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TEXTILE INTELLIGENCE CENTRE IBTEX
INFORMATION BUREAU TEXPROCIL

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USD 69.58| EUR 77.92 | GBP 87.93 | JPY 0.64

Cotton Market (31-05-2019)		
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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	USA: NCTO raises serious concerns over the administration's plan to impose tariffs on Mexico
2	US companies are in line of fire of tariffs aimed at Mexico
3	Chinese goods navigate alternate trade routes to US shores
4	Global cotton prices fall by 17 per cent
5	S. Korea's exports down for 6th straight month on slowing global growth
6	China's retaliatory tariffs on $60bn of US products kick in
7	Sri Lanka's central bank cuts interest rates by 50 bps to support its economy
8	German retail sector grows turnover by 4 pct in April
9	Bangladesh grows beyond garments to technology, PM Hasina says
10	Pakistan: Cotton yield drops three percent in five years

	NATIONAL NEWS
1	US says India's exit from duty-free import scheme is 'done deal'
2	List of Ministers in Narendra Modi's cabinet and their portfolios
3	Textiles sector happy Smriti Irani retains portfolio
4	Smriti Irani retains textiles Ministry, gains charge of woman & child development
5	Commerce Minister Goyal faces crucial negotiations on RCEP, trade deal with US
6	US companies want India to change its policy on e-commerce, IPRs
7	PM holds bilateral talks with BIMSTEC leaders; focus on boosting ties
8	India-China trade set to cross USD 100 billion this year: Senior Indian diplomat
9	Why India needs a reindustrialisation drive

INTERNATIONAL NEWS

USA: NCTO raises serious concerns over the administration's plan to impose tariffs on Mexico

Kim Glas, President & CEO of the National Council of Textile Organizations (NCTO), issued the following statement today in response to the administration's decision under the International Emergency Economic Powers Act to assess penalty duties on Mexico as an attempt to address the growing immigration dispute on the U.S. southern border.

The proposed 5% increase would begin on June 10 and incrementally increase to 25%, if the dispute is not resolved.

The magnitude of the trading relationship with Mexico is significant for the U.S. textile industry, representing $12.2 billion in two-way textile and apparel trade in 2018. The U.S. textile industry alone exported $4.7 billion in yarn and fabrics to Mexico last year and had a net export surplus of $3.8 billion.

As a result, Mexico is the single largest market for U.S.-made textile exports.

"We are very concerned about the impact these proposed tariffs would have on a critical and integrated supply chain for the U.S. and Mexico textile and apparel industries. Under the NAFTA agreement, the U.S. has benefited as a result of strong rules of origin that require the use of regional yarns and fabrics.

As a result, the U.S. industry has made significant investment—$22.8 billion from 2006 to 2017—to help grow the manufacturing of fiber, yarns, and fabrics in the United States. NCTO supports the passage of the pending U.S.-Mexico-Canada Agreement (USMCA) because it is a critical trade agreement that will strengthen the industry's supply chain representing approximately $20 billion in three-way trade," Glas said.

"Adding tariffs to Mexican apparel imports, which largely contain U.S. textile inputs, would significantly disrupt this industry and jeopardize jobs on both sides of the border," Glas said. "And as a result, it will accelerate substantially the immigration issues the administration's is seeking to address."

"In addition, this tariff increase would give a significant competitive advantage to China, which already accounts for about 38% of apparel and textile imports to the U.S." Glas added.

"In fact, if this increase goes forward it will drive business back to China at a time when the administration is trying to crack down on intellectual property abuses and make systemic trade reforms that have undermined U.S. manufacturing industries for decades. This proposal is extremely concerning to U.S. textile manufacturers and we will do all we can to amplify these concerns with the administration and members of Congress."

Mexico and Canada together are the U.S. textile industry's two largest export markets worldwide. In 2018, the U.S. ran a combined $3.8 billion surplus in textiles and apparel with those two North American Free Trade Agreement trading partners.

NCTO is a Washington, DC-based trade association that represents domestic textile manufacturers, including artificial and synthetic filament and fiber producers.

U.S. employment in the textile supply chain was 594,147 in 2018.

The value of shipments for U.S. textiles and apparel was $76.8 billion in 2018.

U.S. exports of fiber, textiles and apparel were $30.1 billion in 2018.

Capital expenditures for textile and apparel production totaled $2.0 billion in 2017, the last year for which data is available.

Source: textileworld.com- May 31, 2019

HOME

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US companies are in line of fire of tariffs aimed at Mexico

President Donald Trump's surprise threat to impose escalating tariffs on Mexican imports jolted industry leaders throughout the U.S. economy Friday, sparked opposition even from usual Trump allies and set the stage for American consumers to face higher prices.

It also sent stock markets tumbling, with the Dow Jones industrial average closing down roughly 355 points, or 1.4%. Investors poured money instead into the safety of bonds, sending yields lower and signaling that they fear the economy will slow in the coming months.

Trump vowed Thursday to slap a 5% tariff on all Mexican imports on June 10, just over a week away, and raise those tariffs to 25% by October, unless Mexico stops the flow of Central American migrants into the U.S.

If the tariffs were to take effect, they could eventually raise prices for a new Chevrolet Blazer SUV, a burrito at Chipotle, a new shirt or a Corona beer. A 5% duty on the $346.5 billion of goods imported from Mexico translates into $17 billion in tariffs. Some of that higher cost might be paid, at least initially, by U.S. companies. But a significant portion would likely be passed on to U.S. shoppers.

The impact of Trump's latest tariffs, should they be imposed, will fall first on U.S. companies. Businesses in many industries have set up tightly linked supply chains with Mexico.

Billions of dollars of auto parts, for example, are sent back and forth across the U.S.-Mexico border, in some cases several times, as components are added and integrated into finished cars. Similar networks exist in other industries, from clothing to electronics. The import taxes could quickly translate into much higher costs.

"That's what's so concerning about these tariffs," said John Mitchell, president of IPC, a trade group representing the electronics industry. "It undercuts the region's ability to leverage each other's strengths to benefit North American manufacturing."

Peter Navarro, a top trade adviser to the Trump White House, insisted in an interview on CNBC that the Mexican government and businesses would pay the tariffs. But about 40% of imports from Mexico are from U.S.-affiliated companies, meaning there is no Mexican company that would pay. Instead the tariffs will simply raise costs for U.S. companies — and ultimately for consumers — particularly for parts that cross the border several times, Mitchell said.

The U.S. economy has been integrating with Mexico's since the implementation of NAFTA in 1994. All U.S.-made cars now include at least some parts from overseas, and 37% of those parts are from Mexico.

