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IBTEX No. 97 of 2019 May 17, 2019

USD 70.13| EUR 78.41 | GBP 89.65 | JPY 0.64

Cotton Market (13.05.2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21292	44500	**80.74**
Domestic Futures Price (Ex. Warehouse Rajkot), May		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21120	44141	**80.09**
International Futures Price		
NY ICE USD Cents/lb (July 2019)	66.80	
ZCE Cotton: Yuan/MT (September 2019)	14,215	
ZCE Cotton: USD Cents/lb	93.67	
Cotlook A Index – Physical	**76.85**	

Cotton Guide: Yesterday, the USDA weekly report on Export Sales was released with almost consolidated to low figures as expected. Net Upland sales- Net sales of 226,900 RB for the marketing year 2018/2019 were down 4 percent from the previous week, but up 8 percent from the prior 4-week average.

Country	Increase
Turkey	70,700 RB
India	55,800 RB
Vietnam	27,500 RB
Indonesia	26,500 RB
Taiwan	10,400 RB

For the marketing year 2019/2020, net sales of 176,400 RB were primarily to-

Country	Increase
Indonesia	93,700 RB
Vietnam	44,000 RB
South Korea	13,100 RB
Peru	5,700 RB
Thailand	5,700 RB

Export Shipments emanated the numbers 362,800 RB i.e. a decline of 6 percent from the previous week, but an increase of 9 percent from the prior 4-week average.

This morning the International ICE future contracts have opened almost very close to yesterday's low figures. ICE July at 8 am is currently trading at 66.23 cents/lb. Yesterday ICE July settled at 66.80 cents/lb with a change of +45 points. The ICE December contract settled at 67.09 cents/lb with a positive change of +20. All the other ICE Cotton Future contracts settled positive in the range of +31 to +42 points. As expected, the total volumes decreased to 25,540 contracts as compared to the 3 month average of around 35,000 contracts.

In India, the MCX contracts were mostly positive with changes ranging from +140 to +180 Rs. The MCX May contract settled at 21,120 Rs/Bale. The MCX June and MCX July contract settled at 21,350 Rs/Bale and 21,530 Rs/Bale with changes of +140 each respectively. The MCX May contract is still commanding good amount of volumes with a figure of 3264 lots whereas the MCX June contract is commanding volume figures of 2635 lots. The total volumes at MCX emanated a marginal decrease as compared to the previous volume figures. The total Volumes were seen at 6567 lots as compared to previous 6915 lots.

Market participants especially Mills are very cautious. The trade war concerns have made the market participants to wait till a clear direction is established. Also the retaliatory new tariffs imposed by China on the US goods makes matters worse. Currently all the numbers are showing oversold conditions but on the other hand the most expected rebound has not yet happened. Fundamentally speaking, we expect the ICE range to be in the range of 65.50 to 67.50 for the day. In other words, we expect the market to be range bound today.

The Cotlook Index A is negatively adjusted to 76.85 with a change of -0.50. Prices of Shankar 6 are steady at 44,500 Rs/Candy. With Indian Cotton being expensive good amount of imports have been registered. African and US Cotton is being preferred by the Indian Mills.

On the technical front, Prices are in the pullback mode after the continuous sell off from (78-64.50). Lower tops and lower bottom formation and prices below the DEMA (5,9)

= (67.35,69.27)suggesting the base trend is bearish. Immediate support level is at 64.50(recent lows) and the resistance is placed at 68(23.6% retracement of selloff).Relative strength index (RSI) is at 25.54 made a low of 17.09 is in the mega oversold zone suggesting continuation of bearish trend is likely. For the day we are recommending sell on rise strategy around 67.80-68 for the target of 65.80/65 with a stop loss at 69(above the 9 day EMA). Closing above 69 will be the first sign of upside reversal in the prices. In the domestic market cotton (may) sell on rise strategy around 21150-21200 for the target of 20750 with a stop loss at 21400.
Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com or can contact: allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS

How much damage are Trump's tariffs doing to the Chinese economy?

Chinese exports to the US have been subject to the Trump tariffs since last July. According to the US President, this is wrecking the Chinese economy but does the Asian power ultimately have more stomach for this fight?

Growth in the Chinese economy has been slowing steadily for much of the last decade. From a rate of 12% annual GDP growth in 2010, the figure is now little more than half that.

Last year, the Chinese economy grew by 6.6%. A rate like that would be cause for huge celebration in practically every major western economy, but it was actually the slowest year of growth China has experienced since 1990.

2018 was also the year in which US President Donald Trump started slapping tariffs on Chinese imports, a practice which he continued in recent days with a fresh wave of levies. A crude calculation might directly connect that fact with China's 29-year low growth rate. But is it as simple as that?

"I think the slowdown is probably 50% due to the trade war and 50% due to the hit to credit from the crackdown on shadow banking, which has hurt the credit channel to the private sector," Allan von Mehren, Chief Analyst with Danske Bank, told DW.

He believes the biggest impact the tariffs have had on the Chinese economy over the last year has been the uncertainty they have prompted and the subsequent damage to business sentiment. "It has given a hit to consumer spending and private investments, not least in the export sector," he said.

Chinese exports are slowing down due to the tariff war

Inspecting the damage

Chinese economic data released on Wednesday was not encouraging. China retail sales growth (year-on-year) slipped to its weakest reading since 2003, confirming von Mehren's assertion that consumers are cutting back.

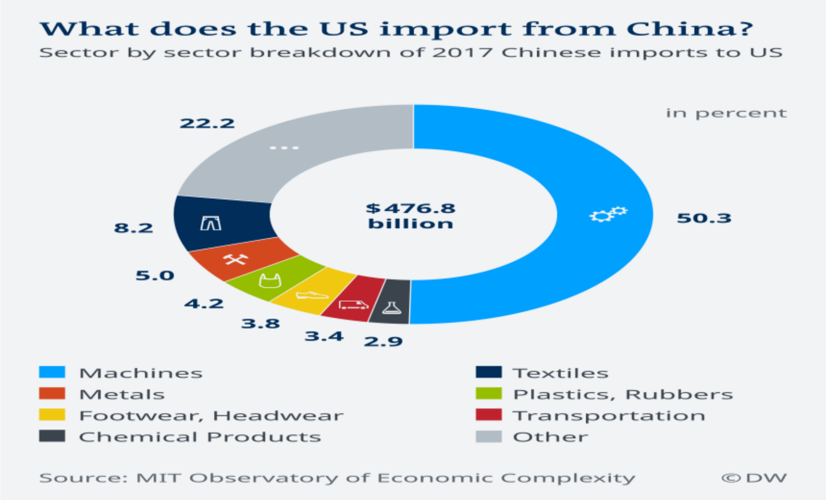
Another sign of trouble came from the country's industrial production data. Growth there slipped significantly in April, falling sharply from the March figures.

Yet overall, the economic data suggests there is little direct damage to the Chinese economy from Trump's tariffs, beyond the aforementioned impact on sentiment, which has affected investment as well as consumer spending.

According to van Mehren, that impact has been broad-based but one exception is in the construction sector, where government stimulus packages have helped keep home sales robust.

