**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>21100</td>
<td>44100</td>
<td>81.38</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>21470</td>
<td>44872</td>
<td>82.80</td>
</tr>
</tbody>
</table>

**International Futures Price**

- NY ICE USD Cents/lb (December 2019): 64.13
- ZCE Cotton: Yuan/MT (September 2019): 13,250
- ZCE Cotton: USD Cents/lb: 87.45
- Cotlook A Index – Physical: 75.40

**Cotton Guide:** Here comes the big news!


The amount mentioned in the news is 50,000 tonnes. This amount roughly amounts to 300,000 Bales of 170 Kg each. This seems to be a positive indication from the Chinese which can cause some bullishness in the interim period.

We can thus see increased sales figures in the following Export sales data to be released hereafter. The prevailing desiccated interest thus can turn into an exuberant one in the near future.
Yesterday the US Export Sales data was released. Upland Cotton Net sales of 163,000 Running Bales (RB) for 2018/2019 were up noticeably from the previous week and from the prior 4 week average.

### Table 1: Net Upland Sales 2018-2019 – Total 163,000

<table>
<thead>
<tr>
<th>Country</th>
<th>Increases in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>91,400</td>
</tr>
<tr>
<td>India</td>
<td>28,900</td>
</tr>
<tr>
<td>Pakistan</td>
<td>9,500</td>
</tr>
<tr>
<td>Turkey</td>
<td>7,900</td>
</tr>
<tr>
<td>Thailand</td>
<td>7,400</td>
</tr>
</tbody>
</table>

Reductions were noted for Japan with a figure of 2,300 Running Bales.

### Table 2: Net Upland Sales 2019-2020 – Total 208,000

<table>
<thead>
<tr>
<th>Country</th>
<th>Increases in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>133,300</td>
</tr>
<tr>
<td>China</td>
<td>11,500</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10,700</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>10,500</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7,600</td>
</tr>
</tbody>
</table>

Upland Shipments-

Export Shipments of 318,300 Running Bales were up 3 percent from the previous week, but down 3 percent from the prior 4 week average.

### Table 3: Shipments – Total 318,300

<table>
<thead>
<tr>
<th>Country</th>
<th>Shipments in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>79,500</td>
</tr>
<tr>
<td>India</td>
<td>77,700</td>
</tr>
<tr>
<td>Turkey</td>
<td>50,200</td>
</tr>
<tr>
<td>Indonesia</td>
<td>18,400</td>
</tr>
<tr>
<td>China</td>
<td>16,200</td>
</tr>
</tbody>
</table>

Pima Sales-

### Table 4: Net Pima Sales 2018/2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Increases in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>300</td>
</tr>
<tr>
<td>Switzerland</td>
<td>200</td>
</tr>
<tr>
<td>Greenland</td>
<td>100</td>
</tr>
</tbody>
</table>

Net sales reductions of Pima summed up to 800 RB.

The reductions were noted for China 1,300 RB.
For the year 2019/2020, total net sales of 2,100 RB were reported to Peru.

Pima Shipments-

Exports of 8,100 Running Bales were down 30 percent from the previous week and 42 percent from the four week average.

<table>
<thead>
<tr>
<th>Country</th>
<th>Shipments in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>5,100</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1,400</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,000</td>
</tr>
<tr>
<td>Peru</td>
<td>200</td>
</tr>
<tr>
<td>Greenland</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 5: Pima Shipments – Total 8,100

The ICE cotton futures yesterday were almost neutral across the board with the release of the export sales data. Numbers in the export sales data were inflated but it received the pejorative of the bulls as the figures showcased lack of purchases by China. The most active cotton contract at ICE which is the ICE December contract settled at 64.19 cents/lb with a change of -13 points or 0.20%. The trading range was seen at 64.68 cents/lb as the high figure and 63.97 cents/lb as the low figure. The volumes were again lower at 13,486 contracts.

The MCX cotton futures were positive for all the contracts with the MCX July contract settling at 21470 Rs/bale (+160▲) and MCX August contract settling at 21230 Rs/Bale (+110▲). The soon to be expiring contract the MCX July contract is still having better volumes as compared to the MCX August contract. The volumes that the MCX July contract commands are 2047 lots as compared to the 1735 lots seen for the MCX August contract. However, the Open Interest has increased considerably for the MCX August contract with figures of 7003 lots.

The Cotlook Index A has been adjusted at 75.40 cents/lb with a change of +0.50 cents/lb. The Cotlook Index A 2019/2020 was at 75.00 cents/lb with a change of +0.50 cents/lb. The average prices of cotton are at 44,100 Rs/Candy.

As soon as the international markets glean about the latest development between US and China, the prices are presumed to rise. We can see the prices break the threshold of 65 cents/lb and touch 65.50 cents/lb.

On the flip side we need to remember that this news is coming from China and is a sheer promise. Nothing yet has been inked on paper at an international level. A similar promise was made for US Soybean imports a couple of days ago. However, the US Export Sales data for Soybeans to China disappointed the market participants.
Therefore we need to understand, whatever promised by China has to be mirrored in the US Export Sales to give a confirmation on the market trend. We haven’t received the confirmation yet in any of the earlier released data. Therefore, we keep our stance consolidated with a positive bias today.

On the technical front, ICE Cotton futures has moved out of the higher end of the trading range above 64.00. Price also closed above the 9 day EMA (63.80), supporting the recovery rally. However, price is trading in a downward sloping channel with higher band of the channel (resistance) exists around 64.80-65.00 zones. The strength index (RSI) in the daily charts is still under 50, which needs to move beyond 50 to change the bearish bias in cotton price, until then it could remain in the sideways to downside bias.

However, divergence between price and the momentum indicator restricted the lower side for cotton futures. So for the confirmation of the same price need to sustain above the 64.70-64.80 zone along with RSI above 50. Only a close above 64.80 would push price towards 65.50. On the downside support exists around 62.35, followed by 61.80. So for near term price is expected to consolidate in the range of 61.00-64.80. In the domestic market MCX July future is expected to trade in the range of 21160-21650 Rs/Bale.

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mailto:research@kotakcommodities.com or can contact:
allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source
## INTERNATIONAL NEWS

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<td>The ASEAN-Hong Kong China Free Trade Agreement And Vietnam</td>
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## NATIONAL NEWS

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<tr>
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</tr>
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<td>As Chennai Port Trust hikes user-charges, trade in a tizzy</td>
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<tr>
<td>9</td>
<td>Facilities almost in place at country’s largest textile park at Warangal</td>
</tr>
</tbody>
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INTERNATIONAL NEWS

FTA with EU benefits Vietnam

By signing a free trade deal with the European Union, Vietnam has become the first developing country in Asia which has received tariff reductions on 99 per cent of goods between the 28-member bloc and the Southeast Asian country.

Almost 11 per cent of Vietnamese apparel exports to the EU will get complete duty waiver at the time of enforcement of this agreement.

The European Union is Vietnam’s second largest export market after the United States, with the main exports being garment and footwear products.

Vietnam is the sixth largest readymade garment exporting nation to EU, having four per cent of the total market.

After the ratification of the agreement, Vietnam won’t have to pay the 12 per cent duty anymore on garment exports to the EU.

Vietnam also has free trade agreements with Asean, China, Japan, South Korea, India, Australia, New Zealand, Chile, Japan, South Korea and the Eurasia Economic Union. All these facilities make Vietnam one of the largest attractions for readymade garment buyers.

Vietnam has been making huge progress in the textile sector due to a sustainably developed industry and strong labor codes. The country is an emerging giant in the global textile and apparel industry.

Source: fashionatingworld.com - July 25, 2019
China-U.S. trade talks to resume in Shanghai

City has 'good conditions' for hosting negotiations, ministry spokesman says

Top negotiators from China and the United States will meet in Shanghai on Tuesday and Wednesday for the first time since President Xi Jinping and his U.S. counterpart Donald Trump agreed in June to resume economic and trade consultations.

