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IBTEX No. 185 of 2019 September 20, 2019

US 70.80| EUR 78.27 | GBP 88.84| JPY 0.66

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
20000	41800	**74.99**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19810	41403	**74.28**

International Futures Price

NY ICE USD Cents/lb (December 2019)	60.33
ZCE Cotton: Yuan/MT (January 2020)	12,900
ZCE Cotton: USD Cents/lb	82.46
Cotlook A Index – Physical	**71.50**

Cotton Guide: The sideways trend continues for the ICE futures. The ICE December contract settled at 60.33 cents per pound with a meagre change of -17 points. The ICE futures gained a little momentum after the release of the US exports sales data but the bears were strong enough to push the prices further down. The other contract months, the ICE March 2020 settled at 61.06 cents per pound with change of -16 points whereas the ICE May 2020 settled at 62.08 cents per pound with a change of -17 points. Volumes were again discouraging at 19,494 contracts.

The main news that was driving the market was the US Export Sales Data which cannot be considered as healthy and can neither be considered as unsatisfactory. The Figures were for the Week Ending on 12 September 2019.

Net sales of 85,000 Running Bales (RB) for 2019/2020 were up by around 14 percent as compared to the previous week.

The main destinations were:

Country	Increases in Running Bales
Mexico	43,300
Pakistan	20,400
Costa Rica	15,200
Turkey	14,300
Vietnam	11,000

Table 1: Net Sales of 85,000 RB for 2019/2020

Reductions were for China at 39,300 Running Bales.

Whereas for the next marketing year, the net sales were as follows:

Country	Increases in Running Bales
Bangladesh	13,200
Colombia	2,300
Costa Rica	2,300
Mexico	1,100

Table 2 : Net Sales of 19,300 Bales for 2020/2021

Export Shipments' number was identical as compared to the previous week's data

Country	Shipments in Running Bales
Vietnam	48,400
Indonesia	29,500
Mexico	19,200
China	18,800
India	10,800

Table 3: Export Shipments

In the meanwhile, the import enquiries [for US Cotton] from Pakistan are on a rise. The enquires form Vietnam, Bangladesh and Japan are seen to test prices.

The MCX contracts on the other hand behaved as expected with October contract emanating gains and November and December emanating losses. From now on the rains have to be monitored in order to assess the crop conditions in India which will have a huge impact on the MCX cotton contract prices.

The Cotlook Index A has been updated at 71.50 with a change of -0.90 cents per pound. The prices of Shankar 6 are firm at 41,800 Rs per Candy.

For today, we are again presuming a consolidated trend with lower volumes. However, for ICE Sooner or later as soon as selling pressure arrives the prices can be hit hard. For MCX, prices are expected to gain value for the October contract by around 50 Rs and decline for the November and December contract.

On the technical front, ICE Cotton Dec future is holding above the breakout zone of 60.60-60.00 since last two trading sessions. In the daily charts the 9 day EMA coincides with the 38.2% Fibonacci retracement of the recent uptrend near the 60.60 levels, which could limit more downside in Dec futures. Earlier price has crossed the downward sloping channel and moved above the consolidation phase. At present Dec future is moving in an intermediate rising channel with positive crossover of the DEMA (5, 9) at (60.85, 60.60).

Momentum indicator RSI is at 52 levels which support further bullish bias in the price, along with positive divergence with reference to price. On the upside immediate resistance exists at 62.77(76.4% Fibonacci retracement level) and the immediate support would be 60.00, which is nearby the breakout level. So for the day price is expected to move in the range of 60.00-61.75 with sideways bias. Either side break would bring further clarity in the trend. In the domestic market MCX Oct future is expected to trade in the range of 19690-19900 with a sideways bias.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Egypt aims to be textile industry hub by 2025

Egypt's Ministry of the Public Business Sector has launched a new strategy to restructure all textile companies under the Cotton and Textile Industries Holding Company with the aim of restoring the Egyptian textile industry locally and globally.

The strategy involves a plan to reduce the companies' losses and increase profits with a total investment cost of EGP 21 billion.

The strategy will be fully implemented by 2022.

The government has already started to implement a plan, at a cost of EGP 8 million, to have 17 centres in Fayoum and Beni Sweif governorates receive cotton crops directly from farmers with no intermediaries.

According to Minister of the Public Business Sector Hisham Tawfik, this system gives farmers the right to be paid 70 percent of the sales price in cash, and that the remaining 30 percent are to be paid within one week of the public auction.

As part of its vision 2025, Egypt also plans to establish a new integrated city for textile industries and to boost the sector with EGP 12 million. The plan also involves establishing four new factories, modernising old equipment in existing factories, and providing training for workers.

The government plans to quadruple textile and garment exports by 2025.

Moreover, the Chinese company Ningxia Mankai began in May to build an industrial city for textile and clothing production, which will reportedly cover more than 3 million square meters and will host nearly 600 factories with investments worth $9 billion.

The new city is expected to be at full capacity by the end of 2019 according to pilot studies, the Chinese company said.

