US 71.36 | EUR 78.67 | GBP 91.30 | JPY 0.65

**Cotton Market**

<table>
<thead>
<tr>
<th>Spot Price - Shankar 6 (Ex Gin), 28.50-29 mm</th>
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<tbody>
<tr>
<td>Rs./Bale</td>
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<tr>
<td>19426</td>
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**Domestic Futures Price (Ex. Warehouse Rajkot), November**

<table>
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<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>19220</td>
<td>40170</td>
<td>71.72</td>
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</table>

**International Futures Price**

- NY ICE USD Cents/lb (December 2019) 64.72
- ZCE Cotton: Yuan/MT (January 2020) 13,020
- ZCE Cotton: USD Cents/lb 84.42

**Cotlook A Index – Physical**

- Cotton Guide: The ICE futures have moved almost half a cent higher with the release of the WASDE report. Last week’s WASDE report [November] USDA decreased the domestic and the World ending stocks to 900 thousand and 2.8 Million Bales respectively. Now, the ending stocks are predicted at 6.1 million bales and 80.8 million bales. Domestically, USDA’s production figures are estimated to be 20.83 million bales.

The volume figures were thus noted at ICE was 80,783 contracts which is the highest number seen in 2019. The ICE December contract settled at 64.72 cents per pound with a change of +37 points. The ICE March 2020 contract settled at 66.57 cents per pound with a change of +53 points, whereas the ICE May 2020 contract settled at 67.77 cents per pound with a change of +42 points.

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify “the sender” by return e-mail and delete the message from “your system”. Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any “information” in this message that does not relate to “official business” shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.
The MCX contracts on the other hand took a deep dive of figures around -200 Rs. The November 2019 contract settled at 19,220 Rs per Bale with a change of -190 Rs whereas The MCX December 2019 contract settled at 19,110 Rs per Bale with a change of -220 Rs.

The Cotlook Index A has been updated at 75.40 cents per pound with a change of +70 points. Whereas the prices of Shankar 6 have declined and at some places are even available at 39,000 Rs per Candy.

On the Fundamental front, we expect the International prices to show a sideways trend. Whether MCX will be negative or sideways is something to discern. We presume that MCX will be negative by around 50 Rs for today.

On the technical front, ICE Cotton after giving an Inverse Head & shoulder pattern breakout is trading within an upward sloping channel. However, price have retraced back after taken support of the lower end of the channel at 63.40, which coincides around 50% Fibonacci extension level (62.98). Meanwhile, price have moved above the daily EMA (5, 9) at 64.47, 64.40, implying positive bias. The momentum indicator RSI is at 57.45, still indicating sideways bias for the price. The immediate resistance for the price would be at 65.70-66.00, which are the recent high's. Thus for the day we expect price to trade in the range of 66.00-63.40 with sideways bias. In MCX Nov Cotton, we expect the price to trade within the range of 19200-19500 with a sideways to bearish bias.

Compiled By Kotak Commodities Research Desk, contact us : mailto:research@kotakcommodities.com or can contact: allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source
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INTERNATIONAL NEWS

Trump Denies Agreeing to Roll Back China Tariffs

United States trade relations continue to be a roller coaster ride for companies caught in the fray.

After China’s Ministry of Commerce said Thursday that both sides had agreed to a phased rollback of some already in place tariffs, President Donald Trump refuted the claim Friday.

When asked about China’s claim, Trump told reporters on the White House lawn before departing for Georgia, “Well, they’d like to have a roll back, I haven’t agreed to anything. China would like to get somewhat of a rollback—not a complete rollback because they know I won’t do it.”

From there the president carried on a familiar refrain, noting his contentment without a deal for the time being because “We’re taking in billions of dollars, I’m very happy. China would like to make a deal much more than I would,” he said.

The comment, which came after what had begun to feel like an optimistic outlook on trade relations between the U.S. and China, runs counter to the tone set by China Ministry of Commerce spokesperson Gao Feng Thursday.

“Both sides agreed to remove the additional tariffs imposed in phases as progress is made on the agreement,” he said, adding that should the two parties reach a deal, they would simultaneously rollback additional existing tariffs “in the same proportion.”

Beyond making it clear that he’s made no such agreements, President Trump said nothing further on a date or place for signing a phase-one trade deal.

The back-and-forth on trade relations has had the stock market reacting in much the same manner.

The Dow Jones Industrial Average fell 60 points following the news and recovered to down 47 points, or 0.17 percent at publishing time. The S&P 500 Index and the Nasdaq Composite both took a temporary plunge but had returned to positive Thursday afternoon.
Still, it’s a wait-and-see period of what will actually happen next. But President Trump’s plays may be provoking enough to get some sort of a deal done.

“I think it’s fair to say that the administration has gotten China’s attention via these measures,” Bill Jackson, Assistant U.S. Trade Representative for Textiles, said speaking at the United States Fashion Industry Association’s (USFIA) Apparel Importers Trade and Transportation Conference in New York City Thursday. “But I believe that we are working towards the conclusion or resolution of that announced in the phase one agreement that folks are hoping to see very soon.”

USTR, Jackson said, has been “working hard” on the initial trade deal and working with negotiators from China “on an almost daily basis.”

“We’re working toward the completion of a phase one agreement that will address many of the issues,” he said. “It won’t be the final agreement but the president is committed to having a fully enforceable agreement that has meaningful outcomes and I think that we’re on the way to achieving that.”

Source: sourcingjournal.com- Nov 08, 2019

Indonesia produces 15 per cent more apparel

In the third quarter of 2019 Indonesia’s apparel production grew by 15.29 per cent.

Indonesia has given priority to developing the textile and clothing industry. The industrial structure has been integrated from upstream to downstream. Encouragement is being given to exports of textile products.

Several strategic steps have been taken, including encouraging the expansion of market access and restructuring of machinery and equipment. There has been an increase in production in textile and apparel production centers.

Indonesia is tightening restrictions on textile imports. The restriction is aimed at protecting domestic producers of products such as certain types of yarns, fabrics and other goods.
The reasoning is that products that can be produced domestically should no longer be imported. Textile importers have to gain approval before they can ship in textile goods. With economic growth, and a shift in demand from basic clothing to functional clothing, such as sportswear, the national textile industry is building production capabilities and increasing economies of scale in order to meet the demand in domestic and export markets.

The country’s textile industry has weakened in the past three years due to an influx of imported textiles combined with sluggish consumption by Indonesian consumers. Textile fabrics imports rose 74 per cent between 2016 and 2018. And import of textile products, such as some types of synthetic yarns, doubled in the three years to 2018.

Source: fashionatingworld.com- Nov 09, 2019

Italy’s apparel sales up three per cent

Italy’s apparel retail sales rose 3.4 per cent in September 2019 compared to the same month last year. Footwear and leather goods sales in the same period rose 4.2 per cent. Sales of perfume and personal care sector rose by 0.9 per cent.

In January 2019, fashion sales in Italy fell 0.2 per cent, then grew 2.4 per cent in February and slowed down in March, to 0.6 per cent. In April, Italian fashion sales fell again, with a drop of 1.3 per cent, while in May the fall was 4.9 per cent. In June, the sector rose 2.3 per cent and in July the rise was 1.5 per cent.

Fifteen out of the 43 European fashion giants are Italian. Apparel is the most important segment in Italian fashion, accounting for 40.5 per cent of total revenues, followed by leather wear (20.9 per cent) and eyewear (16.2 per cent).

The fastest growing segment is jewelry, with an annual average growth rate of 13.3 per cent. Italy’s fashion industry has grown by three per cent on an average every year in the last decade. Its annual revenues account for around four per cent of Italy’s gross domestic output.
Global cotton yarn import growing since 2016

Since 2016, global cotton yarn import has been increasing at a modest growth rate. The global cotton yarn import was increased from $10,987.16 million in 2016 to $12,285.94 million in 2018 with a growth rate of 11.82 per cent. The overall cotton yarn import was surged by 5.39 per cent in 2018 over the previous year, according to data from TexPro.

The overall cotton yarn import is anticipated to reach $14,527.56 million in 2021 growing with a CAGR of 5.74 per cent from 2018, according to Fibre2Fashion's market analysis tool TexPro.

In terms of volume, the global cotton yarn import was 4,217.06 thousand tonnes in 2016, which increased to 4,600.37 thousand tonnes in 2018 with a growth rate of 9.09 per cent. The overall cotton yarn import increased by 4.60 per cent in 2018 over the cotton yarn import in 2017. It is expected to stand at 5,241.65 thousand tonnes in 2021 with a CAGR of 4.45 per cent from 2018.

