**Cotton Market**

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>20478</td>
<td>42800</td>
<td>75.72</td>
</tr>
</tbody>
</table>

**Domestic Futures Price (Ex. Warehouse Rajkot), August**

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>21280</td>
<td>44475</td>
<td>78.68</td>
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</tbody>
</table>

**International Futures Price**

<table>
<thead>
<tr>
<th></th>
<th>USD Cent/lb</th>
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</thead>
<tbody>
<tr>
<td>NY ICE USD Cents/lb (December 2019)</td>
<td>58.94</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (September 2019)</td>
<td>12,790</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>81.79</td>
</tr>
<tr>
<td>Cotlook A Index – Physical</td>
<td>71.20</td>
</tr>
</tbody>
</table>

**Cotton Guide:** The Markets have considered the Net Export Sales data released yesterday to be a bearish indicator. The tone of the market initially yesterday at 6 pm IST was MIXED, with the bears winning the battle at the close of the day. The ICE December contract settled exactly 1 cent low at 58.94 cents/lb.

The export sales figures displayed neutral figures. The omission of new sales to China caused the bearishness whereas the inclusion of new sales to other countries bringing forth demand was considered to be slightly bullish, despite the fact that the net export sales were halved as compared to the previous week.
Reductions were reported for Hong Kong (8,600 RB) and China (600 RB). For 2020/2021, net sales of 500 RB resulting in increases for Japan (1,200 RB).

This morning at 8 am we can see a huge green candlestick which is presumed to indicate that some short covering has initiated today. The prices have rebounded to touch 59.36 cents/lb and are now trading in the bandwidth of 59.20-59.30.

<table>
<thead>
<tr>
<th>Country</th>
<th>Increases in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>50,400</td>
</tr>
<tr>
<td>Vietnam</td>
<td>36,100</td>
</tr>
<tr>
<td>Peru</td>
<td>24,000</td>
</tr>
<tr>
<td>Turkey</td>
<td>10,900</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8,900</td>
</tr>
</tbody>
</table>

Table 1: Net Export Sales of 164,000 Running bales

Reductions were reported for Hong Kong (8,600 RB) and China (600 RB). For 2020/2021, net sales of 500 RB resulting in increases for Japan (1,200 RB).

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>81,800</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>40,700</td>
</tr>
<tr>
<td>India</td>
<td>39,600</td>
</tr>
<tr>
<td>Turkey</td>
<td>32,700</td>
</tr>
<tr>
<td>China</td>
<td>31,300</td>
</tr>
</tbody>
</table>

Table 2: Exports in Running Bales

Yesterday, many were hoping that the prices would gain strength owing to the fact that the Chinese ZCE futures closed slightly higher. But we now understand that this correlation has failed yesterday and a stronger ± close at ZCE of around 300 yuan would be more effective to alter sentiments that drive the prices of ICE.

While speaking about the domestic contracts the markets to no one’s surprise were positive as usual. All the MCX contracts settled positive. The last MCX contract for the 2018-2019 Cotton Marketing year settled at 21,280 Rs/Bale with a change of +140 Rs. The MCX October contract settled at 19,910 Rs/Bale with a change of +40 Rs. The total volumes summed up at 1,306 lots as compared to the previous figures seen below 1,000 lots.

The Cotlook Index A has been adjusted positively at 71.20 cents/lb with a change of +0.70 cents/lb. Shankar 6 has remained unchanged since a few days at 42,800 Rs/Candy.
Fundamentally, the prices, we presume, will remain consolidated in the narrow range of 150 points for the ICE contract whereas the MCX contracts will display more positivity.

On the technical front, prices are trading in between supply zone (60.20-60.50) and demand zone (57.30-57.50) since 5th Aug suggesting a flattening trend. In sideways market, oscillators works as cashing machine and it is evident in stochastic fast indicator.

For the day trading in the range of 58.50-60 with a positive bias is recommended. In the domestic market MCX Aug future is expected to trade in the range of 20900-21400 with a sideways to positive zone. While a close below 20900 will weaken the price trend.

**Compiled By Kotak Commodities Research Desk**, contact us: [mailto:research@kotakcommodities.com](mailto:research@kotakcommodities.com) or can contact: [allwyn.stewart@kotakcommodities.com](mailto:allwyn.stewart@kotakcommodities.com), Source: Reuters, MCX, Market source
### INTERNATIONAL NEWS

<table>
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<td>A new foreign trade policy on the anvil: Official</td>
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<td>SEZ rules may be tweaked to let excess land be used for factories</td>
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<td>5</td>
<td>India can add 8% to its exports if it puts its last mile connect in the fast lane</td>
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<td>Cotton prices to trade sideways to higher: Angel Commodities</td>
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<td>WTO reforms must be taken up by all member countries: Piyush Goyal</td>
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<td>Economic slowdown: Export focus fine, but there’s more to growth</td>
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<td>10</td>
<td>Sri Lanka organises business forum in Gujarat</td>
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INTERNATIONAL NEWS

US-China trade war uncertainty could cost $585 bn by 2021

Uncertainty arising out of the US-China trade conflict could lower world gross domestic product (GDP) by 0.6 per cent in 2021, relative to a no-trade-war scenario, according to Bloomberg Economics. That is double the direct impact of the tariffs and the equivalent of $585 billion off the International Monetary Fund’s estimated 2021 world GDP of $97 trillion.

The Bloomberg Economics report was drafted by Dan Hanson, Jamie Rush and Tom Orlik.

The analysis showed China would be hit harder by the uncertainty factor, with its GDP lower by 1 per cent compared with a 0.6 per cent chunk taken out of the economic output of the United States, the news agency reported.

A survey released last week by the Federal Reserve Bank of New York found a growing conviction among businesses that tariffs were hitting their bottom line. The Fed responded to economic headwinds with a rate cut of 0.25 per cent last month.

The Bloomberg Economics report said that while monetary policy can be used to mitigate uncertainty shocks, it cannot prevent the damage entirely. If central banks respond to demand weakness, world GDP will be 0.3 per cent lower in 2021 than it would be in a no-trade-war scenario.

Source: fibre2fashion.com- Aug 22, 2019

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USA: Apparel Shipments See Most Delays in Last Mile Delivery, Study Finds

With the influx of e-commerce, the last mile can’t always meet its delivery demands.

A new survey of 100 small and medium U.S. e-commerce retailers who fulfill orders with FedEx and UPS found 6.03 percent of tracked packages were delayed.

The report, “Driving E-commerce Last Mile Delivery Success,” from Lateshipment.com, found that FedEx Priority Overnight and UPS Next Day Saver faced the most delays—71.8 percent of late deliveries observed with so-called “Day Definite Services” were delayed by at least a day. FedEx 2 Day was the best-performing service type, with approximately 2 percent of parcel delays recorded across retailer groups, the survey said.