"Any barrier to the flow of commerce across the U.S.-Mexico border will have a cascading effect — harming U.S. consumers, threatening American jobs and investment, curtailing the economic progress that the administration is working to re-ignite," said David Schwietert, interim president of the Auto Alliance trade group, which represents U.S. automakers and foreign companies that build cars in the United States, such as BMW and Toyota.

Shares of General Motors Co., which imports more vehicles into the U.S. than any other automaker, tumbled 4.25% Friday.

"For GM, we roughly estimate that a 5% tariff could be a several-hundred-million dollar annual earnings hit," said Itay Michaeli of Citi Investment Research.

The new tariffs came as a surprise for many companies because the Trump administration had just renewed its push to win congressional approval for the U.S.-Mexico-Canada trade agreement, its update to NAFTA.

Sen. Chuck Grassley, R-Iowa, a usual Trump ally and the chairman of the Senate Finance Committee, condemned the president's action as "a misuse of presidential tariff authority" that would burden American consumers and "seriously jeopardize passage of USMCA."

Some industry representatives said the duties would not encourage companies to return production to the U.S., as Trump has said he wants, but actually have the opposite effect: It will discourage them from relocating to the U.S. because they'd have to pay more for imported parts.

"If you can't buy your components here, you're not going to think about coming back here," Mitchell said.

Americans may also see higher prices in grocery stores. The U.S. imports $12 billion of fresh fruits and vegetables from Mexico, including tomatoes, avocados, peppers and lemons.

"This is a tax on healthy diets, plain and simple," said Lance Jungmeyer, president of the Fresh Produce Association of the Americas.

Jungmeyer noted that food imports from Mexico haven't been subject to tariffs for decades, and importers would have to file paperwork with Customs to pay duties. That can 10 days or more to process, potentially leaving many companies unable to import for a time after June 10.

"I've got to educate a whole range of people who haven't paid tariffs on Mexican produce since 1995," Jungmeyer said.

Many U.S. restaurant chains buy tomatoes and other fresh produce from Mexico. Laurie Schalow, an executive for Chipotle Mexican Grill, said the chain has sought to diversify its supplier base and now buys some avocados from Chile and Peru and is less dependent on Mexico. Still, the tariffs would hurt the company, Schalow said.

Trump has already imposed 25% tariffs on $250 billion of goods from China. The additional duties on Mexican imports could weaken the U.S. economy. Growth was already forecast to slip to a roughly 1.5% annual pace in the April-June quarter, down from 3.1% in the first three months of the year.

Gregory Daco, chief U.S. economist at Oxford Economics, estimates that if the full 25% duties on Mexican goods were put in place, U.S. growth next year would be cut by 0.7 percentage point.

The U.S. imports $2.4 billion of clothing and textiles from Mexico. Stephen Lamar, executive vice president of American Apparel and Footwear Association, said companies are already thinking about how to cut costs but will likely have to raise prices because their profit margins are so thin.

Mexico is the eighth-largest supplier of clothing and seventh-largest supplier of footwear to the U.S. market. It's the largest supplier of men's and boy's jeans, accounting for 35% of imports, according to the AAFA.

Shares of Kontoor Brands, which includes Wrangler and Lee, fell nearly 8%, while shares of Levi Strauss dropped 7%. Both companies obtain some of their denim from Mexico.

About 70% of imported beer is from Mexico, up from less than 20% in 1990, according to the National Beer Wholesalers Association. Shares of Constellation Brands, which makes Corona and Modelo beers, among others, fell nearly 6% Friday.

Jeremy Seaver, owner of Tios Mexican Cafe in Ann Arbor, Michigan, said the tariffs would hurt his business. He uses avocados from Mexico, serves Mexican tequila, beer and soda and sells Mexican hot sauces. Even his restaurant's decorations are all from Mexico, he said.

"I'm very concerned," he said. "Five percent (tariff) doesn't sound like a lot, but to a small business like mine, that's a lot."

Source: myplainview.com- May 31, 2019

HOME

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Chinese goods navigate alternate trade routes to US shores

Data shows increased flows via Vietnam and Mexico with origin disguised

Higher U.S. tariffs from the trade war with China are altering patterns of world trade as exporters use third countries to bypass the duties, data reveals.

Chinese exports to the U.S. tumbled by $15.2 billion, or 12%, in the January-March quarter of 2019 on a year-on-year basis.

But an analysis conducted by Nikkei showed that while exports of machinery, electrical equipment and some other products have shown particularly sharp declines, shipments of such goods from China to the U.S. via Vietnam, Taiwan and Mexico rose during the same period.

While there has been a spate of moves by companies to relocate production from China to other parts of the world in order to circumvent punitive U.S. import tariffs, there is a possibility that "roundabout exports" that involve faking the origin of products are also increasing.

Nikkei analyzed the movements of goods between the U.S., China and the rest of the world based on data from the U.S. International Trade Commission and the International Trade Centre.

Five key items which have suffered the biggest declines were analyzed: machinery and parts; electrical equipment and parts; furniture; toys; and automotive equipment and parts.

In the case when China's exports to the U.S. are classified in accordance with customs codes, the volume of products including machinery and parts, and electrical equipment and parts, slumped conspicuously.

In the first quarter of this year, exports of machinery and parts plunged by $5.77 billion from a year earlier, while exports of electrical equipment and parts plummeted by $4.46 billion year-on-year.

With the exception of toys, four of these five items have become subject to three rounds of punitive import tariffs imposed by the U.S. administration of President Donald Trump.

While exports of the five items from China to the U.S. between January and March declined by 16%, equivalent to a value of $12.2 billion, exports from China to developing countries and from developing countries to the U.S. have generally climbed. Exports via Vietnam, Taiwan and Mexico have increased particularly steeply.

In January-March 2019, exports of the five items from China to Vietnam rose by $1.5 billion, or 20%, while exports of the five items from Vietnam to the U.S. surged by $2.7 billion, or 58%.

In the same three-month period, exports of the five items from China to Taiwan increased by $1.4 billion, or 23%, while such exports from Taiwan to the U.S. expanded by $2.0 billion, or 31%.

Exports from China to the U.S. via Mexico also increased. Mexico's exports to the U.S. surpassed those of China to become the biggest source in March.

These developments come as companies with production bases in China are increasingly suspending or reducing direct exports to the U.S., while sending materials and parts to other Asian countries and Mexico, where they are made into finished products and then shipped to the U.S.

Taiwanese electronics manufacturing service provider Compal Electronics has moved some of its production of routers and desktop personal computers from China to Taiwan and Vietnam, said company President Martin Wong.

