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# IBTEX No. 204 of 2019 October 19, 2019

US 71.09 | EUR 79.37 | GBP 92.31| JPY 0.66

| Cotton Market (Oct 18, 2019) | | |
|---|---|---|
| **Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19665 | 41100 | **73.54** |
| **Domestic Futures Price (Ex. Warehouse Rajkot), October** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19540 | 40839 | **73.07** |
| **International Futures Price** | | |
| NY ICE USD Cents/lb (December 2019) | | 64.99 |
| ZCE Cotton: Yuan/MT ( January 2020) | | 12,600 |
| ZCE Cotton: USD Cents/lb | | 80.75 |
| **Cotlook A Index – Physical** | | **75.00** |

**Cotton Guide:** The Cotton futures have had a mixed to bullish tone yesterday as the ICE contracts settled higher. The ICE December contract settled at 64.99 cents per pound with a change of +45 points. The ICE March 2020 contract settled at 65.51 cents per pound with a change of +32 points whereas the May 2020 contract settled at 65.89 cents per pound with a change of +17 points. The volumes were around 100% more than the average figures, with the total summing up at 32,100 contracts. The total open interest rose by 1,836 contracts to 239,222 contracts.

The Export Sale weekly report was not released yesterday as it is postponed due to a federal holiday in the US. It will be released this evening.

The MCX contracts also emanated a mixed tone. The MCX October contract settled at 19,540 Rs per Bale with a change of +30. The MCX November contract settled at 19,260 Rs per Bale with a change of +10 Rs. We can expect the volumes at MCX decreasing with the festive season of Diwali knocking at the door. Yesterday's volumes were at 844 lots which were lower as compared to the higher figures seen during a span of 5 sessions.

The Cotlook Index A has been updated at 75 cents per pound with a change of +100 points. Old Shankar 6 prices are at 41,100 Rs per Candy whereas new northern crop prices are at 37,600 Rs per candy.

While we write this report, the ICE December contract is trading at 65.36 cents per pound, which is a figure seen after 3 months. The same figure was seen on July 11, 2019. We can expect the markets to be jittery today with the release of the export sales data. We expect the export sales data to be higher this week too; as Pakistan's total demand has increased due to a smaller crop this year. Pakistan will have to import nearly 5 million bales to satisfy its need of 14.5 million bales.

On the geopolitical front, with the first partial agreement being drafted (between US And China), it will be interesting to see the reference to cotton in those documents.

On the technical front, ICE Cotton have given an Inverse Head & shoulder pattern breakout, and is trading within an upward sloping channel, which would act as the immediate resistance. Price are above the daily EMA (5, 9) at 64.31, 63.59 which would act as immediate support. The momentum indicator RSI is at 67.40, implying positive bias for the price. The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level, while the immediate support would be at 63.80 (61.8% Fibonacci extension level). Thus for the day we expect price to trade in the range of 66.40-63.80 with positive bias. In MCX, we expect the price to trade within the range of 19400-19900 with a bullish bias for the price.

**Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com or can contact: allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source**

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# INTERNATIONAL NEWS

## IMF, World Bank leaders appeal for an end to trade wars and other issues

IMF and World Bank meetings were expected to be dominated by the trade disputes which were triggered by the Trump administration's get-tough policies aimed at lowering America's huge trade deficits

The leaders of the International Monetary Fund and the World Bank appealed to their 189 member countries on Friday to resolve widening disagreements on trade and other issues, warning that the divisions threatened to make the consequences of a global slowdown even worse.

IMF Managing Director Kristalina Georgieva said a variety of factors were taking a toll from a trade war that has engulfed the world's two biggest economies, the United States and China, to spreading weakness in Europe linked to Brexit and rising geopolitical tensions in the Middle East.

"Trade tensions are now taking a toll on business confidence and investment," she said in her opening address to the finance officials.

World Bank President David Malpass said the slowdown in global growth was hurting efforts to help the 700 million people around the globe mired in extreme poverty, especially in nations trying to cope with a flood of refugees from regional conflicts.

"Many countries are facing fragility, conflict and violence, making development even more urgent and difficult," he said.

In her remarks, Georgieva, a Bulgarian economist who had been the No. 2 official at the World Bank, recognized the accomplishments of her IMF predecessor, Christine Lagarde, the first woman to head the IMF, who was in the audience for the speech.

"As someone who grew up behind the Iron Curtain, I could never have expected to lead the IMF," Georgieva said, noting that she had personally witnessed the devastation of bad economic policies when her mother lost 98 per cent of her life savings during a period of hyperinflation in the 1990s in Bulgaria.

She said the world was currently caught in a synchronized slowdown with nearly 90 per cent of the global economy experiencing weaker growth this year. Because of this, the IMF projected earlier this week that global growth would only reach 3 per cent this year, the weakest performance in a decade.

The IMF and World Bank meetings were expected to be dominated by the trade disputes which were triggered by the Trump administration's get-tough policies aimed at lowering America's huge trade deficits and boosting US manufacturing jobs. So far those efforts have made little headway.

In addition to the battle between the United States and China, higher US tariffs went into effect Friday on USD 7.5 billion in European goods coming into the United States in a dispute involving airplane subsidies.

French Finance Minister Bruno Le Maire told reporters at the IMF on Friday that the real winner of a trade war between the United States and the European Union would likely be China. He said the EU was ready to negotiate a settlement to avoid the tariffs but so far the United States has rejected those efforts.

"From the very beginning, we have made it very clear that we want to avoid a trade war," Le Maire said. "The response from the US administration has always been a closed door."

Georgieva said on Thursday that a tentative US-China trade agreement announced last week should lessen slightly the damage done by the trade wars but until the two nations resolved their differences, it would not remove enough uncertainty to return the globe to solid growth.

"Our hope is to move from a trade truce to a trade peace," she told reporters.

She said she hoped this week's talks would focus on ways to ease trade tensions and begin the groundwork to update the rules of world trade. The Trump administration has repeatedly attacked the Geneva-based World Trade Organization, saying it is biased against the United States.

"We have been reaching agreements on trade based primarily on the past," she said. She noted that global commerce has been transformed in recent years by advances in technology, and those advances need to be acknowledged in new trade rules.

