USD 72.80 | EUR 84.38 | GBP 94.73 | JPY 0.65

**Cotton Market**

<table>
<thead>
<tr>
<th>Spot Price (Ex. Gin), 28.50-29 mm</th>
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<tr>
<td><strong>Rs./Bale</strong></td>
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<td>22326</td>
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**Domestic Futures Price (Ex. Gin), October**

| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 23030 | 48173 | 84.80 |

**International Futures Price**

- **NY ICE USD Cents/lb (Dec 2018)**: 82.89
- **ZCE Cotton: Yuan/MT (Jan 2019)**: 15,695
- **ZCE Cotton: USD Cents/lb**: 88.27

**Cotlook A Index – Physical**: 1000

**Cotton Guide**: December future ICE cotton ended at 8289, down 96 points. It had a 186 point gain previous day. Market traded down amid trade war worries between US and China continued while currencies are troubling a lot in the market. Broadly commodities ended lower while US equity markets were positive. Also market has failed to break 84.25 cents key resistance level hence it continued to trade in the four week’s sideways range. We strongly think unless the range of 80.50 and 84.25 are cleared either side it may have another such week where cotton price may remain sideways.

On the trading front the volumes were slightly thin. The aggregate volumes were around 20K contracts and the open interests maintained near 255K contracts. Traders’ are largely quiet ahead of Wednesday’s USDA_WASDE report releasing at 9 pm IST.
From the other side of the world, China’s ZCE futures had a 2nd session with very small gains.

The ZCE has also traded sideways for about 4 weeks. Chinese State Reserve cotton on Tuesday’s auction had a turnover rate of 85.47 percent, spinners only. Offered were 30,000.4579 tons (137,792 bales); and sold were 25,642.7037 tons (117,777 bales). The cumulative turnover rate is 58.67 percent (offered versus sold). This auction series started at 24.1 million bales and 13.71 million bales remain.

Coming to domestic market the spot price was mostly calm last week however; s-6 price for the old crop has increased marginally to Rs. 47,650 per candy exp gin which translates to 84.05 cents per pound given the exchange rate. Likewise, rates for 2017-18 Punjab J-34 have also moved higher to an average of Rs. 4,765 per maund (80.05 cents per lb). New crop J-34 is quoted at Rs. 4,690 (78.80 cents/lb) for delivery by September 20 and at Rs. 4,720 (79.30 cents/lb) for an end of September delivery. The discount applied to the earliest available supplies is attributed to increased moisture and lower quality parameters in the first arrivals of the season. The MCX cotton future for October contract has ended the session at Rs. 23030 down by Rs. 140 from the previous close. It was a volatile day for cotton as it moved in the range of Rs. 23240 to Rs. 22970 per bale.

This morning ICE cotton is seen trading steady, ZCE futures are quiet but the domestic currency has further depreciated to trade near record low price of 72.85 per one US dollar. We think Indian cotton future might trade sideways today. The trading range would be Rs. 22930 to Rs. 23180 per bale.

**Currency Guide:**

Indian rupee has opened lower by 0.3% and hit a fresh record low level of 72.9138 against the US dollar. Rupee remains pressurized by higher crude oil price, general optimism about US economy, Fed rate hike view and contagion fear in emerging market economies. Brent crude trades above $79 per barrel amid bigger than expected decline in US crude stocks and storm concerns in the Atlantic.

Trade related worries and contagion fear has continued to keep pressure on emerging market currencies and equity market. The sell-off in rupee has increased pressure on RBI to take stronger action to stem the currency’s slide. Rupee may continue to remain under pressure unless we see stability in financial markets or some correction in crude oil price. USDINR may trade in a range of 72.6-73.3 and bias may be on the upside.

Compiled By Kotak Commodities Research Desk, contact us: mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source
# NEWS CLIPPINGS

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INTERNATIONAL NEWS

US, Canada Search for Way to Bridge NAFTA Divide as Talks Drag

The U.S. and Canada continued to look for ways to bridge their differences as talks resumed to update the North American Free Trade Agreement, with Ottawa insisting it won’t sign a bad deal.

“We had a very productive, constructive conversation. The atmosphere continues to be cordial. There continues to be goodwill on both sides,” Foreign Affairs Minister Chrystia Freeland said Tuesday after meeting U.S. Trade Representative Robert Lighthizer in Washington. “It is a truism of trade negotiations that nothing is done until everything is done.”

A spokeswoman for Lighthizer didn’t respond to a request for comment.

