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IBTEX No. 209 of 2019 October 30, 2019

US 71.01 | EUR 78.87 | GBP 91.22| JPY 0.65

Cotton Market (Oct 25, 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19713	41200	**73.96**
Domestic Futures Price (Ex. Warehouse Rajkot), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19250	40233	**72.22**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	64.65
ZCE Cotton: Yuan/MT (January 2020)	12,765
ZCE Cotton: USD Cents/lb	81.91
Cotlook A Index – Physical	**75.50**

Cotton Guide: The US Export sales figures have made the ICE market to head slightly lower. We were expecting the US Export Sales data to show some positivity but they have shown figures lower than what were seen in the previous two reports. Let's have a look at what did the data emanate.

Net Upland Sales:

Net Upland Sales of 140,500 Running Bales for the 2019/2020 were seen which means a decline of 32 percent was registered.

Country	Increases in Running Bales
Vietnam	45,900
Pakistan	44,000
Turkey	11,700
Indonesia	8,200
Thailand	8,000
Table 1 : Upland Sales	

Reductions were noted for Japan 300 Running Bales (RB) and Mexico 100 RB. On the other hand, for 2020/2021, net sales of 8,400 RB were seen for Pakistan 5,300 RB and Guatemala 2,100 RB.

Shipment for Upland Sales:

Exports of 148,600 RB were down 2 percent from the previous week.

Country	Exports in Running Bales
Vietnam	44,800
Mexico	16,300
South Korea	13,700
China	13,400
Pakistan	12,200
Table 2 : Upland Exports	

While talking about Pima Sales, the sales summed up higher by 53 percent to 7,000 Running Bales as compared to the previous week.

Country	Exports in Running Bales
China	2,200
India	1,800
Pakistan	1,600
Bangladesh	1,000
Table 3 : Pima Sales	

And yes, the Pima Shipments were high too. Pima Exports totalled at 11,100 RB which is a 85 percent increase from the previous week.

Country	Exports in Running Bales
India	6,100
Pakistan	1,500
Thailand	900
Turkey	800
Bangladesh	800
Table 4: Pima Exports	

Immediately after the aforementioned data was released the markets took a major dip as majority of the cotton fraternity was expecting better data. However, the prices later rebounded at the close of the session. The ICE December contract settled at 64.65 cents per pound with a change of -30 points. The ICE March 2020 contract settled lower by -29 points with a change of 65.50 cents per pound whereas the May 2020 contract settled lower by -21 points at 66.23 cents per pound. This was however coupled with lower volumes which summed up at 22,536 contracts. In other words, this was the first drop in 5 sessions seen during the week. While speaking about the ZCE contract, the Most active ZCE January contract settled Unchanged at 12,765 Yuan per Tonne.

The MCX contracts were again mixed. The MCX November contract settled unchanged at 19,250 Rs per bale whereas the MCX December contract settled higher at 19,300 Rs per Bale with a change of +40 Rs. The volumes were seen decent at 832 lots. The cotlook Index A has been updated at 75.50 cents per pound with a change of +30 points. Till now the arrivals are seen at 31,500 Running Bales (RB) in the Northern States of Punjab, Haryana and Rajasthan. The price of new crop in northern India is ranging between 36,800 – 37,200 Rs per Candy.

Retrieving Rains in Western India might cause some quality issue for the Indian Produce. Also while speaking about Climatic conditions, some parts of the USA are facing adverse climate which has halted the harvesting of the cotton crop. Therefore, the crop might be harvested late. We still need to have more details on US Climatic conditions to make trading decisions.

On the fundamental front, both for ICE and MCX we expect a sideways to positive trend. Also no further news on the US China trade agreement front, is making market participants to loose enthusiasm which is evident with the lower volumes seen yesterday.

On the technical front, in daily chart, ICE Cotton after giving an Inverse Head & shoulder pattern breakout, is trading within an upward sloping channel. However, prices have been trading within a range of 63.96-65.55 from the past week. Meanwhile, price is above the daily EMA (5, 9) at 64.77, 64.41, along with 61.8% Fibonacci extension (63.80) acting as an immediate support. The momentum indicator RSI is at 63.11, implying positive bias for the price. The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level, while the immediate support would be at 63.80 (61.8% Fibonacci extension level). Thus for the day we expect price to trade in the range of 65.90-63.80 with positive bias. In MCX, we expect the price to trade within the range of 19400-19650 with a sideways to bullish bias for the price.

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

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INTERNATIONAL NEWS

How will the purchase of US cotton affect imported cotton yarn?

Sino-US negotiations have achieved the first phase result. According to a reporter from Trump and Liu He's journalist interview in White House press conference, China will achieve the goal of purchasing $400-500 billion US agricultural products within two years. Since the amount is equivalent to two-year procurement of US agricultural products by China, there is now a wide expectation that China will purchase US cotton. If China does, international cotton yarn trade will be affected.

First of all, it strengthens the situation that price trend of international cotton and cotton yarn is stronger than that of China. Domestic and foreign cotton price spread may remain low, and the difficulty of imported cotton yarn entering China will increase. Thus, Chinese traders will continue to be under pressure and trades may shrink.

Since May 2019, the trade war has caused continuous concerns about China's economy and downstream consumption, price spread between domestic and foreign cotton has narrowed, and development space of imported cotton yarn in China has shrunk as reflected in continued losses of Chinese traders and withdrawal of some traders from the market. If this situation continues, Chinese cotton yarn traders will find imported cotton yarn business tough.

Secondly, the loss of Chinese import yarn traders and their risk appetite are bound to make them continue to exert pressure on forward market, and the burden on major cotton yarn exporting countries in the world will increase. China is the world's largest cotton yarn importer.

At present, the market other than China cannot accommodate surplus cotton yarn production of Vietnam, India, Pakistan, Uzbekistan and other countries. So major cotton yarn exporting countries can only export cotton yarn to China in the short term, and sell stocks at low price. Sales and cash flow of spinners will inevitably bear greater pressure. For example, Vietnamese yarn mills may suffer a considerable loss of time.

Take Vietnamese yarn as an example. The market has the expectation that China will purchase foreign cotton. Although the specific operation is still unclear, if the procurement gradually implements, US cotton price may climb up and it will form a long-term strong support for US cotton before the expectation shatters.

Even if US cotton market cannot be promoted, US cotton downward will be limited. Cost of Vietnamese cotton yarn will be hard to reduce. Vietnamese yarn mills is now at losses, and Vietnamese yarn export to China has no price advantage. The spinners can only undersell stocks or sell at losses to Chinese traders when they cannot find substitute markets.

If China purchases US cotton, amount of China import cotton yarn may shrink, but the shrinkage will be not large, mainly supported by the following factors.

First, as mentioned above, even if there is no price advantage, other markets except China cannot accommodate the cotton surplus of major cotton yarn exporting countries in the short term, they can only sell at low level. Only in this way, Vietnamese mills and others may enter a long period of loss cycle.

For Vietnamese yarn, as price trend of US cotton may be stronger than that of Brazil cotton and West Africa cotton, the amount of Vietnam purchasing US cotton may decrease and it will turn to purchase Brazil cotton and West Africa cotton. In addition, poor export of cotton yarn may accelerate the development of downstream textile market in Southeast Asia and increase the local consumption of cotton yarn.

Second, global cotton and cotton yarn price drops to a low level. If the Sino US negotiation develops well, China's massive procurement of US cotton may drive global cotton price. Due to the time difference between Jan and Mar in international cotton trade, there are still profits opportunities for Chinese cotton traders in the rising market.

Third, although there is no price advantage of cotton exported to China, Vietnam, India and Pakistan, Uzbekistan and other places still have advantages in processing cost.

Fourth, China's outward investment flows in cotton yarn is still expected to increase.

In conclusion, if China purchases US cotton, it will have a certain impact on imported yarn market, which is mainly realized by narrowing price difference between domestic and forward cotton and reducing price advantage of imported yarn. If the procurement carries out step by step, imported yarn traders and foreign mils will bear greater pressure. Import of cotton yarn may shrink but not shrink much in the short term.

Source: ccfgroup.com- Oct 24, 2019

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US-China trade war and short-term economic slowdowns need not shatter hopes for an Asian century

Last week, the International Monetary Fund downgraded its economic forecast for Asia, predicting that the region will grow 0.4 per cent slower than previously anticipated. While the revised growth rate of 5 per cent is still reasonably robust, the news added to concerns about stalling economic performance in the region.

Perhaps those despairing about Asia's growth should brush up on their Confucius, who tells us in the Analects that "those who crave speed may never arrive".

In other words, the fastest route is not always the most successful. Policymakers in Asia should not become preoccupied with breakneck growth, but should instead think long term if the much-celebrated "Asian century " is to deliver its full potential.

Of course, opportunities must be seized, especially where they involve making the best of a bad situation. The US-China trade war is causing chaos in the markets and investment uncertainty, but there are potential winners, although not among the combatants. Southeast Asia is routinely cited as "one to watch" as multinationals shift production and investment away from China.

We see this playing out in policy. Malaysia's budget , released earlier this month, included US$239 million worth of incentives to attract relocating manufacturers. "The protracted trade war has created a unique opportunity for Malaysia to again be the preferred investment destination for high value-added foreign direct investments," Finance Minister Lim Guan Eng said.

