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US 71.64 | EUR 79.17 | GBP 92.44| JPY 0.66

Cotton Market (Nov 15, 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19282	40300	**71.55**
Domestic Futures Price (Ex. Warehouse Rajkot), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19230	40191	**71.36**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	64.27
ZCE Cotton: Yuan/MT (January 2020)	13,010
ZCE Cotton: USD Cents/lb	84.05
Cotlook A Index – Physical	**74.90**

Cotton Guide: ICE is sideways from the past one week. ICE December contract settled at 64.27 cents per pound with a change of +5 points. ICE March 2020 contract settled at 66.08 cents per pound with a change of +3 points whereas May contract settled at 67.27 cents per pound with a change of +3 points. The volumes summed up at 42,936 contracts which were low by 29% as compared to the previous figure. This evening we can expect the Export Sale Figures to cause much volatility.

The MCX cotton futures showed a slight positive to sideways movement. The MCX November contract settled at 19,230 Rs per Bale with a change of +30 Rs. The MCX December contract settled at 19,140 Rs per Bale with a change of +20 Rs. The volumes at 1458 lots were again decent and similar to the previous figures.

The cotlook Index A has been updated at 74.90 cents per pound with a change of -50 points. The Domestic Indian Cotton production [S6] prices are steady at 40,300 Rs per Candy. Some varieties are available at 39,000 Rs per Candy.

The cotlook Indices have the Indian Medium grade as the cheapest cotton around the world currently which can be seen below-

Origin	Cents per pound
Indian Medium Grade	**73.00**
Memphis/Orleans/Texas	74.50
Memphis/Eastern	75.00
Brazilian	75.50
Greek	76.50
Prices are US Cents per lb CFR Main Far Eastern Ports.	

Regarding Domestic Indian Production, CAI has projected the cotton output to be at 354.50 Lakh Bales as compared to the previous figure of 312 Lakh Bales. However, some private estimates still maintain a figure of 370 Lakh Bales.

While speaking about fundamental front, Chinese State Reserves are set to be replenished. The requirement is around 500,000 Tonnes. Cotton from the Xinjiang Province will be purchased for the same. Xinjiang province is the largest cotton growing province and accounts for 84 percent of the country's total production.

On the fundamental front, we expect ICE cotton futures to show sideways to positive trend, whereas for the MCX contracts the trend is presumed to be similar to ICE.

On the technical front, In daily chart, ICE Cotton continues to trade within an upward sloping channel, after an Inverse Head & Shoulder pattern breakout. However, price is held between a consolidation of 63.40-65.00 after taking the support at the lower end of the channel around 63.40, which coincides around 50% Fibonacci extension level (62.98). Meanwhile, price is persisting around the daily EMA (5, 9) at 64.41, 64.38, along with the momentum indicator RSI is at 54, suggesting sideways to positive bias for the price. The immediate resistance for the price would be at 65.00-65.70. Thus for the day we expect price to trade in the range of 65.70-63.80 with sideways to positive bias. Break on either side would provide us with the direction to trade. In MCX Nov Cotton, we expect the price to trade within the range of 19050-19350 with a sideways to bullish bias.

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

The Week Ahead: What's Next for Trump, Tariffs, Trade War and Tweets?

No one knows what's next on the tariff front, except that of resolution of some kind is sorely needed.

Ongoing efforts to resolve the nearly 18-month-old U.S.-China trade dispute have long been marked by halting progress and seemingly fruitless talks—not to mention President Trump's tendency to tackle trade policy in tweets—but the latest news leaves even more room for consternation.

That's because both sides appear to be backpedaling on promises made, casting doubt on the validity of the so-called "phase one" agreement the U.S. and China reached in recent weeks. Of course, the big issue for the U.S. has always been the protection of American intellectual property assets. And each time the countries get close to some agreement, China appears to resist efforts to curtail technology transfers.

President Trump, for his part, isn't about to accede to China's demands to lift stifling tariffs on its imports. He has little incentive to do so when he insists that keeping these imports duties in place help to reduce the two countries' trade imbalance.

In reality, lower imports and lower exports don't exactly restore parity to the trade deficit. The ongoing trade impasse has stymied companies's ability to plan their business operations for the next quarter and beyond.

Walter Loeb, former retail analyst and now a consultant, said the uncertainty over tariffs has a lot of companies worrying about 2020. He's also concerned about what the impact will be for companies that are struggling and trying to right their ships.

J.C. Penney, for example, said Friday it had narrowed its third-quarter loss, thereby posting better-than-expected results than what Wall Street had forecasted. While that's a bit of short-term good news, on the longer-term horizon, Penney's turnaround will made much more difficult if tariffs continue in place, Loeb said, because the mass merchant imports much of its goods from China.

Despite continued expectations of a strong holiday selling season, there's been reports of consumers expecting deeper discounts. And U.S. retail sales on Friday showed that consumers in October were already pulling back on some of their spending, including fewer purchases of big-ticket items.

As each week seems to bring another plot twist–not to mention new roadblocks–on trade talks, Loeb said he's hoping the week ahead will bring positive news on the tariff front. That would be welcomed by companies striving to plot their course for 2020, and maybe even spur some extra holiday cheer now that Thanksgiving is just around the corner.

Source: sourcingjournal.com- Nov 15, 2019

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Brands shifting out of China face numerous challenges in new countries

Traditionally known for its cheap and low quality products, China gradually became a major hub for brands manufacturing everything from fast fashion to high luxury. However, recent US-China trade war has compelled many brands to shift their focus away from China to other countries like Vietnam and Cambodia.