The two nations remain at odds over a handful of core issues. They include anti-dumping dispute panels contained under Chapter 19 of the current deal, which the U.S. wants to remove and Canada wants to keep, and Canada’s protected dairy sector, which isn’t in the current deal but where the U.S. wants concessions.

Another point of contention is cultural industries, where Canada is seeking to preserve an exemption. Intellectual property and pharmaceutical patents are among other issues.

White House economic adviser Larry Kudlow said on Friday in an interview that it’s “m-i-l-k” that continues to block a deal, while Freeland later downplayed that, saying Kudlow isn’t at the negotiating table.

U.S. President Donald Trump has threatened to proceed without Canada, and to apply auto tariffs to the country, if a deal can’t be reached between the nations to update Nafta, which took effect in 1994.

Prominent members of Congress have warned the Trump administration that it can’t proceed under its current fast-track path without a trilateral deal—in effect, saying Canada must be a part of a deal—but the Trump administration has argued that it can.
**US dominates global home textiles market**

The US is the world's largest home textile market. The US market is projected to grow at CAGR of three per cent by 2020. The country’s import of home textiles and made-ups grew at a robust 7.7 per cent during January-May 2018.

Import of made-ups and home textiles of manmade fibers grew 10 per cent. Cotton made-ups and home textile imports grew 1.6 per cent.

Europe is the second largest home textile market. India is the third largest home textiles market in the Asia Pacific region, projected to grow at a CAGR of 7.2 per cent by 2020.

This market includes bed linen, towels, curtains, blankets, upholstery, kitchen linen, and rugs and carpets. In the global home textile market, bed linen has a 45 per cent share while bath linen constitutes 20 per cent.

Other segments such as floor coverings, furnishings, table and kitchen linen make up 35 per cent of the home textile market. The bed linen and bedspreads segment is expected to grow at a CAGR of 4.4 per cent by 2020.

Asia Pacific, accounting for 44 per cent of the market, remains the most dominant producer and consumer of home textiles. Here, China is the largest manufacturer and consumer of home textiles.

Source: fashionatingworld.com - Sep 11, 2018
Vietnam posts surprise $2.2 bn trade surplus in August

Strong growth in telephone and textile exports helped Vietnam post a $2.2 billion trade surplus in August, according to customs data.

The August surplus even surpassed Vietnam’s $2.1-billion surplus for all of last year, and was a positive signal for economic growth, which is expected to beat the government’s forecast of 6.7-percent target for 2018.

Exports in August rose 15.6 percent from a month earlier to $23.48 billion, while imports rose 1.6 percent to $21.28 billion, the customs department said on its website.

Exports in January-August rose 16.7 percent annually to $158.4 billion, led by shipments in smartphones, garments and electronic home appliances, and were on track to outperform the government’s full-year target for a 7-8 percent increase.

Vietnam, the largest producer of smartphones for Samsung Electronics, shipped $45 billion worth of telephones and spare parts in the eight-month period, up 32 percent annually, easily outstripping the government’s estimate of $30.9 billion, the report showed.

Textile, garments, electronic and computer exports also rose strongly in the first eight months with a combined value of $52 billion, also much higher than the government’s estimate of $37.9 billion, official data showed.

Exports of steel and ingots jumped 55 percent in the eight-month period to $3.1 billion, higher than the government’s estimate of $2.9 billion.

The United States has slapped steel import duties on steel products from Vietnam that originated in China, to deter Vietnam from being used for transhipment by China to avoid U.S. tariffs.

Eight-month imports were up 12.4 percent at $153.7 billion, producing a trade surplus $4.69 billion, the report showed.

Source: e.vnexpress.net- Sep 11, 2018
Pakistan: Linkages with China in textile discussed

The significance of textile sector in Pakistan’s economy can hardly be debated and in terms of strategy Punjab needs to place special emphasis on growing the value-added garment industry.

This was discussed at a roundtable meeting convened by the Punjab Board of Investment and Trade (PBIT), which was attended by textile sector stakeholders.

Textile exports drop 16% after rebate reduction

Participants were of the view that it was a relatively low energy consuming industry and had immense job creation potential. In that regard, exploring linkages with China, especially with the industry on China’s west coast, which is closer to Pakistan, in the form of contract manufacturing of garments could be an interesting avenue to explore.

This strategy could be very important given the rising domestic consumption in China. It was highlighted that the government of Punjab could also work with large textile players in the country for implementing the strategy through its special economic zones such as the Quaid-e-Azam Apparel Park.

The meeting participants called for addressing the energy price differential between provinces and releasing the tax rebate the government owed to the industry. The textile sector is the largest employer of industrial labour and accounts for over 60% of total exports from Pakistan.

