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IBTEX No. 199 of 2018 September 26, 2018

USD 72.71| EUR 85.53 | GBP 95.75 | JPY 0.64

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22087	46200	**81.13**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22290	46625	**81.88**

International Futures Price	
NY ICE USD Cents/lb (Dec 2018)	78.58
ZCE Cotton: Yuan/MT (Jan 2019)	16,030
ZCE Cotton: USD Cents/lb	**90.00**
Cotlook A Index – Physical	**91.30**

Cotton Guide: The start of the week market was quiet across contracts. Dec settled at 7858, down 55 points. That was almost Dec's lowest settlement in 5 months. Last week Dec had a 7852 settlement on Tuesday and 7847 on Thursday; otherwise it's back to April 24th for a lower settlement (7759). For contrast note the highest Dec settlement in the last 5 months was 9296 on June 14th. Market was mostly light given public holidays in various countries including China, Taiwan, Korea, Japan, and Australia. Other markets have not had much influence on cotton lately and that was probably the case on Monday. Both grains and the US equities ended mixed.

On the trading front the volume was 15,799 contracts. Cleared Friday were 21,435 contracts. The aggregate open interest held near 250,000 contracts. Meanwhile, the Chinese ZCE futures did not trade and there was no State Reserve cotton auction.

Technically, prices appear to be forming another flag, or perhaps a pennant. Either one is typically a continuation pattern; meaning odds are good for an eventual resumption of the primary (down) trend. The bulls would be advised to disrupt this pattern by pushing the market higher. The daily modern work is nearly all 'down,' so this might not be easy. Support is 7800, 7750, and 7600 (all +/–). Resistance is 7950+ and roughly 8050 to 8250. Daily momentum is neutral.

USDA Crop progress report was published after the market close for the week ended September 23. Conditions overall had a slight improvement for the second week in a row. Texas and Oklahoma had another good week. Today's report showed cotton: 58 percent opening bolls versus the 5-year average of 57 percent; and 16 percent harvested, ahead of the 9 percent average.

On the domestic front, price for shankar-6 traded steady to lower near Rs. 45750 per candy ex-gin, 80.30 cents per pound. Rates for 2018/19-crop Punjab J-34 are marginally easy at Rs. 4,605 per maund (77.00 cents/lb). Likewise, the MCX cotton future for October ended the session at Rs. 22340 no major change from the previous close.

This morning ICE cotton is seen trading lower at 78.48 cents per pound for December future, ZCE cotton is trading steady while Indian rupee is close to new low. We think market will continue to see more volatile trading session on today's trading session. The trading range for October would be Rs. 22200 to Rs. 22500 per bale.

FX Guide:

Indian rupee opened little changed to trade near 72.7 levels against the US dollar. Rupee remains pressurized by higher crude oil price and Fed's rate hike expectations. Brent crude trades near $82 per barrel after testing four year high on concerns about tightening global supply due to falling Iranian exports. Higher crude oil price will keep concerns high about inflation and trade deficit. The US central bank is expected to raise interest rate by 0.25% to 2-2.25%. Rise in US interest rate could result in investor outflows. On domestic front, market players are awaiting government announcement over measures to support the currency. As per Bloomberg reports, Indian government has asked ministries to finalize plans to reduce inbound shipments of certain steel products, electronic goods such as mobile phone components, some petroleum products and capital goods to reduce demand for dollars. Rupee may witness choppy trade as market players await more clarity on Fed stance and Indian government measures to boost the currency but overall sentiment is still weak. USDINR may trade in a range of 72.4-72.9 and bias may be on the upside.

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

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INTERNATIONAL NEWS

U.S., South Korea Sign Updated Free Trade Agreement

The U.S. and South Korea signed Sept. 24 an updated bilateral free trade agreement that includes amendments and modifications to the existing deal as well as additional agreements and understandings to improve its implementation.

President Trump said the updated KORUS agreement “includes significant improvements to reduce our trade deficit and to expand opportunities to export American products to South Korea.”

Korean President Moon Jae-in added that “companies from both countries will now be able to do business under more stable conditions.”

Each side will now take steps to bring the revised provisions into effect as soon as practicable.

According to an American Shipper article, an administration official said some provisions of the agreement, including on customs and pharmaceuticals, “are not subject to further legal procedures and can be implemented immediately.”

However, a Bloomberg article added that “South Korean lawmakers, who must sign off on the deal, have warned they won’t approve it if the U.S. imposes tariffs on Korean cars as part of Trump’s threat to protect domestic automakers from global imports.”

Source: strtrade.com - Sep 26, 2018

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Export credit insurance policy a boon for $28 bn US textile export industry

As per Washington-based National Council of Textile Organisations figures, US textiles and apparels exports was worth $28.6 billion in 2017. In fact, exports helped the country pull out of global recession.

No wonder many small and medium sized textile companies in the US are boosting their bottomline by targeting consumers living outside the United States.

Around 95 per cent of consumers of US textile reside outside, enabling them to sell their wares across the North America Free Trade Agreement (NAFTA) and Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) areas, as well as in Asian and European markets.

Many small businesses and corporate executives perceive exporting to be too burdensome or risky. They either do not sell overseas or sell in just a few markets that they are comfortable in. One of the primary reasons for this is customers sometimes fail to pay for the goods they receive.

Benefits of export credit insurance policy

An excellent solution to this is the Export-Import Bank (EXIM). EXIM, is a US federal government agency thatExport credit insurance policy a boon for 28 bn US textile export industry 001 enables domestic companies to compete abroad and increase global sales.

The bank's export credit insurance policy protects foreign accounts receivables generated by the sale of goods and services from US-based companies to international customers. The policy covers up to 95 per cent of sales invoice against nonpayment due to commercial — bankruptcy and protracted default for example such as war or insurgency — risks.

Export credit insurance policy also improves the competitiveness of textile companies in the world market. While American exporters resort to cash in advance to avoid nonpayment risk, most foreign competitors offer open account credit terms. They expect credit terms and companies that are unable to extend credit to lose out on valuable opportunities.

Export credit insurance empowers US businesses to negotiate credit terms — typically in 30, 60 or 90 days — with foreign buyers up front, which is a powerful marketing tool and gives a competitive edge that wins deals. EXIM can cover a company's entire portfolio of customers or a single buyer.

In addition to reducing the risk of nonpayment and offering open account credit terms to foreign buyers, EXIM's export credit insurance can enhance a company's borrowing capacity by assigning now secured foreign receivables to a lender, improving liquidity and easing cash flow constraints.

Small players benefit

Between 2015 and 2017, EXIM supported with over $253 million to US textiles and apparel exporters. Small businesses comprised 91 per cent of EXIM's total authorisations.

Export credit has gone a long way to boost the country's exports and there by overall revenues.

Source: fashionatingworld.com - Sep 25, 2018

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Chinese textile sector gets upgraded

In 2017, China's exports of textile products were 12.13 per cent of the country's total exports. The Chinese textile industry has been competitive in the global value chain for years.

