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IBTEX Textile Intelligence Centre — Information Bureau TEXPROCIL

# IBTEX No. 241 of 2019 — December 11, 2019

US 70.76 | EUR 78.48 | GBP 92.97| JPY 0.65

| Cotton Market (Dec 09, 2019) | | |
|---|---|---|
| **Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19043 | 39800 | **71.30** |
| **Domestic Futures Price (Ex. Warehouse Rajkot), December** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19140 | 40003 | **71.67** |

| International Futures Price | |
|---|---|
| NY ICE USD Cents/lb (March 2020) | 66.70 |
| ZCE Cotton: Yuan/MT ( May 2020) | 13,140 |
| ZCE Cotton: USD Cents/lb | 84.72 |
| **Cotlook A Index – Physical** | **73.90** |

**Cotton Guide-** Geopolitical optimism has again driven the market north. This was the second highest figure of the Crop Year 2019-2020. The March 2020 contract settled at 66.00 Cents per pound with a change of +149 points. The High figure seen was 66.32 cents per pound and the low figure was recorded at 64.51 cents per pound. The May contract settled at 66.85 cents per pound with a change of +135 points. Volumes were better as compared to the ones seen in the entire 10 days, they summed up at 35,803 contracts.

The MCX contracts ended positive as that of all the ICE contracts. The MCX December contract settled at 19,140 Rs per Bale with a change of +90 Rs. The MCX January 2020 contract settled at +80 Rs. The volumes were seen at 819 lots.

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The Cotlook Index A has been updated at 73.90 cents per bale with a change of -25 points. The spot price of Indian domestic Shankar 6 is at 39,200 Rs per Candy [up by 400 Rs]. Therefore the Export prices amount to 74 cents per pound CIF Far Eastern Ports for today. The Basis was seen to have shown a slight decline at +800 on [based on the price of 39,200 Rs per candy.] The prices seen on CAI's website are at 39,800 Rs per Candy.

An export demand for the North Indian shorter staple cotton has spiked up. On the other hand Indian exporters are finding it difficult to export Indian Medium Grade Cottons. The Vietnamese and the Bangladeshi Mills have been putting forward new enquiries to test prices. However, sellers seem unwilling [or rather do not find it profitable] to sell at the lowers prices asked by these Buyers.

While analysing last week's events once again, the two factors which drove the market north were:

**A. Optimism seen on the US China front.**

China is expected to reduce import tariffs on Soybeans and Pork as a measure inviting to Strengthen the Phase one Deal which has impacted all financial and commodity markets. The positivity was strengthened by US President Donald Trump's Comments.

**B. Positive US Employment Numbers.**

The US Department of Labour added 266,000 jobs in the month of November which is seen to be above predictions of many analysts.

On the fundamental front, we expect the prices to show consolidation for both ICE and MCX. For ICE we presume that the price will retrace back by around -50 points. Whereas For MCX we expect the prices will remain firm for a week.

On the technical front, in daily chart, ICE Cotton March is trading within a range bound manner, after it breakdown from an upward sloping channel. However, price now has the immediate resistance of the downward sloping trend line around 66.50-66.70, along with the support of 64.90 which is 38.2% Fibonacci retracement level of an intermediate up move. Meanwhile, price is below the daily EMA (5, 9) at 65.28, 65.22, along with the momentum indicator RSI is at 52, suggesting sideways to negative bias for the price. Thus for the day we expect price to trade in the range of 66.70-64.90 with sideways to negative bias. In MCX Dec Cotton, we expect the price to trade within the range of 19100-19320 with a sideways to negative 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

## USMCA Deal Draws Rare Praise From All Rungs of the Apparel Supply Chain

The U.S. textile, apparel and retail industries all applauded news Tuesday that House Democrats had reached an agreement with the White House to strengthen labor, environmental, pharmaceutical and enforcement provisions in the U.S.-Mexico-Canada Agreement (USMCA), and set the stage for its passage.

The decision to proceed with the USMCA came after Democrats said they secured concessions from the White House to strengthen labor provisions that were in place in the North American Free Trade Agreement (NAFTA) and that were needed to garner the support of labor unions, including the AFL-CIO, the country's largest.

"We are happy to hear a deal has been reached that should help pave the way for USMCA to move forward and we will continue to work for Congressional passage on a clean bill," National Council of Textile Organizations (NCTO) president and CEO Kim Glas said.

The new USMCA includes several improvements that would greatly benefit the U.S. textile industry and bolster the $20 billion in annual trilateral textile and apparel trade, Glas said.

"U.S. textile exports alone to Canada and Mexico, the industry's top two export markets, totaled $12 billion last year, underscoring the importance of the trade deal to the industry's Western Hemisphere supply chain, as well as its growth and investment in the U.S.," she said.

NCTO cited key updates and modifications that USMCA makes over NAFTA that represent significant improvements for the domestic industry. They include creation of a separate chapter for textiles and apparel rules of origin with strong customs enforcement language, and stronger rules of origin for sewing thread, pocketing, narrow elastics and certain coated fabrics.

Under the current NAFTA, these items can be sourced from outside the region. USMCA fixes this loophole and ensures these secondary components are originating to the region.

In addition, USMCA fixes the Kissell Amendment Buy American loophole, ensuring that a significant amount the Department of Homeland Security spends annually on clothing and textiles for the Transportation Security Administration benefits domestically produced products.

The American Apparel & Footwear Association (AAFA) said it strongly supports USMCA and lauded the U.S. Trade Representative and Congressional leadership for their work to finalize a deal that can get through Congress, receive presidential approval, and quickly benefit American job creators and consumers.

“We look forward to reviewing the final language and working with our members to determine how to best use the deal to create jobs throughout the supply chain,” AAFA president and CEO Rick Helfenbein said.

“An integrated North American supply chain is an integral component of the apparel and footwear industry. Further, in a time of trade uncertainty, it will provide businesses with the ability to invest confidently in the region,” Helfenbein said. “That said, it is paramount that the transition from NAFTA to USMCA occurs smoothly, to ensure that there are no negative impacts as the business community comes up to speed with the new rules.”

Retailers are encouraged by the step forward to approve the USMCA, National Retail Federation president and CEO Matthew Shay said.

“The USMCA takes many important steps to modernize the agreement to reflect today’s global and digital economy,” Shay said. “This agreement could not come at a better time and provides certainty for U.S. retailers that rely on the North American market, including those that operate in Canada and Mexico.”

The 25-year-old NAFTA, negotiated by the late President George H.W. Bush and signed into law by former President Bill Clinton, eliminated most tariffs and other trade barriers involving the U.S., Mexico and Canada.

It resulted in many companies, such as Los Angeles denim and jeans manufacturers, moving factories and jobs to Mexico, where labor is cheaper.

But NAFTA along with the Central American Free Trade Agreement, also helped revive the U.S. textile sector, particularly for yarn makers that were able to export goods to Mexico for assembly and then ship products back to the U.S., all duty free.

U.S. apparel and textile imports under NAFTA were down 5.9 percent to $3.83 billion worth of goods for the year through October. Industry exports in the period fell 2.94 percent to $11.42 billion.

“On policy, the jury is still out on whether the heavily revised NAFTA 2.0 will be a win for the country,” Yvette Simpson, CEO of the progressive political action committee Democracy for America, said.

“Some unions are supporting the deal, while others aren’t,” she added, “but the idea that any trade agreement touched by the Trump administration can be trusted to protect the environment, prioritize worker safety or hold big pharma’s feet to the fire is absurd.”

USMCA improves NAFTA in important ways that may signal a shift for future trade agreements, according to Professor Alvaro Santos, an international law and trade expert at Georgetown Law.

“Its advancement also ends prolonged uncertainty around NAFTA, allowing the U.S., Canada and Mexico to start focusing on how best to take advantage of the new agreement,” Santos said.

Santos, who advised the newly elected Mexican government on the USMCA in 2018, said changes to USMCA, which the three countries signed more than a year ago, must now be woven into implementing legislation that the House and Senate will both vote on.

The pact will also need to final approval of the Mexican senate and Canadian leadership.

