TEXTILE INTELLIGENCE CENTRE IBTEX
INFORMATION BUREAU TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
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# IBTEX No. 113 of 2019 June 13, 2019

USD 69.34| EUR 78.37 | GBP 88.02 | JPY 0.64

| Cotton Market | | |
|---|---|---|
| **Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 21818 | 45600 | **83.79** |
| **Domestic Futures Price (Ex. Warehouse Rajkot), June** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 21450 | 44831 | **82.38** |

| **International Futures Price** | |
|---|---|
| NY ICE USD Cents/lb (July 2019) | 66.57 |
| ZCE Cotton: Yuan/MT ( September 2019) | 13,310 |
| ZCE Cotton: USD Cents/lb | 87.27 |
| **Cotlook A Index – Physical** | **76.50** |

**Cotton Guide:** Two factors have driven the market up- First, Short Covering and second, Adverse weather conditions in Texas. It was seen that mills are taking advantage of the bearish prices, thus buying some cotton (rising demand) and therefore causing a rise in prices.

The ICE July futures settled at 66.57 cents/lb with a change of +92 points. The ICE December contract settled at 65.88 cents/lb with a change of +84 points. The total volumes were around 58,000 contracts. We need to note that the volume figures are seen to be significantly higher in the last 4 sessions. Rolling over of positions is a cause of such high volumes. At the time cotton settled, the USD was trading higher along with corn, wheat and Soybeans.

The MCX contracts followed the trend of ICE thus settling higher. The MCX June contract settled at 21,450 Rs/Bale with a change figure of +250 Rs. The MCX July contract and the MCX August contract settled at 21570 and 21560 Rs/Bale with a change figure of +250 Rs and +240 Rs. The total volumes were however subdued almost touching 4000 lots. The BSE June cotton futures settled at 21960 Rs/Bale with a change of +230 Rs whereas the BSE August contract settled at 21920 Rs/bale with a +240 Rs.

The Cotlook Index A is at 76.50 cents/lb with a change of -0.35 cents/lb. The Cotlook Index A 2019/2020 is at 75.20 cents/lb denoting a change of -0.50 cents/lb. The average prices of Shankar 6 are still unchanged at 45,600.

On the Geopolitical front, the bulls could charge ahead with comments from the Chinese President that he would be Meeting President Trump in Japan. Earlier there was news that Xi would not be attending the G20 Summit. To this President Trump reacted by saying if President Xi does not turn up for the meet, then he would slap heavy (additional) tariffs on China. Hopefully, both the superpowers will continue with the talks aiming to reach an agreement sometime soon.

For the coming days, markets are set to be volatile, as the ICE July futures is near to its first notice day. For today we feel the international markets would fluctuate in a one cent range in either direction. If weather still seems to be a concern then we can even see higher gains. MCX will follow the trend of ICE but will show more of positive numbers.

On the technical front, after closing below an upward sloping channel, prices have formed a bearish flag formation & recently they have been trading within a range (64.80-66.90). Prices have taken support of 50% Fibonacci extension level (64.80), but are currently trading below the DEMA (5, 9) at (66.51, 66.95). However immediate support for the prices at 64.80 & the resistances would be 66.95 (9 day EMA). Momentum indicator Stochastics which works well in sideways markets is hovering near the oversold zone at 34 suggesting sideways to negative bias for the coming sessions. For the today's session we expect the prices to trade within a range of 64.80-66.90. In the Domestic market MCX Cotton June may trade in the range of 21600-20900.

**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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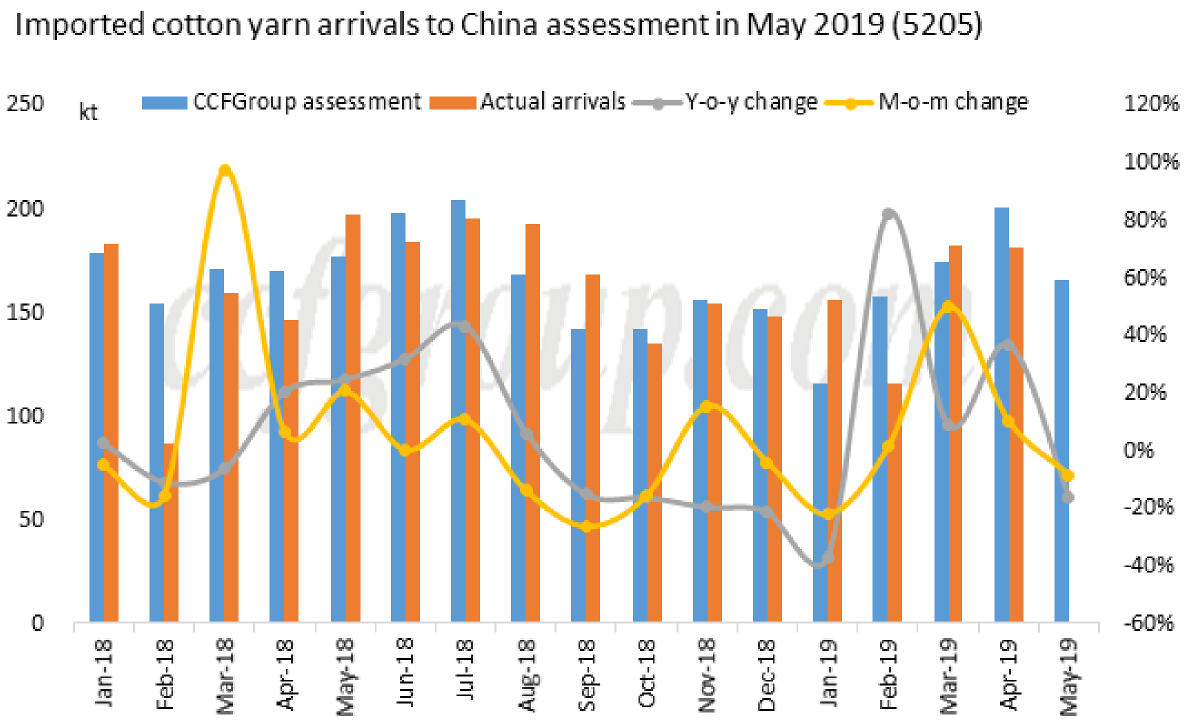
# INTERNATIONAL NEWS