Rather than remain at the mercy of tariff laws, these brands prefer to relocate their manufacturing bases to smaller countries. A case in point is Bangladesh whose exports increased from $29 billion in 2017 to over $40 billion this year.

American brands are shifting their bases to these smaller countries to avoid the impacts of increasing tariffs. One such brand is BBC International, which licenses out Champion footwear.

The brand traditionally manufactured its products in China but now is searching for new partners in other countries. An emerging lucrative option for the company is Vietnam, which recently signed the EU-Vietnam Free Trade Agreement with the EU. The deal would enable both the countries to cut tariffs on their clothing exports.

Robust infrastructure, ethical labor standards prevent exodus

However, it is not easy for these brands to move their production out of China as the country has an incredibly robust manufacturing infrastructure.

The quality of goods produced in China and also the expertise of local manufacturers in the country is quite high. Other nations don't have the same level of quality manufacturing that China does.

Also, countries with less robust manufacturing infrastructures may also have less ethical standards for workers and the environment. This compels brands to stick to its partners in China even as manufacturing costs go up.

Also, the cost of setting up production facilities in any new country is quite high and requires a high amount of resources just like Outerknown a small sustainable fashion brand that manufactures in six different countries, including China, Thailand and Vietnam.

According to Meg Stoneburner, the brand's director of sourcing and sustainability, each of these regions adds to their total manufacturing costs. Also, since the company focuses on sustainability it has to visit each facility and oversee all materials. This is challenging for larger brands too as they shift such a large volume of product and require a huge bandwidth of labor.

Overall, even though countries like Vietnam and Bangladesh seem attractive alternatives to China at the moment, they have their own set of drawbacks which makes it difficult for fashion brands to successfully navigate between manufacturing, tariffs and international trade.

Source: fashionatingworld.com- Nov 15, 2019

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European Fashion Industry Confident to Win Big in Historic EU-Mercosur Trade Deal

After 20 years of negotiations, the European nations and South America's Mercosur economic bloc have come to an initial free trade agreement in June this year. The agreement is likely to benefit the European nations to tap new customers and the South American brands to get access to the world's largest single market. The smaller brands in South America region are likely to face some struggle in the competitive market.

The data from the European industry lobby Euratex and Ceres claims that European fashion and footwear industry exported €460 million of textiles to nations like Argentina, Uruguay, Paraguay, Brazil, etc. linked by the Mercosur economic bloc. Similarly, Mercosur nations exported €392 million worth textiles and clothing to Europe.

According to Guillermo Tolosa, executive director of Uruguayan economic think tank Ceres, the tariffs paid by the EU footwear and apparel companies are 43% and 35% respectively, in comparison to the South American exporters paying 10% tariff to access the European market. Therefore, with this tariff free access to Mercosur, the European footwear and clothing industry could save up to €4billion annually, while also getting the access to 800 million consumers.

Tolosa also thinks that the final approval of the deal might take up to another two years. Factors like labor and environmental protection could lead to further delay in the final approval. The fashion industry can still start preparing for the new trade dynamic, linking 31 nations of the two regions in a $100 billion trade corridor, as the deal has been finalized. The Mercosur nations have 15years and Europe has a 12-year period to completely eradicate the duties.

Source: marketexpert24.com - Nov 15, 2019

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Australian cotton production to fall to lowest in a decade

This year's cotton crop production in Australia is going to be the lowest in a decade, Cotton Australia recently confirmed. With only a few cotton producers able to access water—primarily groundwater—to grow crops this summer, Cotton Australia estimates a cotton crop size of 750,000 bales, just 16 per cent of the 4.6 million bales harvested two years ago.

It is a tough time for cotton producers across drought stricken eastern Australia, Cotton Australia chief executive Adam Kay said.

"Growers are resilient and used to managing through volatility, but the relentlessness and severity of this drought is taking its toll," Kay was quoted as saying by Australian media reports.

In some cotton producing valleys, no cotton is planted this year, Kay said.

The beginning to the northern wet season has been sluggish, with only a few cotton-producing regions receiving heavy rains witnessed earlier in the month in some parts of Queensland and New South Wales.

The Bureau of Meteorology (BOM) recently said the Indian Ocean Dipole positive event that has contributed to the ongoing dry spell is so strong it may not break down until mid-summer.

Kay said while the planting window was still open if there was no significant rainfall in the coming months, cotton growers will face the harsh reality of a further reduced crop this season.

Source: fibre2fashion.com- Nov 16, 2019

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USA: Delayed Harvest and Lower Yields in the High Plains

Cotton yields in the High Plains of Texas appear to be below expectations.

During the November 15 morning meeting of cotton stakeholders at Plains Cotton Growers (PCG) in Lubbock, discussion focused on the status of the year's cotton harvest in the High Plains area.

"Yields are 25-30% off the normal," stated Mark Brown, Director of Field Services for PCG.

Estimated to be 50-60% complete, harvest is resuming on the High Plains following rains in the past week. "Harvest is picking up," stated Steve Verett, PCG Chief Executive Officer. "The hot summer has seriously affected this year's crop."

The problem is directly related to hot temperatures and no rain in the late summer. Rain in August is crucial for the yield and quality of cotton. Hot weather will also impact irrigated cotton, resulting in lower yields.