Brooks Sports, an American maker of running shoes, plans to relocate most of its manufacturing operations in China to Vietnam, according to press reports.

U.S. camera manufacturer GoPro is also planning to move production of goods destined for the U.S. from China to Mexico.

New construction and expansion of factories in Asia is also set to increase. Among Chinese companies, Shenzhen H&T Intelligent Control, a maker of electrical parts, and leading TV manufacturer CTLGroup have decided to construct production facilities in Vietnam.

Vietnam tends to attract Chinese companies for manufacturing operations because it is geographically close to China and has a relatively inexpensive labor force.

Indirect exports to the U.S. from China are also considered to be increasing, although specific data are unavailable. One logistics company in Shenzhen exports to the U.S. via Malaysia for 17,000 yuan ($2460) per large container, including overhead expenses, a company official told the Nikkei, adding that such roundabout-route exports were increasing.

Chinese companies could be shipping items to other Asian countries and repacking them there to disguise their place of origin.

The items exported from Vietnam to the U.S. that have increased sharply since the introduction of punitive tariffs include timber, textiles and a raft of other upstream goods. While this involves the shipment of raw materials, the place of origin can be more easily disguised on upstream items as they are less recognizable than finished products.

As a result of these changing trade flows, Asian countries are growing worries that the U.S. might take up the issue of roundabout exports with them. In September last year, the Vietnamese government confiscated 600 commercial speakers marked as "Made-in-China" which were scheduled for export to the U.S. "Made-in-Vietnam" seals were instead pasted onto their packages, according to local press reports.

Changes in trade structures involving the U.S., China and other Asian countries might alter further. The U.S. government plans to raise tariffs on $300 billion-worth of Chinese imports, including those in the high-technology sector, to 25%. If the fourth phase of punitive tariffs is implemented, the "production shift of such products as semiconductors to Asian countries will get into full swing," Koji Sako, a senior economist at Mizuho Research Institute, said.

The economic effects of potential productions shift are expected to differ among countries. Mizuho forecast that the move would benefit Asian nations, estimating that the growth of Vietnam's gross domestic product would rise by about 0.5 percentage points.

The U.S., meanwhile, might be able to avoid increased prices by importing alternative goods, but fail to cut back on its trade deficit. Trump's recent announcement about plans to impose additional tariffs on Mexican goods was in part due to the increased import volumes from Mexico.

It could be that China will end up the sole loser as production and employment flows change. With China's exports down 3% overall in April on the year, it will struggle to compensate by increasing them to Asia and other countries.

Source: asia.nikkei.com - May 31, 2019

HOME

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Global cotton prices fall by 17 per cent

Global cotton prices have fallen by 17 per cent. Another concern looming over cotton market is increased US production.

US output is forecast to jump 20 per cent in the year from August 2019 to next July 2020.

The US inventory of cotton at the end of July 2020 is expected to be up 38 per cent on the year.

From August 2018 to March 2019, Chinese imports of raw American cotton were half the amount recorded in the same period a year earlier.

On the other hand, the US has been slapping tariffs on cotton thread and other fiber products imported from China, raising concerns over a decline in demand for these goods.

China accounts for one-third of global cotton consumption, importing the material from the US and Brazil.

China also distributes cotton thread domestically for manufacturing cotton fiber products, before exporting the finished goods to the US.

The US, for its part, ranks third among raw cotton producers behind India and China, and is the top exporter of the material.

In Japan, price of domestically produced cotton threads are under pressure from imports of cheaper Vietnamese and Indonesian products.

Southeast Asian countries are exporting more to Japan to compensate for the decrease in exports to China, as the global hub of the garment industry imports less thread.

Source: fashionatingworld.com - May 31, 2019

HOME

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S. Korea's exports down for 6th straight month on slowing global growth

South Korea's exports declined by more than expected in May, extending their slump for the sixth consecutive month, data showed Saturday, as the global trade war between the U.S. and China and a drop in chip prices continued to weigh on outbound shipments.

Exports came to US$45.9 billion for May, down 9.7 percent from the $50.68 billion tallied a year earlier, according to the data compiled by the Ministry of Trade, Industry and Energy.

The May decline was sharper than what the market had expected. According to a poll by Yonhap Infomax, the financial arm of Yonhap News Agency, the country's exports were estimated to have dipped by some 7 percent last month compared with a year earlier.

The country's outbound shipments fell 2 percent on-year in April following the 8.3-percent drop in March.

Imports moved down 1.9 percent last month to $43.64 billion, resulting a trade surplus of $2.27 billion.

The reading mark 88 straight months in which the country's exports have exceeded imports.

But the surplus narrowed from $5.13 billion and $4 billion posted in March and April, the data showed.

"The rising uncertainties in the global market, including the escalating trade row between the United States and China along with Brexit, had adverse impacts on the recovery of the country's exports," Industry Minister Sung Yun-mo said in a statement.

The minister, however, painted a rosy picture of exports, saying that exports will recover in the second half of the year, considering the anticipated recovery of chip prices and China's efforts to revitalize its economy.

Exports of chips, the bellwether for the country's exports, continued to decline last month.

Outbound shipments of chips reached $7.53 billion in May, falling a whopping 30 percent from a year earlier, according to the ministry.

The decrease was attributable to the falling prices of chips and the sluggish demand for smartphones around the globe as well as a base effect.

Shipments of petrochemical products nosedived 16.2 percent over the period to $3.66 billion on the weaker demand from China, the data showed.

In contrast, exports of machines moved up 5 percent to $4.7 billion, with auto exports advancing 13.6 percent to $3.95 billon.

The sound performance of rechargeable batteries, electric cars, and organic light-emitting diode (OLED) displays, also made up for some of the losses caused by chips and petrochemical goods, the data showed.

By region, exports to China, the biggest trading partner for Asia's fourth-largest economy, dipped 20 percent in May from a year earlier.

Exports to the European Union lost 12.6 percent following the slowing economic growth in Germany, the regional organization's top economy.

Outbound shipments to the United States, on the other hand, rose 6 percent on-year in May on the back of increased shipments of automobiles and home appliances. South Korea also sold more textile goods to the world's top economy by gaining a price advantage on China.

The May exports data will add to woes for the economy whose growth momentum is waning.

The economy unexpectedly contracted 0.3 percent in the first quarter of the year from three months earlier, marking the worst performance in a decade, due to a sharper than expected dip in exports and facility investment.

