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IBTEX No. 152 of 2019 August 02, 2019

US 69.37| EUR 76.85 | GBP 83.94| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20766	43400	**80.07**
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20570	42991	**79.32**
International Futures Price		
NY ICE USD Cents/lb (December 2019)		62.37
ZCE Cotton: Yuan/MT (September 2019)		13,095
ZCE Cotton: USD Cents/lb		86.10
Cotlook A Index – Physical		**74.80**

Cotton Guide: As predicted by us yesterday, ICE December cotton futures settled at 62.37 cents/lb thus breaching the 62.50 cent/lb mark that we had targeted. This amounts to a jolting change of -147 points. On the other hand the ICE March 2020 contract settled at 63.56 cents/lb with a change of -112 points. All the other ICE Contracts tumbled down in the range of -33 and -147 points with ICE December being affected the most.

This morning when we write this report at 8 am the ICE December contract is trading at 61.78 cents/lb down by -0.53 cents/lb or -0.85%. Cotton prices this morning have recorded a new low today at 61.46 cents/lb. This low opening prices indicates that the sentiments of the people in the Eastern part of the world are completely bearish as on date.

These prices were supported with a 4 week high total volume figure (yesterday) of 23,778 contracts which cements the bearish trend for the short term.

What were the reasons that knocked down the markets?

1. The most powerful person in the world – US President Donald Trump announced a fresh 10% incremental duty on all Chinese goods starting September 1, 2019. This is therefore imposing additional tariffs on the remaining 300 Billion dollars of products imported by the USA from China. (High Impact)

2. US Cotton Weekly Sales report- Net sales of 10,200 Running Bales for 2018/2019 were down by 94 percent from the previous week and 90 percent from the four week average. (Comparatively Low impact as Cotton market focus has shifted to the new marketing year)

Analysis of the above:

1. US China Trade war -

This action by the US President added stimulus to the already recorded net shorts to come in with more selling. Furthermore, this not only impacted cotton; but thwacked all the other agri-commodities as well. WTI Crude which was trading at 58 $/Barrel is now trading came trashing down to touch figures below 54 $/Barrel. The financial markets were also hit as the Dow Jones fell by around 500 points.

2. US Export Sales Figures –

Country	Increases in Running Bales
Vietnam	8000
India	7300
Pakistan	4100
Malaysia	2100
Mexico	1900
Table 1 : Net sales of 10,200 RB for 2018/2019	
Reductions were reported for Indonesia (8,900 RB), China (5,400 RB), Japan (2,100 RB), and South Korea (900 RB).	

Cotlook Index A is at 74.80 cents/lb with a change of +0.50 cents/lb.

Country	Increases in Running Bales
Vietnam	214,000
China	48,400 (last week's figure was 11,500 RB)
Malaysia	22,900
India	18,400
Indonesia	15,800
Table 2 : Net sales of 364,800 RB for 2019/2020	

Exports of 291,200 RB were down 9 percent from the previous week and 11 percent from the 4 week average.

Country	US Exports in Running Bales
India	60,800
Vietnam	44,800
Turkey	40,500
Bangladesh	31,100
China	24,300
Table 3 : US Exports	

Today's Outlook-

On the Fundamental front, International prices have now come to a very low level. We presume that the prices of cotton have not bottomed out. It is possible for the prices to test 60 cents/lb soon. What we have to look out for is Monday's US crop progress report. A Bright Green crop progress can make the prices dark red. For the MCX and ZCE contracts we still hold a bearish perspective.

On the technical front, ICE Cotton futures witnessed sharp fall after breaching the bearish flag pattern. Price failed to remain above the 9 day EMA at 63.10. The weakness in price also supported by bearish crossover of 5 DEMA above 9 DEMA and weaker RSI. RSI in the daily charts is hovering near 35 zone suggesting weakness in strength. Meanwhile cotton Dec futures hit fresh lows during the day after breaching previous bottom at 61.66. So the near term, a move below 61.36 would open the downside towards 60.57. On the upside immediate resistance exists around 62.80, followed by 63.50. In the domestic market MCX Aug future is expected to trade in the range of 20250-20650 with downside bias.

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

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INTERNATIONAL NEWS

Tariffs on All Remaining Imports from China to Begin Sept. 1

President Trump has announced that beginning Sept. 1 he will impose a 10 percent additional tariff on virtually all of the remaining $300 billion worth of goods imported from China that are not already subject to Section 301 tariffs (List 4 goods).

Initial indications are that the 10 percent tariff, which would be in addition to any other applicable tariffs, will be applied on the entire list of 3,805 full and partial subheadings announced in May.

The Office of the U.S. Trade Representative said at that time that this list covers all apparel, footwear, and manufactured textile products, among others, but excludes pharmaceuticals, certain pharmaceutical inputs, select medical goods, rare earth materials, and critical minerals. A Federal Register notice providing additional clarifying details is expected shortly.

Based on experience with List 3 goods, it is not expected that requests to exclude specific products from List 4 will be accepted while the tariff rate remains at 10 percent. If this rate is increased to 25 percent, which could happen if the administration deems it necessary to gain additional leverage in the ongoing U.S.-China trade talks, an exclusion process could be established.

With only a month until the tariff is set to be imposed, companies should explore the legal options available for reducing or eliminating their exposure.

They should also carefully examine export dates and projected arrival dates to conform with the Sept. 1 tariff start date. Customs and trade law firm Sandler, Travis & Rosenberg has extensive experience helping businesses with these and related tasks.

Source: strtrade.com - Aug 01, 2019

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Trump Adds 10% Tariffs on $300 Billion of Chinese Imports Starting Sept. 1

President Trump has aimed fresh tariffs at China.

The planned tariffs that had been put on hold in June will now go into effect starting Sept. 1 at a rate of 10 percent to start, as negotiations continue between the U.S. and China to resolve their trade dispute.

In a tweet Thursday, Trump said the two countries had "constructive talks," but that the U.S. will begin imposing a "small additional tariff of 10%" on the remaining $300 billion of imports from China.

Over two tweets explaining his reasoning, Trump said, "China agreed to…buy agricultural product from the U.S. in large quantities, but did not do so. Additionally, my friend President Xi said that he would stop the sale of Fentanyl to the United States–this never happened, and many Americans continue to die."

The new 10 percent tariffs on $300 billion worth of goods, referred to as Tranche 4, will hit apparel, footwear and soft textiles.

This round of tariffs–which was initially supposed to be levied at the 25 percent rate–was put on hold on June 29 after Trump and Xi met at the G-20 summit in Osaka. That meeting also paved the way for the U.S. and China to restart negotiations over their trade dispute, though talks don't seem to have moved far enough along.

Trump said in Thursday's tweet: "We thought we had a deal with China three months ago, but sadly, China decided to renegotiate the deal prior to signing."