"Each additional inch of rain in August may help with as much as an additional 100 pounds of cotton," stated Glen Ritchie, Chair of the Plant and Soil Science department at Texas Tech University.

The most recent USDA production estimate for the High Plains shows a reduction to 3.78 million bales.

Discussions also noted that the crop classed to date in the Lubbock classing office has shown minimal plastic contamination – a credit to the industry's education efforts and a positive aspect for importing countries.

Source: cottongrower.com - Nov 15, 2019

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Organic cotton market rose 56% in 2019: Textile Exchange

Textile Exchange's 2019 Organic Cotton Market report has revealed that 2017/2018 saw 56 per cent growth in global organic cotton production with India, China, and Kyrgyzstan as biggest contributors. Latest figures show that global production of organic cotton fibre reached 180,971 metric tons (MT) in 2017/2018 - the highest volume seen since 2009/2010.

Textile Exchange, the only organisation to collect and report on global organic cotton production data, estimates that this growth is set to continue, with India, Tanzania, Turkey, Kyrgyzstan and China all having significant areas of cotton-growing land in transition to organic.

The number of facilities certified to voluntary organic standards is also on the rise, with facilities certified to the Global Organic Textile Standard and Textile Exchange's Organic Content Standard growing by 15 and 16 per cent respectively.

Cotton is grown organically in 19 countries around the world and the Organic Cotton Market Report reveals that 98 per cent of the production stems from just 7 of these: India (47 per cent), China (21 per cent), Kyrgyzstan (12 per cent), Tukey (6 per cent), Tajikistan (5 per cent), the United States (3 per cent), and Tanzania (3 per cent).

Organic cotton now makes up 0.7 per cent of total cotton production globally. In 2017/2018, the fibre was planted on a total of 356,131 hectares (ha), with an additional 44,394 ha in transition to organic. Production was carried out by a total of 182,876 farmers, the majority of whom were smallholders growing organic cotton in rotation with other crops.

An interesting trend, identified in India this reporting year, was that organic cotton farmers increased the proportion of certified land used to grow cotton (as opposed to other organic crops) from 45 to 70 per cent, which contributes in part to the 44 per cent growth seen in India's production.

Farmer access to cotton seed that has not been genetically modified (GM) remains a huge obstacle for organic farmers, particularly in countries such as China and India where GM cotton dominates the cotton landscape.

The report highlights some of the great progress being made in this area and includes an urgent call to action for added investment in non-GM seed programmes, as well as for companies to develop their own organic cotton safeguarding programmes.

With the rise in awareness of the climate emergency that our planet is facing, Textile Exchange sees organic cotton as a key component to the myriad of solutions that are urgently needed.

“Organic cotton, alongside other organic land-based fibres, must be part of the future. Organic cotton farmers, organisations, companies, and other supporters represented in this report provide a guiding light. We are proud to bring you our 2019 Organic Cotton Market Report and are committed to leveraging organic cotton as a market-driven solution to industry transformation and meeting the global goals,” said Liesl Truscott, director of European & Materials Strategy at Textile Exchange.

“Organic production of cotton is the tip of the spear that has been driving change within the sector. It establishes a direction of travel for all of us, starting with regenerative soil practices,” said Textile Exchange’s managing director, La Rhea Pepper.

The 2019 Organic Cotton Market Report provides a unique overview of global organic cotton production, focusing on the 2017/2018 harvest year but including both historical trends and forecasts at global, regional, and country levels. Also included are stakeholder maps identifying the key initiatives working hard to support organic cotton in each region, alongside latest updates from many of these programmes and Q&As with industry insiders.

Textile Exchange is a global non-profit that creates leaders in the sustainable fibre and materials industry. The organisation manages and promotes a suite of six leading industry standards. It also collects and publishes critical industry data and insights that enable brands and retailers to measure, manage and track their use of preferred fibre and materials.

With more than 400 members who represent leading brands, retailers and suppliers, Textile Exchange meaningfully accelerates the use of preferred fibres and increases the adoption of standards and certifications across the global textile industry.

Source: fibre2fashion.com - Nov 15, 2019

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US finds dumping of PTY from China and India

The US department of commerce has announced affirmative final determinations in the antidumping duty (AD) and countervailing duty (CVD) investigations of imports of polyester textured yarn (PTY) from China and India, finding exporters from these nations have dumped yarn in the US at margins ranging from 76.07 to 77.15 per cent and 17.62 to 47.51 per cent, respectively.

The department of commerce also determined that exporters from China and India received countervailable subsidies at rates ranging from 32.18 to 473.09 per cent and 4.29 to 21.83 per cent, respectively.

In 2018, imports of polyester textured yarn from China and India were valued at an estimated $45.5 million and $21.6 million, respectively.

The affirmative final determination has been made following a petition made by Unifi Manufacturing, Inc (Greensboro, NC) and Nan Ya Plastics Corp America (Lake City, SC).

"The strict enforcement of US trade law is a primary focus of the Trump Administration. Since the beginning of the current Administration, the department of commerce has initiated 187 new antidumping and countervailing duty investigations – a 240 per cent increase from the comparable period in the previous administration," the department said in a statement.

As a next step, the US International Trade Commission (ITC) is currently scheduled to make its final injury determinations on or about December 30, 2019. If the ITC makes affirmative final injury determinations, the department of commerce will issue AD and CVD orders. If the ITC makes negative final determinations of injury, the investigations will be terminated, and no orders will be issued.