The industry shows vigor and vitality, and the performance of brands with creative designs remains strong. But the industry is facing growing pressure from transforming and upgrading.

China's textile industry urgently needs to figure out how to face the challenges brought out by the new era of reform and opening-up.

Technology, fashion, green have become the new labels for China's textile and garment industry. The future of design is soft design, which is user-oriented and aims to dig out potential demand from consumers.

The high-quality development of China's textile products requires not only soft design but also something that leads the market.

Shenzhen, one of the country's major garment and textile industrial bases, is aiming to transform itself from a manufacturing powerhouse into a design and innovation-driven fashion hub after reporting robust income since 2017.

This fashion hub is cultivating its own Chinese cultural characteristics to make it distinct and unique. It is aiming for faster growth by enhancing the design side rather than manufacturing since design creates culture, culture shapes value, and value determines the future.

Source: fashionatingworld.com - Sep 25, 2018

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Updated Peru-China trade deal may be ready by 2020: Minister

An update of Peru's trade agreement with China could be completed as soon as 2020, and certainly by the time President Martin Vizcarra leaves office, Peruvian Trade Minister Roger Valencia said on Tuesday.

Peru and its top trade partner China vowed to update their 2010 bilateral free trade deal shortly after Donald Trump won the U.S. presidential election in November 2016.

Trump's complaints that other countries were taking advantage of the United States on trade, as well as his pledges to pursue an "America First" economic agenda, sparked fears of an upsurge in global protectionism.

Vizcarra's term ends in July 2021, and the new China accord should be signed by then, Valencia told Reuters in New York as he accompanied Peru's delegation to the U.N. General Assembly. "For (20)20, (20)21, we should have an improved agreement, the necessary modifications," he said.

Peru has said the existing deal with China was negotiated to exclude 11 sectors - including textiles, clothing and shoes. That took into account Peruvian fears that its local industries could not compete with China if tariffs were lowered.

Peru has also been holding discussions over trade with Britain, whose government wants to boost its trading relations with the rest of the world after it leaves the European Union. Known as Brexit, that is scheduled to take place in 2019.

Once Britain had left the EU, the two would work to expand the trade relationship, he added.

Source: reuters.com- Sep 25, 2018

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US-China trade war benefits Bangladesh

Bangladesh’s garment manufacturers are receiving more work orders from the US. The main impetus has been the US-China trade war. China had already become expensive for US-based clothing retailers. The trade war is further pushing them in the direction of Bangladesh.

Though Vietnam is already benefitting on a massive scale from the US-China trade war, Bangladesh does have the scope to increase gains, especially in the garment business. But first of all the country needs to improve its production capacity.

The value of last year's global garment business also indicates a declining trend for China. Although China remained the largest apparel supplier globally, its share shrank to 34.9 per cent from 36 per cent. Bangladesh’s share increased to 6.5 per cent from 6.4 per cent.

The number will increase further if the US finally scraps the North American Free Trade Agreement (Nafta). Earlier, Chinese garment companies had set up factories in Mexico to avail of the duty privilege under Nafta. But now, apprehending the withdrawal of Nafta, Chinese investors are pulling out from Mexico. Bangladesh has also benefited from lower cotton prices. These decreased ten per cent after China imposed a high duty on the import of the natural fiber from the US.

Source: fashionatingworld.com- Sep 24, 2018

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Tajikistan harvests 60,000 tons of cotton by September 18

Tajikistan has harvested about 60,000 tons of cotton on the 185,817 hectares of land as on September 18, said the country's media reports. This presents more than 16 per cent of the production forecast for this year. With the increasing demand of cotton in the region and also for exports, the fields were expanded at the cost of grain and fodder crop areas.

"Cotton harvesting in Tajikistan began in late August in the southern regions of the republic," the press centre of the Tajik agriculture ministry reported.

The Khatlon region collected 45,759 tons of cotton while Sughd region and Districts of Republican Subordination harvested 12,404 tons and 1,250 tons respectively. While in 2017, Tajikistan gathered 380,000 tons of cotton, up by 5.2 per cent in 2016.

Also, cotton accounted for one of the major goods for exports until the middle of the 2000s.

Source: fibre2fashion.com - Sep 25, 2018

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Made in Georgia tag shining in UK

In the past few years, the EU has contributed €69 million under EU4Business in Georgia, triggering €882 million worth of loans to Georgian companies, supporting almost 40,000 enterprises and creating more than 10,000 new jobs.

Funded by the EU and implemented by GIZ, the 'SME Development and DCFTA in Georgia' project helps small and medium-sized Georgian enterprises (SMEs) become more competitive and adapt to the new regulatory environment created under the DCFTA.

It lays the ground for strengthening of the SME sector to ensure a broad-based growth. The project is part of the EU4Business initiative, which brings together all EU programmes assisting SME and private sector development in Georgia.

It enables the private sector to take advantage of the opportunities offered by the EU Deep and Comprehensive Free Trade Agreement, which gives Georgia access to a common market of 500 million consumers.

As Rati Anjaparidze, Project Expert, ‘SME Development and DCFTA in Georgia’ says, enterprises that have been successfully audited under the amfori BSCI system will be able to diversify their export markets and client base more. There are cases when apparel producers have one or two clients, which is a high risk.

In case the client’s interest change or if for any other reason the client stops buying, the supplier company is left without a client on the European market. Therefore, a high ranking for amfori BSCI enables you to establish more stable contacts with European clients and become a reliable partner in their eyes.

In line with this, it is important for EU companies to have partnerships with enterprises where employersMade in Georgia tag shining in UK 001 assume responsibility to protect their employees’ labour rights, they are also interested in having reliable suppliers. In the EU, industry players also assume social and other responsibilities and establish relevant standards both for local, European producers, as well as the global supplier chains.

The EU and GIZ project is also cooperating with three more companies in preparing them for the amfori BSCI audit – Elselema, Eurotex and Materia Fashion House. The elaboration of a National Strategy for Apparel Sector Development is also planned with EU and GIZ assistance, which should encourage diversification and exports of goods produced in Georgia.

Success story

One of the most successful companies in Georgia, MPT Georgia has been producing apparel products for Danish multi-brand fashion group DK Company, a leading fashion company in Europe, for the last three years. The labels of various brands that are part of the group – Coop Denmark, Denim Hunter, B-Young, Fransa – read ‘Made in Georgia’ in nine languages.

The Danish company sells MPT Georgia-made clothing in Germany, the UK, Norway and Canada. MPT Georgia upgraded its manufacturing facilities in 2015 thanks to €100,000 of Danish investment.

DK Company is MPT Georgia's main and constant client; however, the Georgian manufacturer has also cooperated with other Danish companies in the past, such as Kompagniet and Qiero.

Mikheil Getia, head, MPT Georgia, stated that the rating recently received as a result of undergoing an 'amfori BSCI (Business Social Compliance Initiative) audit' – will help the company find other clients in the future. However, in order to do that, MPT Georgia will have to increase its production, as current production capacity is fully utilised at this stage.