Despite being the most expensive services offered by FedEx and UPS, packages shipped through Priority Express services saw an average delay of 6.94 percent, said the survey of 100 small and medium e-commerce retailers that collectively shipped more than 500,000 packages between January and March 2019.

The apparel and accessories industry faced the most delays, at 22.68 percent, when parcels were shipped through FedEx Priority Overnight. Apparel and accessories had a 6.73 delay percentage overall compared to the average 6.03 delay percentage with the largest shipment volume of 144,595 during the period.

International shipments faced more delays than domestic shipments at about 25.89 percent, which the report said, “is not very surprising considering the challenges involved with cross border shipping include tackling customs clearance, cross border hand-off.”

LateShipment.com has tracked more than 75 million small parcels in real-time, validating more than 130 data points along the delivery lifecycle of every order. With track & trace capabilities for over 40 global shipping service providers including FedEx and UPS, it regularly monitors delivery performance metrics that matter the most to businesses.
For its part, UPS said in reporting second quarter financial results last month that the U.S. domestic segment generated significant volume growth in all products, led by a more than 30 percent surge in UPS Next Day Air volume. The sharp increase in demand for the company’s next-day services was driven by accelerated delivery requirements from e-commerce shippers.

“Demand for faster delivery is a structural change in our industry,” chairman and CEO David Abney said. “Anticipating this change, our additional air capacity and modernized network enabled this growth to have a positive impact on profitability and positions UPS well to serve the growing needs of the market.”

The purpose of the report is to level the “last mile” playing field, helping retailers gain an unbiased and strategic insight into the workings of small parcel shipping. According to Comscore, when it comes to online retail, “free shipping and returns” is a driving factor to complete the sale, the report noted.

However, with e-commerce revenue in the U.S. estimated to hit $600 billion in 2019, merchants who simply provide free and fast shipping without any control over brand equity, efficiency and experience in the last mile are bound to be left behind in the retail race, Lateshipment.com said.

“The solution to overcome challenges around shipping and delivery comes both from gaining access to shipping data and making sense of it in a way that gives visibility, unlocks insights and provides optimization opportunities,” Lateshipment.com said. “With this report, we attempt to try and solve both, the lack of data-driven visibility in the shipping industry and the provision of insights to take better supply chain decisions.”

The report notes that with the growing importance of making e-commerce customer-centric, “retailers who put logistics on the frontline when competing for customer loyalty will find themselves ahead of the game.”

This can be accomplished by developing “a comprehensive last mile strategy that combines the brand, operations and the people around whom the business is built.”

The report identifies the “3 Ps” that influence a purchase the most: pricing, pace (at which an order arrives) and precision (in delivering a package when
and where a customer wants it). It said “when a shipping carrier fails to meet a delivery promise, unforgiving customers always associate their delivery ordeal with the online store they purchased from and rarely return to shop with them again thereafter.”

This necessitates an active “customer-experience-driven” need for merchants to stay on top of shipments in transit and take proactive responsibility for delivery failures and delays, irrespective of why and how they happen.

Source: sourcingjournal.com - Aug 22, 2019

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Cotton prices drop for 10th consecutive week in Brazil

Cotton prices continued to fall in the Brazilian market for the 10th consecutive week ending August 15, due to low price levels in the international market as well as the US dollar appreciation in the first half of the month. Only some traders were purchasing cotton, aiming to extend the delivery period, while trading companies were away from the market.

Between July 31 and August 15, the CEPEA/ESALQ cotton Index, with payment in 8 days, dropped 2 per cent, closing at 2.4559 BRL per pound on August 15, the Center for Advanced Studies on Applied Economics (CEPEA) said in its fortnightly report on the Brazilian cotton market.

Between December 28, 2018, and August 12, 2019, the Index decreased 20 per cent. The average Index in first fortnight of August, at 2.4701 BRL per pound, is 5.88 per cent lower than July 2019.

"Cotton purchasers were not interested in closing new deals in the Brazilian spot market in the first fortnight of August. Agents from most processing plants were working with the cotton stocked and/or previously purchased through contract, and when necessary, searched for small amounts to replenish inventories – however, bidding prices were low," the CEPEA report said.
Meanwhile, sellers claimed that the current price levels were too low and many of them focused on the accomplishment of contracts previously purchased.

In Mato Grosso, the main cotton producing province in Brazil, harvesting is completed in 46.66 per cent of the total estimated area of 1.072 million hectares.

In July 2019, Brazil shipped 46,950 tons of cotton, down 24.2 per cent compared to exports of 61,900 tons in June 2019. Brazil imported 323.9 tons of cotton in July 2019, up 39 per cent compared to the previous month.

Source: fibre2fashion.com - Aug 22, 2019

Egypt garment exports rise 9% in 7 months

Egypt's garment exports rose 6% to reach $976 million from January to July 2019, up from $915 million in the same period last year.

In its monthly report, the Textiles, Apparel, and Home Textiles Export Council said the sector exports jumped 10% in July, hitting $161 million, compared to $147 million in July 2018.

US ranked first as the top importing market for the Egyptian ready-made clothes, followed by Spain, then Germany, UK, and North Ireland.

The exports to US were estimated at $541 million in the first seven months of the year, surging 20%, and $46 million to Arab countries, rising 26%, the report stated.

Source: ahram.org.eg- Aug 22, 2019
Chinese fabrics pour into Indonesia

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.

The US has applied a 25 per cent tariff on textile products from China.

Meanwhile, products from Indonesia are subject to a ten per cent to 15 per cent tariff. With these tariff differences, China sees an opportunity to shift its textile products to southeast Asia, including Indonesia.

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.

Performance of Indonesian textile industry sector as continued to decline in the last 10 years. On an average, exports rose only three per cent while imports rose 12 per cent.

The trade war is an opportunity for Indonesian textiles to takeover the space left vacant by Chin.

But competitiveness of its products is still weak. Costs of energy, logistics, and labor are the inhibiting components. However, the textile companies’ credit profile is expected to be stable in the next several months.

Source: fashionatingworld.com- Aug 22, 2019
Zara’s sustainability moves positive but needs indepth approach

Making sustainability its immediate goal, fast fashion giant Inditex the makers of Zara pledged to only use organic, sustainable and recycled materials like cotton, linen and polyester in all its eight brand’s collections by 2025.

