's big factories".

That capacity, however, is being tested by growing demand – both from the EVFTA and the global disruption of trade caused by the US-China trade war which has seen some manufacturing shift from China to Vietnam and other nearby countries.

Staff shortages have already started to manifest in Vietnam's garment industry, where the vast majority of manufacturers are focused on the labour-intensive sewing and cutting process which makes the Southeast Asian country a popular outsourcing destination for foreign fashion companies.

Low pay and long hours are making it hard to meet the new factories' growing demand for workers, which has increased by seven per cent since 2018, according to Ho Chi Minh City-based recruitment firm Navigos Search.

"This industry always lacks human resources especially high-level employees who have specialised skills," Navigos managing director Mai Nguyen told Reuters.

For TCM's Tung, who is poised to open a new dyeing plant to keep up with orders, this means embarking on the difficult task of finding a chemical engineer who can lead his next operation.

“Finding people to operate dyeing or weaving machines is easy. They are workers, and we can train them,” said Tung. “But finding experienced chemical engineers with a thorough knowledge of chemistry and dyeing is rare”.

“I can count them on one hand,” Tung added.

The EVFTA presents another challenge for Vietnam’s garment industry: Strict rules on the country of origin for materials – or the “double transformation” of goods.

For manufacturers like Tung, this means both the textile and the finished product itself should be Vietnamese or from a country with which the EU already has a free trade agreement in order to be tariff-free.

That’s in part because of strong lobbying from European manufacturers who are already struggling against cheap imports from the likes of China.

At a 2013 hearing, European garment manufacturers expressed concern that an FTA with Hanoi could pave the way for cheap Chinese textiles to enter the European market after being transformed into garments in Vietnam.

Italian textile manufacturers and the European Apparel and Textile Confederation (Euratex) acted during the negotiations to prevent Chinese products that had undergone a finishing process in Vietnam from entering the EU without duties.

They also fought to delay the removal of duties for a certain period of time after signing the deal to prevent a sudden flood of Vietnamese products into the European market.

“In conclusion, considering the starting conditions, we were able to contain any damage,” Sistema Moda Italia, the federation of Italian textile and fashion manufacturers, said in a statement.

Currently, nearly 70 per cent of the raw materials used in Vietnamese garment manufacturing are sourced from overseas, especially China, according to official data. Clothing makers in Vietnam say few can afford the expensive process of producing their own raw materials.

“We have no intention of investing in dyeing... It’s capital-intensive and requires highly-skilled workers to operate,” the owner of a small Ho Chi Minh-based factory of around 800 employees told Reuters.

“Importing is cheaper, simpler and faster for small firms like us,” said the factory owner, who declined to be identified.

The factory, tucked in an industrial zone about 20km from the city centre, produces mostly women’s apparel and says Germany is its largest export market.

“The issue of ‘point of origin’ is important for us. We are considering importing materials from South Korea, which has already established free trade relations with the EU, instead of from China,” the owner said.

“The higher costs mean less profit for us, but it’s the best alternative way we can think of at the moment.”

Source: cyprus-mail.com- Aug 07, 2019

[HOME](#)

Egypt’s garment exports up four per cent

Egypt’s exports of readymade garments grew 4.4 per cent during the first half of 2019. The US’ imports of readymade garments from Egypt rose by 19 per cent.

In addition, Egypt’s readymade garment exports to Arab countries surged by 24 per cent. Readymade garments exported by Egypt to Europe dropped by seven per cent while readymade garments exported by Egypt to African countries plunged by 60 per cent.

In June 2019, readymade garment exports from Egypt increased by 11 per cent compared to June 2018.

Egypt’s garment exports go mainly to the US, Turkey, Spain, Britain, North Ireland, Germany, Italy, France, Saudi Arabia, Belgium and the Netherlands. Egypt wants to have stronger trade relations with Africa.

Steps include taking part in international exhibitions in the African continent and setting up an Egyptian-African free trade zone. Egypt's main exports to Africa are engineering industries, pharmaceuticals, chemical garments, food industries, and construction materials. Egypt wants to increase exports to the African continent by 35 per cent in 2017.

The main countries Egypt is interested in are Kenya, Zambia and Ivory Coast. However, working to make Egypt a leading international trade center in the Middle East requires work to increase the capacities of Egyptian ports in order to attract more container ships as well as working on the development of logistics capabilities and infrastructure to support this trend.