However, the head of textile industry at the Federation of Egyptian Industries Mohamed El-Morshedysays that no actions have been taken on the ground to modernise Egypt's textile industry, adding that the sector has failed to attract investments. He said that even the Chinese company announced as the key investor in the new textile city has not taken any real strides so far.

"The only action we can talk about is the public business sector ministry's project to improve state-owned textile factories. This project costs EGP 8 billion that will be entirely provided by Egypt's Cotton and Textile Industries Holding Company; no investments have been made," El-Morshedy clarified.

He also said that the textile city that has been announced is just "ink on paper," with no actions on the ground.

"I am dissatisfied with the direction of the textile industry, especially since the government has failed to reopen all closed textiles factories. The intentions are good, but there are no real actions to turn these intention into real work," he added.

The textile and apparel industry contributes 30 percent of industrial production in Egypt and 10 percent of total exports. The EU partnership agreement with Egypt allows the country to export textile and apparel products to EU countries without customs tariffs.

Source: ahram.org.eg- Sept 19, 2019

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Indonesian textile industry grows 20 per cent

The textile and apparel industry in Indonesia grew 20.71 per cent in the second quarter of 2019.However, Indonesia's share in the global textile market is around 1.6 per cent. In comparison, China's share is 31.8 per cent; Vietnam has a 4.59 per cent share and Bangladesh 4.72 per cent share.

The poor growth of exports of Indonesian textiles and textile products is due to the high cost of local production, facilities and trade policies that favor imports, and a lack of long-term planning which has deterred investment. The performance of the Indonesian textile industry sector continued to decline in the last 10 years. The trade war was an opportunity for Indonesian textiles to take over the Chinese market.

But the competitiveness of its products is still weak. Costs of energy, logistics, and labor are the inhibiting components. Yarn, fabric, and garment products from China are expected to flood Indonesia because of the trade war.

It will lead to an oversupply of domestic textiles, making the price drop and hit Indonesian textile companies. This market is an easy target for China since Indonesia does not apply trade barriers, unlike Brazil or Turkey. Indonesia remains an open market, and the most affected will be companies that rely on the domestic market.

Source: fashionatingworld.com- Sept 19, 2019

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Vietnam's textile-garment exports hit $25.7 bn in 8 months

The value of Vietnam's textiles, fibre and clothing exports reached $25.7 billion in the first eight months of the year, up 8.6 per cent year on year, according to the Vietnam Textile and Apparel Association (VITAS), which said 60.6 per cent of that figure came from foreign direct investment (FDI) enterprises. The industry's trade surplus in that period reached $10.8 billion.

The sector spent $14.9 billion to import raw materials for production, up 2.3 per cent year on year, 62 per cent of which was done by FDI enterprises.

The US-China trade war has affected exchange rates, leading to higher prices of processed goods in the country compared to regional competitors like South Korea and China. That has also affected the number of export orders for local enterprises, according to a report in a Vietnamese newspaper.

In the first eight months of this year, textile production and exports have grown over the same period last year, but due to changing orders, local businesses need to have solutions for production and business.

Industry experts said export orders have fallen. Some businesses have only received 70 per cent of new orders compared to the same period last year.

Consumption of fibres and raw materials has struggled as China, Vietnam's major export market that accounts for 60 per cent of such exports, has cut import volume. Garment enterprises also saw a drop in orders.

In 2018, many large enterprises in the industry had export orders throughout the year, while this year, they could only sign monthly export contracts with small volumes. Buyers are concerned the US-China trade war will escalate, so orders are broken up instead of in bulk.

As the third quarter comes to an end, it is unlikely that Vietnamese textile enterprises will increase exports due to the ongoing trade war as was predicted earlier by some.

Vietnam has not seen investment flows to the textile and garment industry due to the trade war, according to the Vietnam Textile and Garment Group (Vinatex). There have not been significant shift in production from China to Vietnam.

Although the export turnover is large, the domestic textile and garment industry still lacks input materials. It has to import all cotton and 80 per cent of fabric and other material from China and India so the product costs of domestic firms are much higher than FDI companies.

Source: fibre2fashion.com. - Sept 19, 2019

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Bangladesh's LDC graduation and its repercussions for RMG

Bangladesh's LDC graduation, to take effect from 2024, needs to be celebrated as a recognition of the country's remarkable progress on many fronts over the past years.

At the same time, there is no denying the fact that graduation will entail a number of new challenges as Bangladesh moves forwards on its post-graduation journey.

Important questions that merit attention, and deserve to be closely examined, relate to the possible impacts of graduation on the country's flagship sector, the export-oriented readymade garments industry: what will LDC graduation mean for the future of the RMG sector in terms of its competitiveness and performance; how will the implications be felt at the enterprise level; in which ways LDC graduation will impact on how RMG entrepreneurs conduct their business and marketing; what initiatives will need to be undertaken towards technological upgrading, social compliance, labour standards and rights compliance, to address the post-graduation challenges.

