



**IBTEX No. 115 of 2019**

**June 15, 2019**

SD 69.88 | EUR 78.53 | GBP 87.97 | JPY 0.64

<b>Cotton Market (14-06-2019)</b>		
<b>Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
21866	45700	<b>83.71</b>
<b>Domestic Futures Price (Ex. Warehouse Rajkot), June</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
21500	44935	<b>82.31</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb (July 2019)		66.83
ZCE Cotton: Yuan/MT ( September 2019)		13,475
ZCE Cotton: USD Cents/lb		88.30
<b>Cotlook A Index – Physical</b>		<b>77.50</b>
<b>Cotton Guide:</b> The ICE cotton futures were still up yesterday but marginally. The reason attributed was again weather conditions and gains in competing crops. The Most active cotton future the ICE December contract emanated a gain of 0.55 cent or 0.90% at 66.43 cents/lb. the trading range was 65.47 to 66.75 cents/lb. There is some news coming with respect to planting delays with heavy rains being the major concern. The volumes have now shifted from ICE July to ICE December with the December contract showing volumes of 27,973 as compared to ICE July's volume of 21,891 contracts. The total volumes seen yesterday at ICE were 53,011 contracts.		

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The USDA reports emanated net sales of 75,100 running bales (2018/2019) which means a decline of almost 60% from the previous week and 72 percent from the prior four week average. For the second time the India was the lead export sales destination.

Country	Increases (Running bales)
India	30,400
Vietnam	25,200
Indonesia	9,800
Taiwan	2,900
Country	Reductions (Running bales)
China	5,600
Mexico	2,000

**Table 1: US Upland Sales 2018/2019**

The net sales for 2019/2020 was seen at 43,000 running bales primarily for:

Country	Increases (Running bales)
Japan	11,700
Guatemala	11,700
Vietnam	8,500
China	4,400
Pakistan	3,500
Country	Reductions (Running bales)
Mexico	2,000

**Table 2: US Upland Sales 2019/2020**

On the other hand export shipments were up by 17% at 360,400 RB.

Country	Increases (Running bales)
Vietnam	90,700
Turkey	55,200
India	53,200
China	42,500
Indonesia	22,500

**Table 3 : Export Shipments**

The MCX contracts on the other hand were tilted towards the positive side with the MCX June contract settling at 21,500 Rs/Bale with a change of +50 Rs. The MCX July and MCX August contracts settled at 21,610 Rs/Bale and 21,630 Rs/Bale respectively with a change of +40 and +70 Rs. The MCX July and MCX August contracts are almost at par with each other. Total Volumes were decent.

The Cotlook Index A was adjusted positively at 77.50 cents/lb with a change of 1.00 cents/lb. The Cotlook Index A 2019/2020 was adjusted at 75.95 with a change of 0.75 cents/lb. The average prices of Shankar 6 are at 45,700 i.e. they are marginally rising up.

Indian spinners are seen to have booked good amount of imported cotton while they are now further looking to import more cotton as the prices are favorable for them at the moment. While speaking about Ginners, as the monsoons have now set in, the ginners are expected to sell the stocks which were held by them during summer. The Ginners usually await for the monsoon so that they could take the advantage of the weight gain (due to the moisture in the air) and get better realization on their bales.

While we speak about imports, there is a very important news coming in from China. The China Cotton Association recently requested a waiver form import tariffs on the US Uncombed cotton. They have submitted an application representing all its members to the Government. Lately, the Chinese Ministry of Finance had brought forth a list of goods which includes cotton (carded or combed) in the later part of May, which can qualify for waivers on tariffs that China imposed on US Goods. During the first half of the cotton marketing year China only imported 11% cotton as compared to 45% in the previous year.

Fundamentally, for today we feel that the markets will continue with a steady rise for the MCX contract coupled with the Domestic Spot prices, whereas the adverse weather conditions can push the ICE Prices slightly higher. On the other hand, the lesser export sales data can play with the sentiments of the international markets.

On the technical front, prices are trading in an upward sloping channel, with a range of 66-67.50, however a close below the channel would help the negative momentum also forming a bearish flag formation. Prices have taken support of 50% Fibonacci extension level (64.80), but are currently trading below the DEMA (5, 9) at (66.61, 66.94). However immediate support for the prices at 66 & the resistances would be 67.80 (upper range of channel). Momentum indicator Stochastics which works well in sideways markets is hovering near the oversold zone at 36 suggesting sideways to negative bias for the coming sessions. For the today's session we expect the prices to trade within a range of 66-67.50. In the Domestic market MCX Cotton June may trade in the range of 21000-21700.

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## INTERNATIONAL NEWS

### **Trade War Fallout: China's US Cotton imports dive, prices under pressure**

It probably wasn't the intended result of the tariff-fueled trade war President Trump started with China, but since China implemented a 25 percent retaliatory tariff on imports of U.S. cotton fiber last July, its imports from the U.S. have dropped 44 percent, or by 868,000 bales.

In its new monthly analysis of the market, Cotton Incorporated said, "In the ten months of trade data that have become available since then, there has been a definite shift away from the U.S. Chinese imports from all locations rose 80 percent (weight basis) year-over-year" through April.

Cotton Inc. noted that non-U.S. machine-picking countries have benefited the most in terms of volume. Chinese imports from Brazil and Australia were up 1.5 million bales year-over-year in the period—up 396 percent and 153 percent, respectively. Strong increases have also been registered from hand-picking sources. Chinese imports from India were up 1 million bales, or 325 percent in the period year-over-year, and shipments from other sources, mainly West Africa, rose 550,000 bales or 108 percent.

"A central source of uncertainty for the cotton market remains the trade situation between the U.S. and China," Cotton Inc.'s Monthly Economic Letter said. "These two countries represent not only the world's largest exporter and importer of cotton fiber, but are also the world's largest exporter and importer of apparel and the world's two largest economies."

The U.S. has yet to increase tariffs on apparel imports from China, but last month Trump threatened to raise duties on all goods from China that have not been covered by previous increases. Cotton Inc. noted that this would include U.S. imports of Chinese apparel and home textiles.

Cotton Inc. noted that threats to hit the entirety of U.S. imports from China were initially made last summer, and in the nearly 12 months since those threats were made, China's year-long pace of increases, which have already slowed for micro and macroeconomic reasons, has slowed although the country remains the top supplier.