Textile exports drop 2% as production cost rises

In the face of a competitive regional landscape with countries like Bangladesh and Vietnam emerging as sizable players, Pakistan must defend and invest in the entire value chain of the textile sector including innovative solutions for enhancing cotton yield, the meeting noted.

Source: tribune.com.pk- Sep 12, 2018
US clothing retail sees 20,800 job cuts in August 2018

The clothing and accessories stores across the US in August have witnessed job loss of 20,800, although the employment rate in the overall retail industry went up 89,100 jobs, said the National Retail Federation (NRF). The employment rate in the retail industry is high since the same time last year despite a seasonally adjusted drop of 9,700 jobs from July.

By and large, US retail industry added 201,000 jobs since May, the labour department said. However, the retail job numbers reported by the department include only those employees who work in stores and not the retail workers in other parts of the business such as corporate headquarters, distribution centres, call centres and innovation labs.

Economy-wide, average hourly earnings in August were up 10 cents over July and 77 cents from a year ago, a year-over-year increase of 2.9 percent, the largest increase since April 2009. The labour department said the unemployment rate remained at 3.9 per cent in August.

"The strong overall job growth across industries reflects the tight labour market but also shows that the economy is strong," NRF chief economist Jack Kleinhenz said. "Hiring is an important driver of consumer confidence and a confident consumer is a confident spender. Consumers are continuing to drive the economy forward, but the developing trade war remains a threat to the progress we’re seeing."

The monthly drop was not a cause for concern because of large employment fluctuations typically seen during the summer, Kleinhenz said.

August’s numbers followed a revised monthly gain of 300 jobs in July over June, which had originally been reported as a 3,100-job increase. Coupled with a significant downward revision by the labour department to June’s numbers, the three-month moving average in August showed a loss of 18,800 jobs.

Source: fibre2fashion.com- Sep 11, 2018
Bangladesh exports down 11.7 pct yr/yr in August

Bangladesh’s exports fell to $3.2 billion in August, down 11.7 percent from a year earlier and nearly 1 percent below target, government data showed on Tuesday.

But for July and August, the first two months of the country’s 2018-19 financial year, exports rose 2.5 percent to $6.79 billion from a year earlier, the Export Promotion Bureau said.

Shipments of readymade garments, comprising knitwear and woven items, totalled $5.74 billion in July and August, up 3.8 percent on the year.

Exporters attributed the drop in August to holidays for the Muslim festival of Eid al-Adha.

The garments industry is a key foreign-exchange earner for the South Asian nation, whose low wages and duty-free access to Western markets have helped make it the world’s second-largest clothing exporter after China.

The industry, which supplies many Western brands, came under scrutiny after a series of fatal factory accidents, including a 2013 building collapse that killed more than 1,130 people.

The government has set an export target of $39 billion for the 2018-19 financial year, up from $36.67 billion the previous year, with readymade garments earning $32.69 billion.

Source: in.reuters.com- Sep 11, 2018

HOME

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BGMEA wants tax cuts to cope with wage hike in Bangladesh

Bangladesh garment factory owners will negotiate with the government for benefits like cash incentives or tax waivers to tackle rise in workers’ wages and have also suggested adjusting salaries in line with inflation instead of forming annual wage boards, said Siddiquur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Rahman was addressing an emergency general meeting of the association on the wage board.

But the moment now is not favourable for them as the national parliamentary election is close, Bangladesh media reports quoted him as saying.

Shafiul Islam Mohiuddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, criticised some intellectuals who backed a salary hike. If salary has to be increased, the government will have to reduce tax and increase incentives, he said.

Source: fibre2fashion.com- Sep 12, 2018
Pakistan must invest in entire value chain of textile sector

The significance of textile sector in Pakistan’s economy can hardly be debated. Punjab Board of Investment & Trade (PBIT) convened a roundtable, bringing together notable textile sector stakeholders including prominent members from APTMA.

In terms of strategy towards the sector, Punjab should place special emphasis on attracting and growing the value-added garment industry in Punjab. It is a relatively low-energy consuming industry, and has an immense job-creation potential.

In this regard, exploring linkages with China, especially with industry on China’s west coast that is closer to Pakistan in terms of physical distance, in the form of contract manufacturing of garments could be an interesting avenue to explore.

This strategy could be very important given the context of rising domestic consumption in China. The government of Punjab may work with the large textile players in the country to implement this strategy through its Special Economic Zones, such as Quaid-e-Azam Apparel park (QAAP).