The 10 percent rate, instead of 25 percent, may be the president's way of keeping talks going at least a bit more positively than they might have otherwise.

A focal issue in the trade dispute for the U.S. centers on the protection of intellectual property assets of American companies.

When retailers reported first quarter results in May, some said another round of tariffs could result in higher prices for consumers, as they'd be forced to pass along some of the increase.

With a 10 percent tariff instead of the planned 25 percent, some retailers may be able to absorb a portion of the increase. There's also a question of whether a pass along to consumers will result in shoppers pulling back their purse strings, leading to discounting in order to land a sale. Others brands, like Lululemon Athletica Inc., have alluded to plans to ship goods by air if tariffs took effect because of the risk of delays at the ports.

The imposition of tariffs, if talks can't be settled before the Sept. 1 rollout, would come at a time when consumers are on the hunt for deals for back-to-school sales, and the impact could hamper the holiday shopping season, too.

Source: sourcingjournal.com - Aug 01, 2019

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Trump says he'll put 10% tariffs on remaining China imports

The new tariffs will hit a vast range of consumer products from cellphones to silk scarves.

U.S. President Donald Trump intensified pressure Thursday on China to reach a trade deal by saying that beginning Sept. 1, he will impose 10% tariffs on the remaining $300 billion in Chinese imports he hasn't already taxed. The move immediately sent stock prices sinking.

Mr. Trump has already imposed 25% tariffs on $250 billion in Chinese products, and Beijing has retaliated by taxing $110 billion in U.S. goods.

U.S. consumers are likely to feel the pain if Mr. Trump proceeds with the new tariffs. Mr. Trump's earlier tariffs had been designed to minimise the impact on ordinary Americans by focusing on industrial goods. The new tariffs will hit a vast range of consumer products from cellphones to silk scarves.

The U.S. President's action came as a surprise, just as two nation's negotiators were concluding a 12th round of what the White House called "constructive" trade talks in Shanghai.

The negotiations ended Wednesday without any sign of a deal but are scheduled to resume next month in Washington.

The Dow Jones Industrial Average, which had been up nearly 300 points earlier, was down nearly 200 points soon after Mr. Trump's tweets announcing the new tariffs.

Mr. Trump has long said he was preparing to tax the $300 billion in additional Chinese tariffs. But he suspended the threat after meeting with President Xi Jinping in Osaka, Japan, in June.

It isn't clear when American consumers are likely to feel the impact of the additional tariffs, but higher prices could show up in stores this fall.

"Attention all Target & Wal-Mart shoppers ... the price on the goods you buy ahead of the holidays are going up due to trade policy," tweeted Joseph Brusuelas, chief economist at the consultancy RSM.

Trump also tweeted that "we look forward to continuing our positive dialogue with China on a comprehensive Trade Deal, and feel that the future between our two countries will be a very bright one!"

The president blamed China for not following through on stopping the sale of fentanyl to the United States or purchasing large quantities of farm goods such as soybeans.

The world's two biggest economies are locked in a trade war over U.S. allegations that Beijing uses predatory tactics including stealing trade secrets and forcing foreign companies to hand over technology in a drive to overtake American technological dominance.

Talks had broken down in May after the United States accused the Chinese of reneging on earlier commitments.

"Unfortunately, these talks are not getting any easier," said Wendy Cutler, a former U.S. trade negotiator who is now vice president at the Asia Society Policy Institute. "I don't expect the Chinese to sit by ... The combination of these latest tariffs, with Chinese counter retaliation, is going to take a heavy toll on US consumers, workers, farmers, and businesses."

The effects of Mr. Trump's trade war were a factor in the Federal Reserve's decision Wednesday to cut interest rates in an otherwise healthy economy. Chairman Jerome Powell pointed repeatedly to the uncertainty caused by Trump's pursuit of trade wars on multiple fronts as a reason for the rate cut.

Sarah Bloom Raskin, a former Fed board member, and other economists have warned that the rate cut could embolden Trump to escalate trade battles because the president may feel confident that the Fed will then respond with additional rate cuts.

Source: thehindu.com- Aug 02, 2019

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Puma To Shift Footwear And Apparel Production Out Of China

Puma Chief Executive Officer Bjorn Gulden said President Donald Trump's threat of hiking tariffs as high as 25% on footwear was forcing manufacturers like Puma out of China. Gulden said this has forced Puma to lock in capacity at facilities in hubs like Vietnam earlier than usual. Currently, the company makes about one-third of its products in China.

Moreover, Puma along with Nike Inc., Adidas AG and other footwear companies had signed an open letter in the month of May to Trump stating that tariffs on shoes made in China would be catastrophic for their consumers, the companies and the U.S. economy as a whole.

Gulden said the price impact will vary regionally and the U.S. consumers could see and feel the tariff costs in clothing prices. He explained that Chinese consumers were shielded because the factories that once churned out products for the world, increasingly serve domestic customers' needs now.

In 2018, Gulden told Reuters that the tariffs meant Puma has to accept a lower U.S. margin or raise prices. "We are not the market leader in the U.S. so of course, we will see what the market does," he said.

Furthermore, the CEO said tariffs were not the only reason for Puma's shift. He revealed that the company had already been shifting production away from China over the past couple of years because of rising labor costs.

The U.S. and China have not yet reached an agreement to de-escalate the trade war. Moreover, Trump has threatened to slap duties on another $325 billion of goods. In light of this, more companies, like HP and Dell, Nintendo and TCL are pulling out of China to save themselves from unwarranted losses.

Source: ibtimes.com - Aug 01, 2019

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Sri Lankan apparel sector mulls dedicated textile zone

The Sri Lanka Apparel Exporters Association (SLAEA), with assistance from the Joint Apparel Association Forum Sri Lanka (JAAFSL), is urging the Board of Investment (BOI) to expedite formalities for setting up a dedicated textile processing zone. A request for allotment of 200 acres has been made to set up the zone, according to SLAEA chairman Rehan Lakhany.

Sri Lanka is an ideal model for speed-to-market given its strategic geographical location and customers are looking at the country for reliability, quality and quick response, for which a dedicated textile facility is needed, a report in top Sri Lankan daily quoted him as saying.

Noting that the GSP+ scheme encouraged increased value addition within Sri Lanka, he said it thereby promoted backward integration, resulting in the setting up of new industries and creating new employment opportunities in the country.

The proposed textile zone could have factories on woven manufacturing, knitted manufacturing, dyeing and finishing.

Source: fibre2fashion.com - Aug 02, 2019

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Vietnams' garment and textile exports to reach $40 billion this year

Vietnam garment and textile exports, which reached $19 billion in the first half of the year, are expected to top $40 billion this year. The country mainly makes products for medium and high-end market segments. The CPTPP has had a positive impact on the country's garment and textile exports.

