



IBTEX No. 190 of 2019

September 27, 2019

US 70.92 EUR 77.45 | GBP 87.45 | JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
19904	41600	74.76
Domestic Futures Price (Ex. Warehouse Rajkot), October		
Rs./Bale	Rs./Candy	USD Cent/lb
19630	41027	73.73
International Futures Price		
NY ICE USD Cents/lb (December 2019)		60.28
ZCE Cotton: Yuan/MT (January 2020)		12,495
ZCE Cotton: USD Cents/lb		79.46
Cotlook A Index – Physical		71.40
<p>Cotton Guide: Market sentiments can be figured out based on the export sales data. Last evening, the export sales data were released which made the market volatile [as always after the release]. Whenever, export sales data turn out to be good, the prices move upward.</p> <p>To put it in simple words, Good Export Sales data portray that demand has risen, which means we should have expected prices to clearly head north and yes they did but only for a short time. The prices came tumbling down by more than 1 cent per pound or 2.14 %. Why did a reversal happen??? The answer is AN EMORMOUS CROP.</p>		

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

Analysts across the globe are expecting 2019-2020 to bring forth huge cotton production figures. The world is expected to have a supply glut this season. US is expected show good numbers, China is also on the path of increasing its produce [which also means that it will import less therefore putting demand on the back seat], India on the other hand is expected to have one of the best crop production figures [strengthened by abundant rains and an increase in sowing area]. In a recent conference at Jalgaon [Khandesh Region – which is one of the best cotton growing regions in India] i.e. “Mahacot Annual conference”, the estimated projection of production was at 375 lakh bales which stands at a mammoth 20% increase of production.

Let’s have a look at the latest-

Export sales data

Net upland sales were at 155,200 Running Bales (RB) for 2019/2020 which emanated an increase of 83 percent from the previous week and 33 percent from the four week mean.

Country	Increase in Running Bales
Pakistan	35,400
Guatemala	30,300
Vietnam	19,800
Colombia	16,200
China	14,400

Table 1 : Export Sales Data 2019/2020

Reductions were seen for Hong Kong at 4,300 RB.

On the other hand for the next season 2020/2021 net sales were at 12,800 Running Bales.

Country	Increase in Running Bales
Guatemala	5,900
Honduras	3,500
Colombia	3,400

Table 2 : Export Sales Data 2020/2021

Shipments

Exports of 175,900 Running Bales were up 6 percent from the previous week.

When we analyse the ICE December contract at 10 am, the prices are at 59.72 cents per pound. We reiterate, the ICE prices are in a strong phase of consolidation with a pendulum movement of 1 cent per pound. Only speculative activity and geopolitical flabbergasting news can move the prices in upwards. Otherwise, the ICE prices seem that they are doomed to head south with a support of 55 cents per pound. The prices are

unlikely to go be below the aforementioned level as the government schemes [activities] then come into the picture.

Country	Exports in Running Bales
Vietnam	48,700
Indonesia	25,200
Turkey	17,000
Bangladesh	13,200
India	12,200
Table 3 : Export Sales	

The MCX prices also showed not much activity with bare figures of 786 lots. The MCX October contract settled at 19,630 Rs per Bale with a change of +40 Rs whereas the November contract remained unchanged.

The Cotlook Index A has remained unchanged at 71.40 cents per pound. The average prices of Shankar 6 have increased a tad by Rs 100 and are now at 41,600 Rs per Candy.

On the technical front, ICE Cotton Dec future failed to hold the lower band of the intermediate upwards sloping channel at 60.00 and declined towards 59.70. Moreover, price also declined below the 50% Fibonacci retracement level and mostly heading towards the next support at 59.19(61.8% Fibonacci level), which could limit further downside in price.

At present Dec future is trading below the short term daily EMA of (5&9) with negative cross over which could push price to lower levels of 59.19. On the upside immediate resistance exists at 60.60, 61.60 and 62.77(76.4% Fibonacci retracement level). So for the day price is expected to move in the range of 59.20-60.60 with sideways to downside bias. In the domestic market MCX Oct future is expected to trade in the range of 19400-19840 with a sideways bias.

Compiled By Kotak Commodities Research Desk , contact us :

<mailto:research@kotakcommodities.com> or can contact:

allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	Topics
1	China Needs to Triple Cotton Imports
2	Myanmar-India border trade increases in 2018-19
3	S. Korea's export volume falls for 4 months
4	Applied DNA to Tag California Cotton for 2019-20 Ginning Season
5	Bangladesh economy expected to grow at eight per cent
6	Fashion gets more global: top ten importers' share shrinks to 70%
7	Nike's 'Move to Zero' towards zero carbon, zero waste
8	MERCOSUR technical regulation on textile labelling
9	Indonesia eyes unmissable opportunities at Hannover trade fair
10	Pakistan: Trumpian triumphalism
11	Bangladesh announces cash incentives for goods exports
12	Bangladesh: RMG exporters in a fix as US buyer rejects \$2.6m cargo

NATIONAL NEWS	
1	India-Chile set to expand preferential trade, explore possibility of a free trade pact
2	India needs the RCEP
3	India's textile sector feels RCEP will open the door for China
4	How to make the corporate tax cuts work
5	No liquidity crisis: FM after 'tonic-like' meeting with private banks
6	Amazon opens largest fulfilment centre in West Bengal
7	Ensure no belt shops at cotton procurement centres: Collector
8	PMO convenes meeting of secretaries on draft national logistics policy

INTERNATIONAL NEWS

China Needs to Triple Cotton Imports

With government stocks depleting, China needs to import more cotton to sustain its mills' consumption. Where would that cotton come from?

Jon Devine, senior economist and a 10-year veteran with Cotton Incorporated, recently presented a nice picture of the global cotton scenario.

The current government stocks in China have fallen considerably from 2013/14 to about 9 million bales (480 lbs. per bale) at the end of 2018/19. This puts the deficit in China to be at 15 million bales, necessitating more imports. The lingering trade war between China and the United States is affecting the supply chain and more importantly, creating uncertainty in the global economy. Chinese cotton production gap is one-third of its mill use, stated Devine.