Analysts said that holding the 12th round of talks in Shanghai, the country's financial hub, will help the U.S. have a more direct understanding of China — a nation that is determined to further open up. Previously, the trade talks in China took place in Beijing.

Ministry of Commerce spokesman Gao Feng said that holding the negotiations in different places is not unusual. "Shanghai has good conditions for conducting consultations," Gao said.

The meeting is expected to implement the consensus reached between the top leaders of both countries at the G20 Summit in Japan last month, Gao said at a regular news conference.

U.S. Treasury Secretary Steven Mnuchin and Trade Representative Robert Lighthizer will meet with Vice-Premier Liu He to continue negotiations aimed at improving the bilateral trade relationship, the White House said in a statement on Wednesday.

Ni Yueju, a researcher at the Institute of World Economics and Politics at the Chinese Academy of Social Sciences, said Shanghai remains at the forefront of the country's opening-up.

"The choice to hold the next round of trade talks in Shanghai demonstrates China's determination to further open up the economy," Ni said, adding that the country's first free trade zone was located in the municipality.

"The planned negotiations will mainly cover issues that have not yet been resolved, for example, whether the U.S. will lift tariffs on Chinese products and remove Chinese companies from a blacklist," Ni said.
The U.S. placed several Chinese companies, like telecommunications giant Huawei Technologies, on an Entity List that prevents them from buying from U.S. companies without Washington’s approval.

"In the upcoming talks, the two sides may also discuss whether China will resume its purchase of U.S. agricultural products," Ni said.

If both sides can negotiate on the basis of sincerity and equality, they may achieve some breakthroughs in addressing the aforementioned issues, Ni added.

Zhou Mi, deputy director of the Chinese Academy of International Trade and Economic Cooperation's Institute of American and Oceania Studies, said the upcoming talks will be an opportunity for China and the U.S. to address their core concerns and reaffirm their consensus on key issues.

"The external environment and economic situations of the two countries have changed since the last round of trade negotiations. The meeting will allow the two sides to confirm their consensus, which is crucial for making progress in the trade talks," Zhou said.

Holding the talks in Shanghai will help the U.S. team gain a better and more direct understanding of China as there are many multinational companies operating in the city, Zhou said.

The U.S. and China, the world's two largest economies, have been embroiled in long-standing trade differences. Washington and Beijing have imposed levies on billions of dollars of each other's imports.

Gao said it is a "typical double standard and self-contradictory" if the U.S. asks China to strengthen the protection of U.S. companies' intellectual property rights while refusing to protect Chinese companies.

The country urged the U.S. to truly implement its commitments, and not use state power to suppress Chinese enterprises, Gao added.

Source: ecns.cn - July 25, 2019
The ASEAN-Hong Kong China Free Trade Agreement And Vietnam

The ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA) came into effect on June 11 for Vietnam, Laos, Myanmar, Singapore, and Thailand. The remaining ASEAN member states will complete the ratification process later this year. The deal was first signed and agreed in November 2017 to increase economic cooperation, reduce taxes, and increase investment between regional markets and Hong Kong.

Analysts have noted that with ongoing trade tensions, Hong Kong businesses are keen to expand investment opportunities in Southeast Asia, and particularly in Vietnam. At the end of 2018, Hong Kong businesses had invested more than 1,300 projects in Vietnam on key sectors such as textiles and garments, real estate and investments. Many expect these numbers to improve following the AHKFTA.

Vietnam and Hong Kong trade

Vietnam is Hong Kong's third largest trade partner and biggest export market in ASEAN. In the first five months of this year, Hong Kong accounted for 30.4 percent of total FDI investment in Vietnam, equaling US $5.08 billion.

Hong Kong's importance as an entrepôt for trade between mainland China and Vietnam will continue to grow at a much faster pace with the FTA coming into force. Re-exports of goods of ASEAN origin through Hong Kong to China have been growing at an annual average rate of 6.4 percent since 2012.

On the other hand, re-exports of mainland China's origin goods to ASEAN through Hong Kong have been growing at an annual average rate of 3.7 percent since 2012. Vietnam, was the sixth largest destination for Hong Kong's exports in 2018, with 60 percent being re-exports originating from the Chinese mainland. With ASEAN countries custom duties reduced or eliminated, Hong Kong's domestic goods will become more competitive in the region.
While China has been rapidly increasing investment in Vietnam, some analysts say China is also pushing investment into through Hong Kong as Vietnam becomes more cautious about Chinese investment.

In addition to an increase in traded goods, the FTA and the Investment Agreement (IA) will encourage the service sector in ASEAN countries to take advantage of Hong Kong's professional, financial, commercial, and legal services. The region will also benefit from increased investment flows, especially in the real estate, manufacturing, and service industry.

With increased access to Hong Kong's trade network, its proximity to mainland China, and China's Belt and Road Initiative, foreign and domestic firms should prepare to take full advantage of the FTA.

ASEAN-Hong Kong trade explained

Hong Kong is among the world's most open economies, and with its liberal tariff regime, the FTA aims to increase the flow of goods and services from Hong Kong to the ASEAN countries.

The agreement covers four major areas, namely tariff reduction for goods traded, reducing restrictions for trade in services, longer stay for business travelers, and better investment protection. With respect to trade reduction, most ASEAN states will eliminate or reduce custom duties on goods from Hong Kong.

On reducing trade restrictions, both parties have agreed to remove restrictions on foreign capital participation and the number of people employed. Thailand, Vietnam, and the Philippines will also allow Hong Kong firms to take 50 percent or full ownership of firms.

On the issue of business travel, Hong Kong business visitors will be able to stay in an ASEAN country for 90 days. As of now, seven of the ASEAN member states allow Hong Kong travelers to stay for 14 to 30 days without a visa.

Hong Kong will be providing tariff free access to all products from ASEAN countries as the FTA enters into force, while for goods originating from Hong Kong, individual member states have made the following commitments on tariff reduction:
• Singapore will reduce customs duties to zero;
• Brunei, Malaysia, Philippines, and Thailand will eliminate customs duties of about 85 percent of their tariff lines within 10 years and reduce customs duties of about another 10 percent of their tariff lines within 14 years;
• Indonesia and Vietnam will eliminate customs duties of about 75 percent of their tariff lines within 10 years and reduce another 10 percent of their tariff lines within 14 years; and
• Cambodia, Laos, and Myanmar will eliminate customs duties of about 65 percent of their tariff lines within 15 years and reduce another 20 percent of their tariff lines within 20 years.

Hong Kong – ASEAN bilateral relations

As of 2018, ASEAN is Hong Kong's second largest trading partner in merchandise trade and the fourth largest in services trade. Hong Kong's total exports to ASEAN increased by 7.3 percent year on year to US$2.8 billion, while imports totaled US$73 billion, a 20.1 percent year-on-year increase. With China being ASEAN's largest trading partner since 2009, trade is likely to further grow with Hong Kong increasingly handling re-export trade.

In 2018, the US $28.1 billion – or 97% – of Hong Kong's exports to ASEAN were re-export items, of which 69.8 percent from mainland China highlighting Hong Kong's importance as a trading hub.

Amongst the ASEAN member states, in 2018, Thailand, Singapore and Vietnam were Hong Kong's top three trading partners at US$13.4 billion, US$12.3 billion, and US$10.7 billion of Hong Kong's total exports with ASEAN, respectively.

Opportunities for businesses

With its liberal tariff regime, its position as a financial hub, a strong legal system, and excellent infrastructure, Hong Kong is an ideal location for Southeast Asian corporations.

Hong Kong has a Closer Economic Partnership Arrangement (CEPA) with China, which allows preferential market access to Hong Kong service providers and tariff-free treatment for products originating in Hong Kong.
With the CEPA, ASEAN-China FTA, and AHKFTA, Hong Kong has the potential to facilitate and increase investments and trade across the region.

Hong Kong also gives access to the Pearl River Delta Metropolitan Region (PRD), an economic hub in China, and with the signing of the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area in July 2017, regional cooperation will continue to increase.

