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IBTEX No. 48 of 2019 March 06, 2019

USD 70.57| EUR 79.72 | GBP 92.68 | JPY 0.63

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20191	42200	**76.18**
Domestic Futures Price (Ex. Warehouse Rajkot), March		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20810	43493	**78.52**

International Futures Price

NY ICE USD Cents/lb (May 2019)	74.61
ZCE Cotton: Yuan/MT (May 2019)	15,285
ZCE Cotton: USD Cents/lb	103.37
Cotlook A Index – Physical	**81.15**

Cotton Guide: The bulls took over the ICE future contracts yesterday as was depicted by huge gains of about 2 percent. The bulls took victory yesterday based on investors covering their short positions based on US China Trade Talks. The most active contract ICE May settled at 74.61 cents/lb with a positive increase of +148 points.

The high and the low figure that was seen for ICE May contract was 74.70 cents/lb and 73.09 cents/lb respectively where the contract settled towards the high figure. We need to see a close/volume based trade above 75 to confirm a fresh up move towards 76+ levels. For now 73 is the support level.

The total volume seen at ICE was 32,628 contract as compared to the previous 28,753 contracts. Total open interest increased by 1,139 contracts to 224,385. The May 2019 and July 2019 interest increased by 163 and 1,142 contracts, respectively, to 121,584 and 44,672.

The MCX contracts on the other hand remained almost unchanged apart from what was seen in MCX May contract. The MCX March contract settled slightly lower by (-20) Rs at 20,810 Rs/Bale which is expected to trade today in the range of 20,700 Rs/bale to 21,000 Rs/Bale, whereas the MCX May contract settled +120 Rs higher at 21,320 Rs/Bale taking cues from the international markets. The MCX April contract did not show any change. The total volume seen on MCX was 3065 lots as compared to the previous figure of 2532 lots. The open interest was recorded at 16,209 lots as compared to the previous 15,894 lots which is an increase of 315 lots.

The arrivals of cotton in India is estimated to be around 120,000 lint equivalent bales (private estimates). The average price of Shankar 6 is at 42,200 Rs/Candy. Cotlook Index A has been adjusted lower to 81.15 cents/lb with a negative decline of (-0.75) cents/lb.

Based on certain news from the market, there are a lot of inquiries for Indian cotton from China. Indian trades have contracted around 5 lakh bales for export to China says one trader who did not want to reveal his name. We expect the bulls to take the prices slightly higher today.

Currency Guide

Indian rupee may note some gains against the US dollar but upside is limited. Indian rupee has benefited from gains in domestic equity market and easing geopolitical risks amid no fresh flare up in tensions between India and Pakistan. Investor inflows has also lent support to rupee. Reports noted that foreigners have bought a net $2.4 billion of stocks in February, the most since Nov. 2017. Emerging market currencies also got a boost from China's promise of tax cuts and infrastructure spending to support the economy. Correction in crude oil price has also eased trade deficit concerns. Brent crude has weakened to trade near $65 per barrel amid bigger than expected increase in US crude oil stocks. However, weighing on rupee is general strength in US dollar amid some better than expected economic data and Fed's less dovish stance. Equity markets are also choppy as market players eye trade related development. Reports earlier this week noted that US-China are close to signing a deal however US Secretary of State Mike Pompeo said President Donald Trump is ready to walk away from a trade deal with China unless he secures a "perfect deal." Rupee has recovered from recent lows amid easing geopolitical risks but the gains are unlikely to sustain as general outlook for crude remains positive. USDINR may trade in a range of 70.2-70.65 and downside is limited.

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

Higher imports, resolution of US-China dispute to support cotton prices in 2019

Year 2018 was full of uncertainty and volatility for the world cotton market. This uncertainty surrounding the ongoing trade tensions between the United States and China, is one of the most challenging issues facing the global cotton market today. Last month, the two countries concluded a round of talks aimed at resolving the dispute with further discussions planned for mid-February.

President Trump had set March 1st for either resolving the trade issues or increasing tariffs applied to approximately $200 billion of imports from China. Based on the positive statements resulting from the recent negotiations, the NCC assumes that the additional tariffs being imposed by the two countries will be removed in advance of the 2019 marketing year. With exact timing unknown, the ultimate resolution is not assumed to have a significant impact on the balance sheet for the 2018 marketing year.

Production to increase in 2019

World cotton production declined in 2018 to an estimated 118.4 million bales due to lower acreage and yields. The US was not the only country plagued by weather and pest issues in 2018.

As compared to 2017, India's crop declined by 2.0 million bales. Australia harvested 43.4 per cent less acreage in 2018 due to severe drought conditions, resulting in a 2.2 million bale reduction as compared to 2017.

Pakistan's production also fell 950,000 bales. The 19.1 per cent increase in Brazil's cotton acreage in 2018 did offset some of the production losses experienced in other countries.

Brazil produced a record 11.0 million bales, an increase of 1.8 million bales over 2017. For 2019, production is expected to increase in most major cotton producing countries. World production is estimated at 125.5 million bales.

Consumption to reach 126.5 million bales

World cotton consumption is expected at 123.6 million bales in 2018 marketing year. Estimates have been revised downward due to the ongoing trade dispute as well as aHigher imports resolution of US China dispute to support cotton prices in 2019 001 slowdown in the Chinese and world economies. For 2019, consumption is expected to increase to 126.5 million bales.

Consumption to exceed production in 2019

Cotton consumption exceeded production by 5.1 million bales in the 2018 marketing year. Ending stocks declined to 75.5 million bales. Stocks outside of China increased to a record 46 million bales. The world production is estimated to increase by 7 million bales in 2019 to 125.5 million bales, which would be the highest level since the 2011 crop.

World consumption is projected to increase to 126.5 million bales in 2019. Ending stocks are projected to decline to 74.2 million bales. Stocks outside of China are projected to increase to a record 46 million bales.

While the Council's economic outlook does not attempt to project cotton prices, it is important to review some of the factors shaping the current price situation. Cotton prices maintained a weaker appearance since August 2018 due to the U.S.-China trade dispute as well as a slowdown in the world economy.

Based on the underlying assumptions and resulting cotton balance sheet, the level of stocks outside China in the 2018 marketing year along with higher projected production in 2019 may contribute to a more bearish tone for cotton prices in the next year.

However, the increase in world trade due to higher Chinese imports along with a resolution to the U.S.-China trade dispute could provide some price support.

Source: fashionatingworld.com- Mar 04, 2019

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US Confirms It's Delaying China Tariff Increase Indefinitely

The U.S. has confirmed the country is postponing "until further notice" a scheduled tariff increase on Chinese goods, the latest sign that the world's two largest economies could be headed toward a de-escalation of their trade dispute.

Formalizing a plan President Donald Trump announced last week, the U.S. Trade Representative's office published a statement in the Federal Register stating it was "postponing the date on which the rate of the additional duties will increase to 25 percent for the products of China covered by the September 2018 Action in this investigation."