Given the importance of the sector for Bangladesh's macroeconomic performance, employment, export earnings and balance of payments, not to speak of the positive implications in terms of social parameters, and overall, in projecting the brand Bangladesh to the world, answers to the aforementioned questions are of heightened interest from the perspective of future development of not only the RMG sector, but also the overall performance of the Bangladesh economy.

Implications of LDC graduation

As is well known, LDC graduation will result in Bangladesh losing the preferential market access facilities enjoyed by the LDCs thanks to the various unilateral, and bilateral, regional and global initiatives. While the EU has offered to extend the preferential market access for an additional three years following graduation (i.e. till 2027 in case of Bangladesh), there is no denying that future market access scenario for Bangladesh will undergo profound changes in the coming years.

In no sector will the implications of Bangladesh's LDC graduation be felt more acutely, and in such impactful ways, as the RMG sector of the country. Not only because the sector accounts for more than four-fifths of Bangladesh's total global export earnings, but also because apparels face tariff peaks in almost all key markets of Bangladesh. For example, tariffs facing Bangladesh's apparels are, on average, about 12 percent in the EU and 16-18 percent in Canada. Accordingly, the depth of preference erosion will be significantly high in case of exports of RMG items from Bangladesh.

It is also to be noted that the rules of origin (RoO) for preferential access of apparels exported by the LDCs tend to be highly LDC-friendly (e.g. only a single stage conversion requirement in the EU and a flat 25 percent domestic value addition requirement in Canada). Graduation to non-LDC developing country status will also mean that the RoO are going to be more stringent. Thus, on both counts, LDC graduation will require the apparels sector to face new challenges.

There will also be implications in the form of preference erosion currently enjoyed by Bangladesh as a member of regional trading arrangements such as the South Asia Free Trade Area (SAFTA), where India, for example, offers DF-QF market access to the four LDC members for all products including the apparels or the LDC scheme run by China.

Indeed, apparels feature prominently in all the 40-odd preferential schemes from which Bangladesh currently benefits (excepting the US GSP scheme which does not include most of the apparels items exported by Bangladesh; however, in any case, US had withdrawn the GSP facility for Bangladesh following the Rana Plaza tragedy in 2013).

Estimates carried out at the Centre for Policy Dialogue (CPD) indicate that Bangladesh's exports will face an additional tariff of about 6.7 percent, on average, once the current DF-QF market access is no longer available. The corresponding figures for the EU, non-EU and Canadian markets are 8.7 percent, 3.9 percent and 7.3 percent respectively. Thus, preference erosion and more stringent rules of origin will adversely, and significantly, impact the competitiveness of Bangladesh's apparels exports to the global market. The market signals are quite clear: business as usual scenario is going to fundamentally change and business as usual mind-set will also have to change profoundly.

Some of the competitors of Bangladesh are going for aggressive regional trading arrangements (RTAs), with serious implications for our RMG sector. Mention may be made in this connection of the Vietnam-EU FTA which will allow a major competitor of Bangladesh (Vietnam) to access the European market on duty-free terms.

This will eliminate the preferential margin that Bangladesh currently enjoys vis-à-vis Vietnam, a non-LDC developing country, in the EU market. Indeed, there may be a time, beyond 2027, when Vietnam's apparels would have duty-free access to the EU market while apparels exported by Bangladesh would need to enter duty-paid (if the current scenario prevails). Aggressive foreign exchange policies pursued by competitors could bring new challenges for the RMG industry of Bangladesh.

RMG performance will also be impacted by indirect factors. For example, LDC graduation will have implications arising from stringent compliance requirements under the trade-related intellectual property rights (TRIPS) of the WTO, as also from changes in the support regime concerning the enhanced integrated framework (EIF) and the various special and differential treatment provisions of the WTO. In the past, the RMG sector has benefited from the technical assistance and capacity building support received by Bangladesh as an LDC; these will no longer be available.

Meanwhile, minimum wages in the RMG sector will, justifiably, continue to rise at a time when the sector will be facing the challenges mentioned above. Cost of borrowing by Bangladesh is rising already because of its recently acquired middle income status; competing development demands and prevailing domestic resource mobilisation performance could mean that fiscal space for the type of incentives that the RMG sector has been traditionally enjoying could shrink in future.

The upshot of the discussion is that, targeted policies and actions will need to be undertaken at macro, meso (sectoral) and micro (enterprise) levels to address the emerging challenges facing this flagship sector of the country.

Going forward: Addressing the challenges

Bangladesh will need to pursue negotiations in various fora, jointly with other graduating LDCs, to secure their common interests in view of the emerging challenges. The country's policymakers will have to take a proactive stance in the WTO and lead the effort to design a package of support towards sustainable graduation of the LDCs. Such a package should include targeted initiatives in areas concerning preferences (continuation), aid for trade (additional) and special and differential treatment (in selected areas of interests to these countries), at least for a few additional years. Already the idea of a package of support for graduating LDCs has been mooted in various global fora. This idea is very much in line with the UN 2005 resolution which asks members to extend support towards sustainable graduation of the graduating LDCs.