There are certain urgent issues that must be addressed urgently. Specifically the issue of energy price differentials between the provinces and rebates that the government owes to the industry must be given top priority. It must be emphasized that textile sector is the largest employer of industrial labor in the country and accounts for over 60% of the exports of Pakistan.

In the backdrop of a competitive regional landscape, with countries like Bangladesh and Vietnam having emerged as sizable players on the global stage, Pakistan must defend and invest in the entire value chain of the textile sector on a priority basis, including innovative solutions for enhancing cotton yields. Backward linkages whereby large industrial players integrate into corporate farming for cotton could be a potential model to explore in this regard.

Another key area of focus must be to check undocumented import of textile/apparel products from China. Undocumented or under-valued import of such products distorts the local market dynamics making it impossible for local players across the whole value-chain to compete.
Participants at the roundtable emphasized that the industry needs to see credible commitment and follow-up from federal and provincial governments, and reassured that they are willing to make further investments if they receive the right governmental support, including simplification of cumbersome processes and procedures through effective one-window facilitation.

Source: nation.com.pk- Sep 12, 2018

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Nigeria, China sign $2bn MoU on cotton industry, says Minister

The Minister of Industry, Trade and Investment, Mr Okechukwu Enelamah said on Tuesday that Nigeria has signed a Memorandum of Understanding (MoU) with a Chinese firm, on first-ever cotton value chain industry, worth two billion US dollars.

The minister explained that the agreement would involve cotton growing to ginning, spinning, textile manufacture and garment in Katsina, Kano, Abia and Lagos States. “Their investments will comprise aggregation and off take of cotton from farmers for ginning, spinning and weaving and manufacturing at least 300 million metres of African print, which will meet 20 per cent of West Africa’s demand.

“Others are producing cotton and denim garments for export and local consumption by Ruyi Group in Abia, Lagos and Kano states,” Enelamah said. He added that in China, President Xi Jinping promised to open China’s market for agricultural products from Nigeria, based on trade negotiating engagements by Nigeria’s Trade Negotiators.

Enelamah said for industrialisation, the government was aggressively implementing the Nigeria Industrial Revolution Plan (NIRP) by establishing the Nigeria Industrial Policy and Competitiveness Advisory Council.

He said the focus would be on five high priority areas: policy and regulation, trade and markets, critical infrastructure, skills, capacity building and lastly financing.
Enelamah said that the government had begun the establishment and upgrading of some existing industrial parks to world-class special economic zones (SEZs), across the six geo-political zones in the country.

According to him, for the Agreement Establishing the African Continental Free Trade Area (AfCFTA), there is a serious ongoing technical work to strengthen Nigeria’s Trade Policy Infrastructure.

Source: vanguardngr.com- Sep 11, 2018

Bangladesh reduces source tax for exports

Bangladesh has brought down source tax for export to 0.60 per cent. But this will not be applicable for jute and jute-made products. Also, corporate tax for readymade garment industry has been lowered to 12 per cent.

In terms of corporate tax structure, the 2018-19 budget proposed a hike for garment factories. It proposed a flat 15 per cent tax for all factories and 12 per cent for those certified as green factories – up from 12 per cent and 10 per cent respectively. Now the previous structure has been brought back.

Last fiscal, the apparel industry of Bangladesh earned $30.61 billion, which is 83.5 per cent of total export receipts for the year. The source tax collected from export proceeds of garments is roughly the revenue collected as income tax from the apparel sector. The garment industry is the country's main export earner. It is looking to touch $50 billion in shipments by 2021.

Some garment exporters are said to import fabrics duty-free and sell them in the domestic market. Producers who make cloth for the domestic market say this hurts them. Leather goods and footwear manufacturers and exporters of Bangladesh have called for duty-free benefits for importing equipment to ensure fire safety at factories.

Source: fashionatingworld.com- Sep 11, 2018
Mixed fabric of Kenya’s textile exports to AGOA

Kenya has often been hailed as a leading exporter of textiles and apparel to the United States through the Africa Growth Opportunities Act (Agoa). This notion was underlined in last week’s annual conference of the International Textile Manufacturers Federation held in Nairobi, where Government officials pointed out Kenya’s strategic share of the global textile market.

“We should emphasize on the Buy Kenya, Build Kenya because we have high-quality products that can compete in the global space,” tweeted Cris Diaz, a board director at Brand Kenya.

“Last year, Kenya exported apparels worth Sh35 billion becoming the largest exporter in apparels under the African Growth and Opportunity Act (Agoa),” stated Brand Kenya in another tweet. Data on the country’s textile industry, however, paints a picture of mixed fortunes for Kenya. Kenya does hold the lion’s share of textile imports to the US through Agoa with the country’s textile imports accounting for Sh34 billion out of Sh1 trillion imported last year according to the latest data from Agoa.

