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IBTEX No. 139 of 2019 July 17, 2019

US 68.72| EUR 77.03 | GBP 85.11| JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20957	43800	**81.13**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21590	45123	**83.58**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	63.06
ZCE Cotton: Yuan/MT (September 2019)	13,100
ZCE Cotton: USD Cents/lb	86.41
Cotlook A Index – Physical	**74.95**

Cotton Guide: President Trump again brings the cotton Market down with his few but powerful words. Yesterday he mentioned that there is a long way to go for a deal with China. The market tumbled down after a three triple gain seen in the earlier session. The market is now battling two factors, One, the recent price rise caused by Hurrricane Barry, Second, Trump speaking out that there is still time for both the countries to reach a deal. However, both these factors in the near term will keep the market volatile especially for this week. We can see a lower dip of around 61.50 cents/lb Thursday evening as we do not expect export sales figures to be good. On the other hand, by Monday we can expect the prices to increase as soon as the report of crop damage caused by Hurricane Barry is released. Therefore, we presume that markets will be first bearish and then bullish in the coming few days. We are again reiterating, that these factors are short term factors, profits can be booked based on the relevant strategies applied. The long term factor still depends on the demand prospective which seems to be dull at the moment.

The ICE futures settled with losses in the range of -37 and -137 points. The most active ICE December contract settled at 63.06 cents/lb with a change of -89 points. The trading range was a 111 point span with a high figure of 63.95 cents/lb and a low figure of 62.84 cents/lb. The ICE March 2020 contract settled at 64.28 cents/lb with a change of -72 points. The total volumes again did not cheer the market participants. The total volumes were lower at 17,784 contracts.

The MCX futures were on a constant rise with the ICE Contracts. However with the fall of the ICE futures much near its closing, the MCX futures did not follow the trend set up by ICE. The MCX July contract settled at 21590 Rs/Bale with a change of +260 Rs. The MCX August contract settled with a change of 20930 Rs/Bale with a change of +220 Rs. The total volumes revived to 2643 lots which is considered to be a decent figure as opposed to the recent figures below and around 1000 lots. All the MCX contracts are seen to be in Backwardation, with all market participants expecting a good crop this year.

Fundamentally speaking, for today we expect the prices to be on the downward side for the ICE futures. For MCX we presume the markets will trade range bound. ZCE contracts too on the other hand seem to be range bound.

The Cotlook Index A has been adjusted at 74.95 cents/lb with a change of +1.30 cents/lb. The Cotlook Index A forward has been adjusted at 74.50 with a change of +1.25 cents/lb. The domestic spot prices of Shankar 6 are averaged at 43,800 Rs/Candy.

China has reduced its Indian yarn imports considerably. Therefore, the yarns mills in India are set to cut down their production, as the accumulated slump of yarn does not seem to vanish.

On the technical front, ICE Cotton futures again failed to hold on the recovery rally after rising towards the 9 day EMA. Meanwhile price is trading below the 9 day EMA, with bearish crossover of short term (5 DEMA) below (9 DEMA) along with weaker RSI which weighed over prices to test levels of 63. RSI in the daily charts is still under 40, which needs to move beyond 50 to change the bearish bias in cotton price, until then it could remain in the sideways to downside bias. So in the near term resistance exists around 63.90 (9 DEMA), which may restrict price to move higher. Only a close above 64.00 would push price towards 65.00. On the downside 62.35 is a strong support, a close below would bring further selling pressure in prices. So for near term price is expected to consolidate in the range of 62.30-64.00. Either side break will bring further clarity in the trend. In the domestic market MCX July future is expected to trade in the range of 21200-21640 Rs/Candy.

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

Trump Says He Could Impose More China Tariffs If He Wants

President Donald Trump reiterated that he could impose additional tariffs on Chinese imports if he wants, after promising to hold off on more duties in a trade-war truce he reached with China's Xi Jinping last month.

Stocks fell from a record after Trump made the remarks at a cabinet meeting Tuesday at the White House.

"We have a long way to go as far as tariffs where China is concerned, if we want. We have another $325 billion we can put a tariff on, if we want," Trump said. "So, we're talking to China about a deal, but I wish they didn't break the deal that we had."

Trump and Xi called a tariff ceasefire and agreed to resume trade talks after meeting at the Group-of-20 summit in Japan in late-June, breaking a six-week stalemate. The U.S. president said he'd hold off on a threat to impose tariffs on an additional $300 billion in Chinese imports, and that Xi had agreed to buy large amounts of U.S. farm goods in exchange. But those purchases have yet to happen.

U.S. shares snapped a five-day rally following Trump's remarks Tuesday. Treasury 10-year yields surged earlier in the day after solid economic data added to signs the U.S. expansion is holding up even as central bank officials indicated they're ready to cut rates.

Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer expect to have another call this week with top trade negotiators in China, and the two may travel to Beijing for meetings if the discussions by phone are productive, Mnuchin said Monday.

Trump reumed pressure on China through tweets this week about the ongoing trade tensions. On Monday, the president indicated that the U.S. tariffs were having their intended impact by squeezing China's economy.

China released figures this week showing growth in the world's second-largest economy slowed to 6.2 percent in the second quarter, the weakest pace since at least 1992 when the country began collecting the data.

Meanwhile, Trump last week complained that China wasn't living up to its promise of increased purchases of American agricultural goods. "China is letting us down in that they have not been buying the agricultural products from our great Farmers that they said they would. Hopefully they will start soon!" Trump said on Twitter.

The U.S. expects China to announce significant purchases of from U.S. farmers, Trump's top economic adviser, Larry Kudlow, told reporters Monday, implying that the step is necessary for trade talks between two nations to advance.

The talks broke down in May after the U.S. accused China of reneging on commitments in a draft deal that Mnuchin said had been 90 percent completed. China has said there'll be no trade deal unless the U.S. removes all existing tariffs put in place during the year-long trade war.

