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US 71.38| EUR 78.62 | GBP 88.01| JPY 0.66

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19904	41600	**74.27**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19520	40797	**72.83**

International Futures Price

NY ICE USD Cents/lb (December 2019)	59.37
ZCE Cotton: Yuan/MT (January 2020)	12,970
ZCE Cotton: USD Cents/lb	82.67
Cotlook A Index – Physical	**70.90**

Cotton Guide: There is some hint of indirect optimism coming in front the US China trade war front. Both sides have agreed to delay the imminent tariff hike on each other. The reason why we used the word indirect is that China has announced tariff exemptions on 16 types of US goods, but the tariffs on the US agricultural goods still remain unaltered. As a result the prices of cotton are seen to be trading higher this morning almost approaching 60 cents per pound for the ICE December contract.

On the other hand, yesterday, the sentiments of the market participants remained fragile and weak. It's as if minute trading is happening on the ICE Exchange. The total volumes were seen to show up with miniscule numbers at 15,825 contracts.

The MCX contracts emanated to be slightly positive. The MCX October contract settled at 19,520 Rs per bale with a change of +40 Rs. The MCX November contract settled almost neutral at 19,250 Rs per bale with a change of -10 Rs. The volumes at MCX were again low at 795 lots.

Fundamentally speaking for today we can expect prices to be very jittery especially post 6 pm IST after the release of the US Export Sales Data. WASDE Monthly report scheduled to be released at 9:30 pm IST will cause further volatility. If the production figures are seen to be very high then the falling prices will find it very difficult to regain higher grounds.

According to some external sources, Cotton Corporation of India is expected to have geared up for the procurement of around 100 lakh Bales. This amount stands at almost 1/3rd of the total Indian produce. This means that the prices are expected to be lower than MSP during the coming season. Government purchases will support the psychological sentiments of the people.

It is also quite interesting to see how international prices have affected the Indian Cotton prices. Despite lower Domestic production noted at 310 lakh bales for the year 2018-2019, the prices instead of skyrocketing high, followed the footsteps of the international prices. This implies that fundamental and technical aspects are being over-powered by the exogenous Geopolitical factors.

On the technical front, ICE Cotton Dec future has closed above the higher end of the downward sloping channel. In the daily chart, price is trading above the DEMA (5 and 9) at (59.31, 59.11). Momentum indicator RSI is above 50 levels which supports further bullish momentum in price, along with positive divergence with reference to price. Thus, price would have the immediate resistance zone at 60.50-60.70 (also 50% Fibonacci retracement level) and the immediate support would be the higher end of the channel, followed by 23.6% Fibonacci retracement level at 59-58.50. So for the day price is expected to move in the range of 58.50-60.50 with sideways to positive bias. Only close above 60.64 would strength the bullish momentum. In the domestic market MCX Oct future is expected to trade in the range of 19300-19580 with a sideways to positive trend.

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

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INTERNATIONAL NEWS

Trump Delays Upcoming Tariff Hikes by Two Weeks as 'Good Will' Gesture to China

President Trump may be trying to play moderately nice with China.

In a tweet Friday, the president said he would delay the next batch of tariffs set to take effect by two weeks.

"At the request of the Vice Premier of China, Liu He, and due to the fact that the People's Republic of China will be celebrating their 70th Anniversary....on October 1st, we have agreed, as a gesture of good will, to move the increased Tariffs on 250 Billion Dollars worth of goods (25% to 30%), from October 1st to October 15th," Trump tweeted.

The move may ultimately matter little to U.S. business still struggling to reconcile the 15 percent Tranche 4 tariffs that took effect on Sept. 1, and fretting further still over a 30 percent tariff rate (from a previous tranche of goods already being tariffed at 25 percent and facing the 5 percent hike as a penance for China's retaliation with its own new tariffs on American goods) that will now take effect two weeks later. And that says nothing of the remaining rollout of the Tranche 4 15 percent tariffs slated for Dec. 15.

In a letter sent late last month, retailers implored the president to consider delaying tariffs since he's offered them little time to prepare for the new reality, but two weeks will hardly move the needle on any supply chain restrategizing.

And that means holiday retail could still be dealt a major blow.

"A large portion of holiday merchandise will still be hit by September and October tariff increases at an even higher rate than was initially anticipated," the letter, signed by retailers and retail organizations in support of the Americans for Free Trade Coalition, noted.

"With some products facing tariffs as high as 30 percent, many businesses will have no choice but to pass along those costs to consumers. Price increases will likely hit shoppers just as they are making their holiday purchases."

Retailers have been battling over whether to raise prices for an already sensitive consumer, but several have already put new pricing in place.

Source: sourcingjournal.com- Sept 11, 2019

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Turkey, US discuss raising bilateral trade to $100 bn

Turkish trade minister Ruhsar Pekcan has said her country and the United States discussed steps to take bilateral trade to $100 billion from $20.6 billion in 2018. She said this during the recent four-day visit of US secretary of commerce Wilbur Ross to Turkey. Turkey conveyed its expectations for the removal of certain practices impeding bilateral trade.

"During our meeting, we discussed ways to unleash Turkey's export capacity to the U.S., particularly in the sectors of civil aviation, automotive, sub-automotive, jewellery, furniture and textiles. To this end, we elaborated on access to distribution networks in the U.S. and agreed on preparing tailor-made programs for companies on a sectoral basis," Pekcan said on Twitter.

Turkey's exports to the United States were worth $8.3 billion, while it imports totalled $12.3 billion, according to data from the Turkish Statistical Institute (TurkStat). In the January to July period this year, the sale of Turkish goods and products to the US was worth $4.6 billion and US exports to Turkey were $6.6 billion, according to Turkish media reports.

In a meeting in April, both sides facilitated the formation of a joint working group to draw up a road map to enhance bilateral trade ties. Ross also participated in the executive board meeting of the Foreign Economic Relations Board (DEIK) Turkey-US Business Council (TAIK) on Saturday, according to a statement from TAIK.

In his address at the meeting, Ross emphasized that Turkey and the U.S. should contribute equally to the $100 billion trade target. There are 1,700 US companies currently operating in Turkey.

Intergovernmental cooperation is not adequate to reach the trade goal and cooperation between the Turkish and American private sectors is essential, Ross specifically pointed out.

Source: fibre2fashion.com- Sept 11, 2019

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Turkey: Europe leading destination for apparel exports in first half

Exports of non-woven apparel and accessories to 162 countries in the January-June period reached $3.3 billion while it was calculated at $3.2 billion last year in the first half, and European countries ranked first among destinations for textile sales abroad.

According to the Turkish Statistical Institute (TurkStat), Turkey has maintained its momentum in exports of non-woven apparel and accessories in recent years.

The revenues of the sector in the first half of the year came in at $84 million higher compared to the same period of last year. Imports, on the other hand, decreased by 29% in the first half of the year compared to the same period last year, while exports increased by 2.6%.

In the first six months of the year, Turkey exported non-woven apparel and accessories to 162 countries. European countries took the lead in exports of non-woven apparel and accessories in this period, spearheaded by Spain with $645.9 million.

While this figure accounted for about 19% of total exports, Spain was followed by Germany with $427.8 million, the United Kingdom with $293.2 million, the Netherlands with $205.6 million, and France with $137.4 million in foreign sales.

In this period, Turkey's imports in this sector dropped to $368.4 million. Thus, the imports of non-woven apparel and accessories of $513.4 million realized in the first half of last year decreased by approximately $145 million.

Bangladesh, with $67 million, took the first place among the countries from which Turkey imported non-woven apparel and accessories in this period, followed by China with $52 million, Italy with $34 million, Egypt with $31 million, and Spain with $22 million.

Source: dailysabah.com- Sept 12, 2019

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Countries vie to be the next apparel manufacturing destination after China

With both Bangladesh and Vietnam registering steady export growth, competition between the two countries to become the next manufacturing destination alongside China is becoming intense.