However, the majority of these exports are channelled through the Export Processing Zones (EPZ) which accounted for Sh32 billion in Agoa textile exports in 2017. This is important to note because of the total EPZs currently in operation in the country, only 33.7 per cent are Kenyan-owned while the rest are joint ventures of foreign-owned. This means the majority of the profits from the Sh34 billion export haul sent through Agoa accrues to foreign-owned firms.

In addition, Kenya’s tax holidays provided to EPZ firms eat into revenue from the lucrative trade. EPZ firms enjoy a 10-year corporate tax holiday a 25 per cent corporate tax waiver for the next decade and a 10-year withholding tax holiday for payments like dividends and consultancy charges paid to nonresidents.

Other exemptions include import duty, excise duties and value-added tax on machinery, building materials, raw materials, inputs, contracts, supplies, and services. This not only gives the majority foreign-owned EPZs an upper hand over local manufacturers but also denies Kenyans billions in foregone tax revenue.
Moreover, Kenya qualifies for Agoa’s third country fabric rule which means Chinese firms are allowed to import textile raw materials from cheaper markets, process them in Kenya and export into the US through Agoa.

Source: standardmedia.co.ke- Sep 11, 2018

FTAs necessary for Bangladesh to move forward

Bangladesh is yet to sign a free trade agreement. Possibly, the country is feeling some sort of complacency because of its considerable achievement in global trade over the years.

But the truth is many countries at a similar level of economic development are now much ahead of it in global trade. The way economies across the world are realigning themselves may make things difficult for Bangladesh in coming days.

Asean is an example. The 10-nation Asean countries signed free trade agreement among themselves long ago but they did not stop there. Asean countries, which include most of the South Asian countries, except Korea and Japan, decided to sign the RCEP (Regional Comprehensive Economic Partnership) agreement with China, India, Japan, South Korea, New Zealand and Australia. The RCEP, if signed, will represent half of the world's population and one-third of global gross domestic product.

Vietnam, starting much later than Bangladesh, has signed dozens of FTAs with its trade partners. In trade volume, it has caught up Bangladesh long ago and is now moving far ahead.

Thailand is an example. Its economy is booming because it is globally linked with other economies. From tourism alone, Thailand earned 58 billion dollars in 2017, which is almost twice the size of Bangladesh's total exports.

Source: fashionatingworld.com- Sep 11, 2018
NATIONAL NEWS

India is standing still as global trade changes

Donald Trump, Nitin Gadkari and Suresh Prabhu have vastly different remits. Between them, however, they summed up India’s trade dilemmas last week. It makes for a worrying scenario.

On 7 September, the US President signalled his intention to go all in in his trade war with China. If he goes ahead with the tariffs on an additional $267 billion worth of Chinese goods, in addition to previous tariffs that have been put in place or proposed, it will cover the entirety of imports from China. Admittedly, there is no certainty this will play out as Trump might want. The previous tranche of tariffs on $200 billion worth of Chinese goods is still in the ether because of the pressure brought by US companies alarmed at the prospective hit to their investments and value chains.

That said, the implications for the World Trade Organization (WTO) are not encouraging. Trump’s earlier steel and aluminium tariffs were imposed under Section 232, a provision of the Trade Expansion Act of 1962. This piece of US legislation allows national security exceptions to WTO free trade obligations, invoked under Article XXI of the General Agreement on Tariffs and Trade. The targeted countries have lodged a complaint at the WTO. There is no good end to this. If the WTO allows the tariff, similar tariffs on the ostensible basis of national security are bound to mushroom among its members. If it disallows the tariff, it challenges a country’s sovereign right to define its national security, a sure path to irrelevance.

The proposed $200 billion tariffs, meanwhile, are even more likely to run into heavy weather at the WTO. They have been imposed under Section 301 of the 1974 Trade Act, which allows for unilateral measures. However, the US had agreed in 2000 to impose punitive tariffs only after a WTO ruling. It has not done so here. The tariffs Trump mooted on 7 September will doubtless face the same problem. All of which is to say that bilateral and plurilateral trade agreements might get even more of a push. They have become increasingly important as the Doha Development Agenda deadlock has stalled progress at the WTO. Little wonder the number of regional trading agreements (RTAs) has exploded over the past decade.
Potentially one of the highest value RTAs is the Regional Comprehensive Economic Partnership (RCEP), accounting for 25% of global gross domestic product and 30% of global trade. Last week, Union minister for commerce and industry Suresh Prabhu revealed that RCEP members have agreed to New Delhi’s long-standing demand that liberalization in services accompany trade liberalization in the negotiations. But that doesn’t mean an end to India’s coyness about signing on the dotted line, as Prabhu made clear.