Source: fashionatingworld.com- Aug 07, 2019

[HOME](#)

FTA to strengthen Pak-China bilateral trade ties

Dr Wang Zhihua, minister counselor, Economic and Commercial Section, Chinese Embassy in Pakistan, has said that the finalisation of second phase of Free Trade Agreement (FTA) between two countries on the sideline of second Belt and Road Forum will help resolve these issues and strengthen further bilateral trade ties.

Dr Zhihua was speaking at a seminar on 'Pakistan China Free Trade Agreement: where we are and where we are going?' organised here by the Sustainable Development Policy Institute (SDPI).

Dr Zhihua said that though trade volume between Pakistan and China increased over the years, trading imbalance remained the biggest challenge and concerned by the Pakistani government and the business community.

The main reason behind the trade imbalance between the two countries was of structural in nature as China has possessed strong manufacturing base to export goods as compared to import.

Dr Zhihua observed that as per Phase-2 of FTA, China agreed to eliminate duties on more than 300 products, especially in the agriculture sector where Pakistan has the potential to expand its export basket to China.

He said China also encourage more business to business interaction activities in China to help Pakistani business community to learn more about Chinese demand and needs.

He said that we hoped that the incumbent government would adopt new industrial policy at the earliest to help improve business environment and ease of doing business. He said this would also help Chinese investors to bring more investments, which will also help build manufacturing capacity of the country.

Project Director and Focal Person for CPEC, Hassan Daud Butt said in the previous FTAs between China and Pakistan, there were no safeguard measures for industries, no synergy between relevant institutions, balance of payment vision was not incorporated, and no data exchange policy was agreed to counter under-invoicing issues. He said the revised FTA with China incorporated all these factors to make the commercial relationships beneficial for both countries.

Dr Hina Aslam, head of China Study Center, SDPI, said that even though Pakistan and China signed two FTAs already — one in 2006 on trade in goods and the other in trade in services in 2009 — yet their impact was less than salutary on Pakistan's economy.

Under the revised FTA, China has agreed to provide duty free access and unilateral concession to 313 Pakistani product lines (an increase of 257 tariff lines) over the next fifteen years. Moreover, under the new FTA, Pakistan would commission approximately 65% of its market with Chinese exports, whereas China would open up 90% of its market for Pakistani exports, she said adding his would also help in remedying the colossal \$10 billion trade deficit last year.

Mustafa Hyder Sayed, Executive Director, The Pakistan-China Institute, Islamabad, stressed the need for changing mindset when it comes to trade with China.

Source: thenews.com.pk- Aug 08, 2019

[HOME](#)

Vietnam: Thailand to speed up FTA negotiations

Thai Minister of Commerce Jurin Laksanawisit on August 7 pledged to speed up negotiations on bilateral and regional free trade agreement (FTAs), including the Regional Comprehensive Economic Partnership (RCEP) and the EU-Thailand FTA.

He affirmed that accelerating FTA negotiations is one of the top priorities of the commerce ministry, stressing those on the RCEP need to be completed within this year so that the pact can be ratified by the middle of next year.

The next target is to restart the Thai-EU FTA that has been stalled for years because of political problems, he said, adding that FTA negotiations between Thailand and the EU, the country's third-largest trading partner, have been put on hold for about five years.

Jurin also revealed he had assigned the officials involved to study the pros and cons of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a newly formed bloc of 11 Pacific Rim nations excluding the US.

The commerce ministry will also give priority to other issues, such as ensuring income for farmers in the fields of palm oil, rubber, rice, tapioca and corn; stepping up the export of farm products, garments, gems and jewellery; and developing service business such as restaurants, spas and elderly care

Source: en.vietnamplus.vn- Aug 08, 2019

[HOME](#)

Zimbabwe yet to tap its full strength in textiles and apparels segment

Zimbabwe is losing out on the gains associated with growing and using cotton for domestic purposes.

The country uses 30 per cent of the cotton it grows and exports 70 per cent to textile industries dotted around the world. Since it does not process all its cotton and export the fabric and extract more value from its produce, it fails to exploit the competitive advantage in using the raw material domestically.

Instead the fabric market is now dominated by imports particularly from China and Pakistan.

Most retail shops are also largely packed with imported clothes. That means clothing companies are importing garments on a huge scale and rendering the textile industry redundant.

Early this year uniform prices skyrocketed beyond the means of the majority of ordinary citizens owing to a deficiency created by an incapacitated textile industry.

Zimbabwe has the potential to restore its status as a major producer and supplier of textile products in Africa.