Last month, the Bank of Korea trimmed its growth outlook for the year to 2.5 percent from 2.6 percent, but expected that the economy will gather pace during the second half of the year, which many claim that the bank's economic assessment is too optimistic.

On Friday, the central bank, however, held its key rate steady at 1.75 percent given economic uncertainties. BOK Gov. Lee Ju-yeol said a prolonged U.S.-China trade war will further heighten uncertainty.

Source: en.yna.co.kr - May 31, 2019

HOME

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China's retaliatory tariffs on $60bn of US products kick in

China's tariffs targeting $60 billion of American imports have taken effect as part of a tit-for-tat response to Washington's trade war which saw Beijing slapped with extra levies on $200 billion worth of exports back in May.

Over 5,000 US products coming into China will now face a 25 percent import tax instead of the usual 10 percent. Higher tariffs will target a range of food products, including cooking oils, frozen vegetables, wine and beer, in addition to industrial minerals and chemicals, textiles and clothing. Consumer items ranging from home appliances to condoms will also be subjected to increased import duties, as will jewelry, metal products, and machinery parts.

China's actions, which were announced last month, came in response to the US tariff hike on $200 billion in Chinese imports after bilateral talks seeking to avert a full-blown trade war failed.

To force Beijing into compliance with his demands, President Donald Trump and his administration are now threatening China with another tax increase on the remaining $325bn worth of goods.

China, meanwhile, is considering a ban on rare earth mineral deliveries to the US, materials which are crucial in military industry and manufacturing a number of high-tech consumer goods like hybrid cars and mobile phones.

Source: rt.com- June 01, 2019

HOME

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Sri Lanka's central bank cuts interest rates by 50 bps to support its economy

Sri Lanka's central bank cut its key interest rates on Friday, as widely expected, to support its faltering economy as overall business and consumer confidence slumped in the wake of last month's deadly bomb attacks.

The Central Bank of Sri Lanka cut both the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 50 bps each to 7.50% and 8.50%, respectively. A Reuters poll of 14 economists had expected both rates to be cut.

In its policy statement, the central bank said market lending rates had failed to show any sign of "commensurate downward adjustment" despite recent liquidity injections and declines in the call money rate, government bond yields and the maximum interest rates on deposit products.

Sri Lanka's junior finance minister, Eran Wickremeratne, told Reuters last week the economy was unlikely to hit its full-year economic growth target of 3-4% following the bomb attacks.

A Reuters poll has predicted growth would slump to its slowest in nearly two decades this year. The economy had already been struggling with growth at a 17-year low of 3.2% in 2018 as a protracted political crisis and past policy tightenings sapped business confidence and cooled investment.

In April, private sector credit growth slowed to near a 5-1/2-year low of 8.8 per cent, central bank data showed. The Easter attack has badly hurt Sri Lanka's tourism sector - the country's third-largest source of foreign currency and it's fastest-growing - while many corporates have put their investment and expansion plans on hold, analysts say. Islamic State has claimed responsibility for the attack.

The central bank said the Easter Sunday attacks, which killed more than 250 people, have affected confidence and disrupted tourism although it is yet to assess its full impact on the economy. "Although normalcy is gradually returning to economic activity, a lower than initially projected growth could be anticipated during 2019," it said.

Analysts said the rate cuts would help growth, but at the expense of stability in the country's financial markets, as lower rates put pressure on the local rupee and drive foreign funds out of domestic bonds.

"This will significantly affect the lending rates, already last week we saw average weighted prime lending rates coming down by about 38 basis points, so we expect that trend to continue and lending rates to slowly come down," said Dimantha Mathew, research head, First Capital Holdings.

"Beyond August and September, we will start seeing real growth in the credit." The rupee, which fell to a record low in early January due to foreign outflows from government securities and political uncertainties, has bounced more than 3.6% since then.

Government finances also remain shaky, and the island nation has a heavy external debt repayment schedule between 2019 and 2022. The government is planning to raise up to $1.5 billion via sovereign bonds, tapping global capital markets for the second time in three months as it seeks new funds to repay loans.

Source: devdiscourse.com- May 31, 2019

HOME

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German retail sector grows turnover by 4 pct in April

Adjusted by inflation, turnover in Germany's retail sector grew by 4 percent year on year in April 2019, according to provisional results of the Federal Statistical Office (Destatis) published on Friday.

Although turnover in April fell by 2 percent compared to last month, German retail turnover between January and April 2019 was still up 3 percent, on the same period of the previous year.

The clothing, shoes and leather business was the only sector in Germany where turnover decreased both year on year as well as compared to last month, according to Destatis.

Turnover in the textiles, clothing, footwear and leather goods business in Germany fell by 6.1 percent compared to last month and 1.9 percent year on year.

Part of this negative trend is caused by growing online business with fashion. In Germany, "around one quarter of all online turnover is generated by fashion products," a spokesperson of the umbrella organization of German retail (HDE) told Xinhua on Friday.

According to the Confederation of the German Textile and Fashion Industry, the clothing industry can "partially compensate for the slight decline in domestic retail sales through strong exports."

Across all sectors, the timing of Easter had a "positive effect" on the development of the retail sector's turnover in Germany in April. In 2018, the busy Easter business had largely fallen into in March which increased the numbers for March but saw less retail business in April.

Profiting from the Easter business, retail sales of food, beverages and tobacco products showcased the highest growth numbers and went up 8.2 percent in real terms.

Sales at German supermarkets even increased by 9.0 percent in real terms. Compared to April 2018, the German retail sector specialized on food and beverages achieved a real increase in sales of 1.7 percent.

Source: xinhuanet.com- May 31, 2019

HOME

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Bangladesh grows beyond garments to technology, PM Hasina says

Digital technology is 'reducing inequality' and 'creating opportunities'

Bangladesh's economy is expanding beyond apparel production to sectors such as information technology as the country's rapid economic growth stimulates investment, Prime Minister Sheikh Hasina told Nikkei's Future of Asia conference in Tokyo on Thursday.

Hasina has been in office since 2009 as head of the ruling Awami League party. In that period, Bangladesh has experienced high economic growth through the success of its ready-made garment sector. The economy grew 7.86% in the fiscal year ended last June, making it one of the fastest growing economies in Asia. This year's growth will reach 8.13%, Hasina said.

"This [growth] encouraged entrepreneurs to plan and start new ventures to support expansion of the industrial base of the country," Hasina said.

One of the rising industries is digital services. "The rapid expansion of ICT [Information and communications technology] services has contributed to reducing income inequality, decreasing rural-urban disparity, and most notably gender gap in employment and access to opportunities," she said.

According to Hasina, Bangladesh has established 5,286 "digital centers" across the country where people in remote areas can access internet services.