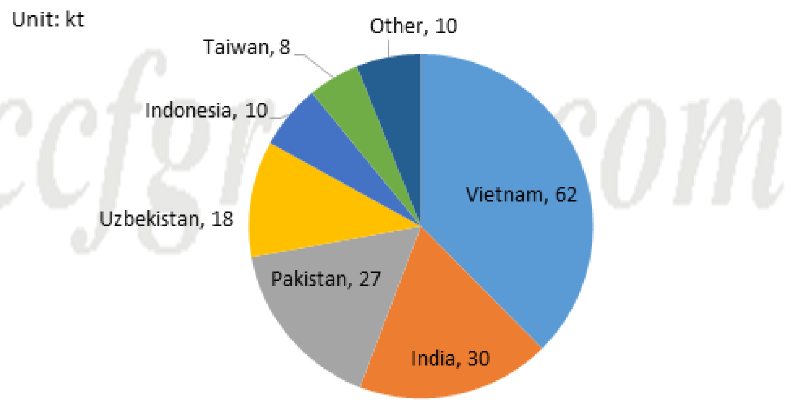
## China: May cotton yarn imports may decrease 8.29% m-o-m to 166kt

### 1. Imported cotton yarn arrivals to China assessment




Cotton yarn imports to China in May are estimated at 166kt, down 15.85% y-o-y and 8.29% m-o-m.

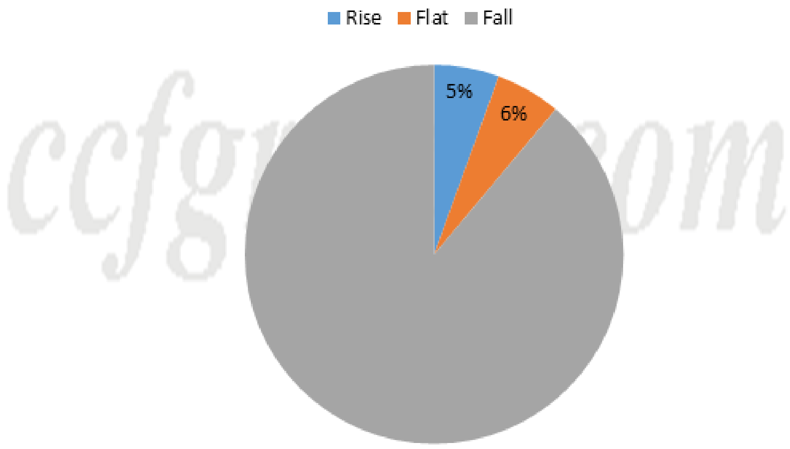
Cotton yarn imports assessment in May by countries and regions




According to the shipments in overseas market in Apr, the arrivals of imported cotton yarn in May are predicted to decline on the year, but the decrease will be small. The imports from Vietnam is estimated at 62kt, from India 30kt, from Pakistan 27kt, from Uzbekistan 18kt, from Indonesia 10kt, from Taiwan 8kt and from other regions and countries 10kt. Cotton yarn imports of China from major origins are expected to decrease, except for Pakistan and Uzbekistan.

## 2. Traders' reflection

Traders' feedback on imported cotton yarn arrivals in May




*Note: Over 30 enterprises are surveyed, covering over 50% of cotton yarn imports.*

Major traders and L/C issuing companies reflected lower expected arrivals of imported cotton yarn and the arrivals may be the highest in the first half of 2019.

### 3. Imported yarn stocks and supply and demand outlook in Jun


In May, stocks of imported cotton yarn were high and traders were burdened with high pressure. The change in China-US relation and slump of ZCE cotton futures quickened the coming of slack season, dragged down the prices of Chinese and imported cotton yarn. Thus, downstream was not active to purchase and traders felt hard to sell.

Under the pressure of capital, Chinese cotton yarn mills undersold without considering cost weighed on imported cotton yarn which weakened the price advantage of imported one.

Inventory pressure on imported cotton yarn was still large. It is estimated at 104kt in ports, including 40.2kt in Jiangsu and Zhejiang, 41.5kt in Guangdong and 12.4kt in North China.

Currently, stocks of imported cotton yarn stayed high. Due to RMB depreciation and slide of spot price, traders suffered losses of 500-1500yuan/mt, and contract breach was seen in forward cotton yarn market.

With bearish market sentiment, arrivals in Jun are likely to plummet and supply may reduce. The stocks in ports can be consumed until end-Jun. At present, stocks of raw materials in downstream were at a small amount and if orders come, destocking may start quickly.

Source: ccfgroup.com- June 12, 2019

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## USA: Retail Apparel Prices Flat in May, but Outlook Remains Unclear

After two months of declines, retail apparel prices were flat in May compared to April, as increases in women's clothing were balanced by declines in men's wear, the U.S. Bureau of Labor Statistics (BLS) reported Wednesday in the Consumer Price Index (CPI).

Men's apparel prices fell 0.7 percent in the month, with declines of 1.5 percent in pants and shorts; 1.4 percent in the suits, sport coats and outerwear group; and 0.3 percent in shirts and sweaters. The only men's wear category that saw prices rise was the underwear, nightwear, swimwear and accessories group, with a 0.7 percent gain.

