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INFORMATION BUREAU TEXPROCIL

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USD 69.78| EUR 77.67 | GBP 88.02 | JPY 0.64

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
22010	46000	**84.02**

Domestic Futures Price (Ex. Warehouse Rajkot), June

Rs./Bale	Rs./Candy	USD Cent/lb
22070	46126	**84.25**

International Futures Price

NY ICE USD Cents/lb (July 2019)	69.34
ZCE Cotton: Yuan/MT (September 2019)	13,550
ZCE Cotton: USD Cents/lb	89.05
Cotlook A Index – Physical	**80.10**

Cotton Guide: The ICE cotton futures after a correction turned back to move in the positive direction. The ICE cotton futures settled near its high figure at 69.34 cents/lb with a change of +28 points with a pretty decent trading range consisting a high figure of 69.50 cents/lb and a low figure 68.18 cents/lb. The ICE December contract settled at 68.32 cents/lb with a change of +34 points. The spread between the two contract months was seen to be hovering around a cent. The total volumes were seen at 23,128 contracts lower than the previous 26,200 contracts.

The ICE contracts escalated higher before the release of the export sales data which is scheduled to be released today. Investors were seen to cover their short positions and further even more coverings are likely to be seen. If the export sales data turns out to be positive then it can have positive ramifications on the prices. Also a rise in corn and wheat helped cotton prices to rise.

Long term fundamentals for cotton is towards the downside coupled with trade tensions making the situation even worse. The short term fundamentals are seen to be towards the positive side.

The MCX contracts on the other hand showed mixed figures, with MCX June contract emanating a gain of +100 Rs and the MCX July contract emanating a loss of -30 Rs. The MCX August contract displayed a loss of -240 Rs couple with miniscule volumes. The Settlement figures were 22,070 Rs/Bale, 22050 Rs/Bale and 22010 Rs/Bale for the MCX June, MCX July, MCX August respectively. All three contracts were almost at par with each other. The total volumes were seen to be at a decent 6000 lots.

The Cotlook Index A was adjusted towards the downside with a figure of 80.10 cents/lb considering a change of -0.50 cents/lb. The Cotlook Index A 2019/2020 was adjusted to 78.15 with a change of -0.50 cents/lb. Shankar 6 prices are still averaging at 46000 Rs/Candy.

On the domestic front the cotton sowing is expected to increase in India. The northern states are reported to be seeing an increase in sowing rate of about 9 %. Also farmers are expecting a rise of 10-15% hike in MSP from the reelected Government.

On the international front, it is not just cotton that pushed forward, rather it was coupled with or in other words enjoyed the positive vibes brought in by Wheat, Corn and Soybeans which were up by almost 5%, 4% and 2% respectively. On the other hand it is expected that farmers in the US are likely to switch from Soybeans to Cotton.

For today, fundamentally, our presumption is biased towards the positive end with a price rise showing a decent margin.

On the technical front, Prices are trading in a range of 68-69.50 and sustaining above the DEMA(5,9)=(68.87,68.65). Immediate support is at 68(below the 5 and 9 day EMA) while the resistance is placed at 69.50(H & S neckline). Relative strength index (RSI) is at 44.14 suggesting the negative to sideways bias. For the day we expect the prices to trade in the range of 68-69.50.Closing above 69.50 will be the first sign of upside reversal in the prices. In the Domestic market MCX Cotton June may trade in the range of 21800-22250.

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

Trump Pushes USMCA Approval Plan in Move That Irks Pelosi

The Trump administration has formally notified Congress it's moving forward with its plan to get the new Nafta approved, a move that House Speaker Nancy Pelosi called "not a positive step" as her party weighs whether to support the deal.

White House officials submitted a so-called Statement of Administrative Action, a step toward introducing legislation that would bring the United States-Mexico-Canada Agreement into force. The move starts a minimum 30-day period for consultations between the White House and Congress to finalize the bill, before a vote can take place.

It could set up a showdown with Democrats who have opposed efforts by the Trump administration to rush a vote on the deal. While some Democrats are also pushing the White House's goal for approval before the August recess, others are wary of delivering Trump a signature legislative victory as he hits the campaign trail for his 2020 re-election bid.

Pelosi said on Thursday that it was too early for the White House to have issued the notification because the Democrats are still working with U.S. Trade Representative Robert Lighthizer to address their concerns.

"It indicates a lack of knowledge on the part of the administration on the policy and process to pass a trade agreement," Pelosi said in a statement. "We have been on a path to yes, but it must be a path that leads to an agreement that delivers positive results for American workers and farmers."
Summer Deal

The Trump administration is "making energetic efforts"' to see Congress approve the deal "this summer," said Vice President Mike Pence on a visit to Ottawa on Thursday for discussions on advancing the pact with Canadian Prime Minister Justin Trudeau.

Asked at a news conference later whether acrimony between President Donald Trump and Pelosi could get in the way of ratification in Washington, Pence said that “The president and I are absolutely determined to work with rank and file in Congress and the leadership to move the USMCA forward.”

But Dwight Evans, a Pennsylvania Democrat, said he believes Congress will eventually resolve their differences and pass the agreement. Still, he warned against rushing the timeline of a process that Pelosi controls and has used as a negotiating tool in the past. “You are not going to jam Nancy Pelosi,” Evans said.

Trade Deal

The U.S., Canada and Mexico signed the new trade deal in November after a year of negotiations behind closed doors to hammer out the pact. The Trump administration notified Congress at the end of January that it would need to modify several U.S. laws to make good on proposed changes on auto-content rules and other issues in the agreement.

The notice presented by the White House to Congress outlines U.S. legal obligations that are required by the USMCA.

Trump is pursuing approval of the deal under so-called fast-track authority, which enables him to seek a straight yes-or-not vote in exchange for clearing certain procedural hurdles.

House Democrats have raised a number of areas where they would like to see changes, including to provisions governing labor, the environment and pharmaceuticals. In a step viewed as positive, Pelosi his month created working groups to negotiate with the administration and the removal of U.S. steel and aluminum tariffs on Canada and Mexico this month also cleared a hurdle for lawmakers of both parties.