The focus is on increasing infrastructure connectivity, enhancing market integration, developing innovation hubs, building modern industries, and increasing international cooperation.

Hong Kong will continue to be a stepping-stone for mainland Chinese firms expanding in the region and a major destination of Chinese outward investments, attracting almost 60 percent of the total Chinese outward FDI.

AHKFTA and Vietnam

The implementation of the AHKFTA will allow Vietnam to continue improve its competitive trade agreement network. It will further help the economy to move up the value chain from exporting low-tech manufacturing to exporting high-tech goods such as electronics, machinery, vehicles and medical devices as well.

Businesses leaders should take the time to understand whether their operations can benefit from AHKFTA, but also how the new deal will affect competitors and larger market conditions.

Source: mondaq.com- July 25, 2019
The US will now have more capacity to manufacture flame-resistant fabrics

In response to increased demand for its flame resistant products, Mount Vernon FR is expanding operations at its Trion, Ga., facility.

The additional 4,500 square feet of production space will house new state-of-the-art flame resistant treatment equipment that will increase Mount Vernon FR’s production and finished fabric capacity by 20 percent.

Mount Vernon FR offers a variety of flame resistant fabrics, including denim. Fabrics can be made from cotton, nylon, Dupont’s Nomex, Lenzing’s Tencel or blends of these materials.

“This is an exciting time for Mount Vernon FR, but our rapid growth has presented challenges with space to accommodate the equipment required to manufacture an ever-expanding range of FR products,” Mike Woods, vice president of flame resistant fabrics for Mount Vernon FR, said. “This additional square footage will allow us to better serve current and future customer demand.”

Mount Vernon FR is part of Mount Vernon Mills’ Apparel Fabrics Group, which manufactures denim, and flame resistant and piece-dyed fabric. It is the largest of all the Mount Vernon Mills groups, accounting for more than half of the company’s sales.

The company said Mount Vernon FR experienced year-over-year growth in 2018. The expansion, which is expected to be complete in the third quarter of this year, is part of the company’s plan to grow its production footprint for flame resistant fabrics to fulfill increasing demand.

“Our fabrics are Made in the USA from fiber to finished yard, all under one roof,” Woods added. “As our business continues to innovate and grow, the expansion enables us to provide customers across the globe with access to durable, high-performing fabrics from Mount Vernon FR.”

Mount Vernon FR fabrics meet the performance requirements of ASTM F1506, the standard performance specification for flame resistant and electric arc rated protective clothing worn by workers exposed to flames and
China, Bangladeshi textile companies join hands to tap U.S. market

When Li Xiaofeng, managing director of a Chinese fabric company, attended this year's Texworld USA, an annual international textile show in New York, he was not alone this time.

Apart from a large group of Chinese peers, middle-aged Li was also accompanied by his Bangladeshi partner M. A. Taher, president and chief executive officer of garment producing company Farseeing Knit Composite Ltd., who shared the exhibition booth with Li.

And the sharing was no accident.

Ever since Li came back alone from last year's Texworld USA, he has been thinking of bringing a foreign partner to the next exhibition, so that the two could work together to better explore the U.S. market amid increasing market risks and competitions.

Li said while large textile companies could open new plants in other countries, small and medium ones like his company Nantong Fenglan Textile Co., Ltd. choose to tap their resources on hand to stay competitive.

Running his company in Nantong city in east China's Jiangsu province, Li has formed partnerships with two Bangladeshi textile plants starting from 2012 to better explore international opportunities, and Taher's company was one of them.

Importing fabrics from Li, Taher said his factory was responsible for sewing, cutting, finishing and exporting.
Taher, who was also the chairman of garment manufacturer and exporter Shangu Group, said his whole businesses now provide over 10,000 jobs and he imports around 95 percent raw materials from China to meet the demand for his garment plants.

Such partnership was further strengthened when Li and Taher met up this time in New York. While Li presented his own textiles, Taher brought a number of T-shirts and other garments to the exhibition booth.

"The presence of textile and garments would have exhibition visitors stay longer and talk more at our booth," and we would then have a higher chance of sealing a deal, Li told Xinhua.

His hunch was right. A U.S. customer Li developed in 2018 also came to this year's Texworld USA and placed an order of 6,600 pieces on site.

Li was happy about it, saying the order could be seen as an endorsement for his high-quality products.

And so was Taher. The teamwork was like a composite work, he said, adding that he and Li would make good delivery, good products and achieve success together.

Source: xinhuanet.com- July 25, 2019

Saudi Arabia blockades Turkish textile imports

Saudi Arabia has been implementing an embargo on Turkish textile products for over two weeks, Turkish daily Yeniçağ reported on Thursday.

The Saudis have been keeping hundreds of Turkish trucks at the Saudi border and thousands of packages from Turkey in their airports, Yeniçağ said, adding that only Turkish products have been blocked.

Turkey and Saudi Arabia have been at odds since Crown Prince Mohammed bin Salman came to power in 2017 due to conflicting interests in the region. The crown prince last year accused Turkey, Qatar, and Iran of forming an “axis of evil” in the region by supporting extremist groups.
The tensions between the countries peaked after the murder last October of Jamal Khashoggi, a Saudi dissident journalist and vocal critic of Salman who went missing on Oct. 2, during a visit to the Saudi Consulate in Istanbul.

Source: ahvalnews.com- July 25, 2019

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All sewn up? Vietnam garment makers face hitches in lucrative EU trade deal

For Tran Nhu Tung, Vietnam's newly signed free trade deal with the European Union presents both huge opportunity, and a logistical headache.

The vice chairman of Thanh Cong Textile Garment Investment Trading (TCM) in Ho Chi Minh City is planning a rapid expansion in anticipation of the influx of orders the tariff-slashing EU-Vietnam Free Trade Agreement (EVFTA) promises to bring.

"The EVFTA is the game changer that will pave the way for Vietnamese garments to dominate the European market," Tung said amid the clack of thousands of sewing machines in the metal-roofed factory on the outskirts of Vietnam's commercial center.

Analysts say garments, worth around 10% of Vietnam's exports and currently subject to EU tariffs of around 9%, will be by far the biggest beneficiary of the EVFTA finalised last month.

The EU is already Vietnam's second largest garment market after the United States, accounting for 15% of the country's total garment exports last year, Vietnam Customs data shows.

Tung expects orders at his factory, which produces company uniforms and sportswear, to increase by at least 15% once the EVFTA, which will reduce duties on nearly half of all garment products to zero, is ratified by the European Parliament.

Vietnam, backed by more than a dozen free trade agreements, has emerged as a key link in the global manufacturing supply chain.
Last December, Prime Minister Nguyen Xuan Phuc told a Hanoi business forum that Vietnam had become "one of the world's big factories".

That capacity, however, is being tested by growing demand - both from the EVFTA and the global disruption of trade caused by the U.S.-China trade war which has seen some manufacturing shift from China to Vietnam and other nearby countries.

Staff shortages have already started to manifest in Vietnam's garment industry, where the vast majority of manufacturers are focused on the labour-intensive sewing and cutting process which makes the Southeast Asian country a popular outsourcing destination for foreign fashion companies.

Low pay and long hours are making it hard to meet the new factories' growing demand for workers, which has increased by 7% since 2018, according to Ho Chi Minh City-based recruitment firm Navigos Search.

"This industry always lacks human resources especially high-level employees who have specialized skills," Navigos managing director Mai Nguyen told Reuters.

For TCM's Tung, who is poised to open a new dyeing plant to keep up with orders, this means embarking on the difficult task of finding a chemical engineer who can lead his next operation.

"Finding people to operate dyeing or weaving machines is easy. They are workers, and we can train them," said Tung. "But finding experienced chemical engineers with a thorough knowledge of chemistry and dyeing is rare".

"I can count them on one hand," Tung added.

**SEW WHAT?**

The EVFTA presents another challenge for Vietnam's garment industry: Strict rules on the country of origin for materials - or the "double transformation" of goods.
For manufacturers like Tung, this means both the textile and the finished product itself should be Vietnamese or from a country with which the EU already has a free trade agreement in order to be tariff-free.