In women's wear, prices were up 0.2 percent last month, pushed up by a 2.5 percent increase in dresses. All other women's sectors saw prices fall, with decreases of 1.8 percent in the underwear, nightwear, swimwear and accessories group; and 0.7 percent in both outerwear and suits and separates.

Boy's apparel prices were up 0.1 percent for the month, girl's clothing prices rose 0.2 percent and infants' and toddlers' apparel prices increased 0.5 percent.

Meanwhile, the outlook for apparel prices in the pipeline is unclear. On the one hand, the potential for tariffs on apparel imports from China lurks and could send prices up.

In a fresh analysis released Wednesday, Cotton Incorporated said, "A central source of uncertainty for the cotton market remains the trade situation between the U.S. and China...If tariff increases are extended to cover all U.S.

consumer goods imported from China, U.S. retail prices could increase and demand across product categories could fall."

On the other hand, fiber prices have generally been soft. U.S. spot cotton prices averaged 63.55 cents per pound for the week ended June 6, down from 63.56 per pound a week earlier and from 87.39 cents per pound in the year-ago period, according to the U.S. Department of Agriculture (USDA).

The BLS Producer Price Index for domestic synthetic fibers was also flat in May, but was up 2.5 percent from a year earlier.

The price of wool imported to the U.S. fell to $5.88 for the week ended June 7 from $6.24 a month earlier. In Australia, the Eastern Market Indicator was down 23 cents to $18.64 Australian.

Footwear prices were up 0.1 percent in May. Men's footwear prices increased 1.1 percent, women's prices fell 0.2 percent, and boys' and girls' dropped 2.5 percent.

In the overall economy, the CPI increased 0.1 percent in May on a seasonally adjusted basis after rising 0.3 percent in April, BLS reported. Over the last 12 months, CPI was up 1.8 percent before seasonal adjustment.

The core CPI, excluding the volatile food and energy sectors, increased 0.1 percent for the fourth consecutive month.

The energy index, an important gauge for businesses, fell 0.6 percent in May, with the gasoline index falling 0.5 percent following a 5.7 percent increase in April, and the indexes for electricity and natural gas also declining. The electricity index also fell, decreasing 0.8 percent in May.

Source: sourcingjournal.com- June 12, 2019

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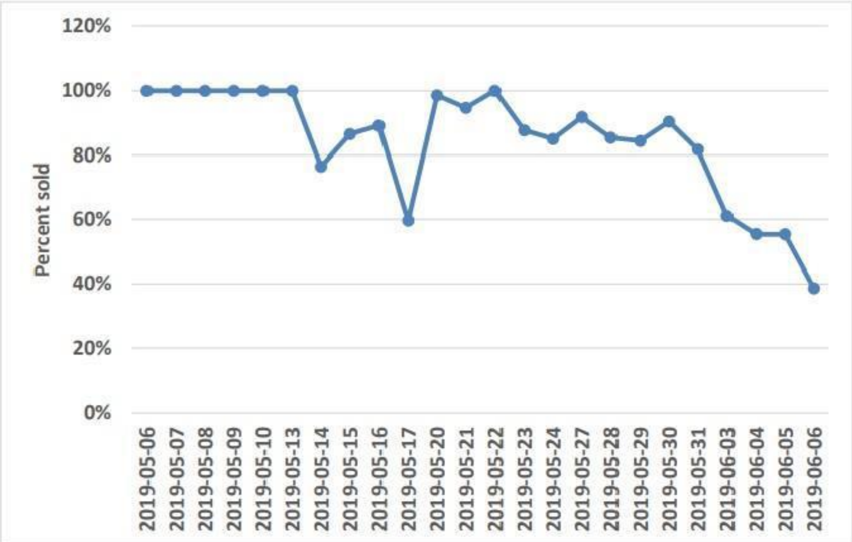
# China's cotton reserve sales strong in May: USDA

The sales of cotton from China's state reserve were strong during May although the quantity weakened during the first week of June. Sales started on May 6 with a target of selling 1.0 million tons (4.6 million bales) by September. As of June 6, about 220,000 tons had been sold representing about 85 percent of the total offered for sale during the period.




The state reserve's total beginning volume is estimated at 2.7 million tons. The mechanism for sales is similar to that used in the previous 2 years: about 10,000 tons in lots are listed daily, ranging between 50 and 400 tons.

The lots are auctioned with a reserve price based on the weekly average of foreign cotton (A-Index) and domestic prices adjusted for quality, the Foreign Agricultural Service of the US department of agriculture (USDA) said in its June 2019 report 'Cotton: World Markets and Trade'.

Of the estimated 220,000 tons of cotton sold during the first month of the sale, the majority was sold directly to spinners and the rest to traders with roughly half of the sales being Xinjiang cotton. The sales rate in May was over 90 per cent but dropped sharply in the first week of June as the base price increased slightly.

"It is expected that nearly all of the available cotton will be sold by the end of the sales period," the USDA report said. (RKS) hina's cotton reserve sales strong in May: USDA

Source: fibre2fashion.com- June 13, 2019

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# Vietnam: Imported fabric increases sharply

The Ministry of Industry and Trade reported that Vietnam imported 21 commodities worth over US$ 1 billion, accounting for 80.3 percent of the total import turnover in the first five months of the year; in which some items increased compared to the same period last year such as electronic components, machinery, fabric, iron and steel, plastics, etc.

It noted that, fabrics exported from China to Vietnam have increased sharply, accounting for 57.3 percent of total fabric import turnover of the country. Therefore, Mr. Vu Duc Giang proposed three recommendations to promote the domestic fabric industry.