The U.S. Trade Representative’s Office didn’t respond to a request for comment.

In 2008, President George W. Bush tried to force Pelosi to schedule a vote on the U.S.-Colombia free trade agreement by sending the deal to the House without her permission. Pelosi engineered a change in House rules to prevent a fast track vote and stall the agreement for years.

Source: sourcingjournal.com- May 30, 2019

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China accuses US of 'economic terrorism'

Threatens to stop export of rare-earth metals used in Apple's iPhones & hi-tech missile systems

In a major escalation of the US-China trade war, Beijing on Thursday accused the US of following "naked economic terrorism" and threatened to the stop export of rare-earth metals, a key resource for Apple's iPhones and hi-tech missile guidance systems, to America.

The world's two largest economies are engaged in a trade war after talks to resolve the issue between them apparently failed, with US President Donald Trump putting a ban on Huawei, the China's biggest telecom equipment manufacturer, and threatening to slap additional tariffs on the remaining $300 billion worth of Chinese exports.

In the sharpest attack yet on the US since the beginning of the trade war, China's Vice-Foreign Minister Zhang Hanhui accused Washington of indulging in "naked economic terrorism".

"We are against the trade war, but we are not afraid of it," Zhang said while briefing media on Chinese President Xi Jinping's trip to Russia next week. The premeditated instigation of a trade conflict is economic chauvinism and economic bullying, he said.
Global economy

Both the US and China have already imposed tariffs worth billions of dollars on export of products sparking fears that the conflict between them could damage the global economy.

Trump, who kicked off the trade war last year, demanded China to reduce the massive trade deficit which has climbed to over $539 billion last year. He insisted Beijing for verifiable measures for protection of intellectual property rights (IPR), technology transfer and more access to American goods to the Chinese market.

The US has imposed a tariff on $200 billion Chinese products while Beijing increased tariff on $60 billion US products, which will take effect from Saturday.

Underling that there is no winner in a trade war, Zhang said, “This trade conflict will also have a serious negative impact on the development and revival of the global economy”.

Meanwhile, in a separate briefing, China’s Commerce Ministry spokesperson, Gao Feng, said “Beijing will not allow any countries to use rare-earth materials to make products that will suppress China’s development”.

When asked if China will stop exporting rare-earth materials to the US, Gao said China has been the world’s largest supplier of rare-earth materials and always been keen to meet the demand of its trade partners to promote the rare-earth industry.

Asked whether China would take certain actions against Apple Inc following the US’s restrictions on Huawei’s business operations, Gao said the legitimate rights and interests of all foreign enterprises in China will be protected.

Rare-earth metals

Gao’s comments on rare-earth metals came after persistent reports in the state-run media that China would stop exports of rare-earth materials which could affect production of touch phones to guided missiles in the US.

With 23 per cent of the world’s rare-earth deposits, China currently is the largest exporter of rare-earth materials made up of a group of 17 elements. China’s exports about 71 per cent of the metals around the world.

The global deposit reserves are estimated at 120 million tonnes. Rare-earth metals are extracted from the earth’s crust. They are costly as refining and extracting them in commercially viable quantities are expensive besides environmentally hazardous.

Source: thehindubusinessline.com- May 30, 2019

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US Goods-Trade Gap Widens for Second Month to Highest This Year

The U.S. merchandise-trade deficit widened for a second month to the highest level since a record in December as exports dipped.

The goods-trade gap grew to $72.1 billion in April from $71.9 billion the month earlier, according to Commerce Department figures Thursday, slightly undershooting economist estimates for an increase in the deficit to $72.7 billion.

The figures precede this month's escalation of the U.S.-China trade as President Donald Trump increased tariffs on goods from the Asian nation. The U.S. is also threatening to add levies on most remaining imports from China. In prior rounds of tariffs, companies had front-loaded purchases and bulked up inventories, which helped buoy growth in prior quarters but may drag on the economy later in the year.

Key Insights

The widening trade gap is the latest indication that Trump's tariff war with China is weighing on business decisions. Foreign purchasers may also be balking at U.S. exports due to the strong dollar, while Chinese buyers could be continuing to pare shipments from America.

Separate government data Thursday showed net exports and inventory accumulation added a combined 1.56 percentage point to the pace of gross domestic product growth in the first quarter, revised from a 1.68 percentage point-gain in the initial GDP report released last month.

The 4.2 percent monthly decline in exports reflected broad-based drops across industrial supplies, capital goods, vehicles and consumer goods. A 2.7 percent decrease in imports was led by capital goods, vehicles, and industrial supplies.

Source: sourcingjournal.com- May 30, 2019

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US Q1 jeans imports down five per cent

US' jeans imports grew 5.82 per cent in the first quarter of the year. However, China's denim apparel shipments to the US declined 2.2 per cent. China's recent downward pattern as a dominant apparel supplier to the US, accelerated by the tariff-based trade dispute with the US and higher costs of production in the country, has left room for several countries and regions to boost their market share. Sample this, PVH sources less than 20 per cent of its denim requirements from China.

Three years ago, it was more than 40 per cent. G-III Apparel sources roughly 61.5 per cent of its purchases from China. That number is down from 65.1 per cent in fiscal 2018 and 72 per cent in fiscal 2017.

Mexico's denim shipments to the US jumped 15.09 per cent in the quarter, while shipments from Nicaragua grew 21.54 per cent. Shipments from Vietnam jumped 30.24 per cent and Indonesia's shipments increased 14.89 per cent.

Shipments from Bangladesh fell 1.24 per cent. Pakistan's shipments were down 0.85 per cent and Cambodia's dropped 11.71 per cent.

Shipments of denim apparel from Egypt rose 4.23 per cent in the quarter while Lesotho's shipments fell 24.78 per cent. Overall, jean shipments from sub-Saharan countries were up nine per cent.