That's in part because of strong lobbying from European manufacturers who are already struggling against cheap imports from the likes of China.

At a 2013 hearing, European garment manufacturers expressed concern that an FTA with Hanoi could pave the way for cheap Chinese textiles to enter the European market after being transformed into garments in Vietnam.

Italian textile manufacturers and the European Apparel and Textile Confederation (Euratex) acted during the negotiations to prevent Chinese products that had undergone a finishing process in Vietnam from entering the EU without duties.

They also fought to delay the removal of duties for a certain period of time after signing the deal to prevent a sudden flood of Vietnamese products into the European market.

"In conclusion, considering the starting conditions, we were able to contain any damage," Sistema Moda Italia, the federation of Italian textile and fashion manufacturers, said in a statement.

Currently, nearly 70% of the raw materials used in Vietnamese garment manufacturing are sourced from overseas, especially China, according to official data. Clothing makers in Vietnam say few can afford the expensive process of producing their own raw materials.

"We have no intention of investing in dyeing ... It's capital-intensive and requires highly-skilled workers to operate," the owner of a small Ho Chi Minh-based factory of around 800 employees told Reuters.

"Importing is cheaper, simpler and faster for small firms like us," said the factory owner, who declined to be identified.

The factory, tucked in an industrial zone about 20km (12 miles) from the city center, produces mostly women's apparel and says Germany is its largest export market.
"The issue of ‘point of origin’ is important for us. We are considering importing materials from South Korea, which has already established free trade relations with the EU, instead of from China," the owner said.

"The higher costs mean less profit for us, but it's the best alternative way we can think of at the moment."

Source: wtvbam.com- July 25, 2019

FedEx Express supports Colombian fashion industry growth

FedEx Express (FedEx) has participated in the 30th edition of Colombiamoda, which is the country’s biggest fashion event, that started on July 23 and runs until July 25.

This is the second consecutive year that the company is supporting the event as well as the growth of the local fashion industry.

The company informed: “FedEx Express, in collaboration with ProColombia and Inexmoda, will launch UNIQUE “Sello de Autor”, an exclusive showroom intended to provide visibility and recognition to eight up-and-coming Colombian designers. The platform provides an opportunity for the eight budding creators to showcase their talent and the potential of their brands to international buyers.”

FedEx Express, logistics specialist, present in Colombia for more than 25 years, plays an important role in the growth strategy of Colombian businesses. Important markets associated with fashion, such as textiles, are among the most benefited by FedEx Express.

The company has developed strategic collaborations with a wide variety of national ventures, including major swimwear and accessories brands that have been able to expand their business and global appeal through their ability to have their products reach new markets reliably and efficiently.

For this reason, in addition to partnering with Inexmoda, on July 2, FedEx Express launched a new Miami – Bogota – Medellin – Miami route that operates six times a week.
This connects Colombian producing and exporting companies to new possibilities, and provides customers with important benefits, including an improved operational network, expanded opportunities and improved transit times on specific lanes.

According to the National Association of Businessmen of Colombia (ANDI), the Colombian textile and clothing sector represents 8.2 percent of the country’s industrial GDP, 21 percent of Colombian industrial employment and 9 percent of manufacturing exports. In 2018, it generated $5 billion dollars in sales, $4.5 billion dollars of production and more than 550,000 jobs.

“FedEx Express has been present in Colombia for more than 25 years, with operations in 12 major cities across the country,” said Juan N Cento, president of FedEx Express for Latin America and the Caribbean.

“Our new flight from Miami to the two main cities in the country indicates our commitment to new market growth for Colombian companies.”

Source: stattimes.com- July 25, 2019

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**Vietnam textiles industry faces localization conundrum**

Vietnam needs to up textile localization to extract trade pact gains, but authorities are rejecting proposed factories on environmental grounds.

The Government Office Thursday issued a document conveying the direction of Prime Minister Nguyen Xuan Phuc, who has asked the Ministry of Industry and Trade to work with localities to "resolve obstacles" faced by the local textiles industry in localizing production.

According to the document, Vietnam’s textiles producers are currently too dependent on imported raw materials, making it difficult to raise the proportion of domestic added value as required by rules of origin stipulated in trade pacts.

Failure to meet the rules of origin would make Vietnam unable to benefit from preferential tariffs.
To meet the localization conditions, enterprises will have to invest in production facilities in the country as well as in supporting industries, it said.

However, foreign and domestic textiles producers are unable to build new facilities to produce or dye domestic textiles and yarn, because most localities are loath to give them permission due to environmental concerns.

This represents a major disadvantage for Vietnam’s textile industry when the Vietnam-EU Trade Agreement (EVFTA), which was signed in June 30, comes into effect, said Deputy Prime Minister Tran Quoc Khanh at a government meeting in early June.

Representatives of the Vietnam Textile and Apparel Association (VITAS) have also acknowledged that dyeing processes cause environmental pollution, but recommended that localities consider licensing projects with good wastewater treatment technology.

Enterprises investing in such modern technology should be given favorable conditions to build their textiles production plants, VITAS said.

The EVFTA, which has strict rules of origin, generally requires domestic value to account for at least 42.5 percent of the ex-works price of the final textiles product.

If these conditions are met, goods exported from Vietnam to the EU would be subject to 0 percent import duties once the EVFTA comes into effect, and not the average tariff of 9.6 percent currently levied by the bloc.

However, 70 percent of the fabric used to produce garments in Vietnam are imported from mainland China or Taiwan, VITAS chairman Vu Duc Giang said at a conference on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) late last month.

Because China is not a member of several large trade agreements such as the CPTPP, Vietnam is not able to benefit from cumulation of origin rules, which allows materials originating from countries that are parties to an agreement to make up the deemed domestic value of the final product.

In January 2017, the Vietnamese government set the target of producing 45 percent of fabric needed domestically by 2020, which is equivalent to
producing an additional 1.7 billion meters of material, and 65 percent, or 10 billion meters, by 2025.

The government estimates that businesses will have to invest a total of $1.7 billion and $10 billion respectively to meet these targets.

Source: e.vnexpress.net- July 25, 2019

Pakistan: Pakistan needs to tap intra-ECO economic, trade potential

Economic Cooperation Organization (ECO) has a unique geo-strategic location, linking the East and the West. This region with its significant economic power, vast natural resources, and dynamic work force, has a huge development potential which need exploration in the better interest of all member nations. ECO region is a biggest Muslim region with the population of 488 million that shares 6 percent (approx) in world population.

The ECO region comprises ten member states such as Azerbaijan, Afghanistan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Turkey, Tajikistan, Turkmenistan and Uzbekistan. Pakistan, Iran and Turkey are the founder members of the regional bloc. The objective of creation of ECO region is to promote economic, technical and cultural cooperation among the Member States.

In addition to sizeable human resources, ECO Countries possess significant natural resources. Pakistan has strong textile base and the 5th largest milk producer, Iran and Azerbaijan, Kazakhstan, and Turkmenistan have Oil & Gas reserves while Afghanistan enriched with precious and semi-precious gems and famous for hand-woven carpets.

Uzbekistan has gold and mineral resources. Kyrgyzstan is naturally endowed with Uranium and precious metal. Tajikistan blessed by nature with minerals and Turkey is one of the largest exporters of transport equipment.

Trade is the most important determinant of economic growth and development and significantly contributes in regional integration. At present, the total trade of all ECO member countries stands at US$ 804
billions in 2018 which has registered a declining trend compared to US$ 836 billions in 2012 and the reason behind the declining of trade is global recession and low oil prices on which this natural resources abundant heavily depend.

The contribution of ECO region in world trade is just two percent notwithstanding the fact that ECO has 6.2 percent of world population. Intra-regional trade accounts 8.4 percent of total trade of world which is far below the potentials available.