Source: sourcingjournal.com- July 16, 2019

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US to Impose $7 Billion in Tariffs on European Union Imports Likely Before Summer's End

The European Union was warned in May to prepare for possible U.S.-imposed tariffs on imports from the region, and now roughly $7 billion in levies could be in place before summer's end.
Related Articles

The proposed tariffs are connected to a 14-year dispute over rival aircraft subsidies involving American firm Boeing Co. and European firm Airbus SE. The matter is now before a World Trade Organization arbitrator, and a decision on damages is expected later this month, although it could come in early August.

Once that decision is rendered, the Trump Administration is expected to move quickly on the imposition of tariffs on EU imports, which would be used to pay down the amount in damages owed.

The U.S. disclosed in April an initial list of proposed categories that could face tariffs, and U.S. President Donald Trump has since proposed a supplemental list of 89 additional categories. Combined, the two categories have a trade value of $21 billion.

The original list of EU imports that may see new duties includes: handbags over $20; sweaters and vests made from wool, cashmere from Kashmir goats and cotton, and apparel items, like men's and boys' suits and women's and girls' cotton pajamas. The supplemental list includes certain cheese, liquor and food items.

The EU, in turn, is said to be planning retaliatory tariffs of its own, on roughly $22 billion worth of U.S. imports.

Separate from this set of tariffs, the U.S. is still trying to resolve its trade dispute with China. And there have been rumblings that the U.S. might be targeting Vietnam. The Southeast Asian country has seen some benefit from the U.S.-China trade war as apparel firms look elsewhere–with Cambodia and Bangladesh in the running, too–for sourcing and manufacturing production.

Source: sourcingjournal.com- July 16, 2019

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Europe Joins U.S. Companies Moving Out Of China

Make no mistake about it, the trade war is absolutely remapping global supply chains ... to the detriment of Chinese manufacturing.

The percentage of China-leaving businesses surveyed by quality control and supply chain auditor QIMA was 80% for American companies and 67% for those based in the European Union.

QIMA has more than just anecdotal evidence. Demand for their China-based audits dropped by 13% as mainland manufacturers are either losing their foreign clients faster due to costs associated with tariffs or are relocating part of their manufacturing out of China to avoid those tariffs.

European companies are less affected by the trade war because their countries have not slapped tariffs on Chinese imports. But QIMA thinks they have their own reasons to reduce their dependence on China manufacturing. Most are diversifying throughout southeast Asia and closer to home.

This ongoing diversification of the global supply chain creates ample opportunities for corporate investors and gives rise to new markets in countries like Vietnam, now getting the equivalent of a steroid shot to beef up their own economy.

QIMA's quarterly barometer reporter was released last week. It combines data from the ground collected through tens of thousands of inspections and audits of more than 150 companies across consumer products sectors.

Source: forbes.com- July 16, 2019

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UAE-Canada trade reaches AED7.8 billion in 2018

ABU DHABI -- Commercial trade between the UAE and Canada totalled AED7.8 billion in 2018, said Badr Al Mushrekh, Director of the Commercial Policies and International Organisations Administration at the UAE Ministry of Economy.

The ministry representative made his remarks while commenting on the latest 'Trade Policy Review: Canada' report issued by the World Trade Organisation, WTO, Secretariat.

According to the WTO Secretariat report, the Canadian economy was characterised by moderate GDP growth and low inflation for the 2015-2018 period during which the review process took place. "Canada has achieved a high standard of living for its population," the report added, noting that GDP per capita in nominal terms reached US$46,182 in 2018.

Foreign direct investment, FDI, remains an important aspect of Canada's economy, "direct investment abroad amounting to over CAD1 trillion in 2017, equivalent to over 50 percent of its GDP," the report revealed.

It highlighted the recent 'Export Diversification Strategy' revealed by the Canadian government, noting the strategy objective to increase overseas exports by 50 percent by 2025.

The strategy aims to assist Canadian business - of diverse sizes and sectors - to maximise growth by captalising on more economic opportunities abroad, linking them to global markets, providing export strategy resources, and enhancing trade services for the country's exporters.

The report also noted that Canada has committed to eliminate remaining export subsidies by the end of 2020 in accordance with the Nairobi Ministerial Decision on Export Competition.

Source: wam.ae- July 16, 2019

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Vietnam thrives in the US-China trade war

Sleepy Song Khoai commune in Quang Ninh province, which borders China, is shaping up to be a test location for Vietnam’s growth strategy, and a focal point in a swirling debate about its response to the US-China trade dispute.

Once, Song Khoai’s only distinction was its position on the road to the tourist magnet of Ha Long Bay, famous for its nearly 2,000 islands. However, in late 2018, work began on the US$156 million Song Khoai Industrial Park, which its developer says will bring in foreign investment and eventually create up to 300,000 jobs.

The Thai developer, Amata Group, is betting US-China trade frictions will help fill Song Khoai’s factory units when the first phase opens in 2020. Manufacturers, including Chinese ones, are seeking to avoid punitive tariffs.

“One of our targets is Chinese and foreign investors who can’t base in China as a result of higher manufacturing costs and the trade war,” said Somhatai Panichewa, who is CEO of Amata VN Public Company Limited, a subsidiary.

Economic winner

Vietnam has been by far the biggest winner from the first year of the trade war, according to a June report from economists at Japanese investment bank Nomura.

The US president, Donald Trump, slapped additional tariffs of up to 25% on China-made goods in mid-2018, and Beijing reciprocated.

Nomura's economists compared monthly trade data with official tariff lists and found that both US- and China-based firms have cut back imports of certain goods from each other to avoid higher tariffs and are sourcing those goods elsewhere – especially from Vietnam.

Such trade diversions accounted for an estimated 7.9% of Vietnam's gross domestic product in the year to March 2019, according to Nomura.

Opportunity

Vietnamese prime minister, Nguyen Xuan Phuc, told Bloomberg early this year that his country is "ready to grab the opportunity" from the trade war – as it answers the goals of the government's economic liberalisation policy, which envisages rapid growth from export-oriented and foreign-led investment.

Chinese investment is a major contributor, providing 6.8% of all foreign direct investment (FDI) in 2018, according to Vietnamese government data. Chinese investment is concentrated in the construction, manufacturing and energy sectors and has grown from US$700 million in 2011 to over US$2.4 billion in 2018. China is now Vietnam's fifth-largest investor after Japan, South Korea and Singapore.