Firstly, industrial parks to invest in textile and dyeing industry have to be quickly established. Secondly, the Ministry of Industry and Trade must be the mainstay in the strategy of building the supporting platform with the textile industry. Finally, it is necessary to have transparency to create a legal foundation.

Thus, the textile and garment industry would be rapidly independent on imported raw materials in general and the fabric sector in particular to improve the value added in exports and take the advantages of free trade agreements.

Source: sggpnews.org.vn- June 12, 2019

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# Istanbul shoulders over 42% of country's exports with nearly $30B in sales

Companies in the engine of the Turkish economy and the country's most populous city, Istanbul, have exported almost $30 billion, $29.8 billion to be more precise, worth of goods in the first five months of the year, official figures show.

The goods were sold in 27 different sectors, including textiles, apparel, automotive, fruit and vegetables, jewelry and defense, to 227 overseas points across the world, according to Turkish Exporters Assembly (TİM) data.

Istanbul-based companies' exports from January to May increased by 5.4%, up from $28.3 billion in the same period last year.

Their share in Turkey's five-month exports of $70.5 billion increased by 0.4 points compared to the same period last year, rising from 41.9% to 42.3%.

The ready-made clothing and apparel sector took the lion's share of the exports for Istanbul-based companies with 17.8%. In the first five months of the year, companies operating in this sector saw a 3.6% increase in product exports compared to the same period of 2018, reaching $5.3 billion.

Chemicals and chemical products came in second in exports, with around $4 billion, followed by steel with $3.3 billion, automotive with $2.7 billion, electronics with $2.5 billion, ferrous and nonferrous metals with $1.9 billion, textiles with $1.5 billion, jewelry with $1.3 billion, and machinery and machine components with $1.2 billion.

Thus, exports in nine sectors that transported their products from Istanbul to the world exceeded $1 billion.

The defense and aerospace industry took the lead in the increase in exports among Istanbul-based companies, which steered the economy of the country in the first five months of the year.

Defense and aerospace exports from the city increased by 103.7% year-on-year to $342.1 million in the January-May period, indicating that the export volume of this sector almost doubled.

In terms of quantity, on the other hand, the chemicals and products sector recorded the highest increase in the five-month exports by companies in Istanbul.

Companies operating in the chemicals and chemical products sector sold $3.2 billion worth of products in the first five months of last year and managed to increase this figure to $4 billion in the January-May period of 2019, an increase of $793.1 billion in exports.

Meanwhile, companies operating in 27 different sectors, including automotive, steel, chemicals, ready-made clothing and apparel, ferrous and nonferrous metals, electronics, machinery, air conditioning, furniture, cereals, textiles, leather, aquaculture, cement, hazelnuts, fruit-vegetables, mining, carpets, olives and olive oil, tobacco, other industries, fresh fruit and vegetables, ornamental plants, dried fruit, defense, jewelry, ships and yachts, delivered their products to 227 overseas points in this period.

In the first five months of this year, the top market for Istanbul-based companies was again Germany. The city's exports to the country, which held a significant place in the country's overall exports, decreased by 8.7% in the January-May period compared to the same period of 2018 but maintained in first place with $2.8 billion.

The U.K. came second with $1.9 billion, followed by Italy with $1.5 billion, Spain with $1.3 billion, the U.S. with $1.1 billion and France with $1 billion.

In this period, the United Arab Emirates (UAE) saw the highest increase in exports from Istanbul in quantity with $276.9 million, followed by Malta with $236.1 million, Saudi Arabia with $193.7 million and Morocco with $135.9 million.

Source: dailysabah.com- June 12, 2019

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# Vietnam textile industry strives to find new markets

Việt Nam's textile and garment industry is striving to achieve export turnover of more than US$40 billion in 2019, a year-on-year increase of 14-15 per cent.

Data from the Ministry of Industry and Trade (MoIT) showed that since the beginning of the year, the textile industry has achieved positive results. Compared to the same period last year, the industry has grown by more than 12 per cent.

The industry has posted growth in production of costumes (up 8.8 per cent), fabric made from natural fibres (3.9 per cent), synthetic fibres (19.5 per cent) and casual clothes (8.7 per cent).

So far this year, textile and garment export turnover is estimated at $9.43 billion, an increase of 9.8 per cent from the same period last year.

According to Lê Tiến Trường, general director of the Việt Nam National Textile and Garment Group (Vinatex), Việt Nam's garment export industry is growing. Orders to Vietnamese enterprises have increased by 8-10 per cent over the same period in 2018.

Trường also emphasised the initiative of textile enterprises in seeking new markets. A market tour by Vinatex and 10 other large businesses in May 2019 to seek importers in Canada – a member of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) – shows the determination of industry leaders to increase Việt Nam's market share abroad.

"Meetings with importers have been taking place, and a number of importers with revenue of up to 1 billion Canadian dollars such as VF, Atlantic Sportwear and Giant Tiger have contacted Vietnamese textile enterprises," Trường said.

In April, the International Exhibition of Textile and Garment Industry - Fabric & Garment Accessories in HCM City served as another opportunity for textile enterprises to expand their market. With more than 1,000 international suppliers attending from 24 countries, the exhibition helped businesses get information about the latest production technologies and find ways to meet the needs of domestic and international buyers.

Việt Nam’s textile and garment is appreciated by foreign partners for both its quality and order fulfilment time.

Cao Hữu Hiếu, Vinatex’s managing director, said that medium and large textile enterprises in Việt Nam have worked to meet social responsibility and Green Label criteria from partners.

However, the sector also faces of a number of challenges. For example, increased trade stress is affecting service prices.