Georgia's advantage on that market is that Georgian company can produce and export small amounts of apparel products in a short period of time. According to Getia, the Georgian apparel business is barely represented internationally.

However, Georgia can attract new clients through introducing European standards in manufacturing. Additionally, our country has one advantage, ability to produce and export relatively small amounts of goods to the relevant destinations in a very short period of time.

Source: fashionatingworld.com - Sep 25, 2018

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Pakistan: Cotton prices maintain bearish trend

Cotton pric-es on Monday moved lower in sympathy of falling trend on the world markets.

Rising temperature between United States and China over tariffs has been a major factor dampening sentiments in commodity markets the world over.

Furthermore, sluggish performance by the yarn market also kept buyers away from the trading ring. Barring few needy spinners and some exporters the market remained devoid of much activity, brokers said.

Mounting tensions between India and Pakistan has also shaken up confidence, brokers added.

The New York and Indian cotton markets continued to move lower. The Chinese market remained closed on account of mid-autumn festival.

Due to falling cotton prices on ready counter the official spot rates were also lowered by the Karachi Cotton Association (KCA) – a strong indicator that the market is operating under global pressure.

Falling price trend – which entered into cotton market last week – continued even today (Monday) and the accumulated effect in prices have gone up to Rs300-400 per maund.

Many deals on ready counter were finalised below Rs8,000 mark and were quoted around Rs7,950 to Rs7,900 per maund, brokers said. Trading volume also shrank as buyers took a cautious approach.

However, phutti prices moved against the trend and recorded modest gains. Sindh variety was quoted between Rs3,700-3,900 per 40kg, Punjab quality in the range of Rs3,600-3,850 and Balochistan was at Rs3,900-4,100 per 40kg.

The following deals were reported to have changed hands on ready counter: 1,000 bales, Shahdadpur, at Rs7,950-8,000; 1,000 bales, Tando Adam, at Rs8,000; 1,000 bales, Khairpur, at Rs8,150-8,200; 200 bales Ahmedpur East, at Rs8,125; 600 bales, Haroonabad, at Rs8,050-8,150; 400 bales, Burewala, at Rs8,090-8,100; 200 bales, Chishtian, at Rs8,100; 400 bales, Layyah, at Rs8,100; and 400 bales, Mian Channu, at Rs8,200.

Source: dawn.com - Sep 25, 2018

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Malaysia: Ministry of International Trade and Industry (Miti) plans to set up textile design federation

The Ministry of International Trade and Industry (Miti) plans to set up a federation related to the textile design industry in order to help fashion entrepreneurs build their future.

Its secretary-general Datuk Isham Ishak said the government and private sector could cooperate to create a bright future for the textile design industry.

"Hence it's not only you designing the fashion for people, but we also want to help them to design the future," he said in his keynote address at the Fashion and Design Conference 2018 today.

Malaysia's textile and apparel exports amounted to RM15.3 billion in 2017.

Meanwhile, the Malaysian Investment Development Authority (Mida) has approved 12 projects with total investments of RM428.8 million.

The projects, which include the production of primary textiles, ready-to-wear garments and textile accessories, have generated 1,850 job opportunities including skilled positions.

The Fashion and Design Conference 2018 was organised by MIDA in collaboration with Kuala Lumpur Fashion Week and the Malaysian Textile and Apparel Centre, among others.

Source: thesundaily.my- Sep 25, 2018

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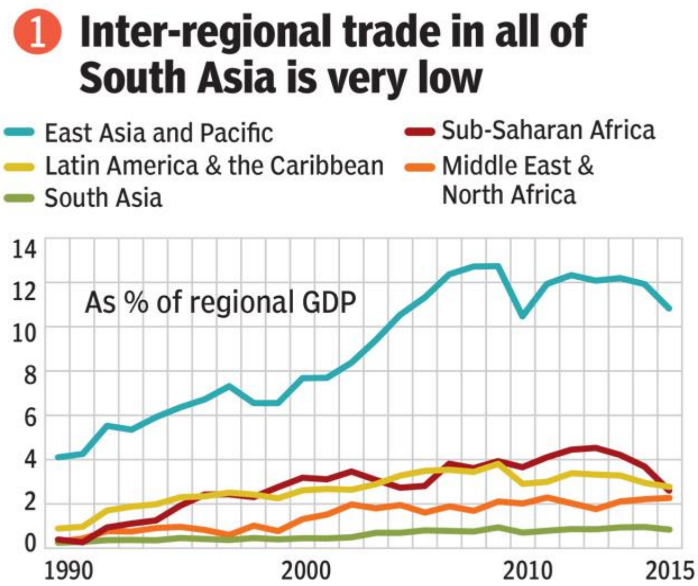
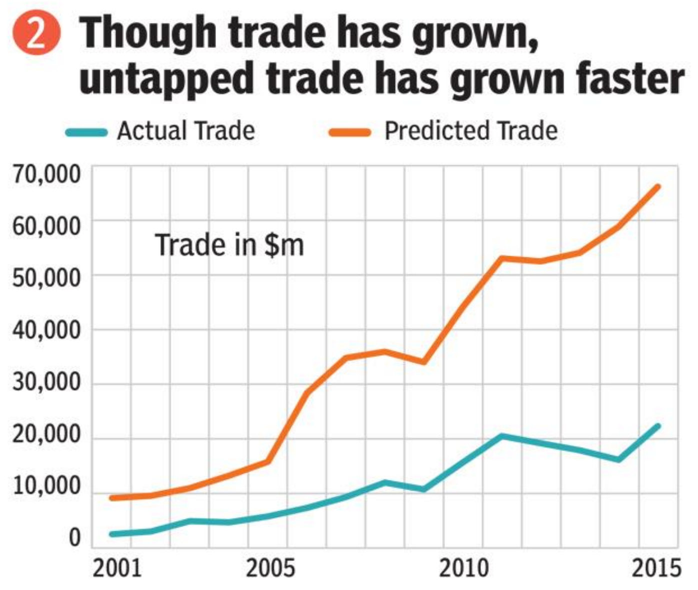
NATIONAL NEWS

India-Pak trade potential stands at $37 billion: World Bank

The trade potential between India and Pakistan stands at $37 billion, according to a World Bank report which said that continued political tensions and lack of normal trade relations between the two nations have cast a shadow over cooperation efforts within South Asia.