The trade war is expected to accelerate the growth in FDI from Chinese companies.

Shortly after the trade war began, 16 Chinese companies – many of them electronic device manufacturers – relocated to the China-Vietnam (Shenzhen-Haiphong) Economic and Trade Cooperation Zone in northern Vietnam, the only Chinese state-owned industrial park in the country.

As well this kind of manoeuvre, the trade war has brought fraud and tax evasion too. In June, Vietnamese customs officers found fraudulent certificates of origin, and illegal transfers of goods ranging from agricultural products and textiles to steel and aluminium. Although it's difficult to assess the scale of such frauds, they must account for a portion of the country's recent surge in exports to the US.

Nonetheless, Vietnam's economy is doing well overall thanks to the influx of FDI, political stability and low labour costs. The economy grew by 7.08% in 2018, its fastest rate in 11 years, according to government figures quoted in state-run media.

Manufacturing was the strongest driver of growth, expanding 12.98%, while taken together industry and construction expanded by 8.85% and made a 48.6% contribution to overall growth. Mining declined for the third year in a row, while agriculture grew as a result of restructuring.

The World Bank's December 2018 forecast said Vietnam would grow 6.8% in 2018, beating overall emerging markets growth of 6.3% in the East Asia and Pacific region.

Downplaying diplomatic tensions

Such rosy business prospects were barely imagined back in 2014 when anti-China demonstrations targeted China's deployment of an oil rig in disputed waters in the South China Sea. The protestors damaged several Chinese-owned factories in Bình Dung and Dong Nai provinces.

The government's priority is political stability, to reassure businesses and investors and secure growth, in the view of Nguyen Thanh Trung, an international relations scholar in the University of Social Sciences and Humanities within Vietnam National University.

"Hanoi attempts to separate the South China Sea from their economic ties with China as much as possible. If not possible, they try to put it to the backburner" he said, of the diplomatic and military tensions surrounding offshore islands that are claimed by five countries.

But experts warn that there will be longer-term challenges to Vietnam's sustainable growth if the current "trade war boom" produces over-reliance on the export sector and foreign investment.

A study from the Singapore-based ISEAS Yusof Ishak Institute points to the more immediate risk that all Vietnam's goods could suffer higher US tariffs due to Chinese goods being rerouted through Vietnam, labelled as "made in Vietnam", and exported to the US.

Click here for more details

Source: chinadialogue.net- July 16, 2019

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Vietnam garment, footwear firms must wait for EVFTA benefits

Textile, garment and footwear products made in Vietnam will not enjoy immediate tariff cuts after the EU-Vietnam Free Trade Agreement (EVFTA) comes into effect, according to a report from Bao Viet Securities Joint Stock Company (BVSC).

After the EVFTA comes into effect, Most Favoured Nation (MFN) tariffs will automatically replace the Generalised System of Preferences (GSP) rates which the EU has applied for developing and underdeveloped countries.

This means for the first few years of EVFTA's implementation, most local garment and footwear products will not benefit from the EVFTA because MFN rates for those products are higher than GSP rates of nine per cent for garment products and three to four per cent for footwear products at present.

Specifically, most apparel products that Vietnam has been exporting to the EU will see export tariffs eliminated gradually from the MFN tariffs of 12 per cent to zero in three to seven years after the EVFTA comes into effect. Similarly, footwear products will be exempt from MFN tariffs of 12.4 per cent in three to seven years.

Those that will enjoy the immediate tariff cut are products which are not Vietnam's major exports to the EU such as fibre to make clothes and other materials to produce footwear.

In the footwear sector, the EU has pledged to eliminate 37 per cent of tariff lines for local footwear products exported to the EU as soon as the FTA enters into force. They include rubber/plastic waterproof shoes, slippers, raw materials and accessories.

However, when the tax cuts take effect, Vietnamese footwear, textile and apparel enterprises will benefit significantly from EVFTA because the tariff preferences under the EVFTA are stable, while GSP tariffs are volatile and can be changed annually, according to the BVSC report.

Besides, most countries that export textile and garments to the EU don't have FTAs with the EU, so if Vietnamese enterprises meet origin requirements, the EVFTA will open a great opportunity for Vietnam's footwear, textile and garment exports.

Rules of origin

Under the deal, Vietnam's footwear, textile and garment industries will have to make changes to meet origin conditions and take advantage of preferential tariffs.

For the textile and garment industry, fabrics used to make the products must originate from Vietnam or the EU, and the cutting and sewing stages must be performed in either the bloc or Vietnam.

Despite this, the EVFTA has some flexibility on product origin. For instance, local garment firms can use fabric imported from countries that have signed free trade agreements (FTAs) with the EU and Vietnam, like South Korea.

Although the rules of origin in the EVFTA are not as strict as in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Vietnamese firms still face several challenges because most of them have just engaged in cutting and sewing steps while not producing fabric and yarn.

In addition, main production materials (fabrics) that most Vietnamese textile enterprises use originate from mainland China and Taiwan, which do not have trade deals with the EU.

Therefore, according to BVSC, to gain full benefit from the EVFTA, Vietnam must focus on developing the textile industry and the support industry for the textile and garment sector to supply enough materials for it.

Otherwise, Vietnam will have to increase its fabric imports from South Korea to make use of the trade pact with the country, pending the supporting industry's development. Under the EVFTA, companies can also import materials from Europe to improve their products' quality and value.

Vietnam Textile and Apparel Association chairman Vu Duc Giang said Vietnam had signed 16 FTAs with many countries and territories. Of which, 12 have come into effect and have boosted import-export turnover, with textile and garment a sector that takes full advantage of FTAs.

According to the EVFTA, industries such as textile, garment and footwear will benefit most with export revenue increasing by €13.49 billion ($15.23 billion) by 2035.

Giang said the EVFTA promised apparel export potential of more than $100 billion annually.

The association believes the export target of $40 billion for this year is achievable, thanks in part to FTAs, including the one with the EU – the second biggest market for Vietnamese textile and garment products.