In the first four months of 2019, U.S. apparel imports from China increased 2 percent in volume, although they were flat in value year-to-year.

“Beyond the direct effects that the trade dispute has on global fiber and apparel markets, there are also indirect macroeconomic consequences,” Cotton Inc. said. “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.

From the U.S., this suggests smaller retailer orders. For China, this suggests smaller manufacturer orders. With Chinese manufacturers serving as a source of demand globally, this could mean less demand for raw materials and intermediate goods around the world and feed into a vicious cycle of slowing economic growth.”

As for the effect on cotton prices, volatility seems to be in the cards. Most benchmark prices decreased over the past month, with Chinese prices moving sharply lower.

After moving lower in early May, values for the July contract were volatile but ranged between 65 cents per pound and 70 cents per pound for most of the past month, the analysis noted. The A Index, an average of global spot prices, fell in early May, but has been more stable in recent weeks, holding to levels between 76 cents per pound and 81 cents per pound.

U.S. spot cotton prices averaged 61.05 cents per pound for the week ended Thursday, according to the U.S. Department of Agriculture (USDA). That was down from 63.55 per pound last week and 90.27 cents per pound a year ago.

The International Cotton Advisory Council (ICAC) said in a recent report, “The cotton market faces continued uncertainty due to the escalating U.S.-China trade war, with prices under additional pressure due to a projected increase in global stocks.”

ICAC said while there is some hope that U.S. and Chinese representatives might be able to de-escalate the conflict later this month when they’re together at the G20 Summit in Japan, the U.S. government recently announced it will provide \$16 billion in additional support to its farmers, potentially indicating plans for a prolonged standoff.

“Prices have suffered from the escalating tariffs, dropping to a season-low of 76 cents per pound on May 14th. Although global consumption is expected to rise by 1 percent, production is expected to jump 7 percent, with the resulting increase in global stocks exerting further downward pressure on prices,” ICAC said.

While the demand for cotton could be impacted by a predicted slowing global economy, supply is seen diminishing. The latest USDA report had slight reductions to forecasts for world production and mill use in the upcoming 2019-20 crop year.

The global production number decreased 137,000 bales to 125.3 million bales, while the global consumption forecast fell 660,000 bales to 125.3 million bales.

For the soon to be completed 2018-19 crop year, the global production estimate increased and the mill-use estimate decreased. This lifted the figure for 2018-19 world ending stocks 1.1 million bales to 77.5 million bales, and resulted in a corresponding increase to 2019-20 beginning stocks.

In combination, the smaller decrease in 2019-20 production relative to 2019-20 mill-use, and the increase in 2019-20 beginning stocks, pushed the forecast for 2019-20 ending stocks higher.

ICAC said the increase in global stocks will exert “further downward pressure on prices.”

Source: [sourcingjournal.com](http://sourcingjournal.com)- June 14, 2019

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## **As Trade War Hits, China Factories See Slowest Growth Since 2002**

China's industrial output growth slowed to the weakest pace since 2002 and investment decelerated, highlighting the headwinds the economy is facing as it grapples with the U.S. tariff war.

Industrial output rose 5 percent from a year earlier, while fixed-asset investment expanded 5.6 percent in the first five months. Both were slower than in April and below expectations.

Retail sales was a bright spot, expanding 8.6 percent compared to May last year, partly because a longer May Day holiday encouraged more tourism and spending.

Officials have repeatedly said that the economy is strong enough to overcome the trade war and the central bank governor said recently he had "tremendous" room to adjust monetary policy if the conflict deepens. This continued slowdown may encourage policymakers to use such capacity.

"Beijing will surely step up policy easing measures to arrest the worsening slowdown," said Lu Ting, chief China economist at Nomura Holdings Inc. in Hong Kong. "We expect Beijing to again allow local governments more freedom to scrap some restrictions in property markets to boost growth. We also expect Beijing to allow the yuan to depreciate further if the U.S. government decides to impose the 25 percent additional tariff on the remaining US\$300 billion list."

While the government and central bank have unveiled various targeted measures to boost infrastructure spending, support credit growth, cut taxes and increase consumption, so far they have avoided a massive stimulus plan like in previous downturns.

### **Investment Slowdown**

Fixed-asset investment by state-owned and private companies slowed, and there was a fall in investment in eight sectors, according to the data from the National Bureau of Statistics. While property investment slowed, it still grew 11.2 percent in the first five months of the year, with that sector remaining a prop for the broader economy.



“This is substantially weaker than expected” and will likely increase the odds of action from the PBOC in the near future, especially if the results of the G-20 meeting between the U.S. and Chinese leaders is worse than expected, said Becky Liu, head of China macro strategy at Standard Chartered Plc in Hong Kong.

Fluctuations in the data are normal, but external uncertainties are increasing, a spokesperson for the National Bureau of Statistics said after the data was released. China has a large amount of room to increase consumption and added almost 6 million jobs in the first five months of the year, the spokesperson said. The survey-based unemployment stood at 5 percent, the same as in April.

“China needs more stimulus to keep GDP growing above 6 percent,” said Iris Pang, an economist at ING Bank N.V. in Hong Kong. “Retail sales was good because it was supported by the long holiday in May. But it could also be a sign that Chinese consumers spent domestically rather than taking leisure trips.”

Source: [sourcingjournal.com](http://sourcingjournal.com)- June 14, 2019

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## **USA: Home furnishings store sales see May pick-up**

May retail sales were solid, and results for April were better than initially announced.

According to the National Retail Federation (NRF), retail sales rose 0.5% in May seasonally adjusted from April and up 3.2% unadjusted year-over-year. The numbers exclude automobile dealers, gasoline stations and restaurants.

Revisions to April monthly data were significant, with retail sales reversing a loss of 0.2% monthly change to a gain of 0.3%.

NRF said retail sales data has been inconsistent in recent months due to a number of factors, including the partial government shutdown, volatile energy prices, choppy equity markets and escalating trade tensions.

May's retail sales increases were broad based, with nearly all categories showing gains, with the only decline coming from food and beverage stores. Sales at furnishing and home furnishings stores were up 1.2% year-over-year and up 0.1% month-over-month seasonally adjusted.