The new tariffs had been set to take effect March 1, but now the rate will remain at 10 percent, according to the statement.

The U.S. and China are said to be close to a trade deal that could lift most or all U.S. tariffs as long as Beijing follows through on pledges ranging from better protecting intellectual-property rights to buying a significant amount of American products.

Source: sourcingjournal.net - Mar 05, 2019

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U.S. firms' shift to other countries intensifies

Apparel and footwear manufacturers in the US have been shifting their production mix to factories in other countries like Vietnam, Indonesia and Egypt for much of the past decade, but the push has intensified due to the trade war. The United States has not hit most finished apparel and footwear with punitive tariffs.

It will take years, however, for large manufacturers and retailers to build new supply networks. Many companies have held off raising prices to offset tariffs, in hope that they would go away.

As it becomes clear that the risk of tariffs will linger, more companies are taking steps to mitigate them and accepting trade conflict with China as a new fact of life.

Some companies are resorting to the price hikes they have been delaying. Kubota held off raising prices until now in hopes that the costs associated with tariffs – including higher prices for imported parts from China – would be short-lived.

Kubota has 10 U.S. factories, with seven in Kansas. Its business has been hammered by retaliatory tariffs on U.S. farmers.

Source: fashionatingworld.com- Mar 05, 2019

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Thailand applies for CPTPP membership

Thailand wants to join the Comprehensive and Progressive Trans-Pacific Partnership.

The aim is to ensure it is not left behind by its competitors in the vibrant region. Thailand's membership would lead to increased trade and investment for the country, while upgrading regulations and standards. It is also likely to secure Thailand's position as a major manufacturing base for foreign-affiliated manufacturers.

The Comprehensive and Progressive Trans-Pacific Partnership came into force last December 30 and currently comprises Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Thailand's application will need to be endorsed by at least half of the current members.

The CPTPP covers around 13 per cent of the world's gross domestic product and provides access to an economic bloc of 500 million people. It is designed to cut tariffs on agricultural and industrial products, ease investment restrictions and enhance intellectual property protection.

Its recent entry into force marked a critical milestone for the countries that sought to save its older version, simply called the TPP, from collapse after the US pulled out.

Thailand is already participating in the Asean free trade area of the ten-member Association of Southeast Asian Nations, which includes CPTPP members Brunei, Malaysia, Singapore and Vietnam. It also has bilateral FTAs with CPTPP participants Japan, Australia and New Zealand.

Source: fashionatingworld.com - Mar 05, 2019

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Indonesia looks for trade pacts

Indonesia is going all out to strike trade pacts with about a dozen countries and blocs.

The US-China trade war has hurt its shipments and threatens to worsen a current account deficit.

The country has signed a free trade pact with Australia and is close to clinching deals with Iran, Turkey and the European Union.

Indonesia's current trade policy is very proactive in looking for market access in various parts of the world, whether the traditional markets or the non-traditional ones such as in Africa and Latin America. The urgency to seal as many trade pacts as possible stems from the need to reverse a slump in exports. Notably, in the past three months, exports pushed the nation's trade deficit, to a record last year.

Besides simplifying export procedures and ensuring efficient logistics, Indonesia is leaning on diplomacy to secure preferential tariffs, access to non-traditional markets and cheaper export financing.

Indonesia's current account deficit swelled to the highest in four years in 2018 after the trade gap reached a record amid the US-China trade war. The aim is to narrow the deficit to around 2.5 per cent of the GDP in order to address market sentiments. Risks loom from a prolonged US-China trade war.

Source: fashionatingworld.com - Mar 05, 2019

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EU to enact new controls to screen FDIs

The European Union (EU) has decided to formulate and enact a new set of controls to better scrutinise direct investments coming into the bloc from third countries on the grounds of security or public order, the EU council said in a statement, here on Tuesday.

This was the first time the EU had decided to furnish itself with a comprehensive set of rules, while its major trading partners had already similar controls in place, the council added, reported Efe news.

"The new rules on screening of investments will ensure that openness goes hand in hand with sensible protection of our strategic assets," said Stefan-Radu Oprea, Minister for Business Environment, Trade and Entrepreneurship of Romania and President of the council.

The council said regulations would establish a solid and stable framework for the screening of foreign direct investments (FDIs) into the EU. Internal negotiations on the subject were concluded on November 20, 2018.

The framework for rules should allow for coordinated methods of being able to scrutinise inward investment at a community level.

The objective of all this was to be able to avoid investments from countries, such as China, which could possibly pose a threat to security or public order within the community, one of the most open in the world, the statement said.

Part of the new screening device would include a cooperation mechanism where member states and the commission would be able to exchange information and raise specific concerns over investments.

Member states will nevertheless retain the ability to review and potentially bar FDI on security and public order grounds.

The decision to set up and maintain national screening mechanisms will also remain in the hands of individual member states, the statement said.

The commission will be authorised to issue opinions in cases concerning several member states, or when investments could affect a project or program of interest to the EU as a whole, such as Horizon 2020 or Galileo.

The new regulations are set to be published on March 21, the council said and added they would come into force 20 days later. "The EU is and will remain one of the world's most open places to invest in," Oprea said.

Source: business-standard.com- Mar 05, 2019

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Trade war a boon for Bangladesh: Asian Development Bank (ADB)

Bangladesh's gross domestic product (GDP) will grow 0.19 percent more within the next one or two years if the US-China trade war escalates further, the Asian Development Bank's (ADB) chief economist said on Monday.

Moreover, the country will be able to make exports of an additional $400 million, said Yasuyuki Sawada.

Bangladesh will receive a lot of work orders, mainly shifted from China—the largest apparel supplier worldwide—because of the tariff war, he said.

Four countries will mainly benefit from the shifting of work orders and foreign direct investment due to the trade war -- Vietnam, Cambodia, Thailand and Bangladesh, said Sawada.

He was presenting a keynote at a seminar on "Impact of emerging international trade relations on Bangladesh" at the Radisson hotel in Dhaka.

Economists from home and abroad, ADB high-ups and researchers attended the seminar which had Commerce Minister Tipu Munshi as the chief guest.

"Garment, textile, IT and agricultural products seem to be exported more due to the trade war...Gains from trade redirection are not automatic or assured. There is a need to compete with others," he said.

Also a higher domestic demand propelled Bangladesh's miraculous and extremely robust economic growth, he said. At the end of the year, the GDP growth would hit 7.5 percent, as was predicted in the first six months of this year, the economist said. However, the prediction is a little bit lower than the 7.9 percent that the country experienced last year.

The US was supposed to implement its decision of imposing tariff rates ranging from 10 to 25 percent on $200 billion-worth Chinese goods from March 1.