In the announcement last week, Trump said he was suspending a tariff increase on USD 250 billion of Chinese products that had been scheduled to take effect this week.

Treasury Secretary Steven Mnuchin told reporters Wednesday that the US and Chinese negotiators were working to hammer out details on this "phase one" agreement with a goal of having a deal that Trump and Chinese President Xi Jinping can sign at the Asia Pacific Economic Cooperation summit in mid-November.

Source: business-standard.com- Oct 18, 2019

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## China's growth slows to lowest in 27 years

China's third-quarter economic growth slowed more than expected and to its weakest pace in almost three decades as the bruising US trade war hit factory production, boosting the case for Beijing to roll out fresh support.

Gross domestic product (GDP) rose just 6.0 per cent year-on-year, marking a further loss of momentum for the economy from the second quarter's 6.2 per cent growth.

China's trading partners and investors are closely watching the health of the world's second-largest economy as the trade war with the United States fuels fears about a global recession.

Asian stocks stumbled after the data, reversing gains made on the UK and European Union striking a long-awaited Brexit deal.

Downbeat Chinese data in recent months has highlighted weaker demand at home and abroad.

Still, most analysts say the scope for aggressive stimulus is limited in an economy already saddled with piles of debt following previous easing cycles, which have sent housing prices sharply higher.

Nie Wen, a Shanghai-based economist at Hwabao Trust, pinned the result mainly to weakness in export-related industries, especially the manufacturing sector.

"Given exports are unlikely to stage a comeback and a possible slowdown in the property sector, the downward pressure on China's economy is likely to continue, with fourth-quarter economic growth expected to slip to 5.9 per cent," Nie said.
"Authorities will loosen policies but in a more restrained way."

The third-quarter GDP growth was the slowest since the first quarter of 1992, the earliest quarterly data on record, and missed forecasts for 6.1 per cent growth in a Reuters poll of analysts.

It was also at the bottom end of the government's full-year target range of 6.0 per cent to 6.5 per cent.

Even recent signs of breakthrough in the protracted trade war between Beijing and Washington are unlikely to change the economic outlook soon.

US President Donald Trump said last week the two sides had reached agreement on the first phase of a deal and suspended a tariff hike, but officials warn much work still needed to be done.

A slide in China's exports accelerated in September while imports contracted for a fifth straight month.

The drags on demand, both domestic and global, have hit several key parts of the economy with weakness seen in freight shipments, factory power generation, employment and entertainment spending.

The International Monetary Fund has warned the US-China trade war will cut 2019 global growth to its slowest pace since the 2008-2009 financial crisis, but said output would rebound if their duelling tariffs were removed.

Beijing has relied on a combination of fiscal stimulus and monetary easing to weather the current slowdown, including trillions of yuan in tax cuts and local government bonds to fund infrastructure projects and efforts to spur bank lending.

But the economy has been slow to respond with business confidence shaky and local governments facing increasing strains as tax cuts hit revenues, weighing on investment.

In contrast with the disappointing headline GDP number, China's industrial output grew a better-than-expected 5.8 per cent in September, faster than the 17-year-low posted in August.

September's industrial production was also in line with recent business surveys that noted new domestic orders in food processing, textiles and electrical machinery, although growth in other products such as cement, crude steel and cars slowed further.

Hwabao Trust's Nie does not expect stronger manufacturing to last given slowing global demand, which would suggest a pick-up in broader economic growth remains unlikely.

Source: adelaidenow.com.au- Oct 18, 2019

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## Bangladesh Denim Expo in November

Bangladesh Denim Expo will be held from November 5 to 6, 2019.

The world's leading denim trade shows will host around 100 exhibitors from 11 countries, including Bangladesh. Other participating countries include China, Japan, Italy, India, Singapore, Brazil, Spain, Pakistan, Turkey, and Germany.

Through a series of product displays, presentations, seminar sessions, and panel discussions, the expo will encourage healthy debate and interaction among exhibitors and visitors to champion a more responsible denim industry. The focus is on sustainability and within this the issue of responsibility – an overriding theme of this year's event.

Bangladesh is now the world's largest producer of denim and leads the way in terms of addressing some of the sustainability challenges related to denim production, including excessive use of water and chemicals. Each expo marks continued and gradual progress being made by the more progressive players in the industry.

The Sustainable Apparel Forum will be held alongside the expo. The forum will see more than 50 speakers from Bangladesh and overseas, sharing expert opinions across five panel discussions covering current issues about the country's apparel industry.

These include human resources, transparency in business, water conservation, purchasing practices, sustainable chemical management, waste management, circular economy in textiles, and climate change, to name a few.

Source: fashionatingworld.com- Oct 18, 2019

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## For the sake of workers, Uzbekistan is privatising its cotton industry

Under the blazing sun in a cloudless blue sky, green foliage droops with unfurling white cotton bolls. In the Fergana Valley in the heart of Central Asia, in the shadow of snow-dusted mountains, the cotton is ripe for picking. If the Uzbek authorities have their way, it will become T-shirts and skirts, to be sold around the world.

Uzbekistan, already the world's seventh-biggest producer of cotton, wants to become a force in the garment industry, too, on a par with the likes of Bangladesh, China and Vietnam.

Output from Uzbekistan's apparel industry rose by 80% between 2014 and 2018. Exports of raw cotton have plunged as the crop is turned into fabric and clothes instead. In 2016 half the country's output was exported; last year only 16% was. Uzbekistan's textile factories can now get through 720,000 tonnes of cotton a year—roughly as much as its farmers produce. Next year the government hopes to eliminate the export of raw cotton altogether. It is aiming for a 340% rise in the value of exports to $7bn by 2025. The mood is "very optimistic", says Ilkhom Khaydarov, the head of the Textile and Garment Industry Association.

But Uzbekistan has an image problem. Over 300 Western clothing brands and retailers, including international giants such as Disney, Nike and Walmart, boycott Uzbek cotton in protest at the massive, state-organised system of forced labour that until recently was used to harvest the crop. As a result, most exports of textiles go to the countries of the former Soviet Union and elsewhere in Asia, not to the most lucrative customers in the rich world.