Source: sourcingjournal.com - Dec 10, 2019

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# China's Plunging Denim Exports to the US Show Tariffs' Taxing Toll

The tariffs on U.S. apparel imports from China keep taking a bigger toll on the country's role as a denim supplier, while other countries such as Vietnam, Egypt and Nicaragua gain ground.

China's shipments of blue denim apparel, the vast majority of which are jeans, declined 21.97 percent to a value of $615.04 million for the year to date though October, according to new data from the Commerce Department's Office of Textiles & Apparel (OTEXA). China's market share of imported jeans for the 12 months through October fell 18.98 percent to 20.05 percent, reflecting a similar picture for overall apparel, OTEXA data showed.

China's declines were most dramatic in September and October, as 15 percent tariffs were imposed on Sept. 1 and many companies took action to get goods in under the wire in July and August, said Julia Hughes, president of the U.S. Fashion Industry Association.

While companies such as Guess and G-III Apparel Group recently said they're sticking with Chinese production and have been able to negotiate with factories there to mitigate price increases from tariffs, PVH is reducing its exposure, chairman and CEO Manny Chirico said.

"U.S sourcing out of China will be about 10 percent of our overall sourcing mix and I think that compares to three or four years ago we were close to 35 percent to 40 percent," Chirico said. "So I think we're moving strategically as we plan."

Mexico held onto the top spot as a jeans supplier to U.S. companies, with its imports increasing 2.88 percent to $696.38 million for the year to date and its market share growing 4.45 percent to 21.98 percent. No. 3 suppliers Bangladesh posted a slim 1.48 percent gain in the period for a value of $487.73 million and a 15.05 percent market share.

While sourcing executives are concerned that Vietnam will soon run into capacity problems, that scenario hasn't yet come to fruition. U.S. imports from the Southeast Asian country jumped 23.23 percent to $305.86 million in the period and its market share rose 24.17 percent to 9.3 percent.

Among other Asian Top 10 suppliers, Pakistan's shipments in the first 10 months of the year rose 5.04 percent to $216.39 million and Cambodia's were up 2.37 percent to $101.42 million, while imports from Indonesia were down 13.96 percent to $60.03 million.

Elsewhere among the top suppliers, imports from Egypt increased 16.47 percent to a value of $149.15 million, shipments from Jordan rose 6.46 percent to $50.73 million and imports from Nicaragua gained 24.29 percent to $109.78 million.

Mexico and Nicaragua led the Western Hemisphere to a 3.46 percent increase year to date to $884.9 million. The region's market share for the year through October rose 5.15 percent to 28.02 percent, as Guatemala also posted a solid gain, up 8.29 percent to $29.13 million.

Overall denim imports were down 1.52 percent to $3.18 billion in the first 10 months of the year, illustrating what vendors have been saying is a soft market, as well as actions taken by brands and retailers to reduce inventories.

Monica Betancur, South American commercial director at Kaltex America, said at last month's Kingpins NYS show, "Business is tough right now. Companies are being cautious, especially about China," which has brought fresh interest in Kaltex's Mexican manufacturing.

"There's definitely a slowdown overall in denim, which is cyclical," Tricia Carey, director of global business development for apparel at Lenzing Fibers, said.

Source: sourcingjournal.com - Dec 10, 2019

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# USA: Proposed EU tariffs to hit home textile categories

Cotton bedding, cotton blankets and several types of floor coverings are on the Trump administration's hit list for up to 100% tariffs on European imports.

The Home Fashion Products Association (HFPA) informed members that the US Trade Representative (USTR) has published a draft notice listing additional goods from the EU that it will consider hitting with additional tariffs due to the Airbus subsidy dispute. The USTR will be accepting comments, once the notice is published, until Jan. 13, 2020.

Here are the products that may be of concern to home textiles importers by HTS subheading and HTS description:

| | |
|---|---|
| 5205.31.00 | Multiple or cabled cotton yarn, 85% or more cotton by weight, of uncombed fibers, n/o 14 nm per single yarn, not put up for retail sale |
| 5206.32.00 | Multiple or cabled cotton yarn, < 85% cotton by weight, of uncombed fibers, over 14 but n/o 43 nm/single yarn, not put up for retail sale |
| 5208.13.00 | Unbleached 3- or 4-thread twill fabrics of cotton, incl. cross twill, containing 85% or more of cotton by weight, weighing not over 200 g/m2 |
| 5402.11.30 | Single high tenacity yarn of aramids, not put up for retail sale |
| 5402.11.60 | Multiple (folded) or cabled high tenacity yarn (except sewing thread) of aramids, not put up for retail sale |
| 5402.20.30 | Single high tenacity yarn of polyesters, not put up for retail sale |
| 5503.20.00 | Synthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyesters |
| 5605.00.90 | Metalized textile yarn nesoi, of man-made monofilament or strip or the like, other than ungimped or w/twist of < 5 turns per meter |
| 5609.00.10 | Articles of yarn, strip, twine, cordage, rope or cables nesoi, of cotton |
| 5609.00.20 | Articles of yarn, strip, twine, cordage, rope or cables nesoi, of vegetable fibers except cotton |
| 5609.00.30 | Articles of yarn, strip, twine, cordage, rope or cables nesoi, of man-made fibers |
| 5609.00.40 | Articles of yarn, strip or the like of man-made monofilaments, twine, cordage, rope or cables, nesoi |
| 5701.10.16 | Carpets & other textile floor coverings, hand-knotted or hand-inserted, w/ov 50% by weight of the pile of fine animal hair, nesoi |

| | |
|---|---|
| 5701.10.40 | Carpets and other textile floor coverings, of wool or fine animal hair, hand-hooked (tufts were inserted and knotted by hand or hand tool) |
| 5701.10.90 | Carpets and other textile floor coverings, of wool or fine animal hair, not hand-hooked, not hand knotted during weaving |
| 5702.10.90 | "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs, other than certified hand-loomed and folklore products |
| 5702.41.20 | Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, made up, of wool or fine animal hair, nesoi |
| 5702.42.10 | Wilton, velvet and like floor coverings of pile construction, woven, not tufted or flocked, made up, of man-made textile materials |
| 5702.92.10 | Hand-loomed carpet & other textile floor coverings, not of pile construction, woven, made up, of man-made textile materials,nesoi |
| 5703.10.20 | Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair |
| 6301.30.00 | Blankets (other than electric blankets) and traveling rugs, of cotton |
| 6301.90.00 | Blankets and traveling rugs, nesoi |
| 6302.21.50 | Bed linen, not knit or crocheted, printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, n/napped |
| 6302.21.90 | Bed linen, not knit or croc, printed, of cotton, not cont any embroidery, lace, braid, edging, trimming, piping or applique work, not napped |

In the memo, HFPA legal counsel Robert Leo noted that the 15% tariffs on List 4B imports from China – which heavily impact home textiles manufactured there – are currently scheduled to become effective this coming Sunday, Dec. 15.

"If [HFPA] members have products on List 4B and it goes into effect without change, the additional 15% tariff will be effective for goods entered into the US on or after 12:01 a.m. December 15, 2019," wrote Leo, a partner at Meeks, Sheppard, Leo & Pillsbury.

The USTR will accept exclusion requests on List 4B tariffs until Jan. 31, 2020. If granted, the exclusion would be retroactive, he said.

Source: hometextilestoday.com - Dec 10, 2019

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# Cotton Highlights from December WASDE Report

The December 2019 World Agricultural Supply and Demand Estimates (WASDE) report has been released by USDA. Here's this month's summary for cotton:

This month's outlook for U.S. cotton in 2019/20 includes lower production and ending stocks compared with last month. Production is lowered 611,000 bales, mainly due to a 500,000-bale decline in Texas. Domestic mill use and exports are unchanged. Ending stocks are 600,000 bales lower this month, at 5.5 million. Upland cotton's season-average farm price is also unchanged at 61 cents per pound.

The global 2019/20 cotton forecasts include lower beginning stocks and production, largely offset by lower consumption. A nearly 900,000-bale decline this month in beginning stocks is led by a 700,000-bale reduction in India, following a report by India's Cotton Advisory Board that lowered India's 2018/19 cotton crop by a similar amount.