There has been an improvement in cotton production lately but value chains are non-functional considering that the bulk of cotton processing companies are either under judicial management or court-directed reconstruction.

The textile industry is now trying to harness the full benefits of the sector's value chain.

Source: fashionatingworld.com- Aug 07, 2019

[HOME](#)

Trade suspension won't affect Pakistan

The National Security Committee's decision to suspend all bilateral trade with India would be more damaging to New Delhi than Islamabad, as Pakistan's annual exports to the neighbouring country are worth few million dollars.

The NSC on Wednesday suspended all bilateral trade and downgraded Pakistan's diplomatic relations with New Delhi following India's recent actions in occupied Kashmir. Officials in the Ministry of Commerce and independent economists said that the decision to suspend the bilateral would not dent the Pakistan's exports, which are worth few million dollars.

According to official statistics, the total trade volume between India and Pakistan are at around \$2.5 billion with Pakistan's only \$500 million. The trade balance always remained in favour of India. "Pakistan is not dependent on India in terms of trade," said an official of the ministry.

He further said that trade between the two countries is based on quick imports from India to bridge a gap in case there is any shortage of products. Pakistan imports cotton yarn, textile, sugar, machinery and chemicals, among other items from India while India mainly imports cement, textile and leather products, vegetables and fruits from Pakistan.

According to the ministry data, Pakistan had exported \$100 million worth fresh fruits to India last fiscal year. These fruits include dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried. Second major item exported to India last fiscal year was cement. The third biggest export to India are Sesamum seeds.

Earlier, in February 2019, in the wake of the Pulwama attack, India had withdrawn the Most Favoured Nation (MFN) status that was granted to Pakistan in 1996. Later, the Indian government had also imposed 200 percent duty on the imports from Pakistan. However, Pakistan had not reciprocated it at that time.

Meanwhile, the business community also announced to support the government's decision to suspend trade with India. Traders said that Pakistan's integrity stands first above all trades and relationship.

Source: nation.com.pk- Aug 08, 2019

[HOME](#)

Pakistan trade ban on India to reroute trade via Dubai, Singapore

Pakistan's move to ban all trade with India as part of a raft of measures against India bifurcating Jammu and Kashmir, is expected to push trade that used to be done directly through the Wagah border to global trading hubs Dubai and Singapore . Trade through third countries — usually Dubai in the UAE and Singapore — is currently estimated to be worth about USD 5-10 billion. This is expected to go up once the formal trade ban is effected.

Despite tension between the two nations, total trade between the neighbours had risen by 6.1 per cent in 2018-19 to USD 2.56 billion, with India selling USD 2.07 billion worth of goods to its neighbour and Pakistan selling about USD 495 million worth of goods to India.

“The trade ban will have a marginal impact partly as trade would be pushed through Dubai and partly as the volume of trade is very low. However, border trade through Wagah in farm commodities such as tomatoes and onions will be left out in the cold as they cannot be transported through third countries,” said Prof Biswajit Dhar of JNU.

The major exports sent from India to Pakistan include raw cotton, cotton yarn, chemicals, plastics, manmade yarn and dyes. While India mostly imports fresh fruits, cement, petroleum products, bulk minerals and ores and finished leather from its western neighbour.

Pakistan maintains a negative list of 1,209 products that cannot be imported from India. It also imposes high tariff on those goods and services that are allowed entry. Banned goods from India include textiles, garments, pharmaceuticals, plastic and polymer, cars, trucks and auto parts. India too had withdrawn most favoured nation status to Pakistan earlier this year after the Pulwama attack and had slapped higher duty on Pakistan, making direct trade difficult.

Source: newindianexpress.com- Aug 08, 2019

[HOME](#)

NATIONAL NEWS

India's exports may be hit after yuan plunges to 11-year low amid US-China trade war; what experts say

Even as the US-China trade war intensifies, with the yuan plunging to 11-year low, experts say that Indian exports could take a hit in markets where the two compete.

The weakening of yuan would increase volatility in the forex space and will result in further weakness among the emerging market currencies including the Indian rupee, noted Ajit Mishra Vice President, Research, Religare Broking. "On the global front where Indian and Chinese exports compete, such weakness in yuan would give an upper hand to Chinese exports as they would become cheaper as compared to Indian exports making Indian exports comparatively less attractive," Ajit Mishra told Financial Express Online.

Earlier, the yuan had breached the crucial 7-mark against the US dollar threshold against on Monday after the US had announced plans to impose tariffs on Chinese imports from September 1. According to Pritam Kumar Patnaik of Reliance Commodities, China's stance going forward, will be crucial as it had committed to refrain from competitive devaluation in latest G20 meeting.