The latest fast fashion brand to join the sustainability bandwagon, Zara was influenced by 81 per cent response to a global survey that urged fast fashion companies to help improve the environment. A report by Lyst indicates online searches for sustainable fashion terms such as ‘ethical brands’ and ‘econyl’ have increased 66 per cent. The adoption of sustainable denim has been hailed by 187 per cent of social media bloggers.

Sustainability becomes a global focus

Sustainability has become a global focus. As the UNEnvironment Programme notes, the financial decline of Zara’s sustainability moves positive but needs indepth fast fashion giants is already underway with brands like TopShop closing stores, ASOS reporting 87 per cent profit plunge and Forever 21 being on the verge of total bankruptcy.

Zara’s claims therefore, call for further query. Experts have raised doubts over how a company that produces 500 new designs a week and 20,000 a year could ever really become sustainable. Especially considering that trend-focused clothing, the focus of Zara’s business model that brings around $20 billion in annual sales, has an incredibly short shelf life.

Other details to be considered

Though Michael Stanley-Jones, co-secretary of the UN Alliance for Sustainable Fashion views Zara’s claims as achievable as he believes many brands don’t realise their significance.

For example, though the company aims to go green with its energy supply, it first needs to consider a number of other details such as water pollution from the fabric dyeing and micro fiber shedding into the ocean from synthetic material, complicate the process of making a fabric sustainable.
However, Zara’s announcement indicates the larger industry is indeed taking notice of these issues. As around 80 per cent of employees in the fashion and textile industry are women, there is a strong evidence of sub-minimum-wage employment and child labor in the sector. This makes it difficult for consumers to determine what the promising announcements from fast fashion brands actually mean in practice.

**Growing demand for second-hand clothes**

Lauren Singer, environmental activist, Trash Is for Tossers and founder of Package Free Shop in Brooklyn, New York, encourages those interested in sustainable fashion to turn to secondhand purchases. With the Gen Z already shifting towards second-hand clothing these clothes are likely to overtake clothes made by fast-fashion brands in the near future.

Though Zara’s announcement has created a ripple effect within the fast fashion industry, it fails to address the ultimate issues of the rate of consumption. The announcement provides industry leaders with an opportunity to shift to new technology and search. However, leaders believe as long as the current fashion business model exists, Zara’s sustainability announcement should be taken with a pinch of salt rather than interpreting them as the new fashion trend.

Source: fashionatingworld.com- Aug 22, 2019

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**Made in Vietnam: Draft Regulations on Rules of Origin**

Vietnam’s Ministry of Industry and Trade (MOIT) recently released draft regulation – Decree No. 31/2018/ ND-CP – on labeling criteria for domestically consumed goods. The draft and subsequent media reports have caused many in Vietnam’s foreign investment community to question how the regulation will impact their business.

In particular, many importers who manufacture in Vietnam and export to other countries are concerned about how the new regulation will impact their business operations. However, the new regulation will only affect goods produced for the Vietnamese market.
The Nikkei Asian Review reported that the draft regulations specify that goods must have a localization ratio of at least 30 percent to be designated as Vietnamese made.

This will primarily impact companies that produce a product in multiple countries for sale in the Vietnamese market. These companies must now source 30 percent of their value of input locally to be recognized as Vietnamese in origin and apply the appropriate Harmonized Commodity (HS) code to qualify.

**Which products are affected by the draft regulation?**

Dezan Shira & Associates Business Intelligence Manager Maxfield Brown has advised many foreign-invested manufacturers on rules of origin in Vietnam and more recently on the Decree No. 31/2018/ND-CP draft regulation. Brown summarizes the scope of the regulation as follows:

- Production inputs imports from China are not impacted as these goods are subject to rules under the ASEAN – China Free Trade Agreement;
- Finished products exports to the US are not impacted as these goods are subject to US customs regulations;
- Goods manufactured in Vietnam and sold in Vietnam will be impacted by the 30 percent local sourcing requirement.

**Made in Vietnam**

If the regulations come into effect, the 30 percent input requirement will not be a problem for labor-intensive industries, such as textiles and garments, which are able to source locally.

However, industries that use less labor and source a significant amount of raw material from abroad may have a re-think of their business plans.

It is also important to note that the regulation affects goods produced for the Vietnamese market and not applicable for exports to international markets that are dictated by specific free trade and bilateral agreements.

**Why is there a new focus on Made in Vietnam?**
The new draft regulations follow a government investigation into Vietnamese electronics manufacturer Asanzo, which was reported to be importing Chinese products and selling them as Asanzo- or Vietnam-made. Reports stated that Asanzo would only assemble electronic products – such as televisions – at its factory using most or all components from China.

However, on closer look, Asanzo may not have done anything wrong.

Vietnam lacks clear regulations on the labeling of goods as made in Vietnam. Decree 43 tells a manufacturer how to label products in Vietnam and import products, but the regulation does not stipulate the criteria that products must meet to be labeled as made in Vietnam.

Further current regulations do not specify the percentage of locally made content to qualify as made in Vietnam. Due to such vague regulations, manufacturers often have to decide whether to label goods as made in Vietnam or not.

Current regulations state that the origin of goods is defined as the country where the goods are wholly produced or where substantial processing is done in case there are several countries involved in producing the certain product. Manufacturers can use domestic law or bilateral agreements to determine labeling requirements.

For example, in Asanzo’s case, products that do not originate from Vietnam cannot be labeled as Vietnamese made under the ASEAN-China FTA. However, as per World Trade Organization (WTO) regulations effective for both Vietnam and China, Asanzo did nothing wrong, as the last stage of production took place in Vietnam, while inputs were sourced from China.

Vietnam Law Magazine reported that Au Anh Tuan, Head of the Customs Control at the General Department of Customs, said, “we have adopted the rules of origin applicable to exports, but none for goods sold in the domestic market.”

The draft regulation is currently open to the public for comment.

Some media reports have speculated that the draft is partly a response to US pressure for scrutiny of Chinese products in Vietnam. However, this new
regulation does not take aim at companies that may be seeking to evade US tariffs on China.

Ultimately, the Vietnamese government wants to protect consumer’s interests. The draft regulation will help clarify what products qualify as made in Vietnam.

One way it could do this is by using Apple’s example of imprinting the back of its iPhones with “Designed by Apple in California, Assembled in China.” This gives the consumer a clearer picture of where the product is coming from.

Source: vietnam-briefing.com- Aug 22, 2019

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**Myanmar's export earnings from CMP garments rise by $1 bn**

Myanmar’s cut-make-pack (CMP) garment industry earned over $3.8 billion from October 1 last year till now, up over $1 billion compared with the same period in the previous fiscal, according to the commerce ministry. Last year, the sector saw export earnings of over $2.775 billion, said Khaing Khaing Nwe, secretary of Myanmar Garment Entrepreneurs Association (MGEA).