Statistics reveal, Bangladesh is the second largest and Vietnam the third largest apparel exporter in the world. While Bangladesh is known for its ability to manufacture low-end items at the cheapest rate with acceptable quality, Vietnam is more value-oriented with strong backward linkage and more educated workforce.

Investments in the energy sectors trigger price war One of the major factors driving growth of industries inCountries vie to be the next apparel manufacturing destination after Bangladesh is the availability and price of its electricity. Most industries in Bangladesh produce their own energy through captive power plants.

Though the sector is currently suffering due to a shortage of gas supply, it is soon set to revive as huge projects including 2.4-gigawatt (GW) Rooppur Nuclear Power Plant are being developed by the government. These power plants will increase the generation capacity of the country significantly which is at approximate 16,000 MW now.

Just like Bangladesh, Vietnam government is also investing billions in its energy sector has set out $148 billion worth of investments to increase power generation and develop electricity network, with $40 billion to be spent in the period 2016-2020, of which 75 percent is to be directed to power sources and 25 percent to grid development.

These initiatives have also triggered a price war between them. While Vietnam offers the lowest gas price compared to other garments manufacturing countries, Bangladesh has regulated its gas price three times in the last decade as a result the utility cost of the industries rose higher than Vietnam by some margin.

Bangladesh offers low cost; Vietnam shorter lead times

Statistics from McKinsey apparel CPO survey 2017, reveal, Bangladesh is likely to be the top country over the next five years in garments export. The market is expected to grow annually at 7.0 per cent (CAGR 2019-2023). Vietnam market is expected to grow annually by 8.8 per cent (CAGR 2019-2023). CPOs mainly preferred Bangladesh due to its ability to produce bulk amounts at a cheap rate. However, as the wages increased in the last five years now.

One of the key factors that buyers are concerned about is the shipping time. Although the shipping time of these two countries are almost similar, Vietnam is quicker than Bangladesh which still has to depend on imported cotton, yarn and fabrics (specially woven) which adds to its lead time. The average lead time from Bangladesh to EU and USA ranges from 90 to 120 days whereas from Vietnam it is 50 to 60 days which clearly puts Vietnam ahead.

Sustainability Issues

As stakeholders are increasingly emphasising on sustainable practices, sustainability is becoming a major concern as an exporting industry. Though there have been some major accidents in Bangladesh like the Rana Plaza fire disaster, the country has improved significantly in the last five years and now leads green factory industry in the world. On the contrary, Vietnam doesn't have many green factories. Its carbon dioxide emission ton per capita was 2.29 compared to Bangladesh 0.59 in 2017.

Hence, while Bangladesh scores on some parameters, Vietnam scores on others. Therefore, it is difficult to decide the next manufacturing partner of China. Not only are both developing at a rapid pace but also they have taken consolidated steps to incorporate sustainability in operations. Now, the only challenge that they need to deal with is increasing costs of business practices and other sustainability issues.

Source: fashionatingworld.com- Sept 11, 2019

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Morocco's textile industry seeks new strategy

Morocco's textile and clothes industry represents 15% of the country's GDP but has been facing fierce competition of Turkish manufacturers that caused many layouts and put several factories out of business, pushing Moroccan professionals to seek a new strategy to boost competitiveness.

They mostly blame the free trade agreement signed with Turkey, which has dumped the Moroccan market.

The federation of Moroccan textile operators AMITH have come together to address this challenge by renewing their representatives and adopting a plan of action aimed at boosting the industry.

For AMITH, the sector with 1200 enterprises is the first employer in Morocco offering 190,000 jobs. The country produces about 1 billion piece of clothes annually most of them are exported mainly to Europe.

The sector represented a quarter of Morocco's exports last year, equal to 38 billion dirhams.

AMITH also recommends that more attention be paid to the industry's upstream to bolster the competitiveness of the output.

Beams of light are already appearing at the end of the tunnel with a 5.1% increase in Morocco's textile exports to the EU where the Kingdom is the seventh supplier.

By end of April 2019, 5 billion dirhams of investments has been pledged through 200 agreements that would create an additional 51 jobs.

Source: northafricapost.com- Sept 11, 2019

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Pakistan: Farmers fear further decline in cotton production

Agriculturalists and farmers are afraid that cotton production may decline further this year as the sector is plagued by wrong policies of federal and provincial governments.

Cotton production and area under cultivation is also falling primarily because growers have shifted to sowing sugarcane and wheat which guarantee minimum support price.

In the previous fiscal year 2018-19, area under cotton cultivation dropped to 2.37 million hectares compared to 2.7 million hectares in the preceding year – a reduction of 12.1%. Production of the crop also witnessed a decrease of 17.5% to just 9.9 million bales during the last fiscal year.

In 2017-18, cotton production reduced to 11.94 million bales from 13.96 million bales in 2014-15.

Government has set a target of 15 million bales of cotton for fiscal year 2019-20, which experts claim would be missed again.

Additionally, production of cotton has also endured a hit from pest attacks.

A few months ago, Prime Minister Imran Khan took notice of the declining cotton production and directed the agriculture department to resolve the issue. However, neither the provincial government of Punjab nor the federal government has done anything to improve the situation so far.

A meeting, held to fix minimum cotton support price of cotton at Rs4,000 per 40 kilogram, ended inconclusively last week.

Punjab produces 65% of total cotton majority of which is produced in Southern Punjab. Both Bt and non-Bt cotton varieties are cultivated in Pakistan, however, the share of Bt cotton is 80%.

While talking to The Express Tribune, cotton experts said that situation of textile industries was worsening day-by-day due to lower availability of local produce due to which, the industry had to rely on imports.

"Textile mills had made deals in advance with ginners at relatively higher prices but actual price of cotton at the time of harvesting was less which resulted in losses for them," Hameed Ahmad, an agriculture expert, told The Express Tribune. "On the other hand, cotton farmers had also taken advances from local ginners and middlemen and they also suffered losses due to low prices."

Talking about crops of Sindh, he added that the cotton plantations were hit by swarms of locust pests which destroyed some of the produce.

The key reason behind 30% reduction in cotton output was continuous decline in area of cotton production, non-feasibility of good seeds, low returns and lack of awareness in farmers regarding cotton production.

"Farmers are not getting good average yield per acre," an official in the Punjab Agriculture Department commented. "Agriculture department has fixed a quota of 2.85 million acre land for production of 15 million bales of cotton."

University of Agriculture Faisalabad Entomology Department Chairman Dr Jalal Arif shared plans to organise a national level seminar on September 20 to uplift cotton sector.

The meeting would be chaired by Jahangir Tareen as well as progressive farmers.

In southern Punjab, Lodhran, Khanewal, Multan and Muzaffargarh are major cities of cotton production and in central Punjab, Faisalabad, Gujranwala and Sheikhupura are cotton producing areas.

Dr Jalal added that diseases caused by whitefly and bollworm were adversely affecting cotton production.

"These insects damage the yield every season," he lamented. "Every year, nearly four million bales are destroyed by pink bollworm and white fly."

He further expressed sorrow that country lacked adequate technology to deal with these pests

He added that low price and yield had forced growers to shift to maize and sugarcane crops.

According to him, this was the prime time for government to deal with falling cotton production.

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

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Uzbekistan aims to process its entire cotton domestically by 2025

Uzbekistan plans to bring the volume of textile exports to US $2 billion this year, Ilhom Haydarov, the chairman of the Uzbek Textile Industry Association, said before the opening of the Global Textile Days in Tashkent 2019 forum held in the capital of Uzbekistan on September 9-13, Xinhua reported.

"Uzbekistan has turned from an exporter of raw materials into a real supplier of high value-added textile products," Haydarov told reporters.

He said that the industry is now completely focused on export, adding that last year Uzbekistan exported textile products worth of 1.6 billion U.S. dollars.

In Haydarov's words, the Uzbek government is planning to process the entire cotton yarn produced in the country domestically by 2025 and increase the export of textile products up to 7 billion US dollars.