In addition, strong exporting countries consider Việt Nam a rival to curb. In order to continue growing at the same rate, enterprises need to innovate with specific solutions. They must develop a competitive tool set including focusing on technological innovation, saving energy and improving the productivity of synthetic factors through solutions such as automation.

It is necessary to link businesses through common information, artificial intelligence and big data, Hiếu said.

Source: vietnamnews.vn- June 12, 2019

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## Chinese textile company brings new life to Tajikistan's cotton industry

"I'm happy to sell cotton to Chinese people," said Tajik cotton farmer Vahit, who did not give his full name, when telling his stories about China's Zhongtai (Dangara) New Silk Road Textile Industry Company, a large cotton processing and textile producing enterprise bridging China and Tajikistan.

His special relationship with Zhongtai started three years ago, when Zhongtai made an exception for Vahit and bought a batch of his cotton that had been soiled in a truck accident. Deeply touched by the generous gesture, Vahit has decided to prioritize his business with Chinese companies ever since.

This is an epitome of Zhongtai's people-oriented development plans. Founded in the Dangara District of Tajikistan's Khatlon Province in 2014 by China's Zhongtai Group and Xinjiang Production and Construction Corps, the company, with vigorous support from the Tajik government, aims to build a modern cotton industrial base which helps boost the economy and improve local people's livelihood.

Zhongtai has a reason to be confident in its growth, considering that a suitable climate with adequate light and heat enables Khatlon to produce one of the best cottons in the world, and its potential has yet to be fully tapped.

With more than 13,000 hectares of cotton fields provided by the Tajik government, Zhongtai has introduced advanced technologies from northwest China's Xinjiang Uygur Autonomous Region, which substantially increased the annual output of cotton in the area.

Under the scorching sun, sweeping green cotton fields stretch far off to the mountains in the distance. Irrigation pipes neatly aligned across the fields are watering the cotton branches, in preparation for the harvest two months away.

"We have not only enhanced cotton planting technologies, but also promoted the cotton and textile industrial chain and helped Tajikistan expand its overseas market," said Zhao Jianlong, head of Zhongtai's general management department.

After the first and second stages of its project went into operation, Zhongtai has set up an industry chain of cotton growing, ginning and spinning, which is "one of a kind" in the Central Asian country, Zhao said.

At present, the company produces 150,000 spindles of yarn annually, accounting for 80 percent of Tajikistan's total spinning capacity. Its products are exported to various countries including Turkey, Russia, Italy and Poland, making it the largest exporter in Tajikistan in terms of foreign currency earnings.

The Zhongtai project is a symbol of strengthening cooperation between China and Tajikistan in recent years. As Tajikistan's biggest investor and a major trading partner, China has invested in many large industrial enterprises or projects in the country, bringing high tax revenues and a large number of jobs to local people.

Currently, the Zhongtai project has nearly 600 Tajik employees, who have either learnt their skills at the company or participated in training programs in China.

It is known to locals that the incomes of Zhongtai's employees are even higher than those of local civil servants and white-collar workers, which has attracted many applicants.

Standing in front of a row of cotton-spinning machines in a spacious textile workshop, Sharipova Shifo, a single mother of two children, recalled her memorable four-month training experience in China as an employee of the company.

"I liked the cities in China! I learnt how to work at a textile factory there. When I returned back here, I work as a specialist and I know all the equipment ... I love my job and I have a good salary," she said.

"The textile factory has an excellent reputation here. In addition to the locals, many people from other areas have come here expecting to become employees," said Navruzchon Khabib, the company's interpreter and a core member of its technical personnel.

Though jobs at the company are in short supply at the moment, thousands of locals are expected to be hired after the final stages are put into operation, Zhao said.

In support of the project, a number of universities in Dangara have set up textile training courses to cultivate more professionals in this field, while factories in the region provide maintenance and repairs for Zhongtai's equipment.

The following stages of the Zhongtai project are scheduled to be completed and put into operation by 2021, when the industry chain will be upgraded into an entire integrated process involving factories for weaving, dyeing, and clothing manufacturing.

Source: xinhuanet.com - June 12, 2019

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## Vietnam Consolidates Textile Export as an Economic Prop

Vietnam revalidated its status as the world''s third-largest supplier of clothing and textiles by exporting 14.5 billion dollars in the first five months of the year, a year-on-year increase of 9.11 percent.

The total income in that period is distributed in more than 11.2 billion dollars in clothing, 1.6 billion in textile fibers and 856 million in fabrics, said Wednesday the National Association of Textiles and Clothes (Vitas).

Such results made the sector closer to the goal of making foreign sales worth 40 billion dollars in 2019, as that amount represents 36.3 percent of the plan.

The possibility of achieving this is based on the administrative, technical and organizational conditions created to surpass the results of 2018, when the exports of these lines surpassed 36 billion dollars.

Then, as now, the main buyer was the United States with more than half of the total, followed by Japan, South Korea and China. All together they accounted for about 70 percent of the billings.

According to Vitas President Vu Duc Giang, the 40 billion is affordable if, as the government and related ministries were asked to do, new measures are taken to eliminate situations that still hinder the operations of companies engaged in the business.

Source: plenglish.com- June 12, 2019

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## Pakistan: 17pc GST to ruin export industry, claims APTMA

The imposed General Sales Tax (GST) of 17 percent in the budget 2019-20 will force the export industry not to function as it will create the huge liquidity crisis, advisor to APTMA (All Pakistan Textile Mills Association) Shahid Sattar told The News.

Though the government has done away with zero rating for export industry that includes textile, surgical, carpet, sports and leather sectors and imposed sales tax of 17 percent, but APTMA will hold its meeting today (Thursday) and will make its formal response to the budgetary measures.