Previously countries such as New Zealand, Australia and Canada rarely imported Vietnamese garment and textile products. But this year, with the CPTPP coming into effect, these markets have begun to import its garments and textiles in rather large quantities.

The country also benefited from reduction of yarn exports to China as it shifted to other lucrative markets such as Japan, South Korea, the Middle East, and Taiwan which enabled it achieve its yarn export target.

Source: fashionatingworld.com- Aug 01, 2019

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New markets fetch Bangladesh good returns

Bangladesh's apparel exports to non-traditional markets grew 21.77 per cent this fiscal year. Among the reasons are cash incentives for exporters and systems upgradation. Currently, apparel exporters enjoy a four per cent cash incentive for export to non-traditional markets.

In addition, apparel makers in Bangladesh are upgrading machinery and processes to improve product quality. Manufacturers have been participating in global expositions to reach new buyers, which contributed a lot to increased exports to new markets.

Australia, Brazil, Chile, China, India, Japan, Korea, Mexico, Russia, South Africa and Turkey are defined as non-traditional destinations. Traditional markets include the US, Canada and the European Union. Japan's imports of apparel goods from Bangladesh were 28.90 per cent higher than in the previous year. China's apparel imports were up by 29.33 per cent. And India's apparel imports from Bangladesh were up by a stunning 79.09 per cent.

In grabbing more from the pie in non-traditional markets, Bangladesh has to concentrate on product development for those markets. A move towards a free trade agreement and bilateral trade relations will help. An integrated marketing and sourcing plan will be key to grabbing these markets as most of the time Bangladesh manufacturers work for quantity-based orders.

Source: fashionatingworld.com- Aug 01, 2019

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World markets: Identity of Pakistani products at stake due to non-enactment of GI law

Due to the lack of Geographical Indication (GI) legislation, Pakistan has not been able to get premium of its GIs in international market and protect the products legally that have been usurped there, such as Paul Smiths Peshawari Chappal, Moroccan Ajrak and California Basmati. Official sources revealed to Business Recorder that currently there is no GI law in Pakistan, although a lot of products have the potential to be protected under the GI regime, including products such as Basmati rice, kinnow, mango, cutlery, Ajrak, etc.

Geographical Indications (GIs) identify the products that have a specific geographical origin and possess qualities or reputation attributable to their place of origin. These are generally traditional products that have gained a reputation in the local, national or international market due to their specific unique qualities.

The recognition and protection of these products through legislation allows the community of producers to get a fair value of their commodities while preserving their unique identity.

However, due to the lack of GI legislation, Pakistan has not been able to get premium of its GIs in international market and legally protect the products that have been usurped there, such as Paul Smiths Peshawari Chappal, Moroccan Ajrak and California Basmati.

To harness the potential benefits of the GI system for exports and protect unique Pakistani products, an early and effective GI legislation in line with the best global practices is required in the country.

Sources said that in order to protect unique Pakistani products, Ministry of Commerce and Textile with prior approval from the federal Cabinet drafted the Geographical Indications (Registration and Protection) Bill 2019 after having a series of consultations with different stakeholders from the public and private sectors. The proposed bill has also been vetted by the Ministry of Law and Justice.

After getting permission from the Prime Minister being minister-in-charge of the Commerce Division, the summary along with the draft Geographical Indications (Registration and Protection) Bill 2019 has been submitted to the Cabinet Division for presenting it before the Cabinet Committee for Disposal of Legislative cases.

Member countries of the World Trade Organisation (WTO) and signatories of Trade Related Aspects of Intellectual Property Rights (TRIPs) agreement need to give protection to GIs under Article 22-24 of the TRIPS agreement. Unless Pakistan provides GI protection, it cannot obtain the same for its own goods in other member states that have the GI Law.

The proposed legislation is required to promote "made in Pakistan" products while ensuring products'' quality standards (Basmati Rice, Sargodha Kinnow, Sindhi Ajrak, Peshawari Chappal etc).

To claim exclusive GI registration of basmati rice, the Rice Exporters Association of Pakistan has long been demanding the government to enact sui generis GI law as Indian basmati rice has been fetching more prices in the European market as compared to the same products of Pakistan.

Sui generis GI law is essential to trade in the EU market and to prevent Pakistani products from being re-packaged and re-designed by international market and sold at higher prices with their own brand.

Source: fp.brecorder.com- Aug 02, 2019

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NATIONAL NEWS

Fall of 33% in India's April-June 2019 cotton yarn exports can lead to layoffs: Texprocil

The cotton yarn sector has been one of the pillars of the Indian textile industry and is also highly modernised and technology driven.

Dr. K.V. Srinivasan, Chairman, Texprocil in a statement stated that exports of cotton yarn from India in the first quarter of April-June 2019 have fallen by a steep 33% from 338 Mn Kgs for the period April-June 2018 to 226 Mn Kgs in April – June 2019.

"Month on month decline from 90 Mn Kgs in April 2019 to 77 Mn Kgs in May to 59 Mn Kgs in June, is a matter of deep concern. In fact, the level of 59 Mn. Kgs is the lowest monthly export in the last five years. The cotton yarn sector has been one of the pillars of the Indian textile industry and is also highly modernised and technology driven and also provides sustainable income to farmers," the release mentioned.

The steep fall has been caused by a variety of reasons including decline in exports to leading export markets like China, Bangladesh, South Korea and the duty free access given for import of cotton yarn by China to countries like Pakistan and Vietnam from 1 st April 2019.

"Considering the large scale investment in the spinning sector and sluggish demand in the domestic markets, exports are the only avenue to ensure uninterrupted production and capacity utilisation," the release further stated.

KV Srinivasan pointed out that even though cotton yarn is a value added product, it has been excluded from the export benefits like interest subvention, MEIS and the ROSCTL schemes.

In view of the above the Chairman, Texprocil appealed to the Government to include cotton yarn in the interest subvention scheme and also rebate the embedded taxes like Agricultural Cess, Mandi Tax, Power and Fuel Surcharge which incurred in the production process. The ROSCTL Scheme which rebates these levies should be extended to cotton yarn sector at the earliest.

This will ensure that only products are exported and not taxes. This will also provide the much needed impetus in the context of rising cotton prices and appreciating Rupee which are eroding competitiveness.

Dr KV Srinivasan stated that in case the current trends of declining exports continue in the next quarter, it will lead to closure of several spinning units in the near future, resulting in layoffs.

Source: economictimes.com- Aug 01, 2019

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Include cotton yarn in interest subvention scheme: TEXPROCIL

The Cotton Textiles Export Promotion Council (Texprocil) has urged the union government to include cotton yarn in the interest subvention scheme.

With a marked decline of 33% in the exports of cotton during Q1 to 226 million as compared to 338 million in the same quarter last fiscal, the government should also rebate the embedded taxes like agricultural cess, mandi tax, power and fuel surcharge which incurred production process, said KV Srinivasan, chairman, Texprocil.

