



**IBTEX No. 186 of 2019**

**September 23, 2019**

US 70.92 EUR 78.17 | GBP 88.49 | JPY 0.66

Cotton Market		
Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
20000	41800	75.12
Domestic Futures Price (Ex. Warehouse Rajkot), October		
Rs./Bale	Rs./Candy	USD Cent/lb
19820	41424	74.44
International Futures Price		
NY ICE USD Cents/lb (December 2019)		60.52
ZCE Cotton: Yuan/MT ( January 2020)		12,900
ZCE Cotton: USD Cents/lb		82.51
<b>Cotlook A Index – Physical</b>		<b>71.25</b>
<p><b>Cotton Guide:</b> After an initial drop from Monday the ICE Futures have not regained its margins and are still hovering in the 60 cent per pound range for the December contract and 61 cent per pound range for the March contract. The ICE Futures were as if like a sitting bird – No motion anywhere. The same can be seen from the table below:</p> <p>Last week the volatility that we saw on Monday was majorly due to fluctuations in Crude Oil and a decline in the same led to decline in the cotton Futures. Another reason why it had quickly moved higher was the USDA's WASDE report which showed decline in the supply number especially from the US and overall cut in stock position.</p>		

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However, the gains have been eradicated with expectation of low global demand of cotton amid higher supply. The US cotton exports are expected to be lower this year, no signs that China will have significant import of the US style. Indian cotton is maintaining to hold the premium price over other supplier losing competitiveness in the world market. Further, US-China development is not reaching anywhere; continues to have concern in the market weighing on many asset classes as US President has clearly mentioned that he is in no hurry to reach a deal with China. He further mentioned that he does not find it mandatory to complete a deal before the 2020 elections.

Date	ICE December	ICE March
16 <sup>th</sup> September 2019	62.59	62.96
17 <sup>th</sup> September 2019	61.38	61.86
18 <sup>th</sup> September 2019	60.50	61.22
19 <sup>th</sup> September 2019	60.33	61.06
20 <sup>th</sup> September 2019	60.52	61.17
Table 1 : ICE Futures last week		

The Fundamental Analysis (simple Demand and Supply Analysis) for the upcoming months is showing a bearish trend with demand not yet kicked in and a supply glut happening sooner or later. The Technical Analysis (monthly) show a clear downtrend with red candlesticks seen for the last 5 months.

#### **Major aspects to look at:**

India has received very abundant rains; some say too much. However, it also means there is the potential for a larger crop on record acreage. Now it remains unclear if the CCI can manage and finance record procurement of such a large crop [more than 100 lakh bales]. The higher MSP raises lots of questions - will the CCI successfully procure record volume and store the cotton before auctioning at market prices to the mills? Will the Modi government, which appears to be in an economic stimulus mood based on Friday's record tax cuts, adopt an adjusted price for the textile sector with the government paying the difference to farmers? Friday's tax cut and other actions suggest the administration will not want to keep the important textile sector at a disadvantage when India can take business from China.

#### **India:**

Indian cotton is hovering just below Rs. 42,000 per candy, near minimum support price (MSP) but lower by 8 to 10% from the last year amid build-up of stock due to sluggish exports and fresh crop arrival in Punjab, Haryana and Rajasthan. This year it is expected to have better crop in India which will likely to keep cotton prices lower, harvesting is about to set-in from north. Northern states of India (Punjab, Haryana and Rajasthan) is expecting 7.50 million bales of cotton production this year vis-à-vis 6.5 million produced in the previous year. Market is expected to hover around MSP price amid expectation of lower export demand. Spinning mills are unlikely to indulge in bulk buying at prices much

higher than the MSP, as they are affected by slump in exports. Textile mills have been seeking direct benefit transfer to support farmers instead of price manipulations via MSP, but the government is keeping away from the step due to bottlenecks in implementing it stated by an executive from NITMA.

By and large the main point to understand the current dynamics of Indian cotton market is there is expectation of large supply especially the production is to rise, no good export demand amid spinners and textile Industries reeling with global crisis. The farmers may suffer in selling the produce comfortably in the market. It's the supply-demand mismatch issue and global counters are much competitive than the Indian cotton quality and price. Cotton is expected to remain subdued in the near term while purchasing at MSP will only be the saving grace.

**USA:**

US cotton has erased entire gains witnessed in the previous week as top consumer China cancelled orders of U.S. fibre and is on forecast for a bumper harvest, although losses were limited by data showing higher U.S. export sales. The export sales are below expectations mostly due to cancellations from china and the weather is good, boosting crop conditions. Weekly data from the U.S. 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. Overall Cotton is expected to remain in the range of 58 to 63 cents. However, on the technical front 60 cents remains a strong support level.

**China:**

We see Chinese cotton consumption weaker, no price incentive to import, and large unsold stocks on hand. Many of the big-name brands have now included the percentage they source in China in their earnings calls, and they will not reverse the goal of sourcing US needs elsewhere.

This suggests the global supply chain will not see a return to the stability that was seen pre-June 2018, and thus the market still faces the burden to move the large US, Brazilian, and African Franc Zone crops, and faces what may be the final major battle with polyester.

We continue to expect the US to face a major battle to meet any reasonable export target. One issue is the remaining large volume of high priced 2018/2019 sales that were carried forward and will not be shipped. This, plus the large outstanding sales to China for 2019/2020, makes current US export sales over two million bales overstated. Then there is the reduced demand from China or the inability to access that market, which means trouble creating sales.

**Fundamental Price Analysis:**

Cotlook Index A is at 71.25 cents per pound with a change of -25 points. On the Indian front, Rs. 41,400 to Rs. 42,500 is the price range that can be expected while it is expected to remain under stress amid increase in supply. Domestic cotton futures are all in deep backwardation and expected to see weakness to remain in the near term. The October contract trades at MCX may move in the range of Rs. 19400-19900. The both November & December future may fall below 19,000 Rs per Bale.

**Technical Price Analysis:**

ICE Cotton Dec future is trading around the breakout zone of 60.60-60.00 since last three trading sessions. In the daily charts price moving in an intermediate upwards sloping channel with lower band support around 60, which coincides with 50.0% Fibonacci retracement of the recent uptrend. Earlier price has crossed the downward sloping channel and moved above the consolidation phase.

At present Dec future is hovering around the DEMA (5, 9) at (60.59, 60.50), with momentum indicator RSI is at 50 levels, suggesting a sideways trend. However, on the upside immediate resistance exists at 61.60, followed by 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 60.00-61.60 with sideways bias. Either side break would bring further clarity in the trend.

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## INTERNATIONAL NEWS

### **USA: A Review of Past Recessions Points to Problems for Apparel and Textiles as another downturn Looms**

Once again, as the economic cycle seems to point to a recession on the horizon, the U.S. apparel and textile industries are at the heart of issues that have economists forecasting a downturn. The U.S.-China tariff-fueled trade war, echoing government actions that led to previous economic down cycles, has been a key factor impacting everything from global air freight to Chinese textile factories, not to mention it's forcing nearly every apparel importer to consider shifting their sourcing strategies.

American industry, including and often notably the apparel and textile sectors, has been impacted and often changed by the cycles of economic downturns seen in the country and the world in the past 90 years. While there were several economic crises prior to that, like the Panic of 1893, the advent of the Industrial Revolution brought with it supply and demand, plus financial pressures on businesses that created the economic cycles that continue today.

The politics of competitiveness, or protectionism, also emerged as a foreign policy tool that has been used by presidents and prime ministers, kings and dictators to affect their own, as well as global commerce.

This was true in the early 1990s' recession that drove apparel and textile manufacturing offshore in search of cheaper labor and costs, and during the recent Great Recession a decade ago that spurred a resurgence of Made in America production in the sector as brands sought to better control inventories and use U.S.-made goods as a marketing tool.