However, he said, that APTMA wants the government to enforce the robust and reliable Sales Tax Refund Mechanism to avoid liquidity crisis in the export industry. He argued that under current scheme of 17 percent GST, industry will find impossible to function due to extreme lack of liquidity. "Industry simply did not have liquidity of Rs600 billion to pay the sales tax and then await payment of refunds. The refund cycle with best of intents would take 6-8 months."

He mentioned that the track record of the government whether finance, FBR or State Bank was extremely negative as far as refunds are concerned which have been delayed by many months and even years in certain cases.

He said under the given circumstances industry would collapse if further liquidity is mopped up by the government and more importantly the cost of doing business would increase by Rs150 billion per annum for the textile sector destroying Pakistan's hard won competitiveness through rational energy pricing.

Sattar further explained, saying that even at present the obtaining of sales tax refunds from FBR entailed an additional 4% unjustified expense.

He said if no quick guaranteed sales tax refund mechanism is ensured then the industry will automatically die down and more than 2 million jobs of directly employed workers would be at risk. “And it will be having extremely negative consequences for the country’s balance of payments.’

Source: thenews.com.pk- June 12, 2019

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## Vietnam’s textile industry strives to find new markets

Việt Nam’s textile and garment industry is striving to achieve export turnover of more than US$40 billion in 2019, a year-on-year increase of 14-15 per cent.

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Source: vietnamnews.vn - June 13, 2019

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# NATIONAL NEWS

## Commerce Minister reviews free trade pacts

Commerce & Industry Minister Piyush Goyal has reviewed India's free trade agreements (FTAs) with partner countries such as Japan, South Korea, Sri Lanka and the 10-member ASEAN to identify problem areas for the Indian industry and the opportunities they could offer.

"The Minister reviewed in details the impact of the existing FTAs on the Indian industry and the extent to which the partner countries had gained from it. The idea was to explore if there are ways in which concerns of the Indian industry could be addressed and what should negotiators look out for in future pacts," a government official told BusinessLine.

While the BJP-led government did not sign any new FTA in its first stint in the last five years, Indian industry has been complaining about the ones signed in the past as they gave access to products from competing countries to Indian markets at preferential interest rates. Indian exporters, on the other hand, have not been able to utilise the FTAs well because of lack of awareness, complicated rules of origin requirements and other technical issues.

"Many sectors such as steel, electronics, chemicals, textiles and agricultural items like spices and vanaspati have been hit due to the existing FTAs and overall trade deficit with partner countries have also gone up," the official said.

It is important for India to come to grips with what its position on FTAs should be as there are a number of proposed pacts in the pipeline including long-pending ones with partners such as the EU, Australia and the Regional Comprehensive Economic Partnership (RCEP).

"The Indian industry is not totally opposed to FTAs. For instance, there are sectors such as textiles that want an FTA with the EU. A balanced view needs to be taken by the government on the matter," the official said.

Goyal, who took charge as the Commerce & Industry Minister recently, is yet to discuss in details the challenges that the proposed RCEPpose for India.

“A clarity on RCEP and what India is ready to offer all members including China in terms of market access has to emerge. Once there is clarity, Indian officials can take a firm stand at the negotiations,” the official said.

Source: thehindubusinessline.com- June 12, 2019

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## Centre to give fillip to trade, connectivity with Bangladesh, Myanmar; lines up new initiatives

Final touches being given to bus service to Myanmar, Ro-Ro service to Bangladesh

Two weeks after the Prime Minister Narendra Modi assumed office for the second term, the Centre is giving final touches to a host of new initiatives – mini ICPs (Integrated check post), rail-based Ro-Ro service to decongest road traffic in Bangladesh border and bus service between Myanmar and Manipur – to improve connectivity with Eastern neighbours.

**Trade and connectivity**

It was anticipated that the new government will focus its attention on trade and connectivity with BBIN (Bangladesh, Bhutan, India and Nepal) and BIMSTEC nations (Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan).

There is now an enhanced focus on coordination between different Departments to ensure efficient implementation of projects.

While NITI Aayog is leading on the planning part, the recently formed Logistics Department under the Commerce Ministry is ensuring that different arms of the government do not work in silos.

This is expected to improve the efficiency of various trade facilitation projects, as in Jogbani where the Land Ports Authority under home ministry is building ICP on Indian side, while the Ministry of External Affairs is funding a mirror ICP on Nepalese side and the Railways is connecting the two countries.

## Innovative solutions

A better coordination is bringing some innovative solutions. For example, the Railways proposed starting a service between Kolkata and the largest land border with Bangladesh at Petrapole-Benpole to allow loaded trucks to roll in and roll out (Ro-Ro).

The Central Warehousing Corporation (CWC) is preparing an online platform so that Indian trucks can book parking spaces at the ICP Petrapole in advance.

The aim is to reduce road congestion on the 70-km stretch from Kolkata to Petrapole and end the local extortion racket at the border town of Bongaon.

An in-principle decision has been taken to upgrade 10 Land Customs stations — which barely see movement of goods due to lack of facilities — on Bangladesh and Myanmar border into mini ICPs enabling both trade and passenger movements.

This is over and above the existing ICPs (Moreh in Maniur, Petrapole in Wet Bengal and Akhaura in Tripura) and upcoming ICPs (Sutarkhandi in Assam, Sabroom in Tripura and Dawki in Meghalaya).

The proposed list for upgrade includes border gates at Nampong (Arunachal Pradesh) and Zokhawthar (Mizoram) with Myanmar. The Zokhawthar border has potential to connect India sponsored Trilateral Highway (from India to Thailand) bypassing Manipur.

On Bangladesh border, Mahendraganj (Meghalaya), Sheila Bazar (Meghalaya) and Srimantapur and Raghnabazar in Tripura are proposed to be mini ICPs.