Indonesia's President Joko Widodo recently demanded that his ministers do more to accommodate foreign investors, after data revealed that no companies relocating from China due to the trade war chose to invest in Indonesia. Vietnam, Malaysia and Thailand have proved more attractive so far.

While Asia is responding to the hand it has been dealt, these relatively short-term gains risk being overshadowed by much greater forces at work. One of them is the digital revolution.

Asia's emerging economies need to think about what the digital revolution means for their trade strategies and development models. The "traditional" idea of the first stage of development involving manufacturing based on low-cost labour is at risk of being undermined by rapid technological disruption.

For example, as 3D printing technology improves, we are likely to increasingly see the "reshoring" of manufacturing rather than moving production to emerging Asia. Southeast Asian manufacturing gains from the trade war could be surprisingly short-lived.

Click here for more details

Source: scmp.com- Oct 29, 2019

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China industrial profits in biggest fall in four years as US tariffs bite

Profits at China's industrial enterprises shrank 5.3 per cent in September from a year earlier, marking the deepest fall in four years, according to data from the National Bureau of Statistics on Sunday.

The fall of profits in September marked an acceleration from the drop of 2 per cent in August and was the biggest decline since August 2015, showing trouble for the world's second biggest economy as the trade war with the US took its toll on China's economic activity.

In the first nine months, combined profits made by Chinese industrial enterprises fell 2.1 per cent from the same period last year, the statistics agency said.

Among them, profits at state-owned enterprises fell 9.6 per cent while private business profits rose 5.4 per cent. Profits at industrial enterprises funded by foreign funds and Hong Kong investors fell 4.2 per cent.

In a breakdown of sectors, profits in petroleum, coal and other fuel processing shrank 53.5 per cent in the first nine months of this year compared to a year ago, while profits in the ferrous metal processing industry dropped 41.8 per cent.

Car manufacturing profits dropped 16.6 per cent, and profits in the textile industry fell 4.3 per cent, according to NBS.

Manufacturing profits fell 3.9 per cent in the first three quarters. The statistics agency did not provide a detailed breakdown for the September profits figure.

The worsening industrial profitability is a sign that organic growth momentum is waning in China, despite the government's efforts to bolster growth with targeted fiscal stimulus.

China's gross domestic product growth slowed to 6 per cent year-on-year in the third quarter, decelerating from the previous quarter's 6.2 per cent and touching the lower end of the government's target for this year.

The statistics agency said the fall in profits in September "was due to a faster decline in industrial product prices and a slower growth in sales".

The profit fall in September for China's industrial sector marks an acceleration from the drop of 2 per cent in August and is the biggest decline since August 2015. Photo: ReutersThe profit fall in September for China's industrial sector marks an acceleration from the drop of 2 per cent in August and is the biggest decline since August 2015.

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China’s producer price index sank to a minus 1.2 per cent in September, highlighting weak domestic demand. Exports were down 3 per cent with imports slowing even more, as manufacturers continued to face pressure, with the trade war with the US now in its 15th month.

Hopes are rising that a trade war deal will be ready for President Xi Jinping and US President Donald Trump to sign on the sidelines of the Asia-Pacific Economic Cooperation summit in Chile next month.

In the past week, Beijing has promised to buy US$40 billion to US$50 billion worth of US farm produce – partly in return for Washington suspending a tariff increase originally planned for October 15 – and further open its financial markets.

However, it is still facing the prospect of the US imposing a new 15 per cent tariff on about US$160 billion worth of its goods on December 15.

Source: scmp.com- Oct 29, 2019

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USA: The New Rules of Merchandising

Everlane’s straight leg crop pant is one of its most popular styles. Launched in the summer of 2018, the trousers are cut with a high waist and cropped ankle, nailing the new silhouette that’s starting to break the long dominance of skinny jeans.

The direct-to-consumer brand’s carefully considered wardrobe basics have struck a chord with shoppers since it launched in 2011. But as the brand scales, the real mark of success is its ability to build off of a hit item and keep its loyalists coming back from more.

That turned out to be true for the crop pant: a version of the style in eight-wale corduroy quickly sold out last autumn, and are back in stock this year.

There's nothing revolutionary about a brand offering corduroy pants; 1970s trends are sweeping fashion. But Everlane was able to venture into "trendier" territory armed with merchandisers' data and designers' intuition. Plus, it already knew what kind of style its customer wanted to wear.

"Before we even build product, we bring in groups from across the company … so we can think about how the product will come to life," said Erika Edelson, Everlane's vice president of merchandising. "How it's going to show up at the end of the day is integrated into the entire way of working."

Everlane's crop pant is an example of merchandising at its best: the art of turning a design into an item — preferably multiple items — that will appeal to different types of consumers. It's an essential part of the retail formula, from luxury brands like Dior (where Artistic Director Maria Grazia Chiuri is often cited as a rare example of a "great designer and also a great merchandiser") to affordable retailers like Old Navy, digital labels like Everlane and luxury boutiques like The Webster.

Traditionally, merchandisers were kept separate from the design team, often brought in at the end of the process to determine how much of an item to produce and where to set the price. Or, in the case of runway collections, merchandising teams produced sales-friendly pre-collections or commercialised versions of runway collections.

But the internet has disrupted the old rules of merchandising. Online brands like Everlane are less likely to follow the traditional cycle of seasonal releases and end-of-season discounts. Trends move faster and are more likely to resonate with a narrow demographic rather than consumers as a whole. Shoppers have less brand loyalty and are more price-conscious.

Many brands and retailers are empowering their merchandising teams. Merchandisers armed with data on past seasons' sell-throughs often collaborate with creative teams from the earliest stages of product development and go on to advise the marketing, customer service and supply chain teams.

"The role of merchandising hasn't really changed," said Robert Rizzolo, an executive who has worked in merchandising at Gap, Gucci and Burberry. "The resources around them have," Rizzolo said.

Better communication on a daily basis is key, especially between merchandising and design.

“We can’t wait to share feedback and data with our designers because if we do wait, it may be too late,” Rizzolo said. “If we, as merchants, want them to make educated decisions … we have to keep them informed.”

At Gucci, the merchandising teams provide Alessandro Michele’s design team with information about trends and customer preferences that can play into their creative decisions. For instance, the brand’s backless, fur-lined leather loafers, which became a street-style hit after debuting on the runway for Autumn 2015, drew more-conservative shoppers to the classic version of the shoes.

Edelson said that at Everlane, merchants are just as likely to be the first to try on a fit sample as designers. But their focus is on long-term strategy, looking at the categories that are important to the customer and how they are reacting to what is already in the market.

She said the company is trying to avoid the traditional approach of looking at past seasons and replicating top sellers. Instead, Everlane might look at its sweater offerings and fill in gaps in fabrications, styles and price.

“It grows from there, as opposed to ‘comping’ the business,” said Edelson, referring to the practice of having design teams create styles that fill parameters set by last year’s sales.

With so much data available about what customers are buying, merchants are still figuring out what figures are useful. Sales are the simplest sign, but customer reviews and feedback from team members can fill out the picture.

Trends can be measured, though merchandisers must focus not only on which products are rising or falling, but also why and with which customer groups.

For example, data showing that sales of cross-body bags are increasing while sales of satchels are decreasing does not necessarily mean a brand should design more cross-body styles, Rizzolo said. The underlying insight is simpler — customers want their hands free for easier texting — and results in more creative freedom.

Robert Burke, of retail consultancy Robert Burke & Associates, said there is a "recalibration" happening in the way that merchandisers rely on data, describing the importance of intuition in an emotional market such as fashion.

"We're not buying and selling commodities," he said.

Merchandisers also need to have a more nuanced understanding of their global customer, including familiarity with regional markets. The explosion of capsule collections for holidays like Ramadan or Chinese New Year is an example of clever merchandising. Brands must also be aware that an item that's acceptable in one market may be offensive in another; the global consumer can see everything.

Multi-brand retailers have different barriers to evolve their merchandising strategies, in part because they operate more of a "numbers game" that depends on low-risk, proven sales tactics, said Ron Frasch, operating partner at Castanea, a private equity firm. These stores face more competition both online and offline, and are under more pressure to offer popular pieces season after season. Their buyers, who determine which pieces a retailer will carry from a brand, typically have strict budgets to follow.

"You have to have buyers that have intuition, knowledge, a fashion savviness," Frasch said. "I see a lot less of it now."

He said the lack of creative risk-taking among buyers at big department stores is one reason smaller retailers that pitch themselves to a narrower group of customers are thriving. Among them: The Webster, an independent luxury boutique, and Ssense, the online luxury streetwear and avant-garde fashion site. The edit is the differentiating factor.

Indeed, data alone doesn't have all the answers. Brands that are successful today have found new ways to not only marry quantitative and qualitative inputs, but also bake those insights into the creative process from the beginning.

Source: businessoffashion.com- Oct 24, 2019

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USTR Just Gave These Goods a Break From Tariffs—and There Could Be More to Come

As the United States and China near a much-talked-about but still largely unclear initial deal on trade, the United States Trade Representative said it's suspending tariffs on certain products—and considering a similar move for others.