World cotton production in 2019/20 is projected at 121.1 million bales – down 830,000 from November, and 3.0 million higher than in 2018/19. Production changes for 2019/20 this month other than the United States include decreases of 800,000 bales for Pakistan, 500,000 for India, and smaller declines for Australia, Turkey and Chad. Partly offsetting are a 900,000-bale increase in Brazil's projected crop, a 500,000-bale increase for Uzbekistan, and several smaller gains.

A 1.2-million-bale decline this month in projected world consumption is led by a 1.0-million-bale reduction for China, due in part to lower textile exports. The consumption forecasts for Vietnam and Pakistan were also reduced, offsetting a small increase for Uzbekistan.

Global 2019/20 ending stocks are nearly 500,000 bales lower this month. At 80.3 million bales, total ending stocks are only projected about 600,000 bales higher than in 2018/19, but stocks outside of China are expected to rise 3.1 million bales from the year before.

Source: cottongrower.com - Dec 10, 2019

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# China's direct investment in Egypt up 66 pct in first 3 quarters

China's direct investment in Egypt in the first three quarters of 2019 rose by 66 percent to 74.9 million U.S. dollars, a senior Chinese diplomat told a press conference on Tuesday at Egypt's under-construction new administrative capital city, east of Cairo.

Han Bing, minister counselor for commercial affairs of the Chinese Embassy in Egypt, said these Chinese investments cover several fields including domestic electric appliances, motorbike manufacturing, agriculture and others.

He added that among those Chinese investors in Egypt are Dayun Motorcycle, Konka, New Hope Group and Angel Yeast.

"Meanwhile some Chinese enterprises specialized in steel, medicine, textile, new energy, garbage collection, and sewage treatment are interested in the Egyptian market and related projects under discussion," Han told reporters.

The Chinese diplomat praised the "great effort" made by the Egyptian government to improve Egypt's business environment for foreign investors through issuing a series of new investment-magnet policies.

Trade between China and Egypt slightly declined in the first 10 months of 2019 to 10.58 billion dollars, mostly represented in Chinese exports to Egypt.

"China remains Egypt's first trade partner," Han noted.

Egypt's exports to China include agricultural crops such as oranges, grapes and sugar beets, he said, adding Egypt is the top orange exporter to China with a market share of more than 40 percent.

Tianjin Economic-Technological Development Area (TEDA), a Chinese industrial developer, is currently developing an area of 7.23 square km in Egypt's vital Suez Canal economic zone. It has completed the first phase of about 1.25 square km and is working on the second phase of some six square km in Ain Sokhna district of Suez Province, east of the capital Cairo.

"TEDA zone has altogether 84 enterprises including 42 manufacturing companies, and has attracted more than 1-billion-dollar investment," Han pointed out.

The Chinese diplomat also referred to growing cooperation between China and Egypt under the China-proposed Belt and Road Initiative that seeks common development for participating states through win-win partnerships.

Source: xinhuanet.com - Dec 11, 2019

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## Cambodia's Growing Garment Industry at Risk if EU Trade Benefits Disappear

Cambodia's potential loss of preferential trade access to the European Union (EU) could weaken the country's economic growth and undermine the price competitiveness of the country's garment exports, GlobalData wrote in a new analysis.

The European Commission has given the Cambodian government a one-month deadline to respond to its findings over alleged human rights violations in the country. It will then decide in February whether to temporarily withdraw the duty-free Everything But Arms (EBA) trade benefit.

"Cambodia's economy depends heavily on its garment and textile industry, and the EU is its largest export market," Michelle Russell, apparel correspondent at Global Data, said. "The loss of trade benefits would be a big blow to the sector."

EU imports from Cambodia totaled 5.3 billion euros ($5.88 billion) in 2018, and 95 percent took advantage of the EBA preferences, making Cambodia the second-largest beneficiary, according to GlobalData. Apparel and textiles account for around 4 billion euros ($4.44 billion) of the total.

If the EU decides to suspend Cambodia's EBA eligibility, apparel imports from Cambodia would be subject to the World Trade Organization's most-favored-nation (MFN) tariff rate, which averages around 12 percent.

"Cambodia's garment industry has many strengths," Russell said. "Its garment production is well-established, and despite rising wages it has relatively competitive labor costs.

Yet, ongoing tensions and the government's refusal to address the country's human rights issues will only add to the sector's weaknesses," Russell said.

"Supporting industries, such as textile manufacturing, are still in their infancy, the sector is dependent on Chinese investment and infrastructure is poor."

If Cambodia loses its EU trade benefits, there is concern that higher tariffs could undermine the price competitiveness of Cambodia's garments exports and reduce Cambodia's attractiveness as a production base, Russell said, which has contributed to the country's economic and financial stability.

Based on Cambodia's strength as an apparel supplier to the U.S. without any trade benefits, there's a chance the loss of EU benefits might not make a meaningful difference. In the first 10 months of the year, U.S. imports from Cambodia rose 10.84 percent to $2.29 billion.

However, in May, the American Apparel and Footwear Association and a coalition of top brands sent a letter to the Cambodian Prime Minister Hun Sen expressing concerned that the labor and human rights situation in Cambodia is posing a risk to trade preferences for Cambodia.

The letter noted that bills introduced in the U.S. Congress would require the U.S. government to review Cambodia's Generalized System of Preferences (GSP)–which does not include apparel but does count many travel goods–benefits based on the "declining respect for labor standards, including freedom of association and other issues related to respect for human rights issues in Cambodia."

Source: sourcingjournal.com- Dec 10, 2019

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# U.S. Cotton Trust Protocol Names Directors

Fifteen delegates from the U.S. cotton industry have been named to the inaugural Board of Directors for the U.S. Cotton Trust Protocol.

The Trust Protocol is a new standard developed to help the U.S. cotton production sector further reduce its footprint by enabling producers to assess their performance against specific sustainability goals. Using robust data inputs, the program will add confidence throughout the supply chain and position U.S. cotton as the responsible choice for mills and retailers.

"We are proud to announce the appointment of the Trust Protocol's first-ever board of directors," said Ken Burton, Trust Protocol executive director. "This group of individuals bring unmatched expertise within the cotton industry, a thorough understanding of the sustainability challenges facing the textile industry and experience within the retail sector. Working together, the Board will ensure the Protocol will meet sustainability requirements throughout the supply chain and provide an unmatched level of transparency and accountability."

The appointees include delegates from across the entire supply chain, leading industry, scientific and academic experts, as well as representatives from world-renowned environmental organizations:

1. Producers – Matt Coley (GA); Ted Schneider (LA); Shawn Holladay (TX); Aaron Barcellos (CA)
2. Ginner – David Blakemore (MO)
3. Marketing Cooperative – Hank Reichle (MS)
4. Merchant – Steve Dyer (TN)
5. Cottonseed – Fred Serven (TN)
6. Manufacturer – Jim Martin (NC)
7. Brands/Retailers – Liza Schillo (Levi Strauss & Co.) and Joe Little (Tesco)
8. Other Members – Suzy Friedman (Environmental Defense Fund); Melissa Ho (World Wildlife Fund); Marty Matlock (University of Arkansas); Garry Bell (formerly with Gildan).

Trust Protocol advisors include Jesse Daystar, Cotton Incorporated; Andy Jordan, Jordan Consulting; Marc Lewkowitz, Supima; Mark Pryor, The Seam; and Mike Quinn, Frontier Spinning Mills.

The directors will govern the Trust Protocol's mission of meeting U.S. cotton customers' sustainability needs and providing transparency on cotton industry efforts to promote farmer economic livelihood, environmental stewardship, caring of people and community, and personal and corporate integrity.

After initiation of a pilot earlier this year, full implementation is scheduled for 2020 for the Trust Protocol, which is aimed at helping U.S. cotton achieve stated national sustainability goals by 2025:

- 13% Increase in productivity, i.e. reduced land use per pound of fiber
- 18% Increase in irrigation efficiency
- 39% Reduction in greenhouse gas emissions
- 15% Reduction in energy expenditures
- 50% Reduction in soil loss
- 30% Increase in soil carbon.