While the list will be finalised after a detailed study, the government is looking for a suitable location to open a trade point between Nagaland and Myanmar. Nagaland does not have any trade facility.

Meanwhile, officials of India and Myanmar met last week to start a bus service between Mandalay (Myanmar) and Imphal (Manipur). To ensure quick launch and avoid the long negotiations for protocol movement, the two governments are looking to start synchronised services.

"Better coordination between ministries will help the north-eastern States the most," an official said. Though different ministries are mandated to allocate 10 per cent of the budget to North-east; funds often remain unutilised due to lack of coordination.

Source: thehindubusinessline.com- June 12, 2019

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## Retail inflation at seven-month high in May; industrial growth at 3.4% in April

Retail inflation surged to a seven-month high in May. It is the fourth consecutive monthly rise. But there is some good news as the financial year 2019-20 began on a positive note with the industrial sector registering 3.4 per cent growth in April.

The data is critical as the General Budget is scheduled to be presented on July 5. Though the latest monthly data is encouraging, the overall industrial scenario is not so upbeat, as various sectors, and in particular the automobile and FMCG sectors, are facing slowdown in sales — a reason for India Inc to seek some relief and incentives in the Budget.

Though the rate of retail inflation has gone up, it is still below 4 per cent, the median rate for inflation targeting. This opens the possibility of one more rate cut during the fiscal, if not in the August policy review.

The MPC, chaired by the RBI Governor, went for three successive policy rate cuts with the latest one being earlier this month. It also changed its stance to 'accommodative' from 'neutral'. Considering comprehensive and coordinated approach for growth, the market is expecting another rate cut and/or liquidity enhancing measures such as lowering cash reserve ratio (CRR).

### Retail inflation

Rate of retail inflation as indicated by the Consumer Price Index (CPI) recorded 3.05 per cent in May, as against 2.99 per cent in April. This is highest after October, 2018. Food inflation (May 2019: 1.83 per cent, April 2019: 1.10 per cent) was the major driver for retail inflation.

Vegetables and pulses were major drivers of food inflation. Vegetables inflation at 5.5 per cent was 11-month high and pulses witnessed inflation after a gap of 29 months. While vegetables inflation is mainly due to summer seasons and are cyclical in nature, the expectation is that it is likely to go up further as prices tend to rise during the monsoon.

Sunil Kumar Sinha, Principal Economist at India Ratings, said the RBI may continue to pursue policy that would be supportive of growth. “The RBI has cut policy rates in the last three monetary policy reviews. Although the impact of the monetary policy is felt with a lag, India Ratings believes there is still a scope of one more rate cut in FY20. However, besides being dependent on data it will also take into consideration fiscal policy stance of the government,” he said.

## Industrial Growth

Meanwhile, industrial growth, as indicated by Index of Industrial production (IIP) rose to 3.4 per cent in April as against the revised 0.35 per cent in March, however lower than 4.5 per cent during May 2018. At a broad classification level the main thrust to IIP growth came from electricity and mining sector but growth in the manufacturing sector is still below 3 per cent which is affecting not just overall industrial growth but also employment scenario,

According to Sinha, the whole picture is not very encouraging on the industrial production front. “Ind-Ra has been consistently articulating that given the fluctuation in the IIP growth data it is difficult to believe that we are on our way or anywhere near to a broad based and sustainable industrial recovery,” he said.

Source: thehindubusinessline.com- June 12, 2019

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# Roll out of simple GST returns deferred to Oct; trial to start next month

To be implemented in phases, to be fully in pace by January next

Giving the industry a breathing time, the government has deferred implementation of the simplified returns to October from earlier deadline of July and came out with clear-cut phase-wise timelines for a transition.

Trial of parts of new returns will start from next month and the whole process would replace the existing returns by January 2020.

Currently, there are two forms that every registered unit has to file either monthly depending on their sales -- GSTR 1 for sale invoices and GSTR 3B which is summary of purchases and sales. GSTR 1 and GSTR 3B would be replaced by GST ANX-1 and GST RET-01 respectively. There would be another form GSTR ANX-2 which would be for purchases.

GSTR 1 would be replaced by GST ANX-1 from October for large companies (having turnover of more than Rs 5 turnover) and from January for others.

However, experts have cautioned about the capacity of GSTN portal to handle returns. "What would also be interesting to see is how the GSTN portal behaves with the new return format and its annexures," said Harpreet Singh, partner at KPMG.

Meanwhile, the GST Council is also planning to implement e-invoicing system. "It remains to be seen as to whether the government would want the e-invoicing system to be implemented simultaneously in a phased manner and how the same would be integrated with the GST returns," Pratik Jain, partner at PwC India, said.

Abhishek Jain, partner at EY, said with a concrete transition plan, businesses would now need to commence work on ERP system changes, business process changes for aligning disclosures with the new return.

Source: business-standard.com- June 12, 2019

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# GSP move: India must take US to the WTO

The Generalized System of Preferences (GSP), accorded by the US to imports from India since 1976, stood terminated as on June 5, 2019. The government of India has indicated that the fiscal impact of this withdrawal, which would impact approximately $5.6 billion of India's exports, is not significant.

Perhaps it is indeed not when seen against the overall exports to the US, valued at $230 billion. But the issue is not one of mere numbers, but one of legal principles as the systemic impact of US's brazen unilateral actions.

It is also of the impact that the move would have on exporters of several goods such as jewellery, building materials, solar cells and processed foods, which will face increases of upto 10% in the US tariffs, not all of which exporters can absorb by increasing prices of products in their struggle to remain competitive. Spillover effects in terms of downsizing in export firms, diversification, exploring newer markets, and all the accompanying uncertainties therefore seems inevitable.