As U.S. harvest season continues, higher production is expected due to favorable weather in the High Plains of Texas, with less drought compared to last year during the growing season. Upland cotton production in the High Plains is projected to be above 4.5 million bales. USDA estimates that the total cotton production in the U.S. will be 22 million bales, with consumption of only 3 million bales.

Last year, while China has increased its cotton import, the share of United States' cotton export has dropped. On a year-on-year basis, other countries like Brazil, Australia and India have fared well in exporting to China. These scenarios dictate the need for a speedy resolution to the ongoing trade war.

To my question on the takeover of the Chinese market by other exporting nations in the absence of a trade deal soon, Devine speculated, "This is a central unknown, because we do not know where the details will end up. A resolution, if reached, should support U.S. exports. If a resolution is not reached, demand for non-U.S. cotton will be supported."

For the marketing year that ended in July, Devine added, "Even with the tariffs, the U.S. was still the third-largest source of cotton for China. China was the second-largest destination for U.S. exports (only behind Vietnam)."

While China is a key player, the textile industry is slowly moving away from China, as Vietnam and Bangladesh are capturing the export market.

The trade war, if prolonged, may bring about a shift in the cotton market. The United States needs markets such as Indonesia, Pakistan and India. Will India be a decent market for the United States' cotton? The current Minimum Support Price (MSP) for cotton in India is putting stress on the textile mills that should create a market for quality cotton from the United States.

“The MSP for the Indian cotton is much higher than the global cotton prices, making the input cost higher for the spinners who are in the export market,” stated Gurudas Aras, director, Textile Engineering Group of A.T.E. Enterprises Pvt. Ltd, in an e-mail communication.

Looking ahead, Devine agreed that the trade war situation and the overall global economy will be the determining factors for cotton trade. Will there be more cotton acreage in 2020? It's hard to tell with cotton prices being low at this point of time.

Another interesting aspect to watch is the growth of textile manufacturing in Ethiopia – another market to observe keenly.

Source: cottongrower.com- Sept 26, 2019

[HOME](#)

Myanmar-India border trade increases in 2018-19

Border trade between Myanmar and India hit 194.6 million U.S. dollars as of Sept. 13 in the current fiscal year 2018-19 ending September, said a statistical report of Myanmar's Commerce Ministry Friday.

The border trade during the period increased by 57 million U.S. dollars compared with the same period of the previous fiscal year.

The Myanmar-India total border trade during the period was shared by Myanmar's export of 171.3 million U.S. dollars and its import of 23.3 million U.S. dollars.

The two countries carry out border trade mainly through Tamu, Reed and Thantlang cross-border trade camps, while a major part of bilateral trade are delivered through ships.

Myanmar mainly exports to India fruits and vegetable, fishery and forestry products, while importing from India medicines, electronic products, motorbikes, cotton yarn, non-alloy steel and other construction materials.

Meanwhile, Myanmar's border trade with four neighboring countries, China, India, Thailand and Bangladesh totalled 9.6 billion U.S. dollars, shared by 6.7 billion U.S. dollars in export and 2.9 million U.S. dollars in import.

Source: xinhuanet.com. - Sept 26, 2019

[HOME](#)

S. Korea's export volume falls for 4 months

South Korea's export volume fell for four straight months to August due to the weakened global trade, central bank data showed Friday.

The export volume index slipped 5.8 percent in August from a year earlier, continuing to slide since May, according to the Bank of Korea (BOK).

The local currency depreciated versus the U.S. dollar amid the global trade dispute, raising the price competitiveness of domestic exporters.

However, the export volume kept reducing amid the weakened global trade volume.

Export volume for machinery and equipment dipped 11 percent in the month, with those for primary metal products and electronic & optical devices diminishing 5.8 percent and 5.1 percent each.

The shipment for integrated circuits, including memory chips, picked up 21.2 percent in August, after jumping 27.6 percent in the previous month.

Meanwhile, the export value index tumbled 15.6 percent in August from a year earlier, keeping a downward trend for the ninth consecutive month.

In terms of value, the export of integrated circuits plunged 27.8 percent on the lower product price, indicating the continued downturn in business cycle of the global chip industry.

The import volume index rose 1.5 percent in August from a year ago, but the import value index shrank 4.7 percent on cheaper global crude oil.

Source: xinhuanet.com. - Sept 26, 2019

[HOME](#)

Applied DNA to Tag California Cotton for 2019-20 Ginning Season

A cotton grower in California's San Joaquin Valley ordered \$1 million of Applied DNA Science's SigNature T taggant for the 2019-20 ginning season, which gets underway in October.

Together with Applied DNA's genotyping capabilities and digital technologies, SigNature T will tag, test and track the Pima cotton grown in this West Coast region and sold under the PimaCott brand by a large national home goods retailer.

"We are pleased that the value of forensic traceability and genotyping for cotton continues to translate to recurring demand for tagged cotton across the home textile category," Dr. James A. Hayward, president and CEO of Applied DNA, said in a statement. "We believe the SigNature T platform, combined with our partner's high standards in supply chain quality practices, assure them brand protection and label-claim compliance for retailers and consumers."

The company's SigNature T platform employs automated DNA technology and industrial Internet of Things to monitor cotton shipments, receipts and contract compliance.

Beyond its use with Pima cotton growers, SigNature T also is implemented with cotton gins managing Egyptian and American Upland cotton varieties, Applied DNA added. More than 250 million pounds of cotton have been tagged with patented fiberTyping analysis "that is substantiated by forensic test data."

Applied DNA's technologies help brands control their fiber supply chains and give consumers the assurance of the authenticity of the products they're purchasing. The company is a provider of molecular technologies enabling supply chain security, anti-counterfeiting, anti-theft technology and product genotyping capabilities.

Source: sourcingjournal.com. - Sept 26, 2019

[HOME](#)

Bangladesh economy expected to grow at eight per cent

Bangladesh is expected to grow at eight per cent this year, the highest in Asia. The country continues to be among the fastest growing economies in Asia and the Pacific. Buoyant exports, robust private consumption, higher remittance, accommodative monetary policy and ongoing reforms to improve the business climate and high infrastructure spending are helping Bangladesh.