The International Cotton Advisory Committee will hold its 8th meeting within the framework of the Global Textile Days in Tashkent 2019 forum. The meeting will bring together scientific experts and specialists from leading cotton-producing countries of the world, including from China.

As part of Global Textile Days 2019, Tashkent hosted Uzbekistan International Textile Conference attended by representatives, scientists and experts from 36 countries, the Jahon information agency reported on September 11.

Domestic and foreign experts shared their experience with participants and focused on practical results of cooperation.

Reports were heard on digitalization of textile industry, promising areas of development of the global textile industry, implementation of "Best cotton" project in Uzbekistan, successful experience of the cotton-textile cluster, as well as retail trade and e-commerce.

Source: timesca.com- Sept 11, 2019

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Bangladesh: Is transparency possible in RMG?

Factory owners must take responsibility on this issue

We need more and better research on the relationship between apparel brands and their supplier factories globally. These issues are too important to be kept in the dark, and more transparency on this issue would be a positive development, certainly for consumers who might be interested to know more about how the clothing they wear every day is sourced.

It was welcome, then, to see new research from Better Buying, which gathered information from more than 700 apparel suppliers globally. This was the third update by Better Buying, which collects information anonymously from apparel brands and their suppliers, with an aim to improve purchasing practices in supply chains globally. It asks suppliers to rate their apparel brand customers on issues such as planning and forecasting, cost and negotiation, and sourcing and order placement.

The most recent findings, which were focused on Q4 of 2018, have a notable Bangladesh focus. Better Buying found that there is continued downward pressure on prices faced by factory owners. The latest Better Buying index found suppliers in the lowest cost locations being pressured for lower prices, with 38% of Bangladesh suppliers reporting their buyers have held them to last year's prices, despite inflation and rising wages.

This index certainly has credibility, for it includes 802 verified ratings from 715 suppliers across 52 countries, and also measures the performance of 71 retailers and brands.

A couple of issues stand out.

One of these is that price pressure on suppliers is a problem everywhere, not just in Bangladesh. In Q4 of 2018, the average Better Buying score for all retailers and brands was just 2 stars out of 5, but scores assigned to individual companies varied widely, ranging from a low of 0 stars to a high of 4.5 stars.

In Bangladesh, where suppliers appear to be under most strain, 31% of factory owners said they were left with unused capacity and 45% were left with excess materials on orders.

Of these factories, 6% reported that retailers and brands paid for excess materials, while 83.3% were asked to hold materials for use in future orders. 6% reported retailers and brands took no responsibility for excess materials.

None of these findings come as a huge surprise but they do offer some healthy support to the wealth of anecdotal evidence that already exists in these areas.

Are brands to blame here and should we be pointing the finger? This is not so straightforward for several reasons.

One is that we don’t know which brands are operating these business practices, so it would be unfair to tar them all with the same brush. Better Buying operates a policy of anonymity, which is a shame in some ways but this does ensure that we get healthy numbers and data on these vital issues.

The other factor is that factory owners themselves have to take some responsibility here. An alarming figure is that 32% of factory owners were left with unused capacity. I’ve written before about excess capacity issues in Bangladesh, and these figures support such an argument.

Another figure from the Better Buying report is that 36.4% of factories had to accept last-minute, low price orders to fill capacity. Again, this is a concerning figure, and brands cannot be blamed for this. Surely, this is about operational management and strategic planning. If a factory owner has to accept last minute orders in such a haphazard way, perhaps it is time for a rethink about how he or she is running their operation. An excess of unused capacity should be the exception, not the rule, in any industry.

All of this said, there is a broader issue at play here, which we cannot ignore. If prices are, indeed, being squeezed for suppliers, where does that leave sustainable sourcing? Where does it leave a factory which wants to invest in green production techniques but is too busy fire-fighting and attempting to make ends meet to do so?

What the research of Better Buying shows, if anything, is that perhaps it is time for more collaborative thinking between buying and sourcing teams. Sourcing teams will always drive a hard bargain on price -- we all know that. But what if their key performance indicators (KPIs) were more closely aligned with broader sustainable sourcing goals of the brand? What if we could slowly shift the needle so that it wasn't always just about price?

At the luxury end of the market, we are seeing some evidence of buying team KPIs being aligned with sustainability goals, but the broader, mass market continues to see these teams operate independently.

This is a shame, because if brand sustainability personnel want greener production -- and I have no reason to believe otherwise -- then the people that hold the purse-strings in their organizations will have to pay for it. The latest much-needed insights show the whole industry still has a long way to go on this issue.

Source: dhakatribune.com- Sept 12, 2019

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NATIONAL NEWS

New policy may make technical textiles mandatory in defence, agri

The ministry of textiles estimates the technical textile industry in India will grow to about Rs 2 lakh crore by 2020-21 from over Rs 1.16 lakh crore in 2017-18.

The government may make the use of anti-hail nets to protect crops, chemical-protection suits for defence, and drapes, gowns, sanitary napkins and implants for medical use mandatory as it seeks to develop the potential of technical textiles and facilitate their public procurement.

A comprehensive policy on technical textiles is being prepared to make their use mandatory in certain sectors, provide financial support to promote domestic manufacturing and set standards to make India a production hub for them. Technical textiles are meant for non-aesthetic purposes, where function is the primary criterion.

"Discussions in this regard are being held at the level of the Prime Minister's Office and a policy note could be moved soon for consideration," two people aware of the deliberations told ET.

According to one official, who spoke on condition of anonymity, the Bureau of Indian Standards has been advised to develop world-class norms across the 12 segments of technical textiles on priority as the government wants to push domestic production.

India accounts for about 4% of the global market for technical textiles. The ministry of textiles estimates the technical textile industry in India will grow to about Rs 2 lakh crore by 2020-21 from over Rs 1.16 lakh crore in 2017-18.

Technical textiles account for about 12% of India's textile market, compared with 20% in China.

"A policy on technical textiles is in the works and will be finalised soon," another official said.

NITI Aayog, the government's thinktank, has made comprehensive suggestions to focus on technical textiles, highlighting its huge domestic and export potential.

Source: economictimes.com - Sept 11, 2019

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Cotton closing stock hits a 5-year low of 15 lakh bales

But 2019-20 season appears promising amidst signs of a bigger crop size

The closing stock of cotton at the end of the 2018-19 season on September 30 will be the lowest in at least five years, at 15 lakh bales (of 170 kg each). The Cotton Association of India (CAI) has cited the small crop size and very tight cotton balance sheet for the smaller closing stock.

However, cotton stakeholders said that the overall crop scenario for the 2019-20 season appears promising and points to a higher crop.

"There will be no impact on the availability of cotton even if the closing stock appears low. This is because in North India and in other cotton growing regions, the cotton crop looks good and promising," said Pawan Kumar Nagor, Treasurer, Indian Cotton Association.

He also stated that arrivals of the new crop in Punjab and Haryana have started. "The crop condition is very good and we believe this year the harvest will be better than last year."

While there is no official estimate on the crop size for 2019-20, the overall sowing and the monsoon progress in the cotton growing region has brightened the prospects of the cotton crop.

At its meeting in Mumbai, the Cotton Association of India (CAI) retained its cotton crop estimate for the year 2018-19 at 312 lakh bales, sharply down from the 365 lakh bales reported in the previous year.

The carry-over stock for the next season is estimated at 15 lakh bales. It stood at 67 lakh bales in 2014-15, 44 lakh bales in 2015-16, 30 lakh bales in 2016-17 and about 28 lakh bales last year.

Imports seen at 29 lakh bales

Total cotton supply for the period October 2018 to August 2019 is projected at 363 lakh bales, which includes the opening stock of 33 lakh bales, market arrival of 307 lakh bales upto August 31, and imports of about 23 lakh bales upto August 31. Total supply by the end of the season in September 2019 will be about 374 lakh bales.