To begin with, there is no right or entitlement that India, or any other developing country, has to GSP benefits from any developed country. GSP is a voluntary exercise of preferential market access that developed countries have the discretion to provide.

However, the laws of the World Trade Organization (WTO) provide very clear legal that a country that chooses to administer GSP needs to adhere to. This includes the legal requirement that GSP shall be available for all developing countries on a non-discriminatory basis, and they need to be accorded on a non-reciprocal basis, i.e., such preferences cannot be given or restricted on the ground of equivalence of some benefit from a developing country.

The US has unabashedly also confirmed that the GSP benefits to India has been terminated solely on account of its unilateral assessment that India does not provide "equitable and reasonable market access" to it. This is an admitted violation of the mandate that GSP needs be based on the principle of non-reciprocity.

The object of US's trade concerns against India include requirements under Indian law for certification of dairy products, norms on pricing for medical devices, and India's laws on patenting which apply, in the view of the US, strict criteria for grant of patents for products and also allow for compulsory licensing. Each of these is a legitimate exercise of sovereign legislative and policy choices by India. The US has also expressed concerns on imposition of high tariffs by India in various sectors, including automobile, textiles, pharmaceuticals and distilled spirits, which, again, are all within the realm of India's WTO's commitments.

In other words, India's actions are all WTO-consistent domestic policy actions. The US, however, perceives these as limiting market access, and instead of playing by the multilateral rules, which would require trade negotiations on a reciprocal basis, it is resorting to leveraging the one tool that it is mandated to provide on non-reciprocal basis, i.e., GSP benefits.

The US action is an extension of its recent approach of unilateral action and strong-arm tactics to extract concessions. In a measured response, the government of India has indicated that, like the US, it too believes in maintaining its national interest and addressing development imperatives. It has also indicated the hope of arriving at a mutual resolution of the issues.

While amicable solutions are always the desirable objective in international relations, the approach with the US cannot be pegged on this expectation alone. In fact, there is no better example than the US itself that has used a combined strategy of bilateral dialogue, coupled with unilateral action, and most interestingly, recourse to the beleaguered WTO's dispute settlement system.

This is the second time that the US has hit India with its unilateral measures. The first time was a year back when, on June 1, 2018, the US imposed tariffs of 25% on steel and 10% on aluminium imported into the US. India has initiated a WTO dispute against this, as have several other WTO members.

Some of these countries such as EU and China also imposed retaliatory tariffs on certain imports from the US, against which the US has initiated WTO disputes. While India announced retaliatory tariffs against the US several months back, it has been deferring the imposition of such tariffs.

It is strategically important for India to raise a challenge against US's GSP termination before the WTO. There are three reasons for this: (a) India is on a strong legal footing with regard to such a challenge; (b) the GSP issue is one of systemic significance within the framework of multilateral trade rules, and one country cannot be allowed derail the fundamental planks on which it stands; and (c) contesting a country's action through dispute settlement, and simultaneously holding bilateral negotiations, are not antithetical to each other, and can often help a country leverage its advantages better.

Source: financialexpress.com- June 13, 2019

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## Irani announces incentives for knitwear sector

Textiles Minister Smriti Zubin Irani conducted a stakeholders' meeting for knitting & knitwear sector development on Wednesday at Udyog Bhawan, New Delhi.

The announcements made during the meeting included Rs 50 cr sanctioned for the knitwear sector.

Under the SAMARTH scheme, training of 1 lakh workers has been approved for the knitwear industry over and above Rs 50 cr in the Budget All pending cases of TUFS will be cleared expeditiously from the Office of the Textile Commissioner.

Source: millenniumpost.in- June 12, 2019

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# HTBT cotton widely cultivated despite ban, finds Central team

Acreage spans 15% in Maharashtra, Gujarat, AP and Telangana

Farmers in Gujarat, Andhra Pradesh, Telangana and Maharashtra cultivate unapproved herbicide-tolerant Bt (HTBT) cotton, a Central panel has found.

The Ministry of Agriculture had informed the Lok Sabha in February that the Department of Biotechnology had constituted a Field Inspection and Scientific Evaluation Committee to investigate the production of Bt cotton seeds with unapproved genes.

The committee found unapproved cotton was grown, on an average, on 15 per cent of the cotton-cultivable area in Andhra Pradesh, Gujarat, Maharashtra and Telangana, and 5 per cent in Punjab during the 2017-18 season.

All major cotton growing States have been directed to take stringent measures — such as filing of FIRs, seizure of stocks and issuance of show-cause notices — to curb the spread of HTBT cotton, the Ministry stated.

## Easy to procure

However, leaders of farmers' body Shetkari Sanghatana said HTBT seeds are easily available and the government might as well lift the ban on it.

"The seed mafia will dominate the market if the government fails to lift the ban. Farmers are anyway using HTBT. With our movement against the ban on GM crops, more and more farmers will come forward and use it.

We want to sow HTBT cotton openly," said Anil Ghanwat, President of the Shetkari Sanghatana, which on Monday led a protest by farmers who sowed HTBT cotton seeds in Maharashtra's Akoli Jahagir village.

Asked from where farmers procured the 'banned' seeds, Ghanwat said they were easily available in the market. Akola District Collector Jitendra Papalkar has asked the district administration to crack down on the sale of the seeds.

### The Bt advantage

Meanwhile, according to government data, in the current Kharif season (2018-19), around 88.27 per cent of the 122.38 lakh ha cotton area is under Bt cotton.

Over the past 16 years, the Bt cotton technology has retained its ability to control all bollworm diseases except pink bollworm.

Source: thehindubusinessline.com- June 12, 2019

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