On Monday, USTR announced its decision to grant tariff exclusions for some of the products that got hit with additional duties as part of the Section 301 investigation (List 3 tariffs) that saw $200 billion worth of goods targeted in September last year.

Those exclusions include things like Merino wool yarn, some woven and non-woven fabrics, imitation leather, man-made micro-denier fabrics, and long pile knit fabrics made of acrylic. Though slow going, conversations between U.S. and China on their trade relations appear to be slowly moving more toward compromise than all-out war.

On Tuesday, USTR said it will start a process on Nov. 1 to consider suspending additional tariffs on certain Chinese imports for up to 12 months. These exclusions were initially granted for $34 billion worth of product in July last year, but the exemption from the 25 percent tariff is set to expire on Dec. 28.

After a comment period set to run for the month of November, USTR will determine whether to reinstitute the exclusions. The trade representatives will be considering whether Chinese suppliers have lowered their prices for products covered by the exclusions and whether the China-originating product is sold as a final product or as an input.

"USTR will continue to consider whether the imposition of additional duties on the products covered by the exclusion will result in severe economic harm to the commenter or other U.S. interests," a statement in the Federal Register said.

Source: sourcingjournal.com- Oct 29, 2019

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Canada-Sri Lanka trade in 2018 stood at $436 mn

Despite modest bilateral trade between Sri Lanka and Canada, surging exports to the latter by the former could turn it around, according to Sri Lankan minister of industry and commerce Rishad Bathiudeen. According to the Sri Lankan department of commerce, Canada-Sri Lanka trade in 2018 stood at $436 million, a near 10 per cent rise from the previous year.

Bathiudeen last month discussed expansion of bilateral trade and commercial ties with high commissioner of Canada to Sri Lanka David McKinnon in Colombo.

Sri Lankan garment exports to Canada are on the rise, and rubber and other by-products such as tires, coconuts and sea food are also rapidly diversifying the export product mix, Sri Lankan media reported citing government statistics.

Some notable Sri Lanka-Canada collaborations include high-tech production facilities for garments, agriculture value addition such as plant extraction and essences, sea food processing, and partnerships in information and communication technology.

Source: fibre2fashion.com- Oct 28, 2019

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Crop Progress Notes for U.S. Cotton – October 28

Last week's rain in the Mid-South pushed harvest numbers below the 5-year averages for several states. But that didn't keep several of those same states from big increases in harvested acres, according to the USDA Crop Progress report for October 28.

Across the Cotton Belt, 46% of U.S. cotton fields have been harvested – up 6% in the past week and still 3% ahead of the national 5-year average. But the biggest jumps in harvest percentage were reported in Missouri (up 17%), California (up 15%), Alabama (up 13%), and Arkansas and Mississippi (both up 10%).

Open bolls are reported across 95% of the U.S. cotton acres.

Crop condition continued its normal weekly shifts, with 40% of the crop rated good/excellent, 40% rated fair and 20% rated poor/very poor.

Source: cottongrower.com- Oct 28, 2019

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Levi's Has Greenest Supply Chain in China, But Most Brands Fall Short

When it comes to oversight in the fashion industry, the results are a bit of a mixed bag. After examining 80 multinational clothing retailers with supply chains in China, Beijing's Institute of Public and Environmental Affairs (IPE) found that only eight—Levi Strauss, Adidas, C&A, Inditex (which owns Zara), H&M, Primark, Nike and Target—take their environmental responsibilities, "both compliance and beyond compliance, "seriously.

As part of its 2019 Green Supply Chain Corporate Information Transparency Index (CITI), IPE assigned scores to companies based on several factors, including responsiveness and transparency, meaning the brand conducts follow-up actions when it's notified of supplier violations, keeps stakeholders updated with details of subsequent investigations and prompts offending suppliers to release public explanations.

A company might receive higher points if it screens its suppliers' environmental compliance at least quarterly and requires suppliers with prior violations to take corrective actions to remediate any shortcomings. Points may be maximized for companies that disclose information about energy and water use, along with the discharge of key pollutants and chemical, beyond legal requirements.

And bonus points are awarded if the company has identified high-impact suppliers (particularly those beyond Tier 1) and prioritized them for compliance screenings and corrective actions.

A brand's adoption of IPE's Blue EcoChain tool—which allows companies to track their suppliers' environmental performance in real time and issues push notifications when compliance violations emerge—also afforded extra points to its 2019 CITI score. IPE credits Blue EcoChain for the overall increase in supplier oversight this year.

“Blue EcoChain creates the opportunity to elevate supply-chain programs to an equal partnership between brands and suppliers, such that accountability for compliance issues rest equally on the suppliers’ shoulders, rather than fully relying upon continuing efforts of the brand to detect problems,” Ma Jun, director of IPE, said in a statement. “The system is now delivering very promising results.”

The company with the greenest supply chain in China, according to IPE, is Levi’s, which scored 75.88 points out of a possible 100. It was followed by Adidas (70.64), C&A (70.24), Inditex (69.36), H&M (69.12), Primark (67.8), Nike (67.32) and Target (60.12).

Brands that scored zero—indicating “no activity on the ground whatsoever,” not even responses to factory violations—included DKNY, Hush Puppies, Kappa, Pierre Cardin, River Island, Roxy and Umbro. Even brands that have touted their eco-friendly bonafides garnered failing grades: Prada received just 7.06 points, Ralph Lauren 4.2 and G-Star Raw 3.48.

“Consumers around the world concerned about sustainability should check the CITI rank of their favorite brands,” Linda E. Greer, global fellow at IPE, said. “They should reach out to these brands and post on social media with expressions of praise or disappointment about these scores—and leverage their purchasing power to motivate companies to do more, particularly those at the bottom of the list.”

Source: sourcingjournal.com- Oct 28, 2019

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Global cotton woven fabric exports declining since 2013

The global trade of cotton woven fabrics has been declining since 2013 with a considerable CAGR (compound annual growth rate), according to data from TexPro.

The global trade of cotton woven fabrics was $26.93 billion in 2016 and dropped to $26.60 billion in 2018 declining by 1.23 per cent, according to Fibre2Fashion's market analysis tool TexPro.

The total trade slipped by 0.04 per cent in 2018 over the previous year. It is anticipated to reach $26.11 billion in 2021 with a CAGR of 0.62 per cent from 2018.

In value terms, China ($13.53 billion), Pakistan ($2.18 billion), India ($1.83 billion), and Italy ($1.17 billion) were the key exporters of cotton woven fabrics across the globe in 2018, together comprising 70.35 per cent of total export. These were followed by Turkey ($0.98 billion), Hong Kong ($0.82 billion), and Germany ($0.74 billion).

From 2013 to 2018, the most notable rate of growth in terms of export, amongst the main exporting countries, was attained by India (8.50 per cent).

In value terms, China ($864.50 million), Indonesia ($849.08 million), Hong Kong ($754.37 million), US ($740.49 million), Italy ($698.01 million) and Germany ($575.92 million) were the key importers of cotton woven fabrics across the globe in 2018, together comprising 34.68 per cent of total import. These were followed by Mexico ($395.12 million), Sri Lanka ($387.28 million) and Turkey ($332.65 million).

From 2013 to 2018, the most notable rate of growth in terms of import, amongst the main importing countries, was attained by Mexico (3.06 per cent) and Sri Lanka (27.03 per cent).

Source: fibre2fashion.com- Oct 29, 2019

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China Signs Free Trade Agreement with Mauritius

China and Mauritius signed a free trade agreement (FTA) on October 17. This is China's first FTA with an African nation. The agreement will reportedly give Mauritius duty-free access to about 8,547 products, representing 96 percent of Chinese tariff lines.

The FTA also covers more than 40 service sectors, including financial services, telecommunications, ICT, professional services, construction, and health services. Mauritius nationals will also be able to establish businesses in China as wholly-owned entities and through joint partnerships with Chinese operators.

China and Mauritius pledged to eventually reach zero tariffs on 96.3 percent and 94.2 percent of traded items, respectively. These account for 92.8 percent of import volume for both countries to each other.

The agreement was in the works since 2017 and is likely part of Mauritius' three-year development strategy to 2021, which aims to shift the island's reliance away from Europe and achieve further economic penetration into ASEAN.

Mauritius' Prime Minister's Office noted that the agreement, "would lay the basis for the opening of an Economic and Trade Office by the Economic Development Board in Shanghai and would facilitate promotional activities of the Government of Mauritius in key target cities in line with the 'Go East Strategy' to explore avenues to increase FDI and trade between Mauritius and China."

Chinese presence in Mauritius dates to the 1600's. While the local Chinese community currently makes up only two to three percent of the population, they have contributed significantly to the country's economic growth.

Mauritius was ranked as the best place to do business in Africa in 2018 and is touted to achieve the status of being a developed economy by 2020. Stronger trade and business ties with China could accelerate this progress.

Key beneficiaries include trade in iron and steel products, textiles, and light industrial products, which are China's main exports to Mauritius. China has agreed, in turn, to export sugar produced in Mauritius, among other products.

The China-Mauritius FTA provides clear guidance on rules of origin, trade remedies, and technical barriers to trade and sanitary and phytosanitary issues.