The US department of commerce currently maintains 498 antidumping and countervailing duty orders which provide relief to American companies and industries impacted by unfair trade.

Source: fibre2fashion.com - Nov 15, 2019

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Peru's exports to US rose by 8.9% between 2009 and 2018

Peru’s economy has strengthened at a rapid pace over the last few years, with exports and tourism leading the way, according to its export and tourism promotion agency PROMPERU, which said an increasingly stronger trade relationship with the United States is driving that growth. The value of Peru’s exports to the US rose by 8.9 per cent from 2009 to 2018.

"We are proud to see the demand for Peruvian products continue to increase and achieve a high demand within the U.S. market," said Edgar Vasquez Vela, Peru's minister of trade and tourism.

Two of the most important growth sectors are agricultural products and textiles, with the combined growth within both sectors averaging 8.9 per cent between 2009 and 2018, representing $2.55 billion in exports from Peru to the United States.

Textiles exports grew by 1.3 per cent during the same period, according to a press release from PROMPERU.

Currently, 89 per cent of Peru's merchandise exports is destined for countries with which it has trade agreements.

Source: fibre2fashion.com - Nov 15, 2019

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Pakistan: Slow trading on cotton market

Cotton prices reeled back on falling demand from leading spinners on Friday. Liquidity crunch, acute shortage of quality lint and reports of more rains in cotton growing areas also affected market sentiments negatively.

Climate change is having a devastating impact on cotton crop and there is an urgent need to work out future plans before the arrival of new cotton season 2019-20, alarmed brokers said on Friday.

The situation is so grim that due to poor quality of cotton and short crop many ginners have stopped their operations as they cannot process local cotton without mixing it with imported variety, they added.

Cotton analyst Naseem Usman said the government has to work on war footing for developing high yield and pest resistant cotton seeds.

He also suggested that in order to increase cotton production, incentives, such as support price, should be given to growers and only then targets can be met.

The Karachi Cotton Association (KCA) spot rates were lowered Rs100 to Rs9,000 per maund and this took the total fall in a week to Rs300 per maund.

The following deals were reported to have changed hands on ready counter: 1,000 bales, station Rahim Yar Khan, at Rs9,150; 1,200 bales, Sadiqabad, at Rs9,100; 1,000 bales, Rajanpur, at Rs8,950; 1,000 bales, Yazman Mandi, at Rs8,900; and 800 bales, Fazilpur, at Rs8,950.

Source: dawn.com - Nov 16, 2019

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Pakistan: Govt asked to stop duty free import of cotton

Growers have urged the government to halt duty free import of cotton as they have started picking fresh cotton crop. The growers also demanded the government withdraw sales tax and custom duty on cotton import because it would kill the ginning industry as well as growers.

Talking to journalists here on Friday, Pakistan Cotton Ginners Association chairman Mian Javed Sohail said that import of duty free cotton was disastrous for domestic cotton growers.

The ginners had kept bulk stock of cotton bales in the godowns and the import of duty free cotton would reduce prices of domestic cotton stock, he told. He said that the ginners would not be able to pay growers rates after the import of duty free cotton. The duty free import of cotton would harmful to dispose of cotton stock, he added.

PCGA senior member Shahzad Ali Khan said that the government had silently granted duty, sales tax free cotton, which was completely against the interests of domestic ginners and growers.

He stressed the need for continuation of ban on the import of duty free cotton. He strongly opposed any relaxation in cotton import. He expressed concern that if the import of cotton lint continued, it would destroy and damage the cotton production in the country during the next season.

Kisan Committee president Malik Iqbal also strongly condemned the government's decision of importing duty free cotton. He said that the government policies were destroying growers and major cause in decline in production.

He said that the growers had only one option to sell their produce but the current policies were discouraging domestic ginners.

Source: thenews.com.pk- Nov 16, 2019

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Cambodia exports to Japan up eight per cent

Cambodia's exports to Japan were up 8.4 per cent in the first nine months of this year. Imports from Japan increased 36 per cent in the same period last year. The main products that Cambodia exports to Japan are: garments, footwear, sugar, fish and seafood.

Imports from Japan are mainly machinery, automobiles, electronic products, beef, iron, steel and pharmaceutical products. Increasing bilateral trade volume Japan is a result of the efforts from both countries to mobilise business and investors.

The growth in exports to Japan can be attributed to an increase in Japanese investors in Cambodia over the past few years. Most Japanese factories in Cambodia are located in special economic zones, which produce a lot of products that are exported to Japan.

Japanese investment in non-textile manufacturing has contributed to diversifying Cambodia's economic base and human resource development. There are 141 Japanese investment projects in Cambodia, of which 66 are in special economic zones.

Cambodia's exports have been buoyed by efforts to assist its exporters, including the simplification of export procedures and in particular the implementation of an online system to process export documents. Of Cambodia's total exports, Japan ranks fourth with a market share of 7.7 per cent.

Source: fashionatingworld.com- Nov 15, 2019

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Tanzanian cotton processors bogged by unsold stocks with slow trade

Cotton processors in Tanzania are facing a pile up of cotton yarn. China is the main market for Tanzania's cotton yarn exports but cotton ginners are finding it difficult to sell their goods due to slowing demand. Trade war between the United States and China has cut down the volume of garments exported to the US and hence from Tanzania to China.

Cotton processing factories in Tanzania have cut down on the amount of cotton lint they buy from ginners and also the amount of yarns they export. That means they have tons of cotton yarns un-exported.