Source: fashionatingworld.com- May 30, 2019

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Japan announces $1.2 billion aid to Bangladesh

The assistance, announced on Wednesday during a visit by Prime Minister Sheikh Hasina, also will go to Japanese companies doing business in Bangladesh and will support efforts to boost energy efficiency throughout Bangladesh, the foreign ministry said in a statement.

Hasina, who is beginning a third consecutive five-year term, expressed thanks to Prime Minister Shinzo Abe following a signing ceremony at his official residence in Tokyo, reported Japan Today. She told reporters she welcomed Abe's promise that "Japan will stand by Bangladesh" as her nation seeks to join the developed world by 2041.

Abe said the leaders had "a meaningful exchange" on various issues, including Hasina's continued support for Japan's opposition to North Korea's nuclear weapons program. Bangladesh and Japan also reiterated their agreement to work together against terrorism, Abe added.

Promoting trade between Japan and Bangladesh is important for both sides, with Bangladesh importing mostly steel, autos and machinery from Japan, and Japan importing clothing products and jute.

Japanese imports from Bangladesh have quadrupled compared to 2009 levels. Japanese companies setting up shop in Bangladesh are also growing, mostly in textiles and manufacturing. Japan has welcomed Bangladesh's support for its wish to become a permanent member of the UN Security Council, as well as for its position on nuclear weapons.

Japan has been wary of what it sees as security and economic threats from neighbouring China and has been courting other nations in Asia as well as the US and Europe.

This week alone, Abe is meeting with leaders of the Philippines, Cambodia, Malaysia, Vietnam, Singapore and Laos in addition to Bangladesh. He just finished hosting a four-day visit by US President Donald Trump, which ended on Tuesday.

Source: indiablooms.com- May 30, 2019

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Bangladesh import of African cotton on the rise

Africa has become the largest source of cotton for Bangladesh. Last year, Bangladesh imported 37.06 per cent of its requirement of the white fiber from East and West African countries.

At the same time, 11.35 per cent of the cotton came from the Commonwealth of Independent States, 11.14 per cent from the US, 4.65 per cent from Australia and 9.65 per cent from the rest of the world.

In Africa, there are three cotton zones: East Africa, West Africa, and Central Africa. These are well known for high-quality and long staple length. Bangladesh's cotton imports will continue to be commensurate with the expansion in spinning.

Last year, Bangladesh imported 8.28 million bales of cotton. In dollar terms, the imports are worth three billion dollars. The country produced 1.65 lakh bales of cotton last fiscal year, which is less than three per cent of the country's annual demand for 10 million bales.

The hope is to produce 2.5 lakh bales of cotton by 2021, which will meet nearly seven per cent of the local consumption.

Cotton has helped farmers in Bangladesh cultivate land which used to previously stay fallow due to lack of irrigation facilities. Cotton imports are proving to be a major drain on foreign exchange reserves in Bangladesh.

Source: fashionatingworld.com- May 30, 2019

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Exclusion of Turkey and India from GSP Could Bring New Sourcing Problems

A great deal of attention has been paid to the issues surrounding the Trump administration's move to impose up to an additional 25 percent higher tariff on certain goods entering the United States from China.

Finding new sourcing partners for textiles created within a particular region or relying on the craftsmanship for which a certain country is known could prove increasingly difficult.

On May 16, the United States declared Turkey, a source for silk, ineligible to continue as a Generalized System of Preferences trade partner. In March, U.S. Trade Representative Robert Lighthizer explained that Turkey had evolved into a nation that is "sufficiently economically developed and should no longer benefit from preferential market access to the United States market."

During 2017, U.S. trade with Turkey totaled an estimated $24 billion, with exports totaling $12.7 billion and imports $11.2 billion. In 2018, the U.S. saw its imports of Turkish apparel and textiles increase to $1.7 billion compared to $1.5 billion the previous year.

The United States is also considering removing India—a provider of handloomed cotton goods and supplies—from the list of eligible GSP countries. The U.S. trade agency on March 4 said, "India's termination from GSP follows its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors."

In 2018, according to the U.S. trade office, trade with India totaled an estimated $142.1 billion, with $58.9 billion in exports—including $329 million in U.S. cotton—and $83.2 billion in imports.

India is a major supplier of apparel and textiles to the United States. In 2018, companies imported $7.7 billion in apparel textiles from that country, up from $7.4 billion the previous year.

"For a lot of the brands and retailers, they are sourcing GSP products of all kinds," said Julie Hughes, president of the Washington, D.C.–based U.S.

Fashion Industry Association. “We have to be concerned on all fronts regarding our direction on trade policy. I am always concerned when there is unpredictability and disruption to the supply chains of what that impact will be.”

Since 1976, GSP has offered duty-free preferences on thousands of items imported into the United States from developing countries. While many finished apparel products are not included on the GSP list, fibers used to make clothing such as certain silks and handloomed cotton have been considered eligible.

Tariffs along the supply chain

While the tariffs on silk from China have increased, Turkey is also known as a source for the fiber. Following the elimination of Turkey’s GSP status, tariffs have now been placed on certain garments and fabrics produced from silk.

For Pınar Tasdelen Engin, Turkey’s president of the Uludag Textile Exporters Association, the country’s removal from the GSP list will not largely influence the trade relationship between the two nations.

“Only 3 percent of the total textile exports of Turkey to the United States are part of the Generalized System of Preferences. Additionally, a very small portion of our ready-to-wear exports to the U.S. are also included in the GSP product lists,” she said.

“On the other hand, the decision to remove Turkey from the Generalized System of Preferences is inconsistent with the trade-volume target of $75 billion announced by both countries,” she said.

The United States’ decision regarding tariffs on Chinese textiles and possibly apparel has left many in the apparel industry searching for alternate sourcing partners. Countries such as Turkey and India, which could potentially provide alternatives to U.S. importers, are now facing their own restrictions.

“We’ve been lulled into a false sense of security that we try not to worry about,” said Tom Gould, senior director, customs and international trade at the international law firm Sandler, Travis & Rosenberg. “There are specific things that we get out of Turkey. There are specific things that we get out of India."