Source: china-briefing.com- Oct 28, 2019

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Vietnam's export rises 7.4 pct in 10 months

Vietnam reaped export turnovers of more than 217 billion U.S. dollars in the first 10 months of this year, a year-on-year increase of 7.4 percent, while seeing import turnovers of nearly 210 billion U.S. dollars, up 7.8 percent, the country's General Statistics Office said on Tuesday.

Specifically, Vietnam gained 43.5 billion U.S. dollars from exporting phones and components, up 5 percent; 28.8 billion U.S. dollars from electronic goods, computers and components, up 17.1 percent; 27.4 billion U.S. dollars from garments and textiles, up 8.7 percent; and 14.6 billion U.S. dollars from footwear, up 11.2 percent.

Between January and October, the United States remained Vietnam's biggest importer with turnovers of 49.9 billion U.S. dollars, tailed by the European Union with 34.2 billion U.S. dollars, and China with 32.5 billion U.S. dollars, said the office.

In the same period, Vietnam spent 43 billion U.S. dollars importing electronic goods, computers and components, up 21.5 percent; 30 billion U.S. dollars on machines, equipment and spare parts, up 11.4 percent; 12.2 billion U.S. dollars on phones and components, down 3.5 percent; and 10.9 billion U.S. dollars on cloth, up 3.5 percent.

Meanwhile, China was Vietnam's largest exporter with turnovers of 62 billion U.S. dollars, up 16.1 percent, followed by South Korea with 39.4 billion U.S. dollars, up 0.6 percent, and the the Association of Southeast Asian Nations with 26.4 billion U.S. dollars, up 1 percent, according to the office.

Vietnam recorded export turnovers of over 243.5 billion U.S. dollars in 2018, up 13.2 percent against 2017, and import turnovers of 236.7 billion U.S. dollars, up 11.1 percent, with a trade surplus of 6.8 billion U.S. dollars.

Source: xinhuanet.com- Oct 29, 2019

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Bangladesh: RMG export witnesses sluggish growth in Q1 of FY19-20

The country's readymade garment (RMG) export to most of non-traditional markets witnessed negative growth during the month of July-September—first quarter (Q1) of the current fiscal year (FY 2019-20).

Garment shipments to non-traditional—mostly major markets only grew by 0.29 per cent year-on-year to $968.2 million in month of (July-September) of the current fiscal year 2019-20 compare to the same period of the previous year 2018-19 which was $965.33, according to Export Promotion Bureau (EPB).

Rather than traditional markets such as— US, Canada, and Europe, others are considered as non-traditional markets. Among them, Chile, China, Japan, India, Australia, Brazil, Mexico, Turkey, South-Africa, Russia, these are the markets where Bangladeshi apparel exports showed negative growth in month of (July-September) of the current fiscal year 2019-20.

Siddiqur Rahman, former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) told The Independent that the Apparel exporters attributed to a number of factors including sluggish EU economy, the trade tension between China and US and recent declining price trend of raw materials, especially cotton and yarn, for the poor performance of the RMG exports.

Explaining the reason, Rahman said that previously, Apparel makers did not want to go to those markets because it takes lot of hassle and time to enter a new market and a businessperson needs to talk to different people, make their own research and gradually penetrate into the market.

Secondly, when a manufacturer enters a new market he or she needs to lower the product price rather than average. Because of these two reasons, garment manufacturer didn't want to explore the market but since the government is kind enough to provide the cash incentive for so long period of time, garment owners have started to explore the new destinations and markets, said Rahman.

"However, the number of work orders had declined followed by China and US trade tension, global impacts like falling consumption, and devalued currencies in major competitor countries, he added.

When asked, he answered and said that the cash incentive is 4 per cent which was set from last year (2018) at this moment.

"Presently, non-traditional markets are contributing 15-16 per cent of total export earnings," he informed.

July-September of 2019-20 financial year, Bangladesh earned $109.98 million from China with negative growth 1.65 per cent growth from $111.83 million in the same period of financial year 2018-19, according to Export Promotion Bureau (EPB).

China, the largest apparel supplier of the world has started importing products from us because the government of China has allowed duty-free access to over 5,000 Bangladeshi products. There are 40 to 50 crore people live in China obtains high-middle income group, said Siddiqur.

July-September of 2019-20 financial year, Bangladesh earned $163.12 million from India with growth 12.42 per cent growth from $145.10 million in the same period of financial year 2018-19, according to Export Promotion Bureau (EPB).

Former Senior Vice President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Faruque Hassan explained a couple of reasons and said "Famous international retail brands such as Zara and H and M have established their business in India and we are the biggest supplier for them."

"Another reason is that Indian domestic market has grown and the numbers of fashion conscious consumers have increased. We import Ready-made garments (RMG) raw materials such as- cotton, machinery from India, so there export is also increasing. It is a win-win situation from both the countries side" he said.

July-September of 2019-20 financial year, Bangladesh earned $26.12 million from Chile with negative growth 5.29 per cent growth from $27.58 million in the same period of financial year 2018-19, according to Export Promotion Bureau (EPB).

July-September of 2019-20 financial year, Bangladesh earned $28.97 million from Brazil with negative growth 26.10 per cent growth from $39.20 million in the same period of financial year 2018-19, according to Export Promotion Bureau (EPB).

Source: theindependentbd.com- Oct 28, 2019

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Pakistan: APTMA, EU to put joint efforts for uplift of textile industry

Chairman All Pakistan Textile Mills Association (APTMA) Punjab Adil Bashir has recently announced to work with the European Union (EU) on all the initiatives to ensure sustainability and growth of the textile industry in Pakistan.

He was speaking on the occasion of the visit of the EU's Ambassador Designate to Pakistan Androulla Kaminara to the APTMA Punjab office here. Chairman APTMA made a detailed presentation on the Association and highlighted that its members are corporate entities compliant to all social standards while producing goods predominantly meant for exports. He said the APTMA has taken an active part in securing of EU's GSP+ status for Pakistan in 2014 to widen the market access available e to Pakistan.

Since the grant of GSP Plus status in 2014, Adil Bashir added, the exports of Pakistan to the EU have increased by 62%. In the early years of the facility, Pakistan's exports to the EU witnessed significant growth but it has become stagnant at 5514 Million Euros for the last three years. He said the prime reason was relocation of buying houses of major retailers and brands to other competing countries besides the high cost of manufacturing in Pakistan.

However, he stressed, the present government has taken special measures to encourage industrialization and exports, and the business scenario is changing fast in the country. APTMA along with the federal government is formulating a long term textile policy to set direction for sustainability and growth of Pakistan's textile sector, he added.

The Chairman APTMA said the prospective investors are keenly looking forward to undertake BMR, expansions, and Greenfield investment projects in all sub sectors of the textile value chain subject to the availability of enabling environment.

He said the industry has envisaged to double textile and clothing exports to US $ 26 billion in next 5 years with an investment of US $ 7 billion by setting up 1000 garmenting plants which would result in the creation of direct job opportunities for one million workforce.

In the garments industry, he added, the predominant majority of the industry workforce is women, which would also bring about a gender-balance in the workforce and have a salutary effect.

Adil Bashir said the GSP+ regime calls for Pakistan to fully implement its commitments under 27 international conventions on human rights, good governance, labor, and environmental standards. APTMA has undertaken a number of sustainability initiatives to keep the textile industry at par with global standards and expectations, he added.

The visiting envoy said the textile industry of Pakistan needs to prepare itself for meeting the challenges of sustaining GSP Plus status so as to avail the opportunities of increasing exports to the EU.

The global consumer perception has completely changed and it has become more conscious to socially responsible for environment-friendly products. There is no doubt that Pakistan has vast potential to double its exports, however, the perception management is the key for the government and industry to maintain and sustain, she added.

Source: pakobserver.net- Oct 28, 2019

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Cambodia: China textile group launched to bolster garment sector

A new association was launched on Saturday to boost the Kingdom's garment industry, one of the most important engines of economic growth in the country.

China Textile Association in Cambodia (CTAC) will provide legal advice to investors and those considering to invest as well as liaise with the government, public officials said at the event.

CTAC's services will particularly target Chinese investors.

Speaking at CTAC's launch on Saturday, Minister of Industry and Handicrafts Cham Prasidh said the association will be an important partner to the government in lifting the garment and textile industry.

"We hope that the association will help attract investment in garments and related industries. We are ready to help and facilitate your investment in Cambodia," he told attendees at the event.

Cambodia has 663 factories. Of these, 520 manufacture garments, while 83 make footwear. The rest produce bags. The industry employs about 800,000 Cambodians, 80 percent of whom are women, according to the Ministry of Industry and Handicrafts.

A report last year from the National Bank of Cambodia showed that Cambodia's garments and footwear exports were valued at $10 billion, up 24 percent from 2017's $8 billion. The majority of buyers are in the European Union and the United States.

At last week's event, Minister Prasidh urged investors to consider exporting to new markets, including Canada, New Zealand, Australia, Japan, and Korea.

According to the minister, Cambodia has the fifth-highest garment sector minimum wage in Asean. Cambodia's minimum wage for the garment sector is $182 per month but it will be raised to $190 next year.

Research by Dezan Shira & Associates shows that the garment industry is essentially dominated by foreign companies, particularly from China, Hong Kong, Singapore, Malaysia, and South Korea.