Favorable trade prospects are expected to continue. Exports and remittances are likely to be further strengthened. Strong public investment and expedited implementation of large infrastructure projects are also envisaged.

Public investment expanded from eight per cent to 8.2 per cent and total investment contributed 2.8 percentage points to growth. But private investment edged up to 23.4 per cent in fiscal 2018-19 from 23.3 per cent a year earlier. Apart from that, private sector credit growth slowed to 11.3 per cent from 16.9 per cent, partly due to a decline in deposit growth.

Inflation is expected to edge up to 5.8 per cent from 5.5 per cent on upward adjustments to domestic gas prices, higher price of goods and services due to expansion in value-added tax coverage, and the depreciation of the currency against the dollar. The revenue shortfall is expected to be offset by lower public spending, holding the budget deficit under the ceiling of five per cent of GDP.

Source: fashionatingworld.com. - Sept 26, 2019

[HOME](#)

Fashion gets more global: top ten importers' share shrinks to 70%

The European Union, the United States and Japan continue to be the largest buyers of apparel on the planet, while South Korea and China speed up in the ranking.

Despite the current trade uncertainty, the fashion industry continues a clear globalization course. In 2005, the ten largest importers of clothing represented 90.8% of the total purchases in the sector. Thirteen years later, its share has fallen to 71.3%, according to the latest data from the World Trade Organization (WTO).

The share of the ten largest importers of apparel on the planet has shrunk despite they have continued to increase their imports. Europe, for example, continues to be the largest buyer of clothing after raising its imports by 3% in 2018, up to 204 billion dollars.

The United States, the second largest importer of clothing in the world, increased its purchases by 1% last year, to 92 billion dollars. Japan completes the top three. Last year it raised its imports of apparel by 8%, up to 30 billion dollars.

Despite continuing to increase its imports, Europe has shrunk its global share from 47.3% in 2005 to 38.4% in 2018; The United States, meanwhile, has increased it from 28.7% to 17.4%, while Japan has gone from 8.1% to 5.7%.

Beyond the major global buyers, South Korea, China and Switzerland have been the countries that have increased their imports the most in 2018, registering double-digit advances.

South Korea, which takes the fifth position in this classification, raised its purchases by 16% in the last year, placing them at 11 billion dollars, the same amount as Canada.

China, on the other hand, increased its purchases by 14%, to 8 billion dollars, similar to Russia and Switzerland, which increased 13%. Top ten world importers of clothing put their purchases of clothing at 378 billion euros.

Its weight in all global imports also increased. In the case of South Korea, the country has gone from having 1% in 2005 to 2% in 2018; China, from 0.6% to 1.6%, and Russia, from 0.3% to 1.5%. Switzerland, on the other hand, has contracted it, from 1.6% thirteen years ago to 1.4% the previous year.

Also, in textile imports, the ten largest players have been losing prominence, going from generating 62.2% of global purchases in 2005 to 54.6% in 2018. The European Union, which continues to be the world's largest importer, reduced its purchases in 2018 2%, up to 77 billion dollars. In this regard, the common market has increased from 33.6% of total textile imports in 2005 to 23.1% last year.

On the contrary, new productive poles, such as Vietnam, Bangladesh and Indonesia, have gained prominence, which only in the last year increased textile purchases by 10%, 17% and 21%, respectively.

Vietnam and Bangladesh are now the fourth and fifth largest world importer of textile items. Their purchases have gone from representing 1.6% and 1.1% of the total in 2005 to 5.3%. Indonesia's jump has been much greater, from 0.4% thirteen years ago to the current 2.1%.

Source: themds.com. - Sept 26, 2019

[HOME](#)

Nike's 'Move to Zero' towards zero carbon, zero waste

Nike's 'Move to Zero' initiative is a journey towards zero carbon and zero waste, with the singular aim to help protect the future of sport. It includes material development programs and commitments like eliminating single-use plastics on Nike's campuses worldwide and initiating dialogue among the global design community through nikecirculardesign.com.

Nike's material development programs have diverted 6.4 billion plastic bottles from landfills since 2010 and develop renewable-energy-powered logistics centres, according to a statement by the company.

It is a continuation of Nike's deep commitment to sustainability and is driven by belief that protecting the planet means protecting the future of sport against climate change, the company said.

Many US states have adopted rules to keep players safe in increasingly hot and humid conditions, mandating shorter practices, wearing less equipment or even cancelling games.

Without global action, under current trends climate change could decrease time spent on the field by up to two months in parts of Louisiana, Texas and Mississippi by 2050, the company said.

For those in snow sports, there is danger of literal loss of playing field — the average number of quality snowboarding days around the world has decreased by 7 per cent during the past 30 years. By 2050, those days could shrink by 11 to 22 per cent. Move to Zero is a response to these realities, the company added.

Source: fibre2fashion.com. - Sept 26, 2019

[HOME](#)

MERCOSUR technical regulation on textile labelling

Brazil's National Institute of Metrology, Quality and Technology (INMETRO) issued ordinance No.296 on June 12, approving the MERCOSUR Technical Regulation on labelling of textile products. Under the labelling regulation, textile products consisting of at least 80 per cent textile fibres and textile filaments by weight are subject to the requirements.

The ordinance will become effective from the date of its publication.

All mandatory information must be indicated through labels, stamps, stickers or similar means that are permanent, indelible, legible and clearly visible. The information must be presented in the language of the country of consumption but may also be presented in other languages without prejudice.

The MERCOSUR member countries—Argentina, Brazil, Paraguay and Uruguay—early this year approved and issued the regulation to establish the labelling requirements for textile products produced in or imported for sale in MERCOSUR member countries.

The mandatory labelling information for textile products include name, business name or trademark registered in the country of consumption and tax identification of a national manufacturer or importer; country of origin; name of textile fibres or filaments with their contents expressed in percentage by mass; care labelling instructions; and size or dimension, where appropriate, according to information on the website of SGS Global Softlines, an inspection, verification, testing and certification company.

