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US 70.84 | EUR 78.14 | GBP 89.36| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19665	41100	**73.90**
Domestic Futures Price (Ex. Warehouse Rajkot), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19660	41089	**73.88**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	63.88
ZCE Cotton: Yuan/MT (January 2020)	12,355
ZCE Cotton: USD Cents/lb	79.06
Cotlook A Index – Physical	**71.75**

Cotton Guide: Behaviour post the deal reached to somewhere between the US AND CHINA - Everything has turned positive all of sudden, should the gain be sustainable? Looking at the price behaviour since Friday and early this morning in Asia many agriculture Commodities have jumped up and Cotton is one of them who has gained the most.

We have now seen price rising straight from 60 to 65+ cents, close to 10% rise in less than 2 days of trading session. In fact we shouldn't forget, it is amongst all other Commodities which hammered the most ever since Tariff was imposed on each other between the US and China. One good observation that was very interesting, technical charts were indicative of positive move but was waiting for some sort of trigger. Price action became very quick post the last weekend US- China meeting where the tariff which was supposed to be imposed has been removed. We are now seeing the reaction. Just be aware one of the

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aspects has just changed while Commodity fundamentals are still considered to be bearish amid heavy supply.

The White House announced a Phase 1 trade deal. However, it says it will take three weeks to written and formalized. This sounds tricky, anytime the deal could revoke. Just a cautionary and contrarian thought, although price action is been very quick and positive but any revoke of the deal might equally build similar volatility and should take not much time for many agriculture Commodities to retrace back down side. Details on Cotton are yet to be framed. The good part is cotton has breached a critical resistance level of 63.80 and that is pushing or rather prompting funds and Algorithmic traders to buy cotton very aggressively. This Morning ICE Cotton in Asian session is up more than 1.5 percent, trading above 65+ cents. If no revocation to deal takes place or no such comments come from either of the officials then cotton might continue to rise may be towards 67/68 cents. As of now it is unknown weather US Cotton will be exempt from the 25% duty, or if the cotton was already included in the agreed purchase. Remember if nothing such comes out it wouldn't take much time for it correct quickly onto downside.

The Cotlook Index A is seen at 71.75 cents per pound. We expect this figure to change anytime from now in the upward direction. Due to arrival pressure the prices of [2018-2019] Shankar 6 are at 41,100 Rs per candy.

Fundamentally speaking, currently ICE December is trading at 64.87 cents per pound, we can expect this price to ahead even further hovering around 66 cents per pound. Prices at MCX will be something very interesting to watch out for. Currently the prices are showing changes in 3 digit figures for all the active contracts. The arrival and selling pressure before Diwali Festival by the farmers could pose a threat to the bulls.

On the technical front, ICE Cotton have given a Head & shoulder pattern breakout, while trading within an upward sloping channel, which would act as the immediate resistance. Price are above the daily EMA (5, 9) at 63.22, 62.54, which would act as immediate support. The momentum indicator RSI is at 71, implying positive bias for the price. The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level & higher end of the channel, while the immediate support would be at 63.80 (61.8% Fibonacci extension level). Thus for the day we expect price to trade in the range of 63.20-66.40 with positive bias. However, if the price sustains above the given range it would test the levels of 68.00/69.00. In MCX, we expect the price to trade within the range of 19500-19900 with a bullish bias for the price.

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

Tentative US-China Trade Deal Could Suspend Oct. 15 Tariffs

The U.S. and China have forged a partial trade deal that would have China agree to agricultural concessions and see the U.S. pause tariffs that have been set to take effect on Oct. 15.

The deal is still tentative, and subject to President Trump's approval.

Essentially, the deal would provide considerable relief on tariffs applied to Chinese imports. The U.S. would reportedly suspend the planned tariff hike set for Oct. 15, which calls for an increase on Tranche 3 imports from 25 percent to 30 percent, and could also include tariffs set to be implemented on Dec. 15 on the balance of Tranche 4 goods not already taxed.

The agreement is believed to lay the groundwork for follow-up talks to resolve the greater issues between the two countries, which concern accusations that the China has been guilty of stealing intellectual property assets from U.S. companies. Supposedly, there's an agreement governing IP assets, but no further details were made available. Moreover, the parties still need to meet to hammer out the final details of the overall agreement before it can be signed, which is expected around mid-November.

Jennifer Safavian, executive vice president of government affairs at the Retail Industry Leaders Association, said, "Suspending the Oct. 15 tariff increase is welcome news for retailers, consumers and the global economy. The administration knows that the trade war and specifically the harmful tariffs are weakening the U.S. economy, hurting manufacturers and causing consumers to pay more for everyday items like shoes, sweaters and sporting equipment.

"Relief from the anticipated tariff increase is appreciated," Safavian continued, "but only a long-term agreement will alleviate the uncertainty inflicted by the trade war. We are encouraged by the reported productive tone of the U.S.-China talks and will continue to press the administration for a comprehensive trade deal that ends the tariffs on all product lines."

David French, senior vice president for government relations at the National Retail Federation, hailed the phase-one deal as an important step forward and, it's hoped, the first of many.

"Retailers are encouraged by the progress made between the United States and China and are pleased that the administration has listened to the concerns of the business community as the trade war takes an increasing toll on the American economy," French said. "The decision to delay planned tariff hikes is welcome news to U.S. retailers and consumers heading into the busy holiday shopping season.

"Although this is a step in the right direction, the uncertainty continues," he added. "We urge both sides to stay at the negotiating table with the goal of lifting all tariffs and fundamentally resetting U.S.-China trade relations."

The American Apparel and Footwear Association (AAFA), however, sounded a note of caution and urged the industry to continue pressing toward a full resolution of the trade dispute, especially with holiday shopping set to begin in earnest in the weeks ahead.

"While we welcome the President's decision to withhold an additional tariff increase on many of our products, the reality is that everything currently being hit with punitive tariffs is still being charged," Rick Helfenbein, AAFA president and CEO, said. "This means Americans are still being burdened with an additional 25 percent on backpacks, handbags, luggage, hats, and gloves. It also means that 92 percent of our clothing, 53 percent of our shoes, and 68 percent of our home textiles imported from China continue to be charged an additional 15 percent tariff. These rates are on top of the hefty tariffs already being charged on these products."

Time's up for discussions to continue without bringing the tariff war to a close, Helfenein said.

"As we have said throughout this trade war, we do not believe continuing to tax Americans gives us leverage at the negotiating table with China," he said, adding that it's "past time that these misguided tariffs were removed."

"The continued costs and uncertainties associated with this tariff policy," Helfenbein stressed, "mean the Grinch still has stolen our Christmas."

News of a partial deal was first reported by Bloomberg.

Source: sourcingjournal.com - Oct 11, 2019

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Why Trade Wars Drag Down Global Growth

"Everyone loses in a trade war."

That was a key point in IMF managing director Kristalina Georgieva's curtain-raiser speech on Tuesday previewing the issues to be addressed at IMF's 2019 annual meetings of the World Bank Group beginning on Monday in Washington, D.C.

According to Georgieva, a global change is needed with countries forging partnerships instead of hiding behind isolationist fears. If they don't, she issued a stark warning: "For the global economy, the cumulative effect of trade conflicts could mean a loss of around $700 billion by 2020, or about 0.8 percent of GDP. As a reference, this is approximately the size of Switzerland's entire economy."

And in order to promote real change with lasting solutions on trade, Gerogieva added, "Countries need to address legitimate concerns related to their trade practices. That means dealing with subsidies, as well as intellectual property rights and technology transfers."

Global economies today

Two years ago the global economy was in a "synchronized upswing," with nearly 75 percent of the world accelerating, Georgieva said. Today, the IMF expects to see slowing growth in nearly 90 percent of the world.

Widespread deceleration means that "growth will fall to its lowest rate since the beginning of the decade," she said. And even though unemployment rates in the U.S. and Germany have plunged to historic lows, advanced economies that include the U.S. and Japan–and especially the euro area–are experiencing a startling softening of economic activity.

Emerging markets such as India and Brazil are seeing a slowdown that's even more pronounced this year, while in China growth is gradually coming down from the rapid pace it's seen for many years.