"Today's retail numbers, and upward revisions to prior months, reinforce the ongoing strength of the consumer and are consistent with a pick up in the pace of the economy in the coming months," said NRF chief economic Jack Kleinhenz.

He warned that a jump in tariffs would create "a considerable downdraft to confidence and spending, or lead to a pullback in spending."

As of May, the three-month moving average was up 3.3 percent over the same period a year ago, compared with a gain of 2.9 percent in April. May's results build on a revised gain of 0.3 percent month-over-month and a revised 5.9 percent gain year-over-year in April.

NRF's numbers are based on data from the U.S. Census Bureau, which said today that overall May sales – including auto dealers, gas stations and restaurants – were up 0.5% seasonally adjusted from April and were up 3.2year% -over-year.

Specifics from key retail sectors other than furniture/home furnishings store results mentioned above during May include:

- Online and other non-store sales were up 11.4 percent year-over-year and up 1.4 percent month-over-month seasonally adjusted.
- General merchandise stores were up 4.4 percent year-over-year and up 0.7 percent month-over-month seasonally adjusted. • Health and personal care stores were up 3.8 percent year-over-year and up 0.6 percent month-over-month seasonally adjusted.
- Grocery and beverage stores were up 2.3 percent year-over-year and down 0.1 percent month-over-month seasonally adjusted.
- Building materials and garden supply stores were down 1.4 percent year-over-year but up 0.1 percent month-over-month seasonally adjusted.

- Electronics and appliance stores were down 1.9 percent year-over-year but up 1.1 percent month-over-month seasonally adjusted.
- Sporting goods stores were down 2.4 percent year-over-year but up 1.1 percent month-over-month seasonally adjusted.
- Clothing and clothing accessory stores were down 2.4 percent year-over-year and unchanged month-over-month seasonally adjusted.

Source: hometextilestoday.com- June 14, 2019

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## **Wal-Mart and Hundreds of Other Companies Call on Trump to Drop China Tariffs**

Wal-Mart Inc., Target Corp., Macy's Inc. and hundreds of other companies and associations made a plea to President Donald Trump not to impose additional tariffs on Chinese goods, and to return to the negotiating table to strike a trade deal with Beijing.

More than 500 companies and 140 groups representing manufacturers, retailers, oil and gas firms and other industries signed a letter addressed to Trump on Thursday from "Tariffs Hurt the Heartland," an umbrella group of trade associations that's pushing back against Trump's trade war.

"We remain concerned about the escalation of tit-for-tat tariffs," the companies and groups said in the letter. "We know firsthand that the additional tariffs will have a significant, negative and long-term impact on American businesses, farmers, families and the U.S. economy." Trump placed duties on \$250 billion of Chinese products in 2018.

After talks on a trade deal with China faltered in May, he ordered a tariff increase to 25 percent from 10 percent on \$200 billion of goods and targeted an additional \$300 billion in products for duties—including consumer items from clothing to toys to mobile phones that the administration tried to spare in previous rounds. The coalition commissioned a report in February that showed the U.S. tariffs and China's retaliation would lead to the loss of more than 2 million U.S. jobs, increase costs for the average American family of four by almost \$2,300, and trim U.S. GDP.

The president has repeatedly threatened to raise tariffs if Chinese President Xi Jinping doesn't meet with him at the Group of 20 leaders' meeting June 28-29 in Osaka, Japan. Trump is still waiting for a response from Xi about a meeting, economic adviser Larry Kudlow said Thursday, and Trump said on Wednesday he had no deadline to return to trade talks.

The companies and groups said in the letter that they support Trump's efforts to hold trading partners accountable, but that both sides will lose in an escalated trade war. "We are counting on you to force a positive resolution that removes the current tariffs, fosters American competitiveness, grows our economy and protects our workers and customers," the companies and groups wrote.

Source: sourcingjournal.com - June 14, 2019

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## **Bangladesh emerges as the top exporter of cotton trousers to US**

Bangladesh has emerged as the top exporter of cotton trousers to the US market with US \$ 886.52 million worth of shipment, while China slipped to the second place with US \$ 869.51 million export value.

In the corresponding period of the prior year, Bangladesh stood at US \$ 783.71 million, whereas China stayed far ahead of Bangladesh and shipped trousers valued at US \$ 941.11 million. Bangladesh shipped 15.53 dozen of cotton trousers to USA, marking 7.73 per cent surge on Y-o-Y basis. The country significantly kept its unit prices (US \$ 57.07 per dozen) lower than other Asian manufacturing destinations except Indonesia (in top 10 tally) whose unit prices were US \$ 51.14 per dozen.

Despite offering the lowest unit prices, Indonesia dwindled by 6.90 per cent to ship US \$ 196.48 million as compared to US \$ 211.04 million in the same period of last year. India, in the review period, grew by 5.05 per cent in its cotton trousers export to USA and valued at US \$ 134.12 million. Despite growth coming in, India stood at 8th rank which is not in sync with India's reputation considering the country is traditionally rich in cotton. Countries like Pakistan and Cambodia are ahead of India with US \$ 163.94 million (up 4.43 per cent) and US \$ 144.12 million (up 4 per cent), respectively.

Source: fashionatingworld.com- June 14, 2019

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## **Pakistan: \$26 billion exports eyed against \$24.65 billion projection**

The government has targeted \$26 billion exports for the next fiscal year against projection of \$24.656 billion for the outgoing fiscal year on the basis of \$5.02 billion food group export, \$14 billion textile group, as well as \$3.9 billion other manufacturing exports while \$2.4 billion other exports.

According to budget documents for the next fiscal year, food group exports projected at \$5.027 billion for the next fiscal year are higher by \$312 million over \$4.725 billion for the outgoing fiscal year. Rice exports are projected at \$2.208 billion in the food group's exports for the next fiscal year against \$2.066 billion for the outgoing fiscal year while other exports in food group are estimated at \$2.830 billion.

Textile group exports are projected at \$14.689 billion for the next fiscal year against \$13.738 billion estimated for the outgoing fiscal year.