Another emerging sector is medicine, she said, noting that Bangladesh now exports pharmaceuticals to more than 100 countries.

Some economists say Bangladesh is benefiting from the ongoing U.S.-China trade tensions as apparel exports from China fall.

But Hasina warned that a rise in tariffs will cause a decline in growth and called for an open trade system. "Infrastructure, free trade and liberal investment give foundation to Asian development," she said. "We need to pledge to strengthen the world with greater openness, jointly address global challenges, safeguard fairness and justice and inject new impetus to cooperate using innovative ideas and measures"

Bangladesh has accepted over 1 million Rohingya Muslims who fled neighboring Myanmar's Rakhine state for Bangladesh due to ethnic unrest in 2017. Her country has sought dialogue and consensus over discord, even in the face of extreme provocation and crisis, Hasina said.

"We are not only responding to a humanitarian call," she said, "but we are conscious about not allowing that crisis to escalate into chaos and regional instability."

She said Bangladesh's approach to the Rohingya issue can serve as "a lesson for other situations of crises in our region and globally to overcome chaos and discord with the power of peace, humanity and development."

"The future of the world lies in the convergence of interests common to humanity," she said.

Source: asia.nikkei.com- May 31, 2019

HOME

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Pakistan: Cotton yield drops three percent in five years

Cotton yield in the country has dropped by 2.84 to 752kilogram/hectare in 2017-18, compared with 774kg/hectare in 2013-14, resulting in huge losses to the economy, Pakistan Central Cotton Committee (PCC) data revealed.

It has caused a loss of nearly $350 million to the national economy in exports, which is three percent of the total cotton related textile exports in 2017-18.

Naseem Usman, analyst and chairman, Karachi Cotton Brokers Association told The News that Punjab farmers were using a BT Cotton variety, which was not suitable to their climate. “BT Cotton variety being used in Pakistan is suitable for wet weather areas of Sindh. Thus, production in Sindh is increasing, while decreasing in Punjab,” he said.

In order to increase the yield and production of the crop, he said, Punjab government was taking efforts but farmers needed more awareness.

Punjab, producer of around 68 percent cotton in the country suffered the most during the last five years. Cotton yield in the province has dropped by 5.37 percent to 669kg/hectare in 2017-18, as compared to 707kg/hectare five years ago.

Though, cotton yield in Sindh also dropped slightly by 0.56 percent, yet it remained remarkable at 1,049 kg per hectare last year, compared to 1,055 kg per hectare last year.

Cotton yield in Sindh remained higher by 56.8 percent than the per hectare yield in Punjab.

Zahid Mazhar, chairman, All Pakistan Textile Mills Association (APTMA) Sindh-Balochistan Region said Pakistan was short of around four million bales of its consumption of 15 million bales, while the potential crop size was 17.5 million bales annually.

“Resultantly the spinning industry has to import around four million bales of raw cotton annually to meet its consumption requirement,” he added.

Besides yield, cotton area under cultivation in the country has also dropped by 3.57 percent to 2.70 million hectares in the last five years.

According to the PCCC data, the area under cultivation dropped by 0.10 million hectares to 2.70 million hectares in 2017-18 compared to 2.80 million hectares in 2013-14 in the country.

Area under cultivation in Punjab has decreased by 6.39 percent to 2.05 million hectares in 2017-18 against 2.19 million hectares five year ago.

However, Sindh witnessed an increase of 7.76 percent in the area under cultivation to 0.611 million hectares against 0.567 million hectares in 2013-14.

Cumulative losses in yield and drop in area under cultivation has resulted in a loss of around 6.5 percent in production.

Cotton production in the country fell by 6.42 percent to 11.94 million bales in 2017-18, compared to 12.76 million bales in 2013-14.

During these five years, highest production of 13.95 million bales was witnessed in 2014-15 while lowest production was recorded at 9.91 million bales in 2015-16.

Punjab saw a production decline of 11.7 percent to 8.07 million bales in 2017-18 compared to 9.14 million bales five years ago.

Contrary to Punjab, cotton production in Sindh increased by 7.10 percent to 3.77 million bales last year, as compared to 3.52 million bales in 2013-14.

Usman said that since wheat harvesting was delayed in Punjab due to rains, cotton sowing had delayed and re-sowing was witnessed, which would further affect the yield and production negatively this year as well.

Due to a decline in cotton yield and production, exports of cotton related textile dropped by 8.16 percent in five years to $11.69 billion in 2017-18, as compared to $12.73 billion in 2013-14.

Zahid Mazhar urged the government to give immediate attention to the cotton crop which has witnessed a massive decline in the past few years. Government support to the cotton farmers should be in the shape of increasing their crop yields, he suggested.

Source: thenews.com.pk- June 01, 2019

HOME

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NATIONAL NEWS

US says India's exit from duty-free import scheme is 'done deal'

President Donald Trump's administration said in March it was removing India from the Generalized System of Preferences, which gives favorable access to goods from developing countries.

The United States on Thursday said India's suspension from the list of countries benefiting from a duty-free import scheme that was announced in March is a "done deal", but left the door open for restoring the benefits when India yielded, conceding more access to its markets to American firms.

Previewing Trump administration's vision for US-India ties under Prime Minister Narendra Modi's new government, a senior administration official also warned of the "very serious" Turkey-like "conversations" if India goes ahead with its planned purchase of Russian S-400 missile defense systems.

The official began by welcoming, pointedly, Modi's post-election remarks "that have emphasized inclusivity … that there should be no distinction between Indian citizens", and went on to describe the relationship between Modi and Trump as "warm", and the one between two countries as "resilient".

The official's remarks on the duty-free import scheme, Generalized System of Preferences, that it is a "done deal" and its time to move on runs counter to the understanding in India, broached and bolstered by officials, that there is still a window of opportunity for negotiations to prevent termination t from going into effect.

"There is every reason to believe that the GSP suspension will move forward," the official said. The next step, 60 days from the March notification to congress of the administration's intention to suspend or withdraw/GSP benefits for India, is a presidential memorandum, which has been due since May 4.

That does not rule out, the official added, that in the future if India was able to "achieve the reforms in market access that we need under this programme to restore the benefits".

For the present, the official went on, "I think we need to be looking forward to how do we relaunch an ambitious set of discussions between our trade teams to address these outstanding irritants."