"We do not know whether the US is going to impose 10 to 25 percent tariff rates on another $200 billion or whether is it going for a withdrawal," said Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue (CPD). "It depends on various scenarios," he said while discussing on Sawada's presentation.

The implications might worsen if the trade war escalates, Rahman said. The US has been making the multilateral trading system of World Trade Organisation almost dysfunctional, the CPD economist said.

The WTO would have been the best trade guard for Bangladesh as this organisation practises the rule-based trading system, he said.

Rahman warned to be vigilant of the continuation of trade privileges when the United Kingdom comes out of the European bloc as England is not only Bangladesh's third largest export destination but also the hub for Bangladesh to reach other European countries.

Both the European Union and the United Kingdom promised to continue providing the generalised system of preferences facility after Bangladesh graduated in status from least developed to developing country, he said.

However, it is still a matter of concern how the "Rules of Origin" will be determined, Rahman said. Bangladesh needs more entrepreneurs for new job creation and to reduce income inequality as the country is now on a development trajectory, he added.

"Investing in good infrastructure, providing good logistics and easy facilitation can help develop an efficient global value chain, and thereby attract global companies to move their production centres to Bangladesh," said Manmohan Parkash, country director of ADB's Bangladesh office.

"Bangladesh is benefitting from the trade war as we are receiving more work orders over the last few months," said Commerce Minister Tipu Munshi.

Mashiur Rahman, economic affairs adviser to the prime minister, said 35 percent of Vietnam's exports were machinery while garments attributed to only about 6 to 7 percent.

The drivers were foreign direct investment with foreign management and foreign expertise, the adviser said.

Source: thedailystar.net- Mar 06, 2019

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Myanmar launches trade, investment project with UK support

The Ministry of Commerce together with the Directorate of Investment Administration (DICA) and the International Trade Center (ITC) launched the Trade and Investment Project (TIP) on Monday with the aim of boosting Myanmar`s business ecosystem by improving trade and investments.

The TIP, which would run from 2019-21, is funded by a US$5.28 million grant from the UK`s Department for International Development (DFID) with technical assistance from the ITC, a multilateral agency based in Geneva.

The project`s strategic focus include improving trade competitiveness and business environment through updating National Export Strategy (NES), supporting investments in building productive capacities as well as expanding public and private trade and investment support services to micro, small and medium enterprises.

The TIP will also improve the investment promotion through the Myanmar Investment Promotion Plan (MIPP), and enable priority sectors growth through specialized support for the private sector.

The current NES, which runs from 2015-19, has a list of 11 prioritized sectors, which includes rice; beans pulses and oilseeds; fisheries; forestry products; textiles and garment; rubber; tourism; information and promotion; trade facilitation and logistics; access to finance; and quality management as supporting services to improve export.

The Ministry of Commerce will be adding fruits and vegetables, gems and jewelry, handicrafts, processed food products and digital business as the potential export sectors for the updated NES (2020-25).

The Ministry of Commerce`s permanent secretary U Aung Soe said the states and divisions of the country will then develop the prioritized sectors assigned to them following the NES`s updating of these sectors.

He said the NES will need to address how the country can leverage new opportunities through the creation of sustainable agro-processing, manufacturing and services jobs.

U Aung Soe added that it would also be important for trade to be inclusive and reach all the states and divisions, as well as promote the building of productive capacities.

Meanwhile, DICA Director General U Aung Naing Oo said seven states and divisions will be chosen for the TIP implementation, which will also support the MIPP.

ITC Executive Director Arancha Gonzalez said Myanmar has great growth potential as the TIP will work with private and public sector partners to capitalize on these opportunities and help the country to position itself for greater investment and deeper regional integration.

The DFID`s senior economist and inclusive-growth team leader Tom Coward said the TIP will support economic development in the states and divisions as well as generate jobs and improve incomes.

The launch of TIP comes at a time when exports appear to be gaining on imports. Data from the Ministry of Commerce showed the trade deficit for the first four months of the 2018-19 fiscal year, which starts in October and ends in September, has declined with imports increasing at a slower pace compared to the same period of last fiscal year.

According to the data, trade volumes for the period up to the second week of February reached US$12.65 billion, a gain of US$634 million compared to the same period of last fiscal year. Exports stood at US$5.9 billion while imports dropped by US$280 million to US$6.8 billion.

The government is targeting a total trade of US$31 billion for the current fiscal year, with US$15.3 billion for exports and US$15.8 billion for imports. This would reduce the trade deficit to US$500 million.

Myanmar exports items from seven major commodity groups. These include manufactured goods consisting mainly of garments, as well as agriculture produce, minerals, cattle, fisheries and forestry products.

In comparison, Myanmar`s major import items are divided into four groups - capital goods, intermediate goods, consumer goods and cut-make-pack garment products.

Source: pulsenews.co.kr- Mar 05, 2019

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Iran: Textile Products Trade Registers $8m Surplus

A total of 260,000 tons of textile products worth $955 million were exported from Iran in the first 10 months of the current fiscal year (March 21, 2018-Jan. 20) to register an 18.7% and 6.5% increase in tonnage and value respectively compared with last year's corresponding period.

"Imports stood at 339,000 tons valued at $947 million during the same period to register a 38.4% and 36% decline in tonnage and value respectively year-on-year," IRNA quoted Director General of the Ministry of Industries, Mining and Trade's Textile and Clothing Industries Department Afsaneh Mehrabi as saying.

Accordingly, Iran registered a trade surplus of $8 million in the textile industry.

Mehrabi believes there is no problem in meeting domestic demand for apparel in the closing days of the current fiscal year (ending March 20).

Source: thedailystar.net- Mar 04, 2019

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Pakistan garment sector 'grossly underperforming': study

Although garment sector exports have increased over the years and it has been the best performing segment of the textile value chain, the sector is grossly underperforming relative to its potential, according to a study commissioned by the Pakistan Business Council (PBC) and conducted by the Consortium for Development Policy Research (CDPR).

Pakistan lags behind its competitors in the global share in export of garments. In 2017, Pakistan's share in the exports of garments was a meagre 1.10 per cent compared to China's 32.06 per cent, Bangladesh's 7.66 per cent, Vietnam's 5.94 per cent, and India's 3.81 per cent, the study found.

The primary reason for this poor performance is the narrow export base, which is tilted towards low value-added unsophisticated items. The top six products exported by Pakistan account for 52.0 per cent of Pakistan's exports, but only 20 per cent of total world garment exports, a PBC press release said citing the study findings.

World demand has been shifting to man-made fibre, which Pakistan has been unable to exploit.

In addition, Pakistan's garment exports are not well diversified in terms of destinations. Almost 88.0 per cent of garment exports are destined for the European Union and the United States.

The study was commissioned as part of PBC's Make-in-Pakistan initiative, which aims at reversing the premature de-industrialisation of Pakistan, promoting jobs and exports of value-added products, and raising revenues.