Though tariffs have had varying effects on economic conditions over the last 90 years, their effectiveness remains questionable.

### **The Great Depression**

The crash of 1929 that brought about the Great Depression affected every aspect of American society and shaped the political nature of federal government and the political debate for years to come.

The punitive Smoot-Hawley tariff of 1930, which sharply increased import duties, helped spread the Depression to Europe and deepened the crisis in the U.S., historian Eric Foner wrote in “Give Me Liberty: An American History.” Throughout Europe, banks failed and nobody could buy American goods or repay American debt.

Hoover’s attempts to manage the Depression included supporting organized labor and raising worker’s wages, while favoring U.S. interests over foreign ones. But under Hoover’s watch, unemployment rose to 24.9 percent from 3.2 percent.

The fiscal policies of Republican Presidents Harding, Coolidge and Hoover, according to Foner, rejected foreign trade and favored protectionism of domestic industry and high tariffs, similar to President Trump’s policies. As a result, consumer prices were high and interest rates were kept low.

Wall Street benefited in the short term because higher prices raised corporate profits and low interest rates let these companies borrow from banks at little cost. However, in the long term, consumer purchasing power and wages shrank, and banks became precariously unprofitable.

The election of 1932 brought in Franklin Roosevelt and the New Deal, which included actions to get banks back on their feet, and add government-sponsored jobs programs. But by 1934, the New Deal had done what it could to get the country back on its feet, and unemployment was still high and labor unrest was boiling. That same year, a series of violent strikes, led by radical socialists, shook the country. On Labor Day, textile workers began the largest strike ever in the country. From the silk mills of Paterson to the weaving mills in Rhode Island, factories were shut down in 20 states.

FDR and his brain trust felt a second New Deal was in order to quell unrest and give further impetus to the recovery. The National Labor Relations Act of 1935 made it easier for labor unions, including apparel and textile unions, like the International Ladies Garment Workers Union and the Amalgamated Clothing and Textile Workers Union, to organize.

World War II and the Korean and Vietnam Wars served a secondary benefit of general economic prosperity and were quickly followed by peacetime economic problems, despite the boost to manufacturing created by the Cold War.

**Recession of 1974-75**

Similar to actions in the news today—notably the bombing of the Saudi Arabian oil fields that has already caused spikes in oil prices and concerns of longer-term impacts—oil prices rose after the overthrow of the Shah of Iran and Middle East unrest caused an Arab Oil embargo against the U.S. in 1973-1974.

President Jimmy Carter deregulated the trucking and airline industries in hopes of reducing prices as inflation increased. Federal Reserve policies were controversial, as Carter supported the Fed's decision to raise interest rates. Trump on the other hand, has railed against an interest rate hike, and has done little to curb rising prices.

**Recession of 1982**

President Ronald Reagan inherited a high trade deficit but generally solid economy—similar to conditions today—although he had to deal with the Arab Oil Embargo and high energy prices. He convinced a Democratic-controlled Congress to pass his tax and spending cut budget in 1981, which led to a deep recession a year later. Reagan urged the Congress and the American people, however, to “stay the course” and by 1983, the economy rebounded.

**Recession of 1991**

The early '90s have been seen as turning point for the apparel and textile sector, with the passing of the General Agreement on Tariffs and Trade, or GATT, resulting in the formation of the World Trade Organization and a 10-year phaseout on quotas on Chinese exports that began in 1995. The result was China's emergence as an apparel and textile manufacturing powerhouse and the decline of such production in the U.S.

Otherwise considered a hangover from the speculative excess of the Reagan years, unemployment rose and income stagnated. President Bill Clinton argued in his presidential campaign that deindustrialization caused rising income inequality and the loss of good jobs, Foner noted in his work.

Recession of 2001-2002

Roughly 90 percent of jobs lost during the recession of 2001-2002 were in manufacturing. Textile firms closed plants in the southern United States and the continued shift of production to cheap labor factories in places like China, India, Pakistan and Bangladesh increased.

The U.S. recession was preceded by a stock market boom led by the new “dot-coms”—companies that conducted business on the internet and symbolized the promise of a new economy. By 2000, a majority of Americans owned stocks either directly or through investments, such as pensions funds or retirement accounts.

But that bubble burst on April 14, 2000, when stocks suffered their worst one-day drop in history. For the first time since the Great Depression, stock prices fell for three straight years from 2000 to 2002, wiping out or reducing billions of dollars in net worth and pension funds. By 2001, the economy had fallen into recession, exacerbated by the terrorist attacks of Sept. 11 that year.

### **The Great Recession**

The roots of the crisis of 2008 lay in a combination of public and private policies that favored economic speculation and easy spending over traditional paths of economic growth and personal advancement. Banks found themselves with billions of dollars of worthless investments, so they stopped making loans to businesses and the stock market collapsed. Americans cut back on spending, leading to bankruptcies and high unemployment. By the end of 2008, 2.5 million jobs were lost and the gross domestic product (GDP) decreased 6 percent.

At the same time, a cotton crisis gripped the apparel industry. An oversupply combined with demand bottoming out led to cotton prices exceeding \$2 a pound for the first time. This led to a trend of textile firms and apparel brands shifting to cotton blends and other natural and synthetic fabrics.

Now, the country and the textile and apparel industry could be facing another recession on the horizon.

Executives at this week’s National Council of Textile Organizations Fiber meeting in Charleston, S.C. feel a downturn is likely, but that it won’t be as deep as the Great Recession. They are also confident that the domestic textile sector is positioned to withstand it, and possibly emerge even stronger.

Source: sourcingjournal.com- Sept 20, 2019

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## **Bangladesh RMG sector can't survive without backward linkage**

Bangladesh primary textile sector is experiencing a dull and tough situation that mill owners are either partially closing units or keep the production off completely. The sale of fabric and local yarn has reduced drastically and 50-60% of the looms have been remained closed for a long period of time.

In the spinning mills only 8 million spindles are running out of 11 million spindles, around 50-60 thousand power looms have been shut down so far out of 1 lakh, according to Bangladesh Textile Mills Association (BTMA). Sector leaders are worried about the situation and they are trying to identify the factors that are responsible for the crisis.

Engr. Estahak Ahmed Shaika, the Managing Director of Basher Group of Industries and a Director of Bangladesh Textile Mills Association (BTMA), is a successful young entrepreneur and iconic person in the spinning sector. In a recent conversation, he shared his views about the crisis situation of Bangladesh spinning mills and the opportunities to make it a leading sector by overcoming the challenges.

### **The crisis in the spinning mills are global**

The crisis situation in the cotton market is not only a problem of Bangladesh rather it is a global phenomenon. China and India witnessing a decline in cotton export in recent years.

In 2018, the global cotton sale totaled US\$59.2 billion which is decreased by an average -7.8% for all exporting countries since 2014 that valued at \$64.2 billion. Year over year, cotton shipments appreciated by 4.3% from 2017 to 2018. Engr. Estahak Ahmed Shaika said, Bangladesh RMG sector is mostly dependent on Europe and USA market, so any changes in buying policy will hamper our export growth. Now the US is prioritizing to import yarn and garment from Pakistan. Meaning, Bangladesh is getting less priority in the US market.

According to Estahak Ahmed, the biggest reason for the market slowdown in the Apparel sector is the new trend was not seen for market-lead this year. EU market also in a stagnant situation due to uncertainty over Brexit and economic slowdown in some places in Europe. But he expressed hope that these crisis situations will change and improve in the coming months as overall market forecast revealed.

Factors that reasoning for the crisis in the Bangladesh spinning sector

As a Director of BTMEA Engr. Estahak thinks there are many triggering reasons for the present crisis other than international market.