Source: phnompenhpost.com- July 16, 2019

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Pakistan: Volume of business rises on cotton market

Volume of business showed significant improvement on the cotton market on Tuesday as some leading mills took interest in fresh buying of fine quality, dealers said.

The official spot rate was unchanged at Rs 8300, they added. In ready session, around 10,000 bales of cotton changed hands between Rs 8300-8550, they said. Rates of seed cotton per 40 kg from Lower Sindh were at Rs 3700-4100 and in Punjab prices were at Rs 3700-4200, they said.

In Sindh, Binola per maund prices were at Rs 1500-1525 and in Punjab rates were at Rs 1650-1700, they said and adding that polyester fibre per kg rates were at Rs 205 amid better demand, they said.

According to the market sources, trading activity improved as some needy mills showed interest in buying of fine quality cotton.

They also said that mills indulged in buying of quality cotton to keep a balance between demand and supply. Recent monsoon rains causing damage of quality and quantity, as well.

Besides, locust and virus attacks hurt variety and quantity of cotton production, but very little, they said.

The cotton analyst, Naseem Usman said that mills and spinners were on the sidelines owing to sales tax and other issues.

Adds Reuters: ICE cotton futures climbed 2% on Monday, after slipping to a three-year low in the previous session, as investors covered their shorts and on concerns of crop damage in major cotton-growing regions due to Hurricane Barry.

The most-active cotton contract on ICE Futures US, the second-month December contract settled up 1.27 cent, or 2%, at 63.95 cents per lb. It traded within a range of 62.68 and 64.09 cents a lb.

Total futures market volume fell by 2,138 to 16,533 lots. Data showed total open interest gained 786 to 190,421 contracts in the previous session.

The following deals reported: 1000 bales of cotton from Shahdadpur at Rs 8375/8400, 3000 bales from Tando Adam at Rs 8350/8400, 1600 bales from Mirpurkhas at Rs 8350/8400, 1400 bales from Sanghar at Rs 8350/8400, 400 bales from Sinjhoro at Rs 8375/8400, 200 bales from Khadro at Rs 8400, 400 bales from Matiari at Rs 8300/8375, 800 bales from Kotri at Rs 8300/8350, 400 bales from Hyderabad at Rs 8350/8400, 200 bales from Hasilpur at Rs 8500, 400 bales from Chichawatni at Rs 8500/8550, 200 bales from Vehari at Rs 8550 and 200 bales from Pak Pattan at Rs 8450, they said.

Source: fp.brecorder.com- July 16, 2019

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NATIONAL NEWS

Global slump crimps cotton yarn exports

Cotton yarn exports from India have come down by 22 per cent in the first quarter as a global slump in demand and higher prevailing domestic cotton prices loom over the trade.

Cotton spinning mills in India are resorting to partial shutdown as a squeeze in demand from China and Bangladesh has accumulated yarn stocks, a potential risk for millers in a dwindling cotton market.

“The global cotton yarn demand is under stress as GDP growth in China has fallen and there are recessionary trends in major cotton markets including Bangladesh,” Dr Siddhartha Rajagopal, executive director, Cotton Textiles Export Promotion Council, told ET.

He said that the slide in export of cotton yarn is worsened by low margins in Indian cotton market due to higher domestic prices. Rajagopal pointed that Indian cotton yarn manufacturers are also losing the global trade due to China’s access to duty-free market in Pakistan and Vietnam.

India is the worlds’ largest exporter of cotton yarn and has major markets in China, Bangladesh, Pakistan, Vietnam and South Korea. Yarn export to China had gone up in 2018-19 as the largest importer of the natural fibre bought a third of total yarn export from India. The export has increased by 72 per cent to Vietnam in the last year.

This year, yarn exports are down to China, Bangladesh, Pakistan and European markets. The millers who are turning to domestic market are again feeling the heat due to a spike in dutyfree garment imports from Bangladesh. The import of garments from Bangladesh has jumped by 82 per cent in 2018-19 to $365 million — much of it made from dutyfree fabric coming from China.

Source: economictimes.com- July 17, 2019

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India needs to tap into foreign capital to trigger investment and growth: CEA Subramanian

He also said that although the goal is a bit of a stretch, achieving $5 trillion economy by 2024-25 is possible.

There is a need to consider tapping into foreign capital to trigger a cycle of investment and growth, Chief Economic Adviser (CEA) Krishnamurthy Subramanian said on July 16.

"Apart from sovereign bond issue, we also need to be tapping into foreign capital to trigger this virtuous cycle. Once this virtuous cycle is triggered, then other parts start moving, then we get investment with enhanced productivity, exports and jobs, which leads to demand and thereby creates investment again. It is this triggering which is actually important," CEA Subramanian said at the book launch of HDFC Bank 2.0 - From Dawn to Digital by journalist Tamal Bandopadhyay.

In her first budget, Finance Minister Nirmala Sitharaman announced that India would issue sovereign bonds in the global market in foreign currencies.

Former Reserve Bank of India's Governor Raghuram Rajan has said that any plan to issue foreign currency debt has no real benefit and is fraught with risks.
A global bond sale won't reduce the amount of domestic government bonds the local market has to absorb and the country should worry about short-term "faddish investors buying when India is hot, and dumping us when it is not," Rajan had written in a newspaper column.

The CEA said that though India is growing at 7 percent, in order to grow at 8 percent, India needs to trigger the cycle of investment and therefore foreign capital is something that needs to be encouraged.

Although the goal is a bit of a stretch, achieving $5 trillion economy by 2024-25 is possible, he said.

The Indian economy reached to the level of $1 trillion in 55 years and and added $1 million in last 5 years to $2.75 trillion by March 2019, he said. Speaking on bank mergers, Subramanian said that mergers are being done based on synergies and the policy on it is to exploit the economies of scale.

"That's the intent behind the merger. Rather than any top down strategy or mandate which says we need to have four banks, this should be based on looking at banks that might combine very well because of synergies," Subramanian said.