Pakistan's underperformance in exports can be attributed to a number of factors, divided into supply side, demand side and investment climate constraints.

Pakistan faces higher production costs and lower productivity compared to its peers. High production costs are in the form of import duty on cotton and man-made fibres, high energy tariffs and minimum wage. This has led to fierce competition with other low-wage competitors leading to small export orders for Pakistan, according to the study.

Pakistan faces unfavourable tariffs in garment exports in the international market like ASEAN, which restricts market access, and its currency in the recent past was overvalued with respect to the US dollar, making exports less competitive against China, India, Bangladesh and Vietnam.

Other impediments include poor access to credit, delay in the payment of government-announced tax refunds, low technological adoption, and time-consuming export procedures.

Source: fibre2fashion.com- Mar 05, 2019

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NATIONAL NEWS

India shrugs off US move to end preferential trade treatment

Impact limited to $190 m a year, says Commerce Secretary; will continue talks to iron out differences

The duty-free status available to 3,500 Indian goods exported to the US market will end soon as the Trump administration has decided to withdraw the benefits extended to the country under the Generalised System of Preferences (GSP). The concession has been rolled back on the grounds that India is not providing equitable market access to American businesses. The US is also terminating Turkey's designation as a beneficiary of the scheme.

The withdrawal of the scheme will not have a significant impact on exports to America, as the benefits to exporters added up to just about $190 million annually, said Commerce Secretary Anup Wadhawan. Of the about 3,500 products it covers, India made use of the concession for just 1,784. Delhi will, however, continue its talks with Washington to sort out mutual concerns, he added. Wadhawan said the US has decided to impose the duties despite the fact that India is working on an extensive and reasonable trade package.

"At the direction of President Donald Trump, US Trade Representative (USTR) Robert Lighthizer announced today that the US intends to terminate India's and Turkey's designations as beneficiary developing countries because they no longer comply with the statutory eligibility criteria," said an official USTR release.

The GSP scheme, launched in 1974, aims to assist developing countries in increasing their exports. India has been the biggest beneficiary of the scheme, with exports worth $5.6 billion being covered annually.

The withdrawal follows a review initiated last year by the USTR against India on the basis of complaints of market access problems from the US dairy and medical equipment industry. US trade officials said scrapping the concessions will take at least 60 days after notifications to the US Congress and the Indian government.

Wadhawan said the Commerce Ministry worked with several departments to try to sort out the problem, but it did not work. “We were successful in formulating a reasonable package which addressed most concerns of the US. However, there were additional requests which could not be accommodated,” he said.

Trump troubles

India’s recent spate of trouble started soon after Trump came to power. The Trump administration listed India among the countries with which the US runs a trade deficit, and asked the US Commerce Department to “identify every form of trade abuse and every non-reciprocal practice that contributes to the US trade deficit.”

Washington has not recognised New Delhi’s efforts to trim the trade deficit. The trade deficit narrowed by almost 6 per cent in 2017 to $22.9 billion, according to the USTR. With India buying oil and gas from the US for the first time in 2018 for an estimated $3 billion, the gap is expected to shrink by about $4 billion.

Last year, India was one of the countries on which the US imposed penal import duties on aluminium and steel, citing security threats. New Delhi announced its decision to impose retaliatory duties on 29 American products but has been postponing the intended implementation date. The new date is April 1, 2019, but the government has not decided yet on what it plans to do.

The US was India’s top export destination in 2017-18 with shipments worth $47.88 billion. India’s imports from the country were worth $26.61 billion.

What is GSP?

The Generalised System of Preferences, or GSP, is a tariff scheme that facilitates duty-free entry for thousands of products from designated beneficiary countries

Source: thehindubusinessline.com- Mar 05, 2019

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India's apparel exports estimated to de-grow by 4-5% in FY2019

Going forward, steps taken by the Government of India to address the challenges will remain crucial for a broad-based recovery across the sector.

India's apparel exports in Q3 FY2019 remained lower than the average quarterly exports during the past five years.

India's apparel exports are estimated to de-grow by 4-5% in FY2019, following a similar de-growth of 4% in FY 2018 and modest growth rates of 1% and 3% in FY2016 and FY2017 respectively, says an ICRA report.

While a reversal in trend has been witnessed in the recent months with a 14% Y-o-Y growth in India's apparel exports in Q3 FY2019, the growth is overstated considering a sharp decline reported during Q3 FY2018, amid downward revision in export incentives under the GST regime.

As a result, India's apparel exports in Q3 FY2019 remained lower than the average quarterly exports during the past five years. Having said that, ICRA expects the trend to have bottomed out and recovery to set in with internal challenges and abrupt pressures subsiding, though the pace of recovery is likely to remain muted considering the challenging environment.

Commenting on the subdued industry trend, Mr. Jayanta Roy, Senior Vice-President and Group Head, ICRA, says, "The decline in India's apparel exports in FY2019 so far has been primarily driven by a sharp inexplicable decline witnessed in shipments to the United Arab Emirates (UAE) from July 2017 onwards.

Yet, the trend otherwise also has not been encouraging. If the trade with UAE is excluded, India's apparel exports stood flat (vis-à-vis a 7% decline in India's overall apparel exports) in 10M FY2019. As this weakness coincides with a time when the global apparel trade has shown signs of positive momentum, it remains a cause of concern."

As for the global apparel trade, the same expanded for the second consecutive year in CY2018 (refers to Calendar Year) with a Y-o-Y growth of ~3%, following a 2% growth in CY2017 in US$ terms and contractions reported earlier in CY2015 and CY2016.

The positive trend during the last two years has been led by the strong recovery in apparel imports by the European Union (EU), which accounts for almost two-fifth of the global apparel trade (including the trade within EU) and reported a growth of 5.8% in CY2018. Unlike the EU, apparel imports by the United States of America (US) remain muted with a 2% growth in CY2018, though the trend has improved during the past two years.

As per ICRA note, India continues to experience headwinds in the form of intense competitive pressures from nations having a cost advantage over India, which seem to be constraining the overall momentum of the apparel export sector of India.

“While China – the world’s largest apparel manufacturer and exporter, continues to shed market share in the global trade, India has not been able to capitalise on the opportunity. Instead, a large chunk has been garnered by Bangladesh and Vietnam, the second and the third largest apparel exporting nations globally. While Bangladesh has been the key beneficiary in the EU, Vietnam has maintained growth in its stronghold market of the US.”, adds Roy.

The concerns are heightened by the developments in the international trade including allegations of the US against certain export subsidy schemes in India as well as progress on certain large free trade agreements (FTA) which can materially alter the global trade dynamics. The most prominent amongst these is the Comprehensive and Progressive Trans Pacific Partnership (CP TPP), which is the third largest free trade area in the world by GDP. By mid-January 2019, the agreement had entered into force between seven of the eleven nations.