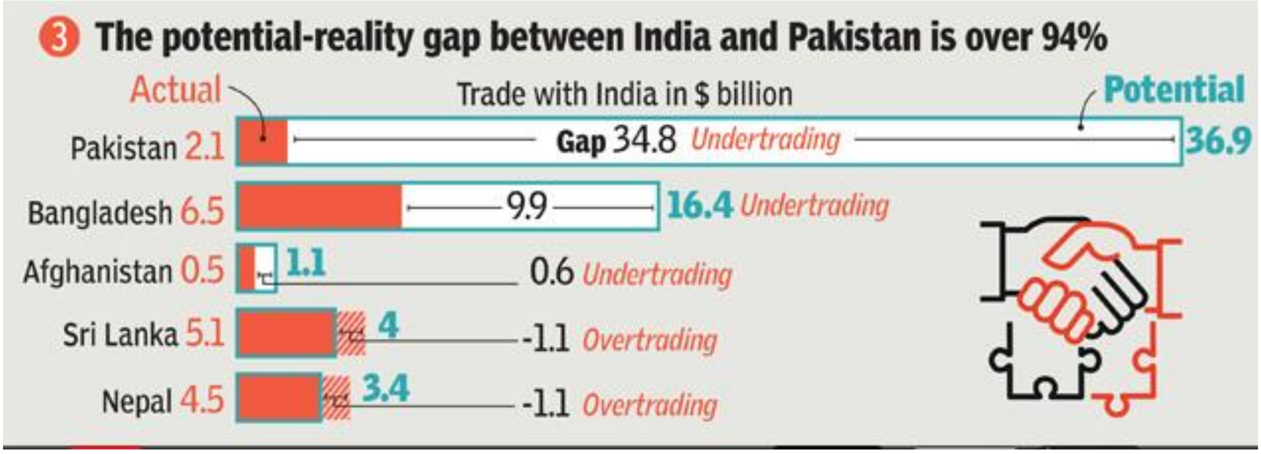


The report 'A Glass Half Full: The Promise of Regional Trade in South Asia', which was released on Monday, has highlighted among key factors, the long list of product restrictions in bilateral trade. India and Pakistan continue to maintain long, sensitive lists of items on which no tariff concessions are granted.

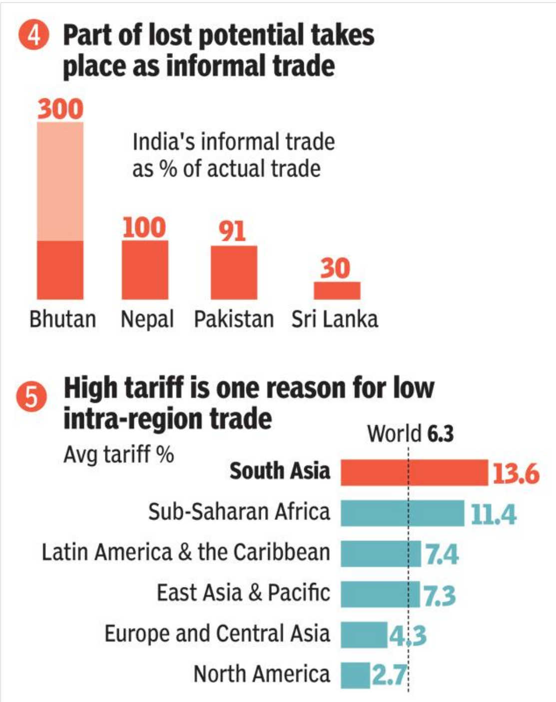
The lack of normal bilateral trade relations between the two countries affects the formation or deepening of regional value-chains in various high-value trading sectors, Dawn newspaper reported quoting the report.

Pakistan has a list of 936 items and almost 17.9 per cent of tariff lines that apply to imports from all South Asian Free Trade Area (SAFTA) countries.

India maintains a list of 25 items (0.5 per cent of tariff lines), which includes goods such as alcohol, firearms, etc.



However, it has a much longer, 64-item list, (almost 11.7 per cent of tariff lines) for Pakistan and Sri Lanka, but which effectively applies only to Pakistan, because India applies a smaller sensitive list to Sri Lanka as part of a separate India-Sri Lanka Free Trade Agreement.

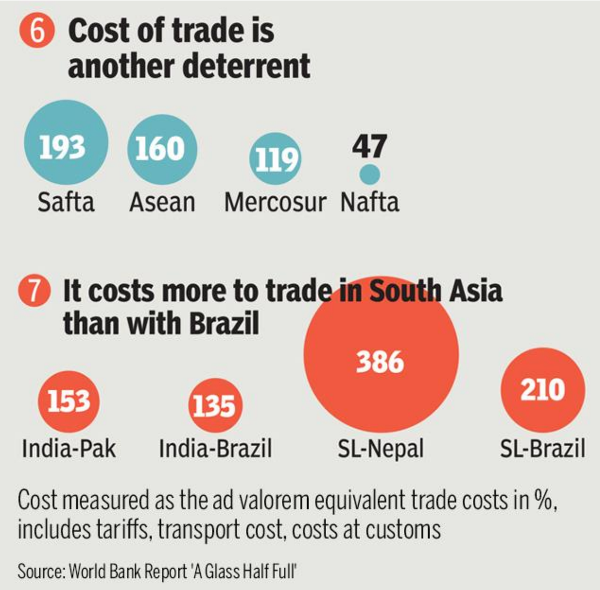


Items on the Indian sensitive list can be imported at the most-favoured-nation tariffs from any SAFTA country, including Pakistan, because India accorded Pakistan the status in 1996, soon after the accession of the two countries to the World Trade Organisation.

However, Pakistan has not granted India the most-favoured-nation's status or non-discriminatory market access.

In addition, the preferential access granted by Pakistan on 82.1 per cent of tariff lines under SAFTA is partially blocked in the case of India because Pakistan maintains a negative list comprising 1,209 items that cannot be imported from India.

In practice, many of these items are exported from India to Pakistan through a third country, usually the United Arab Emirates.



The report says another barrier to bilateral trade is the proliferation of NTMs (non-tariff measures), some of which take the form of non-tariff barriers, such as port restrictions.

Pakistan allows only 138 items to be imported from India over the Attari-Wagah land route. Furthermore, cargo trucks from either side cannot move beyond their border zones, which means that goods must be transloaded at the border, adding to the time and cost of trading.

Source: timesofindia.com- Sep 25, 2018

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India-South Asia trade has potential to triple to $62 billion, says World Bank

Deeper regional trade and connectivity has the potential to more than triple India's trade with its South Asian neighbors, World Bank said in a report on Monday.

In a report titled *'A Glass Half Full: The Promise of Regional Trade in South Asia'*, the bank estimates India's potential trade in goods with South Asia at $62 billion against its actual trade of $19 billion, which is a mere 3% of its global trade and about $43 billion below its potential.

"Deeper regional trade and connectivity can reduce the isolation of Northeast India, give Indian firms better access to markets in South Asia and East Asia, and allow it to substitute fossil fuels by cleaner hydropower from Nepal and Bhutan," the bank said in the report.

Citing gains for Indian consumers will also gain from availability of greater variety of consumer goods at cheaper prices. It said the trade between India and Pakistan is $2 billion but without trade barriers, this coul ..

