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IBTEX No. 197 of 2019 October 10, 2019

US 71.17 | EUR 78.02 | GBP 86.92| JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19761	41300	**73.97**
Domestic Futures Price (Ex. Warehouse Rajkot), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19490	40734	**72.96**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	61.30	
ZCE Cotton: Yuan/MT (January 2020)	12,125	
ZCE Cotton: USD Cents/lb	76.98	
Cotlook A Index – Physical	**72.25**	

Cotton Guide: As mentioned in our previous reports, we have noticed that spurts of positivity are not sufficient when we look at the long term. Long term direction of the market has always been bearish according to the monthly charts. Some positive news of short covering due to multiple reasons were helpful to take the market slightly upwards but again the Biggest Factor “Lacking Demand and intensifying supply” was able to overpower this bullishness to push prices downwards. We have seen prices move upwards, but what matters is the sustenance of this bullishness which has been a bit of concern.

Also on the other hand, the trade tensions [the direction of which is certainly uncertain] is again driving the market to showcase a change of half a cent in either direction. Last

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week the prices were up with +50 points due to new rounds of trade talks scheduled, inversely the prices settled lower by -50 points yesterday due to news of US imposing sanctions on 8 Chinese tech companies which in turn are negative for the trade talks.

The ICE December contract settled at 61.32 cents per pound with a change of -0.51 cents per pound. The ICE March contract settled at 62.03 cents per pound with a change of -0.54 cents per pound whereas the ICE May contract settled at 62.75 cents per pound with a change of -68 points. The volumes were better at 24,254 contracts.

Yesterday, although being a festive holiday in India, the evening session of MCX was open, mirroring the prevailing market conditions. In other words, the domestic market is falling downwards, which is a consequence of the increasing supply line. The MCX October contract settled at 19,490 Rs per Bale with a change of -100 Rs. The MCX November contract settled at 18,960 Rs per Bale with a change of -110 Rs. The volumes were as unquestionably lower at 328 lots.

As correctly predicted in our previous report, the prices of Cotton have declined due to distress selling with the festive season in place. CCI has started its procurement activities. There is unconfirmed News about CCI procuring cotton from Farmers at Hanumangarh. Around 20 trolleys ranging between 5200 Rs to 5450 Rs were purchased.

The Cotlook Index A has remained unchanged at 72.25 cents per pound.

For today, fundamentally speaking, we keep our stance bearish for both the international and the domestic markets. Expect a drop of about -50 points in a couple of days for the ICE December contract and a drop of around 200 Rs per Bale in MCX contracts.

On the technical front, Price made a bearish evening star candlestick formation and closed below the dema (5,9)=61.36,61.26 suggests the correction in the price. Immediate support is at 60.50(trend line demand zone) while the resistance is at 61.80/62.30 levels. Relative strength index(Rsi) is trading at 53.88 indicates the weakness in the price. For the day we expect price to trade in the range of 61.80-60.50 with negative bias. Close below 62.30 will negate our bearish view. MCX cotton OCT price is expected to trade in the range of 19300-19600 with 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

Outpaced by Rivals, August Apparel Imports from China Inched Up Ahead of Tariffs

In August–the month before 10 percent tariffs were imposed on apparel imports from China–U.S. companies brought in 0.5 percent more goods than a year earlier from the Asian powerhouse for a value of $3.08 billion, but a shake-up in sourcing strategy has already taken place.

For the first eight months of the year, apparel imports from China were up 1.99 percent year to year to $343 million, paling in comparison to more substantial increases for many of its Asian neighbors, according to new data released Friday from the Commerce Department's Office of Textiles & Apparel (OTEXA). There have also been consistent gains from some Western Hemisphere and African countries, as global sourcing diversifies.

Among the Top 10 suppliers, Asian manufacturing giants Vietnam, Bangladesh, India, Cambodia and Pakistan have all notched substantial gains this year. Apparel imports from Vietnam were up 12.14 percent in year-to-date comparisons through August to a value of $981 million, while Bangladesh's shipments rose 11.81 percent to $431 million in the period, according to OTEXA.

Imports from India increased 8.19 percent in the period to $223 million, Cambodia's shipments were up 8.58 percent to $137 million and Pakistan's gained 8.56 percent to $77 million.

Apparel imports from the Western Hemisphere rose 3.48 percent in the first eight months of 2019 to reach a value of $9.64 billion, as companies look for closer-to-market, and tariff-proof, alternatives.

Leading the way was Top 10 supplier Honduras, which saw a gain of 11.91 percent to $195 million worth of goods imported into the U.S. Other key suppliers from the region were Nicaragua, with shipments up 12.7 percent to $1.17 billion in the period; Haiti, increasing 16.09 percent to $682.29 million, and Peru, rising 7.76 percent to $460.64 million.

Among African nations, significant gainers were Egypt, with imports rising 17.72 percent to $656.85 million; Kenya, up 23.69 percent to $308.28 million; Madagascar, advancing 24.48 percent to $159.88 million, and Ethiopia, up 90.98 percent to $129.98 million.

Imports from the world increased 5.76 percent to a value of $57.31 billion for the year to date though August. In the month, apparel imports rose just 0.15 percent compared to July, as imports patterns have been disrupted by companies looking to get goods in ahead of anticipated tariffs as trade wars simmer on multiple fronts.

The increase reflected a gain in the goods deficit of $800 million to $74.4 billion and a decrease in the services surplus of less than $100 million to $19.5 billion. The largest trade deficits were recorded with China of $28.9 billion and the European Union of $15.6 billion.

Source: sourcingjournal.com - Oct 07, 2019

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World Cotton Day: Objective, significance and key highlights!

World Cotton Day: The WTO hosted the first-ever World Cotton Day on October 7 to highlight the challenges of cotton economies.

The first-ever World Cotton Day (WCD) will be hosted by the World Trade Organization (WTO) in Geneva on October 7, 2019. The international day aims to celebrate the advantages of cotton, ranging from its qualities as a natural fibre to the benefits people obtain from its production, transformation, trade and consumption.

World Cotton Day also aims to highlight the challenges faced by the world's cotton economies, as cotton is significant for the least developed, developing and developed economies worldwide.

Union Textiles Minister, Smriti Irani is expected to participate in a plenary session commemorating the World Cotton Day. The plenary session, which will be observed from October 7-11, aims to highlight the challenges faced by cotton economies across the world. It will be attended by heads of states, heads of international organizations and private sector executives.

World Cotton Day: Objectives

World Cotton Day aims to:

• Provide exposure and recognition to cotton and all its stakeholders in production, transformation and trade.

• Engage donors, beneficiaries and strengthen development assistance for cotton.

• Seek new collaborations with the investors and private sector for the cotton related industries and production in developing countries.

• Promote technological advances and further research and development on cotton.

World Cotton Day event: Key Highlights

The World Cotton Day event will include a partners' conference where the development partners will discuss the new project on cotton by-products and other development initiatives.

There will also be a photo contest to encourage photographers from across the globe to send out strong messages underlying the importance of cotton and its value chain.

There will also be a fashion show that will display cotton fashion and designers from different parts of the world with a special focus on Africa.

The event will also include a cotton exhibition where the Handloom Export Promotion Council (HEPC), Cotton Corporation of India (CCI), TEXPROCIL and India's NIFT will be setting up their stalls.

The Cotton Corporation of India will be displaying various grades of raw cotton including SUVIN, the finest quality of extra-long staple cotton produced in Tamil Nadu, which has the highest fibre length.

World Cotton Day: Significance

World Cotton Day provides a common platform to the international community and the private sector to share knowledge and showcase cotton related activities and products.

World Cotton Day will be celebrated across the world every year. The day will host events that give exposure to the cotton farmers, processors, researchers and businesses.

Cotton: Why is it so important?

Cotton is produced all over the world and one single tonne of cotton provides almost one year-round employment for five people on average.

Cotton crop is perfectly suited for regions with an arid climate. Overall, cotton occupies just 2.1 percent of the world's arable land and yet meets 27 percent need of the world's textile sector.

While cotton fibre is used in textiles and clothing apparel, food products like edible oil are obtained from cotton and its seed is used as animal feed.

Background

The World Trade Organisation organized the World Cotton Day event at the request of four cotton countries- Burkina Faso, Benin, Chad and Mali to recognize their application to the United Nations to establish October 7 as World Cotton Day.

The WTO organized the World Cotton Day event in collaboration with the secretariats of the United Nations Conference on Trade and Development (UNCTAD), United Nations Food and Agriculture Organization (FAO), International Cotton Advisory Committee (ICAC) and the International Trade Centre (ITC).

Source: jagranjosh.com - Oct 08, 2019

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WTO stresses central role of cotton in developing countries

The World Trade Organization (WTO) Director General Roberto Azevedo underlined the importance of cotton to many developing countries at the launch of the first World Cotton Day in Geneva on Monday, hoping to "bring together the cotton, trade and development communities to foster greater value addition and value capture in developing countries."

At a special high-level meeting at the WTO headquarters on Monday, ministers highlighted the strategic role of cotton for cotton-producing countries such as Benin, Burkina Faso, Chad and Mali, known as the Cotton Four (C4), and other developing and least developed countries.