Other challenges are transportation challenges due to the introduction of a new policy which needs cargo to be transported by truck with only specified documents.

Over 4,00,000 tons of cotton were harvested this season in Tanzania. But the trade war between the US and China has caused the crop's price in the world market to drop.

This is also being reflected in the domestic market, but the Bank of Tanzania has established a mechanism to mitigate the effects of price volatility. Ginners and other buyers are unable to buy cotton from farmers. Some companies are organising seminars for farmers.

Source: fashionatingworld.com- Nov 15, 2019

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Bangladesh garment exports drop in Q1

In the first quarter of the current fiscal year, garment exports from Bangladesh dropped 1.64 per cent. Earnings from the sector fell 11.52 per cent short of the quarter's target. The country's overseas shipments have declined. The apparel industry is backbone to the country's economy and the world's favorite sourcing hub. In the last seven months, around 59 garment manufacturing units have had to shut shop rendering around 25,900 workers jobless.

The Bangladesh garment industry is facing a challenging scenario. The world's second biggest garment exporter may soon be overtaken by Vietnam. The poor show by Bangladesh on the back of faltering price points has adversely impacted the inflow of investment, complicated further by its inherent weakness on the product diversification front. A huge number of its factories are small and medium enterprises, which fail to live up to and maintain the requisite compliance standards.

Among the proposals to revive growth are one per cent incentive on exports with immediate effect, devaluation of the currency, doubling the loan rescheduling period for the existing sick garment factories, fund allocation for modernization, tech upgradation of factories and a 0.25 per cent source tax with retrospective effect.

Source: fashionatingworld.com - Nov 15, 2019

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NATIONAL NEWS

Goods exports decline 1.11 per cent in October, trade deficit shrinks

Petroleum products, leather, garments dip; electronics, engineering, chemicals rise

Exports of goods declined for the third month in a row in October 2019 to $26.38 billion posting a 1.11 per cent fall year-on-year (YoY) with sectors such as petroleum products, leather, ready made garments, carpets and a wide range of farm products taking a hit.

The fall in imports in October 2019 was at a steeper 16.31 per cent to $ 37.39 billion which narrowed the country's trade deficit to $ 11.01 billion compared to $18 billion in October 2018.

There were, however, a number of labour-intensive sectors, such as gems & jewellery, engineering goods, drugs & pharmaceuticals and marine products, where exports increased during the month, although marginally, indicating a possible recovery in demand in the months ahead.

"The exports of October is reflective of the global slowdown which has led to the slackening of demand, which is also seen in fall of imports especially in raw material used for either production or manufacturing. However, few sectors like electronic goods, engineering goods and organic and inorganic chemicals are showing resilience and growth," said Mohit Singla, Chairman, Trade Promotion Council of India.

In April-October 2019-20, exports fell 2.39 per cent to $ 185.95 billion while imports declined 8.37 per cent to $ 280.67 billion.

Trade deficit narrowed to $ 94.72 billion in April-October 2019 compared to $ 116.15 billion in April-October 2018.

The Federation of Indian Export Organisations (FIEO), in its statement, pointed out that exporters were concerned about the popular Merchandise Export from India Scheme as their claims under the scheme were pending for over three and half months, which had affected liquidity positions and finalisation of new contracts.

"The World Trade Organisation-complaint scheme, Remission of Duties or Taxes on Export Products, should be notified with the rates for the products with lead time of three months so that exporters may factor the same in finalising new orders and make transition to new scheme smooth," the release stated.

In October 2019, petroleum imports declined 31.7 per cent to $ 9.6 billion while gold import increased 4.74 per cent to $ 1.83 billion.

Source: thehindubusinessline.com- Nov 15, 2019

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Staying out of RCEP gives India a chance to reflect on its competitiveness

Earlier this month, India pulled out of the Regional Comprehensive Economic Partnership (RCEP), and rightly so. Prime Minister Narendra Modi's decision to stay out of the regional free trade agreement (FTA) is based on views expressed by a wide spectrum of stakeholders.

Industry bodies, farmers and civil society organisations believe that unless India's concerns are resolved, India shouldn't join this grouping under any time pressure. India Inc was particularly keen that 'Make in India' doesn't get affected by RCEP, where certain automatic triggers are not allowed to be in place to stop excessive imports.

While there are strong views against RCEP, there is equally a large number in favour of access to the largest market of the world. The one common point was that India's issues and concerns needed a fair hearing by the other 15 RCEP member countries. Eventually, it boiled down to the fact that India's issues remain unresolved. Naturally, the only reasonable action was to not sign the deal.

Of the 15 countries in RCEP, India has a trade deficit with 11 of them. The 'China factor', of course, dominated the discourse between GoI and India Inc. The latter's concerns were core to India's negotiating strategy in RCEP till the very end. But there are issues beyond China that also needed resolution.

GoI has articulated India's position and what led to the decision to pull out at the Bangkok Leaders' Summit. One good thing is that India's 'exit' was not acrimonious. It has been engaged with RCEP with the good intention to work out a mutually beneficial trade agreement, and to put forward its concerns on the negotiating table.

RCEP's door is not closed for India, as the joint statement states that all participating countries will work together to resolve outstanding issues in a mutually satisfactory way.

But it is high time India needs to look beyond RCEP. During the last few years, important geographies like the EU and the US may not have been given due attention. So, it's heartening to hear commerce and industry minister Piyush Goyal say that efforts are being made to renew negotiation efforts for the India-EU bilateral trade and investment agreement (BTIA).