During 13th ECO Summit held in March 2017 in Pakistan it was resolved to double the current level of intra-regional trade of ECO within next 3 to 5 years. In this respect, huge responsibility lies on Turkey as they contribute more than 50 percent in ECO trade while Pakistan, Iran, Turkey, Kazakhstan and Afghanistan collectively contribute 94 percent in trade of ECO region. All these five nations come forward and take effective measures for enhancing of intra-regional trade.

ECOTA a preferential trade agreement aims to liberalize trade through graduation reduction in the tariff and removal of non-tariff barriers. The member nations have not yet completed the requirements for the implementation of agreement, at the top of which failure to submit lists of products for tariff concession. All the member nations are requested to complete the requirements for the implementation of agreements which will help in exploring the untapped trade areas.

As Azerbaijan, Iran, Kazakhstan and Turkmenistan are oil and gas producing and exporting countries while Pakistan and Turkey are oil importing countries. The Central Asian countries have significant potential for hydro electric power and can supply it to Pakistan and Afghanistan who are facing shortage of energy.

Tajikistan and Kyrgyz Republic have large untapped hydropower resources which can be explored and developed. Similarly, Pakistan and Kazakhstan are exporters of agricultural products like wheat, rice, fruits and vegetables while Iran and Turkey are importers of these agricultural commodities. These are the trade opportunities which can be materialized.
For the establishment of intra-regional investment, the Agreement on Promotion and Protection of Investment (APPI) was signed by five member nations, (i.e. Pakistan, Iran, Turkey, Azerbaijan and Afghanistan) but so far ratified by only Pakistan and Iran. For the enforcement of Agreement atleast ratification in two more members is required.

In this context, I would like to request Turkey, Afghanistan and Azerbaijan to pursue the matter of ratification of this agreement with their government. With the implementation of this agreement, the investment activities will be expanded with the transfer of technology, new employment opportunities and utilization of raw material at the optimum level. We may urge the other members of ECO bloc to sign and ratified this agreement.

Turkey, Iran, Pakistan and Kazakhstan have established stock markets to induce investment. World development indicators and reports reflect that Pakistan and Turkey have good experience of financial markets and intermediations including central and commercial banking, Development Financial Institutes and investment companies, credit rating agencies and audit firms etc. In the presence of these experiences we should not be unsuccessful to enhance investment promotional activities and establishing cross the border multi-lateral business entities.

Here, it is also notable that the most important country from the linkages point of view in the region is Afghanistan; it provides a link between South Asia and Central Asia. Though, Afghanistan is a landlocked country, it is more important than many sea port countries, because it provides a link to six landlocked central Asian states with the Arabian Sea and Indian Ocean through Pakistan. It can provide a trade link between 6 central Asian and 7 South Asian countries.

Its land route (and construction of railways in the country) can change the fortune of entire region. Regional efforts made by the ECO members on improving trade and transportation through implementation of infrastructural project such as the North-South Transport Corridor, the Trans-Caspian Transportation Route, the China - Pakistan Economic Corridor, Chabahar and Gwadar ports complement each other. All these projects have the potential to function better in parallel with the wider and more comprehensive initiative, namely, China's One Belt One Road (OBOR).
ECO Chamber of Commerce and Industry

ECO Chamber of Commerce and Industry (ECO-CCI) is one of the important organ and affiliated body of ECO; was founded by the Union of Chambers and Commodity Exchanges of Turkey, Iran Chamber of Commerce, Industries and Mines, and the Federation of Pakistan Chambers of Commerce and Industry, in 1990, in order to promote commercial, industrial and economic cooperation among the member states.

It has been established as the representative of the ECO in the private sector, based on the Article 30 of Izmir Treaty. Today, ECO-CCI comprises the private sector of 10 members. Since its inception, the ECO-CCI is working for the long term benefits related to economy, trade, investment, industry, business etc instead of short term achievements and produces concrete projects in accordance to the mutual interest of member nations.

As per the Statute of ECO-CCI, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) enjoyed Presidency and Secretariat of ECO-CCI from September, 2014 to March 2018. Prior to Pakistan, the Presidency and Secretariat of ECO-CCI was given to Turkey and Iran for three years period respectively. During the tenure of Pakistan, the ECO-CCI organized five times its Statutory Meetings in Turkey, Iran and Pakistan. All Statutory meetings of ECO-CCI inaugurated by the Federal or Country Ministers on Trade or Development or Industry of hosting country and attended by ECO Secretariat, ECO Trade and Development Bank and representatives of ECO Members Chambers.

ECO-CCI has made strong linkages with the missions of ECO Members Nation in Pakistan and Pakistan's missions in ECO member nations for organizing activities and significant participations in ECO-CCI meetings by all nations. As an outcome of these efforts, the Central Asian Countries have started participation in activities of ECO-CCI. Prior to the Executive Committee and General Assembly meetings, ECO-CCI regularly conducted the meetings of its Specialized Committees and their recommendations presented to the statutory meetings. There are six specialized committees and one sub-committee of ECO-CCI on Trade Facilitation, Transportation, Tourism, Women Entrepreneurs, Arbitration, Industry, Investment and SMEs Promotion and Business Rating Programme.
During the tenure of Pakistan, 13th ECO Summit and 22nd meeting of Council of Ministers also held and gave the member national chambers opportunity to participate in this summit and also took part in the formulation and implementation of ECO Vision 2025 which finalized the target and goals for next ten years related to economy, trade, investment, industry, transportation, tourism, energy, environment and others. The main responsibilities of ECO-CCI is promotion of trade and investment, enhancement of interaction between the business community of members nations, harmonization of financial rules, facilitation of trade related activities and capacity building of private sector of member nations etc.

**Trade Relations between Pakistan and ECO Region**

Pakistan is one of the founding member of ECO region; but the exports of Pakistan to ECO Countries declined during the last five years. At Present, Pakistan's export to ECO Countries stands at US$ 1.8 billion which was US$ 2.3 billion in 2014 whereas Pakistan's imports from ECO countries indicates an increasing trend and stand at US$ 1.2 billion compared to US$ 791 million in 2014.

**Pakistan's Trade with Economic Cooperation Organization (ECO) Countries (Million US$)**

The share of ECO countries stands 7.8 percent in Pakistan's export and 2.1 percent in Pakistan's import. Pakistan is mainly exporting cereals, cotton, edible fruits and vegetable, pharmaceutical products etc while importing petroleum products, iron and steel, machinery, ceramics, raw cotton, plastic products etc. The reason behind the declining of trade with ECO countries particularly with Iran is an absence of banking channels and Central Asian is lack of connectivity and lack of commercial activities. In order to promote trade with Turkey, Pakistan and Turkey has started negotiation of Free Trade Agreement which has not finalized yet due to non-inclusion of those products wherein Pakistan has comparative advantage.

Presently, Pakistan and Iran enjoys Preferential Trade Agreement (PTA) and as per the PTA, both are enjoying concession on 18 percent of items. Pakistan has given concessions to Iran on 338 items and Iran has reciprocated by providing concession on 309 items to Pakistan. There are a lot of tariff barriers in trade with Iran. The high customs duty on textiles and clothing, leather and footwear, fruit and vegetables and rice are the main obstacles in
low volume of Pakistan’s exports to Iran. Moreover, Iran also maintains a permit system for importers and when the Iranian government wants to restrict imports, it simply stops issuing permits. In the past, Pakistan has decided to negotiate a free trade agreement with Iran and sent documents in this respect; but the response from Iran side were weak. There are huge potentials available for trade between Pakistan and Iran on barter system, if Iran relax its trade policy with Pakistan and give good market access to Pakistan.

The current regional and global strategic environment has made ECO Countries more lucrative market for Pakistan and there is a need to maintain stronger ties with them. The ECO countries particularly Central Asian States offering huge benefits to Pakistan as they are richest part of the world offering in oil, gas and mineral resources, hydro-electric power, textile and other industrial base.