“Given the context of South Asia, an incremental approach toward deeper trade cooperation can be very powerful, and the region has witnessed examples of this in the form of India-Sri Lanka air services liberalization and India-Bangladesh border haats,” said Sanjay Kathuria, Lead author of the report and Lead Economist, World Bank.

India, the report points out, can play a critical role in regional cooperation for mutual economic and welfare gains.

It highlights two specific examples of cooperation in the region that sheds light on both the barriers and the opportunities related to regional trade and connectivity- the setting up of borders haats by India and Bangladesh to enable small-volume trading among local communities on both sides of the border and second, liberalization of India-Sri Lanka air services, which has improved connectivity, reduced air fares, and increased passenger traffic and air cargo volume.

Barriers: SAFTA’s failings

The report emphasized that South Asian trade regimes discriminate against neighbours and protection is greater in the case of imports from within the South Asia region than from the rest of the world.

In 2016, average tariffs in South Asia where 13.6%, more than double the world average of 6.3% and the highest among major regions of the world despite a regional free trade agreement (SAFTA) which came into force in 2006.

It pointed to two drawbacks of the agreement. First, each country maintains a long “sensitive” list of products that are exempted from the tariff liberalization program. Almost 35% of the value of intraregional trade in South Asia is subject to sensitive list tariffs; over 39% of India’s exports to the region fall under the sensitive lists of various part-ners

Second, several countries in the region maintain high para tariffs (that is, duties imposed on imports, but not on domestic production), which have not been included in the tariff prefer-ence programmes in free trade agreements. Among the major economies in South Asia, Bangladesh, Pakistan, and Sri Lanka main high para tariffs.

Further, the costs of trading, which are a reflection of the transportation and logistics infrastructure and the efficiency of customs and border procedures, are considerably higher within South Asia than within other trade blocks of comparable size

Complicated and non-transparent non-tariff measures erode the market access granted by South Asian countries to each other and are sometimes held responsible for undermining the unrestricted market access granted to least developed countries by India.

The report recommends an approach of open regionalism, and views intraregional trade as complementary to, and as a stepping stone for, deeper global integration.

Kathuria added that given the complicated history of the region, size asymmetries, and a trust deficit, small steps backed by policy persistence is probably the right way to go for South Asia.

Source: economictimes.com- Sep 25, 2018

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CCI urged to open 25 cotton purchase centres by Oct. 10

Cotton procurement with MSP planned at 98 market yards

With the commencement of cotton plucking in some pockets of the State where its cultivation was taken up early, and with the expected arrival of cotton to the market from October first week, the State Government has requested the Cotton Corporation of India (CCI) to open its purchase centres in at least 25 market yards by October 10.

At a meeting held here on Saturday to review the arrangements being made for procurement of green gram, black gram, maize, groundnut and cotton this marketing season, it was decided to open cotton procurement centres in 98 market yards by CCI and another 288 purchase centres at ginning mills.

'Maintain quality'

Minister for Marketing T. Harish Rao asked the Cotton Corporation of India officials to open all their purchase centres by October 20 and also notify 288 ginning mills that have participated in Cotton Corporation of India tenders as designated purchase centres.

The Centre has fixed a minimum support price (MSP) of Rs. 5,450 per quintal for cotton this year against Rs. 4,320 last year.

As the minimum support price has been enhanced by over Rs. 1,100 per quintal, it is being expected that a large number of farmers would prefer sale of the fibre crop produce at Cotton Corporation of India purchase centres.

However, the Minister has suggested the farmers to maintain the quality norms specified by the Cotton Corporation of India, including keeping the moisture content between 8% to 12% and removal of any other material to get the announced price.

Officials of the marketing and agriculture departments, Telangana State Cooperative Marketing Federation Ltd (TS-Markfed), Hyderabad Agricultural Cooperative Association (HACA), TS Warehousing Corporation, branch managers of Cotton Corporation of India and representatives of ginning mills association attended the meeting.

Mr. Harish Rao spoke to Chairman and Managing Director of Cotton Corporation of India P. Alli Rani over phone and requested her to take steps for timely shifting of cotton bales and seed from ginning mills and also to ensure hassle-free procurement in Khammam district where ginning millers did not participate in Cotton Corporation of India tenders.

'Procure green gram'

The Minister directed the TS-Markfed officials to open procurement centres for green gram (9) and maize immediately, which have been fixed minimum support price of Rs. 6,975 and Rs. 1,700 per quintal, respectively.

The Minister also told the officials to get prior approval from the Centre for procurement of black gram, groundnut and red gram too.

Source: thehindu.com- Sep 25, 2018

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India's cotton exports to China may witness a 5-fold jump

India's cotton exports to China may see a five-fold jump to 4 million bales in marketing year 2018-19 beginning October 1, after the latter slapped a 25 per cent additional duty on cotton imports from the United States.

Indian traders have reportedly entered into a forward contract with Chinese buyers to deliver 1.2 million bales between November and January.

Though some quantity has also been contracted for exports to Bangladesh and Cambodia, the maximum contracts are for China, according to a report in top Indian financial daily.

Analysts say a likely decline in India's cotton production in the next season, low closing stocks and higher minimum support prices announced recently may affect India's export prospects.

Due to declining cotton stocks, China has turned a net importer of cotton to meet its garment demand, according to the Cotton Association of India.

China has an annual output of 35 million bales against consumption of about 50 million bales. The country has been unable to raise cotton production since the focus shifted to food and feed crops and its buffer cotton stocks started depleting in 2015.

India cotton exports in April-July period this fiscal were worth $119 million.

India's cotton output for the 2017-18 (October-September) season is pegged at 37 million bales, up 7 per cent from the previous year.

Source: fibre2fashion.com- Sep 25, 2018

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Deepening India-US Defense Ties Sways India From Trade Retaliation Against US – Analysis

India went one step forward and two steps back in retaliation against high tariffs on steel and aluminum by USA. Twice, it suspended its decision to impose high tariff on 29 items imports from the USA. By the original schedule, high tariff was to be imposed on 4th August. It was deferred to September 18 and further to November 2.

Skepticism rises over India's real intention behind the trade retaliation against USA. A close study between the lines reveals India's burgeoning dependence on defence ties with USA. Even though USA is the second biggest trade partner and a major foreign investor in India, its significance sparked with new dynamism in the relation, propelled by recent 2+2 Dialogue, which represented strengthening military ties with USA. What led India to revitalize the defence ties with USA, while it is still guide by Indo-Soviet Treaty, now with Russia.

Ever since the USA declared India a "Major Defence Partner" in 2016, focus on defence ties outweigh the economic relation. In this context, the recent 2+2 dialogue in between the two countries is significant. It resulted signing of Communication Compatibility and Security Agreement (COMCASA). By this, it is considered that a journey has begun for consolidation of military ties between the two countries in the context of technology transfer and defence procurement.

Hitherto, Russia has been dominant player in defence ties with India. According to analysts , Russia has 67 percent stake in defence procurement.