Cotton yarn exports are projected at \$1.311 billion, followed by cotton cloth exports \$2,364 billion, knitwear exports \$ 3.165 billion, bed-wear exports \$2.560 billion and readymade garments exports of \$2.738 billion while others exports are projected at \$2.550 billion. Other manufacturing exports are projected at \$3.974 billion for the next fiscal year included with sports goods export of \$551million, leather tanned exports of \$287 million, leather exports of \$ 541 million, chemical and pharmaceutical products exports of \$1,237 billion.

Cement exports in other manufacture exports are projected at \$237 million for the next fiscal year and other exports at \$1.032 billion. While exports under all others account are projected at \$2.487 billion. The government expects higher growth in exports sector in the backdrop of positive global outlook, improved domestic infrastructure, low cost energy supply to exports sector and competitiveness gained due to depreciation of the rupee. An official of finance ministry said that the government has taken a number of steps to boost exports which are critical to support the balance of payment position and reduce the current account deficit.

He said that growth in exports was during the outgoing fiscal year was not encouraging, however, the growth in exports is expected in the next fiscal year.

Source: fp.brecorder.com- June 14, 2019

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### **Pakistan: Exporters protest against new taxes**

Owners of the five zero-rated sector associations, who have been excluded from tax exemption in the new budget, protested across the country on Friday.

They said that the present budget had delivered a fatal blow to exporters' liquidity and demanded the restoration of 'no-payment – no-refund' system.

The protesters belonged to the following trade associations: the Council of All Pakistan Textile Associations, Pakistan Apparel Forum, Pakistan Hosiery Manufacturers & Exporters Association, Pakistan Readymade Garments Manufacturers & Exporters Association, Pakistan Knitwear and Sweater Exporters Association, Pakistan Cotton Fashion Apparel Manufacturers & Exporters Association, Pakistan Bed-ware Exporters Association, Towel Manufacturers Association, Pakistan Cloth Manufacturers Association, Pakistan Denim Manufacturers & Exporters Association, All Pakistan Textile Processing Mills Association, All Pakistan Bedsheets & Upholstery Manufacturers Association, Pakistan Textile Exporters Association, Pakistan Weaving Mills Association, Pakistan Textile Sizing Industry Association, All Pakistan Cotton Power Looms Association, Council of Loom Owners Associations, Surgical Instruments Manufacturers Association of Pakistan, Pakistan Leather Garments Manufacturers & Exporters Association of Pakistan, Pakistan Tanners Association, Pakistan Sports Goods Manufacturers & Exporters Association and the Pakistan Carpet Manufacturers & Exporters Association of Pakistan.

Source: dailytimes.com.pk- June 15, 2019

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## **Bangladesh creating database with 27000 RMG units' details**

After creating a database of information on 4,808 readymade garment (RMG) factories, Bangladesh is now working on a database containing details of 27,000 such units, finance minister AHM Mustafa Kamal announced in his 2019-20 budget speech.

To boost female employment, 4,706 day-care centres have been set up in different factories till February 2019, he said.

The centres will be supervised by the Department of Inspection for Factories and Establishments, he said.

Four RMG sub-sectors are receiving export incentives now at 4 per cent. Kamal proposed to offer one per cent export incentive in the next fiscal to the rest of the RMG sub-sectors. An additional allocation of Tk 2,825 crore will be made in the budget for this purpose.

The RMG tax rate is 12 per cent and 10 per cent if there is green building certification. For textile sector, the tax rate is 15 per cent. These sectors are enjoying reduced tax rates for long and this advantage will expire on June 30.

Considering the contribution of these sectors to the country's economy, particularly in boosting exports and generating employment, the finance minister proposed to continue this provision of reduced rate of taxes for these sectors.

A complete inspection checklist based on labour laws in the country has been formulated, which will enable labour inspectors to ensure compliance while inspecting factories and establishments. Compliance of 8,261 factories and establishments has been ensured from fiscal 2015-16 to February 2019, he said.

To promote a worker-friendly atmosphere in mills and factories, a piece of legislation called Bangladesh Labour Act (Amendment), 2018, was enacted in line with standards of International Labour Organisation (ILO).



In addition, the government promulgated the EPZ Labour Ordinance 2019, which introduced provisions for the recruitment of workers in industries, owner-worker relationships, determination of the minimum wage rate, payment of wages, compensation for injuries to workers due to accidents during working hours, introduction of provisions on health, safety, etc. of workers, formation of workers' welfare associations, and formation of the EPZ Workers' Welfare Association the minister noted.

In December 2018 of the current fiscal, minimum wages were fixed in eight industrial sectors including readymade garments. The 'Bangladesh Labour Welfare Foundation Fund', formed to ensure the welfare of workers employed in both formal and non-formal sectors, have provided assistance amounting to Tk 28.05 crore to a total of 6,052 workers from fiscal 2012-13 till now, he said.

A sum of Tk 57.05 crore has been provided to 2,981 workers employed in 100-percent export oriented garment industries from the aforementioned fund from fiscal 2016-17 till now.

Source: [dailytimes.com.pk](http://dailytimes.com.pk)- June 15, 2019

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## NATIONAL NEWS

### **Trade war: India to hike tariffs on US goods from Sunday**

Having held back its tit-for-tat action for around a year, India has decided to slap retaliatory tariff on 29 US goods—including almond and apple—from June 16 in response to the Trump administration's move last year to impose extra levies on steel and aluminium, in a potential escalation of trade tussle.

The latest move to impose retaliatory tariffs worth \$235 million comes just over a week after the US formally withdrew export incentives of roughly \$190 million a year on Indian exports of \$5.6 billion under the so-called generalised systems of preference (GSP), dealing a blow to a trade deal that was negotiated for months. "The department of revenue will notify the decision (to levy retaliatory tariff) tonight or tomorrow," said a senior government official.

The decision comes ahead of the scheduled meeting between Prime Minister Narendra Modi and US President Donald Trump on the sidelines of the G20 meeting on June 28-29 in Japan.

US secretary of state Mike Pompeo is expected to visit New Delhi on June 25 to have discussion with external affairs minister S Jaishankar.

In June 2018, after the US imposed 25% extra duty on steel and 10% on aluminium supplies from select nations, including India, New Delhi had informed the World Trade Organization (WTO) its decision to slap retaliatory tariffs, having failed to persuade Washington to give it a waiver from the levy. The initial plan was to implement the decision on August 4, 2018, which was then deferred several times, as New Delhi hoped to clinch a broader trade deal with Washington.