The use of forced labour was a legacy of Soviet days, when more or less everyone in cotton-growing regions—schoolchildren, civil servants, doctors—was dragooned into picking cotton at harvest-time. The government insists that this is a thing of the past. The president, Shavkat Mirziyoyev, has spent his three years in office trying to stamp out the practice, as part of a big overhaul of the cotton industry.

Mr Mirziyoyev took power following the death of Islam Karimov, the strongman who had ruled Uzbekistan since it became independent from the Soviet Union in 1991. Mr Karimov had not only forced people to work in the fields; he had also maintained the government's monopoly on the cotton trade. Farmers had to grow a certain amount of cotton, which they could sell only to the state, at a price that it fixed.

Most still labour under this system, and can lose their land, which is leased from the state, if they do not meet their quota. But Mr Mirziyoyev has allowed farmers in designated areas to sell their cotton directly to private enterprises, at a mutually agreed price—although the farmers still have little bargaining power, notes Yuliy Yusupov, a local economist. The plan is to eliminate all the quotas and state purchases by 2023, leaving the industry in the hands of the private sector.

It is "a real revolution", says Mullajon Mansurov, who is inspecting cotton growing near the town of Uchqorgon. Mr Mansurov oversees cotton-growing in the Fergana Valley for Uztex, one of Uzbekistan's biggest textile companies. Cutting out the middleman and dealing directly with farmers to cultivate cotton to the right specifications is "a huge plus", echoes Fazliddin Sirojiddinov, Uztex's boss.

At one of the firm's ten factories, on the outskirts of the capital, Tashkent, cotton is piled in shaggy bales. It chugs through gins and whirrs around spinning machines to become yarn. By the end of the production line, the yarn has been transformed into T-shirts, socks, towels and linen—to be exported to 45 countries. The firm is keen to show off how well it treats its workers: they earn seven times the minimum wage, with perks like free health care thrown in.

The government, too, is keen to tout the country's respect for workers. "Are you forced to pick cotton or do other work?" ask billboards advertising hotlines to collect reports of abuse. Officials found guilty of coercion are fined and fired. The government is determined to erase this "shame", says Erkin Mukhitdinov, a deputy labour minister. Like many officials toiling to end forced labour, he has first-hand experience: he had to pick cotton as a student.

Since 2017 pickers' wages have increased by over 70%. Labourers must still pick around ten kilos—perhaps an hour's work—to earn a dollar, but that is comparable to other menial jobs. Forced labour is still widespread but no longer "systemic", says the International Labour Organisation, which the government has invited to monitor its progress.

But the government continues to present cotton-picking as a civic duty. In September bureaucrats rewarded a 92-year-old woman with a television for picking 70kg. Local officials, who do not want to be blamed if quotas are not met, still have an incentive to press people into helping in the fields. The Uzbek-German Forum for Human Rights has collected a series of complaints from both workers in the public sector and employees of private firms who say they were ordered to join the harvest this year or to pay for replacement pickers. The Responsible Sourcing Network, which co-ordinates the international boycott of Uzbek cotton, says it will only be lifted if there is "substantial and sustainable" progress.

To prove the government's good intentions, Mr Mukhitdinov, among others, has been meeting with campaigners for workers' rights. Last month he debated the reforms with a group of them over a pot of tea. That in itself was striking: one of the activists in attendance was Azamjon Farmonov, a former political prisoner who spent 11 years in a notorious prison camp, Jaslyk. The authorities ordered his release two years ago, and have since announced Jaslyk's closure.

The government and activists alike hope the impending privatisation of the industry will help to relieve the pressure on lowly officials and thus allow cotton prices to rise high enough to cover the costs of picking it without coercion. On Uztex's factory floor, a smiling seamstress holds up a T-shirt emblazoned with a slogan that seems to speak to the industry's aspirations. "Ready to be different," it reads.

Source: economist.com- Oct 18, 2019

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## Vietnam: Textile sector stuck at bottom of value chain

The textile industry, Vietnam's key exporter, faces hurdles to further development since it is stuck in the low-value segment of the supply chain.

Nguyen Thi Xuan Thuy, director of the Ministry of Industry and Trade's Centre for Supporting Industrial Development, said at a recent forum that Vietnam's textile industry is still dependent on import of production inputs.

The country plans to have 30,000-76,000 hectares under cotton crops in the 2015-2020 period, but had only 1,000 ha in 2017, and cotton production that year was only 1,000 tons against a target of 20,000-60,000 tons, she said.

The country targets annual fabric production of one billion meters but there is no allocation of funds for it, and so most material has to be imported for production, she said.

Vietnam imports half the raw material for production from China, and this means its textile products would not enjoy zero import tariffs under the trade pacts it has signed, she said.

But local feedstock producers struggle to sell domestically. Vu Huy Dong, CEO of thread producer Dam San, said 90 percent of his output is exported to China.

"Chinese importers buy the threads, dye them and sell them back to Vietnam at higher prices."

Textile firms are concerned that Vietnam's environmental protection regulations create challenges for businesses.

Pham Xuan Trinh, CEO of HCMC-based textile firm Phong Phu Corp, said some localities only provide 700 cubic meters of water a day to his company while the need is three or four times that.

Government officials admitted that local authorities are reluctant to license textile production, especially dyeing, due to fear of pollution.

Thuy said that Vietnam's environment criteria for the textile industry are now even higher than Japan's.

Whether Vietnam continues to keep them to ensure clean manufacturing or lowers them to boost production of textile feedstock, there needs to be an orientation for development, she added.

Vietnam exported $30.4 billion worth of textile products last year, up 16.6. percent from 2017, according to the General Statistics Office.

It imported $12.9 billion worth of fabrics, up 13.5 percent, it added.

Source: e.vnexpress.net- Oct 19, 2019

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## Pakistan: Textile exports slightly increase 2.9pc to 3.4bln in 1Q

Textile exports edged up 2.95 percent year-on-year to $3.371 billion in the first quarter of the current fiscal year with outbound shipments of knitwear and readymade garments rising in double digits during the period, official data showed on Friday.