The pushback against the RCEP within the government and from Indian industry is not entirely baseless. The steel and pharma industries, for instance, have reason to be worried about being swamped by Chinese imports. It isn’t the only one. However, some perspective is useful. RCEP’s detractors point to the free trade agreements (FTAs) with Japan and Korea. After signing on them, India’s trade deficit with both countries has risen over the past few years. True enough. But, as Naushad Forbes has pointed out in Business Standard, the deficit with China, with which India has no FTA, has risen much more sharply over the same period. Plainly, the problem goes beyond FTAs.

For one, the rupee’s real effective rate has appreciated by 20% over the past four years. More broadly, as the NITI Aayog put it in its April note cautioning against the RCEP, opening the Indian market would be dangerous because “proper standards and processes are not in place in India.” The nature of India’s export basket doesn’t help, dominated as it is by goods of relatively low sophistication. This prevents it from developing dense “clusters” of exports, which typically accrete around more sophisticated goods, and, in turn, from gaining the competitive edge required to boost export numbers.

Union minister for road transport, highways and shipping Nitin Gadkari’s statement last week that the government is working on an import substitution policy for industrialization is exactly the wrong way to address these problems.

We have seen how this story ends in the decades before 1991. It is also a violation of the basic economic truth that a tariff on imports is an equivalent tax on exports. Unfortunately, the Narendra Modi government has been moving in a protectionist direction since at least 2016. The Union budget this year brought that shift front and centre.
In the past, this newspaper has advocated playing hardball on the RCEP when it comes to liberalizing services. It seems New Delhi is gaining ground on that front. Doubtless, it still has tough negotiating ahead of it when it comes to deciding what percentage of tariff lines to cut duties on—the RCEP wants 92% while New Delhi is holding firm at 86%—and lower market access for China.

That is not, however, reason enough to give in to the increasingly loud domestic constituency advocating trade protectionism. New Delhi would be better served by focusing on structural reforms, such as rationalizing India’s tariff structure, as recommended by the Chelliah Committee back in 1993, and plugging the many gaps in the Foreign Trade Policy 2015-2020. Global trade is changing, and swiftly. New Delhi must keep up.

Source: livemint.com- Sep 10, 2018

Rupee is not Asia’s worst currency this year! This currency’s reserves are worst-hit

Bank Indonesia has been the most aggressive central bank in Asia this year, not only on interest rates but on foreign-currency intervention as well.

The bank has drained almost 10 percent from foreign reserves this year, the most among Asia’s largest economies, to help bolster the rupiah amid a rout in emerging markets. The Philippines has cut its buffers by almost 5 percent, while reserves in India have fallen more than 2 percent.

Malaysia and South Korea have managed to boost their reserves even as their currencies also weakened.

The rupiah slumped to its lowest level since the 1997-98 Asian financial crisis last week, while India’s rupee lost about 12 percent against the dollar this year.

With volatility likely to remain high, reserves are becoming more important in assessing the buffers of an economy, said Eugenia Victorino, head of Asia strategy at Skandinaviska Enskilda Banken AB in Singapore.
“This is particularly true for India, Indonesia, and the Philippines, countries running current-account deficits and regarded as more exposed to the negative sentiment on emerging markets,” she said.

Indonesia’s reserves fell to $117.9 billion in August, the lowest since January 2017, though still enough to finance 6.6 months of imports and servicing of the government’s external debt, according to the central bank.

Source: financialexpress.com- Sep 11, 2018

Panel of secretaries reviewing e-commerce draft to focus on FDI

Recommendation favouring data localisation may not be tinkered with

Most recommendations of the draft e-commerce policy, especially those related to dilution of Foreign Direct Investment (FDI) norms for online players, will be reviewed by the panel of secretaries on e-commerce in its first meeting on Thursday.

The only proposal that may not be tinkered with is the one favouring data localisation, according to a government official.

“The panel of secretaries will look at the entire gamut of proposals in the draft with a special focus on those related to FDI norms as it has created a lot of discontent amongst the domestic industry. The proposal favouring data localisation, however, may not be taken up as this line has also been taken by the Sri Krishna Committee on e-commerce,” the official told BusinessLine.