[Click here for more details]

Source: fp.brecorder.com- July 25, 2019
NATIONAL NEWS

How to be a part of the booming trade between South Asian countries

In developing nations various SMES and MSMEs contribute to the commerce by bringing global technology and logistical efficiency aiding the businesses in totality.

South Asia is one of the world’s fastest growing regions, with growth set to rise to 7 percent in 2019, and 7.1 percent in 2020-21. An increase in industrial production in South Asian countries, aided by their dynamic trade relations fuels this growth. The East is seeing a boom in trade among developing nations like Malaysia, Thailand and Indonesia, Singapore – to name a few.

The growing domestic demand for global products, competitive pricing and the increasing quality of products manufactured in South Asia, accounts for an expanding trade network. This network holds a vast number of businesses that are different in nature and size, constituting containerized exports of automotive parts, perishable goods, pharmaceutical items etc.

This intra-regional trade propels the economic conditions of these countries, enabling them to increase imports for a growing consumer base, and grow their exports. It also provides incentives for companies to expand their trade portfolios to other Asian countries, proving mutually beneficial for both sides of the business.

Current scenario

Developed countries are now focusing on cementing their trade relations with such markets for consistent and more frequent trade, as opposed to turning to other developed nations.

Case in point - the US-China trade tensions. The United States has shifted their focus to countries like India that provide a weaker rupee compared to the dollar. Furthermore, supportive government policies and a safer business regime for investors and companies alike to set up their business, are added incentives.
China, due to environmental challenges, has started exporting raw materials and other recyclable products to countries like India, Vietnam, and Malaysia. Indian exports of plastics, rubber, textiles & apparels, ores, slag and ash have shown a growth in the first half of 2019. The growth rate of trade in these countries is boosted by the number of investors that are pooling in investments.

For instance, Vietnam’s economy has seen a growth of 7% percent in 2018 and manufacturing inflows jump by 18% in the first nine months of 2018. This is the highest recorded growth rate in 11 years; stemming from their expanding trade and manufacturing. Moreover, an increase in FDI in India opens up opportunities for Small and Medium Enterprises (SMEs) and Micro Small and Medium enterprises (MSMEs) to expand their business across borders.

**Challenges faced**

However, there are certain hindrances that need to be addressed. On a macro level, when we keep in mind trade dynamics between India and US since 2017, trade has dwindled between the two nations.

On the other hand, low intra-regional trade among South Asian countries is due to similarities in commodities that can be leveraged. Emerging markets may not meet the trade standards of other advanced economies.

Factors such as improper storage facilities, manufacturing defects and the tense socio-political environment hamper the output and quality of products.

Situations like these create opportunities for various entities in emerging markets that are closing in on these loose ends. These gaps thus formulate an environment for SMEs and MSMEs to become a part of and contribute to the nation’s trade and commerce.

Supply chains in trade thrive with the rise in SME contributions. In developing nations various SMES and MSMEs contribute to the commerce by bringing global technology and logistical efficiency aiding the businesses in totality.
Key role of logistics

Logistics forms the backbone of trade and the economy. Efficient communication from end to end, collection and transferring of data, distributing and handling of the cargo are all factors that ultimately reflect on the quality of the trade business. Technology is a driving force which is maturing and changing the logistical landscape. Digitization is one such avenue which has led to various changes in the business.

The immense paperwork that detained vendors and traders can potentially be erased by Artificial Intelligence (AI) technology. Other technologies such as blockchain act as the foundation for a new digital supply chain. For instance, TradeLens, a platform jointly developed by Maersk and IBM, is an open and neutral industry platform underpinned by blockchain technology, supported by major players across the global shipping industry.

TradeLens is seeing traction because it promotes efficient, transparent and secure exchange of information in order to foster greater collaboration and trust across the global supply chain. Shippers, shipping lines, freight forwarders, port and terminal operators, inland transportation and customs authorities can interact more efficiently through real-time access to shipping data. Domestic start-up tech of South Asian countries adds to this change, allowing a newer system which is at par with global standards.

Thriving south Asian countries

Singapore, Malaysia and India are a few such countries that are being targeted for major tech developments globally. Companies in India such as Zasti, La Vela Pictures and Mint M are using AI, image analytics and machine learning to benefit digitization in the shipping trade. Such domestic enterprises are fuelling the trade landscape of the nation. India saw an overall 10% growth in its containerized imports and exports in 2018.

A large demand in dry commodities is seen in the east coast. While exports ranging from paper, pharmaceuticals and automotive parts are made to other Asian countries like South Korea, China, Nepal and Bangladesh and Sri Lanka respectively. Avenues for refrigerated cargo are boosting SME demands as well. Countries such as Thailand, Vietnam and Indonesia are seeing support from their governments, in the form of monetary benefits (investments, tax reliefs and grants), manpower aiding, digitization etc. All
of which amount to more business options and scope for development in this sector.

**In conclusion**

The evolution of the trade business has uplifted the Trans-Pacific partnerships and caused a relocation of various manufacturing and trade hot spots within Asia. Various countries are now looking for opportunities to bring further improvement and better tech options through MSMES that solidify key areas in trade.

MSME contribution allows an increase in output, employment, income, investment and exports in these economies. They also contribute to the greater good by creating symbiotic relations with large industries allowing balanced regional growth, nurturing entrepreneurial spirit, and innovation in providing global technology with a skilled and trained workforce.

South Asian countries are slowly moulding into more significant players, and may soon become the epicentre of the global trade landscape. They are also expected to have the potential of becoming the hub of innovation in the fourth industrial revolution.

Source: economictimes.com- July 25, 2019

**Explained: Why India is indeed a ‘tariff king’**

The flow of bad blood between India and the United States (US) on trade doesn’t look like ebbing. The latest in the saga is the challenge mounted by the US at the World Trade Organisation (WTO) on India’s hike in customs duties on as many as 28 US products, imposed on June 15, 2019.

The US contends that by acting the way India has, it has accorded less favourable treatment to products imported from the US, as opposed to those from other WTO members. This move came on the back of the US President Donald Trump again describing India’s tariffs as “not acceptable.”
The description of India as a high-tariff economy is familiar and commonplace. However, is it correct? Whether India is a high-tariff economy or not should be judged vis-à-vis the tariffs charged by other large major emerging market developing countries, which are structurally comparable to India. Indonesia and Brazil might be the relevant examples.

According to the WTO, India’s simple average MFN (most favoured nation) applied tariff rate was 17.1% in 2018, with an average agricultural tariff of 38.8% and non-agricultural tariff of 13.6%. The comparable tariffs for Indonesia were 8.1%, 8.6% (agriculture) and 8% (non-agriculture); and for Brazil these were 13.4%, 10.1% (agriculture) and 13.9% (non-agricultural), respectively.

Going by simple averages, Indian tariffs faced by other WTO members are higher than those they face in Indonesia and Brazil. The higher overall Indian tariffs are primarily a result of the high agricultural tariffs. Both Indonesia and Brazil have much lower applied agricultural tariffs than India. On the other hand, India’s average applied non-agricultural tariffs are slightly lower than Brazil’s, while being higher than Indonesia’s.

A particular feature of India’s import tariffs is the high ‘bound’ rates. Bound rates—these are the maximum rates up to which WTO members can push up tariffs—are noticeably high for several categories for India. For fruits and vegetables, for example, India’s tariffs are bound at an average of 101.1% with a maximum of 150%. Such rates for Indonesia and Brazil are 45.6% and 60%, and 34.1% and 37.1%, respectively.

India’s average applied tariffs for fruits and vegetables are 32.4% with a maximum applied rate of 105%. The similar rates for Indonesia and Brazil are 5.7% and 20%, and 9.7% and 35%, respectively. Therefore, India’s much higher bound rates, as well as the high maximum applied rates, leave little scope other than concluding India to be a much higher tariff economy than Indonesia and Brazil in fruits and vegetables.