Amid his worsening trade war with Beijing, Trump earlier this month blamed New Delhi's failure to assure Washington of "equitable and reasonable" market access for his decision to terminate India's status as a GSP beneficiary. Earlier, he had termed India a "tariff king". In a recent visit to New Delhi, US commerce secretary Wilbur Ross flayed India for imposing "not justified" tariff on ICT products (20%), motorcycles (50%) automobiles (60%) and alcoholic beverages (150%).

Although the immediate trigger for the GSP withdrawal by the US is said to be the tightening of India's FDI guidelines on e-commerce, which are said to hit Amazon and Walmart-backed Flipkart, in certain cases the Trump administration's demands were deemed unreasonable, said analysts. For instance, acceding to the US request to scrap/cut tariff on ICT products, including high-end mobile phones, would cost India as much as \$3.2 billion a year.

More importantly, it would help only third parties (like China and Korea). So, India was willing to lower duties on those products where it would benefit the US. Similarly, India had also offered to simplify certain certification procedures for dairy imports from the US. However, Washington remained unimpressed.

Stressing that India responded to the US requests on sticky issues positively, the commerce ministry here made it clear that New Delhi had proposed to replace the current price cap policy for coronary stents with a "suitable trade margin regime" to ease concerns of American manufacturers like Abbott Laboratories and Boston Scientific.

For its part, New Delhi wants the Trump administration to recognise that India is the only large economy whose goods trade surplus with the US has been shrinking (unlike China's). In fact, in 2018, the surplus shrank \$4 billion from the previous year.

Also, India will remain the world's fastest-growing large economy in the coming years, generating opportunities for US businesses in sectors ranging from defence and retail to oil. India is also a thriving market for US services and e-commerce companies like Amazon, Uber, Google and Facebook with billions of dollars of revenue.

Source: [financialexpress.com](http://financialexpress.com)- June 15, 2019

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## **Exports grow 3.9 per cent in May; trade deficit widens to \$15.3 billion**

Despite growth in key sectors, exports of gems & jewellery and petro products dip

India's goods exports grew 3.93 per cent to \$29.99 billion in May (year-on-year) following a growth in many key sectors such as engineering goods, iron ore and leather products, even as shipments of gems & jewellery and petroleum products declined.

Imports were 7.76 per cent higher at \$45.35 billion during the month widening the trade deficit to \$15.36 billion, compared to \$14.62 billion in the same month last year. Gold imports in May posted an increase of 37.43 per cent to \$4.78 billion.

Exporters, struggling to cope in a lack-lustre global market, have made a case for some hand-holding by the government.

“Export growth for the month of May remains at a sub-optimal level, requiring immediate government intervention. For engineering sector, exporters need crucial raw material like steel at international prices. Exporters are looking forward to the Union Budget for fiscal relief,” said Ravi Sehgal, Chairman, EEPC.

In May 2019, other major commodity groups of export showing positive growth over the corresponding month of the previous year included electronic goods, ready made garments, drugs & pharmaceuticals and organic and inorganic chemicals. Total value of exports for the period April-May 2019-20 was \$56.07 billion as against \$54.77 billion registering a growth of 2.37 per cent.

Cumulative value of imports for the period April-May 2019-20 was \$86.75 posting a growth of 4.39 per cent.

Exports of goods in 2018-19 registered a 9.06 per cent growth to hit a new high of \$331 billion, breaching the previous high of \$314 billion clocked in 2013-14.

However, in April, export growth decelerated 0.64 per cent (year-on-year) to \$26.07 billion.

Source: thehindubusinessline.com- June 14, 2019

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## **India and WTO: Immediate removal of export subsidies would hurt country**

Immediate removal of export subsidies would hurt India, eight-year phase out period under special and differential flexibilities must stay

Recently in Delhi, a few WTO economies met to discuss trade rules in the context of least developed and developing countries. The G20 is going to meet again this month to discuss, amongst others, this issue.

The last few years have been contentious for India as developed countries, led by the US, have upped the ante. Widely used incentives given to Indian exporters have been challenged on the grounds that India has exceeded the time period within which these benefits could be given. These kinds of export contingent subsidies are prohibited under Article 27 of the WTO Agreement on Subsidies and Countervailing Measures (ASCM) for their trade-distorting effects.

The basic tenet is that a subsidy that alters the allocation of resources within an economy should be subject to discipline. Under this, select least-developed and developing countries, whose gross national income (GNI) per capita is below \$1,000 a year (at the 1990 exchange rate), are allowed to provide export incentives to any sector with a share below 3.25% in global exports. However, they must stop these if the figure is breached for three straight years.

Given that India's GNI has continued to remain above \$1,000 since 2015, the Merchandise Exports from India Scheme (MEIS), which is extended to 7,914 tariff lines, has come under scrutiny. Phasing out subsidies impacts India's competitiveness, especially of SMEs accounting for 40% of exports.

As far as product share of exports is concerned, ASCM says that if the export share of a product is at least 3.25% in world trade for two consecutive calendar years, subsidies have to be phased out for that product. India's textile exports crossed the 3.25% mark in 2010, requiring export incentives to the sector to end by December 2018.

Rough estimates show that 1,063 of 6,110 HS code 6-digits products exported by India have already exceeded 3.25% share in world exports—however, not all necessarily receive subsidies. Taking off subsidies in the case of agriculture products and textiles could impact the sectors significantly—around 33% products by value in agriculture and 88% in textiles have breached the share.

While the dichotomy between developed and developing is a foregone conclusion, amongst the developing economies too there is a stark contrast. For example, in 2017, the per capita GNI of India was just \$1,800, much below that of China (\$8,690). The figures get more dismal for India, with 21.2% of the population being classified as poor, against 7.9% in China. The extent of poverty in India led to almost 15% of the population remaining undernourished, compared to 8.7% in China. In the 2017 HDI Report, India occupied the 130th position, while China ranked 86th.

Most importantly, India needs to continue to up the ante and confront the dichotomy amongst nations. The special and differential treatment flexibilities under WTO, which include various export subsidies to developing countries, are being disputed by the US, EU, and Japan. Benchmarking development assistance against GNI alone, and not including human development, would defeat the aim of the Development Assistance Committee of 1961, which was convinced of the need to help the less-developed countries extend loans and grants on concessional terms.