WTO Director General Roberto Azevedo lauded at the meeting cotton's central role in livelihoods, job creation and economic stability in several least-developed countries.

He asked participants to heed the challenges faced by cotton farmers, including market access barriers, subsidies provided by some countries and supply-side challenges at home which limit the competitiveness of export-oriented processing.

According to China's Ambassador to the WTO Zhang Xiangchen, China, as the world's largest cotton producer and consumer, has made great contributions to the development of global cotton industry.

Cotton is a critical area that connects China-Africa cooperation, Zhang said, citing projects in Africa that have been supported by China, including Chad Demonstration Center of Agricultural Technology, Benin Textiles Company and Mali Segou Textile Mill.

Meanwhile, China has actively worked together with Africa for human capacity building on cotton, Zhang said. In year 2017 and 2018, China altogether held eight training courses on cotton planting, processing and trading.

As cotton is an important topic and C4's priority in the agriculture negotiations, the Chinese ambassador said that China always attaches great importance to cotton negotiations, and will continue to play a constructive role and work together with other WTO members with a view to reaching meaningful outcomes on cotton.

Initiated by the C4, the World Cotton Day was established to celebrate all aspects of cotton, from its qualities as a natural fiber to the benefits people obtain from its production, transformation, trade and consumption.

The event is intended to shed light on the challenges faced by the cotton sector around the world, and particularly in least-developed countries.

Source: xinhuanet.com- Oct 08, 2019

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World Bank warns of weaker global growth amid Brexit, trade uncertainty

World Bank President David Malpass said the global economic outlook is deteriorating amid Brexit-related uncertainty, trade tensions and a downturn in Europe.

“Global growth is slowing,” Malpass said in Montreal on Monday in a speech ahead of the the IMF and World Bank annual meetings. The world economy now looks even weaker than the bank’s June forecast for 2.6 per cent growth in 2019, “hurt by Brexit, Europe’s recession and trade uncertainty,” he added.

Malpass renewed his global growth warning as investors are keeping an eye on several major issues that could come to a head this month.

High-level U.S.-China trade talks resume this week -- before the next planned tariff escalation October 15 -- and U.K. Prime Minister Boris Johnson has pledged to take Britain out of the European Union on October 31 without a deal if necessary. Meanwhile, economic indicators from Europe are flashing red as a slump in manufacturing increasingly affects domestic demand.

Malpass repeated his criticism of the roughly $15 trillion of bonds with zero or negative yields, describing it as “frozen capital” that’s diverting resources from growth and benefiting bondholders and issuers of the debt.

The heads of the global institutions are gathering amid growing concern about how threats from U.S. President Donald Trump's trade wars to Brexit are weighing on world expansion. There are also fresh faces in place after IMF chief Christine Lagarde left to lead the European Central Bank and was succeeded by Bulgarian economist Kristalina Georgieva, formerly chief executive of the World Bank.

The IMF has also indicated it may lower its 2019 outlook from after the fund in July projected 3.2 per cent growth -- the lowest since the financial crisis. The IMF is preparing to release its updated forecast next week.

Trump nominated Malpass in February, choosing a supporter who'd criticized China and backed a shakeup of the global economic order. Malpass, who previously portrayed the lender as inefficient and reluctant to cut funding for developing countries that grow into dynamic emerging markets, was selected in April to serve a five-year term.

Source: business-standard.com- Oct 08, 2019

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Pakistan: APTMA seeks withdrawal of duty, taxes on cotton import

All Pakistan Textile Mills Association (APTMA), showing serious concern on lower cotton output, has urged the federal government to remove duty and taxes on the import of raw cotton to support the domestic textile industry. Addressing a press conference here on Tuesday at APTMA office, newly elected Chairman Dr Amanulla Kassim Machiyara said that as per initial estimates there is shortfall of some 5 million cotton bales in the demand and supply during this season due to massive decline in the cotton production.

Raw cotton prices are now higher than import substitution and if this trend persists then the textile industry will be rendered uncompetitive directly impacting the country's exports, he said and added that the domestic cotton prices are gradually increasing due to short crop and reached all most equal to price of high quality US cotton and the prices are likely to further increase on higher demand, he added.

He said that initial cotton crop estimate was some 15 million bales, later it was revised up to 12 million bales and now as per second revision, cotton crop may be 10.2 million cotton bales. However, he said that, the recent market survey suggests that cotton output end of this season will be even lower than 10 million bales as against the domestic industry demand of 15 million bales.

The Chairman APTMA informed that the latest cotton production statistics of Pakistan Cotton Ginners Association (PCGA) and the domestic cotton prices shows the current arrivals to be well short as compared to the corresponding period last year. Comparative analysis of cotton arrival up to 1st October 2019 versus 1st October 2018 shows a 39 percent decline in cotton arrival.

In the latest development in crop estimates, he urged the federal government for immediately withdraw of 3 percent Custom Duty and 2 percent Additional Duty and 5 percent Sales Tax levied on the import of raw cotton to enable the textile industry to meet its requirements for domestic as well as for export orders.

The removal of taxes and duty on import of raw cotton will support the textile industry to fulfill its foreign commitment, he added. Machiyara mentioned that Pakistan's textile industry requires medium and longer staple contamination free and organic cotton, which are not being produced in Pakistan and always textile mills need to import to produce specialty yarns.

He said that the government should act without further delay and announced an emergency to support the domestic textile sector. The import of cotton at low cost will help the industry to fulfill its export commitments.

The Chairman APTMA has pleaded with the Prime Minister, Ministry of Commerce for immediate removal of duty and taxes on import of cotton so that the textile industry could retain its competitive edge. On the occasion, former chairman APTMA Yasin Siddik, Asif Inam and others were also present and talked about the current situation of the textile industry. They also demanded for relief in shape of removal of taxes and duties on import.

Source: brecorder.com- Oct 09, 2019

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In Pakistan, yarn manufacturers demand duty-free cotton import

Yarn manufacturers have demanded that the government allow duty-free import of cotton in order to overcome a significant shortfall in domestic production and achieve the overall export target through textile, which is the largest export sector in the national economy.

Speaking at a press conference on Tuesday, All Pakistan Textile Mills Association (Aptma) Chairman Dr Amanullah Kassim Machiyara said there was a need to import five million cotton bales (of 170 kg each) worth around $1.5 billion to achieve the textile export target in current fiscal year 2019-20.

Duties and taxes on cotton import comprise 11% of the import price. Taxes have made this essential import unviable for the yarn manufacturers, say industry players.

Machiyara said there was no other option but to import cotton to overcome the production shortfall in the country. “Import has become a must if we are to manufacture yarn for the fabric and cloth-making sectors of textile,” he added.

“If the government withdraws duties and taxes from imports, then our textile sector may meet the export target. Otherwise, we may miss the goal by 5-10% in the current fiscal year,” he said. “The government has yet to realise that duties on imports will be a disaster for the economy.”

Textile exports accounted for 61% (or $2.30 billion) of the total export proceeds of $3.75 billion in first two months (July-August) of the current fiscal year. They had come in at 58% (or $13.32 billion) of the total export proceeds of $22.97 billion in the previous fiscal year, according to the Pakistan Bureau of Statistics.

Duties and taxes on imports include 3% customs duty, 2% anti-dumping duty, 5% sales tax and 1% income tax.

“Besides, there is 17% general sales tax (GST) on yarn, which is refundable. However, we demand that the government again declare textile as a zero-rated sector,” he said.

He pointed out that cotton production had been badly hit by untimely rains and pest attacks. The Pakistan Cotton Ginners Association (PCGA) has revised down the cotton production estimate by 32% to 10.2 million bales (of 170 kg each) in the fiscal year that started on July 1, 2019.

Initially, the Federal Committee on Agriculture (FCA) had set the cotton production target at 15 million bales for the year. "The production target of 15 million bales has been unrealistic since day one," Machiyara said.

The estimated one-third drop in cotton output to 10.2 million bales has sent prices soaring to over Rs9,000 per 40kg.

"The price of imported cotton is lower than Rs8,900 (including all duties and taxes) compared to the poor quality locally produced cotton," he said. "If cotton and yarn become expensive, who would buy our textile products in export markets?"

Source: brecorder.com- Oct 09, 2019

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Pakistan: Major export sector hamstrung by duties: World Bank

Pakistan's tariffs on imported intermediate goods average 8 percent – four times the average in the East Asia – and its regulatory and additional duties are also high, making it difficult for the country's major export sector of textiles and apparel to import artificial fibers, says the World Bank (WB). The WB in its latest report 'World Development Report 2020: Trading for Development in the Age of Global Value Chains' states that costly imported intermediates are a barrier to Global Value Chains (GVCs) integration.

Exporters can often circumvent high tariffs on imported intermediates by using duty suspension mechanisms, but these often do not function efficiently. Two examples from South Asia illustrate this point.

Pakistan's tariffs on intermediates average 8 percent – four times the average in East Asia – and its regulatory and additional duties (para-tariffs) are high. Pakistani exporters of textiles and apparel – the country's major export sector – rely mostly on domestic cotton rather than on imported artificial fibers such as polyester (the leading input to the fast growing global imports of apparel).