In 2018, India (1,250.10 thousand tonnes), Pakistan (472.73 thousand tonnes), China (417.12 thousand tonnes), US (416.44 thousand tonnes) and Indonesia (216.80 thousand tonnes) were the key importers of cotton yarn across the globe, together comprising 76.42 per cent of total imports. These were followed by Turkey (188.75 thousand tonnes), Hong Kong (139.59 thousand tonnes) and Taiwan (130.98 thousand tonnes).

From 2013 to 2018, the most notable rate of growth in terms of import, amongst the main importing countries, was attained by Indonesia (13.94 per cent).

In value terms, India ($3,932.14 million), China ($1,838.58 million), Pakistan ($1,256.60 million), US ($1,232.82 million), Hong Kong ($617.95 million), Indonesia ($606.17 million) and Turkey ($590.87 million) were the key importers of cotton yarn across the globe in 2018, together comprising 83.23 per cent of total import. These were followed by Italy ($312.16 million),
Taiwan ($298.68 million), Malaysia ($161.32 million) and Thailand ($127.26 million).

From 2013 to 2018, the most notable rate of growth in terms of import, amongst the main importing countries, was attained by Turkey (26.83 per cent) and Indonesia (23.05 per cent).

Source: fibre2fashion.com - Nov 10, 2019

“Bangladesh RMG sector must focus on three areas to survive”

H&M has a long collaboration with the Bangladeshi manufacturers for the last 27 years and an amount of 3 billion USD apparel products are importing from the country. Ziaur Rahman is a Regional Country Manager of Bangladesh, Pakistan and Vietnam at H&M. He is the 1st Bangladeshi nationalist who obtains such higher leadership position.

Recently he has expressed his deep concern about Bangladesh RMG sector in a conversation with one of the leading Bangladeshi newspapers.

He said that Bangladesh should think only of China as its supreme competitor in the apparel market. Myanmar has bad image in human rights, Ethiopia still long run to go to be competitive, and the Vietnam apparel industry mostly set by foreign investors. In this respect, Bangladeshi manufacturers are more ahead in workplace safety and industry development. The country has the highest capacity in apparel production that no other country can provide.

He recommended RMG owners to be focused on three areas, if they really want to survive in this crisis situation.

According to Ziaur Rahman, product development, product diversification and increasing efficiency should be the major area to improve in the sector. Textile Today prepared a summary of the conversation that can assist and guide the Bangladesh RMG industry.
Product development and diversification

Bangladesh is working on product diversification concept but bit slowly and they are clearly lagging behind in product positioning Ziaur Rahman mentioned. The key success factor to adopt effective design and product development is to work with the high-end product if Bangladesh wants to sustain this business.

In product development, foreign tours can be a good way to get the concept and new ideas. To obtain cultural immersion, increased confidence, and of course to widen mindset, Bangladeshi industrialists and designers should frequently travel the new market.

Improve efficiency

Bangladesh’s apparel industry has to focus on improving worker’s efficiency. H&M has a longtime working partnership with Bangladesh and so along with the RMG owners, the brand is working on productivity improvement and workforce efficiency.

Bangladesh still a core hub for apparel sourcing in the global market because of its quality product and the country also move towards a green revolution in the RMG industry, which has already taken the lead in the world, he highlighted.

He also mentioned that entrepreneurs of Bangladesh are very strong in innovation and they are always ready to come forward to offer their best efforts for any kind of brand’s request.

Source: textiletoday.com.bd- Nov 09, 2019
Oman textiles cluster to get $100m investment boost

Boding well for the growth of an integrated textile cluster in Oman — the first of its kind in the entire Gulf region — SV Pittie Sohar Textiles has pledged a further investment of $100 million to add value to its flagship textile mill in Freezone Sohar through a forward integration strategy. According to Vinod Pittie, Chairman of ShriVallabh Pittie Group, which owns a majority stake in the yarn manufacturing plant in Suhar, the additional investment will be raised via an Initial Public Offering (IPO) to be floated on the Muscat Securities Market (MSM).

This is a “long-term’ project that will build on the four-unit yarn manufacturing plant currently under development in the free zone with an investment of $300 million, said Pittie. “Once we have completed our $300 million investment, we will embark on a further expansion through forward integration. (In this phase), we would like to set up fabric manufacturing, process houses and other capacity for home furnishing, stitching, garmenting, and so on.”

Pittie made the revelations at a press briefing on Thursday to announce the formal inauguration of the second unit of the plant’s 4-unit complex in Freezone Sohar. The unit, which is already operational, will be formally opened by Manpower Minister Shaikh Abdullah bin Nasser al Bakri on November 20. Units 3 and 4, which are currently under construction, are due to be brought into operation before the end of 2020 or by March 2021, he said.

The Group Chairman declined to give a timeframe for the flotation of the IPO, noting however that the “structuring and paperwork” associated with the proposed listing is ongoing. In September, local bank Sohar International announced that it has been appointed as financial advisors of SV Pittie Sohar Textiles for its capital raise and public offering.

Significantly, the proposed $100 million expansion project will seek to leverage the Sohar project’s yarn output, said Pittie. “Yarn is the core of the textile industry, making it easy and cost-effective for forward integration,” he stated.
SV Pittie Sohar Textiles is also preparing to launch a special scheme, dubbed ‘SME Connect’, to enable Omani SMEs to participate in value-add businesses that can capitalise on the availability of yarn in the free zone and elsewhere, said the Chairman.

“The textile industry has the potential for develop small and medium enterprises. We are inviting SMEs under the scheme, whereby they can set up a project, and will support them with their raw material requirements, (offtake) your finished product, help them with funding support from banks, and keep supporting them until they are confident enough to run the operation on their own.”

Two Omani government pension funds have a 10 per cent equity stake each in SV Pittie Sohar Textiles, while the balance 80 is held by India-based SV Pittie Group.

Source: omanobserver.com- Nov 10, 2019

Egypt's trade minister opens fourth Destination Africa exhibition

Minister of Trade and Industry Amr Nassar opened on Saturday the fourth edition of Destination Africa exhibition, held from 9 to 11 November.

The exhibition is organised by the Textiles, Apparel, and Home Textiles Export Council in cooperation with the Egyptian Exporters Association (Expolink). Around 150 exporters and 230 buyers from the United States and European Union are participating in the exhibition.

The exhibition will include field visits to textile and apparel factories as well as promoting Egyptian cotton and modern techniques in the textile industry.

Nassar, who opened the exhibition on behalf of Prime Minister Mostafa Madbouly, said at the opening ceremony that the participation of major international buyers working in the textiles field in the exhibition was an opportunity for Egypt to maximise its benefits from its huge potential in textile industries.
He added that important bilateral meetings will be held during the exhibition to close export deals between Egyptian exporters and foreign buyers.

Nassar stated that the exhibition was also an opportunity to achieve trade integration between African countries, since textiles, apparel, and home textiles products had a good chance of competition in African markets.

Textile exports increased by 10 percent in the first nine months of 2019, to reach $2.571 billion, up from $2.3 billion during the same period in 2018, the minister said. The apparel sector exports increased by seven percent, reaching $1.268 billion during the first nine months of 2019, up from $1.18 billion during the same period last year.

Nassar asserted that the government was interested in raising the quality of the strategic textile industries sector to international standards to meet the needs of the local market and to export Egyptian garments to international markets.

He added that the ministry’s upgrading plan encompassed all the stages of production, starting from cotton cultivation to the final production of garments.

Source: ahram.org.eg- Nov 09, 2019

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**Egypt Seeks to Export Textiles Worth $12 Bn Annually**

The Chairman of the Egyptian Export Council for Textiles and Ready Made Garments said that the country aims to increase exports from $3 billion annually to $12 billion by 2025.

This came on the sidelines of their participation in the Destination Africa exhibition which started this month.

In a statement today to the Ministry of Commerce and Industry, Tolba added that the Egyptian textile and clothing sector is always working to introduce modern technologies to the industry to keep pace with the latest international developments in this field.
The Egyptian market has recently witnessed a huge influx of investments in the field of textile, garments, from China, India and Turkey, which reflects the global interest in the Egyptian market.

Also, the Canadian market represents one of the most important markets for the future of Egyptian textile products, he said.

The Minister of Trade and Industry, Amr Nassar, and Ambassador Nabila Makram, Minister of Immigration and Egyptian Affairs Abroad, held an extensive meeting with the officials of five Canadian companies working in the field of ready-made clothes.