Muddling through with stimulus packages

The Chinese government itself has acknowledged the impact the trade conflict with the United States is having on the economy, though. In March, the government revised its 2019 growth rate target to between 6% and 6.5%, with Li Keqiang, the Chinese Prime Minister, citing "profound change in our external environment," a clear reference to the ongoing trade issues with the US.



Since July, when the US tariffs started to come into full effect, Beijing has adopted fiscal stimulus measures aimed at boosting investment and spending.
Infografik Was importieren die USA aus China EN

As well as that, the government has tried to improve access to credit for the private sector, in the face of the crackdown on the so-called shadow banking system, an industry of unregulated lending which operates outside of the regular banking system.

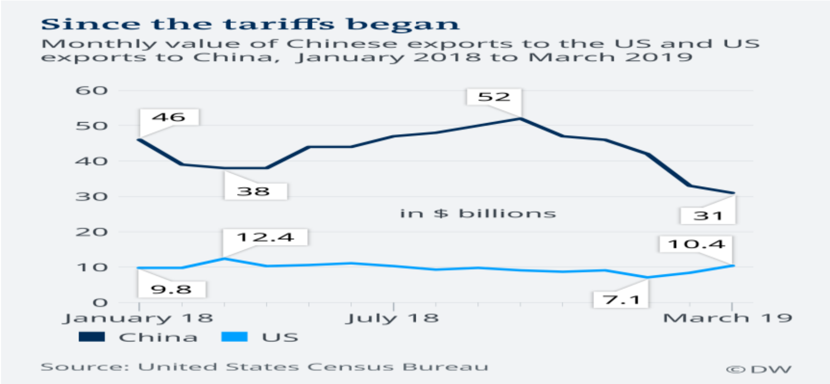
The fact that the economy continues to cool in the face of such measures hints at the significant challenges Trump has presented the world's second largest economy.

Another risk, according to van Mehren, is that some manufacturing companies will switch production from China to other Asian countries, such as Vietnam. "This is very hard to quantify, but anecdotal evidence suggests it is happening," he said.

Who pays the tariff?

It started with solar panels. Then it was steel and aluminum. Now, practically all the $476 billion worth of goods China exports to the US annually (see graphic above) are subject to some kind of tariff, ranging in scale from 10% up.

But it's worth remembering that tariffs are not automatically paid by Chinese exporters. Much of the time, US importers will choose to pay the additional cost. Although the volume of Chinese exports to the US started to decline once the US tariffs kicked in around July, there are still more than three times as many Chinese exports to the US as the other way around (see graphic below).



Even at a higher cost, American firms and businesses are still choosing to buy Chinese in copious volumes. That may partly explain why Trump has sought to increase the pressure on China in recent weeks, his latest move to declare telecommunications equipment made by "foreign adversaries" — a clear nod to Huawei — a national emergency.

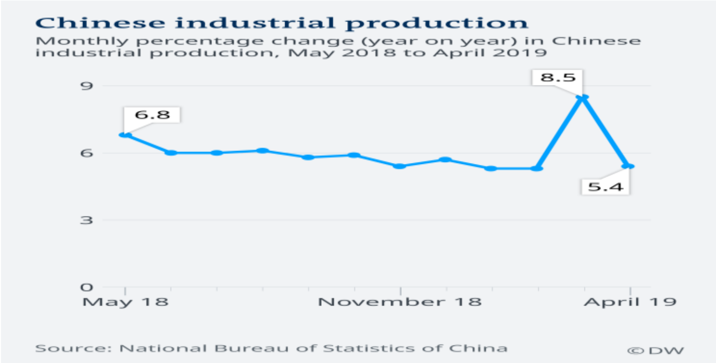
In the fight

According to van Mehren though, China is able to deal with an escalation of trade hostilities.

"I don't think a resolution is urgent for China and they will not give any extra concessions due to the increased pressure," he said. "I think they are preparing for a long trade war now and believe they have more endurance."

While he does believe that the need for government stimulus packages has delayed some longer-term Chinese objectives such as the transitioning away from state-owned enterprises and infrastructure projects, he says the trade conflict is in many ways a "strategic gift" for China, in that it has hammered home the need for certain economic reforms in the country.

"What matters the most for Chinese outlook are reforms, education and investment in upgrading production," he says. "As long as China shows a commitment to this, I believe the outlook is still broadly positive."



Yet, there is a deeper concern arising from the trade conflict, he says, away from the pure economics, and that's the overall deterioration in Sino-US relations.

"The anti-Chinese sentiment in the US seems to be rising fast and I fear that the US will start challenging China on all fronts," he says.

Should that mean some form of military conflict, whether over Taiwan or South Chinese Sea territorial issues, the current trade conflict might feel rather tame in comparison.

Source: dw.com- May 16, 2019

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Trade war to hit high-end US fashion brands dependent on specialised Chinese manufacturing

High-end US fashion brands have become more reliant on China for manufacturing, making them more vulnerable to an increase in trade war tariffs, a new study shows.

While imports of basic apparel items such as T-shirts and underwear can easily be shifted to lower-cost production hubs such as Vietnam, Cambodia or Bangladesh, China has become so specialised in the manufacturing of higher-value goods such as accessories and coats, that US brands may be forced to stomach the tariff hike.

Research from a professor at an American university shows that other countries, further down the value chain than China, cannot compete on quality on such high-end items, despite the fact many areas of the textiles industry are engaged in a race to the bottom, in terms of costs.

Other countries cannot yet produce in the same quantity or with the same quality as China due to technological constraints.
View photos

The report shows that China's stranglehold on the garment supply chain continues, despite its price advantage being eroded rapidly, due in part to increasing labour costs and the early rounds of US tariffs. The average retail price of clothing manufactured in China was US$25.7 per unit back in the second quarter of 2018, only slightly higher than clothing from Vietnam. A year later, China's cost more than doubled to US$69.5 per unit.

By the end of the first quarter of 2019, the number of apparel items made in China that were held in US clothing retailers' inventories were down more than two thirds to 8,352 stock-keeping-units (SKUs), an industry identifier that tracks the attributes of each particular garment.

China still dominated the US retail market as the largest supplier of new clothing items (193,774 SKUs) from the beginning of 2016 to late-April 2019. Vietnam, considered to be China's main challenger on the cost and quality of garment manufacturing, contributed a third of China's level to the US market during the same period.

"I don't think US retailers choose to source from China simply because of cost," said Sheng Lu, an associate professor of fashion and apparel studies at the University of Delaware and author of the new study. "Rather, China is regarded as a 'balanced supplier' with regard to primary sourcing factors, which range from cost, reliability, speed to market, to compliance risk.

"Even though the tariff war will further reduce the price competitiveness of [goods] made in China, it will not fundamentally shift China's overall competitiveness as a sourcing base, especially in the short-term," Lu said, in an interview.
View photos

The latest proposal to impose tariffs of up to 25 per cent on almost all remaining Chinese exports to the US, valued at US$300 billion by the US government, includes many garment items that were not included in earlier tariff rounds. Those tariffs, which could go into effect in July, will further complicate the sourcing strategy for US fashion brands, Lu said.

“US retailers may quickly move sourcing orders from China to other suppliers for basic fashion items, such as tops, bottoms, and underwear. However, there seems to be much fewer alternative sourcing destinations for more sophisticated product categories, such as accessories and outerwear,” Lu said,

“Ironically, sourcing more sophisticated and higher value-added products from China could make US fashion brands and retailers even more vulnerable to the tariff war because of fewer alternative sourcing destinations.”