The WB further stated that in principle Pakistani exporters have access to duty suspension schemes for their imported intermediates, such as the Duty and Tax Remission on Exports. In practice, approvals for remission takes on average 60 days- twice the time specified by law-and clearing customs after approval takes an extra 5-10 days. For that reason, a mere 3 percent of textile and apparel exporters use the scheme.

In Bangladesh, by contrast, obtaining approval for duty suspension on intermediates takes on average 24 hours, and about 90 percent of textile and apparel firms use the scheme.

Despite the gradual decline in tariffs over the last decades, especially for manufactured goods, there are still important differences in the restrictiveness of trade policies across countries. Countries specializing in commodities imposed manufacturing tariffs averaging 7.5 percent from 2006 to 2015, and those with limited manufacturing global value chains (GVCs) imposed tariffs averaging 6.5 percent. Tariffs drop sharply to less than 3 percent for countries with advanced manufacturing and services GVCs and to less than 2 percent for those with innovative GVC activities.

The importance of lower tariffs on intermediate inputs to foster the use of imported inputs and improve export performance at the firm level is true both in countries poorly integrated into GVCs such as Nepal and Pakistan, as well as Peru and in countries highly integrated into GVCs such as China.

Although the risk of displacement of jobs or exports currently seems low, middle-income countries such as Mexico, Tunisia and Pakistan would seem most exposed to the threat of robotization-induced reshoring because their exports are heavily concentrated in goods that robots can help produce. Commodity exporters, however, seem somewhat shielded from the threat of robotization-induced reshoring.

Pakistan's ability to overcome an export ban on fish and expand horticultural exports attests to the value of building a strong national standards regime. But being in a value chain today does not guarantee that a country will capture significant benefits from participation and that those benefits will grow. Many of the traditional approaches to industrial policy, including tax incentives, subsidies, and local content policies are more likely to distort than help in today's GVC context, as Brazil's poor experience of promoting localization in the automotive sector illustrates. However, a range of proactive policies can enhance GVC participation.

Effective and efficient quality infrastructure, appropriately recognized internationally, is a precondition for delivering such demonstrable compliance. Pakistan's development of a robust national quality standards regime helped lift the European Union's ban on the country's fish exports and facilitated rapid growth in mango and mandarin exports by ensuring full traceability in the supply chain.

Source: brecorder.com- Oct 09, 2019

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Vietnam's cloth import rises 3.2 pct in 9 months

Vietnam spent over 9.7 billion U.S. dollars importing cloth in the first nine months of this year, posting year-on-year increase of 3.2 percent, according to the country's Ministry of Industry and Trade on Wednesday.

Its largest import market of cloth was China, followed by South Korea and Japan. Between January and September, Vietnam imported more than 1.1 million tons of cotton worth roughly 2.1 billion U.S. dollars, down 7.8 percent in volume and 12.2 percent in value.

The country also spent more than 1.8 billion U.S. dollars importing 822,000 tons of yarn in the same period, up 3.8 percent and 7.8 percent, respectively.

In 2018, Vietnam poured 12.9 billion U.S. dollars in importing cloth, up 13.5 percent, over 3 billion U.S. dollars in importing cotton, up 28.5 percent and 2.4 billion U.S. dollars importing yarn, surging 32.7 percent.

Vietnam reaped 30.4 billion U.S. dollars from exporting garments and textiles last year, up 16.6 percent against 2017, mainly to the United States, Japan and China, according to the country's General Statistics Office.

Source: xinhuanet.com- Oct 09, 2019

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NATIONAL NEWS

Textile industry seeks steps to boost exports

'Quick release of refunds will help'

The textile industry has sought immediate release of refunds under various government schemes to ease the liquidity crunch faced by manufacturers and exporters.

In a joint memorandum presented by seven national-level textile associations and major export promotion councils to the Union Government, the industry said that since the units are facing acute liquidity issues, the government should take steps to release the refund arrears under programmes such as ROSL/ROSCTL, Duty Drawback scheme, GST refunds, and Technology Upgradation Fund scheme.

The Confederation of Indian Textile Industry (CITI) held meetings with the textile associations across the country and facilitated the formation of a national committee for textiles and clothing representing the entire textile value chain.

The committee has short-listed measures that the Centre must take to revive the industry. T. Rajkumar, chairman, CITI, said the associations had submitted their demands to the Textile Minister and that it hopes to meet the Finance and Commerce Ministers soon.

The other demands of the industry include two years' moratorium for repayment of principal loan amount without any cap on borrowings. The Remission of Duties or Taxes on Export Product (RoDTEP) scheme should cover all products in the textile value chain as it is reimbursement of duties and taxes paid. The 3% interest subvention scheme for export products should be raised to 5% for all textile and clothing products.

Steps are also needed to revive domestic and export sales. The government should take steps to control garment imports from countries such as Bangladesh and Vietnam that affect the domestic value chain. Guidelines for schemes such as TUFS and Export Promotion Capital Goods should be simplified. Further, any policy should remain stable for 3-5 years, the industry said.

Source: thehindu.com- Oct 08, 2019

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India to expand cotton assistance programme to 5 more African nations in 2nd phase

India remains committed to building on its longstanding development partnership with Africa, especially in the field of cotton, said Smriti Irani.

India will cover five more African countries in the second phase of its cotton technical assistance programme (TAP) for the region, Union minister Smriti Irani said on Monday. India implemented a technical assistance programme (TAP) for cotton in six African countries, namely Benin, Burkina Faso, Chad, Malawi, Nigeria and Uganda, from 2012 to 2018.

"In the five year long second phase, the programme will be scaled up in size and coverage and will be introduced in five additional countries, namely Mali, Ghana, Togo, Zambia and Tanzania. The Cotton TAP programme will now cover 11 African countries including the C4 (Benin, Burkina Faso, Chad and Mali)," an official statement said.

India remains committed to building on its longstanding development partnership with Africa, especially in the field of cotton, Union Textiles Minister Smriti Irani said at the opening session of World Cotton Day in Geneva.

As one of the world's largest producers and consumers of cotton, India supports the World Cotton Day as an opportunity to recognise the significance of cotton as a global commodity, and, more importantly, as a source of livelihood for millions of small and marginal farmers in developing countries, said Irani.

Irani further said that India is also engaging meaningfully in providing assistance to strengthen both the agriculture and textile part of the cotton value chain in Africa through training and capacity-building of farmers, scientists, government officials and industry representatives and through the creation of cotton-related infrastructure.

She said that it is fitting that Mahatma Gandhi has been chosen as the icon for the World Cotton Day and to mark the celebration of the first World Cotton Day, India will gift a replica of Mahatma Gandhi's Charkha to the WTO.

The Textiles Minister also informed that cotton farming and the domestic cotton textile industry continue to be important pillars of India's economy.

As a country of 8 million small and marginal cotton farmers, India is sensitive to the challenges faced by the cotton sector in developing countries and India has been a proponent for the elimination of asymmetries and imbalances in the WTO agreements that lead to a distortion of global cotton markets, the Minister added.

Irani expressed hope that the World Cotton Day will help showcase innovative initiatives in the cotton eco-system and channel more development assistance for cotton.

Source: economictimes.com- Oct 07, 2019

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Cotton crop in peril in Maharashtra on increasing whiteflies attacks

The cotton crop in Maharashtra is facing whiteflies attacks and if enough attention is not provided by the State Government then the problem could aggravate and cause significant economic damage, senior Maharashtra Government officials told BusinessLine.

Changes in weather and higher moisture content in the air coupled with the use of synthetic Pyrethroids for killing pink bollworms has lead to the ingress of whiteflies, such pesticides act as a booster for the flies. The cotton shrubs also become vulnerable to attacks by whiteflies if farmers mix different pesticides and spray the cocktail on the shrubs,

The problem could soon reach an economic threshold (ET), defined as the insects' population-level at which the value of the crop destroyed exceeds the cost of controlling the pest. ET is an indicator for initiating preventive measures. In Punjab, whiteflies have already destroyed large areas of cotton crop in the last four years, the officials said.

When whiteflies attack a cotton shrub, it leads to the curling of leaves, reduces plant vigour by affecting photosynthesis and lint gets contaminated with secretions from the flies.

It also makes the shrub vulnerable to fungal attacks and leaf curl virus disease. The flies suck the sap from the cotton shrub's phloem or living tissue that transports food made in the leaves through photosynthesis to other parts.

The officials said that the attacks have been detected in all major cotton grown areas of Vidarbha including Pandharkawda in the Yavatmal district. The extent of damage is still being assessed. The whiteflies attacks have been detected in Maharashtra in the last five years but this time it is more virulent, which could cross ET.

In areas where an excess amount of insecticides have been used, whiteflies attacks have been stronger,

At the local level, farmers are being sensitized to avoid spraying of synthetic Pyrethroids, use of less harmful methods such as sticky traps, which are hard paper consisting of a sticky glue layer mounted on a piece of cardboard.

These cardboards are tied to the shrubs on which the flies get attracted due to its yellow colour and their wings get immobilised, which eventually kills them, the officials said.