Month-on-month decline from 90 million kgs in April 2019 to 77 million kgs in May to 59 million kgs in June, is a matter of deep concern. In fact, the level of 59 million kgs is the lowest monthly export in the last five years, he added.

The cotton yarn sector has been one of the pillars of the Indian textile industry and is also highly modernised and technology driven and also provides sustainable income to farmers.

The steep fall has been caused by a variety of reasons including decline in exports to leading markets like China, Bangladesh, South Korea and the duty free access given for import of cotton yarn by China to countries like Pakistan and Vietnam from 1st April 2019.

Considering the large scale investment in the spinning sector and sluggish demand in the domestic markets, exports are the only avenue to ensure uninterrupted production and capacity utilisation.

According to Srinivasan, even though cotton yarn is a value added product, it has been excluded from the export benefits like interest subvention, MEIS and the ROSCTL schemes. In view of all these factors, the government must include cotton yarn in the interest subvention scheme and also rebate the embedded taxes like agricultural cess, mandi tax, power and fuel surcharge which incurred in the production process.

The ROSCTL scheme which rebates these levies should be extended to cotton yarn sector at the earliest, he added.

This will ensure that only products are exported and not taxes. This will also provide the much needed impetus in the context of rising cotton prices & appreciating Rupee which are eroding competitiveness. In case the current trends of declining exports continue in the next quarter, it will lead to closure of several spinning units in the near future, resulting in layoffs, he said further.

Source: financialexpress.com- Aug 02, 2019

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Crisil cuts India’s GDP growth to 6.9 per cent

The slowdown would be pronounced in the first half, while the second half should find support from expected monetary easing, a report

Crisil has sliced its estimate of India’s Gross Domestic Product (GDP) growth by 20 basis points to 6.9 per cent for this fiscal, following a triangulation of downside risks. The risks include weak monsoon, slowing global growth and sluggish high-frequency data for the first quarter, it said in a statement.

“The slowdown would be pronounced in the first half, while the second half should find support from expected monetary easing, consumption and statistical low-base effect,” CRISIL said, releasing its report on the outlook for India in fiscal 2019 titled ‘Uphill trek’.

Agricultural terms of trade are also expected to improve with a pick-up in food inflation. In addition, farmers would benefit from income transfer of ₹6,000 per year announced by the Centre, and farm loan waivers in a few states.

"Given the crosswinds, the sops announced so far might not be enough to pitchfork growth in this fiscal to, or above, the past 14-year average of 7 per cent per annum. Policy action looks more attuned to consumption than investment demand, which means consumption will be the first to ascend as the tide turns," Ashu Suyash, Managing Director and CEO, Crisil, said.

Multiple worries

India's GDP had grown at an impressive 8.2 per cent in fiscal 2017, the fastest in a decade. This was followed by disruptions stemming from policy initiatives and reforms, and rising global uncertainty including from trade disputes — which together triggered a cyclical downturn.

The non-bank (including housing finance companies) crisis, which began late last fiscal, slowed disbursals and further impacted household demand, which had already moderated amid lower incomes. Weak sentiment and rising costs (fuel prices and insurance for automobiles) are also a worry.

With access to funding becoming a challenge and non-banks caught up in managing liquidity, their growth halved to a multi-year low in the second-half of last fiscal and remains impacted.

On the corporate side, revenue growth is set to grow at a slower 8 per cent, reversing the trend of double-digit growth in the past two fiscals.

"Sales volume in the automobiles sector will be impacted by a trifecta — of spurt in costs due to changes in regulation, tightening liquidity, and moderating income growth. Sombre farm incomes will also weigh on rural-led segments such as fast moving consumer goods," Prasad Koparkar, Senior Director at Crisil Research, said.

Most consumption segments will pull India Inc's revenue growth to single digits. And weak prices of commodities such as steel would exacerbate the pain.

Hope in sight

Banking sector non-performing assets (NPAs) are expected to decline to about 8 per cent by this fiscal end from the peak of 11.5 per cent in fiscal-end 2018, given lower accretion and increased recoveries.

Credit growth should also grind up to 14 per cent, the highest in five years, after having decelerated to 8 per cent on asset quality pressures and capital constraints in fiscal 2018. Growth for NBFCs, particularly in the retail segment, is expected to pick up gradually.

Also, non-banking finance companies, have used this opportunity to correct their asset-liability mismatches and have reduced reliance on short-term market borrowings, which is a positive for the sector.

"The crucial question, therefore, is whether a trough is in sight. Given the fiscal constraints, public spending is unlikely to have the heft to pull growth above 7 per cent. And some of the recent, and much-needed, reforms would pay off only over the medium term. There would, therefore, be some near-term onus on monetary policy to stimulate. But how effective that can be is the big question," Dharmakirti Joshi, Chief Economist at Crisil said.

Source: thehindubusinessline.com- Aug 01, 2019

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MEIS rollback to hit textile sector hard

The rollback of Merchandise Export from India Scheme (MEIS) will hit the textile sector in Gujarat hard, as the sector is already facing slowdown due to the implementation of the goods and service tax (GST). However, the industry is pinning its hopes on the Rebate of State and Central Taxes and Levies (RoSCTL) scheme to compensate the MEIS losses.

According to industry leaders, Gujarat's textile products including fabrics, garments and made-ups will lose its competitive edge against China and other countries, especially when India has to reap benefits of US's trade war with other countries.

Also, the import of fabrics from China and Bangladesh—which has increased by over 600% in the last couple of years—will further increase and that the textile fabric manufactured in Surat, Ahmedabad and other centres would not be able to face the stiff price competition.

The annual export of MMF (man made fibre) from Surat is pegged at Rs 1,500 crore.

Immediate past chairman of Synthetic and Rayon Export Promotion Council (SRTEPC), Narain Aggarwal said, “MEIS has been withdraw after objection raised by WTO. However, the central government will be implementing RoSCTL scheme to benefit the textile exports from the country.”

Managing director of Fairdeal Filaments Private Limited, Dhiru Shah said, “The impact of removal of MEIS will be short-term, since the government is implementing RoSTCL scheme. Exporters will get rebate on all the central and state levies and taxes.”

A Surat-based textile exporter, Rakesh Choudhary said, “We book orders in advance computing the tax benefits. An abrupt removal of MEIS by the government will increase our losses” Choudhary. He added that MEIS scheme gave much needed cushion for increasing competitive edge of MMF textile that face price competition from China and other countries. Asian countries incentivize exporters through refund of duties as high as 20%.”

This decision will also impact Jetpur’s Sari industry which is currently facing action by Gujarat Pollution Control Board (GPCB) over release of untreated water in Bahdar river.

Haresh Bhuva president of Dhareshwar GIDC Industrial Association in Jetpur said, “This decision has come at a time when we are already facing liquidity crunch. This incentive was very helpful to boost up our industry and export.”