The chief irritant is access to certain Indian markets. The United States announced plans to withdraw India's GSP benefits on March 4 citing India's failure to provide an assurance it will provide "equitable and reasonable access" to its markets — mainly, for now, dairy and medical devices — to American companies. This is the key trade irritant for the United States, along with Indian data-localization (mandating foreign IT companies to store Indian operations data on India-based servers) and e-commerce rules (regulating online retailers' supply chains to prevent monopolistic practices).

India has been the largest beneficiary of the GSP programme, which allows certain imports from 120 countries to enter the United States at zero tariff. It sold an estimated $6.3 billion worth of goods to the United States under this programme in 2018 , according to a new report by the Congressional Research Service, a non-partisan source of research, analysis and projections for US lawmakers.

Withdrawal of zero-tariff benefits would subject these products, presuming their volumes remain unaffected, to $190 million, according to official Indian estimates. But people familiar with these discussions fear the new tariff would make these products costlier for US importers, who could then switch from Indian suppliers to those who can supply for less, minus the tariff, to keep down their prices.

The message to the new Modi government was equally tough on its planned purchase of Russian S-400s. "You can take a look at the very serious conversation taking place with our NATO partner Turkey and same concerns will apply should India proceed with its S-400 purchase," the official said.

The United States has threatened to deny Turkey, a NATO ally which has pursued plans to acquire S-400s disregarding American warnings, the latest defense hardware including F-35, the cutting-edge next generation American-made fighter aircraft in the western alliance.

Defense purchases, the official said framing US objection to India's Russian acquisitions in a broader strategic framework, are no longer a routine "a la carte" shopping spree. At the highest level of military technology cooperation and transfer, the official sad, it’s more about “with whom you are inter-operable, with whom you are sharing information platforms”. India has signed a bunch of agreements with the US in recent years that dramatically increase defense ties, with an undeclared emphasis on drawing India away from its historically largest supplier of defense equipment, the Soviet Union, now Russia.

The underlying US message is: India needs to choose.

Source: hindustantimes.com- May 31, 2019

HOME

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List of Ministers in Narendra Modi's cabinet and their portfolios

A day after the swearing in ceremony, the portfolios of Ministers were announced.

First-time ministers Amit Shah and S. Jaishankar bagged the key Home and External Affairs portfolios respectively. Nirmala Sitharaman became the first woman full-time Finance Minister, while Rajnath Singh will be handling Defence.

A new Ministry called Jal Shakti has been created and Gajendra Singh Shekawat will be handling it.

Here is the full list of portfolio allocations.

1.	Rajnath Singh	Minister of Defence.
2.	Amit Shah	Minister of Home Affairs.
3.	Nitin Jairam Gadkari	Minister of Road Transport and Highways; and Minister of Micro, Small and Medium Enterprises.
4.	D.V. Sadananda Gowda	Minister of Chemicals and Fertilizers.
5.	Smt. Nirmala Sitharaman	Minister of Finance; and Minister of Corporate Affairs.
6.	Shri Ramvilas Paswan	Minister of Consumer Affairs, Food and Public Distribution.
7.	Shri Narendra Singh Tomar	Minister of Agriculture and Farmers Welfare; Minister of Rural Development; and Minister of Panchayati Raj.

8.	Shri Ravi Shankar Prasad	Minister of Law and Justice; Minister of Communications; and Minister of Electronics and Information Technology.
9.	Smt. Harsimrat Kaur Badal	Minister of Food Processing Industries.
10.	Shri Thaawar Chand Gehlot	Minister of Social Justice and Empowerment.
11.	Dr. Subrahmanyam Jaishankar	Minister of External Affairs.
12.	Shri Ramesh Pokhriyal 'Nishank'	Minister of Human Resource Development.
13.	Shri Arjun Munda	Minister of Tribal Affairs.
14.	Smt. Smriti Zubin Irani	Minister of Women and Child Development; and Minister of Textiles.
15.	Dr. Harsh Vardhan	Minister of Health and Family Welfare; Minister of Science and Technology; and Minister of Earth Sciences.
16.	Shri Prakash Javadekar	Minister of Environment, Forest and Climate Change; and Minister of Information and Broadcasting.
17.	Shri Piyush Goyal	Minister of Railways; and Minister of Commerce and Industry.
18.	Shri Dharmendra Pradhan	Minister of Petroleum and Natural Gas; and Minister of Steel.
19.	Shri Mukhtar Abbas Naqvi	Minister of Minority Affairs.
20.	Shri Pralhad Joshi	Minister of Parliamentary Affairs; Minister of Coal; and Minister of Mines.
21.	Dr. Mahendra Nath Pandey	Minister of Skill Development and Entrepreneurship.
22.	Shri Arvind Ganpat Sawant	Minister of Heavy Industries and Public Enterprise.
23.	Shri Giriraj Singh	Minister of Animal Husbandry, Dairying and Fisheries.
24.	Shri Gajendra Singh Shekhawat	Minister of Jal Shakti.

Click here for more details

Source: thehindu.com- May 31, 2019

HOME

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Textiles sector happy Smriti Irani retains portfolio

After the portfolios of Union Ministers were announced on Friday and Smriti Irani was retained as Union Minister for Textiles, the textile and clothing industry here is hopeful that many of the pending issues will be resolved .

According to the Southern India Mills' Association, the new team of ministers in the key ministries have understood and know the issues related to the sector.

The industry will continue to extend its cooperation to the Central Government.

It will focus on the Technology Upgradation Fund Scheme, the need for a textile policy, and to reduce GST on viscose fibre.

Tiruppur Exporters' Association president Raja M. Shanmugham said the association would extend full support to the Union Minister for Textiles.

The Government should address issues such as ATUFS pending claims, simplification of ATUFS guidelines, procedural issues in getting ROSCTL benefit, and Free Trade agreement with European Union, the U.K, Comprehensive Economic Cooperation Agreement with Australia and Comprehensive Economic Partnership Agreement with Canada, etc.

The Indian Texpreneurs Federation has said the Ministry should focus on fundamental changes needed in some of the policies.

Textile exports should grow and for that there should be a fibre neutral policy, cotton technology mission, support for SME apparel makers to diversify and tap opportunities in new overseas markets.

The government should come out with a mechanism for scientific data collection of cotton cultivation.

Source: thehindu.com- May 31, 2019

HOME

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Smriti Irani retains textiles Ministry, gains charge of woman & child development

BJP leader Smriti Irani retained charge of the Textiles Ministry and was also assigned the Ministry of Woman and Child Development in the second stint of the BJP government.

Irani, who defeated Rahul Gandhi in the Amethi Lok Sabha seat, is yet to officially take charge of her Ministries.

As Textiles Minister, Irani will get the opportunity to pursue the long-pending promise of announcing a Textiles Policy that would boost exports and create more employment.