Lu analysed real-time pricing and inventory data for more than 300 million items from 90,000 US fashion retailers on a fashion industry database used by brands to adjust their inventory levels and sourcing strategies, as means of maximising sales and profits.

Source: sg.news.yahoo.com- May 15, 2019

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Show sincerity or cancel trade talks, Chinese state media tells US

China would rather suspend further trade negotiations with the United States if Washington continues its tough gestures towards Beijing, Chinese state media said.

A commentary published by Taoran Notes, a social media account affiliated with Economic Daily, said China would not give an "effective response" to the US if Washington did not show sincerity in resolving the two countries' trade disputes.

"If there is no real concrete action by the United States, it will be meaningless for you to come and talk," it said, referring to US Treasury Secretary Steven Mnuchin's remarks on Wednesday saying that he would go to Beijing to continue talks.

"It is better to suspend the consultation completely and return to the normal working track."

The commentary said China had shown its sincerity to resolve the trade deadlock by sending Chinese Vice-Premier Liu He to Washington for negotiations even after US President Donald Trump had decided to raise tariffs on US$200 billion of Chinese imports from 10 per cent to 25 per cent.

But the US had kept up its tough stance towards Beijing, it said, after Washington also introduced restrictionson Chinese telecoms company Huawei.

"The US does not show any sincerity in continuing talks," it said. "Instead, it is extending its pressure tactics. The US on one hand says it engages in talks, but on the other hand keeps using petty tricks to destroy the atmosphere for talks."

The commentary came after Chinese Commerce Ministry spokesman Gao Feng said China was not aware of Mnuchin's planned trip and felt regret that the US had "unilaterally and continuously escalated the trade conflict".

Mnuchin, speaking in a congressional hearing, said he would most likely go to Beijing in the near future to continue discussions. Trump, meanwhile, is expected to meet his Chinese counterpart Xi Jinping on the sidelines of the G20 summit in Osaka, Japan, next month.

Beijing's willingness to retaliate should not be underestimated, it said.

"China's sincerity is not returned with a positive response," it said. "Instead, some may even think that China is weak and can be bullied." China had no alternative but to retaliate by imposing tariffs on US imports, it argued.

"If anyone thinks that China is bluffing, it will only be another major miscalculation after the war to resist US aggression and assist North Korea," it said, referring to the Korean war in 1953, when it said people had not believed Chinese troops would cross the border between the two Koreas.

"We will take countermeasures against anyone who puts tariffs on us," it said.

Tensions between the two sides escalated last week when Trump made good on his threat to more than double the tariff rate on US$200 billion worth of Chinese imports to 25 per cent after accusing Beijing of backtracking on pledges it had made in earlier rounds of talks. China hit back by imposing the same level of tariffs on US$60 billion of US products.

Chen Long, an economist with Gavekal Dragonomics in Beijing, said the two countries still had a number of "sticky issues" to discuss, including the timing and process for removing tariffs already imposed, and agreeing which products – and in what quantities – Beijing should buy to help redress the US' trade deficit with China.

Source: scmp.com- May 17, 2019

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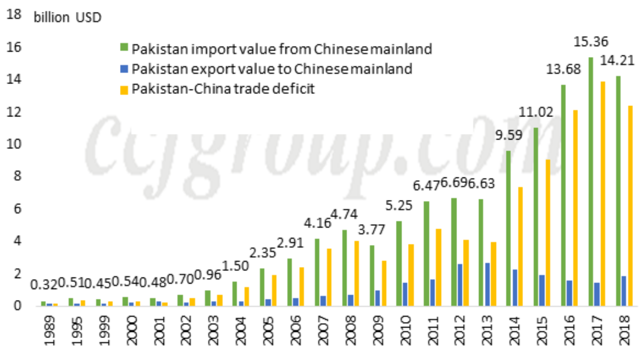
Impacts of China-Pakistan trade pattern and policy adjustment on cotton yarn

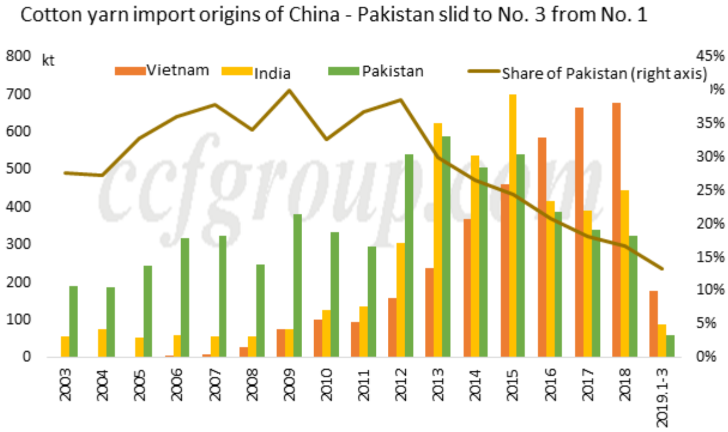
Chinese President Xi Jinping met with Pakistani Prime Minister Imran Khan in Beijing on April 28, during which the representatives of the two countries formally signed the "Protocol of the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan on Amending the Free Trade Agreement", symbolizing the second phase of the bilateral trade agreement between China and Pakistan took effect. As early as 2005, the two sides launched a mutually beneficial agreement.

At that time, China decided to impose a zero import tax on products imported from Pakistan for 769 items, mainly textile products. Similarly, Pakistan also exempted tariffs on 486 types of products imported from China. In 2006, China-Pakistan signed the "Free Trade Agreement between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan", which was implemented in 2007. Since then, bilateral trading value of China and Pakistan increased quickly.

China-Pakistan trade flow and trade deficit in 1989-2018



As shown in the chart above, bilateral trade value between China and Pakistan increased obviously during 2005-2008. The imports of China from Pakistan kept rising until 2013, and then shrank somewhat, while that of Pakistan from China kept strong until 2017. Trade deficit of Pakistan to China remained widening, and only retreated slightly in 2018. In 2018, export value of Pakistan to China approached 1.84 billion USD, including cotton yarn 825 million USD accounting for 44.74% of total commodity exports. Therefore, cotton yarn contributed the most to the export of Pakistan to China.



Pakistan kept the largest cotton yarn import origin of China since 2012 and its cotton yarn imported by China accounting for nearly 40% in total imports of China. In the same year, The First Imported Cotton Yarn Forum hosted by CCFGroup launched and a large amount of Pakistani cotton yarn, Indian one and Vietnamese one was introduced to China successively. After 2013, surpassed by India and Vietnam, Pakistan slid to the third major cotton yarn import origin of China during 2016-2018. Will the tariff adjustment this time reverse the status?

Firstly, interpretation on policy and forecast

The 3 product categories are defined as follows:
Category 1. For China and Pakistan, this refers to all products with applied MFN tariff rates higher than 15%.

Category 2. For China and Pakistan, this refers to all products with applied MFN tariff rates between 5% (inclusive) and 15% (inclusive).