The exhibition is an important platform for integrating African production and enhancing the competitiveness of textile and clothing products in the continent.

Several major international attended the event, reflecting the global interest in Egyptian products, and representing a great opportunity to maximize the benefit of Egypt’s vast potential in the textile industry.

Nassar pointed out the importance of bilateral meetings that will be held during the exhibition to hold export deals between Egyptian exporters and foreign retailers.

He said that “Destination Africa” contributes to the integration of African production chains and enhance their competitiveness in regional and global markets.

He concluded that the exhibition represents a great opportunity to achieve trade integration between African countries, especially in textiles, garments and home furnishings in the continent’s markets.

Source: see.news- Nov 10, 2019

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Pakistan: FCCI official demands new textile policy

In a bid to make Pakistan the world leader in the textile sector, Faisalabad Chamber of Commerce and Industry (FCCI) Senior Vice President Zafar Iqbal Sarwar has proposed the announcement of a new textile policy for 2019-24 by mainly focusing on value-added goods export.

Unfolding objectives of the textile policy, he said that special emphasis should be given to improving Pakistan’s global ranking in the ease of doing business and reducing the cost of doing business.

He proposed one-window operation for the purposes of registration, incorporation, EOBI, social security, taxation, fee collection, etc. He demanded levy of uniform energy charges across the country in addition to the settlement of Gas Infrastructure Development Cess (GIDC) issue and payables. Sarwar said that in order to stop the misuse of subsidised energy and the Duty and Tax Remission for Export (DTRE) scheme, the government must take appropriate steps in consultation with the real stakeholders.

He said that efforts must be expedited to increase cotton production through improving the product mix by concentrating on research and development activity. He urged the government to provide a subsidised credit facility, enhance audit limits, give mark-up support and incentives so that textile exporters could invest in value addition of their innovative products.

The official said that steps should also be taken to facilitate additional capital investment and reduce the cost of doing business. In this connection, he proposed the constitution of dispute resolution committees consisting of representatives of the Federal Board of Revenue (FBR), trade bodies and the Institute of Chartered Accountants of Pakistan (ICAP).

Underlining the importance of small and medium enterprises (SMEs), he said, “The government should also focus on strengthening this important sector, which is full of potential.”

Expressing satisfaction over the GSP Plus status, he said intensive efforts should be made to launch a diplomatic campaign to reap full benefits of the facility. In that connection, green finance facilities and compliance with different conventions should also be ensured through policy interventions.
Sarwar proposed the setting up of a textile research forum to enhance cotton yield by encouraging cultivation of genetically modified seeds, production of organic cotton and establishing a production centre in Pakistan.

He said that Pakistan-based testing facilities must be put in place in addition to encouraging internationally accredited labs with special focus on installing testing equipment for the identification of harmful substances.

He added that the government should encourage joint ventures and investment for the manufacturing of textile machinery and production of various inputs used by allied industries in Pakistan subject to the economic viability.

He stressed the need for introducing Pakistan brand and establishing a business facilitation centre for textile exporters so that they could explore new markets and introduce their own brands in international markets.

The FCCI senior vice president demanded that existing industrial zones should be improved by extending the facility of “plug and play”, especially to the SME sector, which was starved of finances. Similarly, vocational training should be improved and women entrepreneurs must be encouraged so that they could play their role through coordinated efforts with the relevant ministers and trade authorities, he added.

Source: tribune.com.pk- Nov 10, 2019

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**Pakistan-China trade agreement to get implemented from next month**

The second phase of China-Pakistan Free trade agreement (CPFTA) is set to come into effect from 1st of next month (December 2019).

China agrees for the immediate elimination of tariffs on 313 most priority tariff lines of Pakistan’s export interest giving treatment on a par with ASEAN. These 313 tariff lines cover over US$ 8.7 billion worth of Pakistan’s worldwide exports and US$ 64 billion worth of Chinese global imports. This will help to lessen Pakistan’s trade deficit and give support to its economy, reports China Economic Net.
In terms of the complete offer made by China, over US$ 19 billion of Pakistan’s exports will be covered, which corresponds to US$ 1.6 trillion of the Chinese global imports.

The major products on which tariff have been eliminated are textiles, garments, seafood, meat, other animal products, prepared food, leather, chemicals, plastics, oilseeds, footwear as well as engineering goods including tractors, auto parts, and home appliance machinery, etc. officials told China Economic Net on condition of anonymity.

Increase in the sensitive list from 10% to 25% which comes to 1760 tariff lines and covers 37% of Pakistan’s imports from China. This will give a fair amount of production to Pakistan’s domestic industry from import from China.

The major protected industry includes textiles and clothing, iron and steel, auto, electrical equipment, agriculture, chemicals, plastics, rubber, paper and paper board, ceramics, glass and glassware, surgical instruments, footwear, leather, wood, articles of the stones and plastics and miscellaneous goods.

Talking to China Economic Net on telephone, Mr. Badar uz Zaman, commercial counsellor of Pakistan embassy in Beijing, said that the implementation of 2nd phase of CPFTA will increase further one billion US $Pakistan’s exports to China. He mentioned this will help Pakistan’s trade deficit and provide support to its economy.

Under the new agreement, effective and robust measures have been taken to protect domestic industry from a surge in imports from China. Revision of safeguard remedial measures will provide protection of maximum 23 years against an import surge that may cause injury or threaten to cause injury to the local industry, said another official on condition of anonymity.

In order to avoid miseducation and under-invoicing of import from China, a system of electronic data exchange has been introduced in the trade taking place under the framework of the Free Trade Agreement (FTA). It’s worth mentioning that the Phase-1 of FTA between the two neighboring countries was signed on 24th, November 2006 and became operational in 2007, while negotiations for the second phase of the CPFTA were started in 2011. After eleven rounds of negotiations, both sides concluded the agreement on April 2019 in Beijing.
Trade surplus in Vietnam for the fourth consecutive year

The Ministry of Industry and Commerce of Vietnam reported today that in 2019, for the fourth consecutive year, the correlation between sales and purchases abroad will leave a comfortable positive margin.

Until the end of October, Vietnam exported goods and services worth more than 217 billion dollar, representing an annual growth of 7.4 percent, and although imports also increased, the resulting surplus was above seven billion dollars.

The Ministry reiterated that it plans to close the year with sales abroad of $263 billion, which would mark an unprecedented level and would also result in a record surplus, above the 6.83 billion recorded in 2018.

Deputy Minister of Industry and Commerce Cao Quoc Hung said that the strategy in this field includes raising the value added of goods, further exploiting free trade agreements and monitoring the evolution of the US-China trade war in order to avoid risks and makes the most of possible advantages.

Until May, Vietnamese foreign trade saw a deficit of more than 500 million dollars, but an upturn in the following five months not only managed to erase it, but also lead to a positive balance of trade.

This was achieved despite the fact that the expected income from products such as coffee and rice fell notably, due to depreciations in the international market. Sales of seafood and certain agricultural products that were very dependent on purchases by China were also lower because it hardened import standards.

The recovery was based on five groups of products that in each case were exported for more than 10 billion dollars: cell phones and parts; electronics, computers and spare parts; clothing and textiles; footwear and leather goods; and machinery, equipment and spare parts.
An excellent sign of the health of the national economy was that in these 10 months, foreign sales by companies backed only by national capital (state, private and cooperative) increased at a higher rate than those that use foreign capital.

Until October the exports of domestic entities grew 16.2 percent, those of companies operating under the foreign investment regime by 3.9 percent, and these are already contributing 30.7 percent of the income for that concept.

In the same period, the United States established itself as the leading buyer of Vietnamese products, with purchases worth almost 50 billion dollars, an inter-annual increase of 26.6 percent and much more than a fifth of the total.

It was followed by the European Union, the neighboring members of the Association of Southeast Asian Nations, Japan and South Korea.

Source: plenglish.com- Nov 10, 2019

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Experts seek improved bilateral relations between Nigeria, China

Nigerian businessmen and women hope to build a synergy of cooperation with their counterparts from Asia, especially China, in the area of commerce and industry.

This was the summary of the interface and discussion session at a symposium to flag off ceremony of the Special Business to Business (B2B) Fair at the Lagos International Trade Fair, at Tafawa Balewa Square, Onikan, Lagos, which ends today.