Source: fibre2fashion.com. - Sept 26, 2019

[HOME](#)

Indonesia eyes unmissable opportunities at Hannover trade fair

As the partner country of next April's 2020 Hannover Messe, Indonesia looks set to seize the opportunities presented at one of the world's largest trade shows held in the north German city.

Jochen Köckler, chairman of the managing board of Deutsche Messe AG, organizer of the annual trade fair, told the media Wednesday the event would help Indonesia accelerate its Industry 4.0 development, which it badly needs if it is to realize its goal to join the league of the world's 10 largest economies by 2030.

As an emerging economic powerhouse with strengths in manufacturing and energy, Indonesia will take advantage of the opportunities presented during the trade fair to showcase itself as a reliable partner and a good place to invest.

"We want Indonesian and German corporations to deepen their business relationships through this event," he said.

Köckler said he believed Indonesia could realize its bid to break into the world's elite economies, citing the country's huge population of young people, who will drive innovation.

He recalled the short time Deutsche Messe took to choose Indonesia as its partner country for the second time since 1995. Typically, the trade show

organizer has needed five years to select its country partner for the fair, but in the case of Indonesia one year was enough.

The 2020 Hannover Messe, to be held from April 20 to 24, will boast 6,500 exhibitors from across the world, on top of 60 forums and conferences. About 6.5 million business contracts are expected to be signed during the four-day event, which Köckler said would be an opportune time for Indonesia's small-scale enterprises and startups to find the right business partners.

As the country partner, Indonesia will receive the spotlight and privileges, such as promotions. The organizer will also allocate about 2,500 square meters of space inside Hall 21 of Hannover's giant fair ground to Indonesia.

Indonesian Ambassador to Germany Arif Havas Oegroseno said the government was now curating state-owned enterprises, small-scale enterprises, startups and other companies that will showcase their products and innovations during the trade fair. The government will announce at the end of October, 100 eligible companies that will represent Indonesia in Hannover.

A number of road shows to promote the event across the globe have been planned, both by the Deutsche Messe and the Indonesian government.

In the past, the German chancellor and the head of government of the country partner have opened the trade show. Indonesia is the third Asian partner of the Hannover Messe after China and India.

Trade Minister Airlangga Hartarto said Indonesia would benefit from leading the fair as it could attract foreign investment and look for ways to modernize its production industries and develop digital infrastructure. Indonesia will focus on the key sectors of food and beverages, textiles and apparel, automotive, chemicals and electronics.

Source: thejakartapost.com- Sept 26, 2019

[HOME](#)

Pakistan: Trumpian triumphalism

US President Donald Trump in his speech at the United Nations General Assembly reiterated the theme that resonates with his loyal support base: nationalism ensures the greatest good of the greatest number within countries as opposed to the policy of globalisation expounded by the world leadership in the pre-Trump era. "The future does not belong to globalists. The future belongs to patriots. The future belongs to sovereign and independent nations," he added.

Trump then proceeded to denigrate international organisations, including the UN by referring to the international arms trade treaty (designed to regulate trade in conventional weapons with 104 countries having ratified it and 32 have signed it) negotiated under the auspices of the UN by maintaining that "there's no circumstance under which the United States will allow international entities to trample on the rights of our citizens, including the right to self-defence." And the World Trade Organisation by accusing it of failing to check, according to him, Chinese economic practices of unfair trade practices, including theft of intellectual property rights.

Globalisation premised on the information technology revolution has served as a catalyst for electronic connectivity with massive enhancement of data sharing thereby altering the production function. Trade as a means to ensure that the cheapest products would be available to the people of any country through up to date information on the internet would not only check domestic inflation but also corruption. But this does not follow in every situation, Jo Stiglitz, the Nobel laureate, argues stating that, "globalisation today, however, negatively impacts on the middle and working classes throughout the world, in advanced and underdeveloped countries alike.

The lines of conflict run between the left-behind workers around the world, on the one hand, and corporate interests, on the other," but then proceeds to argue that "a fairly managed globalisation could actually serve the interests of a broad swath of the world's population."

Stiglitz laments populist leaders like Trump (and one would assume Boris Johnson considering the possibility of a no deal Brexit) whose decision to re-erect "national borders protected by trade tariffs and perks for the hardest-hit domestic industries," are wrong; and Trump must understand that trade wars, including the ongoing trade war with China, "have something in

common with real wars...almost always, everybody - all countries engaged in the war - lose."

The problem of globalisation is more acute in developing countries. Pakistan as an example has suffered from the WTO regulations with respect to trade in textiles that are more beneficial to importers in the West rather than to producers in this country. But as stated by Stiglitz, the way forward is not to abandon the policy of globalisation but to better manage it to ensure that the benefits of globalisation are more evenly distributed worldwide.

Trump then proceeded to attack Iran though perhaps to the relief of many he did not dwell on recent strikes against two of Saudi Arabia's oil facilities and refrained from reiterating his Secretary of State's statement that it was 'an act of war' though he referred to Iran's "blood lust." He held out hope for a rapprochement and stated that "many of America's closest friends today were once our greatest foes. The United States has never believed in permanent enemies. We want partners, not adversaries. America knows that while anyone can make war, only the most courageous can choose peace."

Trump also talked about refugees and praised the steps taken by Mexico to contain the influx of migrants into the US. "Many of the countries here today are coping with the challenges of uncontrolled migration. Each of you has the absolute right to protect your borders. And so, of course, does our country." One would hope that the fencing of our borders with Afghanistan as well as the speedy repatriation of more than 2 million Afghan residents in Pakistan today is part of any future negotiations.

To conclude, President Trump's speech did not lay the foundation for any shift in his ideological commitment to nationalism, trade war with China, and disallowing migrations. The stage he set in his speech was for his re-election bid in 2020.

Source: fp.brecorder.com - Sept 26, 2019

[HOME](#)

Bangladesh announces cash incentives for goods exports

Bangladesh has announced cash incentives against export of products under 37 categories, including one per cent additional special incentive for readymade garment (RMG) products, for the current fiscal. According to a Bangladesh Bank circular, RMG exporters would get the incentive in addition to the existing 4 per cent cash incentive that remains unchanged.