Category 3. For China and Pakistan, this refers to all products with applied MFN tariff rates lower than 5%.

b. Implementation timeframes

Product category	Not later than 1 Jan 2006	Not later than 1 Jan 2007	Not later than 1 Jan 2008
1	10%	5%	0%
2	5%	0%	0%
3	0%	0%	0%

Remark: Starting Jan 1 2006, China imposed preferential tariff rate on some products originated in Pakistan, including single cotton yarn, plied cotton yarn and cotton fabric.

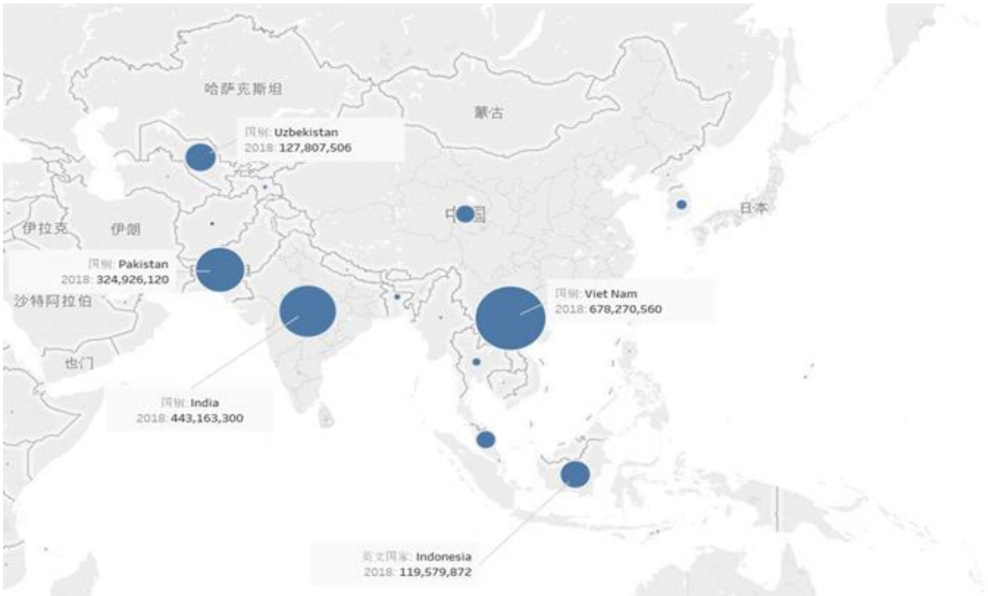
HS code	Commodity name	MFN rate (%)	Agreement rate (%)	Change (%)
52051100	Uncombed single cotton yarn, cotton≥85%, yarn≥714.29decitex	5	3.5	30
52051200	Uncombed single cotton yarn, cotton≥85%, 232.56≤yarn＜714.29decitex	5	3.5	30
52051300	Uncombed single cotton yarn, cotton≥85%, 192.31≤yarn＜232.56decitex	5	3.5	30
52051400	Uncombed single cotton yarn, cotton≥85%, 125≤yarn＜192.31decitex	5	3.5	30
52051500	Uncombed single cotton yarn, cotton≥85%, yarn＜125decitex	5	3.5	30
52052100	Combed single cotton yarn, cotton≥85%, yarn≥714.29decitex	5	3.5	30
52052200	Combed single cotton yarn, cotton≥85%, 232.56≤yarn＜714.29decitex	5	3.5	30
52052300	Combed single cotton yarn, cotton≥85%, 192.31≤yarn＜232.56decitex	5	3.5	30
52052400	Combed single cotton yarn, cotton≥85%, 125≤yarn＜192.31decitex	5	3.5	30
52053100	Uncombed cabled cotton yarn, cotton≥85%, single yarn≥714.29decitex	5	4.5	10
52053200	Uncombed cabled cotton yarn, cotton≥85%, 232.56≤single yarn＜714.29decitex	5	3.5	30

52054100	Combed cabled cotton yarn, cotton≥85%, single yarn≥714.29decitex	5	4.5	10
52054200	Combed cabled cotton yarn, cotton≥85%, 232.56≤single yarn＜714.29decitex	5	3.5	30
52054600	Combed cabled cotton yarn, cotton≥85%, 106.38≤single yarn＜125decitex	5	4.5	10
52054700	Combed cabled cotton yarn, cotton≥85%, 83.33≤singel yarn＜106.33decitex	5	4.5	10
52054800	Combed cabled cotton yarn, cotton≥85%, single yarn＜83.33decitex	5	4.5	10
52061100	Uncombed single cotton yarn, cotton＜85%, yarn≥714.29decitex	5	4.5	30
52061200	Uncombed single cotton yarn, cotton＜85%, 232.56≤yarn＜714.29decitex	5	3.5	30
52061500	Uncombed single cotton yarn, cotton＜85%, yarn ＜125decitex	5	3.5	30
52062100	Combed single cotton yarn, cotton＜85%, yarn≥714.29decitex	5	4.5	10
52071000	Combed single cotton yarn, cotton＜85%, yarn≥714.29decitex	6	5	17

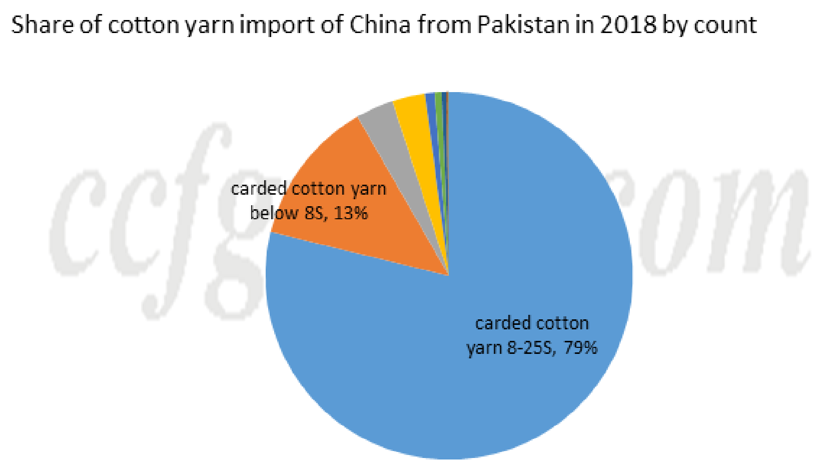
Therefore, according to the tariff implementation plan, the import tariffs of China on Pakistani yarns in the following years are still mostly 3.5%, and some products at 4.5%. Then in 2008 and around 2010, there were rumors of zero-tariff on Pakistani yarn in the market. At that time, according to the market verification, the implemented rate was the agreement rate, but some local enterprises obtained state subsidies because of the implementation of targeted policies. It stopped in around 2014, and the following years were completely market-oriented. In those years, the Indian and Vietnamese yarns increased rapidly.

Without targeted policy subsidies, Pakistani yarn market share decreased significantly. Today, targeted preferential policies are restarted in a certain way, which is reported that the rules are still in secrecy. From the content that has been publicly disclosed by the Pakistan and China, the cotton yarn is explicitly included in the tariff reduction list. According to CCFGroup, the tariff reduction is considerable and most of the companies that obtain targeted preferential policies are also shared with users.