These two countries are now at risk of having goods incur additional costs once imported into the United States. Apparel and textile importers should start examining alternatives to all of their partners due to the potential of additional trade problems with other countries. Gould recommends stateside businesses diversify their sourcing options.

"Companies that have been buying those items from those places for years have never considered alternate sourcing," he said. "That is what people should be doing right now. They should be looking at their products and ask themselves what they are going to do if they can't source it."

In addition to building a more varied pool of sourcing partners, companies in the United States should take a more active role in engagement during the process by which the government is making important trade decisions, according to Hughes.

"This is the time for engagement from companies. They may not have the time nor want to be involved in Washington—it can be difficult and intimidating," she said. "We are asking them to sign letters, come to Washington, file statements, write and call members of Congress, and stay in touch with the administration on the impact. It's essential on all of these issues."

Feeling the effects stateside

Because there is still a tariff exemption on handloomed cotton goods from India, Smita Paul, founder of the Oakland, Cal-if.–based Indigo Handloom, has been able to offset a bit of the costs associated with making her wholesale and private-label handloomed apparel, scarves and fabrics in India.

While she understands that trade should be mutually beneficial, she believes the sudden threat of imposing greater tariffs on goods made in a certain region is detrimental to U.S. businesses.

"There is no one handlooming in the U.S. on a commercial basis that I know of who could do the type of volume that India can do," Paul explained. "I understand the need to protect your own industry, but there is no handloom industry in the United States. This is hurting people for no reason."

With her 15-year-old handloom business comprising 80 percent finished goods and 20 percent fabrics, Paul has seen the demand for higher-quality products grow, but more tariffs will mean greater costs along the supply chain.

That means clients buying her goods on a wholesale basis will be forced to pass on the higher prices to their retail customers.

"Their products are now being taxed at a significant rate that they haven't been in the past," said Gould. "They are going to have to incorporate that into their budget and design calculations."

Over the last few years, Paul has seen an increase in the demand for natural fibers, and she believes that growth with partners who rely on direct-to-consumer business models will thrive despite tariffs.

"We have new customers who came on in the last year and it's because handloom is out there enough that people recognize there is something different about that fabric. There is a movement to wear natural fibers and a craving for something authentic," she said. "Older people have the memory of cotton and are asking for it while younger people are attracted to the mission."

The relationship between Turkey and the United States will remain strong, according to Tasdelen Engin, but she would like to see a commitment to achieve goals previously agreed upon by the two nations.

"The removal of Turkey from the GSP does not comply with our endeavors to achieve 75 billion U.S. dollar bilateral trade volume. The decision will also negatively affect manufacturers," she said. "We still would like to pursue our target of increasing our bilateral trade with the U.S. that we see as our strategic partner without losing any momentum."

Source: apparelnews.net- May 30, 2019

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Vietnam's garment export up 10.3 pct in 5 months

Vietnam reaped nearly 12.1 billion U.S. dollars from exporting garments and textiles in the first five months of this year, posting a year-on-year rise of 10.3 percent, according to its Ministry of Industry and Trade on Thursday.

Specifically, the turnovers of Vietnamese garments and textiles exported to the Association of Southeast Asian Nations (ASEAN) climbed up 31.6 percent, to South Korea up 16.3 percent, to the United States up 9.8 percent, and to Japan up 6.5 percent.

In May alone, the garment and textile export turnovers stood at 2.6 billion U.S. dollars, gaining a year-on-year increase of 10.8 percent.

Total export turnovers of the local garment and textile industry may reach 40 billion U.S. dollars in 2019, forecast the Vietnam Textile and Apparel Association.

Vietnam, among the world's five biggest exporters and producers of garments and textiles, made garment and textile export turnovers of over 30.4 billion U.S. dollars in 2018, up 16.6 percent from 2017.

However, Vietnam had to spend more than 12.9 billion U.S. dollars importing cloth last year, up 13.5 percent, the association said, noting that most of local cloth has yet to satisfy quality requirements of the country's key garment export markets.

Source: xinhuanet.com - May 30, 2019

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China to declare 313 Pakistani products 'duty-free': Razzak Dawood

A high level duo lead by Dr. Firdous Ashiq Awan presiding over proceedings addressing a press conference today, Thursday announced that 313 Pakistani products will be declared 'duty-free' by China, ARY News reported.

A press conference conducted by Special Assistant to the Prime Minister for Information and Broadcasting Dr. Firdous Ashiq Awan and Advisor to Prime Minister on commerce Abdul Razak Dawood in a press briefing expressed happiness on the successful arrival of stranded Pakistani prisoners in Malaysia.

315 prisoners of Pakistani descent were freed from Malaysian prison after completion of their jail terms.

Taking over proceedings Dawood expanded on trade and business related matters of the State, saying: There has been a lot of talk about our export's suffering and people question related to our export figures quite often, I would like to clear the air on our exports."

"We must take a look at the global trade, global trade has suffered a 3 percent decline due to the US-China 'trade war', due to global trade decline our primary target markets have reduced prices on the products we are importing, prices have been reduced up to 7.2%."

Adding further, Dawood said that there is no significant change in the export figures from last year, "where global trade has suffered a 3% deficit Pakistan has maintained it's export figures to that of last year which is a positive indication, a reasonably good performance."

Continuing on Dawood counted the quantum increase in export items quoting increments in the garments and textile sector.

"Our trade imports have decreased by $4 billion which is an indicator that Pakistan is moving towards self reliance and our trade gap is closing."

The commerce advisor expressed hope that the upcoming year will yield even better trade results for the country if market access is provided to the businessman.

Shedding light on the Free Trade Agreement (FTA) with China, Dawood said that they have added an additional clause to the agreement empowering Pakistan to reserve the right that if Pakistan's industry suffers due to China then Pakistan can take 'safeguard measures' which consist of short and long-term measures.

"A business delegation from Pakistan is heading to China on June 17, and I myself will go to China in July and then a major delegation will embark towards China in November," revealed Dawood.

We aim to bring investments from China and increase our exports to China.