**Lowest cotton price:** At present cotton price is lowest in the last 10 years and worryingly, buyers are asking to reduce the price, whereas Bangladeshi millers imported the cotton 3-4 months back when cotton was not cheaper. The cheaper cotton will be in-housed later to 3 months from now, that means spinning mills are in direct loss.

**High Bank interest:** Higher bank interest rate that drags down the Bangladesh textile and apparel industry and never allows the breathing space for the entrepreneurs and this is one of the biggest reason for the crisis. Bangladesh's neighboring countries keep the interest rate in single digit to promote the industry, on the contrary Bangladeshi mills has to count a double-digit interest rate to get financial support from the banks.

**Gas price hike:** Bangladesh government has increased gas prices by 37.88% from Tk7.76 to Tk10.70 per cubic meter for industrial use and 43.97% from Tk9.62 to Tk13.85 per cubic meter for captive power. The primary textile sector will suffer a lot as the sector is highly dependent on gas to run the factory.

**Congestion at port:** Port congestion is the bottleneck barrier for the backward linkage and weakening the sector. Because Bangladesh imports about 8.28 million bales of raw cotton valued at \$3 billion yearly but due to congestion in Chattogram port, the millers have to bear the additional cost to release the goods as well as extra bank charges for the delay arrival at factory.

**Late payment:** Engr. Estahak informed that the spinning millers never get payment from the RMG owners after delivering the yarn unless it is passed

6-8 months. But banks are imposing interest on spinning mills month on month so millers are really not in a situation to stand. Even if they provide instant LC, that also takes more than 3 months to get effected.

**Bonded Leakage:** Leakage of bonded ware is another factor to remain unsold yarn in our warehouse. The government should take strong step to stop illegal use of bonded facilities.

**Knit factory has spinning mill:** Now all the leading knit composite factories have their own spinning mills that can fulfill internal demand so, the spinning mills are not receiving any order from those factories.

**Backward linkage remains backward**

Bangladesh RMG sector is growing based on backward linkage but in most cases backward linkage remains unseen in the eye of sector leaders.

Whereas Bangladesh is capable of supplying 85% of yarn and fabric for its RMG sector from backward linkage, along with 40% of woven fabric, required by the knitwear sector, which helped to take the value addition to 75%. Value addition to the woven sector is now around 35% to 40% meaning that Bangladesh is unable to fulfill 60% demand for woven fabrics.

A recent Bangladesh Bank report showed that import price of raw materials in the July-December period of FY 19 stood at \$6.28 billion which is 36.77% of total export earnings from RMG sector of \$17.08 billion in the period.

Thus, raw materials prices shared 36.77% of the total value of RMG export, it means local value addition is estimated at 63.23%. This portrays a clear picture, how backward linkage sector is contributing to the Bangladesh RMG sector.

Generally investment for the backward linkage is higher than the RMG factories but no policy support or any financial benefit is going in favor of the spinning sector. This is due to the perception that backward linkage is a part of the RMG sector but its contribution is beyond any question.

Engr. Estahak expressed, “imagine the scenario, that there is no backward linkage in the textile and apparel industry same to 80’s how the sector will survive? So it is high time that all the leaders of the BGMEA, BKMEA and

BTMEA have to think over the crisis moment of the spinning sector to keep it alive for the sake of the RMG sector.”

Source: dailyindustry.news- Sept 23, 2019

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## **Intertextile Shanghai Apparel begins September 25**

The 2019 autumn edition of Intertextile Shanghai Apparel Fabrics will be held from September 25–27 at the National Exhibition and Convention Center (Shanghai). Over 4,400 exhibitors from 33 countries will meet tens of thousands of potential trade buyers. The fair will feature 11 country and region pavilions and zones to showcase best of global talent.

Keeping its roots in internationality, the fair has organised VIP buyer delegations from India, Malaysia, Philippines, Russia, Singapore, Thailand and Vietnam, to promote more business exchanges on a global scale.

"As one of the flagship fairs of Messe Frankfurt's global Texpertise Network, we believe that Intertextile maintains its status as a strong business platform thanks to its internationality," said Olaf Schmidt, vice president of textiles & textile technologies at Messe Frankfurt. "The fashion industry thrives on a global exchange of ideas and innovation. After 25 years, we're proud to have cultivated a diverse range of suppliers, offering all kinds of apparel textile products, which in turn continuously welcomes visitors from all over the world."

At the fair, the SalonEurope (hall 5.1) zone will have over 140 exhibitors from Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland, Turkey, the UK and more, as well as the Premium Wool Zone and Verve for Design.

Hall 4.1 will house India, Taiwan and Pakistan, while hall 5.1 will feature Hong Kong, Japan, Korea, Thailand and Turkey. Chinese exhibitors will be grouped by product end-use (in halls 4.2, 5.2, 6.1, 6.2, 7.1, 7.2 and 8.1). Group pavilions will range from Button & Garment Accessories Industry Chamber, DuPont, EcoCert, Hyosung, Korea Textile Centre (KTC), Korea Textile Trade Association (KTTA), Lenzing, The LYCRA Company and Oeko-tex.

There will be trend forums, seminars, panel discussions and product presentations. Concurrent shows running at the fair will be Yarn Expo Autumn, CHIC and PH Value.

Accessories Vision (hall 6.2) will house a wide range of accessories and products for finishing, with new environmentally-friendly solutions. Over 650 overseas and domestic exhibitors will join this zone, with newcomers from Cambodia and South Africa.

In the All About Sustainability (hall 5.1) zone, eco-friendly suppliers and testing services will share a space close by to Forum Space, the sustainability-focused area for fringe programme events, including Shanghai's first Fashionsustain conference.

Beyond Denim (hall 7.2) will feature over 140 overseas and domestic exhibitors who will showcase their denim products and technology, with an A/W 2020-21 display zone featuring in this area.

Digital Printing Zone (hall 4.1) will be a major trend in the fashion industry. This zone will offer the latest technology and innovation. A Digital Printing Micro Factory will host onsite demonstrations.

Functional Lab (hall 4.1) will be a one-stop shop for innovation. This zone will be home to the Taiwan Pavilion, Hyosung Pavilion and The Lycra Company Pavilion, and plenty of functional fabrics for activewear, outdoors wear, intimate wear and protective clothing.

In the Premium Wool Zone (hall 5.1), premium craftsmanship will meet modern suiting, where over 20 suppliers will showcase luxury wool, from countries and regions including France, Italy, Hong Kong, Peru and the UK.

Source: fibre2fashion.com. - Sept 20, 2019

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## **Egypt's exports to United States increase 37.5% during January-July**

The Egyptian Trade Representation Office in the United States on Saturday issued a report on commercial relations between Egypt and the US from January to July 2019 compared to the same period in 2018, stating that exports have increased by 37.5 percent to US\$1.892 million in January-July 2019, compared to \$1,375 million in that period during 2018.

According to the report, the volume of commercial exchange between the two countries increased by 19.7 percent to \$5,355 million from January to July 2019, compared to \$4,471 million from January-July 2018.

The non-oil Egyptian exports increased by 31.7 percent to \$1,229 million during the same period in 2019, compared to \$933 million in 2018. Egypt's non-oil exports accounted for 65 percent of the total Egyptian exports to the US, the report added.

The report also mentioned that the Egyptian oil exports increased by 50 percent, to \$662.9 million from January to July 2019, compared to \$441.8 million during the same period in 2018, accounting for 35 percent of total exports to the US.

The exports of the Qualified Industrial Zones increased by 14.3 percent to reach \$586.8 million from January to July 2019, compared to \$513.2 million in the same period of 2018, the report said, while exports under the system of net benefits increased by 112.1 percent, to \$112.3 million in 2019 compared to \$52.0 million in 2018.