Secondly, about the import volume and substitution
At present, Pakistan is the third largest cotton yarn import origin of China with annual export volume to China down from 588kt in 2013 to 324.9kt in 2018. If the price spread of the same specification between Pakistani and Chinese cotton yarn, the import volume of China from Pakistan is expected to increase to a certain extend. From end-2018, according to the ordering price of Pakistani cotton yarn, the tariff adjustment is in expectation. Therefore, the price spread between Pakistani and Chinese cotton yarn is the key factor affecting later ordering. Once there is enough gap, downstream demand will show its activeness.



Besides, the major products of Pakistan textile industry did not change much and were still mainly low-count and siro-spun one. Among them, exports of single carded cotton yarn below 8S and within 8-25S accounted for 92% of the total to China. So Pakistani cotton yarn has limited threat to other cotton yarn market.



It can be seen from the detailed data that China imported Pakistani single carded cotton yarn 8-25S the most which is also the most imported from the world. Pakistani cotton yarn accounted for 26% and it still has upward room. Besides, competiveness of other combed ones and carded ones below 21S will improve. Pakistan cotton yarn output approaches 3.4 million tons and 10% of them are exported to China.

In 2018, Pakistan exported 465kt of cotton yarn accounting for nearly 70% in China. On the other hand, purchasing volume from China dominated the exports of Pakistani cotton yarn. The largest competitor of Chinese buyers is local users in Pakistan. As a result, price and downstream orders become the biggest drive apart from policies. In long run, Pakistani cotton yarn imports of China will increase, but hardly return to No.1. Combined with expected price spread, the yearly growth rate may be within 20%, and it is expected to increase in 2020 and 2021.

Appendix: Commodity import origins and export destinations of Pakistan

Commodity import origins of Pakistan

Commodity export destinations of Pakistan

What about the spinning status in Pakistan? Can downstream industry support its consumption? What are the advantages of low-count cotton yarn in international competition?

Source: ccfgroup.com- May 16, 2019

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Vietnam least affected ASEAN member by US-China trade pact

As such, it is least affected by US tariffs on Chinese goods, it adds.

The report on the impact of escalating U.S.-China trade tensions recently released by securities firm MB Securities (MBS), quotes Malaysian bank RHB as saying only 2.2 percent of Vietnam's total export value is used as input material for China's export production.

This number is much higher for other ASEAN countries, such as the Philippines, Malaysia, and Indonesia, who respectively have 16.9 percent, 11.4 percent and 11 percent of their exports involved in the value chain of Chinese exports.

As a result, Vietnam will not be much affected by last Friday's U.S. action to raise tariffs on $200 billion worth of Chinese imports from 10 percent to 25 percent.

However, the report also warned that trade tensions could stifle growth in both U.S. and Chinese economies, dragging down demand for Vietnamese goods in both markets.

In 2018, Vietnam exported a combined $90.4 billion worth of goods to the U.S. and China, accounting for 37 percent of Vietnam's export turnover for the year.

The report says Vietnam is among the five countries that the U.S. has biggest trade deficits with ($38 billion in 2018), with main exports to the country being mobile phones, textiles and footwear.

Because many core exports to the U.S. contain raw materials imported from China, MBS warns that the U.S. could also levy tariffs on Vietnamese goods as a way to indirectly tax China, hurting Vietnam.

If China continues to devalue the yuan against the dollar, the State Bank of Vietnam will have to take measures to the same so as to maintain the price competitiveness of Vietnamese goods, the report says.

Nevertheless, the trade spat is an opportunity for Vietnam to partially replace China's exporting role, given Vietnam's high degree of openness and participation in 15 free trade agreements, making it a good destination for export manufacturing companies.

Vietnam can already make several of the items that China exports in huge numbers, including computers, smartphones, textiles and footwear. If Vietnam can make use of the opportunities arising from the trade spat, it could become a "factory of the world", although not on China's scale, the report says.

Overall, the risks posed to Vietnam are short-term, while potential benefits from producers moving to Vietnam are longer-term ones, the report concludes.

Source: e.vnexpress.net- May 17, 2019

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Taiwan looks to fast-track FTA talks with India, eyes higher tech exports

With an eye on carving out a larger share of the Indian tech products and precision tools market, Taiwan is looking to fast-track discussions on a trade deal with India.

"Talks are on and we expect things to move quickly after the bilateral investment promotion agreement was signed last year. We look forward to the prospects of a free trade agreement (FTA)," James C F Huang, chairman of the Taiwan External Trade Development Council (TAITRA), said, on the sidelines of the Taiwan Expo 2019.

New Delhi had hitherto decided against vigorously pursuing investments from Taiwan because it did not want friction with China, which considers Taiwan its own and has refused to recognise the Taipei-based government over the past 70 years. But the situation has changed, and trade talks are expected to move smoothly, a commerce department official said.

“We have few FTAs due to political difficulties. As a result, our products have to be more competitive and of better quality, as they face high import duties in most countries,” Walter M S Yeh, president and chief executive officer of TAITRA, said.

However, the nation is systematically building up trade partnerships, currently with seven FTAs and three preferential trading agreements, one of which is with manufacturing and consumer behemoth China.

China’s replacement

While Taiwanese firms specialising in heavy machinery and engineering tools have figured primarily on the list, original equipment manufacturers for electronic devices are also moving in. New Delhi wants these crucial components to be gradually manufactured at home or shipped in from other countries rather than being imported entirely from China.

The largest of these — Foxconn — assembles electronic parts for Apple smartphones at six places and has plans to increase the number of facilities it operates in India and shore up production, the diplomat added.

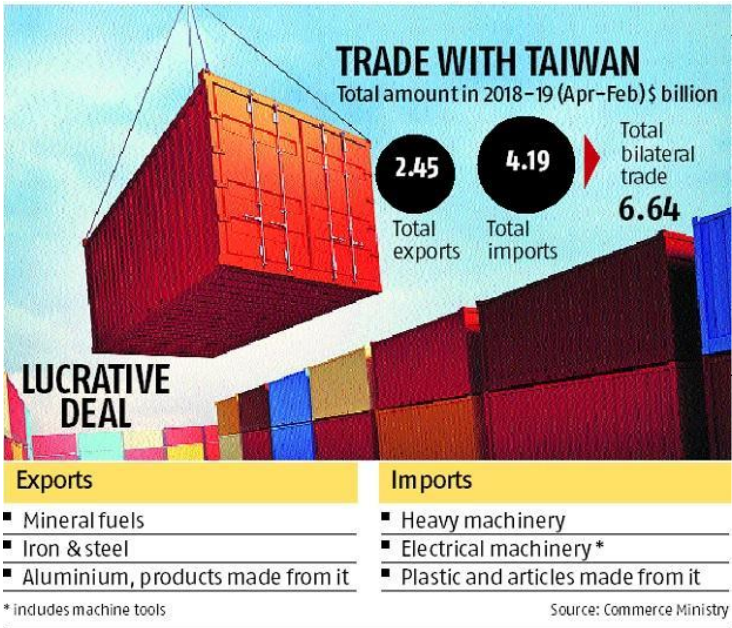
The country’s bilateral trade with India grew almost 10 per cent in the first 11 months of 2018-19 to $6.64 billion, with $2.45 billion worth of exports to the island nation. While total trade has grown in double-digit figures for the last three years, imports remain twice as hefty.