Atul Ganatra, President, CAI, commented that the imports at the end of the season on September 30, as estimated by the CAI, will be 29 lakh bales, about 2 lakh bales lower than the earlier estimate but 14 lakh bales higher than the previous year's import estimate of 15 lakh bales.

The Cotton Association of India has estimated consumption during the months of October 2018 to August 2019 be at 288.75 lakh bales, while export shipments of cotton (excluding cotton waste) up to August 31, 2019 are estimated to total 43 lakh bales.

The CAI has pegged domestic cotton consumption in 2018-19 at 315 lakh bales, while exports (excluding cotton waste) are estimated at 44 lakh bales, down 25 lakh bales from the 69 lakh bales of exports estimated last year.

CAI clarified that export of cotton waste was inadvertently included in its export estimate last month.

"This mistake has now been rectified and the export estimate has now been lowered by 2 lakh bales to arrive at the export estimate of only cotton (excluding cotton waste)."

Source: thehindubusinessline.com - Sept 11, 2019

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India to align trade remedy rules with global best practices

India will soon align its trade remedy rules and regulations with established world standards to give maximum benefit to Indian industry, said Commerce Minister Piyush Goyal.

"There are some rules in India like the lesser duty rule in anti-dumping that does not allow the country to impose such duties on imports to the fullest extent.

The EU and many other countries, however, do not follow this rule," Goyal said at a press conference after a meeting with industry stakeholders and government officials from various Ministries and departments on the regulatory instruments for the formulation and implementation of effective trade policy and development strategy on Wednesday.

For instance, if the lesser duty rule is removed from Indian rules it would allow India to impose anti-dumping duties based on the dumping margin even if a lower rate of duty would be enough to remove the injury being caused to the domestic industry because of the cheap imports.

The Minister said that his officials were studying the best laws and rules used world over in the area of trade and changes would be made in Indian rules and regulations accordingly.

Goyal met representatives from around 100 domestic industries, including manufacturers and various associations, to discuss and provide a holistic view about regulatory instruments. Senior officials of various Ministries and Departments of Central Government also participated in the meeting.

Goyal, in his address, said that tariff & non-tariff measures will be used judiciously by India with an ultimate aim to enable industry to become more competitive. He said that the office of the Director General of Trade Remedies (DGTR) is being strengthened with more man power who will be properly trained to perform their duties effectively.

Source: thehindubusinessline.com – Sept 11, 2019

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India to host 2-day meeting of RCEP members this weekend

Will protect national interest and the domestic industry, promises Goyal

India will host a two-day meeting of representatives from the Regional Comprehensive Economic Partnership (RCEP) countries this month to discuss ideas to strengthen the proposed pact between the 16 partner countries, said Commerce and Industry Minister Piyush Goyal.

“Representatives from all 16 countries will attend the meeting India is hosting on September 14-15. The idea is to discuss India's suggestions to make it a more robust mechanism,” Goyal said addressing a press conference.

RCEP, which is being negotiated between the 10-member ASEAN, India, China, South Korea, Japan, Australia and New Zealand, when implemented is likely to result in the largest trade bloc in the world accounting for 30 per cent of world trade and more than a fourth of world GDP.

New Delhi is also engaged in bilateral discussions with members, including China, New Zealand and Australia, to protect its sensitive sectors.

The Minister acknowledged that there were certain sectors that could get adversely hit by competition from China once duties are lowered under RCEP, but assured that their concerns would be taken care of.
“We will protect our national interest and interests of our domestic industry,” Goyal said.

The Minister pointed out that there were also sectors in India that were eager for the RCEP to be signed. “The representatives of the pharmaceuticals and cotton textiles believe that the RCEP will give them access to the Chinese markets,” he said.

India could also make substantial gains in services under the RCEP, the Minister added. However, so far India has not got substantial offers in the sector.

The problem that India has faced in the negotiations so far is the lack of parity in ambitions with other members. While India wants to protect a number of sectors, both industrial and agricultural, from stiff tariff cuts, other members including ASEAN and China are seeking zero-tariffs in over 90

Since most RCEP members want the pact to be concluded this year, the Minister said that India would not want the discussions to be prolonged if its concerns were met.

Source: thehindubusinessline.com – Sept 11, 2019

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FM, Commerce Minister to attend Board of Trade meeting to address exporters concerns

Issues to be discussed include lack of credit, impact of FTAs, need for incentives, improvement of logistics

With export growth refusing to pick up pace, Finance Minister Nirmala Sitharaman and Commerce and Industry Minister Piyush Goyal will discuss challenges faced by the country's exporters including lack of adequate export credit, complexities of trade with free trade partner countries, fall in domestic competitiveness and inadequate logistics in a meeting of the Board of Trade on Thursday.

"India's export sector is facing a slowdown in tandem with the sluggishness in global trade. The government realises that it needs to take steps to give the sector a boost as a drop in exports not only brings down GDP growth but also causes large scale employment loss. The BoT will focus on ways around the problems to try and put export growth back on track," according to a government official.

The Board of Trade, which also includes senior industry members, advises the Commerce and Industry Ministry on policy measures connected with the Foreign Trade Policy with the objective of boosting India's trade.

India's exports in April-July 2019-20 contracted 0.37 per cent to $107.41 billion. In July figures showed a meagre growth of 2.25 per cent as exports of many major commodities such as petroleum, gems & jewellery, engineering goods and leather registered a decline.

Declining credit for the export sectors is seen as one of the biggest factor hindering a bounce-back in exports. “A senior official from the Export Credit Guarantee Corporation will give a presentation on the credit flow to the export sector and how the problem facing exporters could be addressed,” the official said.

According to the latest RBI data, banks’ export credit declined 36.1 per cent year-on-year as of June 21, even on a low base. Non-food bank credit, however, grew 11.1 per cent and overall priority-sector loans rose 10.2 per cent in the same period.

Problems faced by exporters and the domestic industry due to the complexities of the free trade agreements signed by India with partner countries such as the ASEAN, Japan, South Korea and Malaysia will also be discussed.

The industry is also likely to discuss the possible negative impact of the Regional Comprehensive Economic Partnership (RCEP) agreement India is negotiating with 16 countries including the ASEAN and China, the official added.

Other issues that are scheduled to be discussed at the BoT meeting include need for import substitution, enhancing domestic competitiveness, leveraging government e-marketplace (GeM), improving logistics and monitoring of infrastructure projects.

The Board of Trade advises the Commerce and Industry Ministry on policy measures connected with the Foreign Trade Policy in order to achieve the objectives of boosting India’s trade.

Source: thehindubusinessline.com– Sept 11, 2019

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Trade talks: Government open towards fair RCEP, but wants FTAs reviewed, says Piyush Goyal

India favours expeditious conclusion of negotiations for the 16-nation Regional Comprehensive Economic Partnership (RCEP) as long as its national interest is protected, but just one or two domestic industries can't hijack the free-trade talks for their own interest, commerce and industry minister Piyush Goyal said on Wednesday.

However, to safeguard the interest of local industry, the government has sought a review of the country's FTAs with not just Asean but also Japan and South Korea, which have contributed to its huge trade deficit, Goyal said.

Asean members on Tuesday agreed to the review, a first since the FTA came into effect in 2010. Similarly, to protect industry from irrational spike in imports, the government will resort to appropriate trade remedies that are in sync with the global best practices and compliant with the World Trade Organisation framework, the minister said.

Nevertheless, Goyal sought to play down domestic resistance to the RCEP, saying industry is vertically split in its opposition. While some in the pharmaceutical sector see vast opportunities for exports if they get credible market access in China through the RCEP, some others, notably the steel and dairy industries, are opposed to the deal for fears of cheaper dumping, especially from China and New Zealand, respectively.

The minister also said certain steps will soon be announced to improve exports and ensure that exporters don't face any road blocks. The government has called the meeting of the board of trade on Thursday to explore ways to beat the slowdown in export growth.

Apart from Goyal, finance minister Nirmala Sitharaman is expected to attend the first session of the almost day-long meeting. India has invited representatives of RCEP members for discussing ideas in New Delhi on September 14-15.