In October 2018, the government had proposed the merger of three banks — Bank of Baroda, Vijaya Bank and Dena Bank — to create the country's third-biggest lender through an alternate mechanism. Both Vijaya and Dena were amalgamated with BoB on April 1, 2019.

In February 2019, the Reserve Bank of India had pulled out Bank of India, Oriental Bank of Commerce and Bank of Maharashtra from its PCA framework, which imposes certain lending restrictions on financially weak banks.

It has been reported that the government is soon likely to invite select lenders for discussion on a second round of mergers of public sector banks.

Source: moneycontrol.com- July 16, 2019

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Curbs on FDI in single-brand retail to be eased, those on multi-brand will continue, says Goyal

Foreign investors must 'respect' Indian sensitivities: Commerce Minister
Commerce and Industry Minister Piyush Goyal has indicated to foreign investors that there will be easing of rules for single-brand retail soon but the restrictions on multi-brand retail would continue.

Addressing the CEOs of multi-national companies, at a meeting of the India-UK Joint Economic and Trade Committee in London, Goyal said India had opened up opportunities for single brand retail and will ease some "detrimental clauses" of the policy in the next few weeks which will help foreign investors, said an official release.

Earlier, Goyal had said in an interaction with BusinessLine that the government was looking at allowing foreign investors in single brand retail to meet their 30 per cent mandatory local sourcing requirement by also exporting the products they manufacture, apart from selling it in their stores in the country.

The Department of Policy for Investment and Internal Trade (DPIIT), the nodal department for FDI policy making, is also examining a proposal for allowing the sourcing requirement to be met in a bunch of eight years, instead of five. The easing of rules in single brand retail could help companies like phone manufacturer Apple which has been seeking dilution in sourcing norms.

The Minister, however, asked foreign companies to "respect Indian sensitivities" on restrictions of foreign investment in multi-brand retail. "Particularly e-commerce companies coming to India will have to ensure that they stay within the letter and spirit of the law when it comes to multi-brand retail and India's policies around that," a government statement quoted the Minister as saying.

Foreign retailers including Walmart and Amazon have been unhappy with the government's decision to bring about a tightening of FDI rules in e-commerce which, they say, have affected their operations in the country.

In December 2018, the government issued a notification specifically stating that FDI-funded e-commerce entities that operate as a 'marketplace' shall not be allowed to sell products from companies in which they have any ownership or equity interest. It also stated that a single vendor can't account for more than 25 per cent of sales in an e-commerce marketplace platform.

India–UK trade and economic relations are reviewed annually by the JETCO, which was set up in 2005, at the level of Commerce and Industry Minister.

On the side lines of the event, India and the UK agreed to set up three new bilateral working groups to tackle barriers in specific sectors including food and drink, healthcare and data services.

Source: thehindubusinessline.com- July 16, 2019

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Indian cotton industry severely impacted by US-China trade tussle, says Nitin Spinners

Cotton prices around the world have come under pressure. In India, prices dropped to Rs 44,000 per candy compared to Rs 47,000 just 10 days ago. Globally, cotton prices are currently ruling at Rs 42,000 per candy.

Dinesh Nolkha, managing director of Nitin Spinners and Atul Ganatra, president of Cotton Association of India, spoke to CNBC-TV18 about the correction in cotton prices.

“Cotton prices in India have not come down much compared to international markets. Indian cotton has reduced by 5 percent,” said Ganatra on Tuesday.

“Cotton crop is around 15 percent less this year compared to last year mainly because cotton yields have drastically dropped this year. Yield reduced because of three main reasons – one is, there were no rains last year in the month of August, September. Two is most of the farmers now want to take two-three crops, so they don’t want to keep cotton plants after December.

The third is, it is too early to speak about next year’s crop because we are lacking behind in sowing so far. States like Gujarat, Maharashtra, Telangana, Karnataka are facing a huge deficit of the rains. It is around 26-38 percent deficit of the rains. We have to wait and watch for the second half of July,” he added.

On the global cotton prices, Nolkha said, “International cotton for us has gone down by about 25 percent and Indian cotton has just gone down by 5 percent. We are severely impacted by the US-China tariff war. The sentiment of textile industry all over the world has gone down substantially because China is the major importer and exporter of textile products."

“There is a news going around the circle that many of the textile mills in north India as well as in south India are planning to cut their production due to the lack of demand as well as demand-supply imbalances which is severely going to impact margins,” Nolkha said.

“This year we had very fewer crops. There is a shortage of cotton in India. The prime exporter of cotton at this time is the US and a lot of logistics cost which is about 10 percent of the total cost has to be incurred, which makes it slightly expensive but still there is a lot of import going on. However, that is going to erode the competitiveness of the industry. Everybody cannot import, a lot of spinning mills which are small ones does not have the facilities to import the cotton and that is severely going to affect the margins of the textile industry," he said.

Speaking about the shortage of raw material, Ganatra said, "The problem the textile industry is facing is a shortage of raw material that is because our crop is reduced by 15 percent and the main reason for reducing crop was our yields have reduced."

Source: cnbctv18.com- July 17, 2019

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'Falling overseas-domestic price gap to boost cotton imports'

The decreasing price spread, along with a gradual improvement in demand, has come as a relief to the cotton industry, adds the report.

As cotton yarn prices are co-related to raw cotton prices, it has seen an upward movement in line with raw cotton prices

The continuing contraction in international and domestic cotton prices following higher global production and a decline in domestic output is likely to boost imports further this year, says a report.

The gap or spread between global and domestic cotton prices has been on a declining trend owing to higher production in Brazil and China, coupled with a fall in domestic production, says an India Ratings report Tuesday.

The decreasing price spread, along with a gradual improvement in demand, has come as a relief to the cotton industry, adds the report. With the contraction in the price gap, the agency expects increasing imports in FY20.

Cotton accounts for 51 percent of the raw material cost in the textile industry, putting pressure on the margin, it said, adding raw material cost inflation is difficult to pass on due to subdued consumer demand.

For the current sowing season began last October, output projection has been lowered by 0.6 million bales owing to scarcity of water in some of the key growing states and the resultant lower acreage and crop yield. This means that 1.5 million bales will need to be imported to meet domestic demand, the report said.