At a symposium organised by the UAEC, in collaboration with MD Perspective Nigeria Limited, stakeholders involved in distributive trade across the automobile, textile, electronics and engineering value chain said there is room for improvement as far as collaboration among China and Nigeria is concerned.
In a brief remark by the National President of the Nigerian Chamber of Commerce, Industries, Mines and Agriculture (NACCIMA) Hajiya Saratu Iya Aliyu she said the bilateral relations between both countries can be further strengthened in the interest of all.

While delivering his keynote address, the Director General of the Lagos Chamber of Commerce and Industry (LCCI) Muda Yusuf titled, ‘Distributive Trade as Nigeria’s hidden economic treasure: A case of four sectors,’ he said there are immense opportunities for growth in the different commanding heights of the nation’s economy.

Also speaking at the event, the LCCI President, Chief Ruwase noted that China is Nigeria’s largest source of imports, stressing that the total trade between both countries within the first half of 2019 stood at $8.6billion.

“The ties between our two countries continue to wax stronger on growing bilateral trade relations and strategic cooperation.”

Echoing similar sentiments, President, Fashion Designers Association on Nigeria, Mrs. Funmi Ajila-Ladipo, former President, Association of Traders, Alaba International, Chief (Dr.) Emeka Dike said opportunities abound for improved bilateral relations, stressing that all that is required is prospective businesses to uphold standards and international best practices in order to be competitive within the global trade market.

Speaking earlier, Lagos State Governor Babajide Sanwo-Olu had urged Chinese textile firms operating in the state the need to set up production factories in the state.

According to the governor, the state government will continuously seek collaboration with organisations from Asia prepared to operate in the state by creating the enable environment for businesses to thrive.

Specifically, he said, “We will continue to encourage Chinese textile companies that want to come and invest in Nigeria. However, inasmuch as we want you to come and invest, our greatest desire is for you to come and set up shops and production factories here.”
Speaking further, he said, the Chinese companies must consider establishing textile hubs in Lagos so as to boost the capacity of local participants as this can have rippled positive effect on the economy as a whole.

In his opening remarks, Mr. Liu Junsheng, Commercial Consul of the Consulate General of the People’s Republic of China in Lagos, said China remains a strong trading partner with Nigeria even as he assured that the Fair affords another opportunity for greater collaboration with businesses within Lagos State and beyond.

Justifying the need for the B2B Fair, the chief host and of the organisers of the Fair, Mr. Ni Liqun, President of United Asia International Exhibition Group and CEO MD Perspective Nigeria Limited, Chief Mrs. Morenike Dele-Alimi, said the forum was an avenue to bring together people of various business interest, even as they expressed optimism that the outcome would be mutually beneficial to all the parties.

Speaking separately, Mr. Zhang Tao, the Secretary General of the Sub-Council of Textile Industry, China Council for the Promotion of International Trade and Ms. Lin Lin, the Vice President of China Printing and Dying Association, said Chinese companies were open to all forms of collaboration that would bring about enduring legacies for both countries.

The Special Fair, the brainchild of the United Asia Exhibition Company (UAEC) in collaboration with MD Perspective Nigeria Limited, brought together exhibitors drawn from the Nigeria International Textile Industry Fair (NigeriaTex), “International Automotive Parts, Equipment and Service Trade Fair (AutoEquip)”, “International Housewares and Gift Fair (Home Show Nigeria) and “Premium Mechatronic Brands China (PBC), respectively.

Source: thenationonlineng.net- Nov 10, 2019
H&M's CEO talks about a 'terrible' threat to the fashion industry

The growing trend of sustainable shopping is spurring change in the fashion world, and the head of fashion giant Hennes & Mauritz AB, or H&M, called the shift a "social" threat.

H&M CEO Karl-Johan Persson, the third in his family to hold the helm of the fast-fashion company, told Bloomberg that he was concerned about protests that encourage consumers to "stop doing things, stop consuming, stop flying."

"Yes, that may lead to a small environmental impact, but it will have terrible social consequences," Persson said.

Fashion has taken heat in recent years for the industry's role in producing 10% of global greenhouse gas emissions through manufacturing and distribution, in addition to water pollution, textile waste, and social burdens of low-quality working conditions.

"The climate issue is incredibly important," Persson said. "It's a huge threat and we all need to take it seriously - politicians, companies, individuals."

"At the same time," he continued, "the elimination of poverty is a goal that's at least as important."

H&M, which also owns brands Cos, Weekday, H&M Home, and Arket, has been one of the most vocal companies to address its efforts in reducing the negative impact of fast fashion, touting initiatives like textile innovation and clothing recycling programs. Persson said fashion retailers should push to be more sustainable, but must also continue to drive sales.

"We must reduce the environmental impact," Persson told Bloomberg. "At the same time, we must also continue to create jobs, get better healthcare and all the things that come with economic growth."

Persson added that he was primarily concerned with developing "environmental innovation, renewable energy, improved materials," like the company's programs that roll out solar panels for factories and its foray into unconventional but sustainable fabrics like citrus peel.
Vogue Business previously reported that the company first started exploring structural changes when its sales and profits fell and left $4.3 billion of clothes unsold as of early 2018, after the retailer enjoyed nearly 20 successful years that saw it grow to the second-largest garment company in the world.

Source: economictimes.indiatimes.com- Nov 09, 2019

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Pakistan’s exports keep declining in absence of long-term vision

During the last seven years, Pakistan’s exports have been continually declining on year-on-year basis----from $25.12 billion in 2012-13 fiscal year to $22.96 billion in 2018-19.


The trend continues and there are no signs of improvement in near future. Export of goods during the first quarter of current year 2019-20 (July-September 2019) amounted to $5.51 billion.

Our exports are much lesser in relation to its significant potential, and also much lesser than those of the countries with comparably lower natural resources, less gross domestic product (GDP) and small population, like Bangladesh and Vietnam. Ours is the 68th largest export economy in global ranking. Pakistan is 16th among top 20 Asian countries on the basis of 2018 export figures. Ironically, Bangladesh is ranked 15th at $43.5 billion, which is about double of Pakistan’s exports. Likewise, Indonesia enjoys the 11th position at $180.2 billion, and Malaysia is at the 10th position with $247.3 billion. Not surprisingly, Thailand ranks the 9th at $249.8 billion.

In fact, currently we stand nowhere in the region insofar as volume of exports is concerned. Pakistan’s exports are nominal, at 0.34 percent share in total exports from Asia valuing $6,928 billion. The most astonishing position is that of Vietnam—the 8th at $290.4 billion exports as its economy now enjoys the 45th largest position in the world.
In 2018, Pakistan had a population of over 208 million and GDP $284 billion. Comparatively, Vietnam, with 96 million population had $242 billion GDP, whereas Bangladesh’s GDP was $250 billion with a population of 165 million in the year under review.

It may come as a shocking surprise that our annual exports are near to those of Kampuchea or Cambodia ($19.34 billion), one of the least populated country in Asia, and Myanmar ($16.67 billion). There are a variety of factors for the dismal export performance of Pakistan, including poor governance, low productivity, high cost of production, obsolete technology etc.

But most important factor is the government’s improper policies and lack of vision for long-term export promotion. The government’s apathetic attitude is reflected in the fact that currently there is no export policy, no industrial policy, and no measures for revival of the manufacturing sector.

In 1963, the Export Promotion Bureau (EPB) was established and a dynamic export policy implemented through it. This resulted in enhancing the exports steadily, month by month, year by year, having reached the mark of $16.5 billion in 2005-06. However, in November 2006, EPB was replaced by creating the Trade Development Authority of Pakistan (TDAP), and focus was thus shifted from export promotion perspective to global trade development.

Consequently, the subsequent years saw steep jump in the imports, impeding the growth of our exports. The Strategic Trade Policy Framework 2015-18 had proposed various short-term and medium-term action plans for growth of exports that remained on paper only. The document had set an export target of $35 billion by June 2018 but was not achieved.

A number of bilateral, free-trade and preferential-trade agreements with various countries, such as Afghanistan, Sri Lanka, China, Malaysia, Iran, Indonesia and Mauritius were concluded, besides the membership of the SAARC (South Asian Association for Regional Cooperation) countries, but, sadly, trade balance remained generally in favour of other countries. Pakistan was unable to take effective advantage of these agreements, as it was not in a position to secure competitive tariffs for its exports.
As an example, our exports to China declined by 12 percent, to Sri Lanka by 7.5 percent and to Afghanistan by 8.0 percent in 2017 compared to the previous year. In fact, Pakistan promoted exports of other countries at the cost of ours; call it vested interest or myopic policies or corruption. This led to trade balance in favour of other countries, and resultantly, huge negative overall trade balance.