The existing system of procurement debars USA to supply defence equipment with transfer of technology. It is believed that COMCASA will pave the way to supply the equipment with transfer of high technology, which is mandated in the US law of Foreign Military Sales (FMS).

FMS systems of sales, which include transfer of technology, mandate that the sales must be approved under Arms Export Control Act (AECA) of USA and it will be authorized by President of USA. Under such stringent regulation, the important hurdle was US reluctance to share the technology in the context of India's long binding relation with Russia.

Another important outcome of 2+2 dialogue was the readiness to begin negotiations on Industrial Security Annex (ISA). This will further open the window for greater scope for Indian companies to get latest technology.

The agreement on COMCASA and the launching of the negotiation on ISA will act a pivot to India's Make in India initiative for development of its defence industries. Under this initiative, greater focus was made to open the defence industry to the private sector through policy parameters, such as broadening FDI participation in the industry.

The decision to start exchanges between US Naval Forces Central Command (NAVCENT) and Indian navy will be another milestone for strengthening maritime cooperation in the Western Indian Ocean.

Besides defence ties, US sanction on Iran is another factor which hinges on India's retaliation against USA. The sanction will be effective from 5th November, 2018. Iran is the third biggest destination of India's crude oil import. It accounts for 10 percent of the total crude oil import.

Amidst the global oil price volatility , which deepened energy crisis and is unlikely to impact on inflation, India needs earnest cooperation of USA for wavering the sanction. Against this backdrop, India seemed to have been drawn into dilemma to exercise retaliation against the USA.

Nevertheless, the retaliation has little significance in terms amount of impact on trade. The 29 items, which were identified for high tariffs, account for less than one percent in India's total import from the USA. It was US $ 240 million out of total import of US$ 26, 611 million in 2017-18. Neither import of these items by India accounts for a big share in USA's world export. Hence, this cannot be treated as "tit for tat" action against USA. . India's major items of imports from USA are aircrafts, electronic goods, automobile components and non-electrical goods.

Contrarily, if India's retaliation heightens US anger and bring more items under high tariff, other than steel and aluminum, India will be at more disadvantage position. Exports of ready-made garments and gems and jewelry (particularly diamond and precious stones) are the cases , if brought under high tariff, will loose heyday.

Both these items account for one-sixth of India's total exports – garments with 5.5 percent and gems and jewelry with 9 percent shares in 2017-18. And, USA is the biggest importer of these two items from India.

Both these items are under close lenses of USA , since India has violated WTO rules by continuing subsidy even after crossing the cap of $ 1000 per capita income a year. USA has already threatened to drag India into WTO dispute settlement body.

Against this backdrop, that is, precedence of defence ties to economic relation and basket of trade, the conventional wisdom suggests that India should refrain for escalation of retaliatory action against USA, just for tit-for-tit.

Trump's high tariff trade war is against China, and India. His high tariff is a punitive action against China, which devastated USA's domestic industry. China accounted for 47 percent of USA' world trade deficit.

It accused China and other emerging nations, who are export based economies, for reaping the benefits from liberal markets in USA by unfair means and not reciprocating by opening their markets.

India is far behind the USA in terms of a power game. In trade and investment, the USA is more significant to India and not vice –versa. USA is the biggest export destination for India and a major foreign investor in the country.

It is the major turf for employment generation in India, since USA is the biggest importer of labour intensive products from India, such as ready-made garment and other textile products. To this end, India's retaliation on tit-for tit may open a Pandora Box.

Source: eurasiareview.com- Sep 25, 2018

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India to impose duties on imports within WTO norms: Commerce Secretary

India will impose duties on imports within the norms of the World Trade Organisation (WTO) to protect domestic industry and boost the economy, the commerce ministry said Tuesday.

"We will use those options to further our interests', whether it is to develop our own economy or to protect our consumers from sub-standard products or whether to regulate some products in public interest. So certainly those options will be exercised," Commerce Secretary Anup Wadhawan told reporters here.

He was replying to a question about the government's decision to impose import restrictions on imports of non-essential products.

He said that as far as tariff policy is concerned, India is a developing economy and it has the right under the WTO to use tariff within the bound rates.

Bound duty rates are tariffs over which a WTO member country cannot hike the customs duties.

"Developing country's infant industries' need protection. Our bound (duty rates) in the WTO have been shaped in that philosophy. We will certainly use...," he added. The secretary said that these are policy instruments in the hands of policymakers and there are several concerns as far as imports are concerned.

"One concern is public safety and health, sub-standard products getting imported, which can harm consumers," he said adding the government is taking steps put in place standards for goods to protect consumers' interest.

Earlier this month, Finance Minister Arun Jaitley announced the government's decision to relax norms for raising overseas borrowing and impose restrictions on non-essential imports as part of efforts to check rising current account deficit (CAD) and a falling rupee.

Economic Affairs Secretary Subhash Chandra Garg has stated that the Centre has prepared a list of non-essential items whose imports can be curbed and also drawn up a separate list of goods whose exports can be boosted with a little policy intervention.

The government may increase import duties on certain goods from sectors including metals, textiles, electronics and leather to contain outflow of US dollars.

Further, when asked about the government's plan to formulate a national e-commerce policy, Wadhawan said there is no deadline to release that policy.

However, he did not elaborate on whether the government would come out with a separate policy.

"If something is required, then that will be considered," he said when asked about the proposed e-commerce policy.

He added that it is not a single effort that "one day it would start and the fourth day it will end".

A draft e-commerce policy has suggested several steps to promote the growth of the fast-growing sector. It has stated that online retail firms may have to store user data exclusively in India in view of security and privacy concerns.

The draft stated that any group company of an online retailer or marketplace may not be allowed to directly or indirectly influence the price or sale of products and services on its platform.

Certain quarters have raised concerns over some of the proposals of the draft policy. To address that, the government has set up a group of secretaries to look into the issues.

Source: business-standard.com- Sep 25, 2018

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Doable and daunting

Doubling India's share of world exports will require the government, states and industry to act on a mission mode

According to statistics released by the WTO in July, the share of India in total world merchandise exports was 1.68 per cent in 2017, a level it has more or less maintained since 2011.

The preceding decade was better when India more than doubled its share from only 0.7 per cent in 2001 to 1.67 per cent in 2011. This was also a time when international trade grew rapidly all around. This was reflected, for example, in our imports more than trebling its share in world merchandise — imports from 0.77 per cent in 2001 to 2.51 per cent in 2011.

The foreign content in our exports also doubled from a little over 10 per cent to 24 per cent during this period, aided by items like refined petroleum products joining our export basket. That all this led to a widened trade deficit for India is also noteworthy. India's import share contracted somewhat in recent years, in part due to commodity prices, reaching a low of 2.21 per cent in 2016 but the upward climb has already begun with the share recording 2.48 per cent in 2017.

Notwithstanding the importance of pushing exports to boost economic growth, its exhortation has rarely received high-level political attention in India beyond the commerce ministry. It was, therefore, welcome to see Prime Minister Narendra Modi set a clear target of doubling India's share of world exports to 3.4 per cent in June.