Pakistan Bureau of Statistics (PBS) data showed that textile exports amounted to $3.275 billion in the corresponding period a year earlier.

In July-September, knitwear exports climbed 11.14 percent to $779.548 million. In terms of volume, exports from the value-added sector increased 6.8 percent. Likewise, exports of readymade garments increased both in terms of value and volume. Readymade garment exports increased 11.4 percent to $667.361 million.

Quantity-wise, there was a hefty 36.6 percent growth year-on-year in the first three months of the current fiscal year. Bed wear exports marginally increased 2.8 percent to $600.562 million, while exports of cotton cloth, however, fell 5.6 percent year-on-year to $499.419 million in the July-September period. In September, textile group's exports increased 4.38 percent year-on-year, but they decreased 10.26 percent month-on-month. Exports from value-added sector showed downward trend in September over August.

Exports of knitwear, bed wear, readymade garments, and cotton cloth fell 14.5 percent, 2.5 percent, 15.2 percent and 1.3 percent, respectively, in September over August. Exports of value-added sector increased year-on-year during the last month.

In September, knitwear exports rose 7.47 percent, bed wear exports increased 6.25 percent, and readymade garment exports were up 22.1 percent compared with the corresponding month a year ago. Cotton cloth exports, however, fell 4.19 percent year-on-year in September. Downward trend in value-added sector should be a cause of concern for the government that is struggling to support external account sector by revving up stunted growth in export sector. Total exports, during the first quarter, amounted to $5.522 billion, up 2.76 percent over the corresponding period a year earlier.

PBS data showed that food sector posted 13.98 percent year-on-year growth in exports to $984.757 million in the July-September period. There was a significant 50.7 percent jump in rice exports in the three-month period. Exports of fish, fruits and vegetables also showed double-digit increase during the period under review. Exports from manufacturing sector declined three percent to $803.729 million in the first quarter.

PBS data further showed that oil imports, which contribute 28 percent to overall import bill, sharply dropped 16.55 percent year-on-year to $3.157 billion in the July-September period. Imports of petroleum products and crude fell in value and volume terms.

Imports of liquefied natural gas, however, increased 2.8 percent year-on-year in the first quarter. Oil imports surged 12.9 percent month-on-month in September, but they remained almost flat year-on-year.

The second biggest import category, machinery, increased a little 2.35 percent year-on-year to $2.341 billion in the first quarter. Imports of agricultural products and other chemicals sharply fell 21.85 percent to $1.816 billion in the three-month period.

Food imports followed suit by sliding 24.78 percent year-on-year to $1.096 billion in the July-September period. Metal group imports plummeted 23 percent to $1.006 billion in the first quarter over the corresponding period a year earlier. Import of transport group slid 32 percent to $537.839 million in the three-month period. Textile imports were down 33.36 percent year-on-year to $451.075 million in the period under review.

Source: thenews.com.pk- Oct 18, 2019

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# NATIONAL NEWS

## India's cotton imports rise to 2.3 million bales till August

India's cotton imports rose by around 800,000 bales to 2.3 million bales till August 31 this cotton season compared to the previous cotton season due to lower international rates than domestic prices, India Ratings and Research said on Friday. The cotton season runs from October to September.

Cotton prices continued to reduce in August 2019, mainly due to a fall in international prices. The agency expects the prices to fall further as global production is likely to be higher than the demand growth.

"With local prices (MSP) being higher than international prices, cotton imports are rising. Till 31 August 2019, the import of cotton was 2.3 million bales, up 0.8 million bales than that recorded in the previous cotton season. This would further reduce domestic cotton prices," India Ratings and Research said in a report.

Cotton yarn continues to see reduced exports owing to low demand of yarn and increased competition.

"Exports fell 40 per cent month-on-month during July 2019, mainly due to the 80 per cent year-on-year fall in the demand from China. China has entered into second phase of free trade agreement with Pakistan on goods worth USD 64 billion, of which cotton yarn directly competes with India's," the report said.

While manmade fibres saw the second consecutive month of stabilisation on stable crude prices in August 2019; however, the instability in prices in September 2019 with the attack on refinery of Aramco, Saudi Arabia created pressure on margins of synthetic fibres for some time, the agency observed, adding that the prices have corrected by 20 per cent subsequently with the positive news of fast recovery of the attacked sites.

However, apparel exports are seeing a moderate recovery with the stabilising demand from the US.

“The US-China trade war seems to have no major impact as the apparel exported by China for July 2019 were 35 per cent higher than those in the previous month. India is yet to see the benefit in the trade war, as only a 10 per cent month-on-month increase in exports was recorded in July 2019,” the report noted.

The agency has published the August 2019 edition of its credit news digest on India’s textile sector. The report highlights the trends in the sub-segments of the textile sector, including cotton, man-made fibres, yarns, fabric with a focus on commodity prices, imports/exports, production and recent rating actions.

Source: financialexpress.com- Oct 18, 2019

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## RCEP explained: The 16-country free-trade agreement that India may sign

*While countries have been negotiating since 2013, India has also been facing opposition from multiple domestic industries.*

India is on the cusp of signing a massive free-trade agreement involving 16 nations that are home to nearly 50% of the world’s population. Known as RCEP, or The Regional Comprehensive Economic Partnership, the agreement would position India as a major player in a huge trading bloc.

Though Commerce Minister Piyush Goyal has voiced his support for India’s involvement in the RCEP, a number of Indian industries that are adamantly against the agreement and the changes it will inflict upon the country’s markets.

Here’s an explainer on the RCEP, what’s at stake for India and why many domestic industries are worried about it:

The Regional Comprehensive Economic Partnership (RCEP) is a proposed free-trade agreement.

The countries in RCEP include the 10 ASEAN countries — Indonesia, Thailand, Singapore, Malaysia, the Philippines, Vietnam, Myanmar, Brunei, Cambodia, Laos — and the six countries these countries have free-trade agreements with — Australia, China, India, Japan, New Zealand and Korea.

This 16-country bloc reportedly comprises 25% of global GDP, 30% of global trade and 26% of foreign direct investment flows.

A free-trade agreement is essentially an agreement that two or more countries reach with regard to import and export of goods. It aims to reduce the number of processes in place. Usually, this also implies that there are little to no tariffs, quotas etc on the import and export of products.