Textiles and clothing remained the number-one export item of Pakistan for decades, almost 55 percent of total exports, though without much of diversification and value-addition in recent years. Second largest export item is agro and food products, including vegetables, fruits, rice, sugar, fish, mutton and beef and other foodstuff.

Other export commodities are live animals and animal products (including raw hides, leather and its products), wood and wooden products (like furniture), animal and vegetable fats and oils, plastics and articles thereof, products of chemicals and allied industries, cement and other mineral products and machinery and transportation items. As evident, most of Pakistan’s exports are raw materials, without any or nominal value-addition.

The analysis of regional countries that outperformed in exports demand that Pakistan learn from their success stories. Globally, capital/engineering goods are termed as major component of national exports for the reason of high value-addition.

Pakistan has less than two percent share of engineering goods in its overall exports. In contrast, Vietnam’s leading exports are engineering goods (mobile phones, computers and electrical products and other machinery and instruments), which constitute 39 percent of its total exports.

Likewise, engineering goods and vehicles are top export items of Thailand and Malaysia. Share of electrical machinery and equipment and other machinery and computers in Malaysia’s total exports is as high as 44 percent.

Source: thenews.com.pk- Nov 09, 2019
NATIONAL NEWS

Cotton output for 2019-20 projected at 354.5 lakh bales

CAI releases its first estimates, says there is a 13 per cent rise in output

The Cotton Association of India (CAI) has declared its first cotton crop estimate for the season beginning October 2019 with a larger crop size at 354.5 lakh bales (each of 170 kg), higher by about 42.5 lakh bales, as against 312 lakh bales reported in 2018-19.

The increase in cotton crop estimates for the 2019-20 season is due to the higher acreage compared to that of the previous season. Government data shows the total cotton cultivation for the current kharif season is at 127.67 lakh hectares, which is about 7 lakh hectares more than 121 lakh hectares reported last year.

"Moreover, the CAI estimates yields to be higher as the country has received a good rainfall this year. However, there are reports of damage to the crop in some pockets due to flooding on account of excess rains. Keeping this in mind, increase in crop is restricted to 13.62 per cent," Atul Ganatra, President, CAI said in a statement.

In the new season, the total cotton arrivals for the month of October 2019 are estimated at 13.40 lakh bales.

Cotton supply

The yearly balance sheet shows the total cotton supply for the season ending September 2020, is at about 403 lakh bales. The opening stock at the beginning of the season was at 23.5 lakh bales, while imports are estimated at 25 lakh bales. The domestic consumption is estimated at 315 lakh bales, while the exports are estimated at 42 lakh bales. The carryover stock estimated at the end of the season is 46 lakh bales.

However, the US Department of Agriculture (USDA) in its outlook on India's cotton crop released last month had estimated India's cotton crop at 305 lakh US bales (each of 217.7 kg), which works out to 390 lakh India bales (each of 170 kg).
"Production in India - the leading cotton producer - is forecast at 30.5 million bales, 15 per cent above 2018-19 and the second highest on record, as both area and yield in 2019-20 are expected higher.

Harvested area in India is projected at a record 12.9 million hectares in 2019-20, as domestic prices and internal support price prospects favor cotton over competing crops," USDA stated in its international outlook on cotton crop, which was released on October 15, 2019.

**Fall in prices**

Meanwhile, the current price levels indicate a downward trend following projected higher crop size than last year.

Ginned cotton for 29 mm variety quoted around Rs 41,900 per candy (of 356 kg each), while internationally, ICE Futures for December was stable at 60.83 cents for a pound.

Source: thehindubusinessline.com - Nov 09, 2019

**Beyond RCEP: India must now focus on boosting exports**

Joining the RCEP may be possible down the line. For now, India should reinforce and deepen agreements with its current trade partners, as well as look to enter new markets with globally competitive products.

Prime Minister Narendra Modi’s decision to opt out of the Regional Comprehensive Economic Partnership (RCEP) reflects that the government has, very correctly, given primacy to India’s interests, which were not being adequately addressed by the members of the grouping.

At the eleventh hour, it became apparent that the other 15 members of the proposed mega regional agreement were not about to accede to the concerns and issues of India; therefore, the government had little choice but to pull out.
It is notable that India’s warm and cordial relations with the member nations, steadily built over the last 70 years, ensured that they appreciated its stance and understood that this was not the right time for including India in the deal. Going forward, it may be expected that India’s ‘Act East’ policy would be further reinforced to strengthen the existing trade and investment agreements with ASEAN, Japan and Korea, as well as its bilateral arrangements with Malaysia and Singapore. It also does not forego any future prospect of joining the RCEP, if India’s issues are resolved to mutual satisfaction.

India’s trade profile shows that nine of the 15 RCEP countries are among its top 25 trade partners. Its trade balance at $80 billion with all these countries — except Thailand — is negative, accounting for about two-fifths of its total trade deficit. One reason for this is that many of the partner countries supply vital resources to India, such as coal, which comes from Australia; palm oil from Malaysia; and crude oil from Indonesia.

China accounts for a large proportion ($53 billion) of the total deficit with these nine nations. Its overwhelming presence in the regional grouping did raise concerns among most industry sectors.

As per a CII study, there are many tariff lines where, globally, China is the predominant import source for India. Concessions to China under the RCEP (as per the current terms) could have further contributed to our trade deficit and may not have provided adequate market access for India’s goods.

Recent experience has shown that China has not adequately addressed India’s concerns for market access on a bilateral basis in key areas of interest, such as pharmaceuticals, automotives, agricultural products etc, despite prolonged discussions over the years.

**Offensive interests**

The new export strategy of India needs to give higher attention to offensive interests, highlighting the key products for which tariffs in partner nations should be cut to boost India’s exports. In fact, this applies to the RCEP itself, and the CII has been an advocate for furthering India’s offensive interests with this grouping as well, obviously on terms which do not compromise any sections of Indian industry or agriculture.
It is also important to raise attention towards marketing Indian products to existing favourable markets, as well as other countries where India has a low export presence. ASEAN accounts for 11 per cent of India’s exports, the EU over 17 per cent and the US 16 per cent.

The Indian industry, which has business in these markets, can benefit from targeted promotional strategies given that Indian products are competitive and favoured there.

India can also increase its exports in Africa, a rapidly growing continent which enjoys almost 9 per cent of export share, as well as Latin America, currently at a low 3 per cent. West Asia has also been an expanding market where India enjoys synergies. The CII has examined emerging markets in these regions, identifying goods aligned to their demand structures.

**Export promotion**

The export strategy for India requires a two-pronged approach, focussing on both enhancing domestic competitiveness and undertaking targeted promotional activities. For domestic manufacturing, the way ahead is well known: lowering costs of doing business, building the right infrastructure, ensuring faster and more efficient trade facilitation at the borders, etc.

Deeper economic reforms — particularly in factor markets of land, labour and capital — will provide much-needed impetus to overall manufacturing investments.

On targeted export promotion, there are models in different countries that can be emulated. Several countries have governmental departments tasked with providing information on markets to their manufacturers and exporters, especially small enterprises, and assisting them with marketing efforts.

Others have created dedicated agencies that undertake export promotion. India, too, should set up an overarching export promotion institution, converging several different agencies. This should be equipped with professional marketing expertise and establish offices overseas to link buyers with Indian exporters in major markets across the world.
The RCEP was one of the many components in India’s external integration strategy, albeit an important one. At this moment, it was important for the country to keep its interests on the table and not accede to the agreement.

The road to further expansion of its exports to RCEP member nations is very much still open, given that India already has trade and investment agreements with 12 of them. Utilising existing agreements better while proactively exploring new opportunities in other geographies will diversify both our markets as well as our export basket.

Source: thehindubusinessline.com- Nov 09, 2019

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**Union Textiles Minister Smriti Irani blames US-China trade war for cotton industry slowdown**

Accepting the slowdown in the Indian cotton yarn industry, the Union Textiles Minister Smriti Irani on Sunday blamed the US-China trade war for the situation, as she assured the stakeholders of finding a solution to the problem.

"We are aware that the cotton yarn industry has taken quite a hit after the US-China trade war," Union Textile Minister, Smriti Irani said while addressing the audience at the Indian Cotton Conference 2019.

"And my colleagues in the commerce ministry have dedicated themselves to ensure that they find solution for the same," she added, while assuring the farmers and other industry stakeholders of finding a solution soon.

Irani was addressing Indian Cotton Conference 2019, organised by Indian Cotton Association Limited (ICAL), where she was accompanied by the Union minister of state for Agriculture. The event focused on branding of India as the most potential organic cotton producing country across the globe.