Asked if India is in favour of concluding the RCEP negotiations by November, as is being sought by others, Goyal said the sooner it is done with adequate protection for our industry, the better it is. To a question whether New Delhi will continue to insist on "no early harvest" policy (that negotiations on all pillars of the proposed agreement such as goods and services must be concluded at the same time) at RCEP, the minister said in all negotiations, one has to be nimble and positions can't always be constant.

The RCEP is a proposed trade pact between the 10 countries of the Association of Southeast Asian Nations and their six FTA partners, including Australia, China, India, Japan, Korea and New Zealand. It accounts for 25% of global gross domestic product, 30% of global trade, 26% of foreign direct investment flows, and 45% of the world's population.

Despite making some progress, the RCEP negotiations have dragged on for years, having missed its deadline continuously.

As for India, sources had earlier told FE that the country could rethink its RCEP engagement and might even be forced to pull out of the mega trade deal if negotiations were sought to be concluded hurriedly without addressing its concerns on its massive trade imbalance with other members, especially China.

Also, while several RCEP members want India to commit more in liberalising its goods trade, they remain reluctant to accede to India's interest and allow free movement of professionals.

Even without the deal, India's merchandise trade deficit with China was as much as $53.6 billion in FY19. New Delhi wanted to link meaningful market access from Beijing in key sectors — including IT, pharma and agriculture — to its endorsement of an RCEP deal. India's overall merchandise trade deficit widened to $176 billion last fiscal from $162 billion a year before.

In their meetings with Goyal late July, several industries had criticised India's trade agreements with Asean, Japan and South Korea in the past decade on grounds that the country's trade deficit with these nations just widened after these pacts had come into force and there was only limited gains for them.

If, on top of this, a free trade agreement with China is effected through the RCEP (of which Beijing is a key member), cheap Chinese products will flood our market, they had feared. However, many consuming industries have supported the RCEP deal, saying it will help reduce their raw material costs.

Source: financialexpress.com– Sept 11, 2019

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Finance Minister meets textile industry representatives

They discuss measures needed to revive the sector

Union Finance Minister Nirmala Sitharaman met representatives of the textile industry in Chennai on Tuesday and had discussions for more than an hour on measures needed to revive the sector.

Prabhu Dhamodharan, convenor of Indian Texpreneurs Federation (ITF), who took part in the meeting, said one of the common demands of the industry was structural changes for man-made fibre (MMF) sector.

There was a need to remove the anti-dumping duty on MMF and rationalise GST for this segment. While India is competitive in the international market for several cotton products, it is not so for MMF products.

The industry should be able to tap opportunities in the global market in synthetic products.

Another demand placed by the industry is extension of Rebate of State and Central Taxes and Levies (ROSCTL) schemes, now available to garments and made-ups, for yarn and fabric too.

The ITF also suggested that the government comes out with a system to bring the MNC brands to the manufacturing clusters and engage them directly with the suppliers. This will help reduce imports, he said. The industry also demanded multi-skilling facilities in Tiruppur.

Mr. Dhamodharan said the Minister urged the industry to be equipped so that non-WTO compatible schemes are phased out.

The Openend Spinning Mills' Association said that because of the China-US trade war, the export of nearly 200 containers of open end yarn to China has stopped in the last five months.

There are raw material challenges for the open end spinners.

The GST on recycled PET polyester fibre should be reduced to 12 % from 18 %. The open end spinners produce nearly 10 lakh kg of yarn from recycled PET bottle fibre.

Source: thehindu.com– Sept 11, 2019

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CAI lowers export and import estimates for current session

The Cotton Association of India (CAI) has lowered its import estimate for the season in view of actual shipments reaching Indian ports being lower than estimated previously. Domestic consumption estimated for the entire crop year till 30 September, 2019 is 315 lakh bales (170 kg each) while the exports (excluding cotton waste) for the season is pegged at 44 lakh bales, lower by 2 lakh bales compared to the estimate of 46 lakh bales made during last month and lower by 25 lakh bales compared to the previous year's exports estimate of 69 lakh bales.

Export of cotton waste was inadvertently included in the export estimate of the CAI made during last month. This mistake has now been rectified and the export estimate has now been lowered by 2 lakh bales. The carryover stock estimated at the end of the season is 15 lakh bales.

There is also a reduction of 2 lakh bales in the projection of import of cotton and the same is now estimated at 29 lakh bales compared to 31 lakh bales earlier. CAI has lowered its estimate of cotton imports for the season in view of actual import shipments reaching Indian ports till end of August 2019 being only 23 lakh bales, which are lower than estimated previously.

CAI has retained its crop estimate for 2018-19 at 312 lakh bales. This is at the same level as in the previous estimate in August for 2018-19 season which began October 1, 2018.

CAI has maintained its cotton crop estimate for the northern zone at the same level as in its previous month's estimate of 59 lakh bales. However, there is a reduction of 10,000 bales in the estimate for Punjab and an increase of 10,000 bales in estimate for lower Rajasthan.

CAI has also maintained estimate for the central zone at 180.68 lakh bales although there is an increase of 50,000 bales in the crop estimate for Gujarat and a reduction of 25,000 bales each in the estimate of Maharashtra and Madhya Pradesh. But there is no change in the crop estimates of the remaining states, it said.

The total cotton supply estimated by the CAI during October 2018 to August 2019 is 363.02 lakh bales, which consists of arrivals of 307.02 lakh bales & imports of 23 lakh bales till August 31, and the opening stock at 33 lakh bales at the beginning of the season.

Further, CAI has estimated cotton consumption during October 2018-August 2019 at 288.75 lakh bales, while the export shipment of cotton (excluding cotton waste) upto August 2019 is pegged at 43 lakh bales. The stock at the end of August 2019 is estimated at 31.27 lakh bales, including 17.55 lakh bales with textile mills and remaining 13.72 lakh bales with CCI and others.

The annual balance sheet projected by the CAI estimates total cotton supply till end of the season at 374 lakh bales, which is lower by 2 lakh bales compared to the supply estimated in the previous month.

Cotton supply estimated up to September 30, 2019 consists of opening stock of 33 lakh bales at the beginning of the season and estimated imports at 29 lakh bales, lower by 2 lakh bales compared to the estimate of 31 lakh bales made in the previous month.

Source: financialexpress.com – Sept 12, 2019

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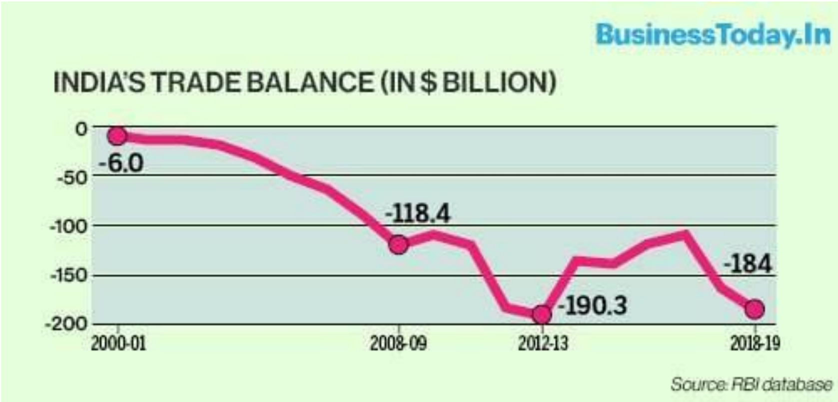
Decoding Slowdown: India's export needs a paradigm shift

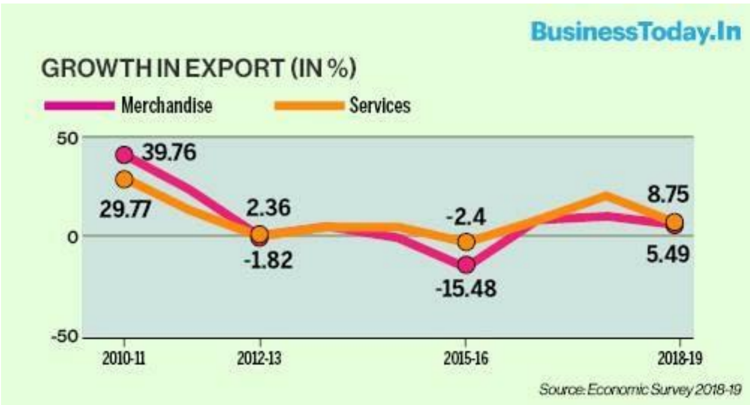
Indian export is globally uncompetitive because of high cost of credit, poor skill and innovation and high tax component which the government needs to address



India's net export, one of the four key components of the GDP, has been in negative zone for decades, proving a big drag on its growth story. The gap between India's export and import has been growing bigger and bigger in the past decade. It crossed the $100 billion mark in 2008-09 and has remained above that since, clocking $184 billion in 2018-19.