The Minister will also need to work out alternatives to the export subsidy schemes and replace them with the ones compliant with World Trade Organisation (WTO) norms.

As Minister for Women and Child Development, Irani has to ensure the passage of Anti-Trafficking Bill in the Rajya Sabha.

Source: thehindubusinessline.com- May 31, 2019

HOME

****

Commerce Minister Goyal faces crucial negotiations on RCEP, trade deal with US

Piyush Goyal has assumed leadership at a time when the country is in the midst of crucial negotiations with members of one of the largest proposed trading blocs that includes China and the ASEAN.

Over the last few months, the Commerce Ministry has also been trying to reach a trade agreement with the US which is miffed with India for the existing trade imbalance.

"The Commerce & Industry Minister has asked senior officials including the two Secretaries to brief him on priority issues," a government official told BusinessLine.

Goyal said that he will take guidance from former Commerce & Industry Minister Suresh Prabhu who has not been given charge of any Ministry or Department in the new government.

"I was just discussing with him (Prabhu) the subject and the challenges in the Ministry. I will look to him for guidance and support," Goyal said.

The task immediately ahead of Goyal will be to reach a limited trade pact with the US to try and stop it from withdrawing the GSP scheme which allows duty free access to over 3,000 goods from India into the American market.

The US wants India to roll back the 20 per cent import duties imposed on smart phones and also remove price caps on medical devices. It is also unhappy with changes brought about in the e-commerce policy, including a ban on foreign players to hold equity in companies whose products they sell.

In the on-going negotiations for the Regional Comprehensive Economic Partnership (RCEP), India has to decide whether it could afford to give zero-duty access to a host of Chinese goods or if it is better to opt out of the pact.

Source: thehindubusinessline.com- May 31, 2019

HOME

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US companies want India to change its policy on e-commerce, IPRs

Advocacy group to present new govt with suggestions on reforms

American businesses want the new Bharatiya Janata Party (BJP) government to usher in "bold reforms" across a spectrum of areas including e-commerce, data localisation, intellectual property rights, land and labour laws and policy formulation, according to a Washington-based advocacy group US-India Strategic Partnership Forum (USISPF).

"We are working on a document highlighting the reforms and changes US businesses would want to see in India and will hand it over to the Indian government next week," said Mukesh Aghi, President, USISPF, who is in New Delhi interacting with officials from various Ministries and Departments including Commerce & Industry.

Policy change

Aghi said that the change in e-commerce rules earlier this year, that stopped companies with foreign investments to sell products of companies in which they held equity, had come as a jolt to foreign investors such as US-based Walmart, which had invested $26 billion in acquiring Indian e-commerce company Flipkart.

"The abrupt change in policy impacted investments. A government has to maintain the trust of investors," he said. He added that US companies also wanted India to change its rules on data localisation that disallowed data of customers collected by businesses to be transferred and stored out of the country.

Aghi said that American businesses were keen to invest in India and bring in technology but they would want reforms in the inflexible land and labour laws that hinder operations.

IPR laws

Changes in IPR laws granting more protection to patent holders and relaxation in price caps for medical equipment and medicines were some of the demands being made by US companies, Aghi added.

On the proposed withdrawal of Generalised System of Preferences (GSP) benefits that allow duty free imports of over 3,000 products from India into the US, the USISPF suggested to the US government that it should be continued as it was a gesture of goodwill and also helped create jobs in India.

Source: thehindubusinessline.com- May 31, 2019

HOME

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PM holds bilateral talks with BIMSTEC leaders; focus on boosting ties

Prime Minister Narendra Modi on Friday held separate meetings with Sri Lankan President Maithripala Sirisena, Nepalese Prime Minister KP Sharma Oli and Bhutanese Prime Minister Lotay Tshering, exploring ways to further strengthen bilateral ties.

A day after taking charge as Prime Minister for a second term, Modi also held extensive talks with Bangladesh President Abdul Hamid and PM of Mauritius Pravind Jugnauth.

The foreign leaders came to India to attend Modi's swearing-in ceremony.

In the meeting between Modi and Sirisena, both leaders noted that terrorism and extremism continue to pose threat to humanity and expressed commitment for closer bilateral cooperation for peace and security in South Asia and the Indian Ocean region, the external affairs ministry said.

Sri Lanka was hit by a wave of bombings last month in which over 250 people were killed.

On the meeting between Modi and Jugnauth, it said both leaders agreed to work together to achieve the shared vision of security and growth of the two countries and the Indian Ocean region.

Modi also held talks with his Nepal counterpart K P Sharma Oli during which both leaders expressed their commitment in further deepening relations.

On Modi's talks with Bhutanese PM Tshering, the MEA said the two leaders discussed bilateral commitments and agreed to further solidify the traditionally strong ties.

The prime minister also held a bilateral meeting with Bangladesh President Abdul Hamid during which they exchanged views on matters of mutual interest.

In his first engagement after being sworn in, the prime minister held a meeting with Kyrgyz President Sooronbay Jeenbekov, who attended the oath taking ceremony as the Chair of the Shanghai Cooperation Organisation.

Source: thehindubusinessline.com- May 31, 2019

HOME

****

India-China trade set to cross USD 100 billion this year: Senior Indian diplomat

The India-China bilateral trade last year touched a historic high of USD 95.54 billion, according to the official data released by China early this year.

India has further liberalised e-visa rules for Chinese businessmen as the bilateral trade is set to cross USD 100 billion this year, a senior Indian diplomat here said on Friday.

The India-China bilateral trade last year touched a historic high of USD 95.54 billion, according to the official data released by China early this year.

The trade deficit in 2018, according to the data, climbed to USD 57.86 billion from USD 51.72 billion in 2017.

"We are glad that our bilateral trade will cross the significant mark of USD 100 billion this year," India's Deputy Ambassador in China Dr Acquino Vimal said while addressing an event on 'India-China business forum, exploring opportunities, enhancing cooperation' specially in the IT sector.

A large number of Chinese investors and Indian IT firms based in China attended the get-together organised by NASSCOM -- a trade association of Indian Information Technology (IT) and Business Process Outsourcing (BPO) industry -- and the Indian embassy.

"Closer development partnership between India and China has been growing steadily for the last several years. Since the last 20 years, the scale and profile of bilateral trade and investment between India and China has increased several folds.

"This has been further strengthened in April 2018, when Wuhan witnessed the first Informal Summit between our Prime Minister (Narendra) Modi and President Xi Jinping. This Summit has provided a fresh impetus to our growing bilateral engagement," Vimal said.