Secondly, India needs to continue to impress upon the WTO to have an 8 year phase-out period for export subsidies, from the time a country crosses the GNI threshold, which would be the same benefit as what accrued to countries that had benefitted from the same at the time the WTO's ASCM was implemented in 1994. This would allow Indian exporters in particular to prepare accordingly.

Lastly, policymakers need to work on a contingency plan to replace existing export incentive schemes, with WTO-compliant, production-oriented schemes targeting R&D and modernisation. This could be in the form of establishing technology upgradation funds or capital incentive schemes. At the same time, embedded taxes and unrebated levies outside GST, like electricity duty, duty on petroleum products, and raw materials in agri and allied activities, should be rebated. In fact, the MEIS can be transformed into an embedded duty neutralisation scheme.

Though India is amongst the largest market globally, its social parameters are not encouraging. Much required is such change in the WTO framework—which is almost 25 years old—as would take cognisance of these contradictions. The new government may also like to resolve the WTO conundrum by introducing appropriate solutions in the new trade policy.

Source: [financialexpress.com](http://financialexpress.com)- June 15, 2019

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## **Low exports growth due to sluggish global trade**

Exporters' association FIEO on Friday said slow exports growth in May is a reflection of extremely modest growth in global trade and increasing protectionism.

In a statement, FIEO President Ganesh Kumar Gupta added that MSME sectors are still facing the problem of liquidity besides various other challenges including uncertainties owing to tariff war, volatility in commodities/currencies, rapid rise in trade restrictive measures and constraints on the domestic front.

The FIEO Chief is of the view that due to US-China Trade war and developments in Iran has further aggravated the problem in the world economy. The uncertainty attached to it will also affect the flow of investment and add to currency volatility.

Only 17 out of 30 major product groups were in positive territory during May 2019 including electronic goods, organic & inorganic chemicals, drugs & pharma, RMG of all textiles, plastics & Linoleum, ceramic products &



glassware, handicrafts, commodities besides a few plantation and agri products have shown positive growth during the month.

FIEO Chief also expressed his concerns on the rising trade deficit primarily on account of swelling crude import bill with further northward movement of prices and ban on Iranian imports along with rising gold import.

Gupta said that domestic issues including access to credit, cost of credit especially for merchant exporters, interest equalization support to all agri exports, benefits on sales to foreign tourists and exemption from IGST under Advance Authorization Scheme with retrospective effect should be seriously looked into.

Besides these, budgetary support for marketing and exports related infrastructure are some of the other key issues, which needs immediate attention of the government in the upcoming budget.

Source: smetimes.in- June 14, 2019

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### **Modi hits out at protectionism as US-China trade war rages; says, trading system must be like this**

Prime Minister Narendra Modi on Friday hit out at unilateralism and trade protectionism, and said that there is a need for a rules-based, anti-discriminatory and all inclusive WTO-centred multilateral trading system, amidst the raging trade war between the US and China. Addressing the Shanghai Cooperation Organisation (SCO) Summit here, Modi said that unilateralism and protectionism has not benefitted anyone.

“Economic cooperation is the basis of our people’s future. “We need a rule-based, transparent, anti-discriminatory, open and all inclusive WTO-centred multilateral trading system focused so that the interests of every countries specially the developing ones can be taken care of,” he said.

India is committed to make favourable environment for the economic cooperation between the SCO member countries, the Prime Minister said in the presence of Chinese President Xi Jinping. Prime Minister Modi Thursday said he had an “extremely fruitful” meeting with Xi during which they

discussed the full spectrum of bilateral relations and vowed to work together to improve the economic and cultural ties.

The meeting on the sidelines of the SCO Summit here is their first interaction after Modi's re-election following the stunning victory of the BJP in the general elections last month.

Xi said India and China should uphold free trade, and multilateralism, without directly referring to Beijing's opposition to US President Donald Trump's protectionist policies and the ongoing China-US trade war. China and the US have been in an escalating conflict over trade for the past year.

The scope of the battle has expanded in recent months as Washington has tightened trade restrictions on Chinese telecom giant Huawei.

The SCO member states, including India, said that the situation in global politics and economy remains turbulent and tense, and the process of economic globalisation is being hindered by the growing unilateral protectionist policies and other challenges in international trade, according to the Bishkek Declaration of the Shanghai Cooperation Organisation's Heads of State Council.

They stress on the importance of further improving the architecture of global economic governance, and deepening cooperation to build a transparent, predictable and stable environment for the development of trade, economic and investment cooperation through the consistent strengthening of the multilateral trading system based on the rules and regulations of the WTO, and through opposition to the fragmentation of global trade and trade protectionism in all its forms, it said.

They believe that unilateral protectionist actions in violation of the World Trade Organisation (WTO) rules and regulations undermine the multilateral trade system and threaten the world economy and trade, it said.

The member states stressed on the importance of further deepening cooperation in order to bring forth an open world economy, consistently strengthen an open, inclusive, transparent, non-discriminatory and rule-based multilateral trading system, maintain the authority and effectiveness of WTO rules, and to prevent any unilateral protectionist actions in international and regional trade.

Source: [financialexpress.com](http://financialexpress.com)- June 14, 2019

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## **India's growth a big factor for stability, hope in world: Modi**

Prime Minister Narendra Modi said on Friday that the world economy was transforming fast and growth of a big economy like India and its technological progress was a big factor for stability and hope in the world.

Addressing the gathering at the inauguration of India-Kyrgyzstan Business Forum meeting, Modi said that there were three catalysts to promote trade and investment - right atmosphere, connectivity and business-to-business exchange.

"The world economy is transforming fast and growth of a big economy like India and its technological progress is a big factor for stability and hope in the world. India is no doubt a big market. Our youth and enthusiastic innovators will play an important role in making India a five-trillion-dollar economy," he said.

He said the bilateral trade between India and the Kyrgyz Republic was far below potential and his government has given a final shape to Double Taxation Avoidance Agreement and was actively working on bilateral investment treaty.

"I will like to say that to create conducive atmosphere, we have given final shape to Double Taxation Avoidance Agreement. We are also actively talking on a bilateral investment treaty.