Based on information provided by the National Cotton Council

Source: cottongrower.com- Dec 10, 2019

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## Bottlenecks facing Bangladesh's export sector

Export-led growth in Bangladesh has been largely fuelled by an abundant supply of low-cost labour and duty-free access to the EU and US markets. Although merchandise exports have grown rapidly over the years, the country has failed to diversify its export basket and export destinations.

The country is highly dependent on readymade garments for export earnings. Bangladesh's heavy reliance on the apparel sector for attaining target growth rates exposes the country to a number of external shocks.

Therefore, price hikes of cotton may affect exports adversely thus making it hard to compete globally. The readymade garments sector may also be affected by automation since the fourth industrial revolution is underway. Since the export basket as well as export destinations are highly concentrated there is a pressing need for diversification of both the export basket and export destinations.

The US-China trade war may play a significant role in boosting the growth of the Bangladesh ready-made garments exports. Amidst the economic conflict between the two mammoth economies, Bangladesh was able to reap benefits from the war.

Due to increase in tariffs which resulted in rising production costs, global buyers moved work orders from China to Bangladesh. Therefore, due to the US-China trade war, Bangladesh's exports to the US market increased significantly. If the trade tariff spat between China and the United States continues Bangladesh may benefit.

However, if Bangladesh wants to take advantage of the escalating international trade conflicts between China and the United States, it needs to opt for the next level of automation and engage in production of value added goods to accelerate export earnings. Furthermore, the lion's share of Bangladesh's exports is limited to the apparel sector—almost 80 percent. This signals the need for diversification.

Apart from RMG, crude vegetable oil specially soy bean, cotton and steel are potential products for the export sector. However, Bangladesh is not in the race alone. Vietnam, Cambodia and Chile are also competing to take advantage of the changing geopolitical relationship between the US and China. There is a dire need for context specific policies, favourable business environment, legal enforcement and most importantly, a strong diplomatic negotiation is critical if Bangladesh wants to seize this opportunity and become the next hotspot.

Speaking of diversification, the footwear industry can also be a target for Bangladesh. With USD 626.57 million export performance, footwear was one of the top export sectors of Bangladesh in 2018-19 fiscal year. As nearly 90 percent of raw materials needed for footwear sector are available locally, the sector has the potential to be the next "Thrust Sector" after RMG.

Low production cost is one of the driving factors that has been an advantage for the footwear industries since inception. Japan and Germany are the leading export destinations for this sector, Bangladesh also supplies leather goods and footwear to China, Italy, USA, UK, Sweden and Taiwan. Nevertheless, adoption of new and improved technologies, automation, skilled labour force, advancement of port facilities, maintaining compliance and quality, more emphasis on R&D should be taken if Bangladesh wants to reduce the overwhelming dependency on RMG sector.

On the downside the country has failed to get hold off higher-value exports such as electronics. Bangladesh mainly exports consumer electronics; for instance, parts of television, air conditioner, refrigerator, washing machine, electro-mechanical domestic appliance and battery. Nepal may be a potential export destination for Bangladeshi electronics goods. Being highly dominated by Indian goods, currently Nepal is looking for alternatives. If compulsory export-friendly policies can be operated, Bangladesh has a brilliant opportunity to compete with Indian goods in Nepali market in terms of bilateral trade.

It is high time Bangladesh explored new destinations for exports. According to Export Promotion Bureau (EPB) data, in the fiscal year 2018-19, Bangladesh earned USD 40.53 billion, of which USD 28.89 billion or 71.27 percent of the total exports was limited to 10 countries: USA, Germany, United Kingdom, Spain, France, Italy, Canada, Japan, Netherlands and Poland.

In order to stimulate the search for potential export destinations, Bangladesh government needs to take necessary steps. Higher incentives need to be provided in order to explore new export destinations. From export performance over the past few years, it is observed that Bangladesh has started exploring countries like Japan, Russia, New Zealand, and South Africa. The Association of South-East Asian Nations (ASEAN) may also be a potential export destination for Bangladesh.

Another major challenge facing the export sector is the export to GDP ratio is well below the bar. After reaching its pinnacle in FY 2012 at 20.16 percent of GDP, Export-GDP ratio has been shrinking ever since. One of the main reasons behind this is an increasing reliance on RMG sector over the last few decades. In order to diversify the export basket with frozen goods, agro, pharmaceuticals or jute products, private sector investment will play a significant role.

As a means of addressing the concerns in the export sector, Bangladesh government is establishing 100 Special Economic Zones with one-stop service across the country under the adoption of “Open Door Policy”. Twelve of the zones are already functioning. Economic zones help attract Foreign

Direct Investment along with local investment, which in the long run play a noteworthy role in expansion of overseas trade.

In addition, economic zones assist in income generation and job creation. For exports to attain healthy growth the numerous bottlenecks facing the export sector need to be overcome. If we want to move our value chain from apparel and footwear sector, Bangladesh has no other option other than equipping the workforce with skills to move out from low-end manufacturing and also ensure the working environment meets global standards.

In addition, the special facilities enjoyed by RMG sector such as bonded warehouse, letter of credit or tax holiday etc. should be redistributed among other emerging sectors to help expand the concentrated export basket.

Source: thedailystar.net- Dec 11, 2019

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## Bangladesh garment earnings fall from July to November

Bangladesh's income from garment exports has fallen in the July-November period of this fiscal compared to the same period of the earlier fiscal. This has been attributed to falling demand in the Eurozone, the country's main market for garment products, and a slump in business competiveness of the sector.

Bangladesh garment exporters want cash incentives. While the country's apparel exports have taken a hit in recent months those of its competitors are on the rise. The readymade garment sector accounts for more than 80 per cent of the country's annual export earnings. But the country has lost its market share in global apparel exports by 0.1 percentage point to 6.4 per cent. China still remains the top exporter of apparel products with earnings. India's market share has come down to 3.3 per cent from 4.1 per cent.

The second biggest apparel exporter globally, the Bangladesh garment manufacturing sector is not having the best of times lately. In the last seven months, 59 garment factories have gone out of business while around 25,900 workers have lost their jobs. Most garment factories are small and medium enterprises and they fail to maintain compliance strictly and pay their workers under the new wage structure.

Source: fashionatingworld.com- Dec 10, 2019

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## Vietnam textile industry orders hit by African competition

Vietnamese textile manufacturers are seeing orders decline with buyers moving to others, cheaper developing countries.

Normally, by the end of a year they would have enough orders for the whole of the following year, Nguyen Van Thoi, chairman of TNG Investment and Trading JSC, which makes garments, said.

But this year many businesses have said they do not have enough orders for 2020, with some reporting a 20 percent drop in orders from last year. Besides, many have not signed long-term contracts for products, only monthly or quarterly, he said.

A Vietnam Textile and Apparel Association (VITAS) official, who wished not to be named, said many orders have shifted to emerging countries in Africa, while competition with textiles superpowers like China, India and Bangladesh is becoming increasingly fierce.

"Even China's orders are being transferred to countries with preferential tariff rates such as Bangladesh and Cambodia."

Not only Vietnamese textile and garment producers, but also its fiber industry is facing increasing competition from foreign businesses and rivals in countries such as India, Thailand and Indonesia, he added.

Experts had forecast at the beginning of the year that the U.S.-China Trade war and new free trade agreements (FTAs) signed by Vietnam would help it increase textile exports, but had done a U-turn by mid-year to say there would be a lack of orders, VITAS said.

This is due to a slowdown in the global economy, affecting consumer demand, and failure by Vietnamese enterprises to adopt radical solutions to comply with FTAs' rules of origin, VITAS explained.

In June Vietnam signed the Vietnam-EU Trade Agreement (EVFTA), which has strict rules of origin like requiring domestic value to account for at least 42.5 percent of the ex-works price of a final textile product.

If this condition is met, goods exported from Vietnam to the EU would be tax-free once the EVFTA comes into effect whereas the average tariff levied by the bloc now is 9.6 percent.

Some 70 percent of the fabric used to produce garments in Vietnam is imported from mainland China or Taiwan, VITAS chairman Vu Duc Giang said.