Egyptian imports meanwhile increased by 11.8 percent to \$3,463 million in January-July 2019, compared to \$3,096 million in that period of 2018.

The trade deficit between the two countries decreased from January-July 2019 by 8.7 percent, compared to the same period in 2018.

The report clarified that the most important items in Egyptian exports are textiles and garments, valued at \$660.4 million, accounting for 35 percent of Egypt's total exports to the United States, followed by artworks, valued at \$117.7 million, and then plastics and their products, valued at \$62.2 million.

The increase in Egyptian exports to the US market is due to the efforts of the Egyptian Commercial Office in Washington to facilitate the access of Egyptian products to the US and make maximum use of the bilateral trade agreements signed between Egypt and the US, said the Undersecretary of the Trade and Industry Ministry Ahmed Antar.

Source: [egyptindependent.com](http://egyptindependent.com). - Sept 22, 2019

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## **Myanmar on path to meet \$10-bn garment export target: MGEA**

Myanmar's garment sector is on track to meet a target of \$10 billion in exports, according to the Myanmar Garment Entrepreneurs Association (MGEA), which had laid out the target and a goal to create one million jobs under the Myanmar Garment Industry Strategic Plan 2014-2024. Export figures rose from \$800 million in 2015-16 to over \$4 billion in the current fiscal.

As the number of factories increased last year, export volumes increased as well, said Myanmar Garment Manufacturers Association chairman U Myint Soe.

In the near term, more Chinese businesses are also relocating to Myanmar because of the US-China trade war and around 80 per cent of the new investments in the cut-make-pack (CMP) businesses in Myanmar are from China, he said, adding that garment enterprises from China, Hong Kong and Taiwan have entered Myanmar.

The export volume for fiscal 2018-19 up to August was worth \$4.37 billion compared to the \$3.2 billion figure in the same period a year ago—an increase of \$1.17 billion, said ministry of commerce deputy secretary U Khing Maung Lwin.

Garment exports have been rising yearly in Myanmar, especially since 2013, when the European Union granted goods from Myanmar preferential access to the EU market under the Everything But Arms tariff scheme.

The industry is being boosted by Thai CMP firms setting up shop in Myawaddy in Kayin state near the Thailand border to derive benefits from the EU's preferential treatment for Myanmar, a newspaper report quoted the official as saying. New factories are also boosting volumes he added.

Source: fibre2fashion.com- Sept 22, 2019

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## **Record-breaking 542 suppliers to exhibit at Yarn Expo 2019**

Yarn Expo Autumn 2019 will open from September 25-27 at National Exhibition and Convention Center, Shanghai. Covering an area of 26,000 sqm, around 542 suppliers from 14 countries will join the show including new exhibitors from Lithuania, Nepal and Taiwan. The fair will offer yarn & fibre solutions for every sourcing need and a new display area for fancy yarn.

A diverse range of products and innovations can always be found at Yarn Expo. The Overseas Yarn Zone will house 132 suppliers from countries and regions including Hong Kong, India, Indonesia, Korea, Lithuania, Nepal, Pakistan, Singapore, Taiwan, Turkey, the US, Uzbekistan and Vietnam.

The Overseas Yarn Zone will include the India Pavilion, where 55 exhibitors will be exhibiting a huge variety of products, including cotton, fancy synthetic yarn, Lysell linen, Modal linen, Tencel, viscose, polyester, etc. Highlighted companies will include GTN Patspin Group of Companies, Lahoti Overseas, Premier Cotton Textiles and RSWM Limited. The India Pavilion remains optimistic about the market, having increased in size by 40 per cent last year.

The Pakistan Zone will have 15 leading suppliers including Abtex International, who will showcase their new hybrid colour mixing yarns and fancy yarns, Fabcot International with cotton yarns and greige, as well as Hussain Mills Ltd, who will offer organic cotton.

"We've been coming here for the last nine years, and this fair is always expanding. It's very popular and it's a platform that gathers innovation. Cotton from Pakistan is of very good quality and so we feel optimistic and confident in our product demand," said regular exhibitors Fazal Cloth Mills at Yarn Expo Spring 2019.

The Birla Satellite zone will have 15 exhibitors including Birla Cellulose and their environmentally-friendly regenerated cellulose fibres. Birla Cellulose is known worldwide for soft and eco-friendly viscose fibres, including Birla Viscose, Birla Modal, Birla Spunshades and Birla Excel.

"We use Yarn Expo as a marketing platform to tell our own innovative story. We are happy to see that our peers in this hall also have yarn and fibre innovations, which are more relatable to our own brand," said Manohar Samuel, senior president of marketing & business development at Grasim Industries Ltd (of the Aditya Birla Group) at Yarn Expo Spring 2019.

Other highlighted exhibitors from different countries and regions include Naturalus Pluostas (Lithuania), Reliance Spinning Mills (Nepal), Everest Textile (Taiwan), Tung Ho Textile (Taiwan), Fashion and function from domestic suppliers.

In response to the recent buying trend observed at past editions of Yarn Expo, suppliers will display fashion-forward and functional yarns. To ensure end pieces that stand out from the crowd, with fancy yarn details or added functional values, fashion brands will be sourcing directly from yarn and fibre suppliers.

Fashionable products on offer from domestic brands will include fancy yarn, quality wool yarn and eco-friendly linen. Leading Chinese exhibitors to be included are Hongqi, Lida, Zhongxin Resources, Lugang, Haoye and Dalang Wool Yarns. Domestic suppliers will be categorised into product zones, making it easier for visitors to navigate the comprehensive product range in the hall.

The Fancy and Specialty Yarn Zone is now 30 per cent larger in size, the number of exhibitors has also increased to 140. This edition, the zone will debut Fancy Yarn Vision (booth a02), a display area gathering creative fancy yarns and application products from exhibitors.

The Functional Chemical Fiber Zone will include the China Fiber Fashion Trends (booth e117), as well as themed displays with multi-functional products, eco-friendly products and an Industry Alliance Zone.

The Natural Cotton Yarn Zone will have more than 100 high-quality cotton spinners, including Kang Pinna, Litai, Peixian Cluster, Gyeonggi, Wuxi Yimian, Anhui Huamao and more.

Yarn Expo is organised by Messe Frankfurt (HK) Ltd and the Sub-Council of Textile Industry, CCPIT. Yarn Expo Autumn 2019 will be held concurrently with the 25th Autumn Edition of Intertextile Shanghai Apparel Fabrics, as well as CHIC and PH Value.

Source: fibre2fashion.com- Sept 19, 2019

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### **In Pakistan, low export base restricts GSP Plus benefits**

The good news is that attempts to curtail the external deficit are bearing fruit.

In FY19, trade and current account deficits were brought down to \$31.82 billion and \$13.59 billion respectively from \$37.58 billion and \$19.89 billion respectively in FY18.

In the first two months of the current fiscal year (FY20), the trade deficit sat at \$3.97 billion, which was \$2.4 billion or 37.6% less than the \$6.37 billion trade imbalance registered in the corresponding period of the preceding year.

The bad news is that the reduction in external deficit has been made possible by a substantial fall in imports and not by an uptick in exports. After imports came down \$6 billion (10.9%) in FY19, the trend continues into FY20, as the first two months saw a drop of \$2.13 billion (27.8%) in imports year-on-year.

Exports, however, remain stagnant. During FY19, exports fell \$240 million while in FY20 (July-August), they went up to \$270 million year-on-year.

Pakistan's export base remains narrow as it has been unable to take full benefit of the European Union's (EU) GSP Plus scheme. The 28-member bloc is Pakistan's largest export market, accounting for nearly 34% of the country's global exports. The GSP Plus grants duty-free market access to more than 6,000 tariff lines (TLs) from Pakistan and a few other developing countries. In the case of Pakistan, more than 78% of exports, including the

all-important textile and clothing (T&C) sector, to the EU are covered by the GSP Plus.