Even though there is some respite for India considering that the leading apparel importing regions are not yet a part of the CP TPP, any incremental developments on this front could prove to be a potential threat as it could considerably strengthen Vietnam’s competitiveness.

Another FTA being closely watched is the EU-Vietnam FTA. Conclusion of the FTA can weaken India's competitive positioning in one of the key apparel markets, accounting for ~37% of India's apparel exports in CY2018. This can be corroborated from the fact that Bangladesh, which enjoys a duty-free access to the EU market since 2001 under the Generalised Scheme of Preferences, has been able to expand its market share in EU from less than 7% in 2001 to ~20% at present, while India has been able to barely maintain its share at ~6-7%.

ICRA research also notes that a sample of large, listed, domestic as well as export-focused garment-manufacturing companies has continued to perform well, reporting a 13% (YoY) growth in Q3 FY2019, following the similar average growth rate during the previous four quarters.

ICRA believes that presence in the niche and value-added product segments, together with access to an established client base has helped export-based companies to maintain revenue growth, in contrast to the broad industry trend.

This, together with a revival in domestic demand, particularly in metros and tier-I markets where the larger listed players are predominantly present, translated into a healthy growth for ICRA's sample during the current financial year.

Besides, favourable currency movement and healthy growth in revenues facilitated an improvement in margins in the recent quarters, given the operating leverage inherent in the operations. Supported by better margins, the aggregate interest cover for ICRA's sample also improved, averaging ~5.7 times in 9M FY2019 vis-a-vis ~5.0 times in 9M FY2018.

Going forward, steps taken by the Government of India to address the challenges, will remain crucial for a broad-based recovery across the sector. This also remains critical for the domestic apparel exporters to capitalise on the revived global apparel trade as well as the continuing loss of market share by China, which opens up a lucrative opportunity for key players such as India, Vietnam and Bangladesh.

Source: economictimes.com- Mar 05, 2019

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Trade tantrums

US' decision to scrap zero duty on Indian export items is part of a paradigm shift

The US decision to withdraw its Generalised System of Preferences (GSP) — a scheme under which it confers duty-free access on 4,800 products from 131 poor and developing countries — for Indian products is bound to pinch Indian exporters of raw materials and intermediates in particular. While the Centre has sought to downplay the impact on the industries concerned, a number of them being MSMEs, the fact remains that the blow falls on exports worth $5.6 billion covering about 3,500 product lines, or 11-12 per cent of India's total exports to the US.

To be sure, the Trump administration has not sprung a surprise. In November last year, it had withdrawn GSP benefits on 50 items. These move seem retaliatory in nature, more a response to complaints of protectionism by US dairy and medical equipment industries than one that serves the interests of US business, which stands to benefit from cheap raw material supplies.

However, a larger design is at work. The US has been protesting India's high tariffs for some time now, while making a broader pitch to the WTO that a clutch of emerging economies are no longer deserving of 'special and differential treatment' (S&DT) with regard to market access.

A recent US submission to the WTO argues that the WTO "remains stuck in a simplistic and clearly outdated construct of 'North-South' division, developed and developing countries"...and that "This binary construct does not reflect the realities of 2019."

The paper notes that countries such as India, China, Colombia and Turkey have rapidly transformed since 1995. A joint paper by India and China counters this submission, listing the development deficit and levels of poverty as a case for continuing with S&DT. But the paradox is that emerging economies like India do pose a threat to specific sectors in the US.

If S&DT is scrapped, India loses not just GSP, but also its 10 per cent farm subsidy elbow-room (which will be reduced to 5 per cent). Its export subsidies have already become untenable in view of India crossing the per capita GNP threshold of $1,000. India needs to adopt a pragmatic approach to deal with this situation.

It can contest the US move in the WTO. It is untenable for the US to isolate India and Turkey in its withdrawal of GSP. India can make a case for continuing with S&DT if it forms a grouping with the LDCs rather than China, which cannot be bracketed as a developing country any longer.

Above all, it is important to recognise that China, unlike India today, was not browbeaten over tariffs in the 1990s when it was at a similar stage of development. This is because the US — besides not being led by a truculent President — was heavily invested in China's economy. India needs to ensure a similar level of economic engagement with the rest of the world.

Source: thehindubusinessline.com- Mar 05, 2019

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'Trump's tirade against India's import tariffs unfair'

New Delhi hopes to settle matter via bilateral discussions

President Donald Trump has threatened India once again with reciprocal tariffs accusing it of charging America very high duties on exports but India insists that it is not an exception as all major economies impose steep tariffs on their "sensitive" products.

Commerce Ministry officials said the reciprocal tariffs were against the mandate of the World Trade Organization (WTO).

"We have an on-going discussion on a trade package that would address concerns of both sides and also curb market access barriers for certain products, including agricultural. We are trying to convince the US that India is not exceptionally protective and has taken steps to reduce the bilateral trade gap," a government official told BusinessLine.

India, however, is not giving a formal response to Trump's latest round of offensive as it was not communicated through official channels.

In his address at the Conservative Political Action Conference in Maryland, Washington DC, on Saturday, Trump said that India was a very high-tariff nation and it charged the US a lot.

Using India as an example for all countries that imposed high tariffs on US products, Trump cited the country's import tariff on Harley Davidson motorbikes which was unilaterally reduced to 50 per cent last year. The US President felt the duties were still too high and needed to be balanced with higher American tariffs on Indian exports.

"We want to point out to the US that all our major trade partners, be it Japan, South Korea, Australia or the US itself, charged very high rates of tariffs for specific items which was much more than the tariffs imposed by India on automobiles and wines. So, it was not correct to single out India," the official said. Moreover, India was probably the only country to specifically work on reducing its trade surplus with the US and had actually managed to do so.

Trade deficit

The trade deficit between India and the US narrowed by almost six per cent in 2017 to $22.9 billion, according to the Trade Estimate 2018 released by the USTR earlier this year.

"With India buying oil and gas from the US for the first time in 2018 for an estimated $3 billion, the gap will shrink further. In 2019, India actually plans to increase its purchase of oil and gas from the US. This shows that India is serious about buying as much from the US as possible," the official said.

Trump wants the US Congress to pass the Reciprocal Trade Act which would give him the authority to impose tariffs on trading partners on a particular product equal to those imposed by them. "Imposing reciprocal tariffs on trade partners would violate the WTO rule of treating all members as 'most favoured nations' by imposing equal tariffs on all. It can be challenged at the WTO," the official said.

Source: thehindubusinessline.com- Mar 04, 2019

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How the US withdrawal of GSP could hit India's garments exports

If readymade garments are also targeted, the impact would be huge as 30-35% of the merchandise in this space goes to the US.

US President Donald Trump plans to end the preferential trade status granted to India may have negative impact on textile exports from the country.

Normally, developed countries offer import duty sops to underdeveloped and developing ones for import of goods. These incentives are not available to other developed countries from whom the goods are being sourced. Such a sustem of preferential treatment to developing countries is known as generalized system of preferences (GSP) in trade parlance.