Georgieva attributes the synchronized slowdown to trade disputes, a key factor that now has pummeled global trade growth into a near standstill. That's because trade tensions have contributed to a substantial weakening of both worldwide manufacturing activity and investment.

"There is a serious risk that services and consumption could soon be affected," she said, explaining that disputes now extend between multiple countries and into critical issues. Currencies are in the spotlight again, and because economies are interconnected, many more countries will soon feel that impact, she said. Adding to the problem is uncertainty–driven by trade, Brexit and geopolitical tensions–which is holding back economic potential.

"Even if growth picks up in 2010, the current rifts could lead to changes that last a generation–broken supply chains, siloed trade sectors, a 'digital Berlin Wall' that forces countries to choose between technology systems," she cautioned.

Georgieva made the case for global cooperation. "Our research shows that changes in spending are more effective and have a multiplier effect when countries act together. Or, put another way–if the synchronized slowdown worsens, we may need a synchronized policy response," she concluded.

A day after Georgieva's speech, French Finance Minister Bruno Le Maire told reporters that a compromise is needed in the trade conflict between Washington and the European Union to avoid China from profiting from the dispute, according to Reuters. Le Maire, in Luxembourg for a meeting of euro zone finance ministers, said the separate trade war between the U.S. and China could trim half a percentage point from global growth next year.

Trade talks

The U.S. and China on Thursday restarted trade talks in Washington in hopes of resolving a nearly one-year-old dispute. The two countries are at loggerheads over U.S. allegations that China is stealing technology and trade secrets as the U.S. pushes to ensure protection of American intellectual property assets.

And President Trump on Thursday tweeted: “Big day of negotiations with China. They want to make a deal, but do I? I meet with the Vice Premier tomorrow at The White House.”

Talks are set for Friday afternoon between Trump and Liu He, who led the Chinese delegation that’s meeting with U.S. Trade Representative Robert Lighthizer and Treasure Secretary Steven Mnuchin

U.S. consumer confidence

In the U.S., The Conference Board’s Consumer Confidence Index slipped in September to 125.1 from 134.2 in August. The Conference Board’s Lynn Franco, senior director, economic indicators and surveys, told Sourcing Journal on Thursday, “The decline was due to trade tensions and trade rhetoric. It was similar to the decline in June when we had trade tensions in connection to Mexico. The good news is that it has not translated to any pullback on spending.”

Franco said the Index is still at a fairly high level and that consumers are expected to be spending for the important holiday season, with confidence getting a bit of a boost from the availability of jobs, income and the strong financial markets. She did caution that the spending landscape could shift next year if trade tensions continue, although how consumers react “hinges on the labor market” and whether or not that tightens up.

Global GDP 2020 projections

The Conference Board’s chief economist Bart van Ark said on Thursday at a company presentation in Manhattan that the global economy weakened in 2019 to 2.3 percent growth in gross domestic product, down from 3.0 percent in 2018.

Van Ark now expects that a small recovery will see 2.5 percent growth in GDP for 2020, a rate that should stave off a global recession. “Robust labor markets and strong consumer spending will sustain growth,” he said, explaining that a global recession wouldn’t be in the cards unless there are two consecutive quarters where global GDP shrinks to less than 2 percent.

The U.S. is expected to see GDP growth of 2.2 percent in 2020, with Europe at 1.4 percent and China at 3.4 percent. The U.K.'s forecasted GDP growth rate is just 0.2 percent, nudging it into recession territory, although Van Ark speculated that the country might already have crossed the recession threshold regardless of whether there's a Brexit deal or not.

And if a no-Brexit deal emerges, the impact on the economy will depend on how prepared companies are to offset the negative effects from delays in bringing in goods and services across borders with Europe.

The main threat to global GDP growth next year will come from any escalation in geo-political issues, Van Ark said, noting that one critical component of the expected recovery in 2020 centers on the eventual bottoming out of the decline in industrial production.

"A slowdown in industrial production wears on the global economy," the economist said, explaining that the integration of the supply chains–even though the slump began in China around 2018–is why we are seeing the slowdown spread to other countries.

While mature markets such as the U.S. will likely continue to see slower GDP growth in 2020, emerging markets are likely to benefit from the bottoming out of the industrial cycle, Van Ark added.

Some Asian economies, such as Vietnam and Cambodia, will benefit from the reallocation of the global supply chains.

Source: sourcingjournal.com- Oct 11, 2019

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Companies welcome US-China trade truce, ask for more steps to end fight

President Donald Trump said Washington will suspend a tariff hike planned for Tuesday on $250 billion of Chinese goods

Companies have welcomed a US-Chinese trade truce as a possible step toward breaking a deadlock in a 15-month-old tariff war, while economists caution there was little progress toward settling core disputes including technology that threaten global growth.

President Donald Trump said Washington will suspend a tariff hike planned for Tuesday on $250 billion of Chinese goods.

In exchange, Trump said China agreed to buy as much as $50 billion of American farm goods. Details of other possible agreements weren't immediately released.

The bruising battle over China's trade surplus and technology ambitions has disrupted global trade.

Economists warn a final settlement might take years to negotiate.

Despite that, financial markets rise ahead of each round of talks and fall back when no progress is reported.

Companies acknowledged Friday's agreement was a modest step and appealed to both governments to step up efforts to end the fight that is battering manufacturers and farmers.

Washington still is planning a December 15 tariff hike on $160 billion of smartphones and other imports.

Before then, Trump and Chinese President Xi Jinping are due to attend an economic conference in Chile in mid-November. That is raising hopes a face-to-face meeting might produce progress.

"Taking tariffs out of the equation for at last the next two months will give space for substantive negotiations," said Jake Parker, senior vice president of the US-China Business Council, an industry group.

Trump said Friday's deal has yet to be put down on paper but said, "We should be able to get that done over the next four weeks." China's government welcomed "substantial progress" but gave no details of possible agreements.

"I don't think it's a victory, but it eases the situation," said economist Yu Chunhai at Renmin University in Beijing. He said both sides want to restore business and consumer confidence.

There was no word of agreements on the core issues that sparked the dispute. Those include US pressure on Beijing to roll back plans for government-led creation of global competitors in robotics, electric cars and other technologies.

"There remains significant work ahead to address many of the most important US trade and investment priorities," Myron Brilliant, executive vice president of the US Chamber of Commerce, said in a statement. Still, he called Friday's announcement a "ray of hope."

Washington, Europe, Japan and other trading partners say China's plans violate its market-opening obligations and are based on stealing or pressuring companies to hand over technology.

Chinese leaders see those tactics as the surest path to prosperity and global influence.

"With the key structural issues no closer to being resolved, we suspect that a mini deal would, at best, simply delay a breakdown in the negotiations," said Julian Evans-Pritchard and Martin Lynge Rasmussen of Capital Economics.

Friday's announcement also made no mention of commitments by Beijing in sensitive areas including subsidies to industry and cyber security, or the status of telecom equipment giant Huawei, which faces damaging US sanctions.

Trump imposed curbs in May on sales of American components and technology to Huawei Technologies Ltd., China's first global tech brand.

Trump has said he is willing to use Huawei, one of the biggest global makers of smartphones and network switching gear, as a bargaining chip in the trade talks.

"The two sides will now return to a 'muddle through' strategy that avoids further tariff escalation but may not substantially reduce tensions," Michael Hirson and Kelsey Broderick of Eurasia Group wrote in a report.

"Both the US and China are likely to continue targeting each other through non-tariff measures, such as investment restrictions and regulatory barriers, which will be highly disruptive."

Tit-for-tat tariff hikes by both sides have raised costs for producers and consumers. Some companies are shifting production and supply lines out of China to avoid the US tariffs, suggesting they expect the sanctions to stay in place for an extended period.

China's exports to the United States, its biggest foreign market, have plunged, adding to pressure on Xi's government to shore up cooling economic growth and avoid politically dangerous job losses.

The looming December 15 tariff hike leaves a "black cloud" over Apple Inc. and other tech companies with factories or customers in China, said Dan Ives of Wedbush Securities in a report. He said it would be a "gut punch" if it goes ahead.