Indeed, it was in response to this resolution that the EU offered the graduating LDCs a three-year extension of the preferences under its everything but arms (EBA) initiative. The proposed package would have provided the graduating LDCs and their apparels sectors a much-needed breathing space as they embark upon their post-graduation journey. Support for LDC graduation as part of South-South Cooperation is another possible option. Bangladesh should take the lead in exploring the possibility of extending preferential treatment under unilateral LDC schemes, such as those run by India and China, for some years following graduation. Indeed, China extended LDC preferential treatment to Samoa following its graduation in 2014.

At the same time, Bangladesh will also need to keep in the purview its future as a non-LDC developing country, and argue in favour of strengthening market access and other special and differential provisions in the WTO in support of the developing countries.

While GSP plus is an option for Bangladesh in the context of the EU, the current eligibility criteria remain a constraint, not to speak of the provision of strict enforcement of the 27 international conventions on human rights, labour rights, environmental protection and good governance. Bangladesh will also have to be prepared to go for bilateral FTAs with key trading partners. Indeed, Bangladesh is one of the very few countries which do not currently have any bilateral FTAs. This would call for significant strengthening of analytical and negotiating capacities on Bangladesh's part. This will also require further strengthening of Bangladesh's ability to ensure compliance and enforce standards (labour, social, technical, intellectual property rights, environmental). In this regard, ability to continue pursuing the compliance initiatives undertaken as part of Accord and Alliance, on our own, at the enterprise level, will be important.

An objective scrutiny of support measures and incentives in place for the RMG sector will also need to be undertaken to ensure WTO compliance, and avoid trade-related disputes once Bangladesh has graduated. Some of the measures may have to be revisited and redesigned to ensure compliance as a non-LDC.

In post-LDC Bangladesh, with the status of a middle-income country, there will be a growing demand for better enforcement of workers' rights and for gradually moving towards living wage systems of compensation. These are also aligned with the SDG aspirations of Bangladesh, particularly Goal 8 relating to decent labour.

The next few years, in the run-up to graduation in 2024, should allow Bangladesh the scope and space to design appropriate strategies and take the needed preparatory steps towards sustainable LDC graduation and sustainable transition of its RMG sector.

Concerned stakeholders must demonstrate that they are both willing and able to address the anticipated post-graduation challenges. For ensuring a sustainable and robust future for the RMG sector, aligned with the aspiration of Bangladesh for graduation with momentum and sustainable LDC graduation, all concerned stakeholders will have to do the needed homework and start preparing for the post-2024 future of the RMG sector with the urgency that the attendant tasks demand.

Source: eastasiaforum.org- Sept 17, 2019

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Fiber demand growing in the textile industry

Growth in fiber consumption would average annually around 3 to 4%

The 58th annual Dornbirn Fiber Congress highlighted the need for innovation and networking for sustainable growth. And, more importantly, the immediate need for a circular economy in the sector.

Who's who in the textile fiber world gathered recently in the picturesque town of Dornbirn on the foothills of Karren mountain range in Austria. About 700 delegates from over 30 countries discussed the state of the fiber industry with regard to its sustainability initiatives.

Cotton is a valuable fiber in the mix for the textile sector. According to inputs from global brands, the industry can consume up to 31 million metric tons of cotton, said Robert van de Kerkhof, Chief Commercial Officer of Lenzing AG, Austria.

While the global consumption of cotton has remained flat at 28 million metric tons, there is potential for an additional demand of 3 million metric tons.

To a question from this scribe on the competition between regenerated fibers and cotton, van de Kerkhof emphasized the need for all sorts of fibers. There is no competition between Lyocell and cotton stressed van de Kerkhof.

With an annual production capacity of 300,000 metric tons, Lyocell needs a friendly partnership with sustainable fibers. Lenzing will have additional

100,000 metric tons of Lyocell for the textile industry, as it will have a new manufacturing plant in Thailand and will be online by the end of 2020.

He appreciated the sustainability efforts undertaken by the global cotton industry, but there is more work to do, added van de Kerkhof. He highlighted few initiatives such as those by the Brazilian cotton sector, which is making planned efforts to develop in regions where there is good rainfall.

According to van de Kerkhof, new products can have blends of cotton with Lyocell to enhance attributes like strength. United States-based Cotton Incorporated is also promoting the concept of developing cotton rich blends to exploit the benefits of different fiber blends.

New opportunities are emerging for cotton such as Lenzing's cotton-based Lyocell fibers, 'REFIBRA™.' Cotton for use in technical textiles in both virgin and processed forms are being exploited by many industries these days. Chennai, India-based WellGro United has partnered with a textile manufacturer in South India to deliver cotton for technical textiles.