"Today the contribution of farmers is unaccounted. We cannot grow at the cost of our farmers. The solution has to be midway and I am happy I have the presence of Cotton Corporation in this gathering today," Irani said.
The conference came up with suggestion that cotton brand needs a cotton development board which can help enhance the stakeholders' image and promote usage of cotton.

Since mid-2018, the US and China have been locked in a trade confrontation that has resulted in several rounds of retaliatory tariffs.

Over the course of 2018, the US administration started implementing a series of trade measures to curtail imports, first targeting specific products (steel, aluminium, solar panels and washing machines) and then specifically targeting imports from China. The China in response, retaliated by raising tariffs on a subset of products that were already subject to tariffs.

Source: theweekendleader.com- Nov 10, 2019

India’s irresponsible flip-flops at RCEP

Had it not been for the opposition to tariff cuts by most stakeholders, a secretive New Delhi would have inked the deal

After engaging for six years for establishing the Regional Comprehensive Economic Partnership, the largest free trade agreement (FTA) ever, India decided to pull out when leaders of the 16 participating countries had convened in Bangkok for announcing the conclusion of negotiations.

The trigger for the pull-out was the unprecedented opposition to the most obvious component of an FTA — tariff liberalisation.

Never before did almost all major stakeholders, from farmers, trade unions, civil society organisations and industry associations representing the sectoral interests, come together to make their voices heard against a policy initiative of the government.

Their immediate concerns were the threat to the existence of domestic entities in the face of stiff import competition. The voices perhaps became louder given the uncertain state of the Indian economy, which has been losing momentum, and whose growth projections going forward have been lowered by almost every institution.
For the domestic stakeholders, the lack of transparency and predictability in the government’s engagement with RCEP was among the most problematic issues. Take, for instance, the trigger for the huge discontent over what seemed to be a tacit acceptance by the government that it would effect deep cuts in tariffs, which was what the mandate of RCEP had stipulated.

This came to many of the stakeholders as a surprise since in an early phase of the negotiations, in 2015 to be precise, the government had taken the nation into confidence by stating clearly that it was not willing to accept the RCEP negotiating mandate on tariff cuts.

In the initial tariff offer the government informed the stakeholders that the additional market access to its three FTA partners from among the RCEP participating countries (RPCs), namely ASEAN, Korea and Japan, would be kept at modest levels, and China’s access to preferential tariffs under RCEP would be significantly lower than those of other participants.

The transparency that the government displayed was unparalleled — never before had any government disclosed its negotiating position in the FTAs. It was an assurance from the government that the interests of the stakeholders would be protected.

**Turn in tide**

The next phases of the government’s engagement in RCEP negotiations saw the tide turn completely in the opposite direction.

The government seemed to have changed its initial position in tariff negotiations by committing to the RCEP negotiating mandate, but the extent of the shift was not quite clear. Further, in some of the critical areas like investment and electronic commerce, the government seemed to be backing proposals which were in complete contradiction with its domestic policy template.

On the issue of investment, the government had declared, once again in 2015, that it would discuss investment agreements on the basis of the Model Text for the India’s Bilateral Investment Treaty, which it had adopted to protect itself from frivolous investment disputes under the investor state dispute settlement mechanism (ISDS).
In keeping with this stance, the government had terminated bilateral investment treaties with 58 countries in 2017. However, some parts of the investment chapter of RCEP available in public domain suggest that the provisions are no different from those of the investment treaties that the government had rejected in 2017.

In other words, if the disquiet among domestic constituencies over tariff liberalisation had not taken centre-stage, the government would have taken the commitment to implement an investment agreement whose adverse consequences were too well-known.

**E-commerce**

Equally serious would have been the commitments on electronic commerce (e-commerce), which is the elephant in the room for at least two reasons. First, its definition is anything but clear. This implies, the sectors of the economy that e-commerce could impact cannot be gauged easily.

The second and the more contentious aspect of e-commerce is the possibility free flow of data across international borders. This raised a myriad of issues, ranging from flows of sensitive data from the point of view of the country’s security, personal data and other information pertaining to the functioning of the economy.

The RCEP does not provide a definition of e-commerce. This leaves the door open for definitions provided by other forums, as for instance, the OECD, according to which, goods or services are ordered online, but the payment and the ultimate delivery of the goods/services do not have to be conducted online.

This definition would suggest that there is a thin line dividing conventional foreign trade transactions and e-commerce conducted across international boundaries. In recent years, several members of the WTO have been engaged in developing rules on e-commerce, but India has consistently opposed this move.

Among the reasons why India has opposed discussion of e-commerce in the WTO was the push by some countries to keep e-commerce transactions free from import tariffs. In other words, imports using the e-commerce platform would not face any tariff restrictions.
The RCEP chapter on e-commerce seems to have adopted this framework, despite India’s presence in the negotiations. This implies that if India had been a party to RCEP, the extent of market opening would have been far more than what the tariff cuts suggest.

Two provisions of the e-commerce chapter on cross-border transfer of information and location of servers are particularly contentious.

The former provision stipulates that RPCs must allow data and other information to freely flow across borders, and the latter provides that no RPC can insist that servers of entities engaged in e-commerce business must be located in their territories.

Both these provisions run counter the Draft National E-Commerce Policy that the government had circulated in February 2019.

There are at least two important takeaways for the government from its RCEP experience. The first is that new generation FTAs like the RCEP can cause a rupture of government’s autonomous policy space in critical areas like tariff policy, treatment of foreign investors and data protection policy, among others.

Given that the country’s development deficits need a degree of government intervention, foregoing the policy space would be least desirable.

And, second, there must be complete transparency in the government’s decisions-making and, therefore, FTAs which require democratic governments to negotiate in secrecy are inappropriate forums to take decisions on the country’s future.

Source: thehindubusinessline.com- Nov 08, 2019
Why India opted out of the RCEP agreement: Explained in six charts

India decided to walk out of the biggest regional trade partnership the world could have seen. The Regional Comprehensive Economic Partnership could have given — possibly it still can — almost unrestricted access of each other’s markets to the members.

Some experts, in addition to the government, have maintained that the reason for the walkout is India’s adverse trade balance. However, many critics view this as a protectionist step.

The data shows India has been protecting its domestic interests for long. The average tariff on imports into India, according to the World Trade Organization, went up between 2010 and 2015. Most of it was due to farm products (Chart 1).

The (weighted) average tariff applicable to most favoured nations to sell their goods in India is highest among the 10 Asian peers (Chart 2), at 7.6 per cent.

Moreover, India only has about 3 per cent of tariff lines at zero duty, lowest among its peers, and lower compared to Vietnam’s 32 per cent (Chart 3).
The data also shows trade growth has largely been independent of trade deals: India’s share of trade with NAFTA countries has grown as fast as its share with North-East Asian countries, and ASEAN, as well (Chart 4).

While India does not trade preferentially with any of the NAFTA members, it does, with two members of NEA and with ASEAN.

In terms of acting against dumping of cheap and excess goods, India has become more proactive in recent times. More dumping cases now reach their conclusion (Chart 5).

But, on the flip side, members of the probable RCEP lead in dumping goods into India (Chart 6).

Source: business-standard.com- Nov 11, 2019
Cotton exporters hope to resume trade with Pakistan

Indian merchants peg potential cotton exports from India to Pakistan at $1.5-2 billion. Pakistan may import cotton from India if trade between the two nations resumes, say exporters and traders. The neighbouring country has seen a 35 per cent fall in cotton production and is importing from the US, Brazil and Spain.

Indian merchants peg potential cotton exports from India to Pakistan at $1.5-2 billion.

In 2018, India exported close to 5 lakh bales of 170 kg each to Pakistan. Exporters and traders feel that it has a potential to reach 15-20 lakh bales this year. In August this year, Pakistan suspended its trade relations with India following border tensions.

“There is a good opportunity to export cotton and cotton yarn to Pakistan from India. From multinational companies to domestic exporters, all are closely monitoring the situation. Traders may represent the case to the Indian government,” said an official of a Mumbai-based export house.

The official added that trade talk with Pakistan is a sensitive issue and prospects of exports are uncertain. Industry bodies expect exports from India this year to be in the range of 42-60 lakh bales.

“We expect annual exports for Indian producers and processors to increase by 10-15 per cent over the previous year up to 60 lakh bales. Demand will largely come from Bangladesh, China and Vietnam.