Other difficulties being faced by Vietnam's textile industry include rising costs of raw materials from China and lower prices demanded by foreign buyers.

Vietnam is losing its low labor cost edge over other countries even as its use of technology in production remains limited, leading to reduced competitiveness, VITAS said.

Garment exports in the first 11 months of this year were up nearly 8 percent year-on-year to $30 billion, according to figures from the Ministry of Industry and Trade.

Source: vnexpress.net- Dec 10, 2019

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## Pakistan: Trading picks up on cotton market

The cotton market fell into routine trading activity on Tuesday amid some big lot buying originating from needy spinners.

There are no new developments which could have induced sentiment expect that China has okayed 313 new items including textile goods for duty free imports from Pakistan.

Buyers continue to face shortage of quality lint though many were able to get hold of good quality lots, brokers said.

Meanwhile, ginners believe that if government bans cotton imports their unsold stocks could meet local consumption. However, the industry firmly believes that quality issues with local cotton means it will have to go for imports.

There are reports that phutti (seed cotton) arrival has slowed down in many cotton growing areas in Sindh. However, in Punjab seed cotton arrival is still high.

World leading cotton markets remained mixed with New York cotton moving lower and Indian cotton partially recovering.

The Karachi Cotton Association (KCA) spot rates were firm at overnight level at Rs8,800 per maund.

The following deals were reported to have changed hands on ready counter: 800 bales, Ghotki, at Rs9,000 (prime cotton); 800 bales, Adilpur, at Rs8,900; 1,200 bales, Khairpur, at Rs8,100-8,500; 200 bales, Lodhran, at Rs9,200; 1,400bales, Rahim Yar Khan, at Rs8,900-9,000; 1,400 bales, Sadiqabad, at Rs9,000; 1,000 bales, Khanpur, at Rs8,900-9,000; 1,000 bales, Fort Abbas, at Rs8,400-8,800; 800 bales, Dunga Bunga, at Rs8,400; and 400 bales, Panu Aqil, at Rs8,900.

Source: dawn.com - Dec 10, 2019

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# NATIONAL NEWS

## India, Japan discuss bilateral trade imbalance, RCEP pact

India and Japan discussed the rising bilateral trade imbalance between the two countries as well as New Delhi's concerns on the Regional Comprehensive Economic Partnership (RCEP) pact at a meeting of the Trade Ministers of both the countries on Tuesday.

Japanese Minister of Economy, Trade and Industry (METI) Hiroshi Kajiyama assured his Indian counterpart Piyush Goyal that all attempts will be made by the other members of the RCEP to address India's concerns, a person aware of the meeting told BusinessLine.

India's concerns are likely to be discussed by all RCEP members, including the 10-member ASEAN, China, Japan, South Korea, Australia and New Zealand, later to see if a satisfactory way to resolve them could be arrived at, the person said. New Delhi's key concern mostly relate to opening up markets for its main competitor China, as the local industry is opposed to it.

### Level-playing field

In a statement made in the Lok Sabha on Tuesday, on India's position in the RCEP negotiations, Goyal said New Delhi had focused on its demand for a level playing field, fair trade practices, transparency and market access. "We also repeatedly cited serious concerns regarding the non-tariff barriers to trade, and opaqueness in the subsidy regime in some RCEP countries, and sought credible resolution of such issues. In addition, to be able to take advantage of regional value chains, all countries must ensure that the rules of origin are not circumvented," Goyal said.

"Since RCEP, in its current form, did not adequately address our concerns, joining it would be unfair to our interests," the Minister added. The RCEP pact seeks to reduce to zero the tariffs on more than 90 per cent items traded between the member countries.

Goyal raised the issue of trade deficit between India and Japan and the review of the Comprehensive Economic Partnership Agreement (CEPA) between the two countries in his meeting with Kajiyama.

## Balancing trade

Goyal said that balancing trade is a high priority for India with all partners, according to an official release. Similarly, market access for India's goods and services with partner countries is very important but despite commitments in CEPA from Japan, market access for India's goods and services remains elusive, he added.

Source: thehindubusinessline.com– Dec 10, 2019

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## RCEP did not adequately address India's concerns, will review trade deal with ASEAN: Govt in Rajya Sabha

The RCEP did not "adequately" address India's concerns over issues like non-tariff barriers to trade and opaqueness in subsidy regime in some countries, which forced it to back out from the trade deal, the government informed Rajya Sabha on Tuesday.

Besides, the government is also going to review the free trade agreement between India and ASEAN countries by the previous governments as it has created trade imbalances, Union Minister of Commerce and Industry Piyush Goyal said in a statement. According to the minister, imports from these countries have increased much more than exports from India.

"The government's priority is also to correct the asymmetry in the existing agreements and maximise its export potential to benefit domestic industry and farmers to promote Prime Minister's vision of Make in India and doubling farmers' income," said Goyal.

The minister also said that India would continue to engage with other countries as "equal partner and on the principle of reciprocity". "We are working with our existing FTA partners like South Korea and Japan to address our concerns," said Goyal in his statement on trade agreements with RCEP countries.

He further added: "We have also secured an agreement to to initiate a review of ASEAN-India Trade and Goods Agreement to make the AIFTA more user friendly simple and trade facilitative." Over RCEP, the minister said that

India continued to focus on its core demand as – level playing field, fair trade practises, transparency and market access – during the trade negotiations. "Any trade deal like RCEP must consider that countries have very different sizes and population, unequal levels of economic development and human development indicators, contrasting levels of prosperity, investment capacity, cultural diversity and significantly different political and judicial systems," he said.

During RCEP negotiations, the government had highlighted India's position as a relatively low per capita GDP as compared to other RCEP countries and its concerns about the livelihood of farmers and employment generation provided by the industrial sector, particularly by the MSMEs.

The Regional Comprehensive Economic Partnership (RCEP) is a mega free-trade agreement (FTA) which was negotiated by 16 countries, including India and China. On November 4 in Bangkok, Prime Minister Narendra Modi took the call of not joining the RCEP agreement as India's concerns were not addressed in the pact.

Source: financialexpress.com– Dec 10, 2019

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## Next India-EU summit expected in first half of 2020: EU envoy

The European Union on Monday said it was hopeful of forward movement in negotiations with India on the long-pending free trade agreement, and favoured opening separate talks for an investment protection treaty.

In a media interaction, Ambassador of European Union Ugo Astuto said the EU-India partnership is going through momentous transformation and that there has been a clear commitment by both sides to expand ties in key areas.

He said the next India-EU annual summit is expected to take place in the first half of next year during which both sides will deliberate on ways to further deepen cooperation in key areas including trade and investment.

On the long pending FTA, officially known as the Bilateral Trade and Investment Agreement (BTIA), he said he was hopeful of a positive outcome.

"We have issues on tariff, we have issues to discuss on government procurement, labour standards and stainability. These are part and parcel of all our Free Trade Agreements (FTAs). These are all complex issues. That is why technical conversation continues," Astuto said.

The envoy was asked whether there was any forward movement on the pact. The negotiations for the agreement have been held up since May 2013 due to differences on several contentious issues between the two sides. The negotiations for the pact were launched in 2007. Besides demanding significant duty cuts in automobiles, the EU wants tax reduction on wines, spirits and dairy products, and a strong intellectual property regime.

On the other hand, India is asking it be granted data secure nation status by the EU. The country is among the nations not considered as data secure by the EU. "I am hopeful," the envoy said about the proposed pact, adding there has been renewed interests about it after India pulled out of the Regional Comprehensive Economic Partnership (RCEP). He also favoured opening separate talks between the two sides for an investment protection treaty.

India's bilateral investment protection treaties with individual European countries have lapsed in the last few years. The EU wanted the pacts to continue until they are replaced by the FTA which will have provisions for investment protection.

On the data protection Bill 2018 which was cleared by the Union Cabinet recently, Astuto said the EU was following developments relating to it closely.

He said the EU's view is that free flow of data was essential for promoting trade and investment. "We hope the end result will see a sufficient convergence of the bill with EU regulations," he said.