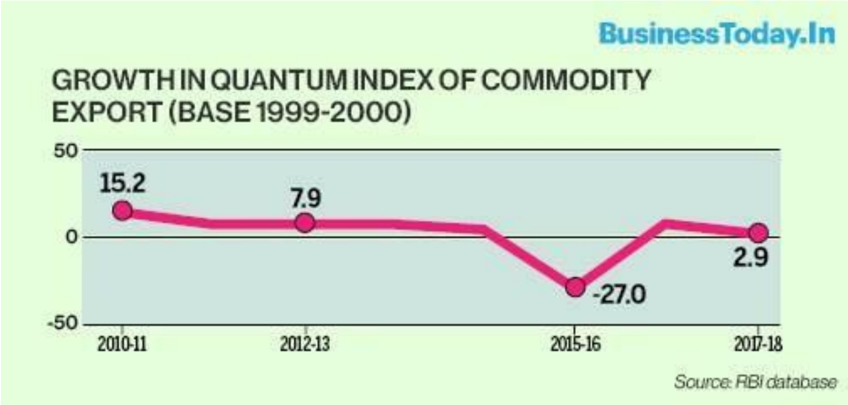
Higher the negative trade balance, higher the current account deficit (CAD) and higher the drag on foreign exchange reserve . This has been a cause of prolonged anxiety.

Declining growth in export of merchandise and services



After a sudden spurt in 2010-11 and 2011-12, India's export growth has declined to single digit, both for merchandise and services, in US dollar terms.

The share of services in exports has been growing in recent years. From about 32% of the total value of exports a few years ago, it contributed more than 38% in the last two fiscals.

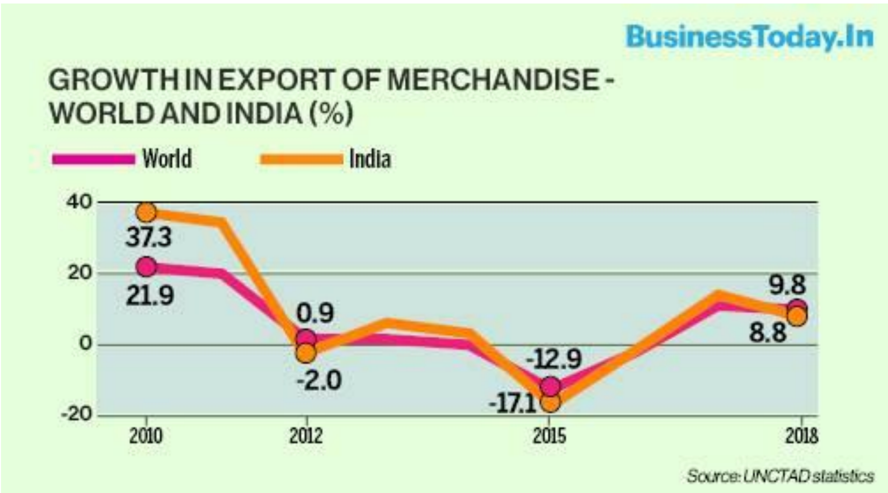


Similar is the case when quantum of exports is examined. The RBI's quantum index number of exports of commodities (base year 1999-2000) shows the growth numbers coming down from 15.2% in 2010-11 to 2.9% in 2017-18 - the year for which data is available.

Global export scenario

When looked from the global perspective, India's export growth does not look as bad.

The global statistics provided by the UNCTAD shows growth in India's export of merchandise follows a general trend, indicating a close link with global economy. In 2018 (financial year), India's export growth was 8.8% against the global growth of 9.8% in US dollar terms - changing the position from 2017 when India clocked a 13.3% growth while the global export growth was 10.6%.



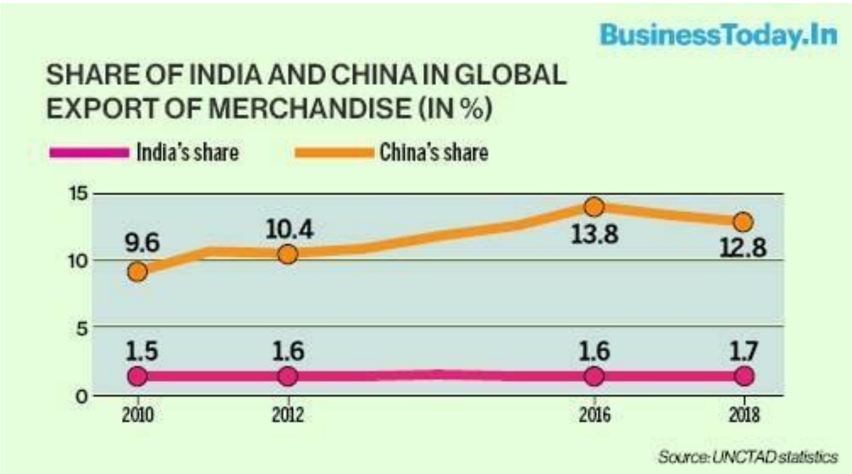
Prof Biswajit Nag of the Indian Institute of Foreign Trade (IIFT) explains that this is so because India's export is mostly to the developed countries. As the major exporters like China, the US, the EU and Japan are slowing down their export, demands are also slowing down - reflecting a general declining trend.

A comparative analysis of growth in export of merchandise for Asian leaders like China and South Korea and new export hubs like Vietnam and Indonesia also show a similar declining trend.

India's share in global export

India has been struggling to raise its share of global export of merchandise to 2%, which it last attained in 1948 - when it touched a high of 2.2% in US dollar terms. Its share has remained below 2% ever since and hovered between 1.5% and 1.7% between 2010 and 2018 (financial year).

China, whose exports took off in the 1980s, has maintained a healthy lead over India's with a share of 10.3% to 13.8% in global export of merchandise (in US dollar terms) since 2010. For 2017 and 2018, its share stood at 12.8%. Prof Nag says China's export surged because it adopted an export-oriented approach, specialising in industries with higher export potential.



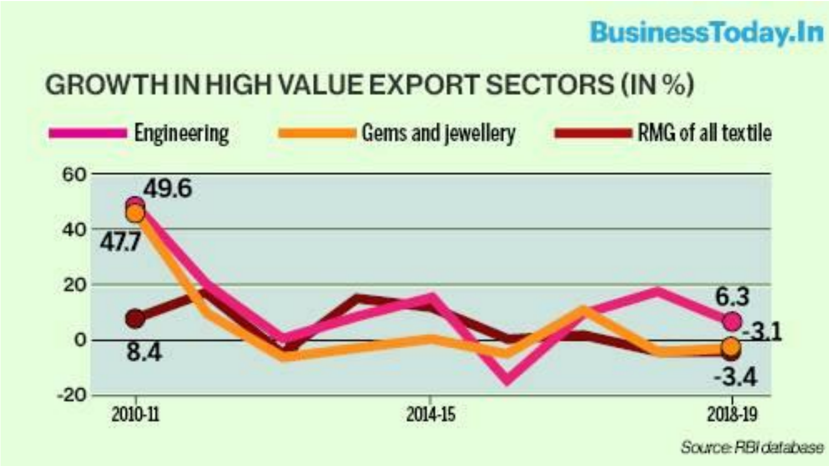
It tried to benefit from economies of scale and focussed on SEZs and other trade related infrastructures like ports, logistics and single-window clearing system.