We are aware of the shortfall in Pakistan and resumption of trade is a political decision to be made by the two countries,” said Mahesh Sharda, president of the Indian Cotton Association on the sideline of the Indian Cotton Conference in New Delhi.
Moody’s cuts India outlook to ‘Negative’

*Says government has been partly ineffective in addressing economic weakness; action does not reflect fundamentals, says FinMin*

Global rating agency Moody’s has announced changing the outlook on India’s economy to ‘Negative’ from ‘Stable.’ However, it has affirmed the sovereign rating of ‘Baa2.’

The change in outlook means that an upgrade in ratings in near future is unlikely. ‘Baa2’ is a notch above last investment grade. Outlook and rating are key considerations for foreign investors to make investment in any country.

The agency’s decision to change the outlook to negative reflects that the economic growth will remain materially lower than in the past, partly reflecting lower government and policy effectiveness at addressing long-standing economic and institutional weaknesses than it had previously estimated, leading to a gradual rise in the debt burden from already high levels.

“While government’s measures to support the economy, should help to reduce the depth and duration of India's growth slowdown, prolonged financial stress among rural households, weak job creation and, more recently, a credit crunch among non-bank financial institutions (NBFIs), have increased the probability of a more entrenched slowdown,” the agency said.

Further it mentioned that moreover, the prospects of further reforms that would support business investment and growth at high levels, and significantly broaden the narrow tax base, have diminished.

The agency has cautioned that if nominal GDP (Gross Domestic Product) growth does not return to high rates, the government will face very significant constraints in narrowing the budget deficit and preventing a rise in the debt burden.
India’s GDP growth rate slowed down to 5 per cent during first three months (April-June) of the current fiscal, and is likely to go down further during second three-month (July-September) period. This number will be made public at the end of this month.

**Key to change the rating up**

Moody's would likely change the rating outlook to stable if the likelihood that fiscal metrics would stabilise and improve over time increased significantly.

This would probably result from renewed indications that economic and institutional reforms would support sustained, strong investment and GDP growth, and broaden the government’s revenue base over the medium term.

In particular, at this juncture, a credible and durable stabilisation of the non-bank financial sector that reduced the possibility of negative spillovers to banks, and the restored strong credit provision to productive sectors would be credit positive.

**Possible reasons for change**

The agency would likely downgrade India's ratings if its fiscal metrics were increasingly likely to weaken materially.

This would probably happen if there is a prolonged or deep slowdown in growth, with only limited prospects that the government would be able to restore stronger growth through economic and institutional reforms.

A marked and long-lasting weakening in the financial sector’s health would raise the associated fiscal costs (should the government need to support some institutions) and increase the risk that the economic growth remains too low to prevent a rise in the debt burden.

**Meaning of present rating**

The Baa2 rating balances the India’s credit strengths including its large and diverse economy and stable domestic financing base for government debt, against its principal challenges including high government debt, weak social and physical infrastructure and a fragile financial sector.
India's long-term foreign-currency bond and bank deposit ceilings remain unchanged at Baa1 and Baa2, respectively.


**Proactive government, says Finance Ministry**

Meanwhile, the Finance Ministry said that the government has noted the Moody’s action about change in the outlook.

However, it argued that India continued to be among the fastest growing major economies in the world, and that the nation’s relative standing remains unaffected.

The IMF in their latest World Economic Outlook has stated that India is set to grow at 6.1 per cent in 2019, picking up to 7 per cent in 2020.

“As India’s potential growth rate remains unchanged, the assessment by IMF and other multilateral organisations continue to underline a positive outlook on India,” it said.

Further, the government has undertaken series of financial sector and other reforms to strengthen the economy as a whole. The Government has also proactively taken policy decisions in response to the global slowdown. These measures would lead to a positive outlook on India and would attract capital flows and stimulate investments.

“The fundamentals of the economy remain quite robust with inflation under check and bond yields low. India continues to offer strong prospects of growth in near and medium term,” Ministry said

Source: thehindubusinessline.com- Nov 09, 2019
India, EU to push for free trade pact again

Move follows govt. decision to pull out of RCEP; Europe sceptical about timeline

India and the European Union committed once again to restarting talks on a free trade agreement, but did not spell out a roadmap on how to break the six-year old logjam in talks.

European officials also remained sceptical about how quickly the talks could be restarted, given a number of issues, including India’s decision to cancel Bilateral Investment Treaties with 58 countries, including 22 EU countries in 2016, and the Brexit process.

“[India and the EU] underlined the necessity of having a Bilateral Trade and Investment Agreement (BTIA) and agreed to continue working towards it,” said a statement released on Saturday after a meeting of the India-EU Strategic Partnership Review, led by MEA secretary Vijay Thakur Singh and European External Action Service Deputy Secretary General EU Christian Leffler.

The renewed push for the BTIA, which includes both trade and investment, follows the government’s decision to pull out of the ASEAN-led Regional Comprehensive Economic Partnership last week.

‘Prefers FTA with West’

Commerce Minister Piyush Goyal, as well as Ministry of External Affairs (MEA) officials have said that rather than the 15-nation grouping which includes China, India would like to explore FTAs with the West, including EU and the United States.

Prime Minister Narendra Modi and German Chancellor Angela Merkel also pushed for the BTIA during their bilateral meeting on November 1.

Speaking to The Hindu, Pekka Haavisto, Foreign Minister of Finland, who is the EU Council President this year, however, said that the deal could take a “long, long time”.
In 2013, India and the EU suspended talks after reaching a dead end on issues such as tariff on European cars and wine, on data security, and India’s desire to include services and more visas for Indian professionals in the agreement. Since then, despite meeting several times, negotiators have not been able to even agree on the terms for restarting the talks, despite a firm announcement by Mr. Modi and the EU President at a summit in 2017.

“Unfortunately the EU-India summit keeps getting postponed, so [one] step is to have regular summits.” Mr. Haavisto said.

He also cited the ongoing Brexit process for delaying the EU’s other trade deals, but said that the EU had managed to close FTAs with China, Japan and the MERCOSUR Latin American countries.

Another major problem, he explained, was that the NDA government’s decision to cancel investment treaties had slowed interest from European companies who did not want to “risk” investing until another investment protection agreement was put in place, which could be discussed at the next EU-India summit in March 2020.

Source: thehindu.com- Nov 09, 2019

If you can’t do RCEP, can’t do US/EU either

There are essentially two strands to the arguments made after India walked out of RCEP. First, that the lack of safeguards in RCEP that India wanted against a surge in Chinese imports will hurt India, so the country is better off without being a part of RCEP; the Asean FTA is held up as an example of how FTAs are hurting.

Second, rather than getting bogged down in an FTA driven by Chinese interests, India’s interests are better served by concluding an FTA with the US or the EU; and since both are higher-cost economies than India, India’s exports will also grow faster than, say, in an RCEP FTA.

Apart from the fact that it makes little sense to give up on trade with the world’s fastest-growing region, the assertion that the Asean FTA has hurt India is incorrect; nor is it a given that India’s exports will rise in a US/EU
FTA. After all, if countries in the RCEP—and China is just one of them—are more competitive than India, they will continue to export more to the US/EU, even when India has an FTA; you just have to look at the growth in India’s exports and those of various RCEP countries to know this. More on the proposed US/EU FTAs in a bit.

Indeed, even when you look at India’s exports growth to Asean, this lack of competitiveness is a factor that can’t be ignored; just because India and Vietnam, say, have the same access to the Chinese market and the same duties levied on them, it doesn’t mean India’s exports will do better even if they are less competitive. Vietnam’s better performance relative to India can’t possibly be laid at Asean’s doors. The fact that, between 1990 and 2018, Vietnam’s overall exports grew 102 times versus just 18 for India—as a result, Vietnam’s exports are now 75% those of India’s—makes it clear that the Asean FTA is hardly the issue.

If India is not part of RCEP, and doesn’t get the benefits RCEP members do, its exports to these countries are unlikely to grow as fast as those of others. And, as India fails to join other such FTAs, whom will it trade with? As India gets more inward-focused—it has been raising import duties—it will get less competitive. This will push up its trade deficit; as its import duties go up, so will smuggling levels.

India’s imports from Asean growing faster than its exports—exports grew 2.07 times in FY10-FY19 while imports grew 2.3 times—also has to do with India’s poor domestic policies, which resulted in imports of items like coal or mobile phones/components shooting up.
After all this, between FY10 and FY19, India’s global exports rose 1.9 times while those to Asean rose 2.1 times; India’s imports from the world rose 1.8 times while those from Asean rose 2.3 times. Yet, in relative terms, India’s trade deficit hasn’t risen discernibly.