Answering a question related to the Judiciary Awan opined, "The Supreme Judicial Council (SJC) has noticed attorney general of Pakistan for June 14 along with other stakeholders, due to binding law of the SJC demanding secrecy an in-camera briefing is held and till the SJC does not set terms and priorities pertaining to the verdict and gives us clear instructions, we are lawfully bound to not share that information with the media."

Awan announced that the Minister for Law will hold a briefing on whatever decision is undertaken by the SJC.

Source: arynews.tv- May 30, 2019

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Pakistan: No way but to withdraw zero rating, textile sector told

The government has decided to withdraw zero rating for export industry (textile, leather, carpet, surgical, and sports) arguing that it has committed with the IMF to reverse this facility.

The economic team has told textile industry representatives in plain words that under IMF commitment and to achieve the target of Rs5.5 trillion, it is not possible to extended the zero rating to the export industry.

However, Adviser to PM on Commerce, Textile, Industries and Production and Investment Razak Dawood kept on advocating for the industry arguing withdrawal of zero rating SRO does not make the sense. Razak Dawood also suggested that the government should make a statement in the upcoming budget that SRO 1125 would be modified to ensure that there is no tax evasion but certainly not state that zero rating would be withdrawn.

The government wants to collect Rs600 billion, a representative of the industry responded, from the textile industry in the head of sales tax to show case before IMF the improved revenue outlook on way to achieving the target of Rs5.5 trillion, but this step will choke the export industry. The 70 percent export industry that is in Punjab will die down as it is already facing the huge liquidity issue as the FBR has already failed to pay back the huge refunds to the industry and under the new decision.

This was crux of the day-long marathon meetings of high-level delegation of All Pakistan Textile Association (APTMA) with government economic team in the Finance Ministry held on May 28, 2019. The morning session continued for two hours till May 11.30 and the two hours long second session held from 4.3- to 6.30 pm.

According to the minutes of the May 28 meetings exclusively available with The News, a govt team member informed the meeting saying that the government has decided to withdraw the zero rating SRO 1125 as it has been committed with the IMF. He went on to elaborate that despite domestic sales of textiles of over Rs2 trillion only Rs10 billion was collected as sales tax and that this situation could not continue.

A minister backed the member's stance, saying that the pulling out of zero rating would also help FBR meet the IMF set target of additional collection of Rs1.5 trillion in the upcoming financial year.

However, Razak Dawood acknowledged, the copy of the minutes says, the extraordinary progress in quantity terms logged by the textile sector and stated that he was not in favour of withdrawing zero rating as that such a move would have disastrous consequences. He stated that collection and then refund of over Rs600 billion for the sake of recovering just Rs30 to Rs40 billion of sales tax on domestic sales while incurring additional costs of over Rs150 billion just did not make sense.

The industry representatives explained to the meeting that the total production value of these sectors is $18 billion out of which 70 percent or $13 billion equivalent is exported. Domestic sales are worth only $5 billion on which total tax for 2019/ 2020 at an exchange rate of Rs150 would be Rs37 billion for which enforcement is needed at the retail stage.

"FBR should not withdraw zero rating and make export sector deposit Rs600 billion just because FBR cannot implement and monitor sales tax on domestic sales of Rs37 billion at the retail stage. Last year the total sales tax collection from retail was Rs10 billion at exchange rate of Rs110/ dollar whereas the liability of $5 billion domestic equivalent was Rs27 billion."

He clearly said that industry simply did not have liquidity of Rs600 billion to pay the sales tax and then await payment of refunds. The refund cycle with best of intents would take 6-8 months. The textile representative argued saying that the track record of the government whether Finance, FBR or State Bank was extremely negative as far as refunds are concerned which have been delayed by many months and even years in certain cases. He clearly warned the government saying under the current circumstances industry would collapse if further liquidity is mopped up by the government.

The story does not stop here as the cost of doing business would increase by Rs150 billion per annum for the textile sector destroying Pakistan's hard won competitiveness through rational energy pricing. Industry further elaborated that even at present the obtaining of sales tax refunds from FBR entailed an additional 4 percent unjustified expense.

"The current upward trend of production would be lost and that exports would decrease by more than $3 billion in the coming 9 months should the government persists on withdrawing of zero rated regime. So much so the investment of $5 billion currently in the pipeline would vanish."

With the decision to withdraw the zero rating SRO, he told the government that more than 2 million jobs of directly employed workers would be at risk saying that it would result the extremely negative consequences for the country's Balance of Payments.

Source: thenews.com.pk- May 30, 2019

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Pakistan: Govt unlikely to achieve export target for FY19: Dawood

The government is unlikely to achieve the export target set for current fiscal year despite massive devaluation of the local currency, Adviser to Prime Minister on Commerce Abdul Razak Dawood said on Thursday.

He said that his earlier projections of $27-28 billion exports were unrealistic despite government's efforts including the release of massive subsidies to various sectors.

"Now, I think that even my realistic figure of $25bn is not achievable", he said in an answer to a question at the press briefing.

The country's export proceeds during July-April decreased by 0.12 per cent to 19.169bn despite a 19pc decline in local currency.

Dawood went on to say that exports are expected to decline further in the coming months.

The adviser had earlier criticised the PML-N government for their failure to increase exports.

He added that export performance can be measured from three indicators — growth in dollar terms, rupee terms and quantity.

He said that export proceeds in dollar terms remained static while adding that “I don’t consider the growth in terms of rupee in exports proceeds.”

He also blamed the global slowdown for the country’s abysmal exports claiming that global trade decelerated by 3pc while the price of commodities also fell by over 7pc amid trade war between China and US.

“These factors are responsible for the static growth in exports”, the adviser added.

However, he said that he is optimistic for the next fiscal year and hoped that exports will pick up.

He said exports in the value-added sectors have been on a positive trend whereas yarn exports fell during the period under review showing the changing direction of exports.

The government has also been providing subsidies on exports of value-added textile products at a higher rate in addition to providing lower subsidies on low value-added textile products.

The previous government has reversed the textile policy of the PPP government which only allowed benefits to the value-added sectors to generate employment opportunities in the country.