Further, the country will also have to prepare for fresh risk of sanctions that could be imposed by US if it continues to devalue. "US-China now in a situation where both sides are trying to hurt one another and it won't turn around until one side hits a breaking point," Pritam Kumar Patnaik, Head Commodities, Reliance Commodities told Financial Express Online.

Taking stock of China's latest move, VK Sharma, Head PCG & Capital Markets Strategy said that demand for dollars surged around the globe, including in India. "Rupee plunged to a two-year low against the dollar. Foreigners sold Indian bonds and had an impact on the sentiment on Indian fixed income markets," VK Sharma told Financial Express Online, adding that in the context of a weaker Yuan and slowing demand in China, a more competitive rupee is unlikely to offset weaker demand going forward.

“A weaker Yuan meant more competition and lower margins for Indian exporters. Chinese producers could dump goods into the Indian market thereby undercutting domestic manufacturers,” Sharma noted. According to the expert, given China’s dominance as the world’s largest exporter and its second-largest economy, any change it makes significantly impacts others around the globe. Competitive currency devaluation, will be net lose-lose for all, he noted.

Source: financialexpress.com- Aug 07, 2019

[HOME](#)

Insulate MSMEs from Basel III guidelines: Tea body urges government

The Tirupur Exporters’ Association (TEA), the largest knitwear/readymade garments cluster in the country, has urged the central government to insulate MSMEs from Basel III norms. The association has also requested the government not to insist on credit rating before getting loans under Basel III norms.

Raja M Shanmugham, president, TEA, who took part in the meeting called for discussing a number of issues pertaining to MSMEs, said in a press release that every bank already has its own rating mechanisms which are much more robust than the rudimentary process being followed by these MNC rating agencies.

“It is high time that at least the MSME segment is totally exempted from external rating requirement and replaced by either the bank’s internal rating or create a parameter based automatic rating module through any agency under supervision of RBI so that this unnecessary hardship and cost being thrust on MSME entrepreneurs could be totally eliminated,” he pointed out.

Some of the measures, including insulating MSMEs from adopting Basel III norms and limit to corporates; NPA classification norms should be brought back to 180 days instead of 90 days prevailing now while evaluating the unit; restructuring two times to have a leverage after considering the sessional nature of the business are panacea to cure the illness of MSMEs, Shanmugham said.

According to him, the requirement of credit rating insisted under Basel III norms before getting loans from banks are not at all necessary, as the rating is not reflecting the true nature of whole knitwear/readymade garment sector and the real performance of the respective unit.

He also pointed out the repercussions in the employment side, including repayment of loans to banks if the issues are not immediately resolved. He further requested that the Merchandise Exports from India Scheme (MEIS), a lifeline support given to exports including readymade garments, has been removed from August 1, 2019 onwards due to more pressure coming from WTO, further to a complaint lodged by the US with WTO dispute settlement body.

We wish to mention here that the scheme (MEIS) was actually introduced for offsetting the infrastructural inefficiencies faced by exports of specified goods including readymade garments to provide a level-playing field. It is a fact that the enhanced competitiveness is mainly needed to sustain in the global market.

Hence, the ministry concerned should make an alternative arrangement in place of MEIS to enhance the competitiveness of beleaguered knitwear garment exporting MSMEs in Tirupur and sustain in the global market.

Source: financialexpress.com- Aug 07, 2019

[HOME](#)

Cushioning cotton: Measures to tap global potential

A third of the global cotton growing area in India, hybridisation and increasing adoption of BT hybrid cotton varieties have turned India into a major exporter of cotton in the last decade. India was crowned the largest cotton producer in the world in the crop year (CY) 2015-16. In CY 2018-19, the cotton crop fared poorly due to a 20% rainfall deficit, with an estimated 14% reduction in production. Last years' production was also lower by 11% over decadal average cotton production of 352 lakh bales.

As the farmers contributed to 'Cotton Revolution' of the last decade, mill consumption also expanded by over 30%. Increasing quality awareness and widespread use of hybrid seeds, led to India's cotton exports witnessing a

growth until CY 2017-18, despite lower stocks. Lower crop estimates for 2018-19 pushed Indian cotton millers off the cliff to seek out their raw material requirements through imports.