According to ASEAN, this deal will provide “a framework aimed at lowering trade barriers and securing improved market access for goods and services for businesses in the region”.

Negotiations for this agreement have been ongoing since 2013, with several countries, including India, trying to resolve problems with other countries with regard to tariffs. There are a total of 14 issues that countries need to sort out, five of which pertain to India.

Now, after multiple rounds of negotiations, it is finally near completion. But there are multiple unresolved issues between countries, and India has the most number of them. Currently, India has time to sort out its problems before October 22. If an agreement isn’t reached, Prime Minister Modi will reportedly take the final decision.

After that, it is expected that negotiations and the agreement will be completed by November, and the deal will be signed next year.

India has also been facing opposition from several domestic industries over RCEP. They fear that this agreement will sound the death knell to several industries.

## What some of India’s conditions for RCEP are

Base year for tariffs: The RCEP will result in all countries reducing their tariffs. Since negotiations began in 2013, the pact has proposed that the base year, based on which tariffs will be reduced, be 2013. But India wants to change the base year applied to reduced tariffs to 2019.

This is because India has raised customs duties on scores of products since 2014, and so prefers 2019 as a base rate, so that it can charge a higher customs duty. Negotiations which began in 2013 have obviously stretched, and according to Mint, India’s tariffs have increased, on average, from 13% to 17% because of an increase in tariffs on sectors such as textiles, auto components and electronic items.

Auto-trigger: In case there is a sudden surge in imports due to the trade pact, India wants an auto-trigger mechanism to be in place, which will allow it to decide which products it doesn’t want to offer the same concessions to.

Ratchet obligations: It also wants exemptions on ratchet obligations. A ratchet mechanism means that if a country signs a trade agreement with another country where it liberalises (i.e., removes or reduces) tariffs, quotas, etc on import and export of products, it cannot go back on them and bring in measures that are more restrictive.

In this case, wanting an exemption on ratchet obligations would mean that India wants to be able to bring in restrictive measures in the future, if required. Meaning, it wants to be able to increase tariffs in the future.

Data localisation: As part of the RCEP, India wants all countries to have the rights to protect data. The government also reportedly said that by this, countries may prevent the transfer of information across borders, and will share only where it is “necessary to achieve a legitimate public policy objective” or “necessary in the country's opinion, for the protection of its essential security interests or national interests”. However, this was opposed by 14 out of 16 countries.

## Opposition to RCEP within India

There has also been talk about India eventually not signing the agreement as well, and not without cause. Multiple sectors have shown abundant resistance to the agreement. The RCEP proposes that 92% of India’s goods would be tariff-free over the next 15 years. Most countries wanted India to slash existing tariffs on up to 90% of all goods.

While being a part of a bloc such as this may certainly be of strategic importance, there have been concerns that with most custom tariffs being reduced or removed, India's industries will suffer and will specifically see an influx of cheaper goods from China.

The industry reservations aren't unfounded, given India's huge trade deficit with China. Trade deficit means that what we import from China exceeds what we export to them. India's largest trade deficit with China is at $53 billion. This has left people worried that in the absence of tariffs, the market could be flooded with Chinese goods. According to reports, India had agreed to remove tariffs on 74% of the goods it trades with China over 20 years. However, China is unwilling to "commensurate to India's demands," an official told Business Standard.

But this isn't all that India has to worry about.

## Industries worried

**Dairy**: Dairy is important to India, given the place milk and other derivatives hold in Indian households. In a statement, RSS affiliate Swadeshi Jagaran Manch even said that this would "prove to be the most suicidal step by the government of India since independence".

New Zealand is a major exporter of dairy products, and will be eyeing India primarily to sell milk powder and fat products. India, one of the largest consumers of milk and milk products, has so far been self-sustainable and has sometimes produced surplus, but a situation where New Zealand enters the market could change things. According to the Indian Express, 93.4% of New Zealand's milk powder, 94.5% of its butter, and 83.6% of its cheese production was exported in 2018. India's export of milk products doesn't match up.

According to SJM, RCEP could lead to 50 million rural people losing their jobs, which will push up the need for importing.

Union Minister for Animal Husbandry, Dairying and Fisheries, Giriraj Singh, even requested the government to keep dairy out of the RCEP.

**Automobile**: Industry body Society of Indian Automobile Manufacturers (SIAM) and the Automotive Component Manufacturers Association of India (ACMA) have both expressed their reservations about RCEP. In July, ACMA said that the RCEP could allow a "back-door entry route" for China. Earlier this month, SIAM president Rajan Wadhera said that RCEP should not lead to job losses, and should not hurt the Union government's Make In India scheme.

**Textile**: The RCEP will reportedly allow free import of polyester fabrics from China, Vietnam, Bangladesh and other countries, which could lead to cheaper textiles, affecting an already-hit sector. "India's trade deficit with China in the textiles and clothing sector is likely to be widened once RCEP is concluded and could be detrimental for its domestic textile manufacturers," said Confederation of Indian Textile Industry Chairman Sanjay Jain said in May.

**Steel**: The steel industry also has concerns regarding China if they are included under the RCEP — that excessive imports could harm the domestic market. The Confederation of All India Traders also said: "It (RCEP) will damage India's export competitiveness since the trade balance in the country is already skewed to a greater extent. Therefore, we are of the considered view that India should not enter into any RCEP agreement on steel and other allied products".

**Agriculture**: A study by the United Planters' Association of Southern India, an apex body of planters of tea, coffee, rubber, cardamom and pepper said that RCEP will make things worse for the sector, which is already experiencing a downturn. According to the study, the products will be under intense competition and imports into the country will likely increase over time.

The Indian Coordination Committee of Farmers' Movements (ICCFM) also stepped in and said that the RCEP threatens their livelihood.

The Kerala government has also now stepped in, with Chief Minister Pinarayi Vijayan, who said that the RCEP would affect the agricultural and industrial sectors.