The textile sector would enjoy the cash incentive as an alternative to duty bonds and duty drawbacks.

The government also included consumer electronics, electrical home and kitchen appliances to the product list for the first time with 10 per cent cash incentive and boosted incentives for a number of products manufactured in economic zones and hi-tech parks.

The 2 per cent cash incentive is unchanged for those who export apparel to the Euro zone, according to a report in a Dhaka-based English-language daily.

The list included bags, shoes made from synthetic fibres, garment wastage with handicrafts (elephant grass and coconut coir) and surgical instruments.

The government reduced cash incentive for exporting elephant grass (hogla) and coconut coir to 10 per cent from 20 per cent.

The 20 per cent cash incentive the diversified jute products enjoyed in the previous fiscal remained unchanged, while the incentive for export of jute yarn and twine remained 7 per cent and the incentive for jute hessian, sacking and carpet backing cloths also remained 12 per cent.

The government kept unchanged cash incentive at 15 per cent for the export of leather goods, light engendering products, furniture, accumulator battery and shoes and bags made from synthetic fibres and fabric.

Bangladeshi companies established in economic zones would get 4 per cent additional cash incentive for exporting shoes and bags made from synthetic fibres and fabric to new markets.

Source: fibre2fashion.com - Sept 27, 2019

[HOME](#)

Bangladesh: RMG exporters in a fix as US buyer rejects \$2.6m cargo

Retailer says shipment missed sales season; BGMEA terms it unfair

EXPORTERS THAT INCURRED LOSSES
Envoy Textiles
Nassa Apparels
MNC
Cimtex
DMC
Tarasima
Cotton Club
Canpark
Madler
Snowtex
Fountain Garments

A US buyer has dealt a serious blow to 11 Bangladeshi garment exporters as it refused to accept goods worth \$2.6 million (more than Tk 22 crore) although the shipment reached the port on time.

As a result, the garment companies are not just losing the money, they will have to bear the freight charges for shipping the goods back and face compensation claim from US retailer Kontoor Brands, the exporters said.

Kontoor, however, refuted the claims of the exporters. The retailer said it sent back the goods as the shipment missed the sales season.

The goods were shipped from Bangladesh in January this year.

Of the 11 companies, Nassa Apparels lost \$998,110.

“I can’t afford the loss and it was not my fault,” said Mohammad Nazrul Islam Mazumder, chairman of Nassa Group, a leading garment exporter.

“The goods reached the port as per schedule. There was a fire in the ship but the goods were unaffected,” he said.

The exporter said the goods were shipped on free on board (FoB) basis, meaning the senders do not have any liability after the shipment. Now Kontoor Brands is lying, he said.

Apart from inflicting nearly \$1 million in direct loss on Nassa, the American buyer has already deducted \$4 lakh from other consignments as compensation as a payment of adjuster, Mazumder said.

An adjuster determines how much an insurance company should pay if a claim is made.

The owner of another victim company, asking not to be named, said he had lost \$4.30 lakh. He said the brand should stand by the exporters as a longtime business partner. But buyers do not support suppliers when the latter are in trouble.

In this type of case, small suppliers lose everything and only big companies can afford such losses, he said. The ship is now in Singapore and is waiting to return to the Chattogram port.

In a statement, Scott Deitz, vice president for global corporate relations of Kontoor Brands, said the fire affected finished goods being shipped by multiple vendors in Bangladesh that were to be available for sale to consumers in time for the Spring 2019 selling season.

In this case, the vendors were fully responsible to deliver the garments to the US or Canadian port terminal in the spring.

“As a result of the fire, delivery of the apparel was delayed by nearly six months, an entire season too late,” he said in a statement. “This was a very unfortunate incident for everyone involved,” Deitz said, refuting claims made by Nassa Group.

He said Kontoor’s contract terms with its vendors clearly stipulate that the vendor bears all risk of loss of the goods until the goods reach the destination terminal and transfer of the title of goods to Kontoor takes place.

He said many of the vendors involved with the shipment did have the necessary insurance, while others chose not to protect themselves from the potential risk of loss.

“And while we understand the concerns of the vendors now affected by their choice not to protect themselves through risk-of-loss insurance, we are properly abiding by governing law and previously agreed upon contracts.”

“We can report that we have taken some actions to assist the affected uninsured vendors as they continue to produce goods on our behalf,” Deitz said.

Such assistance includes paying demurrage fees, costs to loss adjustors to prevent the goods from becoming abandoned, and return-to-origin transportation fees on behalf of the vendors to limit their further losses.

Fees will be collected for these costs in due time, according to the statement. Deitz said Kontoor is helping to arrange for the now distressed goods to be sold through other channels to mitigate the losses for these affected vendors.

Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the fire incident at the vessel was beyond the control of the vendor.

But the goods under question were unaffected and therefore there was no cause for initiating an action for an insurance claim.

She said the vessel owners declared general average (GA) and everyone in the trade understood its implications that the voyage will have been frustrated and therefore, the vessel and its cargoes will face considerable delays to relay the goods to final destinations.

She said the goods were relayed once the freight and the GA contributions were paid directly by Kontoor Brands, and the vendors were confirmed of the release of the payments.

This clearly demonstrates that the intent was for the goods to have been received or accepted by them, Huq said.

So, the unilateral and arbitrary change of mind by Kontoor to refuse to accept the goods while on way to the final destination is totally beyond moral justifications and unfair, she said.

Huq said the vendors are out of pockets with the costs of the goods and the non-payment will severely affect the sustainability of some of these companies.

“The return of the goods to the shippers is definitely considered a breach of trust and against the fundamentals of ethical and responsible sourcing.”

Source: thedailystar.net- Sept 27, 2019

[HOME](#)

NATIONAL NEWS

India-Chile set to expand preferential trade, explore possibility of a free trade pact

India hopes to export more generic drugs and textiles to Chile while the South American country wants to increase its exports of fish, oats, fruits, industrial products and chemicals, as the two have formally exchanged the terms of reference for expanding the bilateral preferential trade agreement (PTA).