Taiwan’s Golden Valley region, home to 1,000 precision machinery manufacturers and 10,000 suppliers, has the highest density of any machine tool industry cluster in the world. The industry is varied across

72 categories, with cutting and grinding tools along with those used for planing, shaping, and boring having the majority share of the market.

Also, many other Taiwanese firms manufacturing networking devices, bicycles, car components, and vehicle electronics are returning from China, where labour costs are rising. Subsequently while the Taiwanese government has launched a ‘welcome back’ programme, with incentives such as free rent for the first two years, favourable bank loans, and access to tax consultation, a tighter standards regime has dampened their mood.

Investments on the rise



As a result, a cross-section of the manufacturing sector is looking at India to shift facilities. This mood has been hastened by Taipei City’s desire to enter the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which includes large economies like Australia, Canada, Japan, and Singapore, among others.

To this end, a proposal to create special economic zones (SEZs) exclusively for Taiwanese firms is also being explored by both governments, Taiwanese officials added. India already has SEZs for Chinese and Japanese companies. “Many mid-size companies are looking to shift factories to India as market demand is expected to keep on growing. We would do the same if we found a local partner,” Berny Sung, business development manager at Sinpro, an equipment manufacturer for the e-vehicles industry, said.

However, existing businesses has a different perspective. “The central government does the job of a facilitator very well but working with state governments remains difficult. Their enthusiasm for new investments in manufacturing does not match their response when on-ground help is required," chairman of Taiwan India Business Association, Theodore M H Huang, said. Huang has visited India 17 times in the past two years and added that registration still takes an unnecessarily long time, while red tape remains an issue.

While he didn't mention the states in question, a senior official hinted most Taiwanese firms preferred were manufacturing hubs in Gujarat, Maharashtra, and Karnataka. Foreign direct investment from Taiwan crossed $300 million in December 2018.

Source: en.vietnamplus.vn- May 17, 2019

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Vietnamese firms move to foster apparel exports to Canada

A delegation of Vietnamese businesses has visited Canada to promote textile and garment exports to the North American nation under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The Vietnam National Textile and Garment Group (Vinatex) held a workshop in Montreal city on May 16, attracting representatives of 35 Canadian enterprises.

Total textile-garment demand in the CPTPP, which gathers 11 members with a combined population of 500 million, is estimated at 83 billion USD. In 2018, Vietnam's textile-garment exports to CPTPP markets were 5.3 billion USD, a 6.3-percent market share.

Canada's demand for textile-garment products is worth some 13-14 billion USD, 5 percent of which is provided by Vietnam.

Vinatex General Director Le Tien Truong said this market share hasn't matched Vietnam's stature as the world's second largest apparel exporter. While Vietnam has a 14-percent market share in the US, the modest proportion in Canada is a chance for textile-garment exporters, especially as both countries have ratified the CPTPP.

He said all businesses have opportunities to access a better tariff policy if they satisfy rules of origin. Therefore, Vinatex has organised trade promotion activities in 2018 and 2019 to meet with Canadian importers.

Even in 2018, when the CPTPPP was yet to take effect, Vietnam's textile-garment exports to Canada soared by 19.7 percent, Truong noted, adding that he hoped they can help boost Vietnam's market share to 12-14 percent.

At the workshop, David Ostroff, President of David O International, highlighted the huge cooperation potential for Vietnam and Canada, noting that Vietnam's prices are comparable to China's, and its businesses operate in an organised and effective manner.

Notably, Canada can access the Vietnamese market with a tariff rate of zero percent, especially key with the Canadian dollar weak internationally. This is the right time for Vietnam to enter the Canadian market, he said.

The CPTPP, which took effect in Vietnam on January 14, is expected to boost exports of Vietnamese textile and garment products to Canada when 42.9 percent of the shipments of these products to the market will enjoy an import tariff of zero percent in the first year the deal comes into force.

Source: en.vietnamplus.vn- May 17, 2019

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Mercosur-Egypt trade could be bigger in wake of agreement

São Paulo – Brazil-Egypt trade falls short of what the Mercosur-Egypt free trade agreement makes possible. This was one of the messages conveyed by the CEO for Bilateral Trade Agreements at Egypt's Ministry of Trade and Industry, Michael Gamal Kaddes (pictured above, in the middle) during the seminar 'Mercosur-Egypt Agreement: a market overview two years after its entry into force' this Thursday (16) at the Arab Brazilian Chamber of Commercein São Paulo. The agreement became effective in September 2017.

'Trade remains at the same level, and we are still dealing in the same goods,' Gamal told the audience of about 100 executives and delegates at the event. 'We must take a step further,' he said. Brazil's exports to Egypt are basically made up of staple items, while Egypt sells mostly fertilizers to Brazil. The CEO said he'd like for emphasis to be placed on new industries. He suggested machinery, processed agricultural items, leather, and textiles and clothing.

Fernanda Baltazar: more duties will be lifted

In 2018, exports from Brazil to Egypt slid by 13% to USD 2.1 billion, comprising mainly ores, cereals and iron and steel items. Exports from Egypt to Brazil climbed 73% to USD 269.4 million, consisting mostly of fertilizers, whose exports were up 148%. Sales from Brazil dropped revenue-wise mainly due to sliding commodity prices, Arab Chamber Institutional Relations manager Fernanda Baltazar said.

The same holds true of Egypt's trade with the Mercosur as a whole. Mercosur-Egypt exports were down 23% in 2018 from 2017 to USD 2.9 billion, with Egypt-Mercosur exports going up 72% to USD 363.5 million. Arab Chamber figures show that Mercosur-Egypt sales consist of staple items like ores, cereals, meats and sugar.

The CEO for Bilateral Trade Agreements stressed the need for Brazilians and Egyptians to get in touch and share information so that trade will solidify and evolve into new industries and bigger amounts. He suggested more promotional actions, like a Brazilian Day in Egypt and an Egypt Day in Brazil. 'We need more and more of that. We need information on both sides,' he argued.

Lowering rates

The Mercosur-Egypt agreement made 31% of the goods exported from Mercosur duty-free. That rate will be 45% in two years' time, according to data presented by Fernanda Baltazar. Conversely, duties have been lifted on 26% of goods shipped from Egypt to the Mercosur, which should go up to 32.2% two years from now. Duty-free Mercosur items include meat and fish preparations, cucumbers, fruits and nuts preparations, petroleum jelly and some fertilizers. Duty-free Egyptian items include some vegetables, mineral fuels, machinery and their parts, some medicinal products, etc.

The agreement divided products into five categories. Group one was freed from duties, group two got 25% off, group 3 got 12.5% off, and group four got 10% off. Except for group one, duties on each of the four product groups will gradually drop each year (by the same rate as when the agreement first went into effect) until 100% is reached. Group five concerns sensitive products, which will be discussed separately.

Hannun: Egypt is a major trade partner

Arab Chamber president Rubens Hannun opened the seminar by going over relevant facts regarding Brazil-Egypt relations over the past few years. He thanked those who make trade happen and mentioned growing Brazilian-Arab trade. Hannun also said Egypt is a major partner – it was the the top Arab destination for exports from Brazil.