US complaints about Chinese technology policies, cyber spying and protection of patents and other intellectual property "will be the focus of tech investors," said Ives.

Another potential stumbling block is how to enforce any agreement.

Talks broke down in May over Beijing's insistence that Trump's punitive tariffs had to be lifted once a deal took effect.

Washington says some must remain in place to ensure Chinese compliance. Trump and Xi agreed in June to resume negotiations but there have been no breakthroughs.

Despite that, Beijing has gone ahead with other industry-opening initiatives aimed at making China's economy more competitive and productive.

None, however, addresses Trump's complaints and business groups say they have had little impact on foreign companies.

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

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EU exporters brace for fresh Trump tariffs

Last week Trump announced fresh tariffs on €6.8 billion worth of EU imports in retaliation for the World Trade Organisation (WTO) ruling that the European Union unfairly subsidised European aeronautical giant Airbus.

The tycoon turned populist plans to impose a 10-per-cent tariff on aircraft from Europe and 25-per-cent on some agricultural and industrial goods from October 18. A final list of the items to be included is set to be published on October 14.

Spain’s olive oil exports might be targeted by Trump’s tariffs but not those of Italy, Greece or sources outside the EU.

“We are worried about this announcement,” the Spanish Food and Beverage Federation (FIAB) said. “We warn of the negative effect the tariffs will have on our exports and the national economy.”

FIAB called for the government to protect the affected industries.

“That 25 per cent tariff means that after October 18 we will lose the US market. We will not be able to rival our competitors,” Pico told the media. “We also do not have the chance to sell 230,000 tonnes in other markets outside the US. For us, this loss is a catastrophe.”

The tariffs have gone down poorly in the UK where the far-right government is angling for preferential trade deals with Washington if it manages to secure Brexit.

Around 23 per cent of exports from British luxury brands in 2017 went to the US, with a majority of firms seeing it as the primary market for future growth, according to the trade group Walpole, which represents more than 250 luxury British brands.

The UK luxury sector creates 160,000 jobs and is bracing for new pressure from the tariffs in addition to a projected loss of £6.8 billion in revenue if a no-deal Brexit happens later this month.

The fashion and textile sector, which forecasts a £1 billion annual loss in revenue from a no-deal Brexit, is expected to see exports worth £35 million affected by Trump's proposed tariffs, the UK Fashion and Textile Association (UKFT) said.

Source: eurasiatimes.org- Oct 11, 2019

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Pakistan: CPEC Authority - a potential game changer?

The president of Pakistan recently promulgated ordinances to establish the China-Pakistan Economic Corridor Authority (CPEC Authority) and grant tax concessions to Gwadar Port and its free zone.

The aim of the government is to reinitiate the CPEC project and achieve its goal of not only greater economic development in Pakistan but also integrating the national economy into regional and global economies.

The purpose of the CPEC Authority and the new tax laws is to oversee and implement CPEC projects and ensure that Gwadar and its free zone are provided with necessary tax and tariff concessions.

The authority will have considerable autonomy and vast financial and administrative powers. It will ensure that CPEC projects are completed without major bottlenecks that otherwise plague development projects in the country.

However, it is important that the major objective of the authority encompasses an increase in overall exports from Pakistan and improved competitiveness of domestic firms, for which it must be kept insulated from lobbies with a protectionist mindset.

Along with the establishment of the CPEC Authority and tax concessions, the government has also realised the importance of fast-pacing the development of Special Economic Zones (SEZs) and providing incentives for small and medium enterprises (SMEs) to widen the industrial base and ramp up exports.

The cooperation with China is critical for developing the SEZs across Pakistan as China boasts of over 2,500 SEZs, which constitute approximately 50% of all SEZs around the world. The Chinese are likely to aid the development of SEZs in Pakistan.

The World Investment Report 2019 says Pakistan has seven SEZs. They exhibit minimal participation in global value chains. Pakistan is planning an additional 39 SEZs. It is important to improve the existing infrastructure in industrial areas along with developing the new SEZs.

Owing to high trade and production costs that are likely to accumulate as a product moves through the value chain, Pakistan is unlikely to produce products that undergo a transformation in different countries, regionally and globally.

The recently published World Competitiveness Index of the World Economic Forum indicates further deterioration in Pakistan's ranking, primarily driven by macroeconomic instability. Therefore, it is essential that the Pakistan government not only undertakes significant reforms in its trade costs but also ensures better economic conditions and facilities to boost production in the SEZs as well as by the SMEs.

The World Bank's World Development Report 2020: Trading for Development in the Age of Global Value Chains emphasises the importance of product fragmentation across country borders or participation in global value chains (GVCs), such that firms within a country specialise in a particular production process rather than manufacturing an entire product. The key message of the report is that a 1% increase in GVCs participation boosts per capita income levels by more than 1%, which is estimated to be twice the benefit from participation in conventional trade.

Furthermore, GVCs enhance sustainable and inclusive development in developing countries if such states adopt trade and investment reforms as well as improve connectivity. Unfortunately, Pakistan has been plagued by the lack of participation in GVCs.

Challenges

The World Bank's report gives certain examples of challenges faced by the exporters. Pakistan's exporters have faced significant challenges to receiving concessions on imported intermediates that almost eliminate their ability to buy crucial inputs to boost the quality of their products.

Although the government has made changes to the duty and tax remission schemes, higher constraints on accessing desired inputs can damage export competitiveness. On the other hand, exporters in Bangladesh are granted approval for duty exemptions within 24 hours and more than 90% of their textile exporters avail the scheme.

The report also highlights the fact that Pakistan's exporters are likely to be the most exposed to automation in production in developed countries, which may eventually result in the displacement of several exporters.

Furthermore, the report highlights the importance of robust national certification and testing agencies to ensure that Pakistan's products comply with international standards. It cites an example of how the fishing industry was able to overcome the ban on fish exports by improving on services of the testing agency in Pakistan.

Trade linkages

The new phase of CPEC can help boost industrial activity and economic development in Pakistan. It is highly recommended that the CPEC Authority does not limit itself to the promotion of trade and investment between Pakistan and China but also ensures increasing export activities with important destinations in the European Union and the United States.

Although China as a manufacturing hub of the world is known for its exports of finished goods and products, it is also a major exporter and importer of intermediate goods. China is a major origin country for imports for several of the large exporting powerhouses in the Southeast Asian region.

Policies for promoting trade linkages with Chinese firms, which involves increasing exports to other markets, is likely to benefit Pakistan. For instance, an analysis of the data borrowed from the ITC's Trademap.org shows China is by far the largest exporter of woven fabrics of cotton, manmade filaments, and manmade staple fibers. These inputs can help boost downstream textile production in Pakistan.

Furthermore, with the demand for new machinery and appliances likely to increase with the advent of CPEC-related industrialisation, the imports of such equipment may also get a boost.

China exported more than $1 trillion worth of machinery and electrical appliances in 2018, more than the combined sum of exports of machinery and electrical appliances from Germany, the US, and South Korea. China exported approximately $100 billion worth of data processing machines.

China is also the world's largest exporter of textile machinery, followed closely by Germany and Japan. China is now the most significant source of textile machinery imports into Pakistan.

Germany and Japan, along with China, were the major sources of textile machinery imports in the previous surge between 2004 and 2007. The relocation of Chinese factories in Pakistan can boost textile exports.

In essence, another potential game-changer is in the making. However, trade and investment reforms need to be prioritised to ensure success.

Source: tribune.com.pk- Oct 14, 2019

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Vietnam: Vinatex's exports likely to fall short of yearly target

The Vietnam Textile and Garment Group (Vinatex) has projected its export turnover to reach 2.89 billion USD in 2019, up 1 percent from last year and meeting 97.6 percent of the yearly target.

The Vietnam Textile and Garment Group (Vinatex) has projected its export turnover to reach 2.89 billion USD in 2019, up 1 percent from last year and meeting 97.6 percent of the yearly target.

The group said its member companies together shipped overseas about 2.06 billion USD worth of products in the first nine months of the year, fulfilling 70 percent of the yearly target and recording an annual increase of 2 percent.