On overall ties, the envoy said the cooperation between the two sides was moving forward in the right direction and that both sides can work more closely in areas like environment protection, countering terrorism, connectivity and trade and investment.

Source: financialexpress.com– Dec 10, 2019

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# Lack of bilateral pacts may hamper India's trade, investment positions

After unilaterally terminating pacts in 2016, India has pushed for individual deals based on Bilateral Investment Treaty

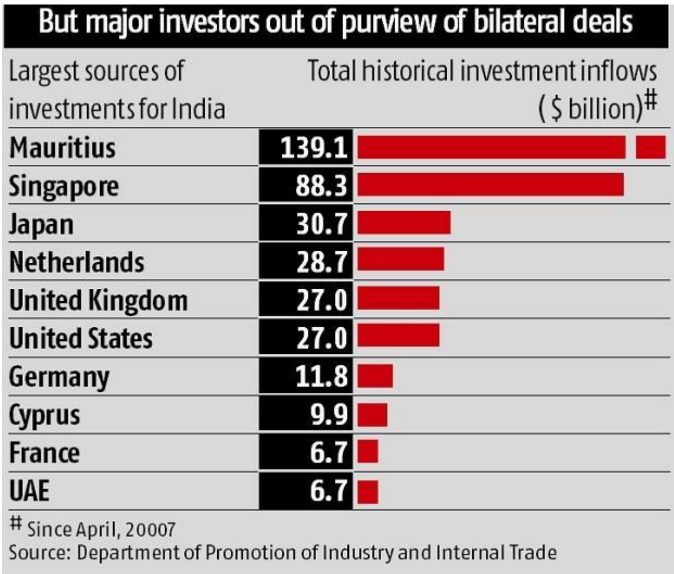
**Some bilateral investment treaties signed since 2015**

| AGREEMENT IN FORCE | UNDER DISCUSSION | |
|---|---|---|
| Bangladesh | Iran | United Arab Emirates |
| Belarus | Switzerland | San Marino |
| Colombia | Morocco | Hong Kong |
| Taiwan | Kuwait | Israel |
| | Ukraine | Mauritius |
| | | Oman |

| CONCLUDED, YET TO BE SIGNED | Brazil | Cambodia |
|---|---|---|

Source: Department of Economic Affairs

Commerce and Industry Minister Piyush Goyal on Tuesday said in Parliament future trade and investment talks would be based on reciprocity, only after India was assured of business growth and the security of its farmers and small businesses. His remarks came a day after he said the government would stop countries from participating in public tenders if Indian firms were accorded similar opportunities abroad.




India's stance on business talks with other nations have hardened at a time when criticism has mounted over investment pacts not yielding significant benefits even as free trade agreements led to rising trade deficit.

Experts, however, say the lack of bilateral investment pacts with most major nations may hamper India's position. After unilaterally terminating pacts in 2016, India has pushed for individual deals based on Bilateral Investment Treaty. Three years later, few have materialised.

Source: business-standard.com– Dec 11, 2019

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# India's bane is its non-competitiveness

Imports from China have curbed capacity creation and utilisation. This malaise must be addressed for economic revival

Traders, throughout history, have sought new markets and been natural globalisers. Traders, producers and consumers, all parties gained from trade. Spices from India were so valuable in Europe that the voyage of Christopher Columbus to find a shorter sea route to India was financed. The East India Company, too, was formed for trade. Colonisation was a later consequence. The benefits of free trade and production based on comparative advantage became key tenets of economic theory.

A fundamental change, however, occurred with the advent of the Industrial Revolution. Competitive advantage in industrial production was created through technology and innovation, and thus gradually lost linkage with natural endowments. Now, first movers and leaders sought global markets and gained disproportionately through trade.

## Advent of industrialisation

India's impoverishment began in the 19th Century, with the beginning of the industrial revolution in England and the completion of the colonisation of India by the East India Company. As industrialisation matured in England, poverty in India became extreme, with the large-scale destruction of artisanal jobs, especially in textiles, with thriving cities like Dhaka experiencing depopulation.

This was captured eloquently in the economic writings of Indians at the end of the 19th and the early 20th Century, and provided the intellectual underpinning of Swadeshi and Khadi in the freedom struggle.

The bloody Civil War in the US is now popularly understood as a battle led by the virtuous President Abraham Lincoln, in a bid to abolish slavery, against the southern states who seceded as they wanted to continue with the practice. But an underlying economic dimension is not so well known. The north-eastern states of the US had begun to industrialise. Import duties were imposed on manufactured goods coming in from Europe.

The southern states, on the other hand, were exporters of agricultural produce and preferred free trade. With the imposition of duties on imports, the terms of trade shifted against them; they had to pay more for manufactured goods. There was, therefore, an economic rationale behind their decision to secede against the north.

In the 20th Century, as Japan industrialised, it followed the example of England and began to colonise its neighbouring areas — Korea and western China — creating a larger captive market for its industrial goods; similar to what England had done in India. Later, after World War-II, the US — as the leader of the West and the pre-eminent global industrial and intellectual power — promoted free trade. This culminated in the WTO agreement in 1994, thereby ending the era where countries, after decolonisation, were trying to industrialise with infant industry protection, which had been used successfully in the past.

## China's success

The extraordinary success story of industrialisation and the biggest beneficiary of globalisation of the last few decades has been China. In 1991 — the year of Indian economic reforms and opening up of the country to globalisation — the per capita incomes of India and China were the same. Technological capacities were at similar levels. China is today the factory of the world. It has eliminated poverty. Its GDP and per capita incomes are five times that of India. China chose to craft its own pragmatic path to success.

Western economic commentary throughout the 1990s tended to be critical of China which was not acting according to the prevailing economic paradigm, and foresaw dire consequences as a result. China became a member of the WTO only in 2000, and that too with difficulty. But being outside the WTO did not slow China's phenomenal rise.

It is ironic that the US has now got the G20 to change the formulation in their joint statements from 'free trade' to ' fair trade' . Trump's unambiguous 'America first' policy and his trade hostilities with China have strong appeal with many Americans.

Having conquered global markets, China is now the proponent of free trade and globalisation at Davos. The OBOR and the RCEP are being promoted by China, which is on its way to becoming a superpower.

## Free trade agreements

It is useful to have a larger historical perspective, as India confronts a critical juncture. In the run-up to the RCEP negotiations, hardly any producer group in India saw benefits from joining the RCEP. They only saw adverse consequences and asked for carve-outs and protection.

Mainstream commentators, however, argued that India should join; it just could not afford to stay out. The experience of India's FTAs with Asian countries has shown that the Indian industry has not experienced the anticipated gains. It also may not have lost on balance, though sections of industry feel that they have lost.

The real loss in this period, however, has been through the growing trade with China. There is the widespread view that India did not gain from its FTAs as it did not undertake the reforms needed to improve competitiveness. By that implication, joining the RCEP would pose a problem. But it would then compel India to undertake requisite reforms and become competitive. The straightforward proposition would be to argue for first becoming competitive, and thereafter consider joining the RCEP.

Growing imports of consumer goods, thermal power plants — and now solar panels and exports of primary products like iron ore and cotton — constitute India's trade with China. All that is imported was being made, and can be made in India. Globally, there is stagnant demand in the West, excess, competitive manufacturing capacity in China and a huge growing demand in India.

The logic of free trade is for India's growing demand to be met by China's excess capacity and India's inefficient, non-competitive capacities to close down without need for creation of new capacity. This has been happening. Joining the RCEP would only accelerate the process. This may be a major factor in the structural nature of the present severe economic downturn.

India needs to take a hard look at its choices. Creating global competitiveness and doing all that it takes to do so, including abandoning conventional ways of thinking, cannot be delayed.

Better-functioning factor markets and reducing costs for businesses are overdue. Smarter, creative policies for developing and nurturing the nation's industrial and technological capacities need to be crafted. Economic nationalism and greater ambition is the need of the hour.

Source: thehindubusinessline.com– Dec 11, 2019

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## India can continue with disputed export subsidies

Global trade dispute settlement will come to a standstill from Wednesday with the Appellate Body of the World Trade Organization (WTO) becoming dysfunctional as the number of judges on the body falls below the minimum threshold of three.