“The existing list of products for withdrawal of GPS may not have a major impact on India’s garments exports. But, if the list is expanded to cover India’s readymade garments (RMG) also, then the impact would be big as 30-35 per cent of India’s RMG exports go to the United States,” said Rahul Mehta, President of the Clothing Manufacturers Association of India (CMAI).

Industry experts said that while the impact would be marginal, under the current circumstances it would not be good as exports are already dropping. They have also said Centre should compensate the price increase through susbidy or incentives and should learn from the US when it comes to protectionism.

According to the Apparel Export Promotion Council (AEPC), the US imports $586.58 million worth of RMG products under 15 categories that currently enjoy GSP. India's share of this pie is $17.97 million.

The MFN (most favoured nation) tariff in 15 products varies from 0.86 per cent to 14.6 per cent in which India gets duty access with 100 per cent margin of preference. It may be noted that these 15 products contribute to only 0.46% of India’s apparel exports. The bulk of the benefit is concentrated on Woven silk dresses for women, which make up 58.5 per cent of India's total trade under GSP.

AEPC has identified, on the basis of current trade with US, that GSP withdrawal on as many as 11 products of the 15 may have a negligible impact on India's apparel exports to US. The high impact would be on women's or girls dresses, not knitted or crocheted, containing 70 per cent or more by weight of silk or silk waste. This, APEC says, should be retained.

The moderate impact will be on shawls, scarves, mufflers, maintillas, veils and the like, not knitted or crocheted, containing 70 per cent or more silk or silk waste.

Tirupur Exporters Association (TEA's) President Raja M Shanmugam said that though the impact seems to be minimal for this sector, which is the second largest employment generator in the country, even the minimarl would lead to hundreds of job losses.

He urged the Centre to help the industry, which will see price increase if the US decide to withdraw the status, by way of incentives. He also said that the Government should look at learning from the US on how they are domestic industries, through protectionsim approach.

Source: business-standard.com- Mar 05, 2019

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No big deal! India says impact of US special trade status withdrawal limited

Washington wants to pull the plug on the Generalized System of Preferences scheme for India.

India has said the US' withdrawal of duty benefits to its $5.6 billion of exports will not have a major impact on India's bilateral trade and denied US president Donald Trump's accusation of the country having high tariffs.

Washington announced on Tuesday its decision to pull the plug on the Generalized System of Preferences (GSP) scheme for India citing "its failure to provide the US with assurances that it will provide equitable and reasonable access to its markets in numerous sectors".

The US trade representative said it intends to terminate India's and Turkey's designations as beneficiary developing countries under the GSP programme because they no longer comply with the statutory eligibility criteria.

"GSP benefits are relatively limited," said commerce secretary Anup Wadhawan, adding that the benefits will be discontinued after 60 days. India's total GSP duty benefits were $190 million.

These changes would be effective after the notifications to the US Congress and the government of India, and will be enacted by a Presidential Proclamation.

The review of Indian exports' eligibility for low or zero tariffs began last April, mainly at the behest of American medical and dairy industries.

However, India is yet to take a call on extending the retaliatory tariffs or higher duties worth $235 million on 29 American goods beyond April 1 as it is a different issue, Wadhawan said.

Source: economictimes.com- Mar 05, 2019

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Time for export push

India must capitalise on US-China trade war

On February 21, the US and China resumed high-level talks in Washington DC to resolve the long-pending frictions in bilateral trade. The message from US President Donald Trump to China was loud and clear: if the matter was not resolved by March 2, the US would impose taxes on $200 billion worth of Chinese goods. The very next day, a triumphant Trump announced, "We are making a lot of progress, I think there is a very good chance that a deal can be made."

The magnitude of the trade war between China and the US could be appreciated from the following figures: in the first 11 months of 2018, exports from the US to China were only $111.16 billion while Chinese exports to the US amounted to $493.49 billion. Trump's prescription to resolve the trade war is simple: China should restrict its exports to the US to the same level as its imports from the US.

Earlier, Trump had imposed tariffs on Chinese goods worth hundreds of billions of dollars to which China retaliated by imposing tariffs on $110 billion of imports from the US, soya beans in particular.

Mounting pressure

In fact, none of the former Presidents — from George HW Bush and Bill Clinton to George W Bush and Barack Obama — was able to resolve the matter. During his election campaign, Trump had promised to fix “China’s long-time abuse of the broken international system and unfair practices.” Trump had even branded China as “the grand champion of currency manipulation.”

In August 2017, the US instituted a formal investigation into attacks on its intellectual property. For the US alone, the losses amounted to up to $600 billion a year. At the same time, China had a trade surplus of $323 billion. In a nutshell, the US-China trade war is focussed on intellectual property in China, especially technology.

Trump has offered a three-point solution to China: protection of intellectual property; outlawing of forced technology; and cessation of illegal, market-distorting industry subsidies.

While China has refuted all charges, none can deny that several years of intellectual property theft and forced technology transfers were responsible for the rapid economic and industrial development of China.

In all likelihood, the ongoing trade talks will culminate in a deal between the Chinese President Xi Jinping and Trump next month at Florida. Reduction of bilateral trade surplus between China and the US is bound to be one of the key elements of the proposed settlement. Once the deal comes through, there is bound to be a substantial reduction of exports from China to the US from the current $493 billion; Trump will like to peg it at $110 billion.

Such a reduction in imports from China has to be made good by imports from other countries. Some analysts suggest that India’s exports to the US market will increase when China loses out. Apart from manufactured goods, the US also imports food-related items on a very large scale from China.

The US curbs on these Chinese items should throw up a huge opportunity for Indian exporters. But it is not going to be a cake walk.

The Commerce Ministry has to act swiftly and play a lead role. All the export houses have to work overtime to explore every possibility to promote Indian exports to the US, which thus far have been muted mainly on account unfair trade practices and currency manipulation by China.

Source: thehindubusinessline.com- Mar 05, 2019

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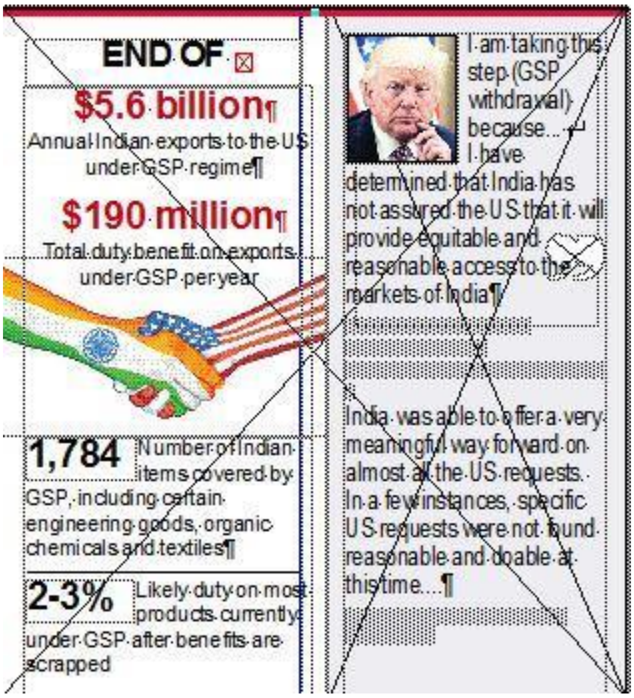
Donald Trump acts tough on India; US to withdraw zero duty import benefit on 1,784 items

In a move that analysts said went against the established tenets of multilateral trade, the United States has decided to withdraw duty benefits on annual exports worth $5.6 billion from India under the so-called Generalized System of Preferences (GSP) by May.