Though the production estimates of the significant trade body are being contested by the stakeholders, the proof of production numbers is already in the increasing trend of cotton imports estimated at 31 million bales—highest in the last decade on the back of lower exports. Added to the lower production, is also a low stock of 13 lakh bales, which is a third of the decadal closing stock of 38 lakh bales.

Production numbers reveal that after reaching the peak of 398 lakh bales during CY 13-14, production has been south-bound. Domestic consumption and augmented export demand had kept the mill consumption clock ticking annually in the last decade. Increasing exports and mill consumption led to stocks moving to a low of 5% of the consumption in CY18-19. Given that Indian productivity estimated as 502 Kg/hectare is lower than 1,751 and 944 of China and USA, respectively, one need's to see as to what ails India's production.

Productivity levels seem to have hit a plateau and pulling the country and farmers out of the same would require multi-pronged efforts. First, and foremost issue, is ensuring the availability of adequate good quality seed with traits such as drought tolerance, pest resistance, etc. A major reason for the significant reduction in crop output witnessed during 2018-19 remain the drought conditions in major growing areas and attack of the pink bollworm.

Second, the adoption of better agronomic practices such as high-density planting of short duration varieties. This has the potential to increase yields to about 29% via lower exposure to pest attack, efficient use of water and other inputs while also suppressing weeds. Also, management practices such as in-situ soil and water conservation with bunds, integrated pest management, soil fertility testing and management, drip irrigation, etc., can have a significant impact.

Growing cotton varieties of high staple length is an important step towards augmenting the production and making available desired length of cotton fibre in the country. Adoption of better harvesting and post-harvest management practices will eliminate contamination, ensuring production and recovery of good quality of cotton that meets the requirements of

domestic consumption as well as exports. Use of commodity derivatives platforms either directly or through aggregators will help the farmers lock in their prices and create quality awareness. This will encourage the farmer to adopt better agronomic practices.

Both the private and public sector agencies should work towards enhancing the availability of adequate quantities of desired quality seeds for the farmers at a subsidised rate. With the sowing of the new crop due in the next few weeks, the performance of monsoon will be a key factor for the output. Amid concerns of end-stocks to fall to an alarmingly low level, there is an urgent need for remedial measures to be taken, to reclaim the coveted position of being the top producing nation.

Source: financialexpress.com- Aug 08, 2019

[HOME](#)

Pakistan's decision to suspend trade relations unlikely to harm India

Although Pakistan on Wednesday announced it would suspend trade relations with India, the move would have "very minimal" impact on India's overall trade scenario and its businesses.

Pakistan's top civil and military leadership on Wednesday decided to expel Indian High Commissioner Ajay Bisaria and suspend bilateral trade with India in the wake of New Delhi's move to revoke special status for Jammu and Kashmir.

The major reason for the nominal impact of the trade suspension on India's businesses and economy is that a large part of the trade between the two countries takes place through the informal route, which means that the trade takes place through a third country.

As per a recent report by Indian Council for Research on International Economic Relations (ICRIER), the total exports from India to Pakistan in the financial year 2018-2019 was around \$2 billion. But the latest data of informal exports as per the ICRIER report which goes back to 2012-13, was \$3.9 billion, nearly twice the current value of formal exports.

Similarly, the informal imports by India from its western neighbour was recorded at \$721 million in 2012-13 and the latest formal imports (2018-19), is well short of that level at \$494.8 million, showed the report.

Informal trade has continued to increase as the formal route has seen its ups and downs in the recent past. Such module of trade is not included in the national income. Countries sometimes choose informal trade route also to avoid high tariff and trade restrictions.

In the case of two countries, India-UAE-Pakistan is the primary channel for informal trading. In this process, trade is recorded between India and UAE and between Pakistan and UAE, but is not directly recorded between India and Pakistan.

According to the 2012-2013 data, the items primary informally exported from India were jewellery, textiles, machinery and machine parts and electronic appliances among others. On the other hand, India's informal imports from Pakistan consisted of textiles, dried fruits, spices, carpets among others.

The major items exported by India through the formal route include chemical products and textiles among others, and the formally imported items include mineral products and vegetable items.

Further, we can also see major contrast between the economies of the two countries. As of now the size of India economy has grown to around \$2900 billion. On the other hand, the size of Pakistan's economy is about \$273 billion.

Pakistan's Economic Survey 2018-19, showed that the country's GDP grew at only 3.3 per cent in the fiscal year 2018-19. On the other hand, India's GDP grew at 6.8 per cent during the fiscal year 2018-19. However, the Indian economy is still much bigger than Pakistan. The size of Indian economy is \$2,900 billion, almost nine times larger than Pakistan.