However, the PML-N government did away with PPP’s policy and allowed subsidy on low-value added textile products as well.

Furthermore, the incumbent government also continued the policy of PML-N of allowing subsidies to both value-added sectors along with low value-added textile sectors.

Dawood said that providing market access to businessmen and industrialists plays a pivotal role in increasing exports and we have made huge strides towards achieving that goal.

On the issue of pending refunds with the Federal Board of Revenue (FBR), adviser said that he has held several meetings with tax officials.

When asked whether he will support the continuation of zero-rating to five sectors, he remarked that he supports strategies that promote exports but added that the FBR wants to restore full sales tax on the local supply of textile and other four sectors in the domestic market.

He said the issue of zero-rating was also taken up with the International Monetary Fund (IMF) during the negotiations but both government and IMF officials could not take come to an agreement on the matter.

The adviser emphasised the need for increasing tax revenues in the country and added that the incumbent government had taken right decisions to collect due taxes from all individuals including industrialists.

“We can’t prosper until we pay our due taxes”, Dawood advised his peers in the business sector.

“Until our wealthy people pay their taxes, the tax-to-GDP ratio will remain worse”, he added.

Source: dawn.com - May 31, 2019

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India to lose preferential trade terms with U.S. under Generalized System of Preferences programme

Donald Trump had written to the U.S. Congress on March 4 stating his intention to withdraw GSP benefits for India, saying India had failed to assure the U.S. that it would provide ‘equitable and reasonable access to the markets of India’

India will lose access to preferential trade terms with the U.S. under the latter’s Generalized System of Preferences (GSP) programme, a Senior State Department official told reporters in Washington DC on Thursday.

The official, who did not want to be named, said the restoration of benefits remained a possibility if underlying trade issues were resolved, but the withdrawal of India’s GSP eligibility, was “a done deal”.

“…The persistent market access issues, which we were engaged with … our Indian counterparts over the last year [sic], led us to announce in March that we would be suspending or withdrawing us India's benefits under the generalized system preferences program…I think that suspension is a done deal.”

U.S. President Donald Trump had written to the U.S. Congress on March 4 stating his intention to withdraw GSP benefits for India, saying India had failed to assure the U.S. that it would provide “equitable and reasonable access to the markets of India”.

Mr. Trump had issued a similar notification for Turkey as well, on the same day, because Turkey was economically developed enough to no longer warrant it getting GSP benefits.

Now that the statutory 60-day notification has passed since Mr. Trump’s notification, GSP can and is expected to be terminated via a Presidential proclamation imminently. Mr. Trump terminated Turkey’s GSP program effective May 17.

U.S. lawmakers had written to the administration since Mr. Trump's March announcement, asking that a final decision on GSP be put on hold until the Indian elections concluded. Twenty-five lawmakers wrote to the administration in May to request that GSP benefits not be cancelled as it would represent "a step back, not forward" and would harm U.S. companies. The lawmakers had urged further negotiations with the Indian side.

Indian exports to the U.S. worth $ 5.6 billion are covered by GSP, although India gets only $ 190 million in tariff savings. Nevertheless, the program impacts crucial Indian sectors including textiles, leather, engineering goods, gems and jewellery.

"...That doesn't rule out in the future being able to - you achieve the reforms and the market access that we need under this program - to restore [India's GSP] benefits. But I think we need to be looking forward at how do we relaunch an ambitious set of discussions between our trade teams in order to address these outstanding irritants," the State Department official said.

Trade irritants

A number of trade irritants have rankled the bilateral relationship. The U.S. has had concerns over access to India's dairy and medical devices market. On top of this, Indian tariffs in ICT have been an issue for the U.S. India's policies on data localisation and FDI in India's e-commerce space have caused the trade relationship to go downhill. For India, being placed on a list of countries whose aluminium and steel were taxed by the U.S. in 2018 was an issue. India has also had concerns the U.S. tightening its policies around the H1B skilled worker visa program.

"While we recognise that there are legitimate security and privacy and law enforcement issues related to data protection, we're looking at nearly 8% of India's GDP, about $160 billion [that] is associated with IT firms who depend upon the free flow of data," the official said. "So we don't want to see market access barriers to US firms in India when Indian companies currently enjoy largely unfettered access to US markets."

The official however, also talked at length about the positive aspects of the Indo-US relationship including in the trade dimension, where U.S. exports to India, as per the official, had increased by 28% last year and India had exported $ 3 billion in U.S. crude and contracted to import $ 2 billion in liquified natural gas per year.

“I anticipate a very positive trajectory as we move forward,” the official said.

Source: thehindu.com- May 30, 2019

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India faces difficult trade test amid US-China row, rising protectionism

India’s trade policy is going through a flux and the Narendra Modi government in its second innings in office needs to take bold and assertive steps. India’s merchandise exports have been hovering around $300 billion for last five to six years and have not been able to give a boost to economic growth.

Despite China moving out of low-value manufacturing, India has not been able to capture that space. With intensifying trade war between the US and China, and rising protectionism, India’s preparedness and competitiveness in the world market will be further tested in coming days.

Negotiations for the 16-member Regional Comprehensive Economic Partnership (RCEP) trade deal is entering its final leg with pressure to conclude negotiations by the year-end.

India, so far, has been a reluctant participant, with the industry bodies opposing the trade deal. The Modi administration has an unenviable task of negotiating a deal that is balanced and does not go against the long term interest of Indian industry.

India also has to quickly finalize its national e-commerce policy, including taking a stand on contentious issues such as data localization and source code sharing while keeping a closer watch on the ongoing negotiations on e-commerce by 76 members of the World Trade Organization (WTO) including the European Union, US, Japan and China.

India has opposed the move to set e-commerce rules outside the ambit of WTO and has insisted that the current multilateral programme on e-commerce under WTO should be taken to its logical conclusion.

While the US-China trade war opens up an opportunity for India to boost its exports of electrical and chemical items to the US, boosting domestic production in the short run and competition from other well-oiled economies is a challenge. Dumping of steel and aluminium items by China in India as its exporters face the hit in the US may further strain the domestic metal sector. India's burgeoning trade deficit with China at over $60 billion has already become a policy challenge for the economy.