New Delhi has also sought cooperation in sourcing of Lithium from Chile to support its drive to popularise the use of e-vehicles in the country, in a recent meeting between Commerce Secretary Anup Wadhawan and Special Envoy of Chile for Asia Pacific Eduardo Frez Ruiz-Tagle, a government official told BusinessLine.

“India-Chile bilateral trade has a huge potential to expand as it is currently at a low level mostly because of the distance separating the countries. Both governments are hopeful that once the expansion of the existing PTA takes place, there will be greater incentive for exporters in both countries to explore the markets,” the official said. Ways to increase investments between the two countries was also discussed.

“Once the expanded PTA is in place, the two countries will also explore a possible full-fledged Comprehensive Economic Partnership Agreement including goods, services and investments,” the official added. India-Chile bilateral trade is around \$2.5 billion annually.

Under the expanded PTA, Chile has offered concessions to India on 1,798 tariff lines (products) with margin of preference (MoP) ranging from 30-100 per cent.

This means that once the expanded PTA is implemented, Chile will impose lower duties on 1,798 products imported from India compared to what it imposes on its other trading partners under normal trade. The duties will be lower by 30-100 per cent (margin of preference) depending on the item.

India, on its part has offered concessions to Chile on 1,031 tariff lines with the margin of preference ranging from 10-100 per cent.

Although India's concessions cover a number of farm and food items including meat and meat products, fish and fishery products and vegetable oils, it has not agreed to reduce import duties on Chilean wine as it is a sensitive sector, the official added.

Chile has offered concessions to India in sectors such as agricultural products, organic and inorganic chemicals, pharmaceuticals, plastic and rubber articles, textiles, apparel, articles of iron/steel and copper, machinery and equipments.

India hopes that once the PTA is expanded, the export of pharmaceuticals will increase significantly especially in the light of a recent MoU signed between India's STC and Chilean agency CENABAST for sourcing of high standard generics.

New Delhi's increased engagement with Chile is part of its broader approach of increasing engagement with Latin America so as to expand the countries trade interests beyond the traditional markets of the EU and the US.

Source: thehindubusinessline.com - Sept 26, 2019

[HOME](#)

India needs the RCEP

India seems close to agreeing to conclude the RCEP after more than seven years of prolonged negotiations. While this will bring relief to some quarters, it is likely to disappoint several more, particularly those who feel India should have stayed away from RCEP.

Many arguing that India should not join RCEP are also of the view that India should not be part of trade agreements—regional or bilateral. Some of these views argue that only the WTO is worth joining, and no other trade agreement is worth the effort. Others suggesting that India should back off from RCEP are generally anti-trade.

There's no denying that between the WTO's rules-based global trade order, of which India has been a member since the beginning, and any other FTA, however large in scope, the former is the superior choice. Global rules are always preferable to selective regional rules.

However, the two are not mutually exclusive. Belonging to the WTO doesn't mean disengaging from FTAs, particularly since WTO itself encourages these FTAs, if they can obtain greater trade liberalisation. The latter can be significant for a large FTA, like RCEP, which includes some of the world's largest economies. Thus, commitment to WTO can't be a reason for not joining RCEP. However, if engaging in trade itself is considered a wrong priority, then, rather than backing out of RCEP, India should, ideally, quit WTO, of which it is a founding member.

One of the most trenchant criticisms of the RCEP is the adverse effect it will have on India's domestic markets through a deluge of imports. India's FTAs with SE Asia, Japan, and Korea are cited as examples for driving home the point. These criticisms fail to note a simple point: why would imports be necessary if the products were available at home at the same prices? Even if they were available at slightly higher prices, imports would've been much less required.

India needs to import bulk consumer goods, and intermediates because of their insufficient availability, and higher prices. Even after tariffs, these imports remain competitive vis-à-vis domestic products. This is because of the inherently high costs of domestic production in India. Such costs make imports necessary, both for producers and consumers. In many cases, producers find intermediate inputs costlier at home than abroad, and are forced to import the same. It is hardly surprising, therefore, that imports have been high, particularly from SE Asia and Asia-Pacific, as these regions enjoy greater competitiveness in manufacturing.

Is India's lack of success in bringing down costs of production a good enough reason for not engaging in trade, and running away from RCEP? In the entire tirade over RCEP, while a lot has been written and spoken on the deluge of imports, there has hardly been much mention of the gains that RCEP can bring for Indian exports. Exporters themselves, ironically, have been reticent to RCEP.

Perhaps, as producers, they continue to suffer from high costs, and harbour the fear of not being able to penetrate other markets, notwithstanding preferential tariffs. The fear is genuine, but not a good enough reason for avoiding RCEP. More so, at a time when the government is trying to incentivise exporters through various measures, the most notable being

reduction in corporate tax rates, which puts tax liabilities of Indian businesses on par with those in the region.

The most unfortunate part about the negative discourse on RCEP in India has been the fact that India's inefficiencies, and limitations have been taken as grounds for avoiding RCEP. If manufacturer-exporters had lobbied with the government for a positive agenda in RCEP, with the precondition of obtaining incentives through lower taxes and access to credit, India could have looked at RCEP differently. It is sad that no such efforts were made by industry. It is equally sad that state governments in India have also refrained from looking positively at RCEP. Indeed, several states, particularly India's coastal states, should have been at the forefront of negotiations on RCEP through positive efforts. On the contrary, they have been conspicuously quiet.

India's trade engagement has traditionally suffered from absence of 'pro-trade' constituencies. This is unfortunate. Trade doesn't simultaneously benefit everybody. But, eventually, open trade, facilitated by enabling trade agreements, brings numerous benefits that are difficult to visualise at one go.

Apart from getting cheap imports for both consumers, and producer-exporters, trade deals are great facilitators for investment. Coming at a time when the trade war is ripe, supply chains are fragmenting to scatter across the Asia-Pacific, and India is looking to revive export demand for coming out of an economic slump, RCEP can be a great instrument for attracting trade-inducing investments.