Also, efforts are reportedly on from both sides to come to an agreement on an India-US limited trade deal. The US and EU together constitute one-third of India's total merchandise exports. India has to hold on to its existing share in these two large traditional markets, and could further increase share with the help of preferential trading arrangements (PTAs). What India needs now is an approach to FTAs based on the recognition of its core competencies. There has to be a renewed thrust on enhancing competitiveness of India and Indian industry.

Any aspiration of accessing larger markets and being part of the global value chain would have to be backed by a strong and competitive industry.

Government and industry need to work together to establish the benchmarks, and identify each line item of embedded costs that go into details of that. India should set itself aspirational targets of achieving a position in the top five in each of these cost elements.

Till that time, accurate calculation should provide the basis for establishing appropriate refund mechanism for exporters and suitable countervailing duties (CVDs) in the case of imports. This would ensure that Indian industry is not at an unfair disadvantage when compared to imports, which come from competitive geographies.

In India, industry cross-subsidises a lot of elements like power, rail tariff, etc. These need to be recognised, and mechanisms found to ensure that industry does not become a victim on the global arena. Costs that get embedded owing to these elements need to be separately calculated and taken into cognisance when refunds for exports are calculated.

Staying out of RCEP for the time being also affords India time to pause and reflect on India's competitiveness. For this, primacy has to be given to domestic competitiveness. India boasts of having some of the most competitive industries in the world when measured within the confines of its factories. It loses out the moment it 'steps out'. This is the opportunity to correct this anomaly.

Source: economictimes.com- Nov 15, 2019

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Important trade issues between India, US resolved; may sign initial trade package

India and the US are understood to have resolved most of the important trade issues, thus paving the way for an 'initial trade package' wherein the two countries are looking for an equitable market access.

The much-needed progress is believed to have been made during the meeting between the Union Commerce and Industry Minister Piyush Goyal and US Trade Representatives Robert Lighthizer in Washington DC on Wednesday.

The two leaders spoke over phone again on Thursday.

A high-powered US delegation is slated to travel to India next week to give a final shape to what is being described as an initial trade package which will eventually pave the way for a major trade pact between the two countries.

Trade issues started cropping up between the countries when the US imposed high customs duties on certain steel and aluminium products, which are affecting India''s exports of these items to America.

The US had also rolled back export incentives for Indian exporters, under its Generalized System of Preferences (GSP) programme. India exports goods worth about USD 6 billion to America under the scheme.

In retaliation, India imposed high customs duties on 28 US products, including almonds.

Goyal and Lighthizer are believed to have had a constructive meeting in Washington on Wednesday, during which they covered a very wide range of issues that are on the table on the trade side.

A number of very important items that were on the table are understood to have been resolved and are reported to have been made part of the initial trade package that the two countries are working on.

Goyal had a behind the scene engagements in Washington and left for New York on Wednesday evening.

On Thursday afternoon, he and Lighthizer had another telephonic conversation as a follow up to their meeting a day earlier.

Good progress has been achieved, according to those familiar with the trade talks.

The two countries then will continue discussions on a more substantive India-US agreement on trade. While the final details of the initial trade package continue to be under wraps, the two countries are looking for an understanding based on equitable market access.

Both India and the US have been working on this principle and there is some level of measure of success, it is understood.

During the meeting, Indian officials from Ministry of Agriculture, Union Health Ministry and Indian Council of Medical Research are also believed to have participated in the deliberations.

Last month, Finance Minister Nirmala Sitharaman, during a lecture at Columbia University's School of International and Public Affairs in the US, said trade negotiations between India and the US were going well and will conclude sooner than expected.

"I think the trade talks would conclude sooner. The talks are going on very well. Yes, we couldn't conclude it before the Prime Minister's visit (to the US) happened. But both sides are engaged with all commitment," Sitharaman had said.

Source: economictimes.com- Nov 15, 2019

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Disabling of benefits hit exporters

Exporters found that the claims from the period August 1, 2019 was disabled by DGFT and it came as a shock to the exporter community

Disabling of rewards to exporters under Export from India Schemes introduced to offset infrastructural inefficiencies, associated costs and encourage export of notified goods has left exporters in a tight spot.

A joint press meet organised by All India Spices Exporters Forum and Federation of Indian Coir Exporters Association expressed anxiety over the disappearance of benefits from DGFT website since August.

Introduced in 2015 under the Foreign Trade Policy, the Merchandise Exports from India Scheme (MEIS) was created out of a merger of five existing reward schemes. It incentivise merchandise exports of more than 8,000 items now and is the biggest of its kind. Directorate General of Foreign Trade (DGFT) is formulating and notifying the five year policy.

Exporters earn duty credits at fixed rates of 2 per cent, 3 per cent, and 5 per cent, depending upon the product and country. Rewards under the scheme are payable as percentage of realized free on–board value and MEIS duty scrips can be transferred or used for payment of a number of duties including basic customs duty.

“We have absolutely no idea as to how to deal with this crisis. The initial feedback from sources spoke of a technical glitch, which would be rectified soon. However there has been no clarity on the enabling of the system apart from some updates via tweets in this regard from DGFT,” said Rajiv Palicha, Chairman, All India Spices Exporters Forum.

Exporters found that the claims from the period August 1, 2019 was disabled by DGFT and it came as a shock to the exporter community.

Exporters were legitimately expecting MEIS to continue till March 31 2020, when the new FTP comes in place.