According to Bhuva the annual export from Jeptur is to the tune of Rs 1,500 crore. The ladies garments including saris, dress material and readymade garments of Jetpur has very good demand in African countries and Sri Lanka with major export from Saurashtra being cotton.

Rahul Mehta, president, Clothing Manufacturers’ Association of India (CMAI), said, “The decision will hurt export revenues, especially on existing export orders, which have already been booked. This is because costing is usually worked out at the time of accepting orders and the incentive is factored in. It will also mean a loss of goodwill for exporters who may be forced to not ship the goods, owing to additional costs.”

Source: timesofindia.com- Aug 02, 2019

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Surat looms shift to cotton processing

Textile entrepreneurs in the country's largest man-made fabric (MMF) sector in Surat, known as a polyester hub, have shifted their attention to cotton. In the last two years, a sizeable number of weavers and textile processors have started processing the natural fabric.

Traditionally, Surat is famous for its low-cost polyester fabric. But to keep pace with the demand for cotton fabric in the country, powerloom weavers and textile processors have plunged into its production process. According to industry experts, Surat now produces 10% of cotton fabric. Unfinished cotton fabric from Ichhalkaranji and Bhiwandi is also making its way to the textile dyeing and processing mills for processing.

Most of these cotton fabrics are used in the manufacturing of apparel.
Vice-chairman of Madhusudan Group, a leading textile manufacturers, Girdhar Gopal Mundra said, "The MMF hub is gradually moving towards natural fabric (cotton). It is predicted that the cotton manufacturing will take about 40% share in the MMF centre in the next five years."

Mundra, who is also actively involved in the Southern Gujarat Chamber of Commerce and Industry added that more than 10 cotton yarn exhibitors will participate in SGCCI's 3-day Yarn Expo in the city."

Surat's MMF sector manufactures 4 crore metres of polyester fabric every day. The industry employs more than 10 lakh workers in the manufacturing and processing sectors.

President of Pandesara Weavers Cooperative society, Ashish Gujarati said, "A small number of weavers in Pandesara are weaving cotton and cotton-blended fabrics. The trend is visible after the implementation of GST as there is flat 5% GST on cotton yarn and fabrics."

President of South Gujarat Textile Processors Association (SGTPA), Jitu Vakharia said, "Around 25 mills in the city are processing cotton fabrics, while the bulk of unfinished fabrics comes from outside Surat."

Source: timesofindia.com- Aug 02, 2019

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New DPIIT, textile secretaries take charge

Mohapatra has taken charge at a time when the department is working on key policies including those on retail and e-commerce.

Guruprasad Mohapatra, an Indian Administrative Service (IAS) Officer of 1986 batch on Thursday assumed charge as secretary, Department for Promotion of Industry and Internal Trade (DPIIT).

He has taken charge at a time when the department is working on key policies including those on retail and e-commerce. The national industrial policy is awaiting the union cabinet's nod.

Prior to this, he was Chairman of Airports Authority of India (AAI) and had earlier served as joint secretary in the Department of Commerce, where he worked for the promotion of Special Economic Zones, Public Procurement and Project Exports.

Ravi Capoor, a 1986 batch IAS officer assumed charge of the office of textiles secretary amid a steep decline in exports of cotton yarn, fabrics, made-ups, handloom products and readymade garments due to a fall in demand in importing countries such as China, Bangladesh and South Korea.

Source: economictimes.com- Aug 01, 2019

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Manufacturing PMI at two months high of 52.5 in July

The report mentioned that economic growth in the manufacturing sector was sustained in July

A survey has showed that the Manufacturing Purchasing Managers' Index (PMI) rose to 52.5 in July as against 52.1 in June. This optimism has come at a time when the performance of eight key industrial sectors, as represented by the core sector data, touched a 50-month low.

This index is prepared on the basis of a survey which was conducted among purchasing executives in over 400 companies. The companies were divided into 8 categories: basic metals, chemicals and plastics, electrical and optical, food and drink, mechanical engineering, textiles clothing, timber and paper, and transport.

An index over 50 implies 'expansion', while an index below 50 meant 'contraction'. The index is prepared by IHS Markit and released along with a detailed report.

Pollyanna de Lima, Principal Economist at IHS Markit, said that following a slowdown in growth during the the opening quarter of FY20, some momentum was regained in July.

The measures for increased factory orders, production and employment have improved in the latest month, although the rates of expansion remained below trend. A similar pattern was evident for business confidence.

Participants of the survey, linked the hike in growth to a rise in demand. This was attributed to successful marketing efforts, competitive pricing and favourable public policies.

General lack of inflationary pressures

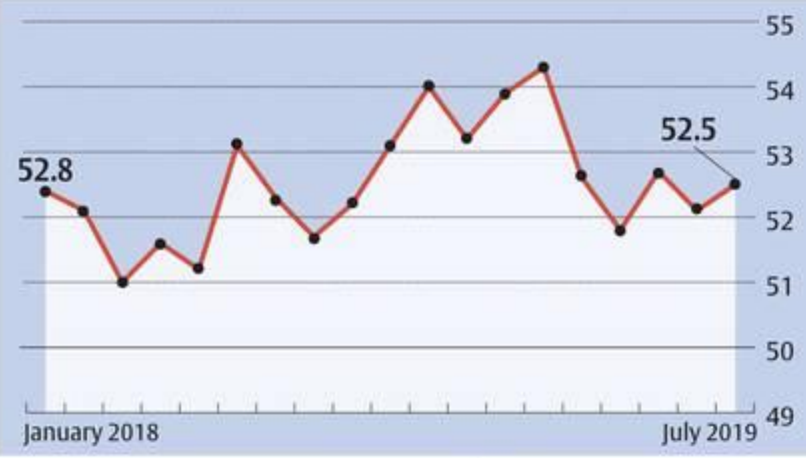
The data showed that the domestic market provided the main impetus to sales growth.

International orders increased the least in 15 months as manufacturers started to feel the effects of softer conditions in key destinations for their goods. "The relatively negligible increases in input costs and output charges, signalled by the PMI survey in July, suggest that we will likely see a further reduction in India's benchmark interest rate as the RBI continues its effort to support economic growth," she said.

The report mentioned that economic growth in the manufacturing sector was sustained in July. Companies scaled up production in response to a quicker upturn in factory orders. This, coupled with optimistic growth projections, underpinned job creation and an increase in input purchasing.