More importantly, he recognised that this was important if India was to move towards double-digit growth. He emphasised the need for moderating the dependence on imports by at least 10 per cent by reducing imports in sectors such as energy, electronic goods, defence equipment and medical devices.

While no target dates have been set by the PM, there can be little doubt that even if the target has to be reached by 2025, it will need a coordinated effort from the entire government, not just the commerce ministry. That this will not be automatically forthcoming was evident when we saw the commerce minister publicly lamenting recently the paradox that while export was a strategic priority for India, it was not a priority sector for lending.

The doubling challenge is also daunting in the context of the Economic Survey 2017-18 pointing out that while the share of manufacturing in GDP has improved slightly, “the international competitiveness of manufacturing has not made great strides, reflected in the declining manufacturing export-GDP ratio and manufacturing trade balance”. Existing exports are barely able to hold on to their market shares and new products or markets have not burst forth.

Most importantly, segments of exports continue to go substantially in primary form and not in a value-added mode. Cotton and cotton yarn than high-end garments and made-ups, leather than its products, ferro alloys and primary steel than alloy steel, dimensional stones than polished granite, primary polymers than plastic products and cut and polished diamonds than studded jewellery are just a few glaring examples.

To be exportable in sizeable volumes, value-added products demand capacity, quality, consistency and competitiveness. All this is a tall order but it can certainly be achieved if there is political will and thrust to ensure not only the success of Make in India in 2025 but that it gets embedded with doubling export share.

This will need a greater focus for it in our draft industrial policy under consideration and for speeding up the establishment of product-specific industrial clusters and enacting labour reform, at least in export zones. It will also require a sound export infrastructure by energising the Bharatmala Pariyojana to improve the efficiency of movement of goods and to cut logistics costs.

The Sagarmala programme with its emphasis on port modernisation, capacity augmentation and port-led industrialisation will need an export orientation. Trade facilitation and export finance will also have to acquire high priority. Establishment of sector-level standards, compliance and certification mechanisms will be essential.

And all this will need a time-bound missionary zeal from the government, the states and industry. But judging from the performance so far, it is tempting to say the goal may be unrealistic. Particularly at a time when we face the prospect in the WTO of having to give up some of our export subsidies.

India's imports are fast increasing as can be expected from the demands of a large population with rising expectations. Exports are direly needed to pay for them. Much of the imports — fuel, capital goods and machinery, bulk drugs, edible oil, defence equipment or even high-end steel — volumes will only continue to rise. We are also perhaps unique in our sizeable imports of gold, which alone has accounted for 7 to 10 per cent of our imports.

What may appear to give some hope is perhaps the progress we are making in a few areas with respect to import reduction. Neem coating of fertilisers coupled with their increased production has led to a decline in imports and may even lead to zero imports by 2022.

Smartphone manufacture is another item that is seeing a higher level of domestic processing and assembly.

Imports of raw silk from China have come down with a rise in production of bivoltine silk in India. There is also a determined effort to produce more defence items.

Raising some select import duties to spur domestic production could work temporarily. But if this leads to complacency and results in pressures for higher tariffs to be permanent, it will be retrograde and have economy-wide implications.

In any case, all of this will do little to neutralise the rising import needs. The trade deficit continues to show a widening trend. Working to sharply increase merchandise exports, particularly when the earlier double-digit buoyancy in services exports has diminished, seems the only viable option. Will we see it happen?

Source: indianexpress.com- Sep 26, 2018

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Germany pitches for resumption of EU-India free trade agreement talks

Resuming negotiations will send send out a strong political message, says German envoy

Germany on Tuesday pitched for resumption of the European Union-India free trade agreement (FTA) talks, saying both sides should do so for "strategic reasons" and to send out a strong political message.

German Ambassador to India Martin Ney at a press conference here also said, both the EU and India should "set a standard" to guide trade relations in the future, when "a very political figure is doubting free trade". He, however, did not mention, whom he meant by that "political figure".

"Germany has been a fervent advocate of FTA (EU-India)...We detect a willingness from the Indian side to resume negotiations," Ney said, adding an important aspect of that is to set industry standards, meaning there should be one standard. "Both sides would benefit from the economies of scale. But, more so, we should together set standards and not wait for the others to set it for us," the envoy said.

During his visit to Berlin in 2017, Prime Minister Narendra Modi met German Chancellor Angela Merkel and held bilateral talks. At the summit, the deadlock over the FTA between India and the EU was highlighted and Merkel along with senior business leaders had urged the Indian Prime Minister for the speedy conclusion to the agreement.

"There are growing protectionist trends around the world, but Germany believes the value chains are so deeply interconnected that we will continue to create fair trading conditions.

Within this context, it is important that the FTA makes progress," Merkel had said. "The negotiations have been tough because every country must safeguard its own interests and Germany will ensure that India's concerns are also put on the table," she said.

German President Frank-Walter Steinmeier visited India in March and met Modi, and both of them agreed that for "political and strategic reasons", it is important to resume negotiations, Ney said.

“It is high time for both the EU and India to sit down (for talks)... There are issues such as import taxes on automobile parts, wines and spirits. But these issues can be solved, they just need a time-frame,” the German ambassador said.

“A very political figure is doubting free trade. Perhaps, we should send out a strong political message by resuming negotiations between two sides, the EU and India, and hammer out a strategy to guide our trade. A strategy to shape a treaty, and that treaty is called FTA,” he said.

When asked, if there was any clarity on the timeline of resumption of talks, the envoy said, “There is no political decision yet as to when to restart the negotiations.”

Ney said Germany is the sixth largest trading partner of India and the most important trading partner inside the European Union. The trade volume between the two countries rose by 10 per cent in 2017, crossing 19 billion Euro mark, he said, adding, 1,700 German companies are doing business in India.

Source: thehindubusinessline.com- Sep 26, 2018

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MSMEs drivers of job creation – Check details of what government data shows

Units employing 10-20 people created 4.5 lakh jobs on a net basis in July, while the entire universe of larger companies produced 9.5 lakh jobs during the month.

The MSME sector seems to be driving job creation. Units employing 10-20 people created 4.5 lakh jobs on a net basis in July, while the entire universe of larger companies produced 9.5 lakh jobs during the month, indicating the smaller units’ higher labour-intensiveness.

According to Central Statistics Office (CSO) data, the EPFO’s monthly pay-roll data saw a net addition of 9.5 lakh till July, while the number of newly-registered employees under the ESIC fold during the month was 13.97 lakh.

ESIC registration is mandatory for an employee in an establishment employing 10 or more workers if her monthly salary is up to Rs 21,000.

The EPFO covers every establishment in which 20 or more persons are employed and certain organisations even if they employ less than 20 persons each, while the pay limit for mandatory enrolment is `15,000 per month. Persons drawing pay above Rs 15,000 per month are exempted or can be enrolled with some permission or on voluntary basis.