Source: thehindubusinessline.com- Oct 08, 2019

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Home textile exporters' plea

The Home Textile Exporters' Welfare Association (HEWA) has demanded the government to release pending dues under a taxes and levies rebate scheme.

In March, the government had announced the Rebate of State and Central Taxes and Levies on Export of Garments and Made-ups (RoSCTL) scheme which provides rebate on all embedded taxes on exports, but HEWA claimed exporters are yet to receive the refunds from this scheme which are pending since last seven months. The association submitted a memorandum in this regard to Textiles Secretary Ravi Capoor on Monday here.

Source: thehindubusinessline.com- Oct 08, 2019

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'Drawback claims do not get time-barred'

The Customs had raised some queries against our drawback claim. By mistake, the queries were not replied to. As a lot of time had passed, the Customs, we believe, had archived the shipping bill. Now, the Customs site shows the claim as history. For revival of the Drawback claim, the Customs have advised us to lodge a supplementary claim. Is it a fit case for supplementary claim under rule 15 or 16? Or are there any other procedures for obtaining the drawback claim? Can drawback claims be time-barred?

In case of exports under electronic shipping bill, the shipping bill itself is treated as the claim for drawback. In case of manual export, triplicate copy of the shipping bill is treated as claim for drawback. The claim is complete only when accompanied by prescribed documents described in Rule 14(2) of the Customs and Central Excise Duties Drawback Rules, 2017. If the requisite documents are not furnished or there is any deficiency, the claim may be returned for furnishing requisite information/documents. As per Section 14(3)(b) of the said Rules, where the exporter re-submits the claim for drawback after complying with the requirements specified in the deficiency memo, the same will be treated as a claim filed under sub-rule (1) for the purpose of section 75A i.e. for the purpose of payment of interest. No time limit is laid down in the said Rules for complying with the said requirements.

So, you can restore the drawback claim by filing your reply to the deficiency letter. Your drawback claim does not get time-barred. A supplementary claim in accordance with Rule 16 of the said Rules can be filed where any exporter finds that the amount of drawback paid to him is less than what he is entitled to on the basis of the amount or rate of drawback determined by the Central Government or Principal Commissioner of Customs or Commissioner of Customs. That situation does not arise when your original drawback claim is not disbursed.

What is the difference between public notice and notification? What are the characteristics which differentiate public notice from notification?

Generally speaking, the notifications are issued by the government in exercise of the powers conferred under a law mainly to bring in or amend some legal provisions, whereas public notices are issued by statutory authorities to prescribe procedures or disseminate information to the public. Under the Customs Act, 1962, the Central government is given powers to notify Rules or Regulations. Section 28(5)(B) however talks of a public notice to be issued by the Assistant Commissioner of Customs.

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central government gets the powers to notify the Export and Import Policy. That Policy gives the powers to the Director General of Foreign Trade to prescribe procedures through a public notice. Similar provisions may be there in other laws. All laws require most notifications to be published in the official Gazette and placed before the legislature for ratification. Usually, that is not necessary for public notices.

Source: business-standard.com- Oct 08, 2019

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PM takes stock of RCEP trade pact amid concerns

India is likely to remain in the pact but with some safeguards and caveats in order to protect its interests.

Prime Minister Narendra Modi on Monday took stock of the proposed Regional Comprehensive Economic Partnership (RCEP) trade agreement whose negotiations are in the final stages.

Officials said India is likely to remain in the pact but with some safeguards and caveats in order to protect its interests.

These carve outs could pertain to future domestic policy concessions in investment and services sectors (called 'ratchet' in trade parlance) along with such concessions given to a trading partner under a bilateral treaty automatically getting extended to RCEP members.

While there was no briefing or statement after the meeting which lasted more than four hours, it was a crucial discussion with key economic ministries amid various ministries and industries including textiles and dairy opposing the pact due to China's presence in it. Excluding dairy imports from the pact, protecting sensitive sectors from Chinese imports and investment are the key areas of concern.

The meeting was preceded by a spate of discussions among various ministries the entire day on the trade pact.

Home minister Amit Shah met commerce and industry minister Piyush Goyal, finance minister Nirmala Sitharaman, external affairs minister Subrahmanyam Jaishankar and minister of state for commerce and industry Hardeep Singh Puri on the issue earlier in the day.

"It was a divided house with two ministers against India joining the trade bloc. The home minister tried to bring in synergies," said an official aware of the details.

Separately, the Bharatiya Janata Party met industry and other stakeholders to gauge the status of the pact which is expected to conclude next month when Modi participates in the Asean summit.

However, the actual agreement is likely to be signed in June 2020.

The BJP has called the meeting as “RCEP and Free Trade Agreement (FTA) have acquired immense importance for India’s trade relation with South Asian Co-untries” and the region is a “focal area” of Modi’s Look East policy.

BL Santosh, general secretary (organisation) of the BJP was present at the meeting.

“While it was a mixed group, everyone aired their fears on China and allowing dairy imports. Those who supported India’s participation insisted that it should be done on the country’s own conditions,” said one person who attended the meeting.

“The feeling is that India will go ahead with the agreement with adequate safeguards and exclusion of dairy. We were told that the PM is aware of these concerns and the political and dairy interest would be protected,” said the person.

The meetings come ahead of Goyal’s visit to Bangkok later this week for the RCEP ministerial.

The RCEP is a proposed FTA between the 10 member states of the Association of Southeast Asian Nations (Asean) and its six FTA partners — China, India, Japan, South Korea, Australia and New Zealand.

RCEP negotiations began in November 2012 and have been under the scanner as industry fears cheap Chinese goods flooding the country once the agreement is signed.

“Conclusion of the talks is a legal term meaning that Parliament will have to be informed about the pact,” said the first official.

Fears, solutions

ET had earlier reported that India has offered to cut or eliminate tariffs on 80% of products imported from China but the offer is yet to be exchanged as there are talks of China offering steeper concessions in return. India plans to cut duties on 86-88% of imports from Australia and New Zealand, and 90% for products coming in from Asean, Japan and South Korea.

India may have to draw up a list of products on which it wants to use an auto trigger mechanism to raise duties if it sees a sudden surge in imports on particular items from a partner country and protect itself.

The commerce department is also grappling with concerns on many products, the concessions on which would vary among countries, called tariff differential in trade parlance.

“Tariff differential is an area of concern as long staging period and entry into effect are being deliberated,” said another official.

Moreover, the controversial investor-state dispute settlement (ISDS), which is out of the trade agreement for now but negotiations on the contentious issue will begin after three years.

“There are talks that ISDS may come in later and the finance ministry is concerned about that,” the second official said.

India had advocated that local remedies should be exhausted before an investor can ask for third-party arbitration to resolve a dispute.

The country had opposed this mechanism fearing loss of sovereignty that comes with such arbitration, as had happened in the case of tax disputes with oil and gas explorer Cairn and telecom operator Vodafone.

RSS-affiliate Swadeshi Jagran Manch (SJM) has termed the investment provisions “a meek surrender of the sovereign rights of any country to seek the transfer of technology from the investing companies, training to their domestic partners, and removing the cap on the quantum of royalties which domestic companies can pay to their foreign partners”.

It has also said that import of cheaper milk and milk products would adversely hit the livelihood of 50 million milk producers in the country and shot down the auto trigger mechanism as it would require major calculations before being put into place.

Source: economictimes.com- Oct 08, 2019

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India's trade with its FTA partners: experiences, challenges and way forward

In a meeting held on September 10, 2019, at Bangkok in Thailand, India and the group of ten members of Association of Southeast Asian Nations (ASEAN) have decided to initiate the review of the ASEAN-India Trade in Goods Agreement that has been in operation since January 2010. The main objective of the proposed review is to make the agreement more 'user-friendly, simple, and trade facilitative for businesses'.

It is an important development for India as there has been a growing concern indifferent quarters including the industry that the benefits for India have been very limited from the Free Trade Agreements (FTAs) that the country has signed and implemented so far, including that with the ASEAN.

It is imperative to note that India has viewed FTAs as an important tool to enhance its trade and investment, and signed a number of trade agreements with various countries or groups. In fact, India is one among top countries in Asia with the maximum number of FTAs either in operation or under negotiation or proposed.

According to the Asian Development Bank Institute, as of now, India has 42 trade agreements (including preferential agreements) either in effect or signed or under negotiation or proposed. Out of this, 13 are in effect, one is signed but not yet implemented, 16 under negotiation and 12 are proposed/under consultation or study. Most of India's existing FTAs are with Asian countries which are quite different from each other in terms of the level of their economic development.

At the time when India is negotiating FTAs with a number of countries/groups, including the mega Regional Comprehensive Economic Partnership (RCEP), and has decided to commence the review of India-ASEAN FTA, it is pertinent to examine the progress of trade between India and its key FTA partners.

The major FTAs that India has signed and implemented so far include South Asia Free Trade Agreement (SAFTA), India-ASEAN Comprehensive Economic Cooperation Agreement (CECA), India-Korea Comprehensive Economic Partnership Agreement (CEPA) and India-Japan CEPA.