The US has blocked the appointment of judges for more than two years, crippling the multilateral trade agency's dispute settlement mechanism. It has criticised the body for its "flawed" interpretation in various cases, failure to issue reports within the mandatory 90-day period, its composition and compensation to the members.

Two AB members – the US' Thomas Graham and India's Ujal Singh Bhatia – will retire on Wednesday after their second term of four years ends, leaving only China's Hong Zhao in the body who will continue till November 2020.

However, this may have a silver lining for India in the short term as it gives New Delhi the option to continue with its key export subsidy schemes, including the one for special economic zones which it appealed last month after losing the case to the US.

"We can make use of this time to introduce new schemes," said an official, but added there is moral pressure because the dispute panel has already found fault with the export schemes.

At present, there are 14 appeals in the body. Of these, two relate to India. One is against the US for claiming that India's export subsidy programmes hurt American workers. The other is with Japan which relates to safeguard duties imposed by India on imports of iron and steel products.

Last month, India appealed a WTO dispute settlement panel ruling that had recommended withdrawal of its key export subsidy schemes in 90-180 days. The panel had ruled that MEIS, EoUs Scheme and others violated provisions of the trade body's norms.

Source: economictimes.com– Dec 11, 2019

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## Dictionary for Import-Export renewed: Incoterms 2020 refreshes terms for international trade

International Chamber of Commerce has refreshed the trade terms, with the launch of the revised version of its international commerce trade terms called Incoterms 2020. Incoterms is a standard set of terms used by businesses across the world in international trade.

ICC first introduced Incoterms back in the year 1936, in order to provide a standard set of terminology to traders and eliminate misinterpretations in international trade. The updated Incoterms will be in effect starting the new year. Incoterms, in the past, has provided critical judgements and paved ways for importers, lawyers, insurers and other wheels of trade across the world.

The launch of Incoterms 2020 in New Delhi last week was accompanied by a symposium held by the ICC on the subject ' Multilateralism – Key to global economic growth'.

Later, an expert panel comprised of former secretary of Ministry of External Affairs Kanwal Sibal, Political analyst Sanjay Baru, Asian Development bank India director Kenichi Yokoyama teamed up with ICC Secretary General John Denton, ICC India president Vikramjit Singh Sahney and Executive Director Imran Khan to discuss multilateralism and Incoterms 2020.

John Denton highlighted ICC's role in keeping multilateralism as the focal point for sustainable growth and how it put all the stakeholders of the world economy and trade on the same page.

Former president of ICC India, Sandip Somany also said that ICC's role is more important than ever as geopolitical tensions and trade imbalances are on the rise in the world economy, leading to the prevalence of protectionist approach from the economic heavyweights.

ICC India president Vikramjit Singh Sahney reiterated optimism on multilateralism in his concluding remarks and suggested that it has passed the test of time. However, he warned that it will remain under scrutiny going forward but that doesn't take its potential to solve the issues of trade and economy of the world.

ICC, through its e-learning platform ICC Academy, will train the importers, exporters, insurers and other entities of the world trade for better understanding and communication about ICC's flagship project incoterms 2020.

ICC Incoterms 2020 is available for purchase through its e-commerce platform ICC Knowledge 2 Go. ICC has designed Incoterms 2020 in 29 languages keeping in mind the diversity of the world trade system as well as upholding its very own theme of 'multilateralism'.

Source: financialexpress.com– Dec 10, 2019

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## India, Japan trade ministers discuss review of CEPA ahead of PMs meet

Trade ministers of India and Japan on Tuesday raised the issue of trade deficit between the two countries and took up the review of the Comprehensive Economic Partnership Agreement, ahead of the meeting of Prime Minister Narendra Modi and his Japanese counterpart Shinzo Abe next week.

In the hour-long meeting, Commerce and Industry Minister Piyush Goyal conveyed to Japanese Trade and Industry Minister Hiroshi Kajiyama that "market access for India's goods and services with partner countries is very important but despite commitments in CEPA from Japan, market access for India's goods and services remains elusive".

According to an official statement, Goyal also raised the issue of trade deficit between India and Japan and review of the Comprehensive Economic Partnership Agreement (CEPA) between the two countries. "Commerce and Industry Minister informed the Minister of Economy, Trade and Industry of Japan that balancing trade is a high priority for India with all partners.

Similarly, market access for India's goods and services with partner countries is very important but despite commitments in CEPA from Japan, market access for India's goods and services remains elusive," the Commerce Ministry statement said.

Both ministers tasked officials of both the countries to prepare a time-bound action plan to address all these issues to strengthen Indo-Japan trade relations. Goyal and Japan's Minister of Economy, Trade and Industry (METI) Hiroshi Kajiyama met here prior to the meeting between Modi and Abe in Guwahati on December 16.

Senior officials of the ministries of commerce and industry and external affairs were part of the Indian delegation. The Japanese side comprised officials of the Japanese Trade Policy Bureau, METI and the Japanese Embassy in New Delhi.

Source: financialexpress.com– Dec 10, 2019

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## Advisory cell soon for anti-dumping duty on yarn

The textile commissioner's office will soon form of a technical advisory cell for the anti-dumping duty investigation regarding import of nylon filament yarn originating from countries like China, Korea, Taiwan and Thailand.

A delegation from the Federation of Gujarat Weavers' Welfare Association (FOGWA) and the Federation of Indian Art Silk Weaving Industry (FIASWI) met textile commissioner, Moloy Chandan Chakrabortty at Mumbai to discuss the issues related to the anti-dumping duty and the Technology Upgradation Fund (TUF) scheme on Monday.

Leader of FOGWA, Mayur Golwala, who was part of the delegation said, "The yarn spinners in India are lobbying hard for imposing anti-dumping duty on all the filament yarns including nylon.

Since, we are from the decentralised industry, we have demanded that the technical advisory cell should formed taking the stakeholders on board before deciding on the anti-dumping duty imposition on yarns."

Industry sources said that the yearly consumption of nylon yarn in the city is pegged at 1.50 lakh tonne and that it is mostly used in warp and weft knitting of the fabrics.

China and other countries are manufacturing new yarns to meet growing demand of the consumers. Imposition of anti-dumping duty on such yarns keeps the powerloom weavers away from getting quality yarn, which ultimately leads to increased import of fabrics and garments in India.

Golwala said, "We also raised the issue of TUF. The textile commissioner has assured to release Rs 400 crore pending subsidy amount. Out of more than 9,000 files under TUF approval, the government has given approval to only 180 files. We have urged the textile commissioner to speed up the approval and release the subsidy for the fast paced modernisation in the industry."

Chairman of FIASWI, Bharat Gandhi said, "Anti-dumping duty on raw material is only going to ruin the textile sector. The yarn spinners have been forming cartels for artificial price hike and that the weavers have to pay a very heavy price."

The technical advisory cell will allow a level-playing field to the industry on deciding on the anti-dumping duty, he added.

Source: timesofindia.com– Dec 11, 2019

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## RCEP pullout: Asymmetry in FTAs on govt radar, says Piyush Goyal

Commerce and industry minister Piyush Goyal on Tuesday said India pulled out of the RCEP trade deal as its concerns over a host of critical issues — ranging from risks to farmers, market access and non-tariff barriers to trade to strict rules of origin — were not addressed. He also promised to "correct the asymmetry" in existing free trade agreements (FTAs) with Asean, Japan and South Korea.

Speaking in Rajya Sabha on the Regional Comprehensive Economic Partnership (RCEP), Goyal said: "Any trade deal like RCEP must consider that countries have very different sizes and population, unequal levels of economic development and human development indicators, contrasting levels of prosperity, investment capacity, cultural diversity and significantly different political and judicial systems."

During RCEP meetings, India highlighted that it has a relatively low per capita GDP, compared with others in the grouping, and there are concerns about the livelihood of our farmers and employment generation provided by the industrial sector, particularly the MSMEs.