A high-level advisory group set up by the commerce ministry has advocated reducing India's overall tariffs to benefit from the US-China trade war. "A knee-jerk, tit-for-tat approach on tariffs may not be the soundest one to pursue without greater examination if India faces greater tariffs. It would not be sensible for India to raise tariffs in a US-China trade war. In fact, reducing own tariffs would be a wiser step," the report said. India's average tariff is 13.8%.

The panel said that after gradually reducing customs tariffs for two decades, India's average tariffs were increased in 2017. "This was followed by a further tariff increase, both as announced in the Union Budget 2018-19 and later again in 2018. This trend needs to be arrested and reversed, with a return to a strategy of generally lower and simplified tariffs to improve the ability of Indian exporters to link up with rapidly evolving global value chains," it added.

It recommended that India's upper range of tariffs and the number of tariff rates should be reduced over a five-year period. "The so-called nuisance tariffs (up to 2-3%) should be reduced to zero over a three-year period. In certain, very limited number of cases, particularly new technology products, basic customs duties may need to be temporarily increased to provide domestic industry with a pre-announced specified time to become competitive, and the tariff rates decreasing each year towards a lower rate before the increase," the report said.

India's trade relationship with the US under the Trump administration has deteriorated . The US has refused to grant a waiver to India on its duty hikes on aluminium and steel products on national security grounds. India has retaliated by proposing to hike duties on 29 products imported from the US but has time and again postponed its implementation. The US has also dragged India to the WTO challenging its export subsidies regime. Trump has also decided to withdraw duty-free benefits to Indian exporters, but has held back, waiting for an Indian government to take charge in New Delhi.

To make its subsidy regime WTO compliant, the commerce ministry is preparing for a new export promotion scheme along with a production based support scheme as part of its 100-day action plan for the second innings of Narendra Modi government.

Source: livemint.com- May 30, 2019

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There's no reciprocation in RCEP

While the new government gets down to work, it needs to take a hard look at the proposed Regional Comprehensive Economic Partnership (RCEP) agreement. This is a free trade agreement (FTA) that could nullify all the gains made by the goods and services tax (GST).

RCEP is an FTA involving the 10 Asean (Association of Southeast Asian Nations) member states and Asean's six FTA partners that include India. It involves nearly 40% of the entire global trade spread over a geography that contributes 35% of global GDP.

An FTA, in its simplest sense, means that subject to fulfilment of the rules of origin that establish the nationality of a product, preferential rates of duty are extended to an item when imported from the country to another with which there is such an agreement.

For instance, in terms of the India-Asean FTA, for TV sets of various screen sizes up to 105cm, the basic Customs duty is nil, opposed to 10% when imported from elsewhere. So, it's little surprise that nearly 40% of all imports from Asean countries are under FTA.

But then, why would anybody want to manufacture in India when we can import the same product under FTA at reduced or zero rates of duties? Set-top boxes, earlier manufactured in India, are now almost entirely imported under FTA. Apart from the obvious loss of revenue across goods and sectors, it also results in loss of manufacturing and jobs in India.

So, why does India enter into FTAs? In the fond hope that just as foreign manufacturers exploit the preferential market access and enter the vast Indian market, the Indian exporter, too, would do so in markets elsewhere. But policymakers constantly brush aside the fact that while our reduction in import duties are substantial, the corresponding reduction in other countries is minimal — most rates of duties being already very low there.

Yet another logic given is that India needs to be in the global value chain (GVC). This argument, too, is specious and does no justice to India's economic strength and the sheer market size we offer. The external affairs ministry sees FTAs as triumphs of economic diplomacy while the commerce ministry views them as expanding the Indian exporter's scope.

No cost benefit analysis of the 16 existing FTAs has been undertaken — at least, it isn't available in the public domain. The closest we have is a NITI Aayog paper, 'A Note on Free Trade Agreements and Their Costs' (bit.do/eTKCC)', which, as the disclaimer makes amply clear, is a reflection of the authors' views, not that of the institution.

Any FTA is beneficial only for a developed trade partner. Which is why India's FTAs with South Asian countries has been beneficial for us. Given this background, one would have expected that India would have proceeded very cautiously before setting foot in an RCEP trap. However, since 2015, we have been actively participating in the negotiations. India already has independent FTAs with Asean, Japan and South Korea, and is actively pursuing similar agreements with Australia and New Zealand.

Even without a FTA, Chinese goods swamp Indian markets. Our dependence on them is such that China need not wage a war with India to hurt us — it just has to stop exporting goods to India for a month. It's not clear yet how China's tariff war with the US will play out. But Beijing desperately needs to have preferential access to markets such as India to keep China's economic engine purring. This is a major driving force behind RCEP.

India has a trade deficit with 11of the 16 countries in the proposed FTA, with China at about $50 billion being the highest. It is, from all accounts, making no headway in the one area we are strong in: services. Yet, we're pursuing RCEP.

Our exports need protection. As one badly FTA-singed manufacturer told me, our response should be cautious and the reduction in import duties done in a measured, calibrated manner. The auto sector is a classic example. If not for the tariff barriers India erected, Indian car manufacturers would not have become the powerhouse they are today. Exports will happen once the domestic sector is strong, never the other way around.

The previous government had tasked think tanks for their views on RCEP. These reports should now be made public so that industry associations can react and give their inputs. The new government should act fast and not get pushed into signing yet another FTA that only benefits others.

Source: economictimes.com- May 30, 2019

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India to host first-ever international cooperative trade fair in Oct

A first-ever thematic global fair will be organised here in October to promote cooperative-to-cooperative exchange of trade and technology and showcase India's products and services from the sector in the international market, officials said Thursday. The India International Cooperative Trade Fair (IICTF) will be hosted at Pragati Maidan from October 11-13. Additional Secretary (Economic Diplomacy & States) in the Ministry of External Affairs Manoj K Bharti announced about the fair in the presence of ambassadors, diplomats and representatives of various embassies here.