By the end of September, most of them were yet to secure enough orders for the remaining of the year. Its key members like May 10, Duc Giang, Hoa Tho and Hanosimex reportedly obtained orders only until November, with the exception of Viet Tien.

Customers were said to avoid long-term orders and try to reduce prices, eating into the firms' profit.

The yarn market, meanwhile, witnessed a sharp decline in both demand and prices between the end of 2018 and the first quarter of 2019. It is yet to bounce back.

Reports from Vinatex showed that its yarn producers, particularly those exporting products to China, were hit hardest by continuous price decreases.

The situation is getting worse as these companies are facing fierce competition for orders from FDI-funded firms and those from India, Thailand, Indonesia, and Pakistan, the group said.

According to the Vietnam Textile and Apparel Association, Vietnam exported some 29.24 billion USD worth of garment-textile products in the first nine months of 2019, up 9.2 percent year-on-year and meeting 74 percent of the yearly target. The sector recorded a trade surplus of over 15.2 billion USD, an annual rise of nearly 16.8 percent.

Source: en.vietnamplus.vn- Oct 11, 2019

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Textile inputs bear high tariffs in Pakistan: World Bank

The World Bank has attributed the low reliance of Pakistani textiles and apparel exporters on imported artificial fibers to exorbitant tariffs and regulatory duties on essential raw materials, which the bank said are four times the average in East Asia, including China and Taiwan.

The World Bank Group, in its flagship report on global value chain (GVC) on Saturday, said the country's tariffs on intermediates average 8 percent — four times the average in East Asia — and its regulatory and additional duties (para-tariffs) "are high".

"Thus, Pakistani exporters of textiles and apparel — the country's major export sector — rely mostly on domestic cotton rather than on imported artificial fibers, such as polyester (the leading input to the fast growing global imports of apparel)," the World Bank said in the report, titled 'Trading for Development: In the age of global value chains'.

The World Bank said a very small number of textile exporters in the country are presently availing the duty suspension schemes, such as the duty and tax remission on exports, for their imported intermediates as remission takes much longer time for them.

"In practice, approvals for remission take on average 60 days — twice the time specified by law — and clearing customs after approval takes an extra 5 – 10 days," the bank said.

"For that reason, a mere 3 percent of textile and apparel exporters use the scheme. In Bangladesh, by contrast, obtaining approval for duty suspension on intermediates takes on average 24 hours, and about 90 percent of textile and apparel firms use the scheme."

The bank enlisted Pakistan among the countries where participation in global value chain paces up slowly in a market environment when the sectoral composition of global value chain flows is increasing globally.

Samsung, for example, makes its mobile phones with parts from 2,500 suppliers across the globe, it said.

The World Bank, however, sees strength in the country's agriculture and livestock sector that could help it improve its participation in the global value chain.

"Pakistan's ability to overcome an export ban on fish and expand horticultural exports attests to the value of building a strong national standards regime," it said.

"Pakistan's development of a robust national quality standards regime helped to lift the European Union's ban on the country's fish exports and facilitated rapid growth in mango and mandarin exports by ensuring full traceability in the supply chain."

Although the country would seem most exposed to the threat of robotization-induced reshoring because its exports are heavily concentrated in goods that robots can help produce, it is one of the commodity exporters that "seem somewhat shielded from the threat of robotization-induced reshoring," the World Bank said in the report.

Source: thenews.com.pk- Oct 13, 2019

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Bangladesh: Traders oppose double fumigation of US cotton

Control method on US cotton at its ports as the raw material is fumigated at warehouses prior to shipment, allowing the country to save on import costs and time, importers and suppliers said.

Fumigation of US cotton is both time-consuming and expensive. Last year, more than $1 million was spent at the Chattogram port, according to A Matin Chowdhury, managing director of Malek Spinning Mills, one of the major local importers.

"So far not a single case of insects arriving with imported US cotton was detected," he told The Daily Star, while sharing the issue with a Cotton USA delegation at his Gazipur factory on Thursday. The delegation had sought to witness the production facility as Chowdhury is currently Bangladesh's largest importer of US cotton. Currently, only US cotton undergoes the chemical therapy.

Dependence on the American fibre has been rising: it accounted for 11.14 percent of Bangladesh's requirement last year, up from 4 percent two years ago.

Chowdhury shared his import figures involving the US: 1.20 lakh bales costing $35 million a year.

"I import almost all of my required cotton from the US because of its better quality and timely shipments and deliveries," he said.

Chowdhury exports garment items worth $300 million, mainly to the US, by using the American cotton.

"Sometimes, I sell yarn and fabrics to local garment manufacturers and a majority of my materials are used in my own factories," he said.

William R Bettendorf, director of supply chain marketing for South and Southeast Asia of the Cotton Council International and the Cotton USA, echoed Chowdhury.

"Fumigation of US cotton in Bangladeshi ports is a major non-tariff barrier in trade between Bangladesh and the US," he said.

"We have already contacted different government bodies several times for the withdrawal of the system but still nothing happened," he said.

Many teams have tested US cotton several times but found no harmful insect, Bettendorf said.

American farmers and traders use modern ginning techniques so that the cotton does not pick up any contaminant during shipment and use at mills, he said.

Usually cotton from other countries do not undergo the extermination process but get the same treatment if they happen to travel on the same ship carrying US cotton destined for Bangladesh, said Monsoor Ahmed, secretary of the Bangladesh Textile Mills Association (BTMA).

African nations have recently surpassed India to become the largest source of cotton for Bangladesh as local spinners and millers look to cut down dependence on this vital raw material on a single source.

Last year, Bangladesh, the world's largest importer of cotton, met 37.06 percent of its requirement for the white fibre from imports from East and West African countries. India accounted for 26.12 percent of the total cotton imports, down from more than 60 percent two years ago, according to data from the BTMA, a platform of the primary textile sector.

Last year, 11.35 percent of the cotton came from the members of the Commonwealth of Independent States, 4.65 percent from Australia, and 9.65 percent from the rest of the world. Bangladesh imported 8.28 million bales of cotton (one bale equals to 282 kilogrammes) last year. In dollar terms, it is worth $3 billion.

Source: thedailystar.net- Oct 14, 2019

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Bangladesh: Evolution of the RMG sector

Why research, data and benchmarking are crucial for its growth
The global apparel industry is awash with "facts" and statistics which, in a great many cases, can be inadvertently misleading. One of the most cited of these is that the textile industry is the second most polluting on the planet. Says who? Well, quite a lot of people actually.

And yet, do we know that this is definitely the case? Is there concrete data to support such a proposition? No one seems to know where this data came from or how it was calculated.

Keep hold of this thought when considering Bangladesh's ready-made garment (RMG) industry. A lot is said about this sector: we are told that it lacks efficiency, we are told there is a lack of investment in research and development, we are told productivity rates are low. It may well be that the above points are true—certainly, anecdotal evidence would support such claims and we would all agree that things can be better. But can we be sure?

The problem is, we don't have enough data on the specifics. The old saying "you can't manage what you can't measure" was never so true as in Bangladesh's RMG industry. For example, it is often quoted that the industry operates at 40 percent efficiency. Where does this figure come from and how did it become common currency in the industry? Again, we simply don't know, and yet we seem to take it as validated data.

If this figure is 100 percent verified, we all know what we have to do. We have to invest in better technology, better training and better research and development. Why? Because efficiency levels this poor would provide a clear and unambiguous business case for working towards efficiency improvements. And that's what we are talking about here: making clear business cases using confirmed, substantiated evidence.

Metrics and specifics matter. We need the ability to measure better. With proper funded research to provide an accurate measurement of productivity and efficiency in the RMG sector of Bangladesh, implementation of baselines will provide yardsticks for future measurements leading to dynamic, productive, actionable benchmarks. With improved data collection processes, we stand to create paths of certainty, productivity and excellence. If data identifies weaknesses, we then know we have to make changes and try a different approach. There would be no more guessing.