Recent Indian policies, like liberalising sourcing norms in single-brand retail, backed by RCEP, create right conditions for drawing more manufacturer-retailer investments to India, like Apple and Samsung. Much of these investments would also be export-oriented, particularly to the rest of South Asia, as well as West Asia.

The grand aspiration of India being a global player, with a prominent voice in regional affairs, cannot be realised by distancing itself from trade. Trade is a great confidence and strategic trust builder, a fact that India—shifting from non-alignment to multi-alignment—can ignore only at its own peril.

Source: financialexpress.com - Sept 27, 2019

[HOME](#)

India's textile sector feels RCEP will open the door for China

Indian textile manufacturers and exporters feel opening up the domestic market for China under the proposed Regional Comprehensive Economic Partnership (RCEP) is not a good idea.

They feel added competition from cheaper Chinese goods may put pressure on domestic sales at a time when international business has been under threat from Bangladesh and Vietnam.

Based on India's existing free trade agreement with Asean, RCEP will include all the nations with which Asean has trade deals — New Zealand, Australia, China, India, Japan and South Korea.

Export of readymade garments, in which India's export competitiveness has fallen over the past fiscal, contracted by 2.44 per cent in August.

While the ongoing US-China trade war presents an opportunity for Indian textile manufacturers to enhance exports to the US, China too would be looking for new markets for its products.

Meanwhile, India is preparing a final list of products on which it may retain import tariffs for China, painfully aware of a huge trade deficit. Such a list is based on its plan of a differential tariff reduction for various nations.

Also under consideration is a mechanism to fix an import ceiling, again particularly for China. This is the first time India will fix such a ceiling in any trade deal.

Source: fashionatingworld.com - Sept 26, 2019

[HOME](#)

How to make the corporate tax cuts work

The Modi government's decision to effect a sharp cut in the corporate tax rate on September 20 has been by far the most significant stimulus that has been offered in a bid to revive an economy that has significantly slowed, weighed down by both cyclical and structural issues. Through this ₹1.45 lakh crore gambit, the government hopes to unleash the animal spirits that have been sorely absent in the economy and pump-prime the GDP that is fast hurtling towards the erstwhile 'Hindu rate of growth'.

The government's choice of an investment-led growth revival (the lower corporate tax rate should ideally attract lots of investment, create jobs and catalyse economic growth) rather than a consumption-led one (offering sops to the people on the hope that they will spend more and the ensuing demand will push up GDP growth) is right. With low consumer confidence, any money put in the hands of the people would be saved rather than spent and such a move never creates a lasting demand. Critics have argued that, in the absence of demand, corporates have no incentive to invest.

The government, it appears, is banking on the improved sentiment that this announcement could bring for people to open up their purse strings. The stock market's celebration of the move is, however, premature as the tax cuts will be effective only if the government follows up the announcement with some calibrated measures. Otherwise, all it will be left with is a gaping hole in its fiscal numbers.

There are two parts to the tax cut – for existing companies and new investments. While a 22 per cent tax rate (almost a 10 percentage point reduction in effective tax rate) for existing companies looks attractive on paper, it is not clear how many of them will go for it. Those companies that have made significant capital investments may not as they will end up losing out on additional depreciation, investment allowances and other benefits which, if not considered, will push up their taxes even at the lower rate.

Then there are the issues of MAT credit and carried-forward losses that need further clarification. Such companies will have to be content with the 3 per cent reduction in MAT. Only those corporates that are not availing themselves of the aforementioned benefits will opt for the new rate. Experts say that the ₹1.45 lakh crore revenue loss the government has estimated is too optimistic as most large companies may not opt for the new rate.

Holds more promise

It is the second part of the tax cut, for new investments, that appears more promising when it comes to reviving the economy. Any new investment by a domestic company registered after October 1, 2019, will have an effective tax rate of just 17.01 per cent as against the earlier 29.12 per cent. The only condition is that it will have to commence production before March 31, 2023.

This incentive has been offered by the government with an eye on the realignment of the global supply chain that is taking place consequent to the US-China trade war. If India plays its card well, it can grab a fair share of this capacity and 'Make in India' for the world will get a massive fillip.

The opportunity is clearly there. US-China relationship is undergoing a fundamental change. Before the 2008 financial crisis they saw each other as 'co-operating rivals' who were content with a 'win-win economic engagement'. That was when the US economy was four times the size of China's. Post the 'Great Recession', this gap narrowed. By 2012, the US economy was only double China's.

This rapid catch-up has unnerved many in the US. Chinese, for their part, feel that the trade war has been unleashed to prevent their country from taking the rightful place in the world.

That these two nations neither see eye-to-eye on political values nor have common security interests has only complicated the relationship. They now see each other as 'competing rivals'. Under the circumstances, their future relationship is likely to be, at best, frosty.

This change has caught American companies on the wrong foot. Taking advantage of low costs and favourable policies, they had increased their dependence on China over the last three decades for both their supply-chain needs and manufacturing capacity. Now that the ground has shifted beneath their feet they are being forced to de-risk their operations. They have been scouting for opportunities in other countries, including India.

But grabbing a share of China's supply chain is not easy. Over the years it has built such a scale that cost of production is almost unmatched by any other country. That they have a superb road and port infrastructure ensures overall costs remain low. In fact, if some US companies are to be believed, their

sourcing costs from China are still lower than other options even after the recently levied tariffs.

Identify high-potential sectors

A sharp reduction in corporate tax rate has levelled the playing field substantially for Indian companies. At 30 per cent tax rate, Indian manufacturing was pricing itself out of the market. Not any more. What the government should do next is to identify sectors that offer the best potential in terms of cost for re-locating capacity from China and hand-hold investments in them.

Only those sectors that have a strong domestic market, a well developed supply-chain and significant exports can come anywhere near matching China's costs. Auto component, textile and leather sectors come to mind immediately. Rather than spread the cheese fine, the government should focus its energies on ensuring that it promotes investments in such sectors for best outcomes.

Entrepreneurs, on their part, should drop their risk aversion and stick their necks out to invest in creating large capacities that would be needed to meet the demand that shifts out of China.