"India focused on its demand for a level-playing field, fair trade practices, transparency and market access. We also repeatedly cited serious concerns regarding the non-tariff barriers to trade, and opaqueness in the subsidy regime in some RCEP countries, and sought credible resolution of such issues," Goyal said.

"In addition, to be able to take advantage of regional value chains, all countries must ensure that the rules of origin are not circumvented. Since, RCEP in its current form did not adequately address our concerns, joining it would be unfair to our interests."

While India has opted out, countries like Japan are keen on India joining back the deal. Goyal on Tuesday didn't give any hint of India getting back at the RCEP negotiating table any time soon.

"The government's priority is also to correct the asymmetry in the existing agreements and maximise its export potential to benefit domestic industry and farmers," the minister said. "We are working with our existing FTA partners like South Korea and Japan to address our concerns. We have also secured an agreement to initiate a review of Asean-India Trade and Goods Agreement…”

Goyal hit out at the Congress-led UPA government for having signed scores of FTAs (with Asean, South Korea, Malaysia and Japan), which only exacerbated India’s trade imbalance vis-a-vis these trading partners and put the interests of domestic industry in jeopardy.

“A major reason has been that India gave much larger market access to some of these countries but received less in return,” he said. For example, in the Asean-India FTA (AIFTA), we enabled greater market access by eliminating tariffs on 74.4% lines, however, some of the Asean countries eliminated tariffs on only 50.1% and 69.7% lines, he added.

Consequently, India’s trade deficit with FTA partners grew substantially. The trade deficit with Asean jumped more than four times – from $5 billion to $21.8 billion —from 2010-11 through 2018-19. The deficit with all the RCEP countries increased more than 9 times in a decade — from $7.1 billion in FY04 to $65.1 billion in FY14.

It may be noted that in the case of China alone, India’s trade deficit rose 33 times, from $1.1 billion in FY04 to $36.2 billion in FY14. He also questioned the UPA government’s decision to get into the RCEP negotiation in 2012, despite the experience of growing trade imbalance with FTA partners.

“It is interesting that in 2006, the (UPA) government was exploring a trade agreement with China, and a recommendation was made to the Trade and Economic Relations Committee (TERC) headed by the Prime Minister for conclusion of such an agreement with China. However, it was not pursued further given concerns over the widening trade deficit,” he said.

Source: financialexpress.com– Dec 11, 2019

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# India may unveil new e-com policy in FY20: top official

India may unveil the e-commerce policy in this fiscal though no timeline can be offered, according to Guru Prasad Mohapatra, secretary, department for promotion of industry and internal trade, who said his department has just started stakeholder consultations and many organisations like the Confederation of Indian Industry (CII) have already given feedback.

Mohapatra was speaking in Goa at the second edition of India Start-up Summit, a DPIIT initiative. The Data Privacy Bill of the information technology (IT) ministry is about privacy issues of personal data, he told a news agency.

The IT ministry recently moved the data privacy bill in the union cabinet which was approved and where privacy of personal data has so far been included. While the personal data of customers is protected by privacy laws across the world and also in the Indian Bill, non-personal data (NPD) remains largely unregulated.

NPD includes anonymised data like e-commerce data, climate trends collected by a weather app, or commuter patterns gathered by a cab aggregator, eating pattern of a particular region.

Mohapatra said the IT ministry had formed a separate committee on data localisation on anonymous data and it involved free flow, cross border issues as well.

Though multiple ministries are working on their own e-commerce rules, the umbrella e-commerce policy will be unveiled by the DPIIT.

Source: fibre2fashion.com– Dec 10, 2019

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# India to review FTAs with ASEAN, terms deals lopsided

Weeks after pulling out of proposed mega free trade pact RCEP, India would review lopsided trade agreements with Association of Southeast Asian Nations (ASEAN) and secure better deals.

Making a statement in Rajya Sabha over India''s position in the Regional Comprehensive Economic Partnership (RCEP), Commerce Minister Piyush Goyal said that India''s free trade agreements (FTAs) with ASEAN and other countries has not benefited to its expected potential.

He cited growing trade deficit with ASEAN countries during 2010-11 until 2018-19 to state that the trade pacts had been asymmetrical.

"A major reason has been that India gave much larger market access to some of these countries but received less in return. For example, in the ASEAN-India FTA (AIFTA) we enabled greater market access by eliminating tariffs on 74.4 per cent lines, however, some of the ASEAN countries eliminated tariffs on only 50.1 per cent and 69.7 per cent lines," the Minister said.

ASEAN is an inter-governmental organization comprising Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Laos, Myanmar, Cambodia and Vietnam. It is primarily aimed at promoting economic growth and regional stability among its members.

The RCEP is a proposed free trade agreement (FTA) between the 10-member states of the ASEAN -- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam -- and its six FTA partners China, Japan, India, South Korea, Australia and New Zealand.

Commerce Minister Goyal on Tuesday said the trade deficit with ASEAN from 2010-11 until 2018-19 increased more than four times from $5 billion to $21.8 billion.

"In fact the merchandise deficit with all the RCEP countries increased more than 9 times from $7.1 billion in 2003-04 to $65.1 billion in 2013-14," the Minister said in Rajya Sabha.

In case of China alone, India''s trade deficit rose 33 times, from $1.1 billion in 2003-04 to $36.2 billion in 2013-14. Not surprisingly, India in early November pulled out of the mega trade deal.

While Goyal termed the pull-out a bold decision under the leadership of Prime Minister Narendra Modi, senior Congress leader in the House Jairam Ramesh said that it was a political necessity given the opposition to it from across the political spectrum.

"Given the political reality it was inevitable," Ramesh said.

The former Minister also pointed out the India-ASEAN Ministerial statement and said that what the Minister Goyal had said now were two contrary interpretations.

"Nowhere, the statement provides for the type of review that the Hon''ble Minister has alluded to," Jairam Ramesh said while seeking clarification from the government on the issue.

Meanwhile, Goyal said that it was the government''s priority to correct the asymmetry in the existing agreements and maximise its export potential to benefit domestic industry and farmers. He said that in order to achieve this, the government was working with existing FTA partners like South Korea and Japan.

"We have also secured an agreement to initiate a review of India-ASEAN Trade and Goods Agreement to make the AIFTA more user-friendly, simple and trade facilitative," the Minister said.

Source: outlookindia.com– Dec 10, 2019

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# 'Proposed India-EU FTA has to address labour, government procurement, sustainability issues'

On the Citizenship Amendment Bill, the EU Ambassador hoped that the principle of equality would be upheld

India and the EU need to sort out complex issues such as government procurement, labour standards and sustainability as part of the bilateral free trade talks that have been stuck for more than half a decade, Ambassador of the European Union to India, Ugo Astuto, has said.

"We need to discuss issues such as government procurement, labour standards and sustainability. These are part and parcel of all our Free Trade Agreements (FTAs).

These are complex matters. So, the discussions on technical issues continue," Astuto said during an interaction with mediapersons on Tuesday.

The EU Ambassador was answering queries on whether there were particular issues on which negotiations for the bilateral FTA, officially known as the Broad-based Trade and Investment Agreement (BTIA), were stuck.

Soon after walking out of the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) pact last month, Commerce & Industry Minister Piyush Goyal, had said India was interested in pushing ahead with the FTA talks, with the EU."

We are working on the technical issues together. Hopefully, we will achieve results," Astuto added.

On the draft personal data protection Bill 2018, that got the Cabinet nod recently, the Ambassador said the process was still ongoing and the EU was watching it.

"The process is still ongoing. We hope the end result will see a sufficient convergence of the Bill with EU regulations, so that free flow of data can go on," he said.

Under the draft Bill, personal data classified as sensitive such as information on financial matters, sexual-orientation, health, biometrics, genetics, transgender status and religious or political beliefs and affiliation, cannot be stored by public and private entities outside the country, but can be processed outside with the consent of the data person. Critical data, to be classified from time to time, cannot be taken out of the country at all.

Asked to comment on the Citizenship Amendment Bill passed in the Lok Sabha on Monday, the Ambassador said the principle of equality was enshrined in the Indian Constitution, and he hoped that it would be upheld.

Source: thehindubusinessline.com- Dec 10, 2019

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