A business can only make major financial spending decisions with a proven business case, and Bangladesh's RMG sector can be no different. Major decisions impacting the future of this industry must be built on the foundations of comprehensive research and proven facts. Such an approach also serves to ensure a sustainable future for Bangladesh's RMG industry.

It would be easy to become negative on this issue, but let's look at it like this: Bangladesh's RMG sector has achieved remarkable success to date without the aid of a structured, coherent approach to data and statistical insight. Imagine what we could achieve if we put those ingredients in place. This is actually a huge opportunity.

The RMG industry is so valuable to the GDP of this country that it demands its own sustainable research centre to centralise data—creating a tool for success. The sustainable research centre would serve to act as the market research arm supporting the RMG sector's global business practices.

What would such a research centre look like? We often talk as a country about learning lessons from China, a country whose textile industry is several years ahead of ours in terms of its development.

Research and data are two areas we can certainly work on. The China Textile Information Centre (CTIC) is a state-owned research institution in the Chinese textile industry and is managed by the China National Textile and Apparel Council (CNTAC). CTIC produces a wealth of research and statistics and employs hundreds of people. The blueprint is there, and there is no reason why Bangladesh, the world's second largest exporter of apparel after China, should not have something similar.

We should also not forget that we are making progress in some areas of data collection and analysis. For instance, recent times have seen a team of researchers mapping every single garment factory in Bangladesh as part of an initiative by the C&A Foundation and BRAC University (BRACU). This is true radical transparency, the likes of which must be underpinned by painstaking research. Bangladesh is leading the way here.

But we can and must do more in the research field, and I believe we will.

Good, thorough research is costly—we all know that. But it's also a crucial piece of the puzzle. Moreover, proper research which uncovers key market insights will pay for itself multiple times over. Spending in this area will prove to be the smartest investment Bangladesh's RMG sector makes in the coming years.

Source: thedailystar.net- Oct 14, 2019

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NATIONAL NEWS

World Bank slashes India's GDP forecast from 7% to 6% for FY 2019-20

After a broad-based deceleration in the initial quarters of this fiscal, India's growth rate is projected to fall to 6% in 2019-20, the World Bank said on Sunday, in what was the sharpest downward revisions of its growth projections for South Asian countries.

However, the bank in its latest edition of the South Asia Economic Focus said the country was expected to gradually recover to 6.9% in FY21 and 7.2% in FY22 as it assumed that the monetary stance would remain accommodative, given benign price dynamics. The World Bank's previous projection for India was 7.5%, and this was announced in April.

Moody's Investors Service had last Thursday cut its forecast for India's FY20 GDP growth by 40 bps to 5.8%, in what reflected a continuing trend of such downward revisions by prominent domestic and foreign agencies. In its latest bi-monthly monetary policy statement on October 4, the RBI cut its growth projection for the domestic economy by a sharp 80 bps to 6.1%, citing that the slump in real GDP growth to 5% in the first quarter of FY20 has been followed by "generally weaker high frequency indicators for the second quarter".

The latest estimate by Moody's is the lowest FY20 GDP growth forecast for India by a leading agency. "The drivers of the deceleration are multiple, mainly domestic and in part long-lasting," Moody's wrote.

The World Bank report, which has been released ahead of its annual meeting with the IMF, noted in the first quarter of 2019-20, the economy experienced a significant and broad-based growth deceleration with a sharp decline in private consumption on the demand side and the weakening of growth in both industry and services on the supply side.

Reflecting on the below-trend economic momentum and persistently low food prices, the headline inflation averaged 3.4% in 2018-19 and remained well below the RBI's mid-range target of 4 per cent in the first half of 2019-2020. This allowed the RBI to ease monetary policy via a cumulative 135 basis point cut in the repo rate since January 2019 and shift the policy stance from “neutral” to “accommodative”, the World Bank said.

The report said consumption was likely to remain depressed due to slow growth in rural income, domestic demand (as reflected in a sharp drop in sales of automobiles) and credit from non-banking financial companies (NBFCs).

However, the investment would benefit from the recent cut in effective corporate tax rate for domestic companies in the medium term, but also will continue to reflect financial sector weaknesses, the report said.

Source: financialexpress.com- Oct 11, 2019

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India, China agree to set up new mechanism for issues relating to trade and investment

China is ready to take sincere action and to discuss in a very concrete way how to reduce the trade deficit, said Vijay Gokhale, Foreign Secretary.

India and China plan to set up a new mechanism to discuss ways and means to reduce trade deficit ($53 billion), enhance mutual trade, investment and services. This was one of the important understandings reached out by Indian Prime Minister Narendra Modi and Chinese President Xi Jinping at the end of the two-day informal summit between the two leaders on Friday and today.

The new mechanism will be at an elevated level. From the Chinese side it would be represented by Vice Premier Hu Chunhua and the Indian side will be represented by Finance Minister of India - Nirmala Sitharaman. The decision on when and how this mechanism will be activated will be done now through diplomatic channels, said Vijay Gokhale, Foreign Secretary.

Trade deficit

There was a good conversation on trade, which is an issue of concern in India. Jinping after hearing Modi - at a bilateral delegation level meeting at Kovalam - on trade deficit said that China is ready to take sincere action in this regard, and to discuss in a very concrete way how to reduce the trade deficit, Gokhale told newspersons at the end of the summit between. On the first day, both the leaders visited Mamallapuram and today had a private meeting followed by by the bilateral delegation talk.

When queried on the escalating trade war between the US-China, and the likely impact on the Indio-China trade, Gokhale said that there was no direct bearing on India-China trade on what is happening between the US and China. "They are in the midst of an agreement, and we are awaiting the details. As far we are concerned, there is a significant market in China, and the Chinese say there is a significant market in India. We need to find ways in which we enhance exports and China can increase imports from India. This is the objective of the mechanism," he said.

Gokhale said that President Jinping also welcomed investment from India to China in sectors like information technology and pharmaceuticals. The two leaders also agreed to explore of establishing manufacturing partnerships. Modi suggested that both the sides identify certain specific sectors where investment could come in and where manufacturing could bring investment and create jobs and enhance market for both sides.

One of the issues briefly touched up on was Regional Comprehensive Economic Partnership (RCEP) - a proposed free trade agreement between the ten member states of the Association of Southeast Asian Nations and its six FTA partners - on forming a regional trading agreement. Modi said that Indian looks forward to this and it is important that balanced is maintained in goods and services, and investments. Jinping said that both China and India will discuss this further, and India's concerns will be addressed.

Defence and security

Gokhale said Chinese President raised the issue of defence and security, and said there is a need to step up engagement in this area to enhance trusts between the two militaries and security forces. They have extended an invitation to Defence Minister to visit China. The date will be decided through diplomatic channels, he said.

After the summit, a press release issued by Ministry of External Affairs said that both the leaders had an in-depth exchange of views in a friendly atmosphere on overarching, long-term and strategic issues of global and regional importance. They also shared their respective approaches towards national development.

The two leaders evaluated the direction of bilateral relations in a positive light and discussed how India-China bilateral interaction can be deepened to reflect the growing role of both countries on the global stage. They shared the view that the international situation is witnessing significant readjustment. They were of the view that India and China share the common objective of working for a peaceful, secure and prosperous world in which all countries can pursue their development within a rules-based international order.

Click here for more details

Source: thehindubusinessline.com- Oct 12, 2019

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India-China should focus on strengthening trade facilitation: Chinese embassy official

Ms. ZHU Xiaohong, Counselor, Embassy of the People's Republic of China today said that India-China should continue to strengthen cooperation in trade facilitation, upgrade bilateral, regional and multilateral trade facilitation, and create favorable conditions for expanding bilateral trade scale and alleviating trade imbalances.

Speaking at the 'India-China Business Meeting & Signing Ceremony' organized by FICCI, Ms. ZHU Xiaohong highlighted that India's agriculture products, pharmaceuticals, handicrafts have certain advantages. However, due to the lack of necessary understanding and cognition of the Chinese market, their way into China is not smooth.

She further suggested that the Indian side should focus more on '4Cs' -- Compatibility, Competitiveness, Creativity, and Cooperation. "Indian companies should make good use of its advantages in the service industry to create manufacturing plus service innovative products," she added.