As a result, the number of visits by trade and investment delegations have increased and the comfort and trust levels have improved, he said.

"This is demonstrated in the increase in the number of visas we have been issuing in the last few months. In order to ensure that such engagement is promoted and encouraged, I'm happy to inform that we have further liberalised visas for Chinese travellers to visit India by the introduction of 'electronic visa' facility," the Indian diplomat said.

Since March 2019, the e-visa facility for Chinese businessmen has also been expanded.

"We are now issuing one-year multiple entry e-business-visa, with a provision to stay up to 183 days without any registration with local authorities. This has considerably eased the travel of Chinese businessmen to India. I'm sure that the Chinese companies will benefit from this," he said.

Over and above the large IT companies of India, the Indian IT companies in the small, medium size sector have also developed a niche space for themselves by developing expertise in highly-specialised areas of manufacturing, automation and Artificial Intelligence (AI), he said.

Their collaboration with companies in China, who are looking at various IT products and solutions to make them more efficient and competitive, is a clear opportunity for a win- win solution, Vimal said.

Senior Director at NASSCOM Gagan Sabharwal made a presentation on the three IT corridors -- Dalian, Guiyang and Suzhou to promote India-China collaboration.

The corridors connect the Indian IT/IT-enabled companies, specially small and medium sized ones with Chinese companies looking at potential partners from India in this field.

The IT corridors have a strong and dynamic AI-enabled online platform called the 'Sino-Indian Digital Collaboration Plaza (SIDCOP)," Vimal added.

Source: economictimes.com- May 31, 2019

HOME

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Why India needs a reindustrialisation drive

China's global ascent, on the back of a well-planned economic and technological surge, has been met by a comprehensive American response, curbing Chinese freeloading on American technological capabilities. In fact, a report to the US President even calls for launching an 'industrial policy' in response to what is termed as Chinese economic aggression.

This is unprecedented, as the American Right is ideologically opposed to State intervention. Even the ordoliberal Germany has recently issued a draft National Industrial Strategy to meet the techno-economic challenges from China and other countries, followed by a Franco-German call for a 21st century European Industrial Policy.

This begs the question: Why doesn't India have an industrial policy, given that even the neo-liberal bastions, its biggest critics, are seeing in it a viable response to the relentless Chinese challenge?

Instead, we are going in the reverse direction—with a 14% decline in our high-tech industry and the percentage of GDP devoted to research and development (R&D) decreasing from 0.85% in 2011 to 0.63% in 2015, an anomaly of serious dimensions in today's technology-driven world.

India needs a reindustrialisation drive to create a level-playing field for the country's private manufacturers and increase their R&D intensification.

Consider this: The much-touted Indian services sector, which forms almost 61% of the economy, generates around $183 billion of exports, while the beleaguered manufacturing sector, the serial sacrificial lamb in trade negotiations (to save H1B jobs) with only 16%, generates $210 billion! It is clear which one is the most productive sector of our economy, and which ones creates more multipliers, jobs and domestic value-addition.

The foreign direct investment (FDI) policy also needs to be calibrated, invoking performance requirements, or at the very least limiting brownfield acquisitions of India's top companies.

These do not create jobs, and lead to hard currency outflows via dividends, profits, etc. Hence India's national income is forever going to be lower than its GDP, as inflows are lower than foreigners' income from assets held in India.

Similarly, if the government wants to create more jobs and value-addition at home, it must immediately formalise and implement the Draft Defence Production Policy (DDPP), which has some excellent ideas—such as "make India among the top-five countries in aerospace and defence industries" (God forbid!), and leverage military and civil aviation for indigenisation. However, since it calls for reducing imports, import lobbies have probably stalled its promulgation.

The defence production also needs to be prioritised over procurement. The ministry of defence's procurement wing should be tucked firmly under the Department of Defence Production to prioritise the domestic defence industrial ecosystem.

Funds for arms imports, to the tune of $18 billion from the US and many tens of billions of dollars from Russia, Israel and other countries, must be diverted to create a thriving domestic defence industry.

We shall never climb out of the morass of low-tech development until we take this single hard decision, i.e. curtailing imports and channelling funds to India's proven private high-tech companies, fuelling a take-off and creating jobs and prosperity at home.

Finally, defence offsets have been repeatedly diluted under foreign pressure, resulting in India having one of the world's weakest offset regimes. It must be kept in mind that offsets have played a central role in stimulating the growth of defence industries in other countries. And the supposedly priority category of 'indigenous design and manufacture' has not taken off.

Meanwhile, some bureaucrats, both civil and military, in the defence and telecom/ICT sectors, clearly in collusion with import lobbies, continue to subvert the national interest and the well-being of the Indian people by tweaking tenders to exclude domestic companies, withholding payments to domestic firms, and exploiting loopholes in the ridiculously complicated import manual which masquerades as the Defence Procurement Policy.

These obstructive tactics, perfected over the last 70 years, are still rampant, and continue to damage genuine national security and economic prosperity in the defence and telecommunications sectors, undoing the good intentions of the government.

Umpteen letters have been written by the Prime Minister's Office (PMO), Department of Defence Production and the Department of Industrial Policy and Promotion (DIPP), but all to little avail as the entrenched import lobbies will not let go of the golden goose that is India's import dependence.

Some positive measures have been taken. The Preferential Market Access policy has been strengthened on paper, and some excellent initiatives have been launched by the Department of Defence Production and the DIPP.

A few contracts are flowing to the domestic industry, although the shortage of funds has led to the Make-I being placed on the back-burner, while the magnitude of the funds flowing to foreign defence industries dwarfs the paltry amounts doled to domestic industry.

However, there is a solution, and that is to (1) follow the German, Chinese and American examples in proclaiming an industrial policy, (2) implement the Defence Production Policy, (3) orient all government procurement towards the domestic industry, (4) ensure that foreigners, especially the Chinese, do not submit incongruously low bids in response to telecom and ICT tenders, and (5) reinstate defence offsets in defence procurement and civil aviation, and ensure synergies between the two which the draft Defence Production Policy calls for. But first and foremost, the government can start with a house-cleaning of the bureaucrats who are obstructing the development of the domestic industry. An expose is under preparation.

There is a golden opportunity to promote domestic industry in defence, telecommunications and civil aviation through the right policy combinations, leading to an economic and technological efflorescence. Indian companies are winning big telecom tenders abroad against Chinese competition.

It is high time the government forge a compact with the good, high-tech, proven companies in the Indian private sector and focus on domestic high-tech industrial promotion and job-creation.

Source: financialexpress.com- June 01, 2019

HOME

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