"In regard to foreign-owned garments firms or brand names, these have benefited Cambodia's industry and created important channels into the global value chain," it said.

Source: khmertimeskh.com- Oct 28, 2019

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Pakistan: Rent-seeking policies bite textile industry

Policy makers have no clue as to why our textile industry is weaker than other regional economies. One reason is the inability of the industry to upgrade technology, the other are the flawed government policies that have denied textiles the domestic market.

We all know that our textile industry is operating below its installed capacity. Almost 65 percent of what it produces is exported, while 35 percent is consumed in the local market.

The 35 percent local market share covers only 50 percent of the total domestic uptake of textiles. It has the capacity to produce more, but there is no market for its products.

Pakistan's competitiveness is the reason for limited global market but it has been denied major chunk of domestic market because of rent seeking policies that allow import of used clothing, under-invoiced garments, and smuggled textile range from fabric to home textiles and apparel.

Let us take a look at the used clothing imports. It might surprise many that Pakistan is the largest importer of used clothing in the world.

In 2018, total global worn cloth trade was $4,017 million. Pakistan's share in global worn cloth imports was 7.0 percent of the total or $283 million. India that is seven times larger in population imported worn clothing worth $93 million only. This is three times less than worn clothing imports by Pakistan.

The number of poor living in India is higher than the total population of Pakistan. Still their worn clothes import was very low. Even this import fulfilled the needs of the poor population of India.

No one among the planners probed the reason for such high imports.

The industry has been screaming since last 10 years that stock lots of fabrics and new garments are imported under the garb of used or worn clothing.

This has many times been proved as well because whenever the Federal Board of Revenue (FBR) thoroughly inspected the worn clothing consignments, it found that besides used clothes the consignment contained fabric and new garments as well.

These lots are imported at worn clothes prices and are cleared as such as well. The local textile manufacturers dare not produce many types of fabrics for local market because of these stock lots imported under the garb of worn clothing.

It is strange that planners have not taken notice of this malpractice. The bureaucracy would not curb this practice on its own because they are partners in crime.

Global average of clothing used by an individual is 12.5kg per annum. It is much higher in advanced countries.

A study by All Pakistan Textile Mills Association (APTMA) reveals that total fabric consumption was 3,751 million kg. This includes imported cotton and manmade fibres.

Out of this 2,441 million kg (65 percent) of fibre is exported in textile products. The balance 1,310 million kg of fibre is used domestically. This accounts for 6.3kg on per capital basis. The remaining 6.2 kg (total per capita fibre consumption is 12.5kg) comes from abroad.

Official import of textile and clothing (though heavily under-invoiced) is equivalent to 341 million kg of fibre. On per capita basis, its share comes to 1.6kg. Official worn clothing import is equivalent to 443 million kg which means its share in total 12.5kg per capita consumption is 2.1kg. Another 517 million kg fibre is imported informally in shape of clothing and other textile products.

This is equivalent to consumption of 2.5kg per capita. Informal trade is through our porous borders and from Afghan Transit Trade.

It is worth noting that Afghan smugglers do not hide their smuggling activities. In fact, an announcement is daily made from a mosque in central Kabul that informs public that such and such person is going to Dubai or Hong Kong and anyone wishing to import any item may deposit the advance with them.

These goods are booked under Afghan Transit Trade. The goods are unloaded in Afghanistan and then brought by reliable couriers though our porous border, of course with the connivance of Pakistani officials. It is worth noting that the consumption of Chinese and Indian textile products is over 60 percent in their own countries.

This is the reason that even in global recessions their textile industries survive. Our industry caves in the moment global textiles come under pressure.

Source: thenews.com.pk- Oct 26, 2019

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Bilateral trade showing positive trend: India's envoy to Vietnam

The Indo-Vietnamese bilateral trade has shown a positive momentum in 2019 and the trend is expected to get a further boost due to the launch of direct air connectivity between the two countries, India's envoy to Vietnam has said.

According to India's Ambassador to Vietnam Pranay Verma, both economies have many areas of mutual complementarity which provides a strong foundation for growth of bilateral trade, which has nearly doubled over the last three years.

"Both countries are at important stages of economic development, and their economies have a significantly high level of domestic demand and consumption of goods and services, which continue to make them attractive destinations for businesses," Verma told IANS.

"Driven by these fundamentals, the bilateral trade in 2019 between India and Vietnam continues to show a positive trend," he said. As per official data, the bilateral trade turnover had registered a record annual growth of 12.81 per cent and touched $13.93 billion in 2018.

The data for the period January-July 2019 showed that bilateral trade had already reached $7.5 billion. Furthermore, the two countries have set a trade target of $15 billion by 2020. At present, Vietnam exports mobile phones and components, machinery, computers and electronic hardware, natural rubber, chemicals and coffee to India.

On the other hand, India ships out meat and fishery products, corn, steel, pharmaceuticals, cotton and machinery to Vietnam. On the launch of direct flight connections between India and Vietnam, Verma said: "Vietnam is an important trading partner for us in the ASEAN region. There are sizeable Indian investments in Vietnam.

"However, lack of direct connectivity has kept this engagement from reaching its potential. We are hopeful that direct flight connections will raise the level of our economic partnership by bringing our businesses closer and encouraging them to explore new complementarities."

Verma's assertion that direct flight connections between the two countries will give a boost to business relations has been corroborated by IndiGo's Chief Commercial Officer William Boulter. Recently, IndiGo started daily direct flights between Kolkata and Ho Chi Minh City and Hanoi.

"There is a massive potential on the routes between India and Vietnam. We foresee substantial traffic growth between the two countries. There are smaller carriers from Korea and other places that offer 10 daily flights to Vietnam," Boulter told IANS.

"Similarly, as traffic between the two countries rise, we will also increase our flight frequencies to Vietnam from one daily direct flight to Hanoi and Ho Chi Minh City from Kolkata," Boulter added. Another airline -- Vietjet -- will be starting direct flights from New Delhi to Ho Chi Minh City and Hanoi in December.

In addition, B. Subhash Chandar, Director for MICE and Asia Market for Asia Destination Management Company, told IANS: "There has been a massive increase in India's presence in Vietnam for the last few years, especially after Indian TV serials were shown here. Indian culture and yoga have become very popular in Vietnam.

"Indian companies have slowly moved to Vietnam. From India, several garment, pharmaceutical, apparel manufacturers and restaurants have invested in Vietnam."

Source: timesnownews.com - Oct 27, 2019

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NATIONAL NEWS

Changing consumer preferences bleed cotton mills, cheer polyester makers

TEXPROCIL data shows 38.8% YoY dip in India's cotton yarn exports, at $1.28 bn in Q2; tepid domestic demand and rural stress add to woes.

The marked improvement in the profitability of polyester makers has come at the cost of thousands of spinning mills, many of which fear closure due to the sustained decline in cotton yarn and a significant change in consumer preferences.

The Cotton Textile Export Promotion Council (Texprocil), the apex industrial body of the sector, showed a 38.8 per cent decline in the value of India's cotton yarn exports, at $1.28 billion for the period between July and September 2019, from $2.09 billion in the corresponding period last year. Cotton yarn exports have been steadily declining month after month this year, even by volume, from 90 million kg in April to 67 million kg in September.

Problems for spinning mills were aggravated with lukewarm domestic demand. The ongoing economic slowdown and rural distress have worsened demand of textile and all other products in the value chain.

"Exports of cotton yarn have registered a negative growth since April this year, which is a matter of deep concern. Many of the spinning mills are on the verge of closure, which may cause unemployment," said K V Srinivasan, Chairman, Texprocil.

By contrast, the demand of polyester yarn and fabric has increased as these products are much cheaper than cotton. Industry sources estimate polyester to be 40-50 per cent cheaper than cotton across all variants.

With crude oil prices moving in a narrow range, polyester makers plan their business for long term and invest in plant and machinery in anticipation on a rapidly-changing consumer preference for polyester blended fabric.

“The profitability of Indian polyester yarn manufacturers has been growing steadily. This is primarily on account of the rise in consumption of synthetic yarns across the world, as compared to natural fibres. Moreover, cost competitiveness of Indian manufacturers has been better than that of north-east Asia manufacturers, which has resulted in better operating margins and profitability,” said Madhusudan Bhagaria, chairman and managing director, Filatex India (FIL), one of India’s largest makers of polyester yarn.

FIL has seen a substantial improvement in its financial performance over the past three years, led by better volume growth and operational efficiency measures. FIL reported a CAGR of 48.42 in its net profit to Rs 85 crore in FY19, from Rs 26 crore in FY16.

Bhilosa Industries, second largest polyester yarn manufacturing company saw its EBITDA and profit after tax rise by 13 per cent and 21 per cent, respectively, during the period under consideration.

“As against a global average of 60:40 polyester and cotton blending, India continues to remain at 45:55, which shows an improvement of five per cent more polyester blending in the last three years. While demand continues to move in favour of polyester, we believe the blending percentage will further improve resulting into more demand and profitability for polyester makers,” said an industry veteran.

Along with the better properties which polyester filaments hold, one factor that also helped in increasing its production and usage is limited availability of natural fibres like cotton and the consequent increase in cost of production.