Although the ESIC and EPFO data are not strictly comparable — there is an element of overlap — the fact that ESIC's "new jobs" for July is 4.5 lakh higher than that of EPFO indicates jobs are mostly created in the MSME sector.

However, even as the EPFO says close to 1 million 'formal jobs' were created on a net basis in July 2018, a record for any month and 6.18 million for September 2017-July 2018 period, the CMIE, in sharp contrast, says close to 9 million jobs have been lost in the 11 months to July 2018.

Source: financialexpress.com- Sep 26, 2018

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India draws attention to $12-b US farm bailout package at WTO

Asks Washington to classify the expenses under domestic support provisions of the Agreement on Agriculture

Charges are flowing thick and fast between developed and developing countries on farm subsidies at the World Trade Organization.

While India has drawn attention to the $12-billion farm package announced recently by the US government, Australia and Canada raised concerns about growing usage of trade distorting subsidies by India and China within permitted levels.

"India addressed the elephant in the room and drew people's attention to the US' $12-billion new farm bailout package.

A bigger debate on this topic is expected at the Agriculture Committee regular meeting on September 25-26," a Geneva-based official told BusinessLine.

At a recent Agriculture Committee special session at the WTO, a number of members, including India, gave their comments on how farm subsidies should be curbed.

Members are attempting to reach a consensus on measures to check agriculture domestic subsidies with the aim of reaching a pact at the Twelfth Ministerial meeting (MC 12) of the WTO in June 2020.

India raised the issue of the proposed US farm subsidies when many developed members asked why developing countries need additional subsidies for public stockholding to support farmers besides what has been allowed by Article 6 of AoA (Agreement on Agriculture). "In its rebuttal, India said that even the US itself just announced a relief measure worth $12 billion to support the farmers affected by trade war," the official said.

According to the package, the US Department of Agriculture will provide payments to corn, cotton, dairy, hog, sorghum, soyabean and wheat producers, will administer a Food Purchase and Distribution Programme to purchase up to $1.2 billion in commodities "unfairly targeted" by unjustified retaliation and make available $200 million for development of foreign markets for US agricultural products.

A number of countries including Japan, Australia and New Zealand have questioned the package and asked the US to provide details. India, in its submission, has asked the US to classify this expenditure under the domestic support provisions of the Agreement on Agriculture. These questions will be discussed in the meetings on September 25-26.

Targeting the de minimis (threshold levels) subsidies allowed to countries like India and China, which developing countries have been stating is too less at 10 per cent of production value and should be raised, Australia said there was a significant increase of trade-distorting support, more usage of de minimis subsidies by big developing economies such as China and India.

"It is also evident there is a lot of 'water', that is the gap between permitted support and actual spending, in both the de minimis and AMS (aggregate measurement of support used to measure subsidies that are considered trade distorting at the WTO) categories which will allow members policy space to subsidise even more," Australia said.

India and China, backed by Pakistan, the Africa Group and the ACP Group, stressed that the farm subsidies given by rich countries (AMS) were still the major culprit for asymmetry and imbalances of the agriculture sector and deserves to be the first to go, in spite of the fact the total amount has been decreasing.

The next cluster of dedicated sessions is scheduled for October 22-23, focusing on market access and the special safeguard mechanism.

Source: thehindubusinessline.com- Sep 26, 2018

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Bangladesh, Sri Lanka must shun protectionism to attract FDI, shore up exports to India: World Bank

Focus on connectivity and reduction in trade costs have led to a steady rise in India's exports to South-Asia. But neighbours like Bangladesh, are failing to reap the benefit of the opening up of the Indian market due to their protectionist strategies and inadequacies in attracting FDI, says an World Bank economist.

Talking to BusinessLine on the sidelines of a programme organised with CUTS International in Kolkata, Sanjay Kathuria, Lead Economist and Coordinator, South East Asia regional integration of World Bank, ruled out the role of non-tariff barriers (NTBs) in limiting India's imports from South-Asia.

Referring to a recent World Bank study, 'A Glass Half Full: The promise of regional trade in South-Asia' , he said: "Our numbers are not showing high implicit restrictiveness arising from NTBs." The legitimate non-tariff measures (NTM) are also found to be on par with the global standards.

What the exporters from neighbouring countries (to India) often face are perceived NTBs, arising out of lack of awareness about standards, lack of capacity to meet such standards and lack of mutual trust which is pervasive in the region, according to Kathuria.

The World Bank feels that as a major country, India has the responsibility to improve awareness about the standards and improve the capacity of neighbouring economies to meet them. “India is doing such capacity building in Bangladesh (by way of certifying agencies etc) and has started doing so in Sri Lanka,” he said.

Failed SAFTA

While India reduced tariff lines as per the South Asian Free Trade Agreement (SAFTA) and offered duty-free import to less developed economies (like Bangladesh), the measures remained one sided as the neighbours didn’t liberalise their economies, feels Kathuria

Approximately 39 per cent of Indian exports to South Asia are on sensitive list attracting high tariff wall. In contrast, 6 per cent of goods imported by India from South Asia are on the sensitive list. ASEAN has less than one per cent goods on the sensitive list.

“Para-tariff is a peculiar problem in South Asia and the prime culprits are Bangladesh, Sri Lanka and Pakistan. In Sri Lanka and Bangladesh the average nominal tariff doubles to 22.4 percent and 25.6 percent respectively due to para-tariffs,” he said.

The bank outlined the detailed impact of para-tariffs tariffs on different types of goods traded in the region. India too had such para-tariff (though of smaller incidence) in the pre-GST period. Overall, protectionism of neighbours pushes the average tariffs in South Asia to 13.6 per cent as against 6.3 per cent in the rest of the world.

Low FDI

Interestingly, despite the high tariff wall, India’s exports to neighbouring economies are rising at a faster rate than the bank had predicted in the past.

In 2012, the World Bank predicted that entering SAFTA would increase Bangladesh's exports to India at 182 per cent, while Indian exports to Bangladesh will increase by 126 per cent. In reality, Indian exports to Bangladesh grew by 126 per cent, while Bangladesh's exports to India grew only 17 per cent, between FY12 and FY18.

Kathuria gives credit to India's rising exports to Delhi's sustained focus on connectivity and the competitiveness of Indian industry. On the other hand, Bangladesh is missing out on the opportunity of accessing inputs at a lower cost and improving the efficiency by not implementing the FTA.

The prevailing environment is also leading to their failure in attracting FDI. "Unless there is more intra-regional investment, the two-way trade cannot be optimised," he said.

When asked about India's low FDI stock in Bangladesh - about half a billion dollar– he said, "India's neighbours need to realise Indian investors are global players. So they will simply not walk in the neighbourhood. Bangladesh has to compete with a Odisha or Bengal, AP for investment. The link between trade and investment is critical, without that value chain will be missed out."

Source: thehindubusinessline.com- Sep 26, 2018

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