In terms of foreign exchange reserves, too Pakistan is in dilapidated condition with forex reserves of around \$17.4 billion, compared to India \$420 billion forex reserve.

Given the situation, it is highly unlikely that the trade suspension between the two countries would in any major way impact India and its businesses. Further, India already has revoked the Most Favoured Nation tag given to Pakistan, which snatches away the trade benefits Pakistan used to get.

Source: livemint.com- Aug 07, 2019

[HOME](#)

July cotton prices fall in India

Cheap imports and sluggish exports are looming large over India's cotton market. Sluggish exports have dampened cotton sentiments in the market. India's 2018-19 export is expected to be around 46 lakh bales compared with the 69 lakh bales it exported in the 2017-18 season. The downturn in export is mainly due to availability of cheaper cotton in the international market. On the other hand, imports have doubled.

Adequate steps will be taken to ensure cotton prices remain steady in the new season, set to start post-October. One of the measures to stop the dumping of cheap imports into the domestic market and keep prices steady would be by imposing a higher import duty on raw cotton.

Cotton sowing has been going on at a steady pace, with India reporting a five per cent year-on-year increase in sowing. As of August 2, India has reported 115.5 lakh hectares of cotton sowing, which last year was 109.79 lakh hectares.

Domestic prices of kapas (seed cotton) have been well above the minimum support price throughout the 2018-19 season. However, July prices have dipped, which is attributed to sluggish exports for both yarn and lint cotton. This trend has been observed in most major cotton producing states in the country.

Source: fashionatingworld.com- Aug 07, 2019

[HOME](#)

Odisha handloom to be promoted: Textile secy

The Odisha weavers have preserved the great and beautiful art of handloom and carved a niche for themselves in the national market.

The Union Textile Department, will not only preserve the great heritage but also further try to make it a fashion statement in the international market. As a result the weavers will be able to get 10 times more price on their hard labour.

Addressing on the occasion of the 5th National Handloom Day celebration at the SOA University, Secretary, Union Ministry of Textiles, Ravi Capoor stated that the Ministry is mulling how to make handloom an international fashion. "We are trying to reduce the middle men in the trade of handloom products. So that the weavers will get a handsome price for their products," he added.

"Only eight to ten countries of the world are enriched in the handloom sector. India certainly has the potential to create a special identity for them in the world arena in this field. For that there is a lot of work to be done in the handloom sector. Odisha weavers are doing a great job in this respect. Government is implementing a number of schemes for the weavers and they should grab these," he mentioned.

Two Padma Shri award winners for handloom- Gobardhan Panik, Chaturbhuja Meher and and 12 Sant Kabir award winners- Kalabati Meher, Swarnalata Meher, Sarat Kumar Patra, Bhaktaraj Meher, Bhagaban Meher, Dayalu Meher, Surendra Meher, Shyamasundar Karan, Bhikari Meher, Murali Meher, Khetramohan Meher and Sashidhar Meher were felicitated on this occasion.

Among others , Minister of State (Independent), Handloom, Textile and Handicrafts, Padmini Dian and Textile Secretary Ravi Capoor were present.

Source: dailypioneer.com- Aug 08, 2019

[HOME](#)

India unveils draft guidelines for e-com firms

India recently proposed guidelines for e-commerce firms that mandate e-tailers to display details of sellers supplying goods and services on their websites and moot the procedure to resolve complaints, and requires a 14-day deadline to effect refund request. The consumer affairs ministry has sought stakeholder views on the draft guidelines by September 16.

The draft makes it mandatory for e-commerce companies to ensure protection of personally-identifiable customer information, according to Indian media reports.

The firms should be a registered legal entity under Indian laws and should submit a self-declaration to the ministry stating that it is conforming to guidelines.

The companies should also comply with the provisions of Information Technology Rules, 2011. They are also required to display on their websites details about sellers supplying goods and services.

The industry said it is still studying the broad contours of the guidelines.

The government is also planning to come out with a national e-commerce policy.

Source: fibre2fashion.com- Aug 07, 2019

[HOME](#)

RBI reduces repo rate by 35 bps to 5.40%

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), in its Third Bi-monthly Monetary Policy Statement, 2019-20, has reduced the policy repo rate under the liquidity adjustment facility (LAF) by 35 basis points (bps) from 5.75 per cent to 5.40 per cent.

Consequently, the reverse repo rate under the LAF stands revised to 5.15 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 5.65 per cent with immediate effect.