Ms. ZHU further added that India is China's largest trading partner in South Asia and Indian companies are expanding in the Chinese market with a cumulative investment of nearly USD 1 billion. "With a combined market of over 2.7 billion people and GDP of 20% of the world's total, China and India enjoy huge potential and broad prospects for economic and trade cooperation," she said.

Highlighting the trade imbalance between the two countries, Ms. ZHU said that China has taken a series of steps to reduce the trade imbalance and made positive progress in promoting the import of agricultural products from India.

Mr. LIU Changyu, Deputy Director-General, Foreign Trade Department of Ministry of Commerce, P.R.China said that mutually beneficial cooperation between the two countries is also deepening. Chinese enterprises have responded positively to the strategy of 'Make in India' and 'Digital India' and their investment in India has exceeded US$ 8 billion.

"In the next 15 years, China will import US$ 30 trillion of goods and USD 100 billion of services from the world. As the only two major developing countries with a population of more than 1 billion in the world, China and India are focusing on development," he said.

Mr. LIU said that the Ministry of Commerce of China is willing to further strengthen cooperation with relevant departments of India to jointly create a better future for economic and trade development.

A total of 129 MoUs were signed between the Indian and Chinese companies during the event in sectors like agri-related products, minerals, textiles, etc. to further strengthen the trade relations between the two countries.

Mr. Vikramjit Singh Sahney, Executive Committee Member, FICCI & Chairman – Sun International & President-International Chamber of Commerce, Paris-India said that India and China have been the strongest economic partners and that India values the contribution of Chinese companies in its economic growth. "Indian industry is upbeat about its relations with China," added Mr. Sahney.

Source: devdiscourse.com- Oct 11, 2019

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Plight of cotton farmers still unresolved

The WTO hasn't got the US to cut its cotton subsidies. This has hurt developing nations and distorted global trade in the commodity

Recognising the importance of cotton in agriculture development, poverty reduction and international trade, World Trade Organization (WTO) observed World Cotton Day on October 7. While this initiative is laudable, it does not conceal the harsh reality that the WTO has failed repeatedly in its efforts to improve the plight of poor cotton farmers in African countries by getting the US to cut its subsidies to cotton. It compels a sober reflection on what was the problem, how it was sought to be addressed and what went wrong.

For the past two centuries, cotton was an embodiment of slavery and colonisation. The need for employing slaves to cultivate and harvest cotton — a commercially lucrative crop — in the southern states of the US ultimately led to the American Civil War. The role of cotton in economic exploitation of India by the British is too well-known to be recounted. At the WTO, developments over the past 16 years suggest that cotton continues to remain a symbol of exploitation, poverty and hypocrisy.

The US holdout

The issue of cotton subsidies came into limelight in 2002, when Oxfam published a report titled Cultivating Poverty. The report delineated in detail how the huge subsidies provided by the US to its cotton growers had depressed global prices, diminished prospects of exports from developing countries and destroyed the livelihoods of cotton farmers in Africa. The adverse impact of US subsidies was felt most severely by African countries, whose economies were overwhelmingly dependent on cotton. These included Benin, Burkina Faso, Chad and Mali (referred to as the 'C-4' countries).

The Oxfam report shook the collective conscience of most of the trade negotiators at the WTO. Those were the early days of the Doha Round of multilateral trade negotiations, and a persuasive case was built by the C-4 countries for eliminating subsidies to cotton as a part of these negotiations. In fact, cutting cotton subsidies became the rallying cry at the Cancun Ministerial Meeting of the WTO held in 2003. However, what happened on this issue at the Cancun meeting highlights the hypocrisy of the US and failure of the WTO to negotiate for more stringent rules on cotton subsidies.

With most of the WTO members putting pressure on it to give a commitment to cut its cotton subsidies, the US was cornered. However, the US found it politically inconvenient to give any commitment on cotton. It tried to divert attention away from its subsidies and instead, in informal talks with the C-4, proposed action for product diversification in Africa. This strategy fuelled further resentment and frustration among developing countries.

According to some trade experts, after sensing that the sentiment of most WTO members was against its approach to cotton, the US ducked a detailed discussion on the issue by letting the Cancun meeting sink on other contentious issues.

The US had succeeded in stonewalling the demand to cut its cotton subsidies.

Undeterred by the failure of the Cancun meeting, C-4 and other developing countries persisted in their efforts aimed at getting developed countries to cut cotton subsidies. This bore fruit during the Hong Kong Ministerial meeting of the WTO, held in 2005. At the insistence of developing countries, the US agreed to reduce cotton subsidies “ambitiously, expeditiously and specifically”, but as a part of agriculture negotiations under the Doha Round.

However, the US killed the Doha Round in 2015 and escaped reducing its cotton subsidies. This has also provided it a window to further distort global trade in cotton.

Cotton lobby

During 1995 and 2017, the US provided subsidy worth $38 billion to cotton farmers through a plethora of schemes: including direct payment, market loan assistance, crop insurance, counter-cyclical payment and commodity certificates. In a few years, the amount of subsidy was as high as 74 per cent of the value of production of cotton. The US is also implementing a Marketing Facilitation Programme, under which it has provided $462 million direct payments to cotton producers whose export earnings have fallen due to the US-China trade war.

With the top 10 per cent of recipients of cotton subsidy in the US receiving 82 per cent of the total amount of the cotton subsidy, the influence of the cotton lobby on trade negotiations is evident.

As a result, despite the cost of cultivation of cotton lint in India ($0.71 per kg) and the C-4 ($1.23 per kg) being lower than that in the US ($1.88 per kg), the US exporters always have an upper hand in the market.

In conclusion, celebrating the World Cotton Day cannot mask the plight of poor cotton farmers in developing countries, mainly on account of cotton subsidies provided by the US.

The way forward should be for WTO members to discuss the joint proposal by India and China aimed at capping product-specific subsidies provided by developed countries to 5 per cent of value of production of the product concerned.

This proposal would go some distance in reducing the elbow room available to developed countries to distort global cotton trade through subsidies. The appropriate occasion to celebrate the Cotton Day would be the day when this proposal is accepted by all the WTO members.

Source: thehindubusinessline.com- Oct 13, 2019

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AEPC seeks restructuring of loans for apparel units

The Apparel Export Promotion Council (AEPC) has appealed to Union Finance Minister Nirmala Sitharaman to instruct banks to restructure stressed loans of apparel manufacturers so that the units can continue operations.

In a memorandum to the Finance Minister, AEPC acting chairman A. Sakthivel said that banks are announcing stressed loans as non-performing assets (NPA) and do not want to restructure the loans. Several units will be able to continue operations if the loans are restructured with additional working capital. Apparel export is a time-sensitive sector that needs timely sanction of loans.

With trade uncertainty between the United States and China, several buyers want to source from India. This has thrown open opportunities for Indian apparel exporters.

Textiles should be classified as priority sector by the banks. Mr. Sakthivel appealed to the Minister to pass necessary instructions to the banks to support the MSMEs. The job working apparel units that supply to exporters should also be considered on priority basis. The banks should also pass on the reduction in repo rates to the end users, he said.

Source: thehindu.com- Oct 13, 2019

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RCEP trade ministers' talks end in impasse

Trade ministers and negotiators of the 16-nation Regional Comprehensive Economic Partnership (RCEP) grouping failed to drum up a concensus on sticky issues at what was expected to be the last ministerial in Bangkok before a potential deal in November and the talks remained inconclusive, sources told FE.

No joint statement will be issued, as certain key issues are yet to be resolved, even after two days of intense negotiations on October 11 and 12, according to one of the sources. This has cast a shadow over a leaders' summit, which was expected to be attended by heads of the 16 nations on November 4 to announce the RCEP deal.

Nevertheless, trade negotiators will meet again in Bangkok between October 14 and 19 to resolve the vexing issues relating to trade remedies, e-commerce, trade competition, trade in services, rules of origin and investment, said another source.

Commerce and industry minister Piyush Goyal, who represented India, tweeted after the meeting: "Participated in deliberations to promote trade & investment to achieve mutual economic growth, while safeguarding the interest of our domestic industry and farmers."