A broad analysis of trade between India and its major FTA partners, mentioned above, shows a significant increase in trade since the agreements have become operational. The SAFTA became effective from January 01, 2006 and as per Ministry of Commerce and Industry data the bilateral trade between India and other SAFTA member countries has increased from US$ 6.8 billion in 2005-06 to US$ 28.5 billion in 2018-19. India's trade with SAFTA has grown faster than its total trade with the world. As a result, the share of SAFTA countries in India's international trade rose from 1.6% in 2005-06 to 2.5% in 2018-19. During the same time, the Indian exports to SAFTA countries haveincreased faster than its imports from them leading to a significant rise in trade surplus with these economies from about US$ 4 billion to US$ 21 billion. The maximum growth in exports to SAFTA region has been recorded with Bangladesh and Nepal.

ASEAN is one of India's most important trading partners. The CECA with ASEAN became effective from January 01, 2010 and the bilateral trade between the two sides has surged from about US$ 43 billion in 2009-10 to US$ 97 billion in 2018-19. As in case of India's trade with SAFTA, the bilateral trade between India and ASEAN has also increased faster than that ofIndia's overall trade with the world, leading to an increase in ASEAN's share in India's global trade from 9.4% to 11.5%.However, contrary to India-SAFTA trade India's imports from ASEAN has increased at a significantly higher rate than Indian exports to ASEAN. Another important point worth to be noted is that the imports from ASEAN grew much faster than India's imports from the world. The faster growth in imports has resulted in a significant increase in India's trade deficit with ASEAN from less than US$ 8 billion in 2009-10 to about US$ 22 billion in 2018-19. The share of ASEAN in India's total trade deficit has increased from about 7% to 12% during the same period.

Along with India-ASEAN CECA, the India-Korea CEPA also became operational from January 01, 2010. During 2009-10 to 2018-19, the bilateral trade between the two countries hasincreased from about US$ 12 billion to US$ 21.5 billion andgrew at a pace more or less similar to that of India's trade with the world. However, Indian imports from Korea have surgedmuch faster than the exports to that country. While India's imports increased at a CAGR of around 8%, the exports to Korea rose at a CAGR of less than 4%. Also, while the imports from Korea have grown faster than imports from the world, the growth rate of exports to Korea has been much slower than India's exports to the world. This again has led to a considerableincrease in India's trade deficit with Korea from US$ 5 billion in 2009-10 to US$ 12 billion 2018-19 and a sizable increase in the share of Korea in India's overall trade deficit from 4.7% to 6.5% during the same period.

The India-Japan CEPA became effective from August 01, 2011. The bilateral trade between the two countries witnessed sharp growth in the year of its implementation e.g. 2011-12 compared to that in the previous year, 2010-11. However, the bilateral trade flow has not only contracted afterwards but witnessed a lot of volatility during 2011-12 to 2018-19. Also, while exports to Japan continued to increase during the year of implementation e.g. 2011-12, they have contracted afterwards. Imports from Japan, on the other hand, have increased but witnessed a lot of fluctuations. As in the case of ASEAN and Korea, however,India's trade deficit with Japan has not only increased during2011-12 to 2018-19 but grown faster than India's trade deficit with the world.

Overall, with the exception of SAFTA, India's experience intrade with its major FTA partners has not been very encouraging. While India has gained substantially in terms of exports from its FTA with SAFTA countries, CEPA with Korea and CECA with ASEAN have been more beneficial to those economies. In the case of CEPA with Japan, however, bilateral trade has either declined or stagnated after the 1st year of implementation but there has been a substantial rise in trade deficit with that country also.

Apart from a range of domestic factors that have draggedthe competitiveness of Indian exports and prevented India to leverage the preferential market access in these partner countries, there exist a number of FTA related issues that are seen to be responsible for less than favorable development in India's trade relations with ASEAN, Korea and Japan. Some of these issues include faulty commitments, stricter rules of origin,lack of awareness about the FTAs and high cost of compliance. It is important, therefore, that India should not remain satisfied with the initiation of a review of India-ASEAN FTA but the existing provisions of CEPAs with Korea and Japan should also be evaluated to make them more trade and business-friendly. It is equally important, however, for India to simultaneously takeall the necessary measures to remove the obstacles that hinder the overall competitiveness of exports in the country.

Source: economictimes.com- Oct 07, 2019

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Issues loaded heavily against cotton

Cotton may see a record production this year. Trade in the commodity getting linked to the global futures market has turned a bane for domestic farmers. A tweak in policies and a slew of eased tax measures should make things start looking up for the cotton industry and the economy, feels Indian Cotton Federation president J Thulasidharan.

The US-China trade war, a global slowdown and its reflections in the domestic market has taken a heavy toll on the cotton sector which like other areas has been witnessing a bad trading sentiment. When there was the last financial turmoil in 2007 and 2008, India may not have felt the pinch much. But the situation was not so now, said J Thulasidharan who was recently re-elected the president of the Indian Cotton Federation (ICF).

Till 2007 Indian cotton market had remained quite insulated from the global market vagaries. But since then it has got linked with the global market ruled by the speculative futures market in New York and that has adversely affected the industry.

The whole speculative futures market which resulted in volatile prices where traders exited say wheat or gold to trade in cotton futures, was cause for anxiety for the domestic producers, Thulasidharan told The Covai Post. Since the New York market has been hit by the US trade war with China, its after-effects have been felt in India. Coupled with this is the global meltdown which has seen the domestic market have a surplus supply over the last two years.

The cotton calendar has just started. This time, following the minimum support price (MSP) which has drawn farmers to cotton cultivation, the country has had a record cultivation covering 125 lakh hectares which would see a massive production of 380-400 lakh bales, adding to the supply side.

But all eyes were on China, which consumes 44 per cent of the global cotton production. The stock there was low and depending on the intake from there, things could turn brighter for India which consumes 22 per cent of the production.

On the minimum support price (MSP) which rules above the international price and the benefits do not reach the farmer and the demand for a system of direct payment to the farmer, Thulasidharan felt that the government was considering this and it was a tough task as it involved a good number of farmers.

While admitting that farmers were being put into hardship and deprived of end-benefits of several schemes, Thulasidharan wanted the Central and State Governments to be more proactive. A case in example was allowing cotton farmers to sell their produce, even export it if they felt so. This would give the grower the benefit and farmers in the country could turn out to be among the richest in the world.

He felt that since 1968 when food prices were controlled owing to external pressure, the farmer took a hit and the situation had since then never improved.

He said the textile was the mother industry with employment potential and economy buildup which made Government interaction with all stakeholders, small and big, vital.

He was for a closer look at grading and classing of cotton which should see assured quality that could lead to branding of Indian cotton. There was also the need to control contamination right from the time the seeds are sown and also at the time of irrigation where sprinklers and improved water quality could be used.

Finance to growers had to be made liberal since cotton was a seasonal corp. The rate of interest should be liberal and made available through warehouse funding system, he felt.

Liberal policies like the rationalisation taxes through GST did help but there was the need for simplification. He stressed on the last point since the present system had its flaws with hidden taxes and loaded unfairly on the ordinary consumer. It needed to be streamlined. Take the case of someone receiving rental income. He or she would have to pay corporation tax, income tax and GST of 18 per cent if annual income is above Rs 40 lakh. “Ease of doing business has become difficult,” he says.

Regarding a slew of new policies announced by the Finance Minister in the form of stimulus package, he felt it was good in the medium and long-term for the economy. A majority of the industries are in the MSME sector. They, mostly traders, were yet to get any benefit. A change in the income-tax structure would have increased cash flow and sentiments would have improved. This would see an immediate positive impact on economic growth, Thulasidharan added.

Source: covaipost.com- Oct 08, 2019

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Trade War: Why manufacturers are not rushing into India, Indonesia

As the US-China trade war continues, tariffs are making exports from China expensive for US importers.

Indonesia announced they intend to spend 40 per cent of annual GDP on infrastructure over 5 years although financing it is an issue due to weak FDI inflows and limited room for manoeuvre in fiscal policy.

Singapore: Out of 56 companies that relocated their production out of China between April 2018 and August 2019, only three went to India and two to Indonesia. This was the finding of a study by Nomura, a Japanese financial group.

Out of the 56 firms, 26 relocated to Vietnam, 11 went to Taiwan and eight to Thailand.

As the ongoing trade dispute between China and the US continues to escalate, tariffs are making exports from China more and more expensive for US importers. Many firms have been doing their sums and looking for new locations to re-site their manufacturing operations.

For many companies, the plan to relocate has already existed for a while. Costs in China were already trending up for some time. However, many hesitated because of the hassle and uncertainty of relocation. What tipped the scales in the last year or so was the additional US tariffs levied on Chinese made goods.

Re-locating manufacturing facilities is not a trivial matter. Besides, overcoming the high initial set-up costs, other factors to consider are infrastructure, communications and connectivity. Having good and cost-effective warehousing, transportation and other logistical support is essential. That is just the start. There is also the challenge of finding the right skilled manpower and thereafter putting the new workers through training specific to their production process. Further considerations include governmental support, a favourable tax regime and legal framework, and the ease and speed of starting a business in a new country.