Task force on e-commerce

A task force on e-commerce, headed by the Commerce Secretary, had finalised the initial draft of the proposed policy on e-commerce in July following extensive consultations with other Ministries and industry representatives, but the recommendations of the draft had led to a lot of protests from various interest groups including the industry and sections of the government.
Following a meeting in the Prime Minister’s Office, it was decided that a panel of secretaries, headed by the DIPP Secretary, should be constituted to iron out all the contentious areas.

“It was decided to make the DIPP Secretary the chairperson for the panel as the FDI-related issues in the draft policy would need close scrutiny and the DIPP, being the nodal body for FDI issues, is most familiar with nuances,” the official said. Other members of the group would include secretaries of the Ministry of Electronics and Information Technology and Department of Commerce. Officials from the Department of Economic Affairs and NITI Aayog would also be in the panel.

India’s e-commerce market, currently valued at about $27 billion, is one of the fastest growing in the world.

**Comprehensive policy**

The government wants to come up with a comprehensive e-commerce policy as it is facing intense pressure to get into negotiations to liberalise the sector at various bilateral and regional forums, including the World Trade Organisation, and in the absence of a proper domestic policy it is difficult to take a well-considered stand on the matter.

The draft recommended permitting 49 per cent FDI in inventory-based business-to-customer e-commerce model. Currently, FDI in such businesses is prohibited and is allowed only in the marketplace model.

The domestic industry, including traders, had argued that this contradicts the government’s stated intent to strengthen Press Note 3, which bars any FDI in inventory-based online retail.

The suggestion of the taskforce on e-commerce of introducing a sunset clause for offering deep discounts to customers has made big players unhappy.

**Influence on sale price**

It also proposed that the restrictions on e-commerce marketplace to not directly or indirectly influence the sale price of goods and services, be extended to group companies of the e-commerce marketplace.
“The Ministry has received complaints including ones from foreign players such as Amazon and Walmart on the proposals in the e-commerce draft policy which they think will hurt their interests,” the official said.

Source: thehindubusinessline.com- Sep 12, 2018

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India’s share in Italy’s apparel imports still small

Italy is a major apparels importer globally but India holds a miniscule share in these imports. Apparel is the largest category with a share of 46 per cent in India’s textile and apparel exports to Italy. This is followed by cotton textiles and manmade textiles having a share of 20 per cent and 18 per cent respectively.

Apparel is the largest imported category by Italy, making up 61 per cent of total textile and apparel imports. This is followed by manmade textiles with a share of 17 per cent.

The top 10 suppliers account for 71 per cent of textile and apparel imports by Italy. China and Hong Kong are the largest suppliers accounting for 21 per cent share, followed by Germany with eight per cent and Spain and France seven per cent each.

In recent years, China, the largest supplier for Italy, has seen a sustained rise in its wages, opening up opportunities for India to increase its share in Italy’s apparel imports.

Apart from this, manmade textiles category offers huge potential for India to increase its market share in Italy. It can increase its export competitiveness by investing in manmade fiber-based textile manufacturing processes, thereby increasing its market base.

Source: fashionatingworld.com- Sep 11, 2018
Talks on with India for new trade deals, say US officials

The two countries had a “frank and open” discussion on trade at the first 2+2 dialogue in New Delhi, and both sides had acknowledged “fair and reciprocal trade” is in their interest, the US said.

The Donald Trump administration is in the initial stages of negotiating “new and better trade deals” with India, addressing an irritant in bilateral relations that has gone against growing convergence and closeness in defence and strategic matters.

“A number of administration officials just recently came back from India. They expressed their willingness to negotiate new and better trade deals, and those conversations are at the beginning stages,” White House spokesperson Sarah Sanders told a news briefing on Monday.

Earlier on the same day, Alice Wells, head of the state department’s South and Central Asia bureau, said the two sides had a “frank and open” discussion on trade at the first 2+2 dialogue in New Delhi, and both sides had acknowledged “fair and reciprocal trade” is in their interest.

Wells told reporters during a conference call the US is working with India to address challenges related to market access, including tariff and non-tariff barriers.

“What I heard out of the 2+2 is a commitment by our leadership to the importance of resolving this and coming out (with) a fair agreement that meets the needs of the US and India, the private sector as well as the people,” she said.

At a rally on Friday, President Donald Trump said India wants to discuss a trade deal. “Frankly, I’ll tell you, India called us the other day. They said they would like to start doing a trade deal, first time. They wouldn’t talk about it with previous administrations,” he said, without revealing who called and when.