FTP has a good legal framework for trade facilitation. Sustained growth in exports needs policy continuity adhering to the duration clause of FTP, he said.

Since the entire export business from India is facing a crisis due to this situation, several representations have been made to the Central Government in the last 3 months. Due to this uncertainty, India is losing out to other countries in terms of competitive pricing in the Global Market.

If the benefit is not allowed in full from August 1, exporters will lose heavily as they work with very thin margins and will all sustain losses in current year. Further export of spice and spice products, would reduce by 30 per cent bringing loss of forex to the country, he added.

Source: thehindubusinessline.com- Nov 15, 2019

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Exports shrink for 3rd straight month; down 1.1% in Oct; imports fall 16.3%

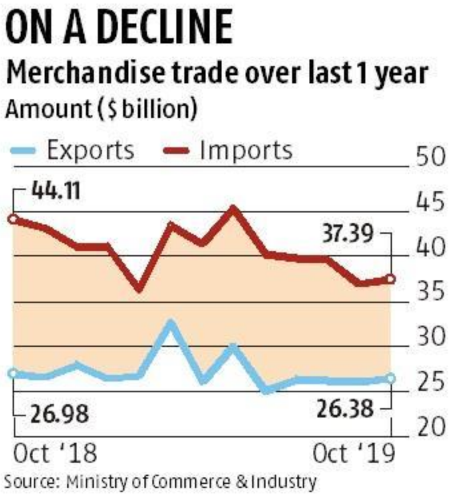
Merchandise trade deficit remained relatively low at $11 billion after the $10.86-billion deficit in September

Lower receipts from processed petroleum exports and dragged down depressed global crude prices led to exports in October contracting for a third straight month.

The decline in exports stood at 1.1 per cent in October, lower than the 6.57 per cent fall in September. Outbound trade has contracted four of the first-seven months of the 2019-20 fiscal year. In the current financial year till October, cumulative exports stood at $ 186 billion, 2.2 per cent lower than the corresponding period in the last financial year.

However, officials stressed that major sectors such as gems and jewellery, and engineering goods returning to growth signal favorable times for exports are around the corner.

Nonetheless, officials remain worried about falling imports, which contracted in October by the highest margin in FY20. Imports shrank by 16.4 per cent in October, higher than September's 13.85 per cent contraction. Inbound goods have contracted for the previous five consecutive months, showing low demand for both consumer and industrial items — a hallmark of slowdown. India imported $ 306 billion worth of goods during the April-October period, 8.37 per cent lower than imports in the corresponding period of the last year.



As a result, merchandise trade deficit remained relatively low at $11 billion after the $10.86-billion deficit in September, a seven-month low. Cumulative trade deficit reached $94 billion till October.

The sharp slide in the merchandise trade deficit in October 2019 relative to October 2018 was primarily driven by a considerable reduction in imports of petroleum products, led by both prices and volumes, as well as various industrial inputs, and some consumer items," said Aditi Nayar, principal economist at ICRA.

Bleak exports

According to the data released by the commerce and industry ministry on Friday, exports stood at $26.03 billion

in the latest month. An unprecedented 18 of the 30 major export sectors saw contraction, down from 22 in September.

Critical exports such as those of processed petroleum continued to take a beating, with receipts falling by 14.6 per cent in October to $3.62 billion. Petroleum exports had fallen by more than 18 per cent in September.

For gems and jewellery, the slowdown that had gripped the sector periodically since November gave way to rare growth in October, with exports rising by 6 per cent in October to $3.7 billion. The sector had contracted by 5.56 per cent in September with experts blaming the availability of trade credit after the Nirav Modi scam.

Engineering exports, on the other hand, managed to rise by 1.2 per cent in October, breaking a long spell of contraction, which had last seen shipments shrink by 6.2 per cent in September and 9.35 per cent in August. The sector accounts for 25 per cent of the forex earned. “The pace of de-growth for October has come down but overall, the picture remains challenging,” Engineering Export Promotion Council Chairman Ravi Sehgal said.

Elsewhere, contraction continued. Export of readymade garments, in which India's export competitiveness has fallen over the past fiscal year, contracted by 2.1 per cent in October. The sector had shown signs of steady recovery in July, with 7.66 per cent growth but contraction has continued ever since.

Exports of non-oil and non-gems and jewellery products rose after months, rising a marginal 0.6 per cent to $ 19 billion. The de-growth in the sector had been receding steadily over the past four months and contraction had stood at 4.2 per cent in September, down from 5.61 per cent in August. “Sluggishness in economies worldwide, coupled with the trade war between US and China, Brexit, and developments in Iran, Turkey, and Iraq other gulf countries, has escalated the problem.

The downside risks still remain,” said Sharad Kumar Saraf, president of the Federation of Indian Export Organisations. Service exports, however, continued growth streak, rising by 7 per cent in September to earn $17.04 billion in September, taking total earnings in the current fiscal year to $107 billion. Earnings had grown by 10 per cent in August.

Import slide

The largest component of the import bill - crude oil - saw the cost of inbound shipments fall by 32 per cent to $9.6 billion, as compared to $8.9 billion in September. Crude oil imports had shown significant reduction in value terms throughout FY20 with global prices tanking.

On the other hand, the second-largest item in the import bill - gold - continued to fall, albeit by smaller margins. Incoming gold shipments narrowed by a moderate 4.7 per cent after massive drops of 50 per cent, 62 per cent, and 42 per cent in the past three months. Imports of the precious metal had continued to see an uptick in early 2019 before crashing since June, even as the industry had continued to see volatility.