The other feature reinforcing impressions of India being a high-tariff economy is the ‘binding overhang’, i.e. the difference between the bound and applied rates. Large differences tend to create uncertainties about an economy among its partners with respect to its trade policy actions. Such uncertainties lead to strong demand for deep tariff cuts in bilateral and regional negotiations.
In hypothetical India-Indonesia tariff talks, for example, India’s binding overhang of 68.7% in fruits and vegetables, as opposed to 39.9% for Indonesia, would encourage the latter to demand deeper cuts. Agreeing on an equivalent slice of tariff cuts, say 20% on the bound and applied tariffs, would mean India cutting the average bound and applied tariffs on fruits and vegetables to 79% and 25%, from 101.1% and 32.4%.

For Indonesia, similar cuts would mean the average bound rates dropping to 36% from 45.6% and the applied rate to 4.5% from 5.7%. Relative market access to be given up to India would be much more. Furthermore, the binding overhang would still remain much high for India, leaving the room for demand for further cuts in the future. India, though, might not be able to demand the same.

Like most other countries, the American perceptions on Indian tariffs are guided significantly by the high bound rates and the binding overhang, particularly in agricultural products, contributing to the ‘tariff king’ perceptions.

The other factor contributing to such perceptions is to leave products outside the ‘binding’ coverage of the WTO. These are the products where countries wish to have the flexibility of applying tariffs higher than the bound rates they commit to at the WTO for the sector. For India, this is mostly noticeable in the manufacturing sector.

In transport equipment, for example, while the WTO bound tariff rate is 40%, almost 30% of the disaggregated tariff lines for transport equipment products are outside the binding coverage. Tariffs for this excluded segment can be conspicuously high. Indeed, in India’s case, the applied maximum tariff of 125% is well above the bound rate of 40% for transport equipment. The ‘unbound’ tariff lines are far less for Indonesia, while Brazil has bound all its imports to the rates committed to the WTO.

There is, unfortunately, little room to dispute that India is a far higher ‘tariffed’ economy than its counterparts such as Indonesia and Brazil. Other comparisons might lead to somewhat different conclusions, but only in magnitude. There is very little by way of analytical comparison of tariff structures that would negate the impression of India being a high-tariff economy, at least among the emerging market developing countries. The ‘tariff king’ label is there to stick.
India’s share in Global Textile Exports

The share of India in global textile exports is 6% in 2017. Share of top three textile exporting countries in global textile exports is:

Textile sector exports contribution in India’s total exports is 12.2% in 2018-19. As exports of textile sector have increased in last five years, it is expected to grow in future as well.

Share of textile sector export in India’s export is reported at 12.9% in 2014-15 and 12.2% in 2018-19.

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<tr>
<th>S No.</th>
<th>Country</th>
<th>Share of Textile Export in Global Textile Exports</th>
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<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>33.6%</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>6.3%</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>6%</td>
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This information was given by the Union Minister of Textiles, Smriti Zubin Irani, in a written reply in the Rajya Sabha today.

Source: pib.nic.in- July 26, 2019
The government on Thursday informed the Rajya Sabha that efforts to revive sick cotton mills in Kanpur in Uttar Pradesh have failed and a revival plan for the knitwear sector has been prepared.

Replying to supplementaries during Question hour, Textile minister Smriti Irani also told the House that 78 cotton mills have shut down across the country ever since the incorporation of National Textile Corporation, despite efforts to revive them.

She also informed that under the Board for Industrial and Financial Reconstruction (BIFR), nine mills were closed in Gujarat state.

“Efforts were made for revival of cotton mills in Kanpur being run under purview of British India Corporation, but all such efforts proved futile.

“Modernisation of cotton mills was attempted, but after all attempts to revive the mills failed, a panel of the Niti Aayog HAS suggested disinvestment of BIC,” she told the House.

Irani said when the Kanpur industry interacted with the Textile ministry for revival of textile sector, it was found that the knitwear sector required revival efforts.

“A special scheme for the knitwear sector has been formulated by the Textile Ministry and we are working together with industry stakeholders and have lauded this scheme,” she said.

In response to another question on dumping of products by Bangladesh, the minister said challenges with regard to textiles produced particularly in Bangladesh, the access given to Bangladeshi investments and industry through the Safta route is something that has been discussed with the Minister of External Affairs and the Commerce Minister, along with the Textile industry.

“We are trying to invoke the issue of origin so that we can ensure that our markets are not flooded via Bangladesh with Chinese goods,” she said.
Irani also said that 78 mills have hence been closed since the incorporation of NTC. They were closed after due consideration even by the previous government after efforts to revive them failed.

In her written reply, the minister also said the mills have been closed in the country over the years mainly owing to financial problems and labour related issues.

She said as far as National Textile Corporation (NTC) is concerned, the NTC was incorporated in 1968 with the main objective of managing affairs of sick textile undertakings taken over by the Government.

“NTC suffered heavy losses due to obsolete machinery and other reasons. Based on BIFR approved Revival Scheme of NTC i.e. Modified Revival Scheme (MS)-08, NTC has closed 78 mills under Industrial Dispute (ID) Act, 1947, on account of being unviable; modernised its 23 mills on its own; and revived 5 mills through Joint Ventures (JV) arrangements,” she said, adding it has no mandate under BIFR scheme to revive unviable mills closed under Industrial Dispute Act, 1947.

Irani said this ministry has launched many schemes like, Scheme for Integrated Textile Parks (SITP), Scheme for Integrated Textile Processing Development (IPDS), and Amended Technology Upgradation Fund (ATUFS) which are aimed at strengthening the textile industry and thereby improving productivity, sustainability and employment opportunities.

“In SITP, total 59 textiles parks are sanctioned, out of which 22 parks have been completed. Govt of India has supported these parks with total Rs 780.22 Crores as subsidy.

These parks have attracted Rs 9038.96 Crores as investment and so far it has generated employment for 82612 persons.

“Under the TUFS/ATUFS an amount of Rs 26,548 Crores has been released as subsidy to textile industry against an investment of Rs 324,585 Crores during 1999-2019,” she said.

Irani also said the Government has implemented a special package for employment generation and promotion of exports in Apparel and Made-ups sector.
The package includes a slew of measures which are labour friendly and would promote employment generation, economies of scale and boost exports, she said, adding it was available up to March, 2019 for Garment and Made ups units. The following components are included in the said special package.

The Textile minister also said the Government is implementing the Scheme for Integrated Textile Park (SITP) which provides support for creation of world-class infrastructure facilities for setting up of textile units in a Public-Private-Partnership (PPP) model, with a Government of India grant upto 40 pc of project cost with ceiling limit of Rs 40.00 crores for each park.

Irani said the government has sanctioned Rs 27.15 crore in the budget for 2018-19 in revised estimates and Rs 20 crore in budget estimates for 2019-20 for textile parks.

Source: dailyexcelsior.com- July 25, 2019

Restricting cross-border data flow will hurt digital trade: AIMA report

The Draft Personal Data Protection Bill, expected to be tabled in Parliament soon, has proposed the data of all Indian users be stored within the country. Curbs on cross-border data flow can severely restrict growth in India’s digital trade, according to a report by the All India Management Association and Hong Kong-based Hinrich Foundation — a trade research body.

The Draft Personal Data Protection Bill, expected to be tabled in Parliament soon, has proposed the data of all Indian users be stored within the country. To this end, the government had mandated strict guidelines for mandatory server localisation, arguing that the data stored on foreign servers may be compromised.

This had prompted swift opposition from Google, Amazon, and Facebook. The digital giants claim the move would entail huge cost overheads, burden businesses with unnecessary compliance, and cut India off from the global data movement system.
The report released on Thursday said data localisation requirements could actually increase privacy risks, unless data is stored within multiple locations.

“Cybersecurity concerns may be exacerbated by constraints on cross-border digital trade that limit the scale of cloud providers (thus, potentially impacting their ability to ensure appropriate investment in data safeguards) and by concentrating data in a few locations,” it said.

A large segment of the domestic industry, especially the information technology sector, is also against the move, arguing it will hit Indian players further. “Server localisation may increase overheads and complexities for small and medium enterprises, which they may not be ready for.