The EU's average applied most favoured nation (MFN) tariffs on textile and clothing are 6.5% and 9.5% respectively. However, under the GSP Plus, almost the entire T&C sector is entitled to duty-free access.

According to European Commission data, in 2014, the first year of the GSP Plus treatment, Pakistan's exports to the EU went up to €5.51 billion from €4.53 billion in 2013, an increase of 21.63%. However, this healthy growth could not be maintained.

In 2015, exports to the EU registered 10.16% growth and reached €6.07 billion. Next year saw further deceleration in export growth that came in at 3.62% as exports sat at €6.29 billion.

In 2017 and 2018, exports to the EU grew 5.72% (€6.67 billion) and 2.90% (€6.90 billion) respectively. During 2017 and 2018, the EU's global imports grew at healthy rates of 8.8% and 6.6% respectively. Therefore, the slowdown in Pakistan's export growth to the EU can't be put down to deceleration in the EU's global imports.

Pakistan's share in the EU market jumped from 0.27% in 2013 to 0.33% in 2014. However, in subsequent years, the share stuck around 0.35%.

Since the T&C sector has the lion's share in Pakistan's total exports to the EU, the growth of Pakistan's exports to the EU market depends largely on the performance of this important sector.

In 2014 and 2015, while benefiting from the duty-free market access, the T&C exports to the EU grew substantially by 23.8% and 17.2% respectively. However, in the following years, the growth rate could not be maintained.

In 2016, T&C exports grew by 6.97%. In 2017, the growth rate went up to 15.7%. However, in 2018, T&C exports registered a negative growth of 0.13%.

Why did after strong growth in 2014 exports register comparatively weak growth in subsequent years? One reason may be exchange rate movements.

In 2014, on average, one euro exchanged for 1.33 dollars; in 2015 as well as in 2016, the exchange rate came down to 1.11 before going up marginally to

1.13 in 2017 and further to 1.18 in 2018. On the other hand, during 2015-17, the rupee remained overvalued. A depreciating euro coupled with an overvalued rupee may have made Pakistan's exports more expensive in the EU market. However, the fall in growth of exports can't be set down to the exchange rate.

In 2014, 2015, 2016, 2017 and 2018, extra EU imports (imports of EU countries from the rest of the world) were €1,692 billion, €1,730 billion, €1,712 billion, €1,853 billion and €1,980 billion respectively. This shows that despite the depreciation of the euro, the EU's global imports went up 17% between 2014 and 2018.

In fact, in 2017, the EU's global imports increased by 8.8% compared with 5.7% growth in its imports from Pakistan. Likewise, in 2018, the EU's global imports increased by 6.6% compared with 2.9% growth in imports from Pakistan. In 2018, the rupee depreciated massively but exports to the EU registered a nominal growth.

### **Causes of slowdown**

We, therefore, need to look at domestic, particularly supply-side, factors for the slowdown in the growth of Pakistan's exports to the EU from 2015 onwards.

An important contributor is a fluctuation in cotton output. In 2014-15, cotton production went up 9.32% to 13.96 million bales from 12.76 million bales in 2013-14. However, in 2015-16, the production went down 29.96% to 9.91 million bales before increasing 7.6% to 10.67 million bales in 2016-17 and further to 11.93 million bales in 2017-18. Thus, between 2013-14 and 2017-18, the cumulative cotton production contracted 0.83 million bales or 6.5%. The area under cotton cultivation went down from 3.05 million hectares to 2.70 million hectares in the past one decade.

Why despite being the key export crop, cotton is being grown on a shrinking area? The major reason is that being a Kharif crop, cotton competes with sugarcane for cultivation, that is to say, farmers can grow either sugarcane or cotton on their scarce land.

Every year, the government fixes the support price for sugarcane, which is normally higher than the price the growers will get under competitive market

conditions. The greater the sugar output, the more benefits do the growers get. The support price induces farmers to grow more sugarcane at the expense of cotton and thus at the expense of exports. Due to the generous price support, the sugarcane production went up from 63.9 million tonnes (MT) in 2007-08 to 83.3 MT in 2017-18.

Similarly, sugar output increased from 4.7 MT to 6.6 MT during this period. The area under sugarcane cultivation increased from 1.24 MH to 1.34 MH.

Likewise, the production of cotton yarn, which registered 8.6% growth in 2013-14, grew 1.1% in 2014-15, 1.4% in 2015-16, 0.7% in 2016-17 and 0.1% in 2017-18.

The production of cotton cloth, which registered 0.7% growth in 2013-14, grew 0.1% in 2014-15, 1.2% in 2015-16, 0.4% in 2016-17 and 0% growth in 2017-18, according to State Bank of Pakistan (SBP) data.

Although there are more than 6,000 TLs in the EU's GSP Plus, only in case of a few hundred TLs Pakistan's exports to the EU are more than \$1 million each. After T&C, raw hides and skins are Pakistan's second-largest export category for the EU.

However, the export of raw hides and skins to the EU is stuck around €450 million over the past five years. Thus, a narrow export base has prevented Pakistan from driving substantial benefits from the duty-free market access.

GSP Plus entails the elimination of import duties only. All other import restrictions, commonly known as non-tariff measures, particularly product standards, continue to apply. Collectively, these standards are called sanitary and phytosanitary (SPS) measures and technical barriers to trade.

EU countries, together with the US, are known for their stringent product and packaging standards designed to protect the consumer and environment. Pakistani exporters often find it difficult to comply with these standards.

Source: [tribune.com.pk](http://tribune.com.pk)- Sept 23, 2019

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## **Pakistan: Textile exports inch up 2.3 percent in July-August**

Textile group exports saw a skimpy growth of 2.30 percent in the first two months of the current fiscal year vis-à-vis the figures from the same period last year, largely due to sluggish economy, latest data showed on Saturday.

Pakistan Bureau of Statistics- (PBS) released trade numbers presented that different textile products worth \$2.215 billion were exported during July-August 2019-20, as against \$2.303 billion exported in the same period of fiscal year 2018-19.

However, on a month-to-month basis, the textile exports shrank 5.32 percent to \$1.190 billion in August 2019 from \$1.257 billion in the same month last year.

In the first two month, textile products that posted positive growth in exports were raw cotton, up 152.33 percent, cotton (carded or combed), up 100 percent, and yarn other than cotton, up 44.96 percent.

Among value-added products knitwear exports weaved their way up to 12.84 percent, bed-wear increased 1.22 percent, while readymade garments were up 7.47 percent.

Textile products, which saw a negative growth in exports, were cotton yarn, down 7.76 percent, cotton cloth, down 6.35 percent, towels, down 0.20 percent, while other textile materials witnessed a decline of 15.46 percent.

In the period under review, the country earned \$541.484 million by exporting about 20.731 million dozens of knitwear items, compared to \$479.877 million in the same period last year.

Meanwhile, about 86,828 tons of bed-wear worth of \$399.994 million was exported during the period as against 72,114 tons, valuing \$395.172 million in same period a year ago.

About 10.436 million dozens of readymade garments, valuing \$476.484 million, were exported during July-August, compared to 7.752 million dozens of apparels worth \$434.981 million in the corresponding period of the last year.

On the other hand, the exports of cotton yarn fell from \$224.149 million to \$206.757 million, cotton cloth from \$346.767 million to \$324.758 million, while other textile materials' exports went down from \$67.636 million to \$57.180 million.

Country's trade deficit narrowed 35.86 percent year-on-year to \$3.924 billion in the first two months of this fiscal year as imports decreased on regulatory measures coupled with a slowdown in oil shipments, while exports showed some signs of recovery.