These will give a strong foundation for investment. We have created a five-year roadmap to boost bilateral trade. Kyrgyz Republic is a member of Eurasian Economic Union. We are also working on a Preferential Trade Agreement with Eurasian Economic Union to boost trade," he said.

He said that connectivity was important to ease trade and Chabahar port has emerged as a new link between India and Afghanistan. "We will have to give more attention to connectivity between Central Asia and India," he said.

Modi said Kyrgyzstan offers opportunities for Indian traders and investors in areas such as medicine, textiles, railways, hydro power, mining, minerals and tourism.

The Prime Minister said that India and Kyrgyztan have had close cultural and economic ties and there was immense potential in the bilateral partnership.

Source: business-standard.com- June 14, 2019

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### **WPI inflation for apparel up 0.5% in May 2019**

India's annual rate of inflation, based on monthly wholesale price index (WPI), stood at 2.45 per cent for the month of May 2019 over May 2018. The index for textiles rose by 0.3 per cent while for apparel it was up by 0.5 per cent in May, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of May 2019 rose by 0.2 per cent to 121.2 from the previous month's level of 120.9, the data showed.

The index for manufactured products (weight 64.23 per cent) for May 2019 rose by 0.1 per cent to 118.4 from the month level of 118.3. The index for 'Manufacture of Wearing Apparel' sub-group rose by 0.5 per cent to 139.2 from 138.5 for the previous month due to higher price of woven apparel, except fur apparel (1 per cent). However, the price of knitted and crocheted apparel declined by one per cent.

The index for 'Manufacture of Textiles' sub-group rose by 0.3 per cent to 119.7 from 119.4 for the previous month due to higher price of knitted and crocheted fabrics (3 per cent) and cordage, rope, twine and netting and weaving & finishing of textiles (1 per cent each). However, the price of viscose yarn declined by one per cent.

The index for primary articles (weight 22.62 per cent) rose by 0.2 per cent to 139.5 from 139.2 for the previous month. The index for fuel and power (weight 13.15 per cent) also increased by 0.6 per cent to 103.4 from 102.8 for

the previous month due to higher price of naphtha, ATF, LPG, kerosene, furnace oil and HSD.

Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 3.05 (provisional) in May 2019 compared to 2.99 (final) in April 2019 and 4.87 in May 2018, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com- June 14, 2019

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### **India, Kyrgyzstan have prepared 5 year roadmap to increase bilateral trade: PM Modi**

Prime Minister Narendra Modi said India and Kyrgyzstan have prepared a five-year road map to increase the bilateral trade and urged the business communities from both countries to explore the untapped potential in various fields.

Addressing the India-Kyrgyz Business Forum, the Prime Minister said that India and Kyrgyztan have given the final shape to the Double Taxation Avoidance Agreement (DTAA) and the bilateral investment treaty, which would help in creating a proper atmosphere for the bilateral trade.

Modi and Kyrgyz President Sooronbay Jeenbekov jointly inaugurated the India-Kyrgyz Business Forum.

Modi said that “at a time when the world economy is rapidly changing, we need to look at the opportunities of the economic partnership between the two countries.”

“There are three catalysts for the growth of the bilateral trade and investment opportunities. They are proper atmosphere, connectivity and business-to-business exchanges,” he said.

‘Explore opportunities’

Ahead of the Modi’s visit to Kyrgyzstan, the Union Cabinet, chaired by Prime Minister Modi, has approved the signing and ratification of bilateral investment treaty between India and Kyrgyzstan.

The bilateral treaty is likely to increase flow of investment between India and Kyrgyzstan and provide protection to investors from the two nations making investments in both the countries.

He said Kyrgyzstan provides good opportunities for Indian businessmen in the field of textiles, railways, hydro power, mining and mineral explorations. He also invited Kyrgyz businessmen to come to India to explore opportunities of bilateral trade.

Modi said connectivity plays an important role for the ease of trade between two countries and Chabahar port (in Iran) has emerged as new route between India and Afghanistan.

“There is a need for us to focus on increasing connectivity between India and Central Asia. The Republic of Kyrgyzstan is part of Eurasian Union and we are working to increase the trade with the Eurasian Union,” he said.

Modi is in Kyrgyz capital to attend the Shanghai Cooperation Organisation (SCO) Summit. The SCO is a China-led 8-member economic and security bloc with India and Pakistan being admitted to the grouping in 2017. Other members of the grouping are China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

Source: thehindubusinessline.com- June 14, 2019

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## **India readies retaliatory duties on 29 US goods**

The decision is likely to be notified by June 16

Tariffs on apples, almonds, shrimps, chickpeas, boric acid and some other items imported from the US are set to go up as the government has finally decided to impose retaliatory duties worth over \$200 million on 29 products, a government official has said.

The proposed action, which comes a year after the notification for the duties was first drafted in June 2018, is in response to penal duties imposed on Indian aluminium and steel at 10 per cent and 25 per cent, respectively, by Washington last year.

“The retaliatory duties on American items are likely to come into effect after June 16, as the government, last month, had postponed implementation of the duties till that date,” the official said.

The retaliatory duties will be notified by the Department of Revenue once approved by the Finance Ministry. The Commerce & Industry Ministry, which has proposed imposition of the retaliatory tariffs, has already got the approval of the Ministry of External Affairs for the imposition.

India had announced retaliatory tariffs worth \$230 million on 29 American goods in June last year. New Delhi has since been postponing implementation of these duties hoping to resolve trade concerns, including the proposed withdrawal of the Generalised System of Preferences (GSP) by the US.

### **GSP benefits withdrawn**

Washington, however, withdrew the GSP benefits from India on June 5, 2019, which may have prompted the government to finally put the duties in place.

Interestingly, many other countries such as Turkey, Canada, the EU, Mexico and China, who were also at the receiving end of the tariffs on aluminium and steel, had imposed retaliatory duties against the US several months back. With many of the countries that have retaliated Washington has struck an agreement and agreed to roll-back the penal tariffs.

India’s proposed move to put in place retaliatory tariffs comes just a few days ahead of the scheduled visit of US Secretary of State Mike Pompeo, who is expected to discuss defence and trade issues with Minister of External Affairs S Jaishankar.

Pompeo and Jaishankar face the challenge of ironing out a number of thorny issues such as the withdrawal of the GSP scheme, the negative fall-out of the US curbs on purchase of Iranian oil by India and New Delhi’s decision to go ahead with the deal with Russia to purchase S-400 missile defence system.