On the surface, India and Indonesia both have the ideal demographics to be global manufacturing powerhouses to rival China which at the moment makes one-fifth of the world's goods. First of all, they have the second and fourth-largest populations in the world with India's population expected to surpass China's by 2030. They also have a relatively young population. United Nations estimates that India has a median age of 30, whereas Indonesia's median age is 31. By comparison, China's median age is 40.

Furthermore, India's labour cost is half that of China's.

So why are India and Indonesia not receiving their fair share of factories relocating from China?

Although both India and Indonesia's GDP growth rates are high compared with other major global economies, economists generally agree that they are both performing below their full potential with regards to FDI (Foreign Direct Investment) in manufacturing and hence they are both nicknamed "sleeping giants".

FDI is a good indication of external investor confidence in the success of economic reforms and prospects as they are a sign of how willing foreign corporations are willing to commit to long term investments in a country. FDI is necessary for a developing economy to create jobs, absorb excess labour supply and plug financial gaps. But India today pulls in a miserly 0.6 per cent of GDP in manufacturing FDI. Indonesia is a touch better at one per cent.

The most common reason touted by businesses about why they move to a particular location is the ease of doing business. In the Reuters story referred to earlier, a smartphone executive was quoting as saying that in Vietnam, there is a single point of contact, a person who takes care of everything from the government side.

Taking a leaf out of the book that Thailand and Vietnam use to attract FDI, both India and Indonesia need to further liberalise trade, spend more on infrastructure construction, reform land and labour laws and offer tax breaks for foreign investors. Legal reforms, liberation and favourable taxes are necessary for economies to reach their full potential.

The good news is that both countries are aware of this and making moves in the right direction.

In Indonesia, President Widodo is introducing tax incentive for foreign companies setting up manufacturing facilities in the country and making it easier for businesses to obtain a license.

The recent surprise cut in the corporate tax rate have appeased corporations and has helped put India in a new trajectory for growth. However, India needs to do more. For example, provide more tax incentives for investing in the desired type of manufacturing it hopes to attract - like high tech and electronics manufacturing for export. It must also make it easier to import components so that more of the assembly work can be done in India.

Infrastructure, as both countries are acutely aware, is also very important.

Indonesia announced they intend to spend 40 per cent of annual GDP on infrastructure over 5 years although financing it is an issue due to weak FDI inflows and limited room for manoeuvre in fiscal policy.

In both countries, there is a heavy dependence on-road transportation but if modern rail and water transportation are more readily available, it can save businesses significant costs and time.

The culture of manufacturing which is prevalent in countries like Germany, Japan, China and South Korea is missing in India and Indonesia. This means that not only must there be strong and readily available vocational training programmes to equip those interested with the necessary skills but that their smartest citizens must want to consider joining this sector.

Indonesia lacks graduates in degrees that support manufacturing. According to global business consulting firm McKinsey & Company, Indonesia only produces eight STEM (Science, Technology, Engineering and Mathematics) graduates per 1,000 citizens, while the figure is 20 for India and 34 for China.

What is heartening for India is that companies like Samsung and Apple are already making some of their mobile phones in India. Apple which has already been manufacturing iPhone components and older models in India expects to start building the newer iPhone XS and SR in India this year. The Samsung factory in Noida is one of its biggest in the world and 30 per cent of what it makes is exported.

Although there is progress, more has to be done if India aims to achieve PM Modi's aim, first declared in 2014, to increase manufacturing share of GDP to 25 per cent by 2025.

Source: economictimes.com- Oct 07, 2019

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The Xi-Modi Mamallapuram meet has a major economic context — RCEP

India is under considerable pressure from the RCEP countries to eliminate tariffs on at least 80 per cent of its traded products

It is a curious coincidence that the summit between Xi Jinping and Narendra Modi at Mamallapuram and the RCEP (Regional Comprehensive Economic Partnership) Ministerial at Bangkok are being held at the same time.

The strategic importance of the Chinese President’s visit can hardly be underscored. It comes in the wake of the fracas with Pakistan over Kashmir; China’s economic interests would possibly lie in securing its investments in the Pakistan-leg of its belt and road project which skirts the region.

China would be keen to ensure freer access to the Indian Ocean and the Straits of Malacca, where India’s strategic presence is not insignificant. Yet, trade and investment ties are bound to be a central aspect of bilateral exchanges, more so because the strategic differences are loaded with legacy problems. China, keen to offset the impact of its tariff war with US, would push for higher market access in India. It is the dominant player in RCEP and is subject to MFN (or non-FTA) tariff rates on its exports to India.

India is under considerable pressure from the RCEP (ASEAN plus six) countries to eliminate tariffs on at least 80 per cent of its traded products. Recent and hectic stakeholder consultations reflect apprehensions over the impact of such a move, with the Centre too recently deciding to review its FTA with ASEAN. China's upper hand in trade, even in the absence of any pact, is all too evident across sectors. China's trade surplus with India has risen from $0.67 billion in 2000-01 to about $60 billion today (out of bilateral trade of about $95 billion).

China has broadly been exporting semi-finished or finished manufactures, while importing raw material and intermediates. While there are gains to be made from deeper trade engagement with its eastern neighbours, India must secure its side of the bargain, particularly with respect to services access. India has been unable to secure any commitment from the RCEP countries in this regard. Also of concern are the lax 'rules of origin', which permit exports to be routed through third countries.

As a result, China's exports to India are higher than the numbers suggest. The entry of garments and bicycles from Bangladesh, Sri Lanka and Vietnam is only too well known. India's demand that automatic tariff triggers be allowed in case exports cross a certain level, in order to protect domestic industry interests, too has not been accepted. It would be difficult for India to make fresh offers in the absence of commitments from the other side. It should allow access to its large markets more on its terms.

A breakthrough is possible if investment enters the equation. In view of the recent corporate tax cuts and steps to ease doing business, India can become an attractive FDI destination. We would then finally be talking beyond tariffs.

Source: thehindubusinessline.com- Oct 09, 2019

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How Brexit can change trade negotiations between India and UK

Brexit is approaching fast. The deadline of October 31, 2019, is less than a month away. Till now, there is no clarity on whether the UK will have a deal with the EU. Some sort of a deal appears likely, given the legal necessity, and recommencing of Parliament following the directives of the UK Supreme Court. At the same time, possibility of fresh elections can't be ruled out too. Notwithstanding these multiple possibilities, the reality of the UK and EU parting ways is obvious. What does that mean for others, including India, in so far as trade relations with UK are concerned?

Brexit is a more vexing issue than most comprehend. Since 1973, when the UK economically integrated with the EU, the world hasn't looked at EU and UK markets separately. This is in spite of the UK not giving up the British Pound and not joining the Schengen regulations for common visas. From a trade perspective, the most important characteristic of UK and EU being together was that of tariffs being same for both.

The other important aspect is the preferential access that service suppliers from the UK and EU get in each other's markets; while non-EU service suppliers face several and often disconnected regulatory barriers, including taxation laws, across Europe, such impediments don't arise for UK suppliers. The situation would change post-Brexit as Europe and UK would need to be looked as discrete economic entities.

The first implication of Brexit for countries like India, is the need for recognising distinct trade and investment relations with another 'new' major economy. Based on nominal GDP, and as estimated by the IMF for 2019, India and UK are the world's fifth and sixth largest economies. India has a nominal GDP of around $3 trillion, followed by the UK with a GDP of $2.8 trillion. Following Brexit, India would have to formalise trade and investment relations afresh with UK, distinct from those with the EU.

While partly smaller than India in economic size, the UK, nonetheless, is a major economy. It is a part of the G7 group of world's largest advanced economies. It is also a member of the G20 group of world's most influential economies, comprising the largest of the advanced and emerging market economies. Trade and investment relations with the UK have significant implications for India and need to be crafted accordingly.

The UK is expected to follow a proactive external trade policy after Brexit. There are two parts to the policy. The first is the effort to retain trade relations, through 'continuity agreements' with countries with whom the EU has FTAs. The second is to explore trade agreements with new countries. Presumably, the first part is a more immediate priority. On the second, there are countries that might receive precedence in engaging and be treated 'first tier'. Earlier this year, deposing before the India-UK Foreign Affairs Committee of the House of Commons, a senior UK Minister had indicated that India, while being important, was not 'first-tier' in UK's post-Brexit FTA schemes.

But more robust indications on the UK's interest in working on trade engagement with India have come in the recommendations in the report of the Foreign Affairs Committee itself, emphasising priority to trade talks with India. These are followed by recent positive comments by prime minister Boris Johnson on a FTA with India following his meeting with prime minister Modi on the sidelines of the last G7 Summit at France in late August 2019.

Much hurdles and roadblocks would be encountered by India and the UK whenever they discuss a bilateral trade deal. These would not just involve tariffs on beverages, automobiles and auto-parts, but also non-tariff barriers like safety and quality standards for goods, conditions for movement of professionals and data security.

There would be carry-forward of many issues that came up during India's now-stalled FTA negotiations with the EU. These issues would be revisited by India and the UK in a post-Brexit context with the UK refocusing on comparative advantages after separating from EU, and India evaluating market access options solely on the basis of prospects in UK.