Washington's decision, based on its assumption that New Delhi has failed to assure America of "equitable and reasonable" market access, comes at a time when the two countries were close to an amicable trade deal that would have accommodated the principal interests of both sides.

Commerce secretary Anup Wadhawan and exporters discounted any major impact of the move, saying the total duty concession under the GSP was only about $190 million a year, and most of the key products, in any case, are already outside its ambit.



However, given that Indian exports are struggling and the slow growth in global trade among other sticky issues like high logistical and labour costs are dampening prospects of a major revival in the near term, the US decision could not have come at a worse time for the country. US president Donald Trump has recently indicated his resolve to launch a trade offensive against India by calling it a high-tariff nation and talking of a “reciprocal tax”.

The US move could also harden New Delhi’s resolve to slap proposed retaliatory tariff worth $235 million against the Trump administration’s extra 25% levy on steel supplies.

The exports under the GSP account for roughly 11% of India’s total goods exports to the US.

Under the GSP, 1,784 products — ranging from certain engineering goods and organic chemicals to textiles — are exported from India to the US at zero duty. However, these products typically attract low duties there — for instance, the engineering goods and textiles covered under the GSP typically attract less than 3%. Nevertheless, some leather products, processed food items and handlooms could see some impact, which will impact small companies and individuals that produce them.

Ravi Sehgal, chairman of engineering goods exporters’ body EEPC India, said the cost of locally-produced engineering goods that enjoy GSP benefits are still 10% higher than imported ones.

Also, while Indian competitiveness will erode by 2-3 percentage points vis-a-vis competitors like Vietnam, Malaysia and Thailand, exports are unlikely to suffer, given the quality of its products and ability to supply in large volumes.

Engineering goods make up for as much as a fourth of the total benefits under the GSP.

The immediate trigger for the withdrawal is said to be the tightening of India's FDI guidelines on e-commerce, which are expected to hit Amazon and Walmart-backed Flipkart, and New Delhi's drive to force global card payments companies such as Mastercard Inc and Visa Inc to move their data to India, apart from higher tariffs on electronic products and smartphones.

Gautam Nair, managing director at Matrix Clothing, one of the largest garment exporters, said the textiles and apparel sector won't be affected, although few leather items may see some impact. As such, ready-made garments are outside the GSP and are subjected to 16-31% duty in the US, he added.

Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations, said while exporters would be able to absorb the duty loss where it is 2-3%, the government needs to provide support to those products where GSP tariff advantage is significant, particularly in the labour-intensive sector, including processed food and leather products (other than footwear).

Stressing that India responded to the US requests on sticky issues positively, the commerce ministry said on Tuesday that New Delhi had proposed to replace the current price cap policy for coronary stents with a "suitable trade margin regime" to address American concerns.

As for the US demand to scrap/cut tariff on ICT products, including mobile phones costing over Rs 10,000, New Delhi had conveyed to the US that any such across-the-board cut would help only third parties (like China and Korea) and was willing to lower duties on those products where it would benefit the US. India had also offered to simplify certain certification procedures for dairy imports from the US.

"Acceptability of US market access requests related to products like alfalfa hay, cherries and pork was conveyed…On telecom testing, India was willing to consider discussions for a Mutual Recognition Agreement," the commerce ministry said.

For its part, India had asked the US to delink its demand for greater market access from New Delhi to the GSP and a waiver from the extra steel duty. New Delhi also wants the

Trump administration to recognise that India is the only large economy whose goods trade surplus with the US has been shrinking (unlike China's). In fact, in 2018, the surplus shrank $4 billion from the previous year.

Also, India will remain the world's fastest-growing large economy in the coming years, generating opportunities for US businesses in sectors ranging from defence and retail to oil. India is also a thriving market for US services and e-commerce companies like Amazon, Uber, Google and Facebook with billions of dollars of revenue.

Source: financialexpress.com- Mar 05, 2019

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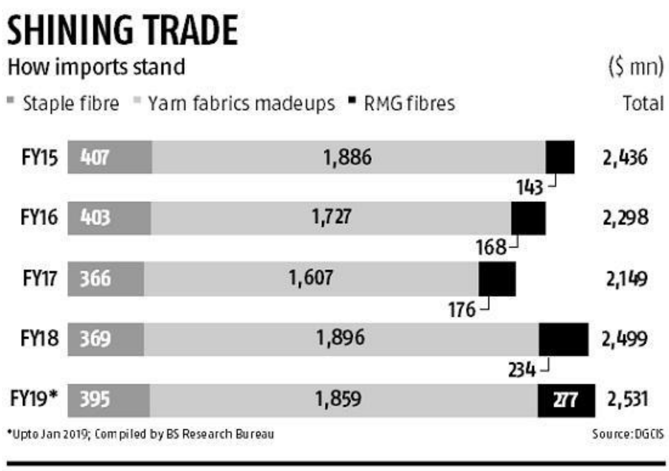
Manmade textile industry on a cusp of turnaround with a revival in demand

Stabilising crude oil prices help companies fix their product prices for long term contracts



Manmade textile industry is on the cusp of turnaround with a revival in its demand in the last few weeks following producers' ability to fix prices of their products in the wake of stabilizing crude oil prices.

Trading at $85.10 a barrel in the world market, crude oil price gradually slipped to the level of $49.79 a barrel towards the end of December and gradually picked up again to trade currently at $65.05 a barrel. Most importantly, crude oil price is holding above $60 a barrel since February 1 which allowed synthetic yarn, fabric and textile manufacturers to fix their product prices for long term.

Prices of synthetic yarn and fabric moved in tandem with crude oil prices, being the latter the sole raw material of the former.

Stabilizing crude oil prices have come as a major relief for manmade fibre and yarn manufacturers that were reeling under pressure since demonetizing of high value currency notes of Rs 500 and Rs 1000 denominations in November 2016 followed by implementation of the goods and services tax (GST) in July 2017. Before these two revolutionary steps, a large portion of manmade yarn and fabric business used to get transacted in cash which disappeared on their implementations.