Manufacturing PMI at two month high of 52.5

Finally, there is some good news on the manufacturing front as the Manufacturing Purchasing Managers' Index (PMI) rose to 52.5 in July as against 52.1 in June. This optimism has come at a time when core sector data touched 50 months low, and the auto sector being in the midst of prolonged slump



A reading above 50 indicates expansion, while a score below this mark indicates a contraction

HIGHLIGHTS

- Consumer goods producers led the upturn in July for the third month in a row
- There was also a stronger improvement in business conditions at intermediate goods makers
- The capital goods sub-sector dipped into contraction, with lower sales causing reductions in output and quantities of purchases, while job creation came to a halt
- Aggregate manufacturing production in India increased in July, as has been observed on a monthly basis for two years
- The rate of expansion was below its long-run average, but improved from June
- New export orders also continued to rise, but here a slowdown in growth was noted

Following a slowdown in growth in the opening quarter of fiscal year 2019-20, some momentum was regained in July. Measures for factory orders, production and employment improved in the latest month, although rates of expansion remained below trend. A similar pattern was evident for business confidence. Survey participants linked the up stick in growth to a pick-up in demand, mostly stemming from successful marketing efforts, competitive pricing and favourable public policies.We see from underlying data that domestic market provided the main impetus to sales growth. International orders increased to the least extent in 15 months as manufacturers started to feel the effects of softer conditions in key destinations for their goods. The relatively negligible increases in input costs and output charges, signalled by the PMI survey in July, suggest that we will likely see a further reduction in India's benchmark interest rate as the RBI continues its effort to support economic growth.

— **POLLYANNA DE LIMA,** Principal Economist at IHS Markit

Source: IHS Markit

As has been the case in 2019 so far, the sector continued to register a general lack of inflationary pressures. Both input costs and output charges increased at marginal rates that were broadly negligible in the context of the historical survey data.

Consumer goods producers led the upturn in July for the third month in a row, though there was also an improvement in business conditions of intermediate goods makers. The capital goods sub-sector dipped into contraction, with lower sales causing reductions in output and quantities of purchases, while job creation came to a halt. Aggregate manufacturing production in India increased in July, as has been observed on a monthly basis for two years. The rate of expansion was below its long-run average, but improved from June.

Source: thehindubusinessline.com- Aug 01, 2019

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Iran is hot favourite for Indian cotton exporters

Cotton exports to Iran reported a phenomenal jump of 1070 per cent to 1.85 million kg during 2018-19

Amid slowing raw cotton exports in recent months, India has seen sharp jump in cotton demand from an unexpected buyer, Iran. After many Western nations imposed trade sanctions on it, Iran's cotton purchases from India has gone up multiple times in recent months.

Going by the DGFT data, India exported 15,877 kg raw cotton (HS Code 52010015 of staple length 28.5 mm and above but below 34.5 mm) during the year 2017-18.

Phenomenal jump

Cotton exports to Iran reported a phenomenal jump of 1070 per cent to 1.85 million kg during 2018-19. The reason was favourable payment terms in rupee denomination and higher demand.

"Our overall cotton exports will easily cross the CAI's estimate of 46 lakh bales. We are seeing renewed buying interest from countries such as Iran, Vietnam and Bangladesh. Though the quantities are smaller, we are seeing steady orders from these countries," Atul Ganatra, President, Cotton Association of India (CAI) told Businessline.

An exporter from Mumbai confirmed the increase in cotton consignments to Iran in recent months. "They pay in rupee and the payment comes directly to the Indian bank account. This is possible because they sell oil to India for rupee," the exporter said, requesting not to be named.

A cotton exporter from Ahmedabad said geo-political uncertainty over Iran and the trade tensions associated with it prompted the cancellation of despatch of goods. However, many small exporters have already exported cotton consignments to Iran.

Q1 exports

As per the latest data, during the April-June period of 2019-20, India exported 5.03 million kg of raw cotton to Iran, up 813 per cent on year-on-year basis.

Besides Iran, Oman is the only country where a growth in export is reported during the period. India exported 1.98 million kg of raw cotton to Oman during the first quarter of this fiscal, up from a nominal 0.02 million kg in the same period last year.

Cotton expert and leading trader Arun Sekhsaria from Mumbai said the Iran phenomenon is not exciting enough to compensate for the current dull exports. "Exports to Iran can't be considered significant from the India's overall cotton export point of view. They have very small requirement and it will not make a big difference to Indian cotton export prospects," he said.
Non-competitive prices

Sekhsaria also mentioned that overall cotton export prospects are hampered by non-competitive prices of Indian cotton in the international market. "If present scenario (of higher prices) continues to persist, we fear we will see even less exports next year," he added.

Recently, Union Textiles Minister Smriti Irani had informed Parliament that India's cotton exports were reported at 44.64 lakh bales till April 30, 2019. According to CAI estimates, exports for the season ending September 2019 will hover at 46 lakh bales, which are lower by 23 lakh bales compared with the previous year's cotton exports estimate of 69 lakh bales.

Source: thehindubusinessline.com- Aug 01, 2019

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Govt e-commerce platform has more than twice the number of Flipkart sellers

2.1 million orders worth Rs 28,000 crore have been placed on GeM

The Centre's e-commerce platform, government e-marketplace (GeM), was launched in 2016 with an ambitious goal to become the 'Flipkart' — then the byword for large-scale e-commerce in India — of government procurement. Three years and Rs 28,710 crore worth of transactions later, it has more than double the number of sellers than Flipkart.

According to official statistics, the portal, under the commerce and industry ministry, has 259,000 sellers and service providers combined.

Flipkart — currently the second-largest e-marketplace by gross sales — doesn't sell services. But it advertises to potential sellers that 100, 000 sellers showcase their goods on the platform.

However, GeM is yet to catch up on its basic task of digitising government transactions, estimated at an annual Rs 5.5 trillion. The official target remains Rs 50,000 crore in 2019-20, ultimately hitting Rs 1 trillion worth of procurements by 2021.

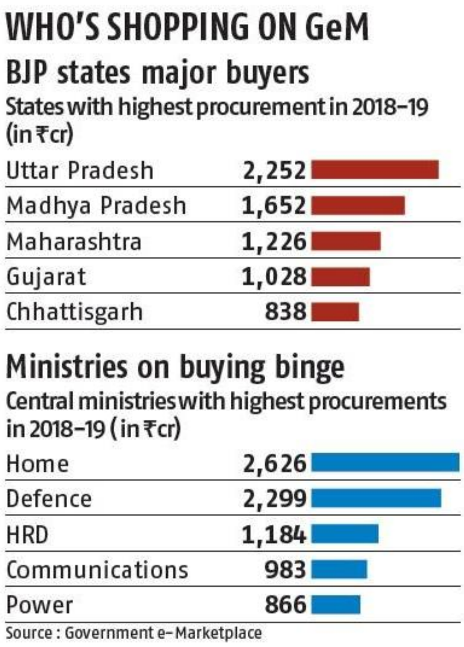
More than 2.1 million separate orders have been placed on the portal till now, with 1.7 million orders in 2018-19 itself, up from 300,000 orders in the preceding year.