How past free-trade agreements have worked out

A report by NITI Aayog showed that India imports more than it exports to countries with whom it has free-trade agreements, and exporters don't use regional trade agreements. The note also showed that after the ASEAN-China Free Trade Agreement was enacted in 2010, goods trade of the countries — Indonesia, Malaysia, Thailand, Vietnam, Philippines and Singapore — with China went from a surplus of $53 bn to a deficit of $54 bn in 2016.

“Given India’s inability to negotiate a good services deal in the past, RCEP negotiations especially with China need a second thought. Indian industry will have more to lose than gain if it agrees to a liberal tariff elimination schedule specially w.r.t China,” the report said.

### The government's stance

Earlier this week, PM Modi held a meeting with senior Cabinet ministers to decide India’s final stand. While India is reportedly trying hard to protect the country’s interests, Commerce Minister Piyush Goyal defended the RCEP saying that India cannot stay isolated in a globalised world and that it cannot stop its engagements and trade with the rest of the world.

“If India remains out of RCEP, we will be left isolated from this large trading bloc. The trade among RCEP countries is about $2.8 trillion. If India sits outside RCEP, whether it is in our interest or against our interest, it is also the responsibility of the government to see. You will want us to engage to find solutions which is in national interest," A Mint report quoted Goyal as saying at an event last week. But, Goyal said that the government will ensure India is not flooded with cheap Chinese goods.

Source: thenewsminute.com Oct 18, 2019

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## Cotton imports jump as MSP holds domestic prices high

Cotton yarn exports continues to see reduced exports owing to the low demand and increased competition

Cotton imports has jumped sharply as the high Minimum Support Price (MSP) fixed by the Government is holding domestic prices at an elevated levels despite demand remaining weak. As of August-end, cotton imports jumped multi-fold to 23 lakh bales against 8 lakh bales logged in same period last year, said India Ratings and Research report.

With local prices remaining artificially higher than international prices, cotton imports are set to rise further, it said.

Globally, the rating agency expects cotton prices to fall further due to higher production.

Cotton yarn exports continues to see reduced exports owing to the low demand and increased competition. Yarn exports fell 40 per cent month-on-month in July, largely due to an 80 per cent fall in demand from China which has entered into second phase of free trade agreement with Pakistan on goods worth $64 billion. The pact includes cotton yarn which directly competes with India.

Apparel exports are seeing a moderate recovery with the stabilising demand from the United States (US). The US-China trade war seems to have no major impact as the apparel exported by China for July were 35 per cent higher than those in the previous month. India is yet to see the benefit in the trade war, as only a 10 per cent m-o-m increase in exports was recorded in July.

Source: thehindubusinessline.com- Oct 18, 2019

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## India's cotton season begins on a bearish note

The country's new cotton season has started on a very bearish note, mainly due to low quality of the fibre as a result of delayed monsoon, according to the latest report of Cotton Guru, a cotton advisory for farmers. The MSP of cotton for the 2019-20 season is Rs 5,550 per quintal, against Rs 5,450 in the previous year. Prices of raw cotton or kapas are currently ruling between Rs 4,700 and Rs 5,250 per quintal, depending on the quality and the moisture content.

Indian farmers had achieved a record cotton-sowing of over 125 lakh hectare and with sufficient rainfall, the country's cotton crop seems to be good especially during September and mid-October, said Manish Daga, founder, Cotton Guru. "We may very well see an increase of over 20% in Indian crop during 2019-20 if there are no more damages to excess rainfall or diseases."

According to Daga, although the arrivals are delayed, millers are worried. Seed cotton prices were ruling below MSP and there was a lot of pressure on the government to intervene, he said. Texprocil has already appealed to the government to include cotton yarn in the interest subvention scheme and also rebate the embedded taxes, such as agricultural cess, mandi tax, power and fuel surcharge which incurred in the production process, he added.

The Rebate of State & Central Taxes and Levies (RoSCTL) scheme which rebates these levies should be extended to cotton yarn segment at the earliest and this move would ensure that the industry exports only products and not the taxes, it added.

Exports held the key to price movement of Indian cotton during the new season and domestic demand would take time to pick up, he said. During August 2019, Cotton Guru had indicated that the Indian cotton market was overpriced and there was a scope of correction, he said, adding that the advisory has been giving a sale call to farmers since February when the trade war seems to last longer than expected.

"For all the other stakeholders of the textile industry, we were strongly advocating cost reduction, risk management and innovation as need of the hour," Daga said. "During the 2018-19 , there was a probability of record low carryover stock in India, while on the other hand, the Indian ginners were in disparity. This prompted many ginners to hold stocks, some beyond their financial capacity. As a result, many ginners made losses on inventories as well as delayed payments and bad debts in spinning mills."

As for the spinning industry, textile industry had raised an alarm over the consistent fall in cotton yarn exports in the past three months due to sharp decline in demand from importing countries, such as China, Bangladesh and South Korea, besides duty-free access given by China to competing Pakistan, he observed. With India exporting over 30% of its cotton yarn production every year, yarn exports are crucial for the spinning sector. The export of cotton yarn from India in the first two quarters of the financial year ended June was down by over 30%.

As a result, many mills across the country had reported stock pile-ups and production cuts in recent months, Daga said. Since last two months, the mills voluntarily and compulsorily chose to reduce inventories. This put immediate breaks on cotton prices.

Also, a prospects of a very high new season crop added to the bearish sentiment, he said. The prices of old season cotton would have definitely risen if there was a gap in the new old and new season. However, the gap was smoothly filled by production cuts, stock with ginners, low demand and a bearish international market, he said.

In August, Daga had stated that the farmer must sell kapas as cotton prices are unlikely to increase due to weak demand in cotton yarn and fabric. Significantly, the Cotton Corporation of India (CCI) has commenced procurement of the fibre in Punjab and Rajasthan since cotton prices have come under pressure in these states. The purchase has begun in the North after a gap of nearly three years when the government has given permission for direct purchase of the crop. The procurement is in minimal quantities because the moisture content is high. Last year, CCI had procured 10.70 lakh bales under MSP.

Source: financialexpress.com- Oct 19, 2019

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## Commerce Secretary calls meeting with export promotion councils next week

The Commerce Secretary has called a meeting of all the export promotion councils next week, to work out a strategy for reversing the current decline in exports and look for ways to accelerate growth, despite the bleak outlook for global trade.