While potential RCEP partners, including Singapore, are piling up pressure on India to conclude talks early, New Delhi wants to make sure the interests of its industry is protected and it doesn't end up becoming a dumping ground of products, yet again (its free trade agreements with Asean, Japan and Korea have already widened its trade deficit).

Safeguards, particularly, remain a crucial part of India's negotiations, as the government faces mounting domestic opposition to any RCEP deal. Already, scores of industries, from steel and pharma to textiles, have expressed fears of dumping by China, while the dairy industry, including players like Amul, have apprehended that subsidised dairy products from New Zealand would flood the Indian market.

After a bilateral meeting with Damien O'Connor, minister of state for trade and export growth of New Zealand, in Bangkok, Goyal tweeted: "We discussed ways to further deepen our bilateral cooperation & strengthen our trade & investment ties, while taking into account the concerns of our farmers and the dairy sector."

Goyal also held a series of bilateral meetings in Bangkok with ministers of countries like Japan, China, Singapore, Malaysia, Australia and New Zealand.

A source had earlier told FE that India was planning to employ an "auto-trigger" safeguard mechanism for imports from not just China but also Australia and New Zealand to better protect domestic players from irrational spike in imports. This mechanism will typically come into play once imports of a particular sensitive product breach a stipulated limit. India is in negotiations to be able to invoke "auto-trigger" in case of 68 sensitive products for at least 8-10 years initially. Similarly, New Delhi wants the flexibility of a snapback — or transitional safeguard — mechanism for all RCEP members.

India and China on Saturday have pledged to work on reducing trade imbalance after talks between Prime Minister Narendra Modi and Chinese President Xi Jinping in Tamil Nadu. Both the sides decided to set up a high-level economic and trade dialogue mechanism to improve trade balance that is currently heavily tiled in favour of China. But the efficacy of any such mechanism can be tested only in the coming months.

India's merchandise trade deficit with China stood at $53.6 billion in FY19, or nearly a third of its total deficit. Its deficit with potential RCEP members (including China) was in excess of $105 billion in FY19. Similarly, between April 2000 and June 2019, FDI from China stood at just $2.26 billion, or a meagre 0.52% of the cumulative inflows, according to the DPIIT data.

The RCEP is a proposed mega trade pact between the 10 Asean members, and India, Australia, China, Japan, South Korea and New Zealand. According to initial estimates, it accounts for 25% of global gross domestic product, 30% of trade, 26% of foreign direct investment flows and 45% of population.

Source: financialexpress.com- Oct 14, 2019

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DRI notices to exporters after SC stays HC's incentive scheme order

The Directorate of Revenue Intelligence (DRI) has started sending notices to exporters after the Supreme Court stayed the Gujarat High Court order on availing an export-intensive scheme. The notices were issued to exporters in Mumbai, and Kolkata among other places in the country, said businesses and experts.

The Supreme Court recently stayed the Gujarat High Court ruling, which had quashed the government order allowing DRI to penalise exporters for wrongfully availing of advance authorisation licenses. Earlier, the Directorate General of Foreign Trade and the customs department had imposed a condition that the advance authorisation scheme would be available to exporters only if imports have been undertaken by them. This is termed pre-import condition, which was effective from October 13, 2017.

An advance authorisation licence is issued to allow duty-free import of inputs, which are used in exports. There was no such condition imposed on the scheme in the pre-GST period. Change in the condition meant that imports done after exports cannot avail of exemptions from IGST and compensation cess.

This led exporters and importers to move the Gujarat HC among other courts as DRI started issuing notices to them. Advance authorisation is generally used for importing goods after exports are undertaken, as against the pre-import condition imposed. As such, exporters said the condition defeats the purpose of the scheme. DRI had stopped issuing these notices after the Gujarat HC quashed the government notification as ultra vires.

The Supreme Court agreed to hear the central government's plea against the high court ruling, while staying the order. One of the notices sent by DRI to a Kolkata-based exporter said in 19 cases of using advance authorisation licences, goods was exported before exporters availed of the licences, contravening the pre-import conditions. As such, it asked the exporter to pay duties, including IGST, on these imports.

Abhishek Rastogi, who is arguing exporters case in the SC and high courts, said notices were issued to different exporters in different states. He said these exporters will have to file writ petitions to obtain a stay against such notices in case they want to protect themselves from payment of taxes.

Source: business-standard.com- Oct 13, 2019

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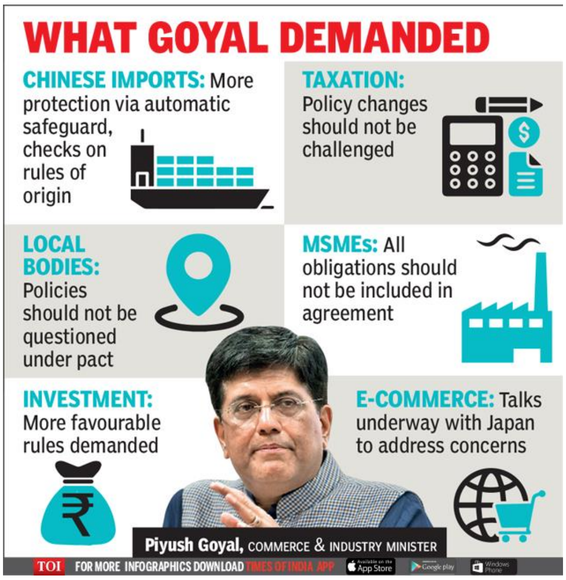
India seeks checks on 50% of Chinese imports in trade pact



India's insistence on providing a safety valve to cover at least 50% of Chinese imports under Regional Comprehensive Partnership (RCEP), the proposed 16-nation trading bloc, has held up conclusion of talks for the mega trade agreement that has been in the works for over six years now.

During the ministerial meeting over the weekend, commerce and industry minister Piyush Goyal also demanded that India's concerns on e-commerce, investment, taxation, micro, small & medium enterprises (MSMEs) and policies framed by local bodies should also need to be reworked before it could sign the deal, triggering complaints by negotiators from other countries, which have been pushing for early conclusion of talks, sources told TOI.

While Asean and others are ready to sign the deal, India is accused of holding it up. Just when things looked settled, Goyal and his team raised concerns resulting in a situation where the talks ended without a joint statement by the ministers.

Negotiators from other countries, especially Singapore and Thailand, blamed New Delhi for holding up the deal. A report in Japan Today alleged that Indian negotiators "almost banged the table" at the "very tough and serious" meeting in Bangkok.

Although the commerce department refused to comment on the issue, sources said negotiators have been given time till October 22 to try and address India's concerns, leaving just a small window of a fortnight before leaders from the 16 countries meet to take stock of the talks that were to be end by the year.

Sources said, there is a distinct possibility that only a limited deal would be possible to be thrashed out over the next month, unless adequate protection is built into the agreement.

At the heart of the friction is the government's concern over a possible surge in Chinese imports once the deal is signed as India has indicated that it can allow up to 80% of goods to enter the country at zero duty. Indian negotiators have now demanded that the automatic safeguard mechanism, which will result in higher duties in case of a sharp jump in imports, should cover more goods instead of 60-65 proposed at the moment.

Similarly, it has also demanded that there should be more protection for re-routing of goods via a third country to prevent China from shipping, say, a refrigerator via Vietnam by only attaching a handle. Although import duty on 80% of Chinese goods will be lowered to zero over a 20-year period, a bulk of goods from Asean nations will be able to enter Indian ports without payment of customs duty over the next few years.

Source: timesofindia.com- Oct 14, 2019

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Govt must nudge farmers towards non-farm jobs for higher growth

China has just celebrated the 70th anniversary of the Communist takeover in 1949. It boasts that it grew by 8.1% per annum on average over 1952-2018. This comes to an increase of income 54 times its value in real terms in 1952. China's income didn't grow steadily each year at 8%. It grew at just the same rate as India for the first 25 years after 1950. In 1975, India and China had the same per capita income. China's growth began after Deng Xiao Ping reversed the Mao-era policies that had not just crashed the economy, but cost 50 million lives by then. China's growth happened in the last 20-25 years.