Equally importantly, China adopted a long term strategy of skilling its labour force which made technology absorption much easier and allowed it to move up in the global value chain, leaving low end products to low wage countries like Vietnam and Indonesia.

On the other hand, he says, India could not achieve the desired level of skilling, leading to export inefficiency.

India's high-value export sectors showing worrying signs

Engineering goods, gems and jewellery and ready-made garment (RMG) of textiles are three of the top sectors contributing most to India's export in value and are of great significance because of their labour intensive nature, providing high employment.



The RBI's data presents a disturbing trend. Growth in the export of engineering goods, which constituted 25% of commodity export earnings in 2018-19 in US dollar terms, fell to 6.3%, from 17% in 2017-18. The same for the gems and jewellery and RMG of textiles, which constituted 12% and 5% of commodity export in 2018-19 (in US dollar terms) respectively, have registered negative growth for the last two fiscals.

Prof Nag explains that the gems and jewellery segment has been negatively impacted by the rising value of import content, which has made India's export uncompetitive. Besides, a global slowdown is impacting consumption of such luxury products.

As for the negative growth in RMG of textiles, he points to a number of factors: India's ecosystem is dependent on import of inputs; its "delivery lead time" is much higher than that of China, reflecting supply chain inefficiency; countries like Vietnam, Bangladesh and Sri Lanka provide cheaper labour with which India can't compete; world is moving into the blending of fabrics (cotton and synthetic) for which India is not yet ready in technology terms and lack of new capacity additions in India as a result of which most of its products are consumed domestically, leaving little surplus for export.

As for the engineering goods, the chairman of the CII's National Committee on Exim Sanjay Budhia says input costs have gone up in recent years (steel price went up by almost 20% in one year), making it uncompetitive.

The Road ahead

Budhia says the US-China trade war presents a big opportunity for India to boost its exports significantly to the US and elsewhere. He says India's products have established their quality but are not yet competitive. He says three factors are holding India's export back.

One, high cost of credit to Indian exporters - 6-7% interest rate for Indian exporters while it is nil or negligible for Chinese and Vietnams. India provides 3-5% of interest equalisation for the MSMEs which should be available for all exporters to bring down cost.

Two, inputs like steel should be provided at competitive/export prices that are offered to international buyers by steel mills to all exporters, not just the MSMEs as is being contemplated by the government now. Steel mills get duty drawbacks and incentives reducing international price of steel but without such facility for the domestic consumers, export of engineering goods - which has a huge potential to increase its market share and provide sizeable employment - becomes uncompetitive.

Third, electricity duty, taxes and duties on petroleum products etc. are not yet refunded through the GST mechanism for the exporters. The government should offset the cost disadvantage arising out of these duties and levies.

Prof Nag adds three more to the wish list: effective skilling programme, promotion of innovation and value chain efficiency for products and process. The ball is now in the government's court.

Source: businesstoday.in– Sept 11, 2019

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Reforms could result in export optimism

There are few tasks more complex than formulating an international trade policy in a world splitting apart into a jumble of trading blocs, even as the World Trade Organization's vision of a barrier-free global economy seems to recede by the day. Since a consensus from pole to pole is hard to achieve, regional deals have been filling the breach.

India already has a variety of free trade agreements (FTAs), many of them overlapping, some of them forgotten, and a few of them talked about less for the gains made than the pains caused. On Tuesday, India announced its decision to review its FTA with the Association of Southeast Nations (Asean), since the country's trade balance with this group has been tilting in the latter's favour.

By year-end, New Delhi must decide on whether to join an eastern hemisphere grouping under the proposed Regional Comprehensive Economic Partnership (RCEP). This would involve signing up for an FTA among Asean's 10 countries plus Japan, South Korea, Australia, New Zealand and the one country that could make anybody do a double-take, China.

The inclusion of China in the RCEP poses India a dilemma. An FTA typically requires its participants to grant easier access to each other's markets by lowering import tariffs all around. This is done on the logic that each would benefit by specializing in what it is better at and exporting it to others. It also lets trans-border value chains operate smoothly.

India's experience of FTAs, however, has not been encouraging, and if New Delhi is wary of an eastern trading bloc, it's because Chinese dominance of it is more or less assured. In any case, India runs a trade deficit with most RCEP members, most starkly with China, whose exports to us exceeded its imports from here by about $58 billion in 2018.

Lowering duties, many fear, could result in an inward avalanche of cheap Chinese goods, throwing our overall trade balance off-kilter. Theory demands that our local industries get into shape, slash costs and compete with imports, but if Chinese exporters have heavy state backing in the form of various hidden subsidies, as analysts suspect, then such an Indian effort would be futile. Also, Beijing is not averse to the use of unfair trade practices, such as dumping, by which excess output is sold in export markets below its true cost of production. It doesn't help that China's statist export push has resulted in cost opacity.

Another risk worth bearing in mind is that the RCEP might be an attempt by Beijing to consolidate an "Asian order" under its economic might. Yet, it may go against Indian interests to stay aloof from Asia's emerging pacts. The proposed group's share of world trade and the global economy is on a steep incline, and a policy of isolation may deny India the advantages of being part of a dynamic bloc. In recent years, India has been raising import tariffs—for explicitly protectionist reasons in many cases.

This suggests a country in retreat from the global arena of competition, under-confident of giving foreign producers a run for their money. The question of joining the RCEP offers us an opportunity to rethink our tariffs and work out a broad strategy that would push domestic producers to prepare for global rivalry, even as a bold set of reforms are carried out to enable this. That would turn our export pessimists into optimists. And do our economy a good turn.

Source: livemint.com – Sept 12, 2019

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Taking corporates towards sustainability, with Industry 4.0

How Ingersoll Rand handholds companies through their energy efficiency journey

For corporates, energy efficiency and sustainability have become a major focus area, which they are increasingly outsourcing to experts.

Ingersoll Rand, a diversified multinational corporation incorporated in Ireland with Corporate centre in Davidson, North Carolina, US, offers a 'solutions approach' to companies to help alleviate their pain points.

Among its clients are a wide range of manufacturing companies, including those in sectors such as steel, cement, pharma and textiles.

With them it works on three key areas — their productivity by leveraging local manufacturing operations, their innovation through R&D centres and their growth through expanding footprints.

Helping to bring about these changes are new technologies such as artificial intelligence, data analytics and machine learning. Together these seem to be visibly transforming the market dynamics and presenting new opportunities to industry. In fact, the concept of Industry 4.0, which largely means digitalising production, and using the Internet of Things (IoT), will make the management of large factories that much easier through remote control methods. Ingersoll Rand has already piloted over 200 units to bring about these changes.

Long-term targets

Besides servicing its clients, the MNC is simultaneously inward looking in the realm of energy efficiency.

Amar Kaul, Chairman and Managing Director of Ingersoll Rand India Ltd, says, “Sustainability is at the very foundation of our business...In 2014, we established long-term sustainability targets to address one of the biggest issues of our environment and society, including the company’s operational footprint, which we achieved two years ahead of the deadline. “To take the sustainability goals further, we announced our 2030 sustainability commitments which are designed around supply chain and operations, products, systems and services as well as enhancing the quality of life of communities around us,” he adds.

Leveraging brands

The company operates through its brands Ingersoll Rand, Thermo King, Club Car and Trane, which work on several fronts, including enhancing the quality and comfort of air in homes, buildings, and transport, as well as protecting food and perishables. The brands help to increase productivity and efficiency of corporates in varied situations.