Source: thehindubusinessline.com- June 14, 2019

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## **Power loom owners against imposition of import duty on yarn**

Members of Erode Vhisathari Urimayalargal Sangam (Erode Power Loom Owners Association) has urged the Centre not to impose any import duty on man-made fibre (MMF) viscose yarn as it will affect the sector.

In a letter to Minister of Textiles Smriti Irani, the association said that the power loom industry in the region was producing cotton and rayon fabrics and they were sold to markets in New Delhi, Faridabad, Mumbai, Jaipur, Ahmadabad and Surat for making garments for women.

These manufacturing units were spread across Erode, Coimbatore, Tiruppur, Salem and Namakkal districts providing employment to four lakh people.

The letter said that due to frequent increase in the price of yarn in the domestic market, power loom units started importing rayon and modal yarn from China, Vietnam and Indonesia which was cheaper by ₹15 to ₹20 per kg when compared to the price in the country.

Hence, more units started importing the yarn forcing the spinning mills in the domestic market to reduce price.

The letter said that they learnt from reliable sources that the ministry was planning to increase the import duty for the MMF yarns or go for complete ban.

“Any such move will affect the power loom industry completely,” the letter added.

Source: thehindu.com- June 14, 2019

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## **Amazon to bring more sellers, handicraft groups onboard for global programme**

Through the global selling programme, sellers can list their products on 12 marketplaces, including the 'amazon.com' site

Amazon is looking to shore up its seller count in India as its global selling programme picks up. The e-tailer is also in the process of bringing on-board more handicrafts and artisan bodies on board for the export market.

Through the global selling programme, sellers can list their products on 12 marketplaces, including the 'amazon.com' site.

The cumulative gross merchandise sales (GMS) — or the net sales — under the programme has been to the tune of \$1 billion over the last three years. According to Gopal Pillai, Vice-President, Seller Services, Amazon India, the cumulative GMS is expected to be around \$5 billion by 2023. “We are hopeful of a five-fold growth in GMS for those selling globally,” he told BusinessLine. Pillai, however, did not mention the number of sellers that the e-tailer wants to bring on board to increase the seller-base.

As of now, 50,000-plus of the nearly 4,50,000 sellers are on its global selling programme. Some of the products that have started generating export interest include apparels, home décor items, books, and power tools, among others. Indian handicrafts and traditional art have generated substantial interest too.

### **Indian handicrafts**

According to Pillai, Amazon India is also in talks with different artisan groups, State government organisations and cooperative bodies — like Tantuja, the apex body of handloom weavers in West Bengal and the Jharkhand Silk Textile & Handicraft Development Corp — for listing their products for global sales (exports).

At present, 15 government agencies, bodies and handicraft groups are on board through the 'Kala Haat' programme of Amazon India. Of these, 2-3 groups, including Tantuja, are selling overseas.

Launched in late 2016, the Kala Haat programme, Amazon claims, has helped to revive dying art and textile traditions like 'Lippan Kaam' — the craft of Mudwork made using camel dung, practised by a handful of individuals from the Rabari nomadic tribes of Gujarat — and Ilkal sarees, a 1,200-year-old weaving tradition that originated in Ilkal town in the Bagalkot district of Karnataka.

Market sources say that Amazon is also in talks with Tribal Cooperative Marketing Development Federation of India for marketing goods produced by the various communities.

Source: thehindubusinessline.com- June 14, 2019

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## **Economists seek Budget push to boost growth**

Economists on Friday urged the Finance Minister Nirmala Sitharaman to use the General Budget to set the tone for the next five years. Earlier, social sector experts suggested that the Finance Minister should focus on education, hygiene, woman safety, nutrition of infants in the forthcoming Budget.

These views were expressed during two pre-Budget meetings held on Friday. The Budget will be presented on July 5.

In a meeting with economists, the main areas of discussion included boosting economic growth, job-oriented growth, increased macro-economic stability, fiscal management including ideal size of public sector borrowing requirements and increase in investments among others.

Suggestions included tariff reforms, removing bottlenecks in supply-chain, EXIM policy for agriculture, removal of specific duties on textiles, maintaining fiscal consolidation, revival of Inter-State Councils for holistic domestic growth, and boosting employment by focusing on skilling and giving fillip to services and manufacturing sector,

Economists also pressed for making the tax regime, both direct and indirect taxes, friendly. Here they opined further simplification of GST along with implementation of the Direct Taxes Code. Another area, where economists

wanted to draw attention of the Finance Minister was the NBFC sector. They suggested Insolvency & Bankruptcy Code (IBC)-type framework for NBFCs. Also they were in favour of infusing capital in banks.

Economists, who attended meeting, include Rathin Roy (CEO & Director, NIPFP), Shekhar Shah (DG, National Council of Applied Economic Research), Surjit S. Bhalla (MD, O(X) US Investment), Soumya Kanti Ghosh (Chief Economist, SBI), Ajit Ranade (Chief Economist, Aditya Birla Group), Pranjul Bhandari (Chief India Economist, HSBC).

Earlier in the day, in another meeting, social sector experts asked the Minister to levy higher taxation on sweetened and salted products, rationalise taxes on medical devices, and earmark funds for healthcare infrastructure, and providing free drugs as well as diagnostic facilities. The main areas of discussion included issues relating to health, education, social protection, pensions and human development.

The stakeholders of social sector gave suggestions like focus on education and hygiene particularly for rural women, audit of cities to identify security gaps to strengthen women safety, increased budgetary allocation towards nutrition of infants, full operationalisation of one-stop centres for women in all districts, a finance ministry statement said.

They also suggested expansion of healthcare infrastructure, provision of free drugs and diagnostic facilities, rationalisation of taxes on medical devices, promotion of public private partnership in secondary and tertiary healthcare sectors, fiscal incentives for recycling of waste water and rainwater harvesting, among others.

National Commission for Women Chairperson Rekha Sharma, Centre for Policy Research President Yamini Aiyer, Helpage India Chief Operating Officer Rohit Prasad, and National Commission for Protection of Child Rights Chairperson Priyanka Kanoongo attended the meeting.

Source: thehindubusinessline.com- June 14, 2019

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