The sector is expected to earn up to $10 billion in 2024, Nwe told the 5th annual meeting of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI).

The sector needs to double productivity, a Myanmarese newspaper report quoted Nwe as saying.

MGEA has over 500 members. Over 500,000 workers are employed in the garment sector.

Myanmar’s garment sector can earn $3 billion if it can shift from the CMP system to the FOB (Free on Board) system, according to MGEA.

More than 70 garment industries in the country are running under the CMP system started in 1990.
Pakistan: Textile exports increase 3.12pc in July

The textile exports from the country witnessed an increase of 3.12pc during the first month of the current financial year (July-FY20) as compared to the exports of the corresponding month of last year, the State Bank of Pakistan (SBP) reported.

During the month of July, textile products worth $1.22 billion were exported, as against the exports of $1.18 billion during the same month of last year.

The textile commodities that contributed positively to external trade included knitwear, exports of which grew from $249.076 million last year to $262.453 million during the period under review, an increase of 5.37pc.

The exports of readymade garments increased by 11.06pc, from $218.525 million to $242.714 million, whereas the exports of other textile materials increased by 29.70pc, from $44.436 million to $57.634 million.

The exports of bedwear increased by 6.77pc, from $194.591 million to $207.765 million, while that of art, silk and synthetic textile increased by 9.14pc, from $23.329 million to $25.462 million.

Meanwhile, the textile commodities that witnessed negative growth in July included cotton yarn, exports of which dipped by 8.32pc, from $121.184 million to $111.096 million during July last year.

The exports of cotton cloth decreased from $198.502 million to $197.694 million, whereas the exports of made-up articles decreased from $69.225 million to $51.631 million. The exports of tents, canvas and tarpaulin dipped from $7.537 million to $4.797 million (36.35pc), while that of yarn other than cotton yarn decreased from $3.450 million last year to $2.927 million (15.15pc).

Source: profit.pakistantoday.com.pk - Aug 2 2019
Pakistan: Aggressive buying on cotton market

Spinners indulged in big-lot buying on cotton market on Thursday fearing likely floods following release of water by India may damage the crop in many parts of Punjab.

Also the phutti (seed-cotton) arrivals slowed down as Hindu women involved in cotton picking operations in Sindh were busy in celebrating their religious festival called Satam.

“Flash floods particularly in the kacha area of river Sutlej may damage the standing crop, which will have negative impact on the overall cotton production, brokers added.

The ongoing US-China war is having a negative impact on the world cotton trade and reports suggest that the textile industry of India and Pakistan is feeling the heat.

However, the leading world markets remained steady with New York cotton recovering overnight losses for all future contracts.

However, the Karachi Cotton Association revised up its spot rates by Rs100 to Rs7,900 per maund.

The following deals were reported to have changed hands on the ready counter: 1,000 bales, Shahdadpur, at Rs7,750-7,800; 1,600 bales, Tando Adam, at Rs7,750-7,800; 1,800 bales, Sanghar, at Rs7,750-7,800; 1,400 bales, Nawabshah, at Rs7,850; 1,600 bales, Khanewal, at Rs8,200-8,300; 1,000 bales, Burewala, at Rs8,000-8,200; 1,200 bales, Haroonabad, at Rs8,000-8,200; 1,200 bales, Vehari, at Rs8,000-8,100, and 600 bales, Chichawatni, at Rs8,000-8,200.

Source: profit.pakistantoday.com.pk - Aug 2 2019
Zimbabwe’s cotton output may decline by 52 per cent this year after a severe drought. The challenges affecting the industry include: mobile payment system being used to pay farmers; punitive rates charged by errant businesses that are heavily eroding farmers’ earnings.

Farmers want cash to be made available to them in areas where there is no mobile network; lack of research and poor development of new seed varieties affecting productivity. Also, due to lack of proper regulatory enforcement, cotton companies engage in side marketing activities.

While other cotton producing countries have already adopted hybrid varieties with high yield potential, Zimbabwe will this year, introduce hybrid varieties.

Zimbabwe needs more varieties to suit various regions, rainfall patterns and soils so that production increases. One suggestion is for Zimbabwe to consider producing genetically modified organisms to increase production.

A scheme was introduced in 2015 to save the industry that faced imminent collapse after farmers abandoned cotton production citing poor prices and low levels of funding.

The scheme has helped production to increase from 28,000 tons, the lowest output in nearly two decades, to about 1,42,000 tons last season. At its peak, Zimbabwe produced 3,52,000 tons of raw cotton in 2012. China’s free-trade zones fail to shine despite Beijing’s desire to lure global investors.

Source: profit.pakistantoday.com.pk - Aug 2 2019
NATIONAL NEWS

India, Mauritius close to sewing up FTA

India and Mauritius are close to finalising the proposed bilateral free trade agreement (FTA) that got delayed due to apprehensions amongst domestic players in both countries about providing unlimited market access for some items.

The two countries have now decided to go for tariff rate quotas (TRQs) for items where limited preferential access is to be given to protect local interests, a government official told BusinessLine.

“India and Mauritius were almost ready to sign the proposed FTA in January this year when the Mauritian Prime Minister visited the country.

“But as concerns for certain sensitive items such as textiles and marine products couldn’t be addressed, the matter got delayed. Now the two sides have reached a compromise and the pact can hopefully be signed soon,” an official close to the negotiations said.

TRQs are import quotas that allows a limited quantity of a specific item into a country. By putting in place TRQs on sensitive items, the FTA partners can make sure that even if import duties are brought down to zero, imports won’t exceed an agreed quantity.

“In India, the textiles and marine products sector had strongly opposed lowering of import duties under the FTA as there was a fear that the domestic market could be flooded with cheaper imports from Mauritius. If we place TRQs on imports, as is being discussed, then the flooding will not happen,” the official said.

Mauritius, on the other hand, is playing it safe in the services area and may not give deep concessions to India in the area.

“India had asked for increased market access in the area of tourism and hospitality, but it doesn’t seem likely that commitments will be made beyond the existing state of openness,” the official said.
Foothold in Africa

New Delhi’s decision to get into a FTA with Mauritius is also not directly linked to the increased market access in goods it is expecting in the island nation as only 6 per cent of goods there are taxable. What it is actually aiming at is a foot-hold into the African market through the FTA with Mauritius as the country signed an FTA with 44-nation African Union last year.

“Once the India-Mauritius FTA is in place, it will certainly provide opportunity to Indian manufacturers to get into the African market through the Mauritius route,” the official said.

The decision to go for an FTA with Mauritius is also strategic as China has already concluded its negotiations for a free trade pact with the country and India does not want to be left out in the cold.