The MPC also decided to maintain the accommodative stance of monetary policy.

The MPC's decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth, an RBI press release said.

"The MPC notes that inflation is currently projected to remain within the target over a 12-month ahead horizon. Since the last policy, domestic economic activity continues to be weak, with the global slowdown and escalating trade tensions posing downside risks. Private consumption, the mainstay of aggregate demand, and investment activity remain sluggish.

Even as past rate cuts are being gradually transmitted to the real economy, the benign inflation outlook provides headroom for policy action to close the negative output gap. Addressing growth concerns by boosting aggregate demand, especially private investment, assumes the highest priority at this juncture while remaining consistent with the inflation mandate," the release said.

Welcoming the MPC's decision, Tiruppur Exporters' Association (TEA) president Raja M Shanmugham said he hoped that all banks will come forward to pass on the reduction of interest rate to the borrowing units, which is desperately required for the knitwear garment exporting units, particularly to MSME exporting units which are suffering further to macroeconomic changes.

"Banks have reduced their Weighted Average Lending Rates (WALRs) on fresh rupee loans only by 0.29 per cent during the current easing phase so far (February-June 2019), while RBI reduced the repo rates by 0.75 period during this period. Despite the meetings RBI governor had with banks asking them to transmit the reduction, one or two banks only reduced their rates," Shanmugham said in a statement.

Source: fibre2fashion.com- Aug 07, 2019

[HOME](#)

Microsoft e-com platform to connect 6 lakh Bengal weavers

West Bengal chief minister Mamata Banerjee recently said Microsoft will create an e-commerce platform connecting six lakh weavers in the state. The firm had announced the launch of a new e-commerce platform for handloom weavers under its 'Project ReWeave'.

The project will begin from Nadia district and help spur weavers' income by 25 per cent, Banerjee said.

The platform would help artisans connect directly with buyers, enabling them to expand to newer customers and markets, a news agency report quoted her as saying.

Project ReWeave was launched in partnership with Chaitanya Bharati, a Vishakhapatnam-based non-profit organization, in Telangana to ensure the revival of the traditional handloom art forms in that state in 2016.

The e-marketplace would help sell to a broad set of customers, support weavers in increasing their income, while also reviving traditional forgotten Indian art, Microsoft India said.

Banerjee also said Microsoft will undertake the 'Project Sangam', which seeks to empower municipal functionaries to run community training courses.

The company, in association with the National Institute of Fashion Technology (NIFT), has curated a special curriculum in 'CAD and Colour for Handloom Weaving' to provide digital training in handloom design.

Source: fibre2fashion.com- Aug 07, 2019

[HOME](#)

It's time cotton got some serious policy attention from the govt

A combination of trade war and global growth slowdown is taking a toll on the world cotton market. Worsening trade conflict between the world's largest exporter the US and the world's largest importer China is seen weakening the market sentiment and depressing the price of the natural fibre, often described as white gold.

Last year, China imposed 25 per cent retaliatory tariff on the US origin cotton. With the Asian major refusing to buy American-origin cotton beyond the minimum quantity committed by it, cotton prices in the US crashed to multi-year lows, falling to about 57 cents a pound and seriously upsetting cotton growers.

Price fall in China

Ironically, in China too, cotton prices have declined to levels not seen in about ten years. This is because China is a major supplier of cotton textiles to the US; and high tariffs are expected to make Chinese goods less competitive in the US market. Given this, China's consumption demand for cotton is sure to decrease in the months ahead.

Contrary to earlier expectations, many observers now feel the trade conflict between the US and China is unlikely to resolve anytime soon. This will continue to have a bearing on world consumption and world trade. While cotton cultivation is expected to gradually shift from highyield origins such as China to relatively low-yield countries in Asia and Africa, in recent years, textile production has been slowly relocating from China to other Asian or AsiaPacific countries such as Bangladesh and Vietnam.

An extended trade war has the potential to accelerate the process of relocation. In the event, consumption demand for cotton will increase in new centres of production.

Production forecast

According to Washington DC-based International Cotton Advisory Committee, world cotton production in 2019-20 is forecast to reach 27.2 million tonnes, a 6 per cent rise from the previous year. Consumption is

expected to grow slowly at 1.7 per cent to 26.9 million tonnes. This will result in greater ending stocks for the year.

India cannot escape the developments in the global marketplace given the integration of markets through the trade route. Depressed overseas rates have encouraged higher import into the country to meet the production shortfall during 2018-19.