In July-August, imports fell 21.41 percent year-on-year to \$7.677 billion, while exports rose 2.79 percent to \$3.753 billion.

Source: thenews.com.pk- Sept 22, 2019

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## NATIONAL NEWS

### **Textile exporters, manufacturers tell govt to be cautious with RCEP talks**

Sources said they pointed out added competition from Chinese cheaper goods may put pressure on domestic sales at a time international business has been under threat from Bangladesh and Vietnam

In a meeting with the Commerce and Industry Ministry, textile manufacturers and exporters on Thursday reiterated caution against opening up the domestic market for China under the proposed Regional Comprehensive Economic Partnership (RCEP) agreement.

Sources present at the meeting said they pointed out added competition from Chinese cheaper goods may put pressure on domestic sales at a time international business has been under threat from Bangladesh and Vietnam. However, the government has assured them their interests will be protected.

RCEP is India's most ambitious trade pact, currently under negotiation. Based on India's existing free trade agreement (FTA) with the 10-nation Asean bloc, the RCEP will include all the nations with which the Asean has trade deals — New Zealand, Australia, China, India, Japan and South Korea.

At the last such meeting on RCEP, the Confederation of Indian Textile Industry (CITI) had cautioned the government to tread carefully while ceding space to China in the global textiles and clothing (T&C) sector. Half of India's T&C trade in RCEP is with China, with which it had a big trade deficit of almost \$1 billion in 2018, it had said.

Export of readymade garments, in which India's export competitiveness has fallen over the past fiscal year, contracted by 2.44 per cent in August. The sector had shown signs of steady recovery in July with 7.66 per cent growth, after months of continuous contraction.

However, CITI said that while the ongoing US-China trade war presents an opportunity to Indian textile manufacturers to enhance their exports to the US, China too would be looking for new markets for its products.

This is true for the fabrics sector, which has seen a division in opinion on RCEP. China, South Korea and major Asean markets may become large destinations for fabric industry. "The RCEP accounts for nearly 30% (USD 50 Bn.) of global trade in Man-made fibre textiles and this share is growing rapidly.

The shifting of production of textile products from the west to the east is increasing both intra and inter-national textiles trade in this region," the Synthetics and Rayon Textiles Export Promotion Council said.

"We have suggested some caution be exercised during the talks on reducing tariffs for textile products. Accordingly, we have asked that some items be kept in the negative list when it comes to China," a senior functionary of Apparel Exports Promotion Council, said.

So far, RCEP talks have seen 28 rounds of negotiations, apart from seven minister-level meets. New Delhi has apparently made it clear that significant tariff concessions have already been made and further talks would be based only after an equal push by China. However, significant changes are expected before November 4, the deadline decided on by all negotiating countries, including India.

"As long as India's domestic industry and our national interests is protected, the faster it (the RCEP) is done, the better it is for India," Commerce and Industry Minister Piyush Goyal, had said last week. He had added that cotton textile exporters have also requested a speedy conclusion to the negotiations, citing an 8 per cent duty that hinders their chances of exporting to China.

In the meantime, India is preparing a final list of products on which it may retain import tariffs for China, painfully aware of a huge trade deficit. Such a list is based on its plan of a "differential tariff reduction" for various nations. Also under consideration is a mechanism to fix an import ceiling, again particularly for China. This is the first time New Delhi will fix such a ceiling in any trade deal.

Goyal also met representatives of the pharmaceutical and chemical industries on Thursday. Pharma players have been relatively favorable to the deal. A senior official said they have argued for greater access to Chinese markets. China imports about \$25 billion worth of medicines, of which India's share is currently only \$200 million.

Source: business-standard.com- Sept 21, 2019

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## **Weak Rupee: Will it boost exports?**

The head of a large equity fund I met at a restaurant last weekend greeted me with “80?” A very smart analyst I know sent me a report a couple of months ago forecasting 80 by mid-2020; his analysis was quite convincing, except for the fact that this has been his view for at least two years. A friend of mine in the hospitality business said he needs 90 for sustained profitability—everybody’s going to Bangkok and Dubai was his complaint.

Another friend, who I sometimes consult on the “right” value of the rupee for his business—which competes with imports from China and has some exports—very matter-of-factly talked about 75-80. But, the loudest of such views was in an article by one of the by-now Grand Old Men of Indian finance—Shankar Acharya, who was Chief Economic Advisor to the government in the heydays of liberalisation—who simply stated the rupee is “hugely overvalued”.

I generally stay away from such judgements, although recent data showing that private outflows under the LRS are substantially higher than previous periods, does appear to suggest that Indians are finding it cheap to travel overseas, or they are worried about an impending sharp decline in the rupee or both.

The problem, though, is that even if the rupee were to weaken sharply, the impact on the economy would not necessarily be positive. Sure, it would likely reduce private outflows, but it is questionable whether a weaker rupee would directly lead to higher exports. In the recent past, the correlation has been minuscule.

Between 2013-14 and 2018-19, while the rupee fell by 32% (from 53 to around 70), India’s exports grew by—hold your breath—a sum total of 5%, from \$314 bn to \$329 bn. Over the same period, Thailand’s exports grew at twice the pace ours did—from \$225 bn to \$252 bn; however, the Thai baht stayed more or less steady against the dollar over the entire period. Vietnam saw its exports jump by a huge 84%, from \$132 bn to \$243 bn, with relatively modest currency depreciation (about 10%, from 21,080 to 23,228 to the

dollar). Clearly, the global market was alive and well, certainly for Vietnam, where a modest currency depreciation led to an outsize jump in exports.

Our problems, as is well known, are structural, having to do with weak, if improving infrastructure, a poorly-trained workforce, complicated with anti-competitive labour laws, and a government that seems almost endemically unable to create a stable investment environment. For most companies, exports have long been very profitable, more so than domestic sales, but here, there has been near-zero investment in export capacities over the last several years. In fact, many large exporters are restructuring their businesses to invest in assets overseas, which, incidentally may support the view that the rupee is stronger than it “should” be.

Going forward, the export situation may well be even more difficult, with global growth showing definitive signs of slowing, confirmed by the fact that oil prices have behaved remarkably calmly despite the bombing of Saudi’s oil assets. Both the ECB and the Fed have just cut rates; a study referred to by the Fed suggested that the on-again off-again trade war could cut as much as 1% off the US GDP growth. In this kind of environment, rupee weakness will most likely be “wasted” in terms of pushing exports, and will only serve to amplify some of the negatives in the economy—higher costs (and possibly interest rates), more volatility and increased difficulty with risk management.

Of course, the market is indifferent to any of this, and whether the rupee will fall or not simply depends on the obvious rule of supply and demand. The key drivers of demand for dollars are the current account deficit and investment outflows. With the CAD showing signs of moderating as a result of the domestic slowdown—August imports fell 13% from the previous year—investment outflows remain the only real force to drive the rupee lower.

Indeed, the sudden outflow of about \$2 bn in August did push the rupee quickly through 70 to 72+, but it has recovered since then, despite continuing FPI selling in the equity markets. To be sure, sustained outflows could push the rupee sharply lower—in 2018, the only year where there were net outflows (of about \$11 bn), the rupee fell by about 10% (63.80 to about 70).

The big question is whether this will materialise.

Global investment sentiment remains remarkably buoyant, given the slowdown and multiple political uncertainties across the globe. But, investors are driven by simple arithmetic and with interest rates low, lower, lowest in the developed markets, it does seem that India's government yield of 6-6.5% could continue to draw investment interest, despite the fumbling economy and nervous rupee.