"Commerce Secretary Anup Wadhawan will meet representatives of all the export promotion councils on October 24.

The councils have been asked to give details of the problems they are facing, and also give suggestions on how the government could help," a government official told BusinessLine.

India's goods exports declined by 6.5 per cent in September 2019 to $26.03 billion, while in the April-September 2019 period, the decline in exports was 2.39 per cent at $159.57 billion, compared to the same period last year.

Of greater concern to policy makers is the fact that apart from petroleum products, the fall in exports has taken place across labour-intensive sectors such as readymade garments, leather products, engineering goods and gems and jewellery.

"There is a realisation among policy makers that if goods exports do not grow, it would be more difficult to put the Indian economy back on the high growth path. Recovery of export growth is vital for a recovery in manufacturing and growth in jobs. Therefore, the government is serious about taking measures that could boost exports," the official said.

The government has already started work on some sectors, such as engineering goods, based on past meetings. A short-term plan and a draft medium-term action plan is being considered for boosting exports in the sector and country-wise non-tariff barriers are also being identified with the help of the industry, the official pointed out.

"The government wants to have action plans for reviving exports in all major sectors, be it readymade garments and textiles, gems and jewellery, or leather and seeks inputs form the industry for the same," the official said.

The Commerce Ministry is also working on a new foreign trade policy for 2020-2024, which will succeed the current policy, and consultations are being held with the industry for suitable incentive schemes and measures to boost exports.

India's exports posted an 8.7 per cent growth in 2019-20, with the value of outbound shipments touching $330 billion, growing beyond the 2013-14 level of $314.4 billion for the first time.

Source: thehindubusinessline.com- Oct 18, 2019

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## India needs to catch up in MMF apparel products: ITF

India needs to catch up in MMF apparel products to grow in US markets, according to the Indian Texpreneurs Federation (ITF). For that, the government needs to bring GST duty rationalisation immediately for MMF fibre & value chain. This will help the country's textiles sector to focus more on MMF and blended products and reach out better to US markets.

The structural reform in GST will also address the liquidity issues in the MMF value chain manufacturing, says the report.

In spite of its large base, US apparel imports are still growing further. Total apparel imports by the United States stood at $57.308 billion in the first 8 months of 2019, showing an increase of 5.76 per cent over imports of $54.184 billion in corresponding period of 2018.

China continued to be the main supplier with 30.6 per cent share of all apparel imported by the US last year. However, imports from China grew by a marginal 1.99 per cent to $17.551 billion.

In contrast, imports from Vietnam, the second-biggest supplier to the US, shot up by 12.14 per cent to $9.063 billion. Vietnam's share in the US clothing imports also grew to 15.8 per cent, the data showed. Vietnam is the largest gainer in the US-China trade war, followed by Bangladesh.

Bangladesh, the world's second largest garment exporter, saw its supplies to the US increase by 11.81 percent in the first 8 months to $4.083 billion during the year. Similarly, US apparel imports from Indonesia, Mexico and El Salvador dropped by 0.37 per cent, 3.58 per cent and 0.57 per cent from Jan–August 2019, to $3.003 billion, $2.170 billion and $1.242 billion, respectively.

Among the top ten apparel suppliers, India, Honduras and Cambodia saw their exports increase by 8.19 per cent, 11.91 per cent and 8.58 per cent respectively to $2.940 billion, $1.836 billion and $1.728 billion, in the first 8 months of the year. During the first 6 months of this year, India had achieved double digit growth; but looking at the recent 8 months' period, there is small dip in per cent of growth.

Of the total apparel imports made by US, cotton apparel imports grew 3.85 per cent to $26.813 billion, whereas man-made fibre (MMF) apparel grew 7.01 per cent to $27.485 billion. Thus MMF apparel products are selling more than cotton apparel products in US markets.

India achieved double digit growth in cotton apparel products and is commanding 7.6 per cent share. At the same time, in MMF apparel products, India is just having 2.7 per cent share in comparison with 36 per cent share of China and 18 per cent of Vietnam.

Source: fibre2fashion.com- Oct 18, 2019

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## India to produce record cotton crop for 2019-20, predicts USDA

Cites good monsoon coupled with higher MSP making fibre crop preferred over others

India is set to retain its numero uno position in cotton cultivation globally.

The latest United States Department of Agriculture (USDA) estimate for the marketing year 2019-20 has projected India's cotton crop at 305 lakh US bales (each of 217.7 kg), which works out to 390 lakh India bales (each of 170 kg).

Last season in 2018-19, India's cotton crop was reported decade-low at 312 lakh bales by the apex cotton trade body, Cotton Association of India (CAI).

### Increased production

"Production in India — the leading cotton producer — is forecast at 30.5 million bales, 15 per cent above 2018-19, and the second highest on record, as both area and yield in 2019-20 are expected higher. Harvested area in India is projected at a record 12.9 million hectares in 2019-20, as domestic prices and internal support price prospects favour cotton over competing crops," USDA stated in its international outlook on cotton crop, which was released on October 15, 2019.

The report also noted that the "recent above-average monsoon rainfall will likely provide an extended picking season, which is expected to increase the yield to a 3-year high."

The cotton trade bodies in India are yet to come out with their own crop estimate while, the first advance estimate by the Government of India has projected cotton crop in the country at 322.7 lakh bales.

This kharif season, India grew cotton on larger area at 127.67 lakh hectares, about 6 lakh hectares more than last year.

It is also indicative from the weak cotton prices in the domestic market, where traders expect crop to be record this year. The cotton prices hovered at ₹41,900 per candy (each of 356 kg) of ginned cotton with 29 mm variety, down from ₹43,900 two months ago. International cotton prices quoted at 60.83 cents per pound on ICE futures for December 2019.

As per the USDA, cotton consumption in India is expected to rise 3 per cent, to 247.5 lakh US bales (each of 217.7 kg) in 2019-20 — which is about 316.9 lakh Indian bales (each of 170 kg) — which is equal to the record set in 2015-16.

**Supplying cotton to the world**

The global cotton players are looking at India, with its record production and likely increased stock situations, to feed the world cotton market.