Apart from the obvious fall in the ease of doing business, their access to the global trade system will also go down,” Berenice Voets, director of public affairs and policy at Hinrich Foundation, said.

Currently, the economic value of digital trade-enabled benefits to the Indian economy is estimated to be worth up to $35 billion.

In the event of open cross-border data flow and storage, the report estimated the value to India’s domestic sectors to grow more than 14-fold to reach $512 billion by 2030.

Moreover, the total value of virtual goods and services enabled by the digital economy, including e-commerce, may see an optimal growth of 238 per cent to $197 billion, up from the current $58 billion.

Open data flow will ensure this becomes India’s second-largest export sector, the report said.

“Issues such as imposing undue red tape on digital enterprises, restricting cross-border data flow and providing imbalanced copyright and intermediate liability regulations, need to be addressed,” the report said.

Source: business-standard.com- July 25, 2019
Indo-US ties wide-ranging; time to move on: MEA

The Ministry of External Affairs on Thursday downplayed the controversy over US President Donald Trump’s remarks on Kashmir and asserted that India’s ties with Washington remains strong.

MEA spokesperson Raveesh Kumar said, “It is time to move on," adding that India's relationship with the US remains very strong.

Kumar said that External Affairs Minister S Jaishankar has explained the government's position in the Parliament and the State Department has also issued a clarification on the matter.

He went on to assert that India's relationship with US remains very strong. “India-US ties are multifaceted; we have broad and deep convergences across a range of issues,” Kumar said.

The US President on Monday stunned the world by saying that Prime Minister Narendra Modi, during the G20 summit in Osaka, Japan, sought his help in resolving the long-pending Kashmir issue with Pakistan.

India, however, denied Trump's statement, adding that Modi made no such request to him and Kashmir will remain a bilateral issue between India and Pakistan. The position was asserted by Jaishankar when he made a statement on the floor of Rajya Sabha.

Though India’s foreign ministry strongly denied the claims made by Trump, Opposition parties created a massive uproar in the Parliament demanding a clarification by Prime Minister Narendra Modi himself.

Source: economictimes.com- July 25, 2019
Govt might impose 50% duty on products from Chinese e-commerce platforms: Report

India is one of the main markets of focus for China's e-commerce players

The government might impose duties to the range of 50 per cent on products ordered from Chinese e-commerce platforms like ClubFactory, AliExpress and Shein, The Economic Times reported. The tax will be levied at the payment stage, the publication claimed.

This could be a big issue for the Chinese companies as India is one of the main markets of focus for China's major cross-border e-commerce players due to high potential for economic growth.

Five of the top 10 best performing cross-border e-commerce Chinese apps in the first five months of 2019—such as ClubFactory, Shein, ROMWE and JollyChic—focused on the Middle East and India markets, according to a report from app data provider AppAnnie.

According to the report, the Indian market enjoys a huge population and high potential for economic growth, thus attracting many e-commerce players to expand their presence, state-run Xinhua news agency said.

Smartphones are popular in Arab countries and local consumers have strong purchasing power. But the oil-rich countries lack textiles and other light sectors, offering cross-border e-commerce opportunities for products like apparel.

Source: theweek.in- July 25, 2019
As Chennai Port Trust hikes user-charges, trade in a tizzy

The port has hiked vessel-related charges by 10-20 per cent and marine charges by 20 per cent

The Chennai Port Trust (ChPT) has proposed a stiff increase in user charges for vessel, cargo and marine. This move has upset the trade which claims that with severe competition from neighbouring Kamarajar, Katuppalli and Krishnapatnam ports, the rates need to be reduced.

ChPT is looking into their concerns.

Its chairman P Raveendran said, “We are having consultations. We will address their concerns surely. We may consider some changes in our proposal after consultation if required.”

The ChPT has proposed a 20 per cent increase in vessel-related charges (VRC) for petroleum, oil and lubricants (POL) and crude vessels, and a 10 per cent increase for RoRo, passenger and non-cargo vessels. Charges for container and general cargo vessels have been left untouched.

It has also proposed 20 per cent increase in marine charges such as hire of tugs and mooring crew, according to Revision of Scale of Rates (SoR)-2019 circulated by ChPT to port users. The SoR is effected once in three years with the existing rate due for revision from April 1, 2019. However, the Tariff Authority for Major Ports (TAMP) had extended the validity up to August 30 or till the revision of SoR, whichever is earlier.

The Chennai & Ennore Ports Steamer Agents’ Association said the proposed VRC is very high, which will have a greater impact on owners/trade with freight levels yet to improve.

G Raghu Shankar, Chairman, Logistics Committee, Southern India Chamber of Commerce and Industry, said that the Chennai port (which in 2018-19 handled 53 million tonnes of cargo) for the first time is facing challenges from neighbouring facilities that are threatening to penetrate a monopoly enjoyed for a long time. It would have been a prudent business decision if ChPT proposed a scaling down of SoR for the time being though it may require large explanations internally to reach such a bold initiative, he said.
The increase in VRC for RoRo vessels means 14.26 per cent after considering WPI based escalation of 4.26 per cent effective May 1, 2019. This could literally drive away business, he said. Port dues, pilotage and berth hire will all go up by 14.46 per cent and the cumulative effective could be crippling to the industry. The auto sector is already facing tough challenges. The increase is ill timed, he added.

The proposed 10 per cent increase in cereal, pulses, sugar, food items needs a rethink as these are essential commodities with direct impact on inflation and economy, he said.

**Stevedoring**

The ChPT has also proposed stevedoring and clearing and forwarding charges are for a ‘composite rate’ for on board labour of cargo in comparison with time-rate wages, general levy and piece rate presently being paid. In composite rate there is absolutely no incentive for the stevedore to achieve higher productivity, said Ishwar Achanta, President, Chennai Port Stevedores Association.

With many stevedores already having all in, annual, rate contracts, this is an abnormal hike, which no port in India must have proposed which no stevedore can afford to absorb, he said.

Source: thehindubusinessline.com- July 26, 2019
Facilities almost in place at country's largest textile park at Warangal

Not all the companies that initially showed interest will set up units at what has been described as the country’s biggest upcoming textile park at Warangal in Telangana.

Some of the companies have reportedly dropped out choosing to invest at other places in the state and yet others have, for reasons of their own, not firmed upon their decision. But some more new companies have also come forward to explore the possibilities of setting up their units at the Kakatiya Mega Textile Park (KMTP) coming up near Sayampet of Warangal.

The foundation stone for the park coming up on 2,000 acres of land was laid by chief minister K Chandrasekhar Rao on October 22, 2017.

Mihir Parekh, director, Mega Textile Park, in Telangana State Industrial Infrastructure Corporation (TSIIC) said facilities that were required for units to start construction at the park were in place. There is a dedicated water supply line and also provision for supplying power. “Further development of the mega-park goes on parallel to the construction of manufacturing units,” Mihir Parekh told TOI.

The mega textile plant was planned to generate one lakh jobs, both direct and indirect, once it is fully functional. However, at this stage – 21 months after the foundation stone was laid, allotment of land to manufacturing units which have shown interest is yet to take place but this is being described as being in the process.

“But the infrastructure that has been built on the premises as of now will suffice for manufacturing units to start their construction,” V Madhusdhan, CEO, projects, TSIIC said.

Initially, 14 companies which showed interest in setting up manufacturing units in the ‘fibre to fabric’ facility were expected to make a total investment of Rs 3,080 cr. The advantage in the location of the Kakatiya Mega Textile Park being located at Warangal is cotton that will be available because of the Telangana being in the top three producers of cotton in the country.
South Korean’s global textile manufacturer, Youngone Corporation was expected to invest Rs 1,000 cr in setting up a manufacturing unit. A team from the Korean Federation of Textile Industries had also visited the park in August 2017.

According to official sources, a road overbridge is also required to be constructed on a railway track at the textile park area and this has been taken up with the railway authorities.

Source: timesofindia.com- July 25, 2019