In India, demand for polyester fibres has been growing strongly, led by steady consumption from textiles firms. Moreover, domestic manufacturers of polyester yarns have been able to increase their capacity utilisation as the anti-dumping duty imposed on China led to a pick-up in domestic demand compared to imported yarns.

Meanwhile, Srinivasan has urged the government to protect spinning mills from closure.

"Cotton yarn is the only product that hasn't been granted export benefits such as Merchandized Export Incentive Scheme (MEIS) and three per cent Interest Equalization Scheme.

Additionally, exporters of cotton yarn are at a serious disadvantage vis-a-vis competing countries due to differential import duties between 3.5 and 5 per cent in leading export markets," said Srinivasan.

Source: business-standard.com- Oct 30, 2019

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India, Peru to hold next round of FTA talks in Dec

India and South American country Peru will hold their next round of negotiations for a proposed free-trade agreement (FTA) at Lima in December, an official said.

"Chief negotiators from both the countries will hold the sixth round of negotiations for the agreement in Lima in December," the official said.

In an FTA, two trading partners significantly reduce or eliminate duties on most of the goods traded between them besides relaxing norms and rules to promote trade in services and increase bilateral investments.

In the fifth round of talks, senior officials of both the sides deliberated upon issues such as national treatment and market access for goods, investments, dispute settlement, customs procedures, and trade facilitation.

The main chapters of the agreement include trade in services, movement of professionals, investments, dispute settlement, technical barriers to trade, trade remedies, rules of origin of goods, customs procedures and trade facilitation.

With growing uncertainties in its traditional markets, including the US and Europe, India is looking to enhance engagements with other regions such as Africa, South America and Central Asia.

The Federation of Indian Export Organisations (FIEO) said Peru holds enormous opportunities for domestic exports.

Engineering exporter and Ludhiana Handtool Association President S C Ralhan said, "It will be a good opportunity for domestic exporters to explore that market".

Peru ranked third among export destinations for India in the Latin America and Caribbean (LAC) region.

The bilateral trade between the nations increased to USD 3.13 billion in 2017-18 from USD 1.77 billion in the previous fiscal.

Among the top-10 commodities that India exports to Peru are motor vehicles, cars, auto components, tyres, dyes, products of iron and steel, cotton yarn and fabrics. While imports include bulk minerals and ores, gold, fertilisers, aluminium, coffee, crude oil and zinc.

Source: timesofindia.com- Oct 25, 2019

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Baby steps before leap: Global banks, now sense a new vista — regional trade

With Regional Comprehensive Economic Partnership & trade deals, banks realise the future lies in the region and are preparing to grab opportunities. India is looking to reduce its dependence on traditional trading partners to diversify markets.

Geopolitical tensions, new groupings of trading partners and best taxation structures have all probably aligned to provide a platform for smart banks to grab their share.

At Citibank's offices in Chennai and Delhi, two Japanese nationals are performing a very special role the 200-year- old financial giant has never tried before.

These executives have been specially relocated from Tokyo to liaise with corporate giants such as Hitachi, Honda, Panasonic and conglomerates like Mitsubishi that sell power turbines to auto components in India.

Citi, which claims nearly a third of the market share in the multinational business, has also similar desks to service South Korea's chaebols like Samsung and Hyundai, which dominate the domestic electronics and automobile markets but keen to retain their global trading volume amid disruptions in global supply chain due to the US-China trade war.

It isn't just that. There is also a special China-Taiwan desk the bank started earlier this year in Mumbai as it bets on the potential for India's trade to expand within Asia and also an opportunity to get a pie of global manufacturing.

With the simmering dispute between the US and China redefining global trade, Prime Minister Narendra Modi's 'Act East' policy paves the way for banks and financial institutions to find new means to engage with countries in the East, which though have strong trade partnerships with India, are not as big as traditional partners like the US, China and the UAE. This could open new avenues for business from foreign currency financing, banking accounts, capital remittances and cross sell and trade flows.

"We clearly saw that Asia to Asia (trade) is going to be a much big emerging trend in the country about 24 months ago," says K Balasubramanian, head, corporate banking, South Asia for Citibank, who has been driving this initiative. "This corridor is growing at 51% in terms of revenues for us. It's all driven by the government agenda, which said 'Act East' from 'Look East'. We have invested in terms of headcount and road shows in these places. Earlier, the focus was on the US and Europe. Now, we have made it a point that every quarter someone from India has to be there in each of these markets."

THE FTA BOOST

Japan and South Korea are among the largest of the nine countries that India has a free trade agreement (FTA) with. India also has a FTA with the 10-member Association of Southeast Asian Nations (Asean), namely Cambodia, Indonesia, Laos, Brunei, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

Trade data show that the signing of an FTA has given a fillip to trade between India and these countries. For example, bilateral trade between India and Japan increased 72% to $17.7 billion in 2018-19 from $10.3 billion in 2009-10. The two countries signed the FTA in February 2011.

Similarly, trade between India and South Korea increased 79% to $21.5 billion in 2018-19 from $12 billion in 2009-10. The FTA between the two countries was signed in August 2009. Trade between India and Asean has seen a sharper growth in the period, more than doubling to $96.8 billion in 2018-19 from $43.9 billion in 2009-10 at the time of signing the FTA.

To be sure, despite the rise in trade after FTAs were signed, numbers are still lower in comparison with the US and China — India's top two trading partners. Trade between India and the US increased two-anda-half times to $87.9 billion in 2018-19 from $36.5 billion in 2009-10. Trade with China is also almost identical at $87.1 billion in 2018-19 from $42.4 billion in 2009-10.

However, India is looking to reduce its dependence on traditionally strong trading partners to diversify its markets even as countries like the US relook at their relationships with countries includingIndia and China with which it runs a trade deficit.

US-CHINA STANDOFF

The spectacular US-China trade standoff threatens to alter the relationship between two of the world's largest economies, redraw trading boundaries and open global trade to new opportunities. Bankers say that these changes could provide opportunities for countries like India, which are large and growing.

"Some Japanese companies are looking at India as an alternative to China in light of the US-China tussle. It all depends on how this tussle pans out. But meanwhile, we are already seeing some Japanese companies, which use China as a manufacturing base, shift out of that country, mainly due to increasing labour and raw material costs. This trend has been visible for some time now, but has been beneficial for other countries like Vietnam," said Junsuke Koike, regional executive (India and Sri Lanka), MUFG Bank.

Indeed initial signs are that countries like Vietnam, Bangladesh, Mexico and Brazil have made the most of the US-China standoff. In August, for example, news reports said US tech giants Google and Apple were considering moving their smartphone and speaker production out of China to Vietnam.

US farm exports to China are also being eyed by South American countries like Brazil and Argentina. China is already considering allowing more soy meal imports from Brazil and Argentina as it seeks to diversify its imports from the US.

India's Trade with Leading Partners

India's Trade	US $ Billion	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
ASEAN	Exports	33.1	31.8	25.1	31.0	34.2	37.5
	Imports	41.3	44.7	39.9	40.6	47.1	59.3
China	Exports	14.8	11.9	9.0	10.2	13.3	16.8
	Imports	51.0	60.4	61.7	61.3	76.4	70.3
Japan	Exports	6.8	5.4	4.7	3.8	4.7	4.9
	Imports	9.5	10.1	9.9	9.8	11.0	12.8
South Korea	Exports	4.2	4.6	3.5	4.2	4.5	4.7
	Imports	12.5	13.5	13.0	12.6	16.4	16.8
United States	Exports	39.1	42.4	40.3	42.2	47.9	52.4
	Imports	22.5	21.8	21.8	22.3	26.6	35.5
UAE	Exports	30.5	33.0	30.3	31.2	28.1	30.1
	Imports	29.0	26.1	19.4	21.5	21.7	29.8
India's total	Exports	314.4	310.3	262.3	275.9	303.5	330.1
	Imports	450.2	448.0	381.0	384.4	465.6	514.1

Source: **Ministry of Commerce**

Economists say how countries like Brazil have moved to corner trade from China in light of this trade war tells us a lot about what is wrong with India's competitiveness. "Logically speaking, India should be a natural substitute for the US in the Chinese scheme of things, but countries as far off as Brazil have come in and made the most of it. We have seen a similar story pan out in other areas like textiles, for example, which was considered a strong point for the country but now has been replaced by Vietnam and Bangladesh," said Udit Kumar, senior economist at Aditya Birla Group.

India's exports, including merchandise and services, increased to more than \$500 billion, but is well short of the government's stated target of \$900 billion for the five-year period, which started in 2015.

Economists and bankers say that the US-China trade war is a good opportunity for India to boost its exports as these two countries and their trading partners will look to diversify their sources of business. However, they are not so confident on whether India has the wherewithal to take advantage of this opportunity.

“India does not have the skill and capabilities to leverage this trade war. Countries like Vietnam, Malaysia, Thailand and even some African countries have already got a head start. The structural issues discourage exporters wanting to expand business with restrictive labour laws. Then, there are longstanding issues with regard to infrastructure, logistics and transport,” said Kavita Chacko, senior economist at Care Ratings.

CHALLENGING TIMES

Besides global competition, India will also have to deal with the a slowing domestic and world economy, uncertainty with respect to currencies and heightened geopolitical concerns which will bloat its import bills due to higher oil prices.