The CAGR has to be ~twice 8.1% to achieve that.

Now, compare India. Over 70 years since 1950, India increased its income by 28 times. India grew at around 3% for the first 30 years, 1950-1981. Then, the growth rate stepped up to about 5% for the next 22 years. It is in the last 15 years, 2003-2018, that the growth rate went up to 7.7%. In those last 15 years, income grew four times. Thus, in the first 40 years, it grew seven times, and, then, in the last 15, four times. Such is the magic of compound growth numbers.

Look at India's experience in the three phases. The first phase of 1950-1981 is dismal. India pursued import substitution. This meant not benefiting from foreign trade and not letting its cotton textile industry increase exports. Industrialisation was capital intensive. Agriculture was neglected on the idea that the problem was redistribution of output from landlord to tenant and not of growth or productivity.

It was a disaster. The long-run, secular effects of this strategy is that we still have far too many people living in agriculture with two-thirds of the farmers practising subsistence-level agriculture. Agriculture has not grown even as fast as 5% on average for five years at a stretch. While there is a lot of romanticism about the kisan, agriculture is the biggest obstacle to achieving high growth rates.

The most urgent need is now to help farmers to move out of agriculture and into some other activity which can afford them a better livelihood. Subsistence-level farmers already rely on non-agricultural activity to supplement their incomes, as a Nabard survey shows. Instead of giving farmers `6,000 and having them stay on the farm, the Centre should be give a substantial sum to leave farming.

In the second phase, 1981-2003, a sort of realism crept in. The economy crashed due to the oil price shock. Indira Gandhi abandoned self-sufficiency and took a large loan from the IMF. Rajiv Gandhi began borrowing money from abroad (from NRIs). He liberalised imports, though he didn't reform the industrial economy to increase exports. The economy crashed again, and, in 1991, another emergency loan had to be taken.

This taught India that it had to borrow abroad to grow. It had to let its economy to benefit from international trade. So, in 1991, PV Narasimha Rao liberalised the economy, cutting tariffs and abolishing quotas. The growth rate increased to around 5%, higher than the 3% previously, but was still inadequate. Still, neoliberalism was denounced by the Left in the Congress and outside.

The Vajpayee government, in the last five years of this period, began to free the government policy from blind faith in state-ownership. Slowly, it began to divest. The big delusions of the first generation of economic planners—import substitution, neglect of agriculture, self-sufficiency and state-ownership—were abandoned, though very unwillingly. Vajpayee's was the first government that dealt with international trade and capital movements in a grown-up manner.

The stage was set for the third and latest act. India prepared itself to thrive as an open economy. Luckily for India, there was a global macroeconomic boom from 2003 to 2008, and, after a crisis, enough countries reflated to avoid a severe depression. This helped India.

So, what is next? The first step is to have an ambitious programme to transfer farmers out of farming to other jobs. The government could make it a condition of debt cancellation that the debtor farmer would quit agriculture. The second task is to abandon the preference for state-ownership. It was always an economic folly whichever political label it carried. It was the biggest waste of scarce money in a desperately poor country to flatter the egos of an elite. A large-scale sale of state-owned enterprises is urgent. The BJP has no investment in the ideology of Fabian- or Soviet-style socialism that Congress had. Modi 2.0 can erase all the surviving obstacles to rapid growth that Nehru-Gandhi put in place.

Modi 1.0 began to build a comprehensive welfare state with Swachh Bharat, Ayushman Bharat, electrification, pension schemes which cover the workers in informal sector, farmers and the elderly, etc. The time has come to give it a rounded shape and dig deep foundations for it.

Whether income gets to $5 trillion or not by 2024 is irrelevant. What matters is that each year is better than the last.

Source: financialexpress.com- Oct 14, 2019

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CCI starts buying cotton from Punjab, Rajasthan

The Cotton Corporation of India (CCI) has commenced procurement of cotton in Punjab and Rajasthan since prices of the crop have come under pressure in these states.

P Alli Rani, CMD, CCI said purchase has begun in the North after a gap of nearly three years after the government has given permission for direct purchase of the crop. The procurement is in minimal quantities because the moisture content is high, she said.

The farmers have been advised to dry the cotton before bringing it to purchase centres, she added.

CCI has quality parameters of 12% moisture and at present the moisture content is on the higher side. Last year, CCI had procured 10.70 lakh bales under MSP.

If prices remain lower than the MSP in all states, then it may procure more cotton than last year, Alli Rani said. The MSP of cotton for the 2019-20 season is Rs 5,550 per quintal as against Rs 5,450 per quintal in the previous year.

Prices of raw cotton or kapas are currently ruling between Rs 4,700 and Rs 5,250 per quintal, depending on the quality and the moisture content.

However, the prevailing prices are much below the minimum support price (MSP) of Rs 5,550 per quintal announced by the Centre.

At present, daily market arrivals are at around 40,000 bales in North India, while in Telangana they are at around 2,000-3,000 bales. In Maharashtra, the daily arrivals are at around 3,000-4,000 bales and in Karnataka at around 1,000 bales, according to market sources.

Arrivals are set to pick up by the end of October or early November.

CCI is geared up for procurement of as much as 100 lakh bales of cotton from farmers in the cotton season of 2019-20 after Diwali. Alli Rani said that cotton prices are expected to fall after Diwali when arrivals pick up. At present, arrivals are negligible and do not meet the quality parameters of the agency of 12% moisture.

“Arrivals have begun in Madhya Pradesh but the moisture content is high so CCI will not be able to make purchases, she said, adding that CCI is prepared to buy even today but the moisture content levels are high. The agency may have to intervene in the market in November. It has established 358 procurement centres this year.

The highest procurement by CCI so far has been in 2014-15 when the agency had procured around 96 lakh bales.

“The following years have been no MSP years and in the last season as well, prices have been 28% higher than MSP. CCI purchased barely 10 lakh bales during that season,” she said.

Rani said India’s cotton production in 2019-20 (October-September) was likely to be at least 350 lakh bales, up nearly 4% from the previous year due to higher acreage and better weather conditions in most of the growing regions. In the last few years, India’s cotton output has averaged around 350 lakh bales.

The International Cotton Advisory Committee (ICAC), in its cotton summary for October 2019, has noted that global production — projected at about 268 lakh tonne — is expected to slightly outpace global consumption, projected at 265 lakh tonne, for 2019-20, which began from August.

This is likely to put downward pressure on global cotton prices — a trend that may affect India’s cotton market too.

Cotton Association of India (CAI) data showed that India's cotton exports were 36 % lower, at 44 lakh bales, till September 30, while its imports almost doubled to 29 lakh bales.

On global consumption, ICAC estimates that "even the major cotton consuming countries may see tepid growth in consumption, at about 2% over last year.

Source: financialexpress.com- Oct 12, 2019

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Filatex India plans to foray into home textiles

Higher margins attractive: chairman

Filatex India Ltd., a manufacturer of polyester and polypropylene multifilament yarn and polyester chips, after nearly competing a ₹850 crore expansion, is now planning to foray into the home textiles segment, where margins 'are better than in the commodity business', a top executive said.

"We are planning to enter the fabrics business, mainly home textiles, where the margins are better. We are still finalising the plans; this business would involve an investment of around ₹100 crore," Madhu Sudhan Bhageria, chairman and managing director, Filatex India Ltd., said in an interview.

The company operates two plants, located at Dahej in Gujarat and Dadra & Nagar Haveli, a union territory.

It plans to start the home textile business early next year. The firm is now examining whether it would set up the manufacturing unit in Maharashtra which offers sops to attract new businesses.

With this, its capacity will increase from 3.28 lakh MT per annum to 3.9 lakh MT.

Man-made fibres

Mr. Bhageria said polyester was slowly replacing cotton and thus companies in India would manufacture more man-made fibres to meet the demand.

“Currently China supplies 75% of the 70,000 MT per day of global demand for polyester yarn and India contributes 10-11%.

As labour costs in China are increasing, production capacities have started moving to India and Indian firms should leverage on this opportunity,” he added.

Source: thehindu.com- Oct 12, 2019

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