Meanwhile, the report also said yarn production has been fluctuating over the past six months, although the production average has been maintained. As a result yarn exports have gone up to more than 30 percent in March alone. As cotton yarn prices are co-related to raw cotton prices, it has seen an upward movement in line with raw cotton prices, it added.

Meanwhile, synthetic fabric has seen a gradual revival in demand due to a dip in cost of production, aided by a fall in crude prices, making it more competitive against increasing cotton prices, the report says.

The report further notes that export of readymade garments has also declined as the world economy has slowed and removal of tax incentives for exports have made domestic textiles less competitive compared to Vietnam and Bangladesh, which have seen their market share improving in the global textile industry.

Falling exports following weak consumer sentiment have also impacted the industry's capacity utilization as a result capex has mostly been to replace machines/adopt new technologies or to shift to niche products in the existing line-up, it notes.

Source: economictimes.com- July 16, 2019

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India, China consuming more, exporting less: McKinsey report

The share of goods traded across boarder in both India and China has dramatically fallen since around 2006 and stood at around 8.5% and 8.3%, respectively, in 2017, as more goods were consumed domestically than exported, McKinsey Global Institute said in a report titled “Asia’s Future Is Now".

The Institute said global output, over the past decade, has continued to rise but the share of goods traded across borders has fallen by 5.6 percentage points. “This decline does not reflect trade disputes or hint at an impending slowdown. Instead, it reflects healthy economic development in China, India, and the rest of emerging Asia," it added.

As consumption rises, more of what gets made in these countries is now sold locally instead of being exported to the West, the report said. “Over the decade from 2007 to 2017, China almost tripled its production of labour-intensive goods from US$3.1 trillion to US$8.8 trillion. At the same time, the share of gross output China exports has dramatically decreased, from 15.5% to 8.3%. India has similarly been exporting a smaller share of its output over time. This implies that more goods are being consumed domestically rather than exported."

According to the report, as wages rose in China and the country moved into higher-value activities, its share of global exports of labor-intensive goods has declined by 3 percentage points. “This has created an opening for other countries to step in. In the past decade, Vietnam, India, and Bangladesh have managed to grow their exports of labor-intensive manufactured goods (particularly textiles) by annual rates of 15%, 8%, and 7%, respectively. This trend can turn unknown cities into new manufacturing hot spots," it added.

However, low-cost labour alone will not be enough and infrastructure, workforce skills, and productivity will be critical to competitiveness in the decade ahead, the report cautioned.

The institute also studied broadly the 5,000 largest global firms. In 1997, Asia accounted for only 36% of them, but by 2017, that share was up to 43%. The countries represented in this group also drastically changed. China accounts for the biggest increase by far.

"But India has also seen significant growth, and countries such as the Philippines, Vietnam, Kazakhstan, and Bangladesh are now represented on the list. By contrast, half of Japan's largest firms have dropped off," the report said.

The number of Indian firms in the top 5,000 global firms list has shot up to 142 from $879 billion revenue in 2015-17 from 25 with $14 billion revenue during 1995-97, according to the report.

Source: livemint.com- July 16, 2019

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Hopeful of addressing India's concerns in RCEP: Indonesian Trade Minister

Indonesia is the RCEP coordinator and leads the troika that also comprises Thailand's trade minister and the Asean secretary general.

The Asean troika led by Indonesia had a "fruitful" and "very frank" dialogue with India on the Regional Comprehensive Economic Partnership (RCEP) and efforts are on to address Delhi's concerns ahead of a meeting on the proposed trade agreement in China later this month, Indonesian trade minister Enggartiasto Lukita has told ET.

"Efforts are ongoing to substantially conclude RCEP by end of 2019," Lukita said after a meeting with commerce and industry minister Piyush Goyal here last Tuesday. "We had very good and very fruitful meeting with the Indian commerce minister. The dialogue was frank, open and positive. We will work towards addressing India's concerns."

Indonesia is the RCEP coordinator and leads the troika that also comprises Thailand's trade minister and the Asean secretary general.

"It is not India alone that has concerns over elements of RCEP. Indonesia also has some concerns, which we are trying to address," Lukita pointed out while stating that he remains hopeful that India's interests can be safeguarded in RCEP. "This meeting helped in developing better understanding of India's concerns," the minister noted.

RCEP is a proposed regional economic integration agreement among the 10 Asean countries and its six free-trade agreement partners—Australia, New Zealand, Japan, China, South Korea and India.

Intense negotiations are slated for this year with a recently-concluded meeting in Australia and another one scheduled for later this month in China. A ministerial meeting in August will take place in China as the members aim to conclude the mega trade agreement this year.

Lukita and Goyal also explored robust India-Indonesia bilateral trade partnership following directives from the meeting between Prime Minister Narendra Modi and Indonesian President Joko Widodo in Osaka, Japan last month. Jakarta is considering to import basmati rice and raw sugar from India, indicated the visiting minister.

ET has leant that India on Tuesday took a tough stance to secure its interests at the ongoing talks for a mega regional agreement with 15 other Asia Pacific countries including China.

The Indian industry is not convinced if the proposed RCEP trade agreement will be a win-win situation for all, Goyal told the troika.

He termed duty concession issues with China for Indian goods as "particularly problematic" at the RCEP trade pact, and said India has made "asymmetrical sacrifice" in goods in its previous trade pacts, including the one with Asean, according to a statement issued by his ministry.

"The minister was tough when he discussed India's interests, but he also said the agreement should be balanced overall and everyone must be as constructive as possible," an official aware of the details of the Asean Troika meeting said.

Domestic textile and automobile industries have cautioned the government to not cede space to China while aluminium and copper industry associations have raised concerns at the likely rise in trade deficit with China due to likely "alarming" spike in imports and a potential threat to the 'Make in India' initiative.

"India too has shown significant flexibility during the negotiations and helped to achieve convergence in few important areas," the commerce and industry ministry said in the statement, adding that two more chapters are close to conclusion, which will take the number to nine of the total 16 chapters.