As mentioned earlier, the eventual character of Brexit would decide the course of future trade talks and engagement between India and the UK. A deciding factor in this regard would be whether the UK's MFN tariffs, post-Brexit, remain the same as those now.

The current UK MFN tariffs are those of the EU. A 'hard' separation might produce differences with the UK implementing tariffs distinct from EU.

Similarly, there could be several other internal regulations influencing trade standards, investments and service supplies that would come up in the UK and influence trade talks. Nonetheless, for India, and several other countries, negotiating trade deals with UK—distinct from EU—might imply greater negotiating flexibility and better prospects of meaningful outcomes.

A group of 28 heterogeneous economies is a far more difficult trade bloc to deal with than an individual economy. It would be good if India seizes the opportunity to get going on a deal with UK that corresponds to its interests.

Source: financialexpress.com- Oct 09, 2019

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India not to walk out of RCEP negotiations

India's trade deficit with the RCEP nations taken together is $105 billion, with the lion's share being accounted for by China.

The government has taken a policy decision that it will not walk out of the RCEP negotiations, which are supposed to be finalised later this week. Paradoxically, this decision could place it in a tougher bargaining position as other RCEP nations — China, ASEAN nations and Australia — are sticking to their guns on getting India to agree to deep tariff cuts in a host of areas including sensitive sectors such as textiles.

"We had suggested an early trigger mechanism, which could allow us to raise tariff substantially in case of a surge in imports of a particular line. However, neither the domestic industry nor our trading partners are showing much interest.

The domestic industry said it is not a suitable mechanism, while partner countries say it is too late to introduce the clause," said commerce ministry officials.

The commerce minister is expected to lead a team to Bangkok later this week to put final touches to the Regional Comprehensive Economic Partnership (RCEP) pact being negotiated among 10 ASEAN members and their six trading partners including China, Japan, India and Australia.

Several Indian industries including textile and dairy have warned against opening up their sectors. India's trade deficit with the RCEP nations taken together is $105 billion, with the lion's share being accounted for by China. India has free trade pacts with ASEAN nations, Japan and South Korea and its experienced industry bodies have pointed out that an increase in the volume of exports by these countries to be the detriment of India.

The most crucial negotiations on market opening up with China remains stuck mainly on account of India's fears that its trade deficit with China will go up and Commerce Minister Piyush Goyal and his team are expected to try and sew this up.

However, attempts to stall the opening up of Indian textile and dairy markets, which Indian negotiators thought would be acceptable to other RCEP members seems unlikely as informal sounding with negotiators from these countries show that they are not in the mood to concede to all of India's demands.

Source: newindianexpress.com- Oct 09, 2019

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Indian market is the best bet for China

China tops the world's textile industry. The cost of Chinese fabric is less as the government gives subsidy and loans to the textile industry with low interest rates. With zero per cent duty through the RCEP free trade agreement, China will get open space, affecting the medium and small players in the textile industry of India which is majorly dependent on the domestic market.

In bilateral trade and commerce, Customs arguably is the frontline professional organisation of the Government of India which can authentically state and report happenings and potential, or real-time consequential, damage inflicted by the import-export of a particular type of foreign goods, to the economy of the state.

No civil service officer of any other branch or unit, 'conceived superior' or 'perceived inferior', can possess such a unique/vast reservoir of first-hand knowledge, or form even an iota of idea, except the Indian Revenue Service

(Customs) officials in ports, airports and land port stations through which pass goods worth billions of dollars. In reality, Customs isn't only a law enforcement agency, but also the facilitator of foreign trade and commerce, directly affecting the macro-economics of the state.

Yet, competent officers thereof are rarely consulted or their views taken for deciding and formulating the international trade policy or concluding multi-nation commercial agreements between India and foreign countries. And that's a big mistake because those sitting on the high negotiating table must not move in haste for 'international commitment', without taking into account a detailed analysis and feedback on real issues from 'actual' and 'real-time' professionals, as India's economics, trade, commerce and industry have started showing signs of stress and distress. India's (humongous) deficit in foreign trade is a recurring feature, and there's little possibility that things will improve any time soon.

Consequently, today's 'foreign trading' China is damaging all, including India, the trade deficit of which during last five years alone (2014-15 to 2018-19) stands at a whopping $711.298 billion. No wonder, China has taken a commanding lead to demolish and dwarf all, for its own interest (and why not, by a sovereign nation), soothing and sweet words of charm offensive on the high table, interspersed with avoidable harsh and hostile words on the Dalai Lama, Arunachal Pradesh, McMahon Line, J&K, BRI/CPEC, Huawei telecom, notwithstanding.

Since China has already demolished the trade balance with, and of the US, and is inexorably moving forward to repeat it in every corner of the globe, one needs to look into the present and proposed trade scenarios, as any further miscalculation by India will lead to a colossal and irreversible collapse of the Indian industry.

A media report of September 28 is alarming: 'India may cut duties on 80 per cent of Chinese imports under the Regional Comprehensive Economic Partnership (RCEP).' Let's understand that imported Chinese goods have already created havoc in the Indian system, with virtually 100 per cent 'undervaluation' of goods through congenital 'mis-declaration' for almost two decades, thereby resulting in a huge loss of revenue to the Indian exchequer. A mindboggling modus operandi is ensuring gross failure of the Indian system. With special reference to valuation by misdeclaration certificates of dubious origin on/of imported Chinese goods and the ‘invoice’ thereof.

Grossly undervalued Chinese goods are entering the Indian market through a third country too, as the ‘certificate-of-origin of goods’ is invariably cooked up. One doesn’t wish to mention the names of these nations, as purportedly they are ‘friendly countries’ and India knows who they are. To top it all, the ‘valuation rule’ is rendered inadequate, ineffective, obsolete and effete owing to the monopoly entry of Chinese goods which decimated the definition pertaining to comparison and contrast between ‘identical’ and ‘similar’ imported goods.

When one gets, and deals with, only Chinese goods at the entry port/airport/land port and domestic market, words like ‘identical’ and ‘similar’ goods are meaningless and useless, as one doesn’t find any ‘identical’ or ‘similar’ goods of any non-Chinese origin in the Indian market. All ‘identical’ and ‘similar’ goods are ‘Made in China’. So, how does one do a proper valuation without competitive goods of different origin? Even if the goods are declared absurdly low, since it is a ‘bona fide transaction value’, it ‘legally’ enters the Indian market dirt cheap, with a resultant loss to the Indian exchequer worth billions of rupees in tax and duty.

Seen thus, India giving Customs duty concessions to imported Chinese goods will be a disastrous self-goal and multiple jeopardy for the following reasons: loss of tax; closure of industry; loss of jobs; rise of unemployment; social unrest; and finally, loss of foreign investors’ confidence in an internally turbulent society.

Hence, when Ludhiana-based garment makers sought protection against cheaper imports from China a few months back, can they be faulted? Certainly not. Again, when the Federation of Gujarat Textile Traders Association, towards the end of September, demanded the inclusion of textile sector protection from the RCEP, in which China will be the indisputable ‘biggest brother’, and reconsider ‘free import of polyester fabrics from South-East Asian countries, including China, Vietnam and Bangladesh’, should they be ignored?

The fear of industrial collapse and loss of employment are becoming bigger by the day, as another report came on September 28: “The Bhiwandi Textile Manufacturing Association in Maharashtra and the Gujarat Weavers

Association have decided to jointly oppose the RCEP agreement, a mega regional trade agreement with 15 (India is the 16th) East-Asian countries, including China, to be signed by India in November this year.”

Undoubtedly, the most poignant and practical point of perception was made by a member of the Bhiwandi Textile Manufacturing Association in Maharashtra, Hiren Nagda: “If the RCEP is signed, the Indian textile industry will suffer major losses. China tops the world’s textile industry. The cost of Chinese fabric is less as their government gives subsidy and loans to the textile industry with low interest rates. With zero per cent duty through the RCEP free trade agreement, China

will get open space, affecting the small and medium players in the textile industry of India. The textile industry of India is majorly dependent on the domestic market…”

There seems little prospect for India to make strategic gain in multilateral trade as it has always proved to be more disappointing and disadvantageous than bilateral. Search for export surplus by India should be non-priority, unlike China. Indian trade and economics, thus far, have been more domestic-centric than China’s ‘profit from export of goods enterprise.’

China began with a manifestly deliberate policy of currency devaluation between 1980 and 1992, to ‘promote exports and to restrain imports so as to improve China’s current account position.’

From the ratio of $1: 1.53 Chinese yuan in 1980, the latter had fallen to 8.72 yuan to a dollar. In other words, from 100 yuan equivalent to $65 in 1980, 100 yuan became equivalent to $11.5, a mere 17.5 per cent of its value in 14 years.

As a result, China’s trade deficit of $7.7 billion in 1988 turned into a trade surplus of $8.74 billion in 1990 and by year end, Beijing’s foreign exchange reserves rose to $28.6 billion. Today, that figure has swollen to $3 plus trillion.

Will India be able to do it? Purely on export? Make no mistake, with a reduced export order, China’s best bet today is the Indian market. Hence, the desperation to take India on board the RCEP. India, please don’t get trapped. It may result in a point of no return.