India’s exports to Mauritius in 2018-19 was worth $1.16 billion while its imports from the country was about $78.64 million.

Source: thehindubusinessline.com - Aug 2 2019

Cotton futures on firm note, may come under pressure as fresh supply begins

Cotton futures in domestic market continued their gaining streak on Wednesday for sixth straight session. Cotton August future at MCX gained by 0.4 per cent on Wednesday to settle at Rs 21,270 a bale.

Limited supply in key cotton growing states, especially in the southern region, has been a concern since last few weeks amid lean supply season. Moreover, transportation hiccups during heavy rains have also created scarcity of cotton in the physical market.

Cotton supply across the country has more than halved between August 1-15 to 9,570 tons. Cotton futures at MCX have rallied persistently since first week of August.
Further, reports of pink bollworm attack breaching economic threshold in Maharashtra (majorly in Akola, Parbhani, Nanded and Yavatmal) has also added to positive sentiments.

New crop arrivals will start in next one month. The cotton inventory at industry level has been lower due to lower crop last year.

However, Kotak Securities Commodity Research believe cotton next month contract will retreat from higher levels as limited demand from overseas market and trade spat between US and China will keep cotton prices in domestic market under check in coming weeks.

Indian cotton yarn exports have declined considerably by over 40 per cent in the month of May and June. Despite limited supply, weak cues in global market and new crop arrivals by next month will keep cotton prices under pressure for near future.

On global front, after two sessions of weakness, ICE cotton futures again rebounded by 1.4 per cent on Wednesday to reach marginally below 60 cents/ pound levels.

Euphoria over weather condition in Texas has been overshadowed by over-supply situation across the globe. A little pull-back could be seen today at ICE, but new crop arrivals season in U.S as well as China will keep Cotton prices under pressure in the near future.

Source: thehindubusinessline.com- Aug 22, 2019
A new foreign trade policy on the anvil: Official

The Commerce Ministry wants to make incentives compliant with WTO trade rules

The Commerce Ministry will soon come out with a new foreign trade policy, which provides guidelines and incentives for increasing exports for the next five financial years 2020-25, an official said.

The Ministry is giving final touches to the new policy as the validity for the old one will end on March 31, 2020.

“We have taken views of all stakeholders. The new policy is likely to be announced by September-end or early-October,” the official said. The Ministry’s arm Directorate General of Foreign Trade (DGFT) is formulating the policy.

Recasting incentives

The new policy would focus on simplifying procedures for exporters and importers, besides providing incentives to boost outbound shipments.

At present, tax benefits are provided under the ‘merchandise export from India’ scheme (MEIS) for goods and ‘services export from India’ scheme (SEIS).

In the new policy, changes are expected in the incentives given to goods as the current export promotion schemes are challenged by the US in the dispute resolution mechanism of the World Trade Organisation (WTO).

In this backdrop, the government is recasting the incentives to make them compliant with global trade rules.

The Commerce Ministry has also floated a cabinet note for a new export incentives scheme — Rebate of State and Central Taxes and Levies (RoSCTL) — that would be compliant with the WTO norms.

The RoSCTL scheme is available for exports of garments and made-ups. It would now be proposed to extend it to all exports in a phased manner.
The new scheme would replace the existing MEIS, which was challenged by the US last year in the WTO. It would ensure refund of all un-rebated central and state levies and taxes imposed on inputs that are consumed in exports of all sectors.

Major un-rebated levies are: state VAT/ central excise duty on fuel used in transportation, captive power, farm sector, mandi tax, duty of electricity, stamp duty on export documents, purchases from unregistered dealers, embedded CGST and compensation cess coal used in the production of electricity.

**Promoting R&D**

Exporters are demanding incentives based on research and development, and product-specific clusters under the new policy.

Ludhiana-based Hand Tools Association President SC Ralhan said the new policy should have provisions for refund of indirect taxes like on oil and power, and state levies such as mandi tax.

“Sectors like engineering should be promoted as they create huge number of jobs. There should be relaxation for obtaining licence under Export Promotion Capital Goods for modernisation of industry,” Ralhan said.

Assistant Professor and expert on agriculture economics Chirala Shankar Rao said the policy should look at ways to promote agri-exports as it holds huge opportunities.

During April-July 2019-20, the country’s exports dipped 0.37 per cent to USD 107.41 billion. Since 2011-12, India’s exports have been hovering at around USD 300 billion. During 2018-19, overseas shipments grew 9 per cent to USD 331 billion.

The government is targeting to increase the exports to USD one trillion in the coming years.

Source: thehindubusinessline.com- Aug 22, 2019
SEZ rules may be tweaked to let excess land be used for factories

The government is warming up to an idea mooted by the industry to relax rules to enable excess land with various Special Economic Zones (SEZs) to house factories that need to be set up quickly, Ajay Sahai, Director-General and CEO of the Federation of Indian Export Organisations (FIEO), told Business Line here on Wednesday.

The idea that excess land with SEZs could be allocated to exporters, against the backdrop of difficulties and long lead times in acquiring land, was suggested by the FIEO to the government on July 31.

“The government is favourable,” Sahai said. He was here in connection with a seminar on ‘MSME Exports from Tamil Nadu – Opportunities and Challenges’, organised by the FIEO.

Units set up in the zones enjoy certain tax concessions. There are 232 operational SEZs in the country. The industry has invested ₹5.07-lakh crore in setting up plants inside the zones. These plants provide employment to 2 million people and exported goods and services worth ₹7.01-lakh crore in FY19.

Industry-specific SEZs

Some of these SEZs are industry-specific. For example, some can house only units engaged in the manufacture of electronic products. They can’t allow other products even if they have vacant land unless they get themselves approved as ‘multi-product SEZs’.

The plea before the government now is to make it easy for any SEZ to house any unit. This plea has been made in the context of India losing out on business opportunities that could come in its way following the trade war between the US and China.

Indian companies lack the scale to quickly start supplying to, say, the US. This is particularly true of the leather footwear sector, where Indian units simply do not have the capacity to cater to US orders, which are typically large.
It takes a lot of time for these manufacturers to buy land and set up factories.

But some SEZs that may have adequate land and infrastructure (like electricity, water, security) are not in a position to accommodate them because they are not “multi-product” SEZs.

A case in example is that of a Chennai-based exporter, Super Auto Forge Ltd, which produces auto components. This company got an order from a vendor of Ford in the US for suspension assemblies. The business is potentially worth ₹200 crore a year, which is a big deal for a ₹550-crore company.

Super Auto Forge has a unit in the Madras Export Processing Zone, but there is no room for a new factory there. It couldn’t get space in other neighbouring SEZs.