Source: economictimes.com- July 17, 2019

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Captive power producers up in arms against duty increase

Jolted by the state government's budget announcement to hike electricity duty by 150% on captive power representatives from energy-intensive sectors like cement, textile, mining, and fertiliser are desperately knocking the doors of various government departments, including the Chief Minister's Office to get a relief from the punitive proposal.

If not rolled back, the duty hike from 40 paise per unit to Rs 1, probably the highest in the country, would not only strain them with an annual additional burden of Rs 500 crore but put the operational competitiveness of many companies at serious disadvantage, said the industry.

A delegation of Rajasthan Textile Mills Association (RTMA) on Monday met principal secretary to chief minister Kuldeep Ranka and urged him to take up the rollback request at the appropriate level. The cement industry is trying to meet all the relevant authorities, while big companies making the rounds of various departments individually.

"The textile units had expected relief from high level of tariffs. Instead, the government has announced to increase the duty. In fact, states like Maharashtra, Gujarat, Telangana, and Andhra Pradesh are giving Rs 2 tariff subsidy to textile industry.

The costly power will raise financial burden on the mills and we will be uncompetitive both in the domestic and international market," said Ashok Kumar Jain, secretary of RTMA. Electricity duty on captive power remained exempted since 2006.

But in 2015, the then BJP government had imposed Rs 40 paise per unit. With the additional duty, the cumulatively duty outgo will surge to Rs 800 crore, as per the estimates of the industry.

Atul Sharma, head of FICCI-Rajasthan, said the plants in Rajasthan in any case face several other locational disadvantages both for sourcing raw materials and marketing finished products. "The distance on both counts adds to the cost. Unless there is some relief, margins will get eroded and there will be less incentive for new industries to look at Rajasthan as an investment destination," added Sharma.

Source: timesofindia.com- July 17, 2019

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Global trade war, and poor competitiveness take a toll

Exports from India have been unexciting for the last 6-7 years now. With no government really able to fix the issues that make India uncompetitive—the latest budget, to cite one example, once again refused to cut corporate taxes for large firms—it is no surprise exports continue to languish; exports in June hit a 41-month low. At just $27.7 billion, that was a near-10% year-on-year (y-o-y) drop.

Even if you remove oil exports which were affected by a temporary shutdown of a crude distillation unit in Reliance's Jamnagar refinery, the near-6% y-o-y contraction in non-oil exports is a clear indication that India hasn't been able to make much headway in a competitive market.

One can make some allowances for listless global growth and dull trade, exacerbated by the US-China trade war. But, the writing has been on the wall for a long time now and the government needed to have been far more responsive. In fact, India's exports were slowing even when global growth and trade were perking up.

A Nomura analysis shows that on a three-month moving average basis, core export volumes dipped sharply in June, with manufacturing, agriculture and non-agri commodity sectors all doing badly. In the absence of specific measures to help labour-intensive sectors—textiles and jewellery—large job losses would not come as a surprise. The stumbling blocks are well-known:

HSBC economist Pranjul Bhandari had written, in May 2016, that domestic bottlenecks were the biggest hurdle, and were the cause for 50% of the export slowdown since 2008. The remaining 50% can be explained by sluggish global demand and the currency.

If the government is serious about pushing exports, it must raise productivity levels and that requires, among others, changes in labour laws. Not the kind of cosmetic changes being contemplated, but game-changing ones that will give exporting companies confidence to hire.

Exporters must be given the flexibility to pay what they feel is a reasonable wage, to enforce a certain number of working hours and be allowed to fire workers who are inefficient. India is already uncompetitive where wages are concerned, which is why its share of the market is being taken away by countries such as Bangladesh or Philippines.

Crisil, too, has pointed out that there are deep-rooted structural issues and while GST may have disrupted the sectors—especially due to long delays in tax refunds—the ratings agency has observed that competitiveness in the labour-intensive sectors had begun to erode even before GST. In the decade between 2006 and 2016, the RCA—revealed comparative advantage—declined for three important export areas; demonetisation and GST added to the problem.

For instance, the RCA for gems and jewellery dropped from 6.38 in 2006 to 3.96 in 2016, from 3.12 to 1.97 for leather and from 2.43 to 2.22 for readymade garments.

So, while slowing global trade is undoubtedly an issue, the government must accept that it is the lack of cost advantages—both in capital and labour—that is hurting exporters. Unless these are tackled, exports will continue to fare badly.

Source: financialexpress.com- July 17, 2019

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The shrinking

With exports continuing to underperform, government must step up efforts to embed India in global supply chains.

Continuing the subdued performance, India's merchandise exports shrank by 9.7 per cent in June, registering the first contraction since September last year. For the quarter ended June, exports contracted by 1.7 per cent, after growing by 14.2 per cent over the same period last year.

This lacklustre export growth, coupled with weak domestic demand and subdued investment activity, indicates a continuing weakness of the primary drivers of growth. It increases the likelihood of further rate cuts by the monetary policy committee which is scheduled to meet in the first week of August.

Much of the decline in the headline export numbers can be traced to lower oil exports. Oil exports declined by 32.8 per cent in June, in part due to lower crude oil prices and the temporary shutdown of oil refineries for maintenance. But worryingly, non-oil exports also contracted by 5.7 per cent, suggesting weak global demand. A closer look at the data reveals that major labour intensive export segments such as gems and jewellery, leather and textiles, have continued to under-perform, contracting in June.

The trade data also shows that imports contracted by 9.1 per cent in June. In part, the decline is due to lower crude prices. But it is cause for concern that imports, excluding oil and gold, which give a sense of domestic demand, continue to shrink. Moreover, the pace of contraction has accelerated in the past few months.

These numbers should be read in conjunction with other economic indicators which suggest that both private demand, in rural and urban areas, as well as investment activity, remain subdued.

For instance, domestic passenger car sales fell for the eighth consecutive month in June, falling by 17.5 per cent, with both car and two-wheeler sales witnessing a double digit decline. Investment activity also remains moribund with capital goods growing by a mere 1 per cent in the first two months of FY20.