For 2019-20, the government has fixed a tentative production target of 357.5 lakh bales of cotton (170 kilograms each). On current reckoning, this target is unlikely to be achieved.

Admittedly, cotton planted area so far has bucked the lagging trend seen in other crops. As of August 2, it has been planted on 115 lakh hectares, up by some six lakh ha this time last year. Normal area is 120 lakh ha.

Risk factors

The concern really is with respect to precipitation and risk of pest attack. Rainfall aberrations during June and July may impact yields.

While it is a little premature to have an informed production estimate, what is clear is that the final output is more likely to fall short of the target; and considering domestic demand at about 330 lakh bales, the emerging scenario points to tightening availability.

Such tightness means reduced availability for export and encouragement to larger imports. While cotton consumption demand in our country will continue to expand, there are known and unknown risks that are seen hurting production.

Indian cotton has now reached a stage where some serious policy attention is necessary to ensure year-on-year output growth commensurate with consumption growth.

Unfortunately, the value chain participants as well as policymakers seem to be taking Indian cotton production for granted.

Source: thehindubusinessline.com- Aug 08, 2019

[**HOME**](#)

Shipping Ministry floats new plan to settle past surplus of PPP cargo terminals

Move follows notification of new rate norms for older terminals in March

The shipping ministry has floated a proposal to sort out the past surplus, worth over ₹2,500 crore, earned by some of the earliest private cargo handling terminals at major port trusts whose mandatory rate revisions of every three years have been delayed by more than seven years. This was due to court cases filed against tariff cuts ordered by the port regulator.

The move comes after the ministry issued new rate setting guidelines in March this year for terminals governed by the 2005 rate norms, rectifying many of the contentious issues that were at the centre of a confrontation between them, the ministry and the Tariff Authority for Major Ports (TAMP). New rate norms

The new rules, though, would be applied for future rate revisions of 14 older terminals such as the Nhava Sheva International Container Terminal (NSICT), Gateway Terminals India (GTI), Chennai International Terminals (CITPL), Chennai Container Terminal (CCTL), among others.

These terminals have filed writ petitions seeking a stay on the steep rate cuts ordered by TAMP in 2012 and the courts in their respective jurisdictions have allowed them to continue charging the rates prevailing prior to the regulator's orders till the cases are decided.

The new rate norms say that the surplus/ deficit over and above the admissible costs and permissible return, if any, arising during the period of litigation will be subject to the orders of the respective courts. "Alternatively, the shipping ministry, major port trusts and BOT operators concerned and TAMP may decide on the treatment of past period surplus arising during the period of litigation," it said.

The surplus, according to the ministry's proposal, will be worked out by scrutinising the audited accounts of the individual terminals since 2012, considering parameters such as actual revenue earned, less the operating expenditure, admissible royalty to be paid to the government-owned port authority and 16 per cent return on capital employed (ROCE) on the net block of assets.

Proposed options

The ministry has proposed two options to deal with the surplus.

First, is to follow the formula approved by the Attorney General, which now forms a part of the 2019 rate guideline for these terminals. Accordingly, 20 per cent of the surplus is allowed to be retained by the terminal operator. Of the balance 80 per cent, the operator will be allowed to retain half, ie 40 per cent, and the remaining half will be passed on to the users by way of a discount in future rates.

To illustrate, if the surplus earned by a terminal during the period works out to ₹1,500 crore, 20 per cent (₹300 crore) of that will be retained by the terminal operator. Of the remaining ₹1,200 crore (80 per cent of the total surplus), the operator can retain ₹600 crore (half of 80 per cent) while the balance ₹600 crore will be deducted from the future annual revenue requirement (ARR) of the terminal over a period of three or six years.

The second option suggested by the ministry is to allow the operator to retain half of the entire surplus and to set off the remaining half from the future ARR over a 3 to 6-year period, government sources said.

Among the new rate setting rules framed by the ministry and published in the Gazette on March 7, the most significant is to allow these older cargo terminals to set rates for services to the extent needed for meeting their annual revenue requirement (ARR), replacing the cost-plus model followed earlier. The ARR (a cap) will be the average of actual expenditure for the past three years plus 16 per cent return on capital employed (ROCE).

ROCE will be calculated on gross fixed assets - a departure from the earlier practice of computing the return on the net block of assets that led to diminishing returns for the operator with each passing year due to depreciation. It will also include capital work in progress and working capital.

Source: thehindubusinessline.com- Aug 08, 2019

[**HOME**](#)