The company, which has nearly 100 years of presence in India through its 21 locations in the country, two manufacturing facilities (at Naroda, Gujarat and Sahibabad, UP), and two engineering and technology centres at Bengaluru and Chennai, keeps energy efficiency at the heart of its products.

“We do not take up a product for development unless it is at least 15 per cent more efficient when compared to the existing product,” says Kaul, to explain the multiplier impact it has on a facility and the environment.

Citing the case of how transmission and distribution losses impact a power system, he says that an inefficient compressor could do the same to the productivity of a factory. Therefore, the aim is to ensure that an establishment functions optimally through a solutions approach.

Air pollution

Air pollution is impacting industries across the world and it is critical that they are helped to lower their emission levels and reduce their carbon footprint.

One major power consuming equipment in a plant is the one producing compressed air and this when discharged is saturated with moisture. The wet air, contaminated as it is, is harmful to downstream applications. It takes considerable amount of energy, in the form of electricity to produce clean, dry compressed air that is essential for many processes and applications in a unit. Therefore, a well-designed compressed air system that suits a specific requirement in a factory is vital. That’s where Ingersoll Rand comes in and makes a difference to companies, explains Kaul.

Take, for instance, pharma. Kaul points out that though it is a growing sector, it is also one of the most significant contributors to global warming.

A number of applications in pharma require compressed air and each application may require air of differing pressure and purity.

Offering a wide range of solutions, Ingersoll Rand works closely with the sector, contributing to its sustainable growth.

Climate commitments

The company’s own climate commitments include 50 per cent reduction in greenhouse gases (GHG) in the refrigerant footprint of its products by 2020 and 35 per cent reduction in GHG footprint of its operations by 2020.

It has deployed $500-million investment in product-related research and development to fund long-term GHG reduction. "As an expert product and service provider we seek to help companies achieve this while ensuring sustainability," says Kaul.

Source: thehindubusinessline.com – Sept 11, 2019

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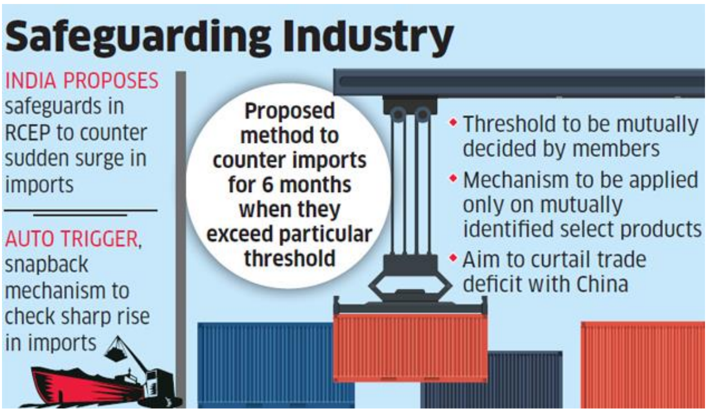
India for safeguards to counter import surge

'Snapback' provision to allow India to revert to original higher tariffs against rise in RCEP imports.

India is batting for a special mechanism in the Regional Comprehensive Economic Partnership (RCEP) trade agreement, being negotiated among 16 Asia-Pacific countries, which will help it protect itself from sudden surges in imports from China.

New Delhi wants 'transitional safeguards measures auto-trigger and snapback' to counter a sudden surge in imports for a period of six months when imports from an RCEP partner exceed a particular threshold. This threshold would be mutually decided by the members and would be applied only on mutually identified select lines.



The snapback provision would allow India to revert to the original higher tariffs to counter a sudden surge in imports.

"We have proposed these mechanisms to check any sudden surge in imports. Snapback is standard trade safeguard. We will use it along with the auto trigger," said an official aware of the details.

The safeguard mechanisms would be discussed at a technical meeting of the RCEP members in New Delhi on September 14-15.

India's trade deficit with the 16-member trade grouping is $105.2 billion, of which $53.6 billion is with China alone.

In India, there is apprehension among government departments and industry that a trade deal on the current terms will lead to China dumping goods in India.

The ministries of steel, agriculture and chemicals, and executives of industries such as dairy, steel, copper, textiles, aluminium, engineering, pharmaceuticals, leather and food have expressed their reservations on it.

While many FTAs globally, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, have some provisions for tariffs to revert to most favoured nation (MFN) levels, experts said this is the first time that the clauses are being explored for RCEP.

"These safeguards have been used in many FTAs and even mentioned in India's trade pact talks with the European Union. These are beneficial but can be used in certain situations such as countries not getting the promised market access," said a Delhi-based expert on trade issues.

India's proposal comes in the wake of discussions for India to immediately eliminate duty cuts on close to one-third of the traded goods once RCEP agreement enters into force.

Source: economictimes.com – Sept 12, 2019

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Export incentives: Aligning new policy with WTO norms to benefit MSMEs most

As a benefit to exporters, the Merchandise Exports from India Scheme (MEIS) was introduced in the Foreign Trade Policy of India for 2015-20.

The intention behind MEIS was to offset infrastructural inefficiencies and associated costs, thereby making India's products more competitive in the global market.

The benefits available under MEIS are in the form of transferrable duty credit scrips which the exporter can use for the payment of Customs duties applicable on imports.

Given such significant benefits, MEIS has proved to be crucial in reducing the overall cost involved in exports and has especially been popular among the country's MSME sector which in the previous financial year accounted for almost half of the country's exports.

Violating WTO Guidelines

Nevertheless, the response from the international community was not so overwhelming as the USA considered MEIS to be in direct violation of the World Trade Organisation (WTO) Guidelines (WTO Guidelines).

As per the WTO Guidelines, for a country to offer export subsidies, its per capita Gross National Income (GNI) could not exceed $1000 for three consecutive years.

The USA argued that India became ineligible to offer subsidies in 2017 when it surpassed the above threshold for three consecutive years.

The violation is still debatable, particularly since the Government is confident that the eight-year period of phasing out export subsidies granted to developing countries is applicable to India. However, in the wake of this backlash, the Indian Government may not want to disturb the delicate trade equilibrium.

Almost unanimously regarded as the country's "engine of growth", the country's MSME sector is understandably at the centre of economic policymaking. Any policy revision adversely affecting the MSME sector has the potential to cause economic disruption since it puts to risk almost 63 million businesses.

A complete withdrawal of the MEIS in response to international pressure would have placed an additional burden on the MSME sector which is already struggling to counter the reduction in demand due to global economic slowdown. Keeping this in mind, the Government has introduced the Rebate of State & Central Taxes and Levies (RoSCTL) Scheme as an interim measure.

RoSCTL Scheme for MSMEs

The RoSCTL was introduced in March 2019 with the intent to rebate all embedded State and Central taxes for garments and apparel and is presently available for the textile industry.

Currently, the RoSCTL scheme offers transferable duty credit scrips to the exporters in order to offset levies imposed by the Central Government (such as Excise Duty on transportation fuel, Central Goods and Services Tax) and those imposed by the State Governments (such as Mandi Tax, Electricity Duty, Stamp Duty on export documents, State Goods and Services Tax, etc.), in a bid to make exports 'truly' duty free. While the benefits of MEIS were largely at a flat rate, the benefits under the RoSCTL are a function of the quantum of Central/State taxes suffered by a particular class of product and are subject to a monetary upper threshold. Since the benefits are aimed at neutralising the tax incidence on procurement and processing, they are expected to be compliant with the WTO Guidelines.

While the jury is still out on the effectiveness of the RoSCTL in the long run, an improved version of this scheme applicable to more sectors based on industry feedback is likely to find a place in India's Foreign Trade Policy, which is due for revision next year. The reaction of the MSME sector would be tracked closely since they are expected to be the scheme's largest beneficiaries.

Given the current trade stand-off between the USA and China, India is in an ideal position to gain a foothold in the USA and other significant countries. The coming few months are crucial for MSME exporters as the Government will attempt to align the export incentives with the WTO Guidelines while keeping in mind the objective of fueling the country's engine of growth.

Source: financialexpress.com – Sept 11, 2019

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