Even though the current economic prospects may look gloomy, the opportunity from US-China trade war is real and permanent. As the Chinese economy grows, the rivalry between the two countries will only increase. India can position itself as an alternative manufacturing hub in select sectors. For that, the corporate tax cut for fresh investments is a good beginning.

Source: thehindubusinessline.com- Sept 26, 2019

[HOME](#)

No liquidity crisis: FM after 'tonic-like' meeting with private banks

Demand is back in the system, Finance Minister Nirmala Sitharaman said on Thursday, expressing hope that it, along with increased lending, would perk up the economy in the second half of the current financial year.

The finance minister's statement came amid growing concerns about a slowing economy. The economic growth plunged to an over six-year low of 5 per cent in the first quarter.

"Things are looking forward and upward from here, and we hope to take this message across," Sitharaman said after holding a meeting with top executives of private sector banks, housing finance companies, and micro finance institutions (MFIs). Last week, she had met heads of public sector banks and asked them to go for an outreach programme to step up lending.

None of the bankers in the meeting on Thursday said they faced any liquidity issues. They, however, admitted there were some glitches, such as those related to know-your-customer (KYC) norms and co-origination of loans by non-banking financial companies (NBFCs) and others. They also said there was enough demand for loans, she added.

"On the whole, it was a very tonic-like meeting where I heard good things, positive things," she said, adding that "the message I got is that consumption is happening and there are no liquidity issues". Finance Secretary Rajiv Kumar invited private sector banks to join the outreach programme in 400 districts for potential lending. The first phase of the programme will start in 250 districts from October 3-7, he said. The next phase will begin around Diwali. Maintaining that there was no liquidity issue, Kumar said the outreach programme was being organised to take advantage of the festival season.

"We see a huge opportunity in the outreach programme announced by the government. We feel that this is an opportunity for us to do our dharma," Kotak Bank Vice Chairman and Managing Director Uday Kotak said.

The finance minister indicated that the economic slowdown seemed to have bottomed out and the coming festive season would help the economy start looking up.

Bandhan Bank CEO Chandra Shekhar Ghosh said demand for credit was comparatively slow in the first two quarters of the year, but might pick up during Durga Puja.

Sitharaman said private sector bankers told her that problems related to commercial vehicles were cyclical and would be over in a couple of quarters. So far as passenger vehicles were concerned, these were largely driven by sentiment and lending to the segment would gather pace in the near future, the FM was told. “If there was a problem in liquidity, it was related to wholesale financing and not retail,” Sitharaman said.

She said affordable housing had really taken off, but some of the bankers demanded that the upper limit for loans in the segment be raised to Rs 50 lakh from Rs 45 lakh. Sitharaman said MFIs were there in remote areas of the country and they told her there was still demand and that they were growing at 10-20 per cent.

Bankers also told the FM the services sector, which dominates the economy, showed a high appetite for credit. IDFC First Bank CEO V Vaidyanathan said the finance minister gave two hours of patient hearing to the lenders. He said demand was strong at the lower end of the ecosystem and there was “no slowdown at all”.

Source: business-standard.com- Sept 27, 2019

[HOME](#)

Amazon opens largest fulfilment centre in West Bengal

Amazon India opened its largest fulfilment centre (similar to a warehouse) at Ranihati in West Bengal last week to meet the growing demands of the region, according to Akhil Saxena, vice president, customer fulfilment, who said the fulfilment centre will double the storage capacity in the state and expand the transportation network there.

This is the fifth fulfilment centre (FC) in the state. FCs maintain inventory of the sellers and use technology and automation to process orders.

Amazon India has 50 such units across the country with an inventory of 20 crore products involving five lakh sellers, he told a news agency.

Source: fibre2fashion.com- Sept 26, 2019

[HOME](#)

Ensure no belt shops at cotton procurement centres: Collector

District Collector RV Karnan directed police officials to ensure that no belt shop operates in the vicinity of cotton procurement centres in the district. He along with Agriculture Market Committee Chairman M Venkataramana, Additional Deputy Commissioner of Police D Muralidhar and Cotton Corporation of India (CCI) Deputy General Manager Jayakar reviewed arrangements to be made for procurement of cotton in this season.

The Collector asked CCI officials not to trouble the farmers but help them sell their produce in a smooth and easy manner. He also asked the fire department to deploy two fire engines at the market yard until the procurement season ends.

He informed that this time Agriculture Extension Officers and Grama Samakhya members would be given the responsibility of testing moisture content in cotton before the produce was taken to the market.

Source: telanganatoday.com- Sept 26, 2019

[HOME](#)

PMO convenes meeting of secretaries on draft national logistics policy

The Prime Minister's Office has called a meeting of secretaries on October 3 to discuss the draft national logistics policy, which aims at promoting seamless movement of goods across the country and reducing high transaction cost of traders, an official said.

Secretaries from about a dozen departments, including commerce, steel, revenue, shipping, food processing, agriculture, oil and gas, chemicals, corporate affairs and chairman Railway Board will attend the meeting, the official added.

The draft national policy was floated by the logistics division of the commerce ministry. The ministry will give a presentation on the draft policy in the meeting.

The government wants to formulate the policy as the sector's growth is critical to boost exports and economic growth.

The cost of logistics for India is about 13-14 percent of its GDP (which is over \$2.5 trillion) and it is far higher as compared to other countries. There is a target to reduce it to about 10 percent in the coming years.

High logistics cost impacts competitiveness of domestic goods in the international markets.

Logistics is a key component for increasing competitiveness of exporters and domestic traders by reducing transport cost and time, and expediting smooth movement of goods.

In February, the commerce ministry had floated a 23-page draft policy with an objective to create a single point of reference for all logistics and trade facilitation matters in the country, which will also function as a knowledge and information sharing platform.

It has suggested several steps, including creating a National Logistics e-marketplace as a one stop marketplace.

The draft policy will involve simplification of documentation for exports/imports and drive transparency through digitization of processes involving customs, in regulatory, certification and compliance services; and creating a data and analytics center to drive transparency and continuous monitoring of key logistics metrics.

Source: moneycontrol.com- Sept 26, 2019

[HOME](#)