Despite growing bilateral trade – up from $20 billion in 2000 to $126 billion in 2017 – differences on trade-related issues such as intellectual property rights protection, market access and non-tariff barriers have persisted, and
been exacerbated by President Donald Trump’s focus on fair and reciprocal trade. The US has a trade deficit of $27.3 billion with India.

This is in marked contrast to robust progress on strategic issues. In August, India became the third Asian country, after Japan and South Korea, to get Strategic Trade Authorisation-1 (STA-1) status from the US, paving the way for hi-tech product sales, including in the defence sectors.

During the 2+2 talks, India and the US signed the landmark Communications Compatibility and Security Agreement (COMCASA) that will allow India’s armed forces to obtain critical defence technologies and gain access to the communications network of the US military.

Apart from tariffs on steel and aluminium, Trump has railed against perceived high duties on US exports to India such as Harley-Davidson motorcycles. He has raged about subsidies the US pays to India.

“You know, like India, like China...we say ‘Oh they are growing’. So I say I want to put us in that category too, we are growing...they call themselves developing nations...we are a developing nation too,” he told supporters at a political rally.

The conversation with the Trump administration picked up speed after a recent visit by commerce minister Suresh Prabhu, who stressed the importance of discussing all pending trade issues.

There has been movement on key issues. In medical devices, India is veering around to the US view of capping trade margins for some products, instead of outright price controls. In early 2017, India had capped prices of products such as stents, affecting large US multinationals.

In dairy, there is unlikely to be much progress because the US dairy industry uses bone-meal in cattle feed and American milk and milk products are classified as “non-vegetarian”.

In the case of IT products, India has insisted that US products meet Indian standards as laid down in the Compulsory Registration Scheme for such products. The US argument is that its products already meet much more stringent US standards and India’s insistence introduces more bureaucracy and complexity into the matter.
Strong market helps cotton record buoyancy in rates

Rates of raw cotton have opened strong in most of the markets of Punjab as harvest of the state’s second biggest kharif crop started in the first week of September. Farmers are getting about Rs 5,500-5,800 per quintal for their produce as analysts expect the strong market to continue for about two months.

The Union government has fixed the MSP of medium staple cotton, grown in Punjab, at Rs 5,350 per quintal this year, up from Rs 4,220 per quintal in the last kharif marketing season.

In 2017-18, raw cotton remained below Rs 5,000 per quintal. The Indian Cotton Association Limited (ICAL) attributes the higher rates of cotton due to a stronger dollar and a tariff war between the USA and China. India is the second largest exporter of cotton and China is one of the biggest importers.

ICAL president Rakesh Rathi said it was good that 28.5mm long staple was exported to China as Punjab farmers also grow cotton that has 27.5-28.5mm long staple fibre. India had a closing stock of nearly 43 lakh bales (1 bale =170kg) at the end of 2017-18 season and in the coming year the exports to China were expected to touch five million bales, said Rathi.

The ICAL expects the buoyancy in rates to remain at least till Diwali or till the arrival of raw cotton picks up in markets across India. Cotton has been sown over nearly 110 lakh hectares in India, whereas in Punjab the area under the fibre crop is 2.84 lakh hectares.

During the 2017-18 season, cotton acreage in the state stood at 2.91lakh hectares as against the initial figures of 3.82 lakh hectares. However, higher productivity saw the state produce 11.5 lakh bales.

Cotton has started arriving in some of the markets in Punjab, mainly in Abohar area.
Higher rates for the produce are likely to give better returns to farmers as the Punjab agriculture and farmers’ welfare department expects a higher yield of crop this season as compared to 2017-18. Farm experts said record productivity of cotton was expected in Punjab in the 2018-19 crop year. The farm department has estimated the average yield of cotton in Punjab to be 780kg of lint per hectare this year while it was 756kg lint per hectare last season.

“We expect a good yield of over 9 quintal per acre (22-23 quintal per hectare), which earlier was nearly 8 quintal per acre (20 quintal per hectare) last year. The price too is expected to remain good,” said Gurdial Singh, a farmer from Sangat village of Bathinda district, who had sown cotton on six acres.

Another farmer from Jai Singh Wala village in Bathinda Mohinder Singh said the crop conditions looked good this year. “We expect higher returns. I had 4.5 acres under cotton this time,” he said.

Punjab farmer department director J S Bains said, “The department expects a yield of 780kg lint per hectare and apart from it, the rates of raw cotton are expected to remain higher than the previous season.” Brajesh Kasana, Bathinda branch head of Cotton Corporation of India, said the initial rates of raw cotton in the mandi were above Rs 5,500 per quintal.

Source: timesofindia.com- Sep 12, 2018