After battling for eight months, the company set up shop in the Sri City industrial estate in Andhra Pradesh, north of Chennai. It got its problem thus solved, but the company officials told Business Line that it would have been a lot better for the company if it had got lands near its existing facilities.

Source: thehindubusinessline.com- Aug 22, 2019

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India can add 8% to its exports if it puts its last mile connect in the fast lane

India's last mile connectivity hinges on its road network to move things. However, poor condition of roads and absence of a viable alternative is hitting India's economic growth.

To bring down the country's logistics cost from the present 14% of GDP to less than 10% by 2022 that the government envisions, industry leaders underline that India needs to play to its strength.

The critical role played by India's logistics sector in the country's economic growth story could not be understated. Instrumental in moving goods across its huge length and breadth (about 3.287 million square km), Indian roads are the lifeline of the logistics sector. However, the logistics sector itself is
highly unorganised, fragmented and currently mired in multiple challenges leading to operational inefficiency on several fronts.

In India, the logistics cost as a percentage of its GDP stands at 14%. This cost is pretty high compared to the similar cost in the US (9.5%), Germany (8%) and Japan (11%). Nevertheless, the country aims to bring down this cost to less than 10% by 2022.

Considering the critical role of logistics in propelling India's exports, Federation of Indian Export Organisations (FIEO) believes a reduction in logistics cost by 10% could increase the country's exports by about 5-8%.

**The all-important last mile**

Stemming from the same concept is another of its byproduct -called the 'last mile' - a term used in supply chain management to refer to the last leg of the supply chain, denoting the transportation of goods from a transportation hub to its final destination.

This final destination could be the location of an end customer or inland container depots (ICDs), container freight stations (CFSs), ports or airports where goods are to be delivered for their eventual exports.

Given the vast expanse of the country's sheer size, a varied and uneven topography, coupled with the fact that a large number of the country's industrial clusters (dominated mainly by MSMEs) are based out of its tier 2 cities, and not in its large metros, the last mile connect has historically been said to be throttling the growth of Indian MSMEs.

For instance, be it Kishangarh (in Rajasthan, touted to be Asia's largest marble market), or Agra and Kanpur- country's leather hubs, or for that matter, Moradabad (known for brass exports), Firozabad (known for glassmaking industry) or textile hubs of Tirupur, Erode, Karur, Salem - are all based out of India's tier-2 regions. It's also a pertinent fact that historically such regions have been plagued with issues of access and reach.

While in recent times the government has taken many steps to minimise last mile woes, a lot is left to be desired. Various studies have shown that Indian logistics landscape, typically comprises of isolated entities, with a skewed
modal mix that depends heavily (about 60%) on the already congested Indian roads.

The Indian coastline and river network have historically remained underused, even though such models are more energy-efficient, eco-friendly and comes with reduced logistics costs, highlights a recent Deloitte-Assocham study. The same study notes that the cost for coastal shipping is Rs 0.15-0.2 per tonne-km compared to Rs 1.5 for railways and Rs 2.5 for the road. Addressing these anomalies could alone provide a huge potential to lower logistics cost in the economy by Rs 21,000-27,000 crore by 2025, the report adds.

**Speed breakers galore**

Among the critical pain points that are said to be plaguing country's logistics landscape include an unorganised, not so efficient infrastructure, absence of digital adoption, not suitably skilled workforce and various regulatory issues.

So, what do industry leaders feel about this critical bottleneck? Anil Bhardwaj, Secretary-General of the Federation of Indian Micro, Small & Medium Enterprises (FISME), believes, "Availability and efficiency of logistics have a direct bearing on firms' competitiveness."

Highlighting how disparities in locational advantage results in a downside to north India based industries, he says, "Industries in North Indian states have a natural disadvantage against coastal states of Tamil Nadu, Andhra Pradesh, Maharashtra and Gujarat as those can import raw materials at better international prices and export to." According to the industry expert, being handicapped by location weighs down smaller firms more, because compared to their larger counterparts, they cannot relocate to states which have a more efficient infrastructure network.

Another industry leader, Rajiv Chawla, chairman of Faridabad based Integrated Association of Micro, Small and Medium Enterprises of India (IamSME), is of the view that the country urgently needs a cohesive integrated approach to Infrastructure strengthening.

"We need to make internal road transport more efficient. Octroi is now gone, but toll collection and barriers should be made efficient and smart. Truck
unions and coercive methods are an obstruction in many Industrial clusters that need to be curbed," he says.

Commenting on the niggles arising out of a not-so-smooth functioning and execution of e-way bills, the industry leader goes on to add, "e-way bills are an absolute menace, [these] should be immediately removed."

According to the logistics performance index (LPI), which is the weighted average of a country's score on the six key dimensions, India lags behind most nations in Asia. Germany tops the Index, while India is ranked at 44. The Index takes into count aspects like Customs, which is used to gauge the efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs). Similarly, Infrastructure takes into count the quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology).

**Takeaways from the Dragon's turf**

Experts opine that the Chinese logistics landscape was once like India's and its turnaround in recent years has many takeaways implementable across the Indian logistics landscape.

"India has around 750 last-mile links with less than 100 km distance connecting industrial belts, ports, and distribution centres to highways and major long haul connectors. These links are crippled by poor infrastructure, road conditions and unskilled labourers bringing up mainly 'indirect cost' of last-mile delivery. Waterways and Railways for the last mile are almost insignificant. In contrast, China has developed a massive last-mile delivery network with a well-balanced mode with waterways, roadways, and

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**Table**

<table>
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<tr>
<th>Country</th>
<th>Year</th>
<th>LPI Rank</th>
<th>LPI Score</th>
<th>Customs</th>
<th>Infrastructure</th>
<th>International shipments</th>
<th>Logistics competence</th>
<th>Tracking &amp; tracing</th>
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railways,” says Joyjeet Maity, Vice President (VP), Ecommerce & SME, Moglix, a B2B commerce company.

Maity adds that in China, adoption of technology-enabled processes, logistics aggregators and investment in drones, AGVs (Automated Ground Vehicles) has taken last-mile logistics several notches above. Saahil Goel, CEO & cofounder of Shiprocket, a logistics platform, believes, there is a lack of robust infrastructure and technology-enabled logistics in smaller cities of India that leads to inefficiency at the last mile in these parts.

**Putting the last mile in the fast lane**

Experts assert that to have an integrated end-to-end logistics network, the need of the hour is that all relevant policymakers, logistics service providers (LSPs), transport and terminal infrastructure service providers come together to formulate a cohesive and integrated logistics policy.