Source: tribuneindia.com- Oct 09, 2019

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It's high time we got a better trade deal for our farmers

There are three types of trade negotiators. The first represent strong economies and have the means and muscle to extort the best deals for their people. Bringing up the rearare countries that have neither, and cannot drive a hard bargain. The second category accounts for most countries, caught between colonial pasts, new trade rules and blocs and national ambitions, all pulling in different directions. India is in the second slot.

Nothing, absolutely nothing underscores the unfairness of international trade rules like those on cotton and textiles, which have never been freely traded in international markets. India produces cotton at $0.95 cents a kilo, among the cheapest in the world. If logic ruled, Indian exports should rule the world. There is, however, little logic to international trade rules, which are now as fiercely fought as wars.

At the time of writing, more than 150 countries are talking about international textile trade under the aegis of the world's free trade cop, the World Trade Organization (WTO) in Geneva, where 7 October was observed as World Cotton Day, an initiative of the so-called Cotton Four (Benin, Burkina Faso, Chad and Mali), supported by the WTO and a few United Nations (UN) organizations. The week began with an invocation to Mahatma Gandhi and his spinning wheel that has come to symbolize stoic determination and sacrifice today, as it did during India's freedom struggle. Some of that respect is earned. The rest is wasted.

The harsh reality is a story of one of the longest trade distortions in multilateral trade history. It is called the Multi-Fibre Agreement (MFA), a system under which rich countries have imposed quotas for over six decades on imports from developing countries like India to shield their own mills.

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Source: livemint.com- Oct 09, 2019

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Apparel retailers' Q2 margins to remain weak on high discounts, poor demand

Shift in consumers' preferences to value-based purchase and extension of 'end of season sale' compound retailers' woes

STITCHING LOOSE

	Turnover (₹cr)		Operating profit margin (%)	
Company	Q1FY19	Q1FY20	Q1FY19	Q1FY20
Aditya Birla Fashion & Lifestyle	1,914	2,065	4.1	11.5
Future Lifestyle Fashions	1,268	1,496	6.9	12.9
Shoppers Stop	827	832	5.5	11.1
Trent	591	767	11.7	18.3
Page Industries	815	835	23.6	22.0
Gokaldas Export	285	341	2.8	14.1

Source: Wazir Advisors

Profit margins of branded apparel retailers are likely to remain under pressure during the September quarter, due to higher discounting, shift in consumers' preferences to value-based purchases and extension of the 'end of season sale' period.

The June quarter was very good for these companies, but that trend will reverse in september. Branded apparel retailers, including Aditya Birla Fashion & Lifestyle, Future Lifestyle Fashions, Shopper Stop, Trent, Gokaldas Exports and Page Industries had reported a significant growth in their profit margins for the quarter ended June.

Data compiled by global consultancy firm Wazir Advisors showed profit margins of Aditya Birla Fashions & Lifestyle stood at 11.5 per cent for the quarter between April and June this year as compared to 4.1 per cent in the comparable period last year.

Similarly, the margins of Future Lifestyle Fashions almost doubled to 12.9 per cent for the first quarter of the financial year 2019-20 from 6.9 per cent in the same quarter last year. Shoppers Stop and Trent reported their profit margins at 11.1 per cent and 18.3 per cent for Q1, as compared to 5.5 per cent and 11.7 per cent, respectively, for the comparable quarter last year.

Industry sources believe that both manufacturers and retailers started curtailing their production and inventory towards the end of the January-March quarter of FY19, which gradually squeezed pipeline supply in the April–June quarter.

"Retailers at the behest of manufacturers started 'end of season sale' early, that is, by the first week of June this year and continued (with this sale) till by August-end. Thereafter, retailers started offering massive discount of up to 60-70 per cent to attract customers this festive season.

So, the actual downturn in apparel manufacturing started by March-end, worsened in August and is even continuing today due perhaps to weak economic sentiment in India. Considering all these factors, we estimate profit margins for apparel retailers would be much worse in the second quarter than in the first," said Rahul Mehta, President, Clothing Manufacturers Association of India (CMAI).

Most importantly, online retailers such as Amazon and Flipkart offer up to 70 per cent discount on men's and women's apparel brands like Lee, Only, Vero Moda and Forever New. Online retailers have taken away some of the market share of offline retailers by offering huge discounts.

Meanwhile, there has been a rapid shift from unorganised sector retailers to organised in apparel retailing. In any case, the ongoing economic slowdown has reduced average ticket size of purchase.

"As against branded product purchases earlier, consumers are looking at the price range before finalising their orders. The average purchase size has declined by 15-20 per cent this year over the last," said another retailer on condition of anonymity.

Thus, the turnover of these apparel manufacturing and retailing companies may show higher in the second quarter ending September 2019, the profit margins would certainly get impacted.

"More than the uneven distribution of the monsoon rainfalls followed by flood in several pockets, it is the economic slowdown that impacted both rural and urban apparel sales this season. Overall, festive mood is weak," said Mehta.

Source: business-standard.com- Oct 10, 2019

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Cotton Corp begins procurement in North India

Raw cotton ruling at Rs 4,700- Rs 5,250 a quintal, well below Centre's MSP of Rs 5,550

As cotton prices come under pressure at the start of harvest, state-run Cotton Corporation of India (CCI) has begun purchases of the fibre crop in Rajasthan and Punjab. However, CCI's purchases are in small quantities as the moisture content in the cotton being brought into the market is very high.

P Alli Rani, Chairman and Managing Director, CCI, said the procurement had started two days ago, in Punjab and Rajasthan. "However, it is a meagre quantity. Farmers are being advised to let their cotton dry before they bring it to the market as CCI can only purchase fair average quality (FAQ) cotton with moisture content between 8 per cent to 12 per cent ," Alli Rani told Business Line.

Prices of raw cotton or kapas are ruling between ₹4,700 and ₹5,250 per quintal, depending on the quality and the moisture content. However, the prevailing prices are much below the minimum support price (MSP) of ₹5,550 per quintal announced by the Centre.

The higher cottonseed prices are supporting fibre prices in North India to some extent, said Rakesh Rathi, a cotton ginner and trader in Abohar. But for the cottonseed prices, cotton prices could have ruled lower than the current levels.

Cottonseed price impact

Prices of cottonseed, which is used to extract oil and the oil cake used as animal feed, are ruling between ₹3,250-3,500 per quintal. A lower cotton crop last year had led to a flare-up in cottonseed prices. Cotton output had touched a decade low of 312 lakh bales (of 170 kg each).

With farmers planting cotton on a larger area of 127 lakh hectares this year, output is set to rise. In the first advance estimates, the Agriculture Ministy pegged cotton output at 322.7 million bales.

"It's not just the increase in area, but the yield is also likely to be higher this year on account of good rains," said Ramanuj Das Boob in Raichur. Boob sources cotton for multinational companies. He fears that prices may come under further pressure next month when arrival pressure builds up.

Currently, daily market arrivals are at around 40,000 bales in North India, while in Telangana they are at around 2000-3000 bales. In Maharashtra, the daily arrivals are at around 3,000-4,000 bales and in Karnataka around 1,000 bales, trade sources said. Arrivals are set to pick up by the end of October or early November.

Currently, CCI has deployed procurement officers at 368 centres in the cotton growing areas of the country. However, kapas is yet to start arriving in the market at several of these centres.

In certain States, though kapas is being brought to the market in small quantities, it has high moisture content, Alli Rani said.

Trade sources said cotton prices are currently hovering at around ₹35,000-40,000 a candy (each of 356kg). "Also, with this rate, the crop that is arriving is rain-damaged. So, it is not useful for mill consumption. There is complete uncertainty in the market about the crop size and the extent of damage. Even now there are reports of rains in parts of Maharashtra," said a source.
Better quality from November

However, industry sources believe that good cotton will start arriving only by the first week of November, with a delay of 40-45 days. "We believe there will be clarity on the crop situation only by the month-end. CAI will have a meeting on October 15 to assess the crop," said Atul Ganatra, its President.

Farmers in Gujarat and Maharashtra are expecting heavy damage to their crop due to waterlogging in the fields and continuing rains. Parts of South Gujarat and Central Gujarat saw fresh rains even as the IMD predicted withdrawal of the monsoon from Thursday. This has led to increased moisture in the crop to the tune of 20-50 per cent in certain cases.

"CCI has begun the procurement. But they look for a moisture content of 8-12 per cent, whereas in the current crop, the moisture content is much higher and there is the likelihood of increased instances of disqualification for procurement," said Ashwani Jhamb, a cotton expert and director at the Indian Cotton Association.

On the cotton crop outlook, Jhamb stated that there would not be much impact on the overall crop size of cotton as there are many new cotton cultivation areas emerging across the country, which will compensate for any shortfall in output in the cotton heartland.

On the one hand, there was excess rainfall in most cotton growing regions, while on the other, there is also damage to the crop due to water-logging. The price outlook remains uncertain amid lack of clarity on the crop size.

Last year, CCI had procured 10.70 lakh bales under MSP. If prices remain lower than the MSP in all the States then it may procure more cotton than last year, Alli Rani said.

Source: thehindubusinessline.com- Oct 10, 2019

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