Source: textiletoday.com.bd- Sept 19, 2019

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Pakistan: Cotton falls as China cancels orders, bumper crop forecast

Cotton prices inched down on Thursday as top consumer China canceled orders of US fiber and on forecast for a bumper harvest, although losses were limited by data showing higher US export sales. Cotton contracts for December settled down 0.17 cent, or 0.28 %, at 60.33 cents per lb. It traded within a range of 60.28 and 61.13 cents a lb.

"The export sales are below expectations mostly due to cancellations from china and the weather is really good, boosting crop conditions," said Rogers Varner, president of Varner Brokerage in Cleveland, Mississippi. Weekly data from the US Department of Agriculture (USDA) on Thursday showed net sales of 85,000 running bales, up 14% from what was reported last week. The report also showed reductions of about 39,000 from China.

The slowdown in China's economy deepened in August, with growth in industrial production at its weakest 17-1/2 years amid spreading pain from a trade war with the United States and softening domestic demand. China is the biggest consumer of cotton and US is the biggest exporter.

Prices have fallen nearly 18% so far this year on the backdrop of the protracted trade war between the United States and China, one the leading consumers of the natural fiber. "If the market can hold about the 60 levels in the next couple of days, it can touch 64.30 levels next week," said Louis Barbera, partner and analyst at VLM Commodities Ltd.

Total futures market volume fell by 5,293 to 18,676 lots. Data showed total open interest gained 199 to 230,791 contracts in the previous session.

Source: fp.brecorder.com- Sept 20, 2019

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Pakistan: ‘Tax-free import from China to benefit traders’

Quetta Chamber of Commerce and Industry (QCCI) President Haji Jumma Khan Badezai on Thursday said tax-free import of Chinese products would open new business opportunities for the province’s traders.

He was speaking while receiving a list of 313 tax-free Chinese products that could be imported through the Chinese Amen Logistic Company.

“When the chairman of the Chinese Admen Logistic Company visited the QCCI office we requested him to provide us with a list of tax-free Chinese products that could be imported,” he said.

“Local traders now have access to Chinese markets for the next three years,” he added.

“By importing tax-free products from China, our economy will strengthen.”

QCCI member Shah Jahan Kakar said for the first time Pakistani traders would receive a pavilion in China’s trade city of Youo where they would display local products.

“This opportunity will allow us to highlight our products at an international level,” he added.

China had granted duty-free access for export of 313 goods under the second phase of the China-Pakistan free trade agreement. This is expected to help increase exports by tapping Pakistan’s potential in agriculture, textile, food, minerals, engineering, and other sectors.

Pakistan will have access to rice, textile and leather products to the Chinese market. In many cases, the tariffs have been significantly reduced in Pakistan.

Since the conclusion of a free trade agreement (FTA) with China – signed in 2006 and became operational in 2007, Pakistan’s imports have gone up at a gallop.

As per Pakistan Bureau of Statistics (PBS) data, in 2006-07, last pre-FTA implementation year, Pakistan’s imports from China were $3.52 billion, which accounted for 11.52% of total global imports of $30.54 billion.

At the close of 2017-18, Pakistan’s imports from China had gone up to $15.74 billion, which accounted for 25.89% of total global imports of $60.79 billion.

Source: tribune.com.pk- Sept 20, 2019

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NATIONAL NEWS

Connect the dots, RCEP is heavily loaded against India

The Regional Comprehensive Economic Partnership (RCEP) cannot and ought not to be viewed in isolation. We are on the verge of experiencing tectonic shifts in global trade with the global tariff war already in its second year. The US has imposed tariffs on more than $350 billion of Chinese goods and China in turn has retaliated with levies on more than $100 billion of US products.

News reports have emphasised on how the economic slowdown clubbed with the trade war are forcing Chinese authorities to offer huge subsidies to avoid a manufacturing exodus. Evidently, China desperately needs every possible inch of the RCEP market. This is good enough reason for Indian manufacturers to fret over Chinese "dumping". Beyond jargons and legalese, the commerce ministry appears to have no answer about probable RCEP benefits to our exporters.

The experts who are making intellectual choices about RCEP being the biggest game-changing trade reforms post 1991 are quietly glossing over the theorem that India will have an opportunity to be part of the global value chain only in theory.

A major part of the reason appears to reside in the complex journey of Indian negotiations through the RCEP channels since 2013. The negotiators primarily gave in to China and the ASEAN viewing the RCEP as a bloc that fundamentally promotes duty-free Chinese imports to India.

The global value chain makes no sense in the Indian context as we offer varied tariff concessions to different RCEP countries, because of which India will neither be a destination for intermediate manufacturing nor a consequent exporter of those products at a time when end to end manufacturing is not possible in any single nation.

The dialogue on services got quietly buried in the RCEP backyard even before it could take off. The rules of origin negotiations, as detailed in the previous piece, having reached a point of no return, are against our national interest.

To add to the ongoing plight, every piece of trade data is awfully discouraging and disappointing, in equal measure. In 2018-19, India has registered trade deficit with 11 RCEP countries, including China, South Korea and Australia.