“Overall global trade continues to be weak,” said Suresh Khatanhar, executive director at IDBI Bank. “Even sectors like gems and jewellery, which are a small but lucrative portion of India’s trade, are showing signs of weakness. Though Asia will become the hub of global trade in the foreseeable future because of its better resource mobilisation, demographic and technological advantages, we need to wait and watch to see how long these challenging times last.”

Citibank’s Balasubramanian expects India’s trade to expand to other corridors in Asia, away from western countries like the US and UK.

“Traditionally, Japan was active and second was Korea,” says Balasubramanian. “In the last five years, China and Taiwan have been becoming very big in India. In the last five years, FDI from China was at $22 billion. India is also a mitigation strategy for them in terms of accessing the US market. They believe what India is today is what China was 20 years back. The consumption story is just picking up and disposable incomes are rising. In mobile phones, for example, they control 35% of market share and 75% of the bottom-end of the sector.”

Citibank hopes that the new China-Taiwan desk that the bank has started in Mumbai will help the bank cater to this growing market. However, to take advantage of this corridor, India will have to find new avenues to reduce its trade deficit, which at $53 billion, is the highest in fiscal 2019.

To add heft to the shifting trade routes is the Regional Comprehensive Economic Partnership, or RCEP, a grouping of 16 economies with a FTA that has total trade value of $2.8 trillion.

“India is on the table as are other countries as people look to move their supply lines,” says Jamie Dimon, chief executive of JPMorgan Chase. “If I were India, I would look at it the other way around and think about how I could attract some of the companies that are moving out from China.”

Geopolitical tensions, new groupings of trading partners and best taxation structures have all probably aligned to provide a platform for smart banks to grab their share.

Source: economictimes.com- Oct 30, 2019

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RCEP deal: Japan tries to convince China to relax demands on India

Sections of Indian industry, farmers and dairy sector have expressed concerns over the mega trade deal

To make the proposed Regional Comprehensive Economic Partnership (RCEP) deal between 16 nations more acceptable to Indian negotiators, Japan is trying to convince China to lower demands put forward to New Delhi seeking a reduction or elimination of import duties on goods, a person close to the negotiations has said.

Trade Ministers from RCEP countries are scheduled to meet again on November 2-3 in Bangkok to see if an announcement on concluding the deal could be made at the RCEP Leaders Summit on November 4 as planned, or whether a partial conclusion is all that that can be managed at the moment, the official added.

The RCEP deal is being negotiated by 16 countries, including the 10-member ASEAN, China, India, South Korea, Japan, Australia and New Zealand. It is one of the largest free trade deals being negotiated globally, accounting for about half the world’s population and a third of its GDP.

Last-minute objections

India had raised strong last-minute objections to the proposed RCEP pact at the meeting of Trade Ministers in Bangkok earlier this month when all members were supposed to settle their niggling differences and reach an agreement on all issues.

“It was deeply surprising to see Indian Commerce Minister Piyush Goyal suddenly adopt a harsh position on a number of issues and demand more safeguards than other members were ready to give. Many of these issues were seen as settled earlier with mutual consent of all members, including India, but these were being freshly raised,” the official said.

Many of the demands raised by India were in the area of enhanced coverage of items under the auto trigger mechanism and relatively tougher rules of origin.

While the auto trigger mechanism will lead to an increase in import duties as soon as inflows of a particular product rise beyond a certain threshold, tough rules of origin aim to ensure that there is substantial value addition to a product before it is exported to another country where it is eligible for preferential duties.

The apprehension being felt by many industrial sectors and farmers on a possible flooding of the market with cheap imports once import duties on goods from China are pared is one of the reasons behind India’s hard posture at the negotiations.

“Japan has probably realised that India will not have the political appetite to say yes to the RCEP pact unless China’s demands go down a bit. That is why Japan seems to have taken up cudgels on behalf of Indian negotiators.

But Japan would also want to ensure that India does not not backtrack further if it manages to convince China to compromise,” the official said.

Source: thehindubusinessline.com- Oct 28, 2019

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RCEP: 'India doesn't have quality research or information to negotiate a good trade deal'

Regional Comprehensive Economic Partnership (RCEP): The country's effort to finalise a free trade agreement with ASEAN countries is facing protests from several quarters including farmers. Last week, several farmers organisations protested against including agricultural commodities in the Regional Comprehensive Economic Partnership (RCEP) that is under discussion between ASEAN and six other countries – India, China, Japan, Australia, New Zealand, and South Korea.

The proposed agreement has also come under the criticism of opposition parties as Congress Rajya Sabha member Jairam Ramesh attacked the agreement saying that it will be the third big jolt to the Indian economy by the Modi government after the demonetisation and GST. Given the mixed record of the country's previous trade agreements, trade expert and economists have warned about hastily entering into any agreement, particularly that covers agriculture. Financial Express Online's Krishnanand Tripathi spoke to NR Bhanumurthy, a professor at the National Institute of Public Finance and Policy (NIPFP). Edited excerpts:

Q: The proposed RCEP has come under criticism from several quarters, including farmer groups and the opposition Congress party. Is it good for the country?

A: An increase in trade is always good for the economy, it helps the participating countries but India doesn't have a good track record of negotiating trade deals. There is a need to increase the trade but there must be a level playing field.

Q: Farmers are apprehensive about the impact on their livelihood.

A: The apprehensions which have been expressed in various sections are valid. The past history of our trade negotiations and trade agreements doesn't inspire much confidence. They have not really helped much to our economy, especially if you talk about the WTO and other bilateral trade agreements. The outcomes of these trade agreements are really mixed, particularly if you look at the bilateral trade agreements entered into by the country with some ASEAN members.

Q: Which are the agricultural commodities that will be impacted?

A: We don't have strong databases to understand or even to negotiate a good trade deal with regard to some of the commodities. Especially, when price fluctuations happen no one knows what will happen to the price of imported commodities, particularly in the case of agricultural commodities.

Q: But the Modi government announced the country's first agricultural export policy late last year?

A: The problem is that it is difficult to increase the export of agricultural commodities while their imports can be increased very easily.

Q: You talked about the lack of quality data to negotiate a good trade deal, what about other countries?

A: At least we should know where we are going to benefit and where we are going to lose. On the other hand, these countries (ASEAN and others) have very strong databases and they also know in which sectors they will benefit and what commodities should be focused upon in a trade negotiation. Lack of quality data and research is our problem.

Q: India is negotiating the RCEP at a time when protectionism is on the rise.

A: The whole world is going in reverse order. A big country like the US is struggling to compete with China and now there are issues (trade war) between them so what would happen to small players like us.

Source: financialexpress.com- Oct 28, 2019

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Now, officers to exclusively handle GST, Customs complaints

In line with Prime Minister Narendra Modi's assurance that honest taxpayers would not be harassed and wealth creators would be respected, the indirect tax body - Central Board of Indirect Taxes and Customs (CBIC) has directed to appoint a nodal officer in each CGST and Customs Commissionerate to sort out taxpayer grievances.

Industry and tax experts have hailed the decision saying that the move would ensure an escalation point for taxpayers in case their grievances are not addressed at designated level. "In order to institutionalize the taxpayers' services in the field formations, it is necessary to designate officers who are to act as the nodal officers assigned with the job of taxpayer service," CBIC Chairman P. K. Das has written to senior officers.

Accordingly, each CGST and Customs Commissionerate would have a nodal officer in the rank of Joint/Additional Commissioner. These officers would draw up plans for reaching out to the stakeholders in their jurisdictions. "The Directorate of Taxpayer Service would regularly monitor the work done by the nodal officers who would be extended arm of the CBIC for rendering taxpayer services.

"Any move which identifies a certain person as someone who could act as central point for escalation of cases is good move. It is a good move but one has to see how effective it is. In order to ensure that it works, a transparent monitoring mechanism has to be there," said Amit Bhagat, Partner, Dhruva Advisors. The CBIC Chief in his letter to senior field officers noted that PM Modi had emphasized the urgent need to prioritize taxpayer service.

He noted that taxpayers committing minor or procedural violations should not be subjected to disproportionate or excessive action and that wealth creators are respected. Rajat Mohan, Senior Partner, AMRG & Associates said that taxpayers presently have to chase various officers for resolving issues and hence the move to appoint a nodal officer would be a big relief.