All public sector agencies are mandated to directly purchase common-use goods and services through the online portal.

While most states have signed a memorandum of understanding with the GeM authority, Uttar Pradesh, Maharashtra and Madhya Pradesh remain the largest buyers.

Start-up angle

The number of products on the portal has also jumped exponentially, now featuring more than 11.13 products, from office stationery to vehicles. Automobiles, computers and office furniture are currently the top product categories. Also, 14,147 separate services, including transportation, logistics, waste management, web casting and analytical, among others are listed on the portal. Cloud computing and management services, security and catering services are the top focus of government buyers.



Many of these services and products have now been open to the more than 15,000 start-ups recognised by the Department for Promotion of Industry and Internal Trade (DPIIT), and other start-ups keen to be a part of this ecosystem. More than 2,500 start-ups are on board, sources said.

Interested start-ups had been asked to provide their products and services free of charge for a fixed period of about two-three months. Response from buyers on the platform will determine their long-term approval on the platform. According to DPIIT officials, the move favours smaller start-ups rather than the ones which have been in the news for their marquee fund-raising.

After an increasing number of buyers had complained of being sold faulty or decoy products by distributors or re-sellers, the government partnered more than 100 major brands such as HP, Infosys, TCS and Wipro, etc., senior officials said.

Other companies such as Godrej also figure on the list. Cases of fraud dealerships and re-sellers are now taken up by the original equipment manufacturer concerned, officials added.

MSME push

Expanding the outreach of micro, small and medium enterprises (MSME) on the platform remained the first priority, a senior GeM official said.

Seen as a step to woo small firms, the government has started offering credit facility to MSMEs on GeM through the Trade Receivables Electronic Discounting System (TReDS). It is a bill discounting service supported by Small Industries Development Bank of India for pre- and post-shipment of products. As small enterprises find it difficult to deal with payment delays, GeM is ensuring that this issue will be resolved for MSMEs who can now avail the TReDs facility.

Currently, 44,317 such firms more than Rs 1 trillion worth of procurement is done nationally by 170 central public sector enterprises through GeM.

The GeM platform is also being used to place orders for World Bank projects. MoUs have also been signed with 12 banks to facilitate payments. The platform is also closely monitored by the Prime Minister's Office, with the Cabinet Secretary holding a review meeting every three months with the committee of secretaries and regularly.

Source: business-standard.com- Aug 02, 2019

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Manufacturers, exporters asked to share data on costs borne with govt

As India looks to boost exports in the wake China’s ongoing trade war with the United States, the government aims to make India’s products more competitive.

Commerce and Industry Minister Piyush Goyal directed manufacturers and exporters to share data on the costs borne on the products they export, during an interactive session with export promotion bodies on Wednesday.

As India looks to boost exports in the wake China’s ongoing trade war with the United States, the government aims to make India’s products more competitive.

“Piyush Goyal urged manufacturers and exporters to come forward with data and details which directly and indirectly add to the cost of the products that are being exported like cess paid on coal, electricity and royalty paid on mines,” the Commerce Ministry said in a release after the meeting.

Goyal said the Centre is working on “making India’s export products competitive and simplifying rules and regulations for easy availability of export credit.”

He also urged the export-import community to flag issues regarding availability of land, labour, common effluent treatment plants, cluster development and logistics support required in ports, airports and customs.

The Federation of Indian Export Organisations said Goyal “assured the industry that while MEIS will be withdrawn, it will be replaced by WTO-compatible RoSCTL scheme, which is already operational for apparel and made ups.” It said that Goyal told export bodies the Centre is also reviewing “all” existing free trade agreements to assess their impact on exports as well as manufacturing.

“A section of the industry has opined that some of the conditions like requirements of local experience, are limiting their participation in the Chinese procurement process.

Government of India has been engaging with the relevant Chinese government entities to ensure that Indian companies get market access for their products,” the Ministry said.

India currently has an over $50 billion trade deficit with China and has so far focussed on gaining more market access there for its agricultural, dairy and pharmaceutical products.

Source: indianexpress.com- Aug 01, 2019

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Cheer for MSMEs: This new government tool to boost your cargo movement at ports

In order to boost global trade by weeding out bottlenecks in the clearance of goods at ports, the Department of Revenue is conducting India's first national Time Release Study (TRS) — a unique tool for countries to "measure the actual time required from the arrival of goods to their physical release; assess the efficiency and effectiveness of each actor in the flow process of cargo; identify bottlenecks, identify opportunities for border management improvement etc.," according to World Customs Organisation. The study's "expected beneficiaries will be export-oriented industries and MSMEs," Ministry of Finance said in a statement today to help them with "greater standardization of Indian processes with comparable international standards."

"This will help in saving money, hence the impact on MSMEs will be more even as it will benefit all exporters. For ensuring my goods, I ask the insurance company for let's say 15 days cover if I ship my goods on the first day of the month that gets loaded in cargo ship by the 15th of the month. Now I can say that I need insurance for only 10 days because exposure for this was 10 days whether goods were in the warehouse of the transporter or somewhere else," Vishwanath, Chairman, MSMEs Committee, PHD Chamber and MD, Nath Bros Exim International told Financial Express Online.

"Mass clearance means your dwelling time reduces. When that reduces certainly the value remains the same, the item remains the same, but the premium comes down. My turnaround of money will be very fast and the customer will get the good faster and I can ship the good with a shorter delivery," said Vishwanath adding that each port has done their own studies and hence there are a lot of variations. So TRS is basically to make a uniform system, which is a great thing, that will make custom authorities more efficient.

TRS will be conducted annually during the same period across 15 ports including sea, air, land and dry ports which cumulatively account for 81 per cent of total bills of entries for import and 67 per cent of shipping bills for export filed within India, the government said. Based on this, existing and potential challenges will be diagnosed by the government agencies linked with cross border trade to boost the free flow of trade and act accordingly to cut down the cargo release time.

Source: financialexpress.com- Aug 01, 2019

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Denimsandjeans India sees highest buyer turnout

The 3rd edition of Denimsandjeans India, held recently in Bangalore, witnessed the highest buyers' turnout in its all 3 seasons. With over 40 exhibiting companies from over 7 countries, the show brought all the leading retailers, brands, buying houses and factories from India as well as overseas on one platform during the two days of the event.

This year, the show focused on the growth prospects of Indian denim industry. Through the theme 'Resurgent India', Denimsandjeans tried to bring global attention on the untapped potential of the local market which is expected to be worth $59.3 billion in 2022, making it the sixth-largest in the world, comparable to the United Kingdom's ($65 billion) and Germany's ($63.1 billion), according to data from McKinsey's FashionScope.