India’s Asean trade deficit was around 8.3% of its total deficit with the world in the 2000s, and fell to 7.7% in the 2010s (see graphic); the deficit was as low as 4.2% in FY11, and as high as 12.5% in FY16. Those denouncing the Asean and other such FTAs would do well to look at the data.

Pravin Krishna of Johns Hopkins University points out in a recent paper that between 2007 and 2017, India’s trade deficit with Asean (as a percentage of India’s total trade deficit with all countries) fell from 9.9% to 6.6%. For all bilateral agreements that India has, such as with Japan, Korea, etc, this fell from 12.6% to 7.5%.

The numbers will vary depending on the year—the number for 2018 could be different than that for 2017—but, there is no evidence of a catastrophic impact of FTAs, either bilateral or plurilateral. Indeed, the sharpest deterioration in India’s deficit is with China, a country it has no FTA with; once again, FTAs are not the problem.

The reason for that is simple. For one, according to Krishna, there is a long gestation before any FTA gets actualised; this applies to RCEP as well. The India-Japan trade agreement began in the year 2011, but implementation is complete for only about 23% of the tariff lines so far; India will liberalise imports for 63% of goods only in 2021, and another 14% of goods are not even part of the FTA.

Similarly, under the India-Korea agreement, signed in 2010, only about 8% of tariff lines had been fully eliminated prior to 2017; 20% are totally out of the FTA’s purview.

Nor is it true, Krishna points out, that all trade in an FTA takes advantage of the preferential duties since there are complex rules of origin etc; despite the recent explosion in FTAs, Krishna says, only about 16% of world trade takes place on a preferential basis (the figure rises to 30% when intra-EU trade is included in the calculations).
It is not clear how soon India can sign an FTA with US/EU, but suffice it to say that India has not even been able to resolve its dispute with the US on simple issues like duties on Harley Davidson motorbikes.

An FTA with India, along the lines of the TPP that the US was working on, will presumably be as stringent—TPP had rules on labour laws, intellectual property protection (India will have to grant patents to a lot more US drugs as US rules are more liberal than India’s), reducing sops to PSUs, and the need for unfettered market access to US firms. If lobby groups like Amul could stop an RCEP, surely they will try and do the same when the US/EU want even more market access and have even larger subsidy levels? Since most Indian markets will have to be opened, other lobbies will also get active. India’s trade negotiators need to get real.

Source: financialexpress.com- Nov 11, 2019

Explained: GST shortfall and what govt needs to do

Goods and Services Tax (GST) collection in October declined 5.3% year-on-year, to Rs 95,380 crore, because of the slowdown in consumption. Overall GST collections in April-October 2019 increased 3.4% year-on-year. The government has a target of at least Rs 1 lakh crore in GST collection every month to meet its revenue estimates. This pushes up the required run rate for the rest of FY20 to Rs 1.34 lakh crore per month.

A report by Kotak Institutional Equities Research says that at the current run rate, the government could see a shortfall of around Rs 90,000 crore in CGST and IGST and Rs 1.3 lakh crore in SGST collections for this financial year.
The pressure on the government’s revenues is mounting since, apart from the shortfall in GST collections, both income tax and corporation tax collections remain weak.

Moreover, in September, the government had cut corporate tax rates for all domestic companies by almost 10 percentage points to boost investments and economic growth.

The tax cut will cost the exchequer Rs 1.45 lakh crore annually. Also, falling nominal GDP growth in the economy will have implications for tax buoyancy.

While GST collections in November are likely to improve because of festive demand aided by lending push by banks, buoyancy in GST collection is unlikely to sustain unless there is a quick pickup in economic growth.

The economy grew 5% in the three months to June, the slowest in 25 quarters, and the high frequency indicators are showing no signs of improvement in the subsequent months.

Gross tax revenues in H1HY20 have grown at a dismal 1.5%, with 5.2% growth in direct taxes and a decline of 2.2% in indirect taxes.
A mini trade deal to be India's focus during Piyush Goyal's US visit

Less than a week after pulling out of the Regional Comprehensive Economic Partnership (RCEP) pact, India is set to revisit its trade talks with the United States, which had hit a wall on tariff and market access issues back in September. During a three-day visit to the US beginning November 12, Commerce and Industry Minister Piyush Goyal will be looking to clinch a ‘mini trade deal’ focused on finding an amicable solution to some of the biggest demands of the US. The visit gains importance at a time when New Delhi has openly backed a bilateral deal with the US, a significant change in its position.

The US has kept the tempo high on its demand for fewer restrictions on market access for US medical device manufacturers and solar panels, as well as market access for other key products.

Goyal will be meeting with Scott Walker, president of AdvaMed, the American medical device trade association which has repeatedly lobbied Washington DC to push India to dismantle its price cap regime for crucial medical devices, said people in the know. New Delhi had earlier considered allowing a trade margin policy for coronary stents.
However, the high point of the trip will be Goyal’s meeting with US Trade Representative (USTR) Robert Lighthizer on November 13, which is expected to see the USTR push India towards lower import duties in a broad range of areas.

**Deal or not**

India had earlier prepared plans for a mutually acceptable ‘trade package’ that provides an amicable solution to major grouses from both sides, according to a senior trade negotiator. Lower duties on import of certain information and communication technology products such as high-end mobile phones and smartwatches from the US had been on the cards, which may make iPhone products cheaper in the country, he said.

A bilateral trade deal has remained a key American demand, which has been repeatedly rebutted by India, up until earlier this year. With Prime Minister Narendra Modi by his side, US President Donald Trump had promised a trade deal with India “very soon.”

“The US has stuck to its demands, which include wine and Harley-Davidson motorcycles,” another highly placed source said. The motorcycle tariffs have led to Trump repeatedly terming New Delhi a ‘high-tariff nation.’

Washington DC also wants India to reverse the higher duties placed on 29 key imports from the US, earlier this year. New Delhi had announced higher tax ,by up to 50 per cent on import of agri goods like apples, almonds, walnuts and some industrial products.

The new taxes are proposed to rake in an estimated $240 million worth of additional taxes, and India has claimed the amount was equal to the estimated loss faced after the Trump Administration imposed a 25 per cent extra levy on steel, and 10 per cent on aluminium products from many countries, including India in May, 2018.

**Low returns**

In return, the US has offered to step back from its aggressive posturing on ‘reciprocal taxes.’ While the US has not targeted India specifically yet, it has dropped repeated hints saying tariffs on Indian imports could be raised similar to those on Chinese products.
The upcoming meeting would be the first meeting between both sides after a crucial World Trade Organization (WTO) ruling was delivered against it.

Subsequent to a US complaint, the WTO had investigated and ordered New Delhi to stop all of its current export promotion schemes within the next four months. The WTO also said the SEZ Scheme should be closed within the next six months. However, the government is set to argue against it.

It was not immediately sure if India would petition the US to reinstate its trade benefits under the Generalized System of Preferences (GSP) program to Indian exporters.

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

Textile spinners in demand removal of market cess levied on waste cotton

The cess should have been removed after GST, says G. Arulmozhi, secretary, Open-end Spinners Association

The open-end spinning mills in Tamil Nadu have reiterated their demand for the removal of the market committee cess on waste cotton, which is a raw material used by these mills.

G. Arulmozhi, secretary, Open-end Spinners Association, said that 50% of the 450 open-end spinning mills in the State use cotton waste from textile mills as raw material.

The rest use hosiery products as raw material. Leading international brands such as Nike and H&M are interested in sustainable products, and hence buy textile items that use the yarn from the open-end mills. The yarn made by these mills is consumed by power-loom units in the entire region, covering Karur, Somanur, Palladam, and Erode.

However, in Tamil Nadu, the mills face challenges and competition from the units in other States. This is because of the 1% market committee cess levied on waste cotton.
The open-end mills in the State consume nearly 10 lakh kg, buying waste cotton from textile mills across the State and even from Gujarat and Andhra Pradesh.

Cotton waste is only a by-product and it is not stored in the godowns of the government. The cess should have been removed after the introduction of GST (Goods and Services Tax), but it was not done. And only Tamil Nadu has the cess on cotton waste, he said.

The Association members had met officials concerned as well as the Textile Minister of Tamil Nadu several times and sought the removal of the cess on waste cotton. But the government is yet to notify removal of the cess. The industry is facing a crisis now and the government should remove the cess to make the industry competitive, he said.

Source: thehindu.com- Nov 08, 2019