He pointed out that the Arab Chamber organized a trip to 2017. Meetings were held with local authorities, covering trade, investments, customs issues, etc. That same year saw Egyptian authorities travel to Brazil, including Trade and Industry minister Tarek Kabil. Last year, a 45-strong delegation of Egyptian businesspersons joined the Brazil-Arab Economic Forum, held by the Arab Chamber. Companies from Egypt are also regulars at Apas Show, a supermarket industry show which the Chamber brings Arab players to.

Apart from Hannun, Fernanda Baltazar and Gamal, the forum also featured a presentation from consul Mohamed Elkhatib, head of Egypt's commercial office in São Paulo. Arab Chamber CEO Tamer Mansour and the director of the Americas and Europe Department at the Agreements Sector of Egypt's Ministry of Trade and Industry, Rania Hagrass, answered questions from the audience.

Source: menafn.com- May 17, 2019

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Export growth almost flat in April; imports rise 4.5%

Escalation in global trade war, liquidity issues remain a worry, according to exporters

Fall in exports in high-performance sectors such as gems and jewellery and engineering products slowed down the overall goods exports by 0.64 per cent (year-on-year) to $26.07 billion in April.

But imports posted a 4.48 per cent growth to $41.4 billion in the month resulting in widening of trade deficit to $15.33 billion, according to estimates released by the Commerce & Industry Ministry on Wednesday.

India's export performance in April is in stark contrast to exports growing at 11 per cent in March to $32.55 billion, which was the highest monthly performance.

Exporters expressed their disappointment with the fall in shipments in labour-intensive sectors including leather & leather products, gems & jewellery, engineering goods, cotton yarns, fabric & made-ups, carpets and marine products and pointed out that escalating global tension was making the situation worse.

More challenges

"These sectors are still facing the problem of liquidity, besides other challenges including global trade war, protectionism, fragile global conditions and constraints on the domestic front," according to FIEO President Ganesh Kumar Gupta.

Gupta said there may have been front loading of exports in the past as exporters were apprehensive of the withdrawal of the Generalised System of Preferences scheme by the US, which allows access to a number of Indian goods at zero duty into the American market, and the developments in Iran.

A drop in exports of engineering goods in April, which was at the top in March, has exporters from the sector worried. “Virtually no growth in merchandise exports and a sharp drop of over seven per cent in highly employment-oriented engineering exports is a matter of concern for Indian exporters, who are facing global headwinds like escalated trade war, geo-political uncertainties in the Middle East and rising cost of finance and raw material at home,” said EEPC Chairman Ravi Sehgal.

He said the RBI needs to cut interest rates in its June credit policy review to make cheaper finance available for exporters and the government needs to take measures such as making available steel at reasonable prices.

Major product groups

Of the 30 major product groups, only 14 posted a growth during April. These include petroleum, organic & inorganic chemicals, drugs & pharmaceuticals, ready made garments, electronic goods, ceramic products & glassware, handicrafts, commodities besides some plantation, agricultural and dairy products.

Oil imports were estimated at $11.38 billion, which was 9.26 per cent higher in dollar terms. Import of gold at $3.972 million in April was 55 per cent higher.

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.

Source: thehindubusinessline.com- May 15, 2019

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GSP beneficiaries like India to benefit from US trade war with China: Report

America's year-long trade war with China is pushing US companies to source more from GSP beneficiary countries such as India, Thailand, Cambodia, Indonesia and Turkey, a report said Tuesday.

The Coalition for GSP, a group of American companies and trade associations, in a report said the latest official trade figures show that the Generalised System of Preference or GSP saved American companies $105 million in March, an increase of $28 million (36 per cent) from March, 2018 and the second-highest level on record.

Also read: Trump plans to scrap preferential trade status for India, Turkey

In the first quarter of 2019, the GSP saved American companies $285 million, which is $63 million more than the first quarter of 2018.

The GSP is the largest and oldest US trade preference programme and is designed to promote economic development by allowing duty-free entry for thousands of products from designated beneficiary countries.

On March 4, President Donald Trump announced that the US intends to terminate India as a beneficiary developing country under the GSP programme. The 60-day notice period ended on May 3.

Noting that imports from China, subject to new tariffs, are down significantly, the coalition said imports of products from other GSP beneficiaries have increased the most in the first quarter of 2019.

Also read: 25 US lawmakers urge authorities not to terminate GSP benefits to India

According to the report, India benefits the most from this.

"For India, 97 per cent of increased 2019 GSP imports are on the China Section 301 lists. GSP imports on Section 301 lists increased by $193 million (18 per cent), while imports of everything else increased by just $7 million (two per cent)," it said.

In another report, the coalition said cancelling the GSP for India would benefit China.

Referring to the results of a recent survey, the coalition said 30 per cent of companies would look to source more from China if GSP benefits are done away with.

Source: thehindubusinessline.com- May 15, 2019

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Next Indian govt seen relying on RBI to spur growth

India's slowing economy will need a boost soon after the current election, but budget stresses mean New Delhi probably has to rely on the Reserve Bank of India (RBI) to provide it through more interest rate cuts, according to two senior Finance Ministry officials.

“The government lacks the ability to hike already-planned spending to spur growth,” they said, as revenue in the year ending March 2020 is likely to be below target while borrowing will rise, mainly for a new farm support scheme. “Right now the government is not thinking of any stimulus. I do not think we can afford it, as any package would ultimately lead to higher borrowing,” one of the ministry officials, who insisted on anonymity, told Reuters.

The government has a fiscal deficit target of 3.4 per cent of gross domestic product for 2019-20.

The Finance Ministry did not respond to a request for comment.

Limited impact

While the RBI is likely to be open to more policy easing, provided inflation does not surge, their impact on economic activity may be limited, given debts burdening the banking sector. Two rate cuts this year have barely reduced loan and deposit rates.

The Finance Ministry official said that the RBI needs to provide additional liquidity to ensure rate cuts pass to bank customers. The central bank has injected $13 billion into the system in the past two months through open market operations and forex swaps, but the officials expect more.

The second official said that the Ministry is working on a plan to infuse capital into state-run banks in exchange for equity. “State-run banks have asked for a Rs 50 crore ($7.12 billion) fund infusion in 2019-20,” sources said.

Economic growth, which hit a five-quarter low of 6.6 per cent in October-December, appears to be slowing. March industrial output contracted for the first time in nearly two years, surveys show a slackening in manufacturing and services growth, while car and motorbike sales have tumbled.

The slip in growth comes at a time many economists are questioning the quality of official data and suggesting past levels have been overstated. The trade war between the United States and China has sparked worries about a weakening in the global economy. New Delhi officials are concerned that low-cost Chinese goods which can't find a home in the United States might be dumped in India.

Top priority

Indian economists agree that the next government — whether again led by Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP) or by its opponents — will urgently seek to lift growth.

The 39-day Indian general election ends on May 19, with counting of votes on May 23.

The central bank has cut its benchmark repo rate by 50 basis points this year to 6.0 per cent. The two Finance Ministry officials said the government expects at least another 50 bps cut by August. The next RBI policy meeting is June 6.

Gopal Krishna Agarwal, BJP's economic affairs spokesman, said the government “needs to focus on lowering of interest rates, higher spending and asset creation so that demand is created.” The party proposes spending Rs 100 lakh crore over five years to build roads, railways, ports and rural infrastructure.