The show witnessed a footfall of over 2,150 buyers from over 575 companies from India and overseas. Apart from Bangalore, buyers from Mumbai, Chennai, Hyderabad, Telangana, New Delhi, and Ahmedabad also visited the show along with overseas buyers from Spain, Hong Kong, London, Bangladesh and Sri Lanka. All the major retailers and brands visited the show. Some of the most reputed factories and exporters including Shahi, Garden City Fashion, Trigger Apparels, Prateek Apparels, Classic Polo Fashion, VD Fashions, Shivassa Apparels, Aquarelle Clothing, and Hasbro Clothing also checked out collections with their teams.

Several tier I and tier II brands along with big fabric dealers/traders and distributors also visited the show on both the days. "Amid ongoing several trade shows related to garments and yarns on the same dates, the visitation of serious buyers at this quantum, made this show one of the most favourite b2b denim sourcing shows of India within a short period of 3 years," the fair organisers said.

Sharad Jaipuria, president of Denim Mills Association and chairman of Ginni International was the chief guest at the show, which had Trend Area—where latest innovations in the denim industry were displayed from all exhibitors. The exhibitors showcased their AW19/20 collection in 5 categories—Scientific Methodology, Super Flexies, My Earth, Our Primes and Value Fashion.

At the Selvedge Denim Wall, Denimsandjeans, Arvind, Raymonds, and Korra Jeans came together to provide special privilege to visitors of the show. The visitors were offered special Selvedge jeans made from Raymonds and Arvind selvedge fabrics customised to visitor sizes by experts at Korra jeans at a super special price on both the days.

Apart from the routine exhibition, the show had five knowledge transfer sessions where some of the most popular denim experts and innovators participated and shared the latest developments with the exhibitors and visitors of the show.

Discussions on the topoic 'The Race To The Bottoms: Who Are The Winners?' were on changing patterns of denim business including pricing, sourcing, quality, geographical influences, margins, and sale strategies over the period of time.

Dilek Erik, a renowned denim expert from Turkey, had a very informative seminar titled 'A comprehensive look at sustainable products in global denim supply chain', primarily focused on how sustainability has become one of the most important factors in the entire denim supply chain and why is it so important.

Kaan Sen from Dystar gave a presentation on the latest sustainable wash trends. There was also a panel discussion on 'Innovative fibres and development in industries'.

Denimsandjeans.com founder Sandeep Agarwal gave a live demonstration on the De Brands App which is currently available on IOS platform and is shortly going to be launched on Android platform.

Fascinating workshops were also held during the two-day event, in accordance with its theme of this year ‘Resurgent India’. An Indigo Festival with the most ancient arts of indigo dyeing from was organised, where artisans and craftsmen representing families who had been working with these arts for centuries shared their knowledge. A total of four traditional indigo arts—ajrak printing, shibori dyeing, ancient tie and dye, and dabu printing—were showcased.

This edition witnessed the presence of several designers also at the show from different parts of India including Bipin Nahak, Bluhemia, 9.oz Denim, and Locomotive. They presented their design skills at the show and the same was highly appreciated.

The next destination for the organisers is Japan and the first edition of Denimsandjeans Japan will be held on March 4-5, 2020 in Tokyo.

Source: fibre2fashion.com- Aug 01, 2019

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Reducing the trade deficit with China

Soon after taking power in December 1978, Deng Xiaoping famously stated: “It does not matter which colour is cat as long as it catches mice,” and with that private enterprise in China was no longer a dirty word. His perceived catchphrase “To get rich is glorious” unleashed personal entrepreneurship that still drives China’s economy. Today, China has spawned a vibrant private sector. India, too, took the inevitable plunge in the early 1990s, but has sadly fallen way behind.

After China joined the WTO, India-China trade has grown exponentially, from $1.49 billion in 2000-01 to $70 billion in 2018-19, with China becoming India’s largest trading partner. But this has come at a cost—a yawning trade gap.

While most of its exports to China are goods and raw materials, India imports mainly intermediate and finished goods. In 2016-17, its import mix was 16% capital goods, 21% consumption goods, 63% intermediate goods. Among top exports to China are petroleum products, cotton, organic chemicals, iron ore and plastic raw materials, whereas main commodities being imported are machines for reception, conversion-transmission, bulk drugs and drug intermediates, consumer electronics, and telecom instruments.

Keeping in view huge demand for alternative sources of energy, China has developed massive capacity and occupies a dominant position in manufacture of photosensitive semiconductors and PV cells, capturing 34.3% of world market!

How is it that China is more competitive than India? Is it the one-party system with long-term objectives zealously pursued, or government's policy interventions that ensure factors of production (land, labour, capital) are available to manufacturers at the lowest possible cost, or perhaps both?

Setting aside ideological, political and social differences, China has promoted 'Made in China' with a singular zeal. In 2016, in a survey by Deloitte, CEOs of Fortune 500 companies were asked to rank countries in terms of current and future manufacturing competitiveness, in which China was declared the numero uno.

No wonder major MNCs such as Samsung, Toshiba, LG and scores of US MNCs have all set up shop in China. China has also cultivated its large pool of non-resident Chinese, offering them incentives to participate in socio-economic initiatives in mainland China, with a Cabinet-rank minister to look after their affairs. Belatedly, India has also set up a separate ministry to help NRIs contribute to India's economic growth, but needs to play a proactive role.

While India's average hourly compensation cost in manufacturing rose from $0.73 to $1.58 in 2012, in China it rose from $0.6 to $3.06. However, Chinese lending rates have remained low—from 3.3% in 2002 to only 4.4% in 2012, whereas India registered a drop from 11.9% to 9.7% for the same period. Cost of land, of course, is another story.

Apparels, electronic goods, telecom, pharma products, oilseeds, gems and jewellery, chemicals, tobacco, plastics, marine products, cotton textiles, synthetics and rayon textiles, and leather are some products that have a bright future.

To feed its billion-plus population, China is a big importer of farm products, reaching almost 10% of global trade. With exports of our agricultural products reaching almost $40 billion, India has a major stake in gaining access, which currently is mired in Chinese regulatory maze. Similarly, India is the world's largest producer of rice, whereas China is the biggest importer of this commodity. And with China importing 3.4 million tonnes of raw sugar per year, which is subject to a quota system providing concessional tariff, India's sugar industry should be able to negotiate a way in. Similarly, export of sesame seeds has not made much headway as Indian export attracts 10% duty, whereas African countries enjoy zero duty and have captured 90% of Chinese market.

A strategy for import substitution and attracting investments in telecom, solar power, bulk drugs and drug intermediaries, auto components, industrial machinery for dairy, agriculture, food processing, textiles, paper, chemicals, etc, and, last but not the least, electric vehicles and lithium-ion batteries needs to be pursued vigorously. Given intensive G2G and B2B negotiations, and gaining from the fallout of the China-US trade war, India should be able to substantially reduce its trade deficit with China in the years to come.

Source: financialexpress.com- Aug 02, 2019

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