The Indian government, to this effect, has recently reviewed the draft National Logistics Policy (NLP). The mega policy blueprint, with inputs taken from four relevant ministries, i.e, the Ministries of Railways, Road Transport and Highways, Shipping and Civil Aviation and 46 Partnering Government Agencies (PGAs), hints at the broad scope of the soon-to-be-introduced policy framework.

With a view to develop a multi-modal infrastructure, the policy envisages optimising the current modal mix (road-60%, rail-31%, waterways-9%) to bring them at par with international benchmarks (road--25-30%, railways--50-55%, waterways--20-25%).

To bring down the country's logistics cost from the present 14% of GDP to less than 10% by 2022 that the government envisions, industry leaders underline that India needs to play to its strength, which is put to use its proven prowess in domains such as IT capabilities and digital technologies. As per them, any logistics-centric roadmap, aimed at tackling last-mile woes, must thus focus on leveraging on India's capabilities in technologies such as cloud computing, blockchain technology, internet of things, among others.

Source: economictimes.com– Aug 22, 2019
Arresting slowdown: Export focus fine, but there’s more to growth

The exports performance of Vietnam continues to be contrasted with that of India: the most recent example being the editorial in this newspaper, “Can India learn from Vietnam to manage export-led growth?”. The article, similar to other analyses on this topic, focusses on the significant ramp-up in the exports of Vietnam, especially over the last decade or so.

With Indian merchandise exports remaining range-bound over the last few years in the $300-330 billion annual range and Vietnamese exports having risen from $150 billion in FY14 to $244 billion in FY18, there is hand-wringing for India having missed a trick. It is important to acknowledge the growth of exports in Vietnam but before we jump to conclusions and recommendations for India, we need to explore this growth more deeply so that we can draw the right lessons.

Exports is one part of the story

Vietnam’s GDP over the period FY14-18 has risen from $186 billion to $245 billion, a cumulative growth of $59 billion. As noted above, exports have cumulatively grown by $94 billion. Why has the spectacular growth in exports not lead to a similar growth in GDP? Indeed, the cumulative growth in annual GDP is significantly lower than the growth in exports.

The calculation of GDP is the sum total of consumption, investment, government expenditure and net exports, or GDP=C+I+G+NX. Net export refers to exports minus imports. So, while increase in exports leads to a direct increase in the GDP, any increase in imports is deducted from the calculation of GDP. In effect, what the GDP number captures is the ‘net value addition’ in the economy. If the economy imports a lot to export, only the value added to the imports for the purpose of exports is added to the calculation of the GDP.

In the case of Vietnam, imports over the same period have risen from $138 billion to $229 billion, a cumulative growth of $91 billion. Compared with the $94 billion of cumulative growth in exports, we note that the net GDP effect of the increased imports and exports on the GDP is $3 billion. The net trade over the period has, hence, added only $3 billion to the $59 billion of incremental growth in the GDP, or a contribution of only around 5%.
Trading is important...

The ‘right’ lesson from the Vietnamese export miracle, hence, is not that its exports have increased dramatically but that the overall trade-to-GDP ratio of the country has materially changed. While in FY14, the total of import and export was $288 billion on a GDP of $186 billion (implying a trade to GDP ratio of 1.54), the FY18 trade was $473 billion on a GDP of $245 billion, or a ratio of 1.93. The country now does more trading as a proportion of its GDP. Wall Street Journal, among other publications, have reports that suggest Vietnam may now be a conduit for trade as barriers come up in the USA for Chinese exports.

The increase in overall trade-to-GDP ratio is an important entry point for any country before it starts to build an ecosystem of forward and backward linkages in any industry. For example, India is a major importer and exporter of crude and its refined products, and of rough diamonds and polished gems. Over the last many decades, as India has engaged in these trades, it has built an entire ecosystem that supports these industries. Over time, such industries can build scale on their own, or bring in other players as suppliers or customers domestically. In due course, this can attract capital investment in various segments of the value chain.

It must be noted that these changes are gradual and sometimes take many years, or maybe decades, before the country moves from being a trading partner to being a large value-addition intermediary to being a large reservoir for capital and skills. To establish presence in the global value-chain requires a holistic approach in trade, production and investment, and not merely the building of an export engine.

...but not the only way

There are other, possibly faster, ways to build scale which need not start with trading. One way is to identify sectors which are expected to grow and to frontload investments in them to build global scale—for example, renewables, electronic vehicles, battery technologies, etc.

The other is to build globally-competitive products in sectors where there is a large local market, for example, in agriculture, two- and four-wheelers, etc. In natural or primary sectors like minerals, oil, etc, opening up exploration
for domestic consumption as well as exports (either raw or processed), can create scale.

The above measures relate to the more tangible outputs, which count as export of goods. Another aspect that has recently gained some attention is that India will soon export more services than goods.

From purely a financial perspective of current account deficit, the distinction between goods and services does not matter—though, admittedly, service exports may not be as capital or labour intensive as manufacturing.

Globally-competitive services have been the forte of India and new segments can now be built out of India, whether in payments, entertainment, or in technologically high-end segments, like machine learning, artificial intelligence, gaming, etc.

Approaching development of industries and the economy holistically, as opposed to maximising one variable, will make it more balanced and sustainable.

Source: financialexpress.com- Aug 23, 2019
Cotton prices to trade sideways to higher: Angel Commodities

According to Angel Commodities, MCX cotton edged higher for the 11th consecutive session and climb to 3-week high on Tuesday to close at 21,140 rupees per bale due technical buying by the market participants.

MCX cotton edged higher for the 11th consecutive session and climb to 3-week high on Tuesday to close at 21,140 rupees per bale due technical buying by the market participants.

October contract on MCX closed at 19,870 per bale. As on 19th Aug, area in Gujarat under cotton is lagging last year at 26.3 lakh ha compared to 26.9 lakh ha last year.

As per farm ministry report, acreage under cotton in the country was 121.6 lakh ha so far, up from 115.2 lakh ha from a year ago. USDA kept production forecast unchanged for India this month to 29 million bales while the consumption and Exports projections were down by 2% and 4.55% respectively for 2019/20 season.

Trade data by Ministry of Commerce indicates that provisional shipments in the month of June 2019 are 88% lower at 60,000 (Vs 5 lakh bales) as compared to last year.

**Outlook**

Cotton futures may trade sideways to higher due to improvement in physical demand but improved sowing; higher imports and weak international prices may weigh on price.

Country is expected to produce about 10-15% higher cotton this year but higher MSP may be deterrent for exports.

Source: moneycontrol.com- Aug 22, 2019
WTO reforms must be taken up by all member countries: Piyush Goyal

The time has come to take on the policies of protectionism and unilateral measures by some developed countries that are having an adverse effect on global free trade and if this continues there will be recession in the world and no country will escape it, said Union Minister of Commerce & Industry and Railways, Piyush Goyal.