Certain think-tanks and consultants have been engaged by the government, according to news reports, to analyse and evaluate the long-term RCEP gains and losses. Strangely, these reports have not been made public even as the final rounds of RCEP dialogue are expected to commence shortly.

V K Saraswat, Member, NITI Aayog, published a report which vehemently argues that "…opening our market to China can prove to be disastrous, given that proper standards and processes are not in place in India".

Intriguingly, this negative pronouncement on the RCEP, as close to being called official, carries a disclaimer that it does not represent the opinion of the institution, albeit being available on the website of the government's premier policy think-tank.

It is an undeniable fact that the RCEP will directly affect the indirect tax collections. At a time when GST, more than two years after introduction, is still "settling in", this will not be good news, especially against the backdrop of a precarious economic slowdown.

Furthermore, the government does not seem to have factored in compliance costs, resource diversion, administrative delays, dumping anxieties and the absence of existing standard procedures in India to deal with circumvention, post implementation of the RCEP.

The US President recently threatened to pull out of the WTO agreement, something that does not appear to be political posturing against the backdrop of Donald Trump withdrawing from the Paris Agreement and Trans Pacific Partnership (TPP) and renegotiating many other trade pacts.

This is not surprising for a President who predicated his election campaign on defining American global interests almost purely in economic terms. India has a serious lesson to learn here.

The Make in India initiative, launched by Prime Minister in 2014, states to be part of a wider set of nation-building initiatives devised to transform India into a global design and manufacturing hub. Ironically, the comprehensive

RCEP, which will be signed by PM Narendra Modi, without an iota of exaggeration, will aim to strike at the very heart of the Make in India.

India's foreign minister during a recent interaction with the media in Singapore was quoted as saying "The RCEP, at the end of the day, is an economic negotiation. It has a strategic implication but the merits have to be economic".

Unfortunately, the facts do not seem to suggest any economic advantage. Diplomacy around the world is being shaped by economic considerations and it would not be wrong to drive our foreign policy epicentred on 'India first' approach to trade.

Is India ready for the RCEP now? The answer seems to be a resounding No.

Source: moneycontrol.com - Sept 19, 2019

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Textile industry hopeful for a cut in GST rate on synthetic fiber

The textile industry is seeking a cut on goods and services tax (GST) from the GST Council meeting on Friday.

At a recent meeting with Union Finance Minister Nirmala Sitharaman, it had urged a uniform GST rate for the entire industry.

Currently, the cotton textile value chain — yarn, fabric, apparel, and others — attracts a uniform GST rate of five per cent. Purified terephthalic acid (PTA), the key input in making polyester yarn and fabric attracts 18 per cent. And, polyester yarn and fabric are taxed at 12 per cent and five per cent, respectively.

"Because of the current inverted tax structure, the requirement of working capital for synthetic yarn goes up to the extent of six per cent due to higher GST incidence on raw material than finished products.

Therefore, there is a need to rationalise GST across the value chain from PTA, yarn and fabric to five per cent. The cut in rate would enhance cash flow and reduce prices of synthetic yarn and fabric," says Madhu Sudhan Bhageria, chairman, Filatex India. In cotton fabric, there is no such inverted duty structure.

At the said meeting, the finance minister had assured a re-look on the matter. Polyester yarn is 78 per cent of the total volume of man-made fibres produced in India.

Ujjwal Lahoti, Past Chairman of The Cotton Textiles Export Promotion Council, calls for a uniform five per cent of GST across the entire textile value chain. "While the cotton textile industry is enjoying five per cent GST, the same should be applicable for synthetic textile players as well. A uniform duty structure would help with long-term decision making on investment and competitiveness," he said.

An investment of Rs 1,000 crore in the polyester yarn sector can generate employment for 2,500 people, say companies.

Global production of natural fibres was nearly 30.6 million tonnes in 2008 and is now 32 mn a year, a compounded annual growth rate of 0.5 per cent. Synthetic fibres have grown from 45 mn in 2008 to 79 mn currently, a compounded annula rise of 5.9 per cent in the past decade.

In a meeting held recently with the Union Finance Minister Nirmala Sitharaman, the textile industry had urged for a uniform GST rate for the entire sector.

Source: business-standard.com- Sept 19, 2019

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PM Modi may sign trade deal during upcoming US visit to resolve issues

Modi will be visiting Houston, Texas, and New York as part of a six-day trip from September 21 to 27

A mutually acceptable "trade package" is expected to be signed between India and the United States (US) during Prime Minister Narendra Modi's upcoming trip to the US later this week.

Modi will be visiting Houston, Texas, and New York as part of a six-day trip from September 21 to 27. Apart from a planned address to the United Nations, a resolution to pending trade issues is expected to be the high point in foreign policy goals, senior officials said.

The package has been in the works for more than a year and trade officials have met as many as six times to try and hammer out a deal that provides an amicable solution to grouses from both sides. India is considering the dismantling of its current price cap regime for coronary stents with a trade margin policy. It may also allow lower duties on import of certain information and communication technologies products such as high-end mobile phone and smart watches from the US that may make iPhone products cheaper in the country, commerce department officials said.