The signals emanating from the US Federal Reserve as well as the European Central Bank indicate that growth is likely to be slower than expected, indicating less buoyancy for India's exports. The growth data of the Chinese economy isn't encouraging either. A slowdown in global trade and the ongoing trade wars will only complicate matters for India, making it harder to grab additional market share.

At such a time, raising tariffs on imports, a move that signals protectionism, will only complicate India's much desired integration with global supply chains, which is critical for boosting exports. With exports being one of the primary drivers of growth — much of the growth spurt during the boom years of the mid 2000s was due to higher exports — the government must facilitate India's integration in global supply chains by lowering tariffs and rationalising the tariff structure.

Source: indianexpress.com- July 17, 2019

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Many Steps Taken to Resolve Issues of Textile Sector

The stated policy of the Government is to reduce tax burden and increase ease of tax compliance of MSME's including Textiles MSMEs. For furtherance of this objective, the Government has taken various steps. Some of these steps taken in recent years are:

The rate of corporate tax was reduced to 25 per cent for companies with a turnover of uptoRs. 250 crores in Financial Year 2016-17 (covering 99 per cent of domestic companies). This limit is further proposed to be increased to Rs. 400 crores vide Finance (No.2) Bill, 2019.

The threshold limit for applicability of presumptive taxation of business income was increased from Rs. 1 crore to Rs 2 crore.

The threshold for maintaining books of accounts on part of individuals and Hindu undivided family has been increased to income of Rs. 2.5 lakh from Rs. 1.2 lakh earlier or total turnover of Rs. 25 lakh from Rs. 10 lakh earlier.

The rebate provided under the Income-tax Act, 1961 has been increased and now any individuals or Hindu undivided family having a total taxable income upto Rs. 5 lakh do not need to pay any Income-tax.

Section 80JJAA of the Act provides for deduction in lieu of employment generation. Considering the seasonal nature of the business of an assessee engaged in manufacturing of apparel, the requirement of 240 days of employment has been relaxed to 150 days.

Ministry of Textiles has taken up the issues raised by the Textiles Industry/Traders Associations regarding reduction of GST rates on various textile items and actively engaged with the Department of Revenue, Ministry of Finance for getting them resolved. As a result, many important changes have been made inter alia, which are as follows:

GST rate on job works for entire textile segment i.e. yarn, fabric garments and made-ups was revised from 18% to 5%.

Initially GST rates for a few Handicraft items have been reduced. Subsequently, GST Council in its 28th Meeting held on 21.7.2018 reduced the GST rate to Zero for two handicrafts items, reduced from 12% to 10% for 15 handicraft items and reduced the GST rates from 12% to 5% on 8 items.

GST rates for Corduroy and velvet fabric has been reduced from 12% to 5%.

GST rates for Manmade Filament (MMF) yarn has been reduced from 18% to 12%.

GST on Common Effluent Treatment Plants services of effluents has been reduced from 18% to 12%.

The import duty on MMF has been enhanced from 10% to 20% to protect domestic market.

vii) Sari has been included in the classification of fabric with 5% GST.

vii) Refund ITC to fabrics was allowed with prospective effect (i.e. 27.7.2018). The inverted duty structure on MMR (i.e. 18% on fibre, 12% on yarn and 5%

on fabric without refund of ITC) led to stranding of 2% tax at the fabric stage and rendering the weavers uncompetitive in domestic and international markets).

This information was given by Shri Nitin Gadkari, Union Minister for Micro, Small and Medium Enterprises in written reply to a question in Rajya Sabha today.

Source: pib.nic.in- July 15, 2019

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'EOUs can import goods from Pakistan without paying customs duty'

The 5/2019 notification grants exemption on goods imported by EOUs from the whole of customs duty leviable thereon under the First Schedule to the Customs Tariff Act, 1975

We are a 100 per cent EOU and manufacturer-exporter of textile readymade garments. We are getting garment orders from our buyer from USA and we have to import fabric from Pakistan. However, as per notification 5/2019-Cus dated February 16, 2019, duty of 200 per cent is applicable under new HS code no. 9806.00 for imports from Pakistan. Can we import fabric from Pakistan under the EOU scheme without paying duty?

As mentioned by you the said notification 5/2019 has inserted a new tariff entry at 98060000 for all goods originating in or imported from Pakistan. The 200 per cent duty is levied against that entry 98060000, which becomes part of the First Schedule to the Customs Tariff Act, 1975. As an EOU, you claim exemption on imported goods under notification no. 52/2003-Cus dated March 31, 2003.

hat notification grants exemption on goods imported by EOUs from the whole of customs duty leviable thereon under the First Schedule to the Customs Tariff Act, 1975 (besides other duties and taxes). Therefore, you can import fabric from Pakistan under the said notification 52/2003 without payment of duty.

We are holding an EPCG authorisation. We did some job-work for an exporter by way of embroidery on garments and invoiced to the exporter for the job-work done. Can invoice value in rupees representing job-work charges go towards discharge of export obligation? Is it okay to convert the rupee value of the invoice into US dollars at the exchange rate prevalent on the date of issuance of authorisation?

You have performed job-work for a domestic party.

The service of job-work is not exported. I doubt if job-work service is mentioned in the authorisation as the service through export of which the export obligation can be fulfilled.

So, I do not think such service rendered in India to an exporter can be considered for discharge of export obligation against your EPCG authorisation. I may add that the export obligation can be fulfilled through export or goods or services that require the use of and thus have a nexus with the capital goods imported under the EPCG scheme and mentioned in the authorisation as export product or service.

We removed the export goods from our factory under LUT without payment of IGST in March 2018. Since we couldn't export the goods physically within 90 days, we paid IGST with interest in June 2018. Thereafter, we physically exported the goods under the same invoice in April 2019. Now, we want to claim rebate of IGST on such export. How can we get a refund?

As per Section 54(1) of the CGST Act, 2017, any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date in such form and manner as may be prescribed. So, you may follow the procedure prescribed under Rule 89 of the CGST Rules, 2019 and claim refund.

Source: business-standard.com- July 16, 2019

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