He was speaking at an international dialogue on South-South and Triangular Cooperation today in New Delhi. Commerce and Industry Minister urged that all member countries must take up reforms of the WTO and not deal with issues in a piecemeal manner. We cannot afford to walk away from the current system but all member countries of the WTO must re-engage to ensure that the rule-based, transparent, and non-discriminatory governance that free-trade requires is taken forward honestly and in a non-discriminatory manner and keeping in mind the interests of different member countries with disparate GDP.

Piyush Goyal further stated that the policies of protectionism being followed by some countries in the developed world are affecting engagement between countries for trade in goods, services and protection of investments. The aspirations of people cannot be held back for a better life: for sustainable growth of the seven billion people of the world and India is committed to the Sustainable Development Goals (SDGs) and believes that peoples’ aspirations cannot be held back till 2030, said the Commerce and Industry Minister. India is not going to wait till 2030 to give access to energy, literacy and clean potable water to its people, India is fast-tracking its efforts to reach the SDGs to the last man at the bottom of the pyramid. India also desires that this pace of development reaches people in the rest of the world.

South-South cooperation is a broad framework of collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, intraregional, or interregional basis. South-South cooperation is a manifestation of solidarity among peoples and countries of the South and the attainment of the goals of Sustainable Development. Commerce and Industry Minister hoped that the South-South and Triangular Cooperation will help the developed world become a part of the developing world’s growth agenda.
Economic slowdown: Export focus fine, but there’s more to growth

Top government officials on Thursday sought to temper expectations of a big-bang stimulus package to revive sagging economic growth, aiding a slide in the stock markets. Speaking at the Hero MindMine Summit 2019, chief economic advisor Krishnamurthy Subramanian said government intervention to bail out the private sector every time it goes through a “sunset phase” creates a “moral hazard” and is an “anathema” for the market economy. At the same event, power secretary Subhash Chandra Garg — who was the finance secretary until late July — held that reduction in interest rates and easier availability of credit to the private sector are better tools to boost growth than a fiscal stimulus.

Garg said economic growth in the first quarter could be around 5.5-6% (against a five-year low of 5.8% in the March quarter) mainly due to subdued government expenditure on account of elections, and some demand compression. After a slowdown in the budgeted expenditure in Q1FY20, the Centre may, however, step up spending in Q2 to reach the spending trend of 53-54% by September (H1).

Separately, in a reply on Twitter, Subramanian asserted that the government was “identifying the structural constraints faced by industry and working to remove them”. This will “empower industry to invest and foster the virtuous cycle” of growth led by investments.

The statements underscore the government’s discomfiture to loosen its purse strings in a big way, given the ‘limited fiscal space’ amid subdued tax collection growth. Nevertheless, it will likely opt for targeted interventions in critical sectors like auto, MSMEs and infrastructure. Also, it could front-load its spending to spur demand.

Already, NITI Aayog has proposed a comprehensive scrappage policy, as part of which buyers of new vehicles will get incentives in lieu of scrapping their old vehicles. While an incentive of Rs 50,000 is proposed for 10-year old
commercial vehicles, buyers of passenger vehicles will get Rs 20,000. Buyers of new two and three wheelers will get a relief of Rs 5,000, a source told FE.

Niti Aayog is also learnt to have suggested that the interest rates on elevated small savings deposits, a sore point with many banks, be cut over the next two years from 8% to 5%, the taxes on dividend distribution and buybacks be rolled back and the government clear its arbitration award dues expeditiously. According to a CNBC-TV18 report, the government has already paid 75% arbitration awards in contractual disputes in 2016.

While the central bank and India Inc have called for a greater transmission of the RBI’s repo rate cuts (110 basis points since February), many banks have shied away from doing so, as the elevated interest rates on small savings, fixed by the government, have forced them to pay more on their deposit rates.

Speaking at the event, Subramanian said: “I think we expect the government to use tax-payers’ money to intervene every time there is a sunset phase.” “You introduce possible moral hazard from too-big-to-fail and possibility of a situation where profits are private and losses are socialized, which is basically an anathema to the way the market economy functions.”

Earlier, the CEA had said the government support is required at the time of infancy, and not when one has grown up. “I would say that the private sector has been in India since 1991 (liberalisation) and is now a 30-year-old kid. A 30-year-old kid, a man, now needs to start saying that I can stand on my own feet. I don’t need to go to papa.”

The finance ministry is weighing proposals to “ring-fence” foreign portfolio investors (FPIs) structured as trusts from the higher surcharge and review the dividend distribution tax (DDT) and the long-term capital gains (LTCG) tax.

While a cut in the corporate tax rate and personal income tax reliefs have been recommended by the direct tax code panel, analysts say the government will have to forgo Rs 1.2 lakh crore if all the panel’s suggestions for tax reductions are accepted. However, this can be done if the government withdraws various exemptions extended to both companies and individuals.
To boost exports, while the government is considering “full reimbursement” of various impost on outbound shipment, the Reserve Bank of India has proposed to ease priority-sector lending norms for exporters. Currently, exporters with a turnover of up to Rs 100 crore each are eligible for credit under the priority-sector norms. This limit is likely to be scrapped or doubled so that more exporters are benefitted.

Even though tepid growth in tax revenue is constraining the fiscal situation, some experts believe that the fiscal space for a much-needed stimulus could indeed be found. Over 5% of GDP is lost due to tax exemptions, they point out, adding that some 1.5% of GDP as spending accounted for is not actually spent.

Source: financialexpress.com- Aug 23, 2019

Sri Lanka organises business forum in Gujarat

Sri Lankan minister of development strategies and international trade Malik Samarawickrama recently invited Indian investors to enjoy the nation’s geographical advantage, port connectivity, preferential tariff access to large markets and competent human resource pool. He was addressing a business forum organised by Sri Lanka’s Board of Investment in Gujarat.

The forum was organised at the Chamber of Commerce and Industry (GCCI) in Ahmedabad. Over 100 leading Indian businessmen from Gujarat representing diverse sectors participated in the forum, according to Sri Lankan media reports.

GCCI president Durgash V Buch said Gujarat and Sri Lanka can be partners in promoting agro-processing Industries, textile, petrochemicals, spices and tea. Out of GCCI’s total member strength of 6,000, at least 1,000 deal with Sri Lanka on a regular basis in sectors like refractories, pharmaceuticals, apparel, plastic packaging, starch, petroleum and petro products, tea and other agro-products, he added.

Source: fibre2fashion.com- Aug 22, 2019