In return, the US would step back from its aggressive posturing on "reciprocal taxes" on Indian goods. Trump has repeatedly accused India of being a "high tariff nation", referring to duties placed on Harley-Davidson motorcycles.

"While the US would fall foul of the World Trade Organization norms if it imposes a 'reciprocal tax' against India, it would undo all the discussions so far. We would have to protect our exporters," a senior official added. Also, since some of the proposals have met with significant opposition from the domestic industry, any possibility of reciprocal taxes on India would stop trade talks, another official added.

Talks had run the risk of coming apart earlier this year, after the US had cut off India's duty-free access to the American market under its largest preferential trade scheme, the Generalised System of Preferences.

Subsequently, India had raised import duties on key high value products from the US, mostly apples and almonds.

A promise to ramp up the purchase of crude oil from Texas, a key US demand, will be made by India. In 2017, India got its first consignment of crude oil from the US, 42 years after Washington DC stopped oil exports in 1975. Indian Oil Corporation and Bharat Petroleum had placed orders for over 2 million barrels from the US, which was pegged to boost bilateral trade by $2 billion.

Sources say the US had also asked India to confirm the current economic slowdown and the turmoil in the domestic aviation sector will not affect civilian aircraft purchases by India. Low-cost carrier SpiceJet itself has ordered 205 aircraft from US manufacturer Boeing.

However, the government will not be focusing on the reinstatement of GSP benefits, which have lapsed and the government will not actively petition the US to change its position, a senior official said.

Source: business-standard.com- Sept 19, 2019

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National Logistics Policy soon: Indian minister

India will soon release a National Logistics Policy to reduce the cost of logistics to at least below 10 per cent, according to commerce and industry and railways minister Piyush Goyal, who told a forum that an effort involving the railways, ports, the shipping and airline industries and the road transport ministry is under way to work on the programme.

The Asia Pacific Trade Facilitation Forum 2019 in New Delhi, which is in its ninth edition, was held for the first time in India recently and jointly organised by the commerce ministry, the Asian Development Bank (ADB), the Confederation of Indian Industry (CII) and the United Nations Economic and Social Council for the Asia and Pacific (UN-ESCAP).

Goyal said the implementation of the goods and services tax (GST) has significantly reduced the travel time for long distances through road transport with entry points becoming seamless. The efficiency of road transport has caused a bit of stress for the railways, which is competing with far more efficient road transport system, Indian media reports quoted him as saying.

The National Committee on Trade Facilitation, chaired by the cabinet secretary, is working to make trade facilitation a reality. As many as 76 specific action points on trade facilitation are being monitored at the highest level, he said.

Source: fibre2fashion.com- Sept 19, 2019

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Yarn exports dip adds to capacity underutilisation: Ind-Ra

Cotton, which contributes over half of the raw material in India's textile sector, has seen a declining trend in its price with pressures from competitive international cotton prices owing to higher production in some nations, according to the July 2019 edition of the credit news digest on India's textile sector published by India Ratings and Research (Ind-Ra).

However, the reduction in prices has not been commensurate with the spreads with international cotton. With muted demand for yarn from China and Pakistan enjoying duty-free exports to China, Indian yarn manufacturers are suffering with idle capacities and production losses, the report said.

With the negative spreads, the agency now expects a continued trend of increased imports for the cotton season 2018-19. For the current sowing season, cotton productivity has been estimated to be the lowest in the decade at 420.72 kg per hectare, owing to low acreage and low sowing interest by the farmers over other crops.

While yarn manufacturers are facing headwinds on the exports front, the poor off-take of yarn from the domestic fabric industry will ensure that the current sub-normal capacity utilisation levels continue. The agency expects yarn production to fall 5-8 percent year-on-year (YoY) in fiscal 2019-20 owing to lower demand from China and volatility in cotton prices.

Synthetic or manmade fibre (MMF) has seen a stabilisation in the prices with support from almost stable crude prices in the second quarter of this fiscal. Further, the improving spread with cotton has made MMF more lucrative sub-sector for textile market.

Readymade garment exports have started improving with end of the first quarter for 2019-20 and the beginning of the second quarter recording higher exports. With the introduction of incentives in the form of Rebate of State & Central Taxes and Levies scheme, along with the existing Merchandise Exports from India Scheme, for made-ups and garments, exports are benefitting up to 5 per cent.

These incentives aim to help India cope with Vietnam and Bangladesh that have improved their market share in the global textile industry in select sub-segments, says the report.

Capital expenditure in textiles has been majorly to replace machines with new technologies and shift to premium/ niche products in the existing line-up. Projects outstanding have outpaced the completion of projects, owing to muted demand, volatility in cotton prices and US-China trade war, the report adds.

Source: fibre2fashion.com – Sept 19, 2019

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Cotton Corp CMD against price cut as pdt quality high

Cotton Corp of India will not give in to pressure from textile cartels to sell its stocks at a cheaper rate, as the quality of cotton is far superior, P. Alli Rani, chairman and managing director of the state-owned agency, told Cogencis in an interview.