"India's increased stock expectations to 134 lakh US bales (or 171.6 lakh India bales)associated with the higher production forecast — contribute significantly to this season's global stock gain...For India, this season's projected larger crop is expected to provide an additional 500,000 bales (or 6.4 lakh Indian bales) of exports, with cotton exports rebounding to 4.0 million bales in 2019-20," the USDA report stated.

The USDA projections hint at expansion in the cotton exports during 2019-20 in Brazil, India and the United States.

The global cotton production in 2019-20 is projected at 124.8 million US bales, about 5.8 million bales (or 5 per cent) above 2018-19. The October production estimate includes decreases for Brazil, Pakistan, Australia, and the United States, which more than offset an increase for India.

Source: thehindubusinessline.com- Oct 18, 2019

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## Trade differences with US narrowing, hope to have a deal soon: Sitharaman

Trade differences have been narrowing between India and the US, Finance Minister Nirmala Sitharaman (pictured) has said, hoping that the countries will be able to enter into a trade deal soon. “I hope to have an agreement sooner. Obviously narrowing (of difference) is happening.”

The commerce ministry is working on it and hope that the negotiations will get concluded sooner, she said.

Sitharaman is in Washington to attend the annual meeting of the International Monetary Fund (IMF) and the World Bank. “I know the intensity with which the negotiations are going on and a few issues on which there could be some differences are being sorted out. I hope there will be an agreement sooner,” she said.

**‘India still fastest-growing economy’**

Sitharaman reiterated that India remains among the fastest-growing economies of the world and efforts are being made to make it grow faster. The IMF has projected a reduced growth rate for India, but the country’s economy is “still growing as the fastest”, she said.

Sitharaman said she is “certainly not risking a comparison” with China, even though the two countries growth rates have been projected at 6.1 per cent in a latest IMF report.

“The IMF (in its latest projections) reduces the growth (rate) for all the global economies. It reduces the growth for India too. But even otherwise, even with that India is still growing as the fastest growing economy," she said.

**'Recalling what went wrong necessary'**

Targeting former prime minister Manmohan Singh for accusing the NDA government of always trying to put the blame on its rivals, she said that recalling when and what went wrong during a certain period is absolutely necessary.

Conceding that there were some "weaknesses" in his regime, Singh had on Thursday said the Modi government should stop blaming the UPA for every economic crisis, as five years were sufficient time to come up with solutions.

"I respect Dr Manmohan Singh for telling me not to do the blame game. But recalling when and what went wrong during a certain period is absolutely necessary to put it in context, now that I'm being charged that there's no narrative at all about the economy," Sitharaman said on Thursday.

The senior Congress leader's comments at the press conference in Mumbai came after Sitharaman at an event at the Columbia University in New York held the Manmohan Singh-Raghuram Rajan combination responsible for subjecting public sector banks (PSBs) to their "worst phase".

"I had to recall that. So, it's not so much with the sense of wanting to put the blame on somebody," the finance minister said.

Source: business-standard.com- Oct 18, 2019

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## Exporters body keen on value added exports to Japan

FIEO said that Indian exporters should look into value added segment of exports which account for major imports into Japan. In many of the products, the share of India is extremely low.

: The Federation of Indian Export Organisations (FIEO) has said that Indian exporters should export value added products to Japan in order to utilise the full potential of the East Asian country.

"The current export does not reflect the true potential of trade between India and Japan. The untapped export potential for Japan is more than $3 billion in sectors such as pharmaceuticals, gems & jewellery, marine products, rice, bovine meat, knitted t-shirts, ferro silicon, aluminium," said S K Saraf, President, FIEO addressing a session on Trade & Business Opportunities between India and Japan on Friday.

FIEO said that Indian exporters should look into value added segment of exports which account for major imports into Japan. In many of the products, the share of India is extremely low.

India's share in electric and electronic components (0.09%), machinery (0.36%), pharmaceutical (0.24%) and medical & surgical equipment (0.38%) requires massive improvement as combined imports of these products in Japan is over $250 billion, according to FIEO director general and CEO Ajay Sahai.

The apex exporters body has launched the India-Japan Business Group, an online platform, to promote interaction between business communities of India and Japan for promoting exports, imports and investment between the two countries.

FIEO also signed an MoU with Japan-India Industry Promotion Association (JIIPA), a Tokyo based NPO affiliated to Tokyo Metropolitan Government, to promote trade between India and Japan.

"The MoU will pave the way for greater cooperation and interaction between the two premier institutions," it said in a statement.

Source: economictimes.com- Oct 18, 2019

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# NITMA suggests restriction on imports under HS55092100

Restriction on the quantity of import under HS55092100 to 2,000 tonnes per month through import licenses and mandatory European Union (EU) Flower and Oekotex certificates for all import shipments under HS55092100 are part of the restrictions suggested by the Northern India Textile Mills' Association (NITMA) to be imposed on competitors like China, Vietnam and Bangladesh.

HS code 55092100 refers to single yarn containing more than or equal to 85 per cent polyester staple fibres by weight (excluding sewing thread and yarn put up for retail sale). Imports under HS55092100 surged to 9,000 tonnes per month from 500 tonnes per month—a rise of 1592 per cent over 2.5 years.

NITMA sent the list of its suggested non-tariff barriers recently to the ministry of commerce and industry and the ministry of textiles. Other suggestions include making the RKM (a measure of yarn strength) of all HS55092100 products 40 or more to meet the requirement of next-generation knitting and weaving machines, making all such imported products free of carcinogenic heavy metal compounds of antimony, and permitting such imports only against advanced license so that dumping from Indonesia, Vietnam and China can be harnessed to increase India's exports while at the same time protecting the domestic manufacturers from unfair competition, according to a NITMA press release.

Imports under HS55092100 should only be permitted if the importer can pay directly to the exporter with his own foreign exchange obtained through his export activities abroad to further boost India's exports, NITMA said in the letter.

The measures were suggested by NITMA in the wake of steps taken by Indonesia to tighten textile import rules to protect local the domestic industry, said NITMA president Sanjay Garg.

Source: fibre2fashion.com- Oct 19, 2019

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