Perhaps reflecting this, a survey conducted by UBS indicated that the majority of firms (34%) expect the domestic currency rupee to trade in the 67-70 range against the US dollar (\$) over the next 12 months. "Around a quarter of firms expect it to weaken towards the 70-75 range. Overall, firms expect INR to recover to an average of 67-68 in the next 12 months."

Source: [financialexpress.com](http://financialexpress.com)- Sept 23, 2019

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### **Cotton takes support at MSP as arrivals pick up**

Cotton prices are not expected to spike from current price levels.

Cotton spot rates are hovering around the minimum support price for the commodity, down 8-10% from a year ago primarily on build-up of stock due to sluggish exports and fresh crop arrival in Punjab, Haryana and Rajasthan.

Cotton prices are not expected to spike from current levels.

According to traders, the domestic cotton market is also suppressed due to headwinds in export of cotton yarn, but demand for cotton seeds and better quality of fibre this season is managing to keep prices from slipping further.

In Punjab and Haryana, raw cotton is selling for up to Rs 600 above the MSP of Rs 5,450, but analyst said these rates are prone to a downward movement as the condition of cotton plantations across the country is good and a record harvest is on the cards.

"Indian prices have to come down to buttress sagging exports of cotton yarn," said Rakesh Rathi, former president of Bathinda-based India Cotton Association Ltd.

"Either domestic cotton prices needs to be at par with the international price to arrest the fall in exports or the currency valuation of Rupee and US Dollar needs to be favourable for the trade."

Experts anticipate a good crop in the current year as the condition of the standing crop is good. "If favourable weather keeps up, a record output and high quality of cotton is expected this year," said a senior scientist at Central Institute of Cotton Research.

Cotton output of 7.5 million bales is expected in Punjab, Haryana and Rajasthan, compared with 6.5 million bales last year. "The prices will further mellow from current levels and remain around MSP as arrival picks up in the coming weeks, as slump in exports has affected buying capacity of spinning mills," cotton trader and consultant Harish Kataria said. He added that the possibility of a thaw in US-China trade relations or crop failure in some major cotton-growing state could support prices which are set to remain low for the season ahead.

"Spinning mills are unlikely to indulge in bulk buying at prices much higher than the MSP, as they are affected by slump in exports," an executive of Northern India Textile Mills (NITMA) said. Textile mills have been seeking direct benefit transfer to support farmers instead of price manipulations via MSP. "But the government is keeping away from the step due to bottlenecks in implementing it," the executive said.

Source: [economictimes.com](http://economictimes.com)- Sept 22, 2019

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### **‘Don’t include textile sector under RCEP’**

It’s double trouble for the country’s man-made fabric industry, which is facing stiff competition from imported cheap fabrics from China.

Central government has now proposed inclusion of textile industry in Regional Comprehensive Economic Partnership (RCEP) which will allow free import of polyester fabrics from China, Vietnam, Bangladesh and several other countries.

Federation of Gujarat Weavers' Welfare Association has written to Union commerce minister Piyush Goyal expressing concern over inclusion of textile sector in RCEP.

It said this would lead to job losses and shutting down of powerloom units in Surat and other MMF hubs across the country. Last month, FOGWA and Federation of Indian Art Silk Weaving Industry had represented to the ministry demanding imposition of import duty on Chinese fabrics to protect SME sector.

Source: timesofindia.com- Sept 23, 2019

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### **India and Chile seek to further liberalize tariff lines and ink terms of reference in New Delhi**

For further expansion of the existing Preferential Trade Agreement (PTA), India and Chile have signed the terms of reference.

According to the ambassador of Chile to India Juan Angulo Monsalve "The agreement which was signed in New Delhi seeks to liberalize 80-90 percent tariff lines. Negotiations are on track to open up more lines. We have to exchange a list of the products."

According to the Chilean envoy "Efforts are on to expedite the negotiations for further expansion of Chile-India Preferential Trade Agreement (PTA). We would like to include the goods and services in the talks for expanded agreement." Adding, "The idea is to expand the basket and go deeper."

During a meeting in New Delhi recently the two sides discussed the further expansion of the PTA between the two countries and matters related to the inclusion of more tariff lines/ increasing Margin of Preference (MoP), trade in goods, SPS/TBT, Customs, and Rules of Origin, etc under the existing PTA.

The further expansion of the existing PTA with the South American nation will help India as that country is also a member of the Pacific Alliance (PA). As India is an observer member of the alliance, it is expected that it will help in enhancing engagement with the emerging trade bloc.

Under the current expanded PTA, while India has increased tariff concessions to Chile from 178 tariff lines to 1031 tariff lines, Chile has given concession to India from 296 tariff lines to 1784 tariff lines at 8-digit HS code 2012.

The South American country is of interest to India as it is not only rich in Lithium but also in copper and gold and the exports from Chile to India has been dominated by a few products like copper ores, Molybdenum ores, fresh fruits like apples, blueberries, grapes, pears, etc. Exports from India is more diversified and covers sectors including automobiles, iron and steel, pharmaceuticals, chemicals, leather, apparel, and textiles, etc.

The two countries had inked the first trade agreement in 2006 which came into force in 2007, under which tariff concessions were offered on a limited number of products. And this was expanded after several rounds of negotiations in 2017 which helped in substantially increasing bilateral trade.

Today, duty concessions on as many as 1,798 goods have been offered by Chile to Indian exporters compared to 178 items earlier. India on its part has offered concessions to Chile on 1,031 products as against 296 earlier. This is at 8-digit level with MoP ranging from 10-100 percent.

India has offered tariff concessions on products including meat and fish products, iodine, copper ore, chemical, leather products, and some industrial products, etc. And Chile offers concession on products including agricultural products, chemicals and pharmaceuticals, dyes and resins, and leather products.

According to the Trade Promotion Council of India (TPCI), India's exports to Chile have increased by 300% while imports from Chile have decreased by 10% between 2007 and 2018.

Source: [financialexpress.com](http://financialexpress.com)- Sept 20, 2019

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## **Govt plans to tweak antidumping, subsidy rules to boost domestic industry**

The government will soon make changes in the rules of trade remedies such as antidumping and safeguard, for making them more effective to protect the domestic industry, an official said.

The changes in the rules of antidumping, countervailing or anti-subsidy and safeguard have been approved by the commerce ministry and will soon be notified by the revenue department, the official said.

These are trade remedy measures provided under the global trade norms of the World Trade Organization to protect the domestic industry in case of dumping of goods, significant jump in imports, and subsidised imports.

According to the official, the government will remove lesser duty rules (LDR), which will pave the way for Indian investigating authorities to impose anti-dumping and countervailing duty to the full extent of dumping and subsidy margins, respectively.

Tariff rate quota will be introduced in the safeguard rules, which will provide greater flexibility to the government in operating and administering safeguard mechanism. Further, as per the approved proposal, anti-circumvention provision will be introduced in the CVD (countervailing duty) rules to address the issue of circumvention by foreign producers or exporters availing subsidy.

"These changes meet long-standing demands of Indian domestic industry and are expected to provide much-needed support to the Indian manufacturing industry and give an impetus to Make-in-India campaign," the official added.

These amendments will be notified by the revenue department after legal vetting.

Source: [businessstoday.in](http://businessstoday.in)- Sept 22, 2019

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## **Piyush Goyal to discuss GSP, market access in US Talks**

Commerce and industry minister Piyush Goyal is travelling to the US on Monday as India and the US work to resolve their bilateral trade issues. His visit to New York coincides with Prime Minister Narendra Modi's visit to the US during September 21-27.

Restoration of the Generalised System of Preferences (GSP), duty cuts on Harley Davidson bikes, market access to US agricultural commodities and price controls on medical devices are key areas that the two sides have been trying to resolve first and arrive at a trade deal.

Officials said the American industry is hurting with the withdrawal of preferential benefits to \$6.3 billion of Indian exports.