"I have very high quality cotton. I can firmly say that the stock is less than 2.5% trash...I also have a premium stock which is less than 2.0% trash," Rani said.

Her comment comes in the wake of a cry by textile bodies to the government to direct Cotton Corp to sell its stocks at a cheaper rate.

The company currently holds around 900,000 bales (1 bale = 170 kg) out of around 1.1 mln bales of cotton it procured in the current marketing season ending this month. It has been auctioning cotton slightly at a premium to the ruling price of average quality produce.

The price gap between cotton sold by the agency and that prevailing in the market has widened significantly in the last few days after global prices fell by a steep 15%.

The fall in local prices that followed was not as steep as that in the global market, mainly due to extremely tight supply. This was because output in the current year was at a decade-low due to droughts in key producing states of India.

Currently, Cotton Corp offers cotton at around 49,000 rupees a candy (1 candy = 356 kg) compared with the current market price of 43,000-43,500 rupees, because of which sales are slow.

Rani said that Cotton Corp would rather hold stocks instead of cutting prices and incurring losses, as cotton is not a perishable commodity.

She took over the reins of Cotton Corp in 2017 and is proud of converting it into a much cleaner and transparent entity by eliminating the nexus between its employees and industry players that saw the state-run company incur financial losses and tarnished its image.

Before joining Cotton Corp, she was with the Indian Railways, and before that has worked with logistics behemoth Container Corp of India, and telecom giant Bharat Sanchar Nigam Ltd, among other organisations.

Last year, she opposed ginners across the country and the Punjab government, to ensure Cotton Corp purchased only good quality cotton directly from farmers and avoid intermediaries.

Rani, who has been focussing on improving the perception and valuation of Indian cotton, is of the view that Indian traders taking Cotlook A Index as global price benchmark was hampering discovery of fair price for Indian cotton, despite it being the world's largest producer.

For cross-boarder deals, traders use Cotlook A index, which is a simple average of the five cheapest rates of upland US cotton from 19-odd destinations traded globally, which is susceptible to manipulations, Rani said.

Indian traders must understand that the cotton lying with Cotton Corp is of premium quality than the variety benchmarked to Cotlook and traders must pay higher for quality, she said.

She denied industry allegations that Indian spinners have been losing in the international cotton yarn market due to premium pricing of the raw material, largely attributed to higher minimum support price.

"This is a false situation perpetuated...If Bangladesh can import cotton from India at high prices and sell yarn in the international market, why can't India," Rani said, adding,"...the truth is we (spinners) are not prepared to pay for good quality (cotton)."

India's exports were down due to bilateral trade pacts and because of competitors such as Vietnam, South Korea and Bangladesh getting preferential accesses in the global markets.

Bangladesh meets over 60% of its cotton requirement from India and figures in the world's top two exporters in various textile products. The country has been the top destination for Indian cotton over last few years.

India's cotton yarn exports are likely to have fallen by more than 50% in August and likely down over 35% in Apr-Aug, according to industry estimates.

If Indian traders found Cotton Corp's prices too high, why weren't they importing the cheaper US cotton, questioned Rani rhetorically. "Because America is dumping all bad quality of cotton and Cotlook Index is the average of the lowest quotes. That is the true picture," she said.

2019-20 PRODUCTION

Rani said India's cotton production in 2019-20 (Oct-Sep) was likely to be at least 35 mln bales, up nearly 4% from the previous year due to higher acreage and better weather conditions in most of the growing regions.

In the last few years, India's cotton output has averaged around 35 mln bales.

"Based on five-year average yield of 493 kg/ha and estimated area of over 12 mln ha, it is expected that total output may remain around 35 mln bales," Rani said.

According to farm ministry data, India's cotton sowing was up 5% from a year earlier at 12.7 mln ha, with nearly 94% of the area being under the genetically modified Bt cotton, which should increase productivity.

PROCUREMENT

Rani said Cotton Corp is ready to procure 10 mln bales if prices fall to minimum support levels. "We have opened 360 centres across the country, and can add another 50 centres," she said.

India is looking at above-average output in the coming season due to well-spread rains in key growing areas and increase in acreage. This, and the fall of benchmark Cotlook price below the minimum support price will keep domestic prices down for a prolonged period as new harvest hits market from November, forcing Cotton Corp to purchase large quantities.

Last year too, Cotton Corp had prepared for a similar situation. In the first few weeks it bought over 1 mln bales, mostly from Telangana, Madhya Pradesh and Maharashtra. But prices recovered handsomely later as the crop size was much lower. This led Cotton Corp to cut short its intervention.

Rani said prices will be under pressure, but is optimistic of a recovery soon as people realise that global weakness may have a limited impact on Indian cotton prices. Also, China may turn to India to replenish its reserves after destocking heavily in the past two to three years.

Source: cogencis.com – Sept 19, 2019

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