"This will be the first time that India will be hosting an international cooperative fair and we are expecting a large participation from various foreign countries. The purpose is to promote cooperative-to-cooperative trade, domestically and internationally and also showcase India's products and services from the sector to a global market," he said at an event held at the Jawaharlal Nehru Bhawan.

Sandeep Kumar Nayak, managing director of the National Cooperative Development Corporation, said the NCDC is organising the event with governments of Telangana and Haryana as prime state partners, besides IFFCO (Indian Farmers Fertiliser Cooperative Limited), Indian Potash Limited (IPL) and Amul (Anand Milk Union Limited) as cooperative sector partners. Narendra Modi is set to be sworn in as the prime minister for a successive second term in the evening, and he is expected to inaugurate the fair. "This event will allow various cooperatives from around the world to trade with each other directly, unlike in other fairs. India will be looking to get technology from other countries, from agriculture and food processing to other fields.

Besides, India will get an opportunity to sell its own products and services to foreign countries," Nayak said. The fair will also see exhibition and sales promotion, cooperative-to-cooperative meetings, business-to-business meetings, Incredible India exposition, thematic sessions and technology seminars.

Among the focus areas would be agriculture, dairy, fisheries, rubber, coconut, wine, technology and textiles, Nayak said. High Commissioner of Guyana David Goldwin Pollard, who attended the event, said, "Our country is officially called Cooperative Republic of Guyana, and we would like to explore opportunities to partner with India for this fair."

Bharti said the groundwork for organising this fair has been prepared for nearly a year. Nayak said two roadshows have already been held abroad to promote the show -- Bangkok in March and Ho Chi Minh City in April -- and another one will be done in Johannesburg in June.

Source: millenniumpost.in- May 30, 2019

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Govt must break out of the export stagnation trap

In an increasingly globalized world, foreign trade is an important contributor to economic growth. Unfortunately, India's merchandise trade has clocked slightly negative growth between 2011- 12 and 2017-18. The only silver lining was a better-than-average export performance in 2018-19.

The economy has grown at a healthy clip in the past eight years, but foreign trade growth rate has lagged behind gross domestic product (GDP) growth rate. Evidently, the contribution of trade to GDP has also reduced with every passing year. All these portend ill for the economy and may seriously slow down our growth, unless robust remedial steps are taken.

India's main export items comprise petroleum products, gems and jewellery, engineering products, pharmaceuticals, and textiles and clothing. Some of these products are labour-intensive but low-technology items, while the rest are medium-technology items with lower labour intensity. One of the imperatives for breaking out of the stagnation trap of exports would be to diversify into high-technology products, while enhancing the competitiveness of our existing export basket.

Moving into high-technology and high value-added items would require the acquisition of such technology. The short-term solution to this is to identify a few champion sectors and provide attractive incentives to transnational corporations, which own advanced technologies, to set up their manufacturing bases in India.

The long-term plan should be to invest significantly in research and development so that we could, eventually, be the owners of cutting-edge technology and one of the global industry leaders.

Obviously, because of the resource constraint in providing incentives, we will have to select only those sectors that are going to occupy a significant chunk of global trade over the next few decades.

Electronics, including medical instrumentation, is one such sector. New=technology storage batteries and renewable energy, and pharma and biosimilars could be the other two.

Let us take a quick glance at textiles and clothing, which provides the largest employment after agriculture. Our clothing sector suffers from a lack of scale. While export-oriented factories in China, Vietnam and Bangladesh employ more than 5,000 people under one roof, our largest factory barely reaches 5,000 workers. Obviously, when it comes to servicing large export orders, buyers look at our competitors.

The other factor is fragmentation and technological obsolescence of the sector, which is a major supply side constraint. With growing wages, China is relocating many garment factories involving low investments and technology to Vietnam and Cambodia (and to some extent Bangladesh).

However, for the time being it is retaining its more capital-intensive textile mills, which yield higher value addition, to supply fabrics to these countries.

This shift poses an opportunity for India to overcome its deficiencies. First, we need to undertake land and labour reforms in close collaboration with the states so that we can attain global standards of scale.

Second, we must radically modernize our textiles sector by providing incentives to our weaving mills to invest in modern shuttleless looms. A modification of the amended technology upgrade funds scheme could be very useful to attain this objective. Third, we need to enhance worker productivity by undertaking more training programmes.

Providing a larger ceiling to banks (especially public sector banks) for financing exports and providing appropriate instruments to reduce the risks are needed to present Indian exporters with a level playing field. More infrastructure such as roads, railways and ports can reduce transaction costs.

There are a plethora of procedures and clearances to be negotiated by an exporter to effect a shipment and to get his dues from the government. All these need a deep and objective look so that the processes could be streamlined and the extra burden on exporters removed.

Source: livemint.com- May 30, 2019

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CITI to submit 'White Paper' on textile & clothing industry to new Minister for policy support

The Confederation of Indian Textile Industry (CITI), which is the only apex industry chamber covering the entire spectrum of the Textile and Clothing (T&C) industry for both domestic and export markets will submit the 'White Paper' to the new Union Textile Minister to provide policy support to the textile and industry.

In a press statement, Chairman of CITI, Sanjay K Jain said "CITI will submit its detailed White Paper on T&C Industry to the new Union Textile Minister the moment the Government is formed and request the Government to provide the much needed policy support to the T&C Industry to not only achieve the revolutionary initiative of 'Make In India' of the Prime Minister Narendra Modi Ji but also to make Indian T&C Sector a US$ 350 billion Industry by 2024-25."

He stated that the last 5-year period has been a period of consolidation, policy disruptions and shaping up of a new India where many structural reforms took place in the Indian economy and also specifically in the T&C industry.

Jain opined that that T&C industry has gone through a phase of consolidation where exports stagnated, aggressive State policies directed investments and domestic demand was disturbed due to demonetisation, banking restructuring and implementation of Goods and Services Tax (GST).

Source: knnindia.co.in- May 30, 2019

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