Source: economictimes.com- Oct 28, 2019

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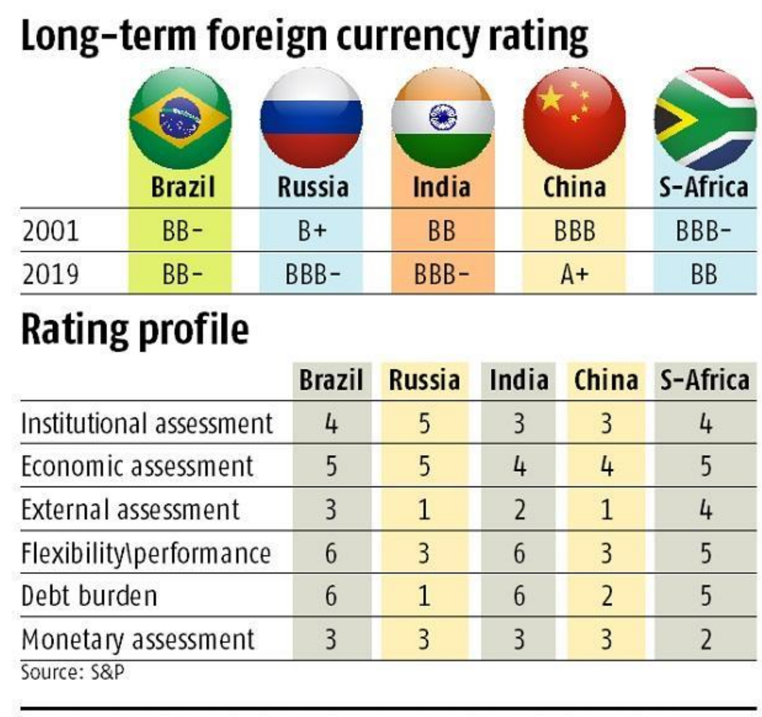
BRICS has lost relevance as economic grouping, says Standard & Poor's



Long-term foreign currency rating

	Brazil	Russia	India	China	S-Africa
2001	BB-	B+	BB	BBB	BBB-
2019	BB-	BBB-	BBB-	A+	BB

Rating profile

	Brazil	Russia	India	China	S-Africa
Institutional assessment	4	5	3	3	4
Economic assessment	5	5	4	4	5
External assessment	3	1	2	1	4
Flexibility\performance	6	3	6	3	5
Debt burden	6	1	6	2	5
Monetary assessment	3	3	3	3	2

Source: S&P

The better-than-projected economic performance of China and India over the past two decades contrasts with disappointing results in Brazil, Russia, and South Africa

- Global rating agency Standard & Poor's (S&P) has said that Brazil, Russia, India, China, and South Africa (BRICS) as economic grouping has lost relevance due to diverging long-term economic trajectory
- The better-than-projected economic performance of China and India over the past two decades contrasts with disappointing results in Brazil, Russia, and South Africa
- China and India have maintained stable pro-growth economic policies and have gained a larger role in the world economy
- In contrast, the comparatively poor long-term performance of the other three countries has diminished their global economic role
- All the five have very low foreign currency borrowing in either public or private sectors
- Brazil and India both have the weakest fiscal and debt profile, followed by South Africa. Russia's fiscal and debt profile is slightly better than that of China
- The rating agency maintains a favourable or neutral assessment of monetary flexibility for all the five countries.

Source: business-standard.com- Oct 28, 2019

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New definition of MSMEs will be linked to turnover

The government is finalising a new definition for micro, small and medium enterprises (MSMEs), which will be linked to turnover and do away with the current system of classifying units based on the capital deployed in plant and machinery.

NEW LOOK MSMEs

CURRENT: LINKED TO INVESTMENT

	Manufacturing	Services
Micro	Up to ₹25 lakh	Up to ₹10 lakh
Small	Over ₹25 lakh to ₹5 crore	Over ₹10 lakh to ₹2 crore
Medium	Over ₹5 crore to ₹10 crore	Over ₹2 crore to ₹5 crore

MANUFACTURING: Plant & machinery investment
SERVICES: Investment in equipment
Source: Ministry of MSME

PROPOSED: LINKED TO TURNOVER

Micro:	Small:	Medium:
Up to ₹5cr	**Over ₹5cr to ₹75cr**	**Over ₹75cr to ₹250cr**

The MSME ministry, which is finalising the proposal, is seeking to end the difference between the manufacturing and services sector that the current investment-based definition makes. The move requires an amendment to the Micro, Small & Medium Enterprises Development Act, which is being finalised.

Although an amendment had been proposed by the Narendra Modi government during its previous term as well, it had to be dropped due to opposition from outfits like Laghu Udyog Bharti, which is an affiliate of the Rashtriya Swayamsevak Sangh (RSS). But the government has renewed its efforts to amend the law as it sees the current definition to be outdated and prone to misuse, sources told TOI.

According to the proposal, any unit with a turnover of up to Rs 5 crore will be classified as a micro enterprise, while those with up to Rs 75 crore annual revenue will be in the small unit category. Similarly, enterprises with turnover of up to Rs 250 crore will be classified as medium-scale enterprises.

Until the 2006 law was enacted, there was only one category of manufacturing that was classified as small scale enterprise, eligible for several benefits, including on payment of excise.

The new definition being discussed is similar to the one that had to be shelved as the last Lok Sabha could not approve the legislation. A section in the government believes that the definition should be de-linked from the law to make it possible to tweak it as and when required.

Service sector outfits will, however, be ineligible for some of the benefits available to MSMEs, such as public procurement to prevent possible misuse. But they can avail of concessional bank finance and some of the other benefits available to small businesses.

With GST, it is now easier to monitor turnover and classify units into various categories, compared to the investment in plant and machinery, which many believe is misused by certain units to get additional benefits available to MSMEs, government officials said.

“The new definition will be more realistic given that the current investment-based classification was decided when the MSME Development Act was enacted 13 years ago. Often, Indian MSMEs are too small to be able to benefit from economies of scale,” said a source.

Source: timesofindia.com- Oct 29, 2019

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Govt invites proposals from agencies to study power loom sector schemes

The textiles ministry had launched the schemes for harmonised growth of the power loom sector in terms of improvement in infrastructure facilities, market development to overcome the lack of preparatory/pre-loom facility in power loom clusters.

The textiles ministry has invited proposals from evaluating agencies to study and assess the performance of three schemes for growth and development of the decentralised power loom sector and identify existing gaps.

The Office of Textile Commissioner, Mumbai, has floated an expression of interest-cum-request for proposal to select an evaluating agency to assess the three schemes -- PowerTex India, Converged Group Insurance, and Revised Comprehensive Powerloom Cluster Development Scheme -- that are in place till March 2020.

"All above schemes are being implemented by Office of Textile Commissioner, Mumbai, and the Ministry of Textiles, Govt. of India. Now, the evaluation of these schemes is required by an independent agency for assessing the performance of these schemes with a view to enable the Ministry of Textiles, to formulate new schemes for harmonised growth and development of decentralised powerloom sector of the country," according to the Office of the Textile Commissioner.

The textiles ministry had launched the schemes for harmonised growth and development of the power loom sector in terms of improvement in infrastructure facilities, market development, upgradation of plain powerloom to overcome the lack of preparatory/pre-loom facility in power loom clusters, to make available raw material (yarn) at reasonable price and insurance coverage for power loom workers, removing various bottlenecks of existing power loom clusters of the country.

The selected agency is supposed to assess the impact of the schemes with respect to the achievement of objectives and outcomes.

It will also evaluate the contribution of the schemes to the growth of power loom sector either directly or by way of creating a leverage of growth in terms of increase in production, improvement in quality and cost of production, reduction in wastage, market improvement, employment generation, and social security, among others.

Source: economictimes.com- Oct 29, 2019

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TN becomes first State to enact law on contract farming

Tamil Nadu has become the first State in the country to enact a law on contract farming with President Ram Nath Kovind giving assent to the Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act.

Stating this in an official release, the State government said the law would safeguard interests of farmers during times of bumper harvest or fluctuating market prices. The farmers would be paid at a pre-determined price, which had been arrived at the time of signing agreements with buyers.

Such agreements would have to be registered with designated officers from the Department of Agricultural Marketing and Agri Business.

A six-member body, called the Tamil Nadu State Contract Farming and Services (Promotion and Facilitation) Authority, would be formed to ensure proper implementation of this Act and make suggestions to the State government for promotion and better performance of contract farming.

As part of the law, farmers could get support from purchasers for improving production and productivity by way of inputs, feed and fodder, technology. However, any produce, banned by the Centre or State government or the Indian Council of Agricultural Research, would not be covered under contract farming.

Chief Minister Edappadi K. Palaniswami had given instructions to officials to complete finalisation of rules and ensure early implementation of the law, the release added.

The formulation of the Act is in tune with the Central government's approach of encouraging States to come out with such a law. Between December 2017 and May 2018, the Centre circulated the text of a model law twice. It had also held discussions with representatives of State governments.

The State government, in its budget for 2018-19, announced its decision of coming out with such a law. In February 2019, the Assembly adopted the bill.

Source: thehindu.com- Oct 29, 2019

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Assam, Bangladesh to boost trade ties

India is committed to enhance ties with Bangladesh, Assam state chief minister Sarbananda Sonowal told Bangladesh commerce minister Tipu Munshi at the India-Bangladesh Stakeholders' Meet for Trade and Connectivity in Guwahati recently. Both Assam and Bangladesh agreed to work on sectors like garments, health tourism, information technology and education.

Sonowal said ports in Bangladesh need to be linked with Assam through the Brahmaputra-Barak-Padma-Meghna riverine waterways to facilitate economic growth of the region. He also outlined the need of restoring rail connectivity between India's North East and Bangladesh.

The chief minister promised quick implementation of agreements, which would ensure the northeast India's access to Chattogram and Mongla ports in Bangladesh, and execution of the Bangladesh-Bhutan-India-Nepal (BBIN) motor vehicle agreement, according to Indian media reports.

Sonowal later met a 14-member delegation of the Dhaka Chamber of Commerce and Industry.

Source: fibre2fashion.com- Oct 29, 2019

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