Last week, 44 US lawmakers urged the Trump administration to reinstate India's designation as a beneficiary developing nation in GSP and suggested an "early harvest" approach that "would ensure that long-sought market access gains for US industries are not held up by negotiations over remaining issues."

"GSP restoration is a key issue as US firms are hurting," said an official in the know of details.

While the economic impact of GSP withdrawal on India's exports is not significant, these issues have long-term strategic implications and should not become deal breakers, as per another official. Preferential tariffs under GSP on Indian exports are 1-6%.

Separately, New Delhi may also work on a separate HS Code so as to facilitate further duty reduction or elimination on Harley Davidson bikes. In February last year, India reduced the duty on completely built units of motorcycles of all engine capacities to 50%. Earlier, the duty on bikes with engine capacity of 800cc or lower attracted 60% duty, while those with capacities of 800cc, or more, attracted 75% tariff.

Goyal's visit to the US has been long pending and got a push when Modi and Trump met at G-20 Osaka Summit in June and agreed on an early meeting of commerce ministers to sort out trade issues.

The US wants India to do away with price controls of medical devices like stents and knee implants with innovative features and keep them separate from mass products. It has also sought duty cuts on pecan nuts and various berries, from India.

The two sides have been engaged in talks to iron out the differences which began last year when the US levied global additional tariffs of 25% and 10% on the import of steel and aluminium products, respectively. India responded by levying retaliatory tariffs on 28 products originating or exported from the US with effect from June 16 for which Washington dragged it to dispute at WTO.

Source: [economictimes.com](http://economictimes.com)- Sept 22, 2019

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### **‘State govt. has urged Centre to increase duty drawback’**

This government will stand by weavers and work for their interests: Minister

The State Government has taken up with the Centre the weavers’ demand for increased duty drawback, Minister for Handlooms and Textiles O.S. Manian said here at the conference organised by the Sree Gayathri Peeta Maha Samasthanam, Hampi, Karnataka, for protecting the interests of traditional weavers of Devanga community.

In addition to the government taking up the demand with the Centre, Chief Minister Edappadi K. Palaniswami had also brought the demand to the notice of Prime Minister Narendra Modi and Union Textiles Minister Smriti Irani as this government would stand by the weavers and work for their interests.

Mr. Manian assured the organisers that he had read through the conference resolutions, which he would take to the notice of Mr. Palaniswami for implementation. While the government would implement some of the demands in the near future, it would take care of the rest in the next budget.

He then highlighted the various welfare measures the government had launched.

Municipal Administration Minister S.P. Velumani said just as the government had implemented here the schemes that Coimbatore had not seen in the last 50 years, it would do so for the Handlooms and Textiles Department as well.

The organisers passed resolutions urging the inclusion of the Devanga community in the Most Backward Classes list, exemption from Goods and Services Tax for all handloom products, construction of sewage treatment plant by the government at places where the community was engaged in dyeing trade, skill development centres for its youth, and 25% reservation for the community members in all Central and State advisory committees that deal with the textile industry.

The pontiff of the Hemakuta Mutt Sri Sri Sri Dayananda Puri Maha Swamigal was present.

Source: thehindu.com – Sept 21, 2019

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## **RCEP: India readies tougher rules to curb dumping**

India is preparing for any “irrational spike” in imports ahead of a potential deal at the 16-nation Regional Comprehensive Economic Partnership (RCEP) negotiations in November, with commerce and industry minister Piyush Goyal having cleared critical changes in anti-dumping, countervailing and safeguard rules to better protect the domestic industry.

As part of the proposed changes, lesser duty rules (LDR) — under which authorities typically impose import duties at a lower level than the margin of dumping if this is adequate to remove “injury” to the domestic industry — would be scrapped, a source told FE. The abolition will allow authorities to slap anti-dumping and countervailing duties to the full extent of dumping and illegal subsidies enjoyed by foreign exporters, respectively.

The move is aimed at allaying the domestic industry’s fears that any free trade agreement with China through RCEP (Beijing is a member) will result in massive dumping of highly-subsidised items, mostly diverted due to the ongoing trade war.

But at the same time, the proposals suggest India's greater willingness now than earlier to clinch the RCEP deal.

Similarly, the government will also introduce tariff rate quota in safeguard rules, which will provide greater flexibility to it in operating and administering the mechanism whenever required.

Usually, the tariff rate quota allows stipulated quantity of imports at a lower duty and once the ceiling is breached, higher impost kicks in on the additional imports.

The changes would be notified by the revenue department of the finance ministry soon after legal vetting, the source said. The new provisions are WTO-compliant, the source claimed.

The government will likely introduce anti-circumvention provision in the countervailing duty rules. Circumvention typically takes place when an exporting nation seeks to get around its WTO commitments (such as the pledge to limit farm export subsidies) or evade anti-dumping or countervailing duties of an importing country, among others, to push its products that are priced much cheaper through illegal dole-outs.

The RCEP is a proposed mega trade pact between the 10 Asean members and their six FTA partners, namely Australia, China, India, Japan, South Korea and New Zealand. According to initial estimates, it accounts for 25% of global gross domestic product, 30% of trade, 26% of foreign direct investment flows and 45% of population.

Earlier this month, trade ministers from the RCEP grouping pledged to address any contentious issue and clinch a deal this year.

Recently, Goyal said India was in favour of early conclusion of the RCEP pact if its interests were protected. Simultaneously, he added that one or two domestic industries couldn't hijack FTA talks to suit them and that their interests would be protected to the maximum extent possible.

The minister also sought to play down domestic resistance to RCEP, saying the industry is vertically split in its opposition.

While some in the pharmaceutical sector see vast opportunities for exports if they get credible market access in China through the RCEP, some others, notably the steel and dairy industries, are opposed to the deal for fears of cheaper dumping, especially from China and New Zealand, respectively. MSMEs, too, have been opposing any RCEP deal.

However, many consuming industries, including bulk buyers of steel, have endorsed the mega trade deal.

“It’s all about balancing conflicting interests, both internal and external,” another source said. Earlier this month, the government also announced a slew of steps to help exporters, including a Rs 50,000-crore scheme to replace its existing flagship export scheme and easier and cheaper credit for them.

Even without the deal, India’s merchandise trade deficit with the RCEP grouping hit \$105 billion in FY19 (roughly 60% of its total deficit). China alone contributed as much as \$53.6 billion. New Delhi has now linked meaningful market access from Beijing in key sectors — including IT, pharma and agriculture — to its endorsement of the RCEP deal.

Source: [financialexpress.com](http://financialexpress.com) – Sept 23, 2019

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## **Indian customs dept to monitor Bangladesh trade bodies**

The Directorate of Revenue Intelligence (DRI) has directed the customs to carefully scrutinise the origin of certificates issued for garments imported from other countries through Bangladesh.

Garments that are being imported through Bangladesh from other countries take advantage of duty concessions offered under the free-trade pact.

There was concern over growing cheap imports from third countries through Bangladesh and that the agency wanted to ensure that imports from only Bangladesh were brought in.

In August, the agency issued a show-cause notice on 83 garment consignments that were allegedly imported from third countries and routed through Bangladesh to avail of zero import duty.

Also, the DRI fears that other importers would abuse the route and hence wants the customs to stay alert.

The customs department is also watching over garment imports entering the country through Bangladesh under the South Asian Free Trade Area agreement.

For import by other countries, a 30 per cent local value addition is mandated by the South Asia Free Trade Agreement in least developed nations.

These local value addition rules are included in the trade pacts to ensure contribution to the exporting partner's economy and local job creation through a criterion of very strict value addition, as well as to protect the importing partner.

Source: fashionatingworld.com – Sept 21, 2019

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