Non-oil and non-gold imports — a sign of domestic industrial demand — fell for a 12th straight month in October, contracting by 10 per cent, higher than September's 8.88 per cent. Experts said they expect the current account deficit to halve to $8-9 billion in the second quarter (Q2) of FY20 now, as lower-than-anticipated trade deficits become the norm.

Source: business-standard..com- Nov 15, 2019

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Khadi is experiencing a never-seen-before transformation: Nitin Gadkari

Union Minister of Micro Small and Medium Enterprises (MSME) Nitin Gadkari has lauded Khadi and said that these glimpses of the later is a new experience which was never seen before.

Speaking after the inauguration of the Khadi Pavilion at the India International Trade Fair - IITF in New Delhi here on Thursday, Gadkari said, "Khadi is experiencing a never-seen-before transformation. Inclusive growth of village industries plays a key role in the development of the country."

Later, he also informed that various steps, such as promotion of pottery at railway stations, ban on import of agarbattis, ban on import of National Flag, new HS Code for 11 khadi products, opening of new Khadi stores, development of centralised Government Supply module etc., have been taken to ensure that the Indian Village Industry Products are promoted.

KKN India explored the several Khadi store installed at the trade fair and also spoke to some potters where one potter said railway must start using of 'Kulhar' clay cups.

"The government and KVIC are doing tremendous jobs in promoting Khadi. This is our brand and we shouldn't be hesitating while promoting it. Let the world know Khadi is not less than any other brand. We expect government to introduce more measures to promote Khadi," said a Khadi staller to KNN India.

"Presently, like others, we too are facing difficulties while earning our livelihood. If railway starts using clay cups then surely our business will flourish and hundreds of poor potters who come from marginalised backgrounds won't have to struggle for their survival. Railway must use these earthen cups to replace plastic cups," a potter said.

Chairman KVIC VK Saxena underlined the success of Khadi, saying that Khadi is essentially the spirit of the Indianness. He said, Khadi recalls the presence of Mahatma and his vision around us, and the nation grows with the growth of Khadi.

Commemorating the 150th Birth Anniversary of Mahatma, the Khadi Pavilion at the IITF has a bust of Mahatma Gandhi as a selfie point, showcases around 30 stalls of Artisans, Craftsmen, Institutions and PMEGP units from all over the country, who are participating in this trade fair. KVIC has also arranged live demos of Charkha, electric potter wheel, agarbatti making and other technological interventions for showcasing 'éase of doing businesses (EoDB) in the Khadi Activities.

A wide range of products which includes food, handicrafts, leather, textiles and hosiery, readymade garments, wooden toys, cosmetics and herbal products offering a discount of up to 20% are being displayed in the Khadi Pavilion at IITF 2019.

Source: knnindia.co.in - Nov 15, 2019

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India, Russia bilateral trade can grow if govts spread awareness on business opportunities, says Deputy Governor of Moscow

The Moscow region has potential in pharma, auto parts, farm sectors, says Deputy Governor Khromov

Bilateral trade and investments between India and Russia could get a boost if the governments play a more pro-active role in spreading awareness about the opportunities by passing on relevant information to the business community, Vadim Khromov, Deputy Governor of Moscow region, said.

Khromov, who is visiting India with a business delegation to attract investments into the Moscow Region in various manufacturing sectors such as pharmaceuticals, chemicals, automotive components and aviation, said he would take up the matter of proper dissemination of information in his meeting with government officials in India.

“Often business people work on very tight schedules and have no time to gather new information by reading news or through other channels. Since governments have a close relationship with the business community, it could directly spread information on the possibilities and opportunities in different parts of the world,” Khromov said in an interview with *BusinessLine*.

On the opportunities in the Moscow region, Khromov said if the Indian government helped pass on the information that he and his team had prepared for the Indian businesses, it would be very helpful. He said the Russian government should do the same.

Free trade pacts

On the proposed free trade agreement between India and the Eurasian Economic Union which includes Russia, Belarus and Kazakhstan, Khromov said while a free trade pact was generally beneficial, there were other instruments too that work.

“We do not want to wait for the free trade agreement to happen. We want to go forward now. Sometimes business is very successful, if the time and place is right. The relation between the Russian Federation and India is now at such a point and we should not wait to widen our cooperation," he said.

Pharma sector ties

The Deputy Governor pointed out that Indian drugs already had a big market in Russia and it was time to expand the partnership in the sector.

"We have successful stories about some Indian companies in pharmaceuticals. We gave a special contract for one Indian company under which we will be buying a part of their products for seven years after they finish their facilities," Khromov said, adding that his region was scouting for investments both in pharmaceuticals as well as chemicals. Large Indian companies such as Dr Reddy's, Glenmark and Ranbaxy export to Russia.

Other key industries identified by the Moscow region for collaboration with India include agriculture and food, automotive parts, electronics, building materials, logistics, aviation, furniture, light industry, trade and tourism. "The Moscow region holds potential in all areas except oil. Oil is the only thing we don't have," Khromov said.

During Indian Prime Minister Narendra Modi's visit to Russia in September, both the countries decided to intensify cooperation in trade and investments, especially in advanced high-tech areas, to increase bilateral trade to $30 billion by 2025. India-Russia bilateral trade in goods was at about $8.2 billion in 2018-19.

Source: thehindubusinessline.com - Nov 16, 2019

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