Indian media this week quoted a senior official as saying the Corporate Affairs Ministry is working on a plan to waive debt of very small businesses and individuals with annual earnings below Rs 60,000. That could cost as much as Rs 20 lakh crore.

But Finance Ministry officials say any such plan would have to be funded by budget cuts elsewhere and is unlikely to start in the current fiscal year.

The Congress party has pledged to give Rs 72,000 rupees to each of India's poorest families, but this won't be immediately implemented, should it form the government, due to concerns this will make the fiscal deficit balloon.

“The immediate focus has to be the macro-economic stability,” P Chidambaram, former Finance Minister and a senior Congress leader, told Reuters. “It's only when the growth process starts we can find the revenues for implementing all this.”

Fall in revenue

In the 2019-20 budget, the government expanded its borrowing programme by Rs 1.4 lakh crore to more than Rs 7 lakh crore.

The government expects to fall short of its 2019-20 indirect tax target of Rs 13.8 lakh crore, 20 per cent above last year, making it harder to meet its revenue target.

Also there could be losses from state-run banks and other companies, such as Air India, which might need further government support. “In 2019-20, fiscal deficit is expected to be much higher than the budget target,” predicted former RBI Governor Bimal Jalan.

Source: thehindubusinessline.com- May 15, 2019

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India Mexico inaugurate a business chamber to encourage more trade and investments

The total trade in the last 10 years has increased 240 percent out of which 75 percent came in the last 3 years since 2015. As has been reported by Financial Express Online it has gone up to $ 6.4 billion in 2016 to $ 10.16 billion in 2018.

With bilateral India-Mexico trade crossing $ 10.15 billion in 2018, India-Mexico Business Chamber (IMBC) has been inaugurated with the basic objective to strengthen the growing India Mexico economic and commercial linkages.
Terming it a positive development, speaking to Financial Express Online, Muktesh K Pardeshi, ambassador of India in Mexico said "With more than 180 Indian companies present in Mexico, the need for a bilateral form was felt acutely and to also facilitate a better understanding of business potential on both sides."

According to him "while India is the 9th biggest trade partner of Mexico, it has invested over $ 3 billion in Mexico and our companies provide employment to over 30,000 Mexicans."

The total trade in the last 10 years has increased 240 percent out of which 75 percent came in the last 3 years since 2015. As has been reported by Financial Express Online it has gone up to $ 6.4 billion in 2016 to $ 10.16 billion in 2018.

According to the data from the Mexican Ministry of Economy, a decade ago India did not find a spot even amongst the top 20 trading partners of Mexico but in 2018 it is on the ninth spot as the most important global trading partner. Indian exports registered a 4.2% growth from $ 5.02 billion to $ 5.231 billion in 2018.

"Our total imports registered 47% growth while only the non-oil imports registered 65% growth from Mexico. Exports growth has suffered primarily because of the suspension on dry chillies import by Mexico since May, 2017, a market of at least $ 50 million for India," said the Indian envoy.

The Commercial Wing of the Indian embassy in Mexico had been planning the revival of the Chamber which had been dormant since 2012. After several rounds of meetings between 27 Indian and Mexican companies in the last six months, Inder Pal Singh, CEO, Tynor Comercializadora SA de SV was unanimously chosen as the president IMBC.

Also, crude oil is the most important commodity in the trade basket accounting for $3.2 billion in 2018.

According to Dr Garciela Marquez Colin, Minister of Energy, Mexico, "For its part, Mexico has surpassed Brazil as the first destination for exports from India to Latin America. The remarkable performance of bilateral trade and its consequent exponential growth are examples of the possibilities of collaboration between these two emerging economies."
Source: financialexpress.com- May 16 2019

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CII to focus on enhancing industry competency, job creation

Trade body Confederation of Indian Industry (CII) would focus on enhancing industry's competency and employment generation under its seven point charter for the southern region this year, its Southern Region Chairman Sanjay Jayarathnavelu said on Wednesday.

The seven points would be — policy and regulatory excellence, enhancing industry's core competitiveness, employment generation, strengthening the small and medium enterprises(SMEs), bridging the urban-rural divide, developmental growth and active membership engagement programme, he said.

"CII would focus on high growth sectors like manufacturing, automobiles, information and communication technology as part of its move to enhance industry's core competitiveness," he said.

Employment generation would focus on education, skills, livelihood, human resource development.

According to him, CII was working towards a 'Model State Budget' in select States to encourage specific action and promote fiscal discipline. 'Under the Competitiveness of South India Inc. India@75: Forging Ahead' theme, CII would focus on policy advocacy, ease of doing business, education and skill development, start-ups, micro, small and medium enterprises, among others.

"Thrust would be given on advisory services on Intellectual Property Rights, capacity building programmes for micro, small and medium enterprises," he said.

On its move towards employment generation, he said major engagement would be "skill-gap" study in labour intensive areas and to facilitate industry centric policy in Southern States.

Source: thehindubusinessline.com- May 15, 2019

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Handicraft exporters to Iran breathe easy as govt drops documentation requirement for export sop

Hope pending payments will be released soon

Handicraft exporters to Iran have got a shot in the arm with the government acceding to their long-pending demand to do away with the requirement for e-BRC (Bank Realisation Certificate) to get benefits under a popular export promotion scheme as banks were not being able to generate the documents for countries in the Office of Foreign Assets Control (OFAC) list.

OFAC countries are the ones against which economic sanctions have been imposed by the US and include Iran, Iraq, North Korea, Belarus, Syria and Cuba.

Payments stuck

Satpal Pugla, an exporter based in Moradabad, said: "A lot of our payments are stuck because of non-fulfilment of the eBRC requirement. We are grateful to the Commerce Ministry for allowing the benefit against another document which is available with all exporters. Hopefully the money will be released to us now."

Ever since banking sanctions against Iran were re-imposed by the US late last year, handicraft exporters were facing a challenge in applying for the benefit of 7 per cent of export value they were entitled to under the Merchandise Export from India Scheme (MEIS). This was happening as banks were refusing to accept shipping documents presented by exporters shipping to Iran for clearance of GR (guaranteed remittance) form to the Reserve Bank of India and as a result, no bank realisation certificates (BRC) were being issued to exporters.

Without BRC, exporters were not able to claim benefits under the MEIS scheme with their due payment getting stuck. India's exports of handicrafts to Iran is estimated at ₹500 crore annually.

'Will enhance exports'

"With this initiative, the exporters are going to get the much-needed MEIS benefits for their exports and it will energise them to continue their efforts towards enhancing exports from the country," said Rakesh Kumar from the Export Promotion Council for Handicrafts (EPCH). He pointed out that the council had taken up the matter of non-issuance of e-BRC at the highest level in all concerned Ministries including Textiles, Commerce, Finance and also the DGFT and finally action was taken.

As per the trade notification issued by the DGFT, in case a shipment has been made to countries which are in the OFAC list and e-BRC has not been generated by the bank concerned for that specific shipment, then the exporter while making the MEIS application has to submit a declaration to that effect along with a self-attested copy of the proof of payment such as Foreign Inward Remittance Certificate.

Source: thehindubusinessline.com- May 16, 2019

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