“With the revival in demand, manmade fibre and yarn business is on a turnaround path. December quarter was highly volatile due to huge volatility in crude oil prices. After that, crude oil prices stabilized which brought stability to manmade fibre and yarn business as well,” said Madhu Sudhan Bhageria, Chairman and Managing Director, Filatex India Ltd, one of the country’s largest manufacturers of manmade fibre and yarn.

The revival in demand also percolated to the share price movement of manmade fibre and yarn manufacturers which rose upto 10 per cent in the last two weeks.

Indian manmade fibre and yarn manufacturers are betting big to grab the market share of the China, the world’s largest producer of these products, due to rising labour cost. Industry sources said that the labour cost in China has risen to $1100 per month as compared to $200 per month in India.

Sensing this opportunity, however, leading manmade fibre and yarn players have chalked out massive investment plans to expand their capacity and grab large share in the world market. Filatex India, for example, has envisaged Rs 275 crore expansion plan to raise their production capacity of yarn and power to reduce its production cost and improve its EBIDTA margins for this year.

According to Sanjay Jain, Chairman of the Confederation of Indian Textile Industry (CITI) and managing director of TT brand garments, globally the fibre consumption is dominated by manmade fibres having 70 per cent of share in total fibre consumption while natural fibres constitute only 30 per cent. “Contrary to the global trend, fibre consumption in India is skewed towards natural fibres, especially cotton. The growth of cotton is limited owing to limited agricultural land availability and price volatility. Hence, in order to achieve the desired growth target of $300 billion market by 2025 it has become important for India to focus on manmade textiles along with cotton textiles," he added.

"The downstream industries in the manmade fibre textile value chain – spinning and weaving, which is the largest employment generator in the entire value chain are facing acute stress due to high prices of domestic staple fibre relative to what our competitors get in other countries. This affects the export competitiveness of the domestic downstream MMF textile industry and also makes the industry venerable to imports of value added MMF products," said Rakesh Mehra, a senior industry official.

Anti-dumping duties in the beginning of the textile manufacturing chain hurt the down-stream industry. Presently, anti-dumping duty on purified terephthalic (PTA) is Rs 4 - 6 per kg and on VSF (Viscose Staple Fibre) at Rs 12 per kg.

India has huge and efficient capacities in the manufacturing of polyester staple fibre and also viscose staple fibre. Rising import due to the free trade agreement (FTA) signed by the government, however, needs to be curbed, Jain said.

Source: business-standard.com- Mar 06, 2019

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India's import duties not high; within global trade norms of WTO: Govt

Rejecting US claims of imposing "tremendously high" tariffs, India Tuesday said its import duties are not high and are within the norms of the World Trade Organisation (WTO).

"We do not agree with that at all. Our tariffs (import duties) are very consistent with the bound rates that we are entitled to in the WTO," Commerce Secretary Anup Wadhawan told reporters here.

"Our tariffs are very comparable to more liberal developing economies and some developed economies," he added.

He said India's tariffs are within its bound rates under the WTO commitments, and on the average are well below those rates.

Duties which are imposed on imported goods are called applied rates and the extent to which a country can increase those duties are known as bound rates.

India's trade weighted average tariffs are 7.6 per cent, which is comparable with the most open developing economies, and some developed economies.

The commerce ministry, in a statement, said on developmental considerations, there may be a few tariff peaks, which is true for almost all economies.

US President Donald Trump had claimed that India is a "tariff king" and imposes "tremendously high" tariffs on American products like Harley Davidson motorcycles.

The bilateral trade has increased to USD 74.5 billion in 2017-18 from USD 64.5 billion in 2016-17. India has a trade surplus with the US. America has also raised this issue.

The ministry also said due to various initiatives resulting in enhanced purchase of US goods like oil and natural gas and coal, the US trade deficit with India has substantially reduced in 2017 and 2018.

"The reduction is estimated to be over USD 4 billion in 2018, with further reduction expected in future years on account of factors like the growing demand for energy and civilian aircraft in India," it said.

This reduction, it added, has happened in the face of a rising overall US trade deficit, including with some other major economies.

"India is also a thriving market for US services and e-commerce companies like Amazon, Uber, Google and Facebook with billions of dollars of revenue," it said.

Source: business-standard.com- Mar 05, 2019

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An ocean of opportunity: Waterways can make India a trade leader in South Asia

Access to great water bodies within and outside your borders is a huge asset. India is a land of rivers, and its 7,500-km-long coastline gives it access to Arabian Sea, Bay of Bengal and the Indian Ocean. The name of our country itself comes from the mighty Indus river, and this alone should be inspiring enough to use our great water resources to increase our share of global trade and promote internal trade.

One of the weaknesses of the industrial set-up in India is the supply chain. Roads and railways are major transporters, but both have their limitations. It has been observed that poor conditions of roads are a major source of distress for trading.

Trains used for commercial transport are also plagued by delays and breakdowns. Moreover, both these modes of transport, along with air, require huge capital inflows to build the infrastructure. The rising cost of fuel is also a major concern.

When it comes to waterways, however, the need for capital inflows is low, as the major infrastructure needed is docks and ports at strategic areas. One of the greatest challenges of managing any supply chain is ensuring timely delivery and controlling costs. Use of waterways will reduce costs of transporting goods and increase the speed of delivery.

Transportation costs in India are already high, i.e. 18-20% of GDP (in China, it’s about 10%). The US, the EU and China have invested heavily into their waterways programmes and are reaping the benefits.

Waterways is not a new concept. The Sagarmala Project—an ambitious attempt to link India’s coastal regions to inland waterways—was first proposed in 2003.

It was given a green light in 2015, and is a massive initiative with investments running in lakhs of crores of rupees. It is estimated to contain over 500 projects, and create benefits worth billions of dollars and create millions of new jobs.

However, the project is moving at a slow pace, and this is both increasing its costs and reducing benefits. It's necessary to speed up this project so that its value doesn't diminish. The opponents criticise its high costs and the potential damage to existing waterways, but the high capital costs will be followed by a lowering of costs once ports become operational. The infrastructure is being built to last many decades, during which initial costs will be recovered. The question of environmental feasibility is important, but the use of waterways will reduce our reliance on roads and railways, decreasing vehicular pollution and deforestation.

The project can also be expanded to public transportation. India has vital maritime assets such as the Andaman and Nicobar Islands that are a gateway to South East Asia, and the development of maritime infrastructure out there can increase our role in the area of global shipping. India shares inland waterways with many of its neighbours, and the extension of the Sagarmala Project in the SAARC and the BIMSTEC regions can resolve the supply chain woes of our largest trading partners, and also help give India trade leadership in South Asia, acting as a counter to China's Belt and Road Initiative.

Source: financialexpress.com- Mar 05, 2019

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State unveils new industrial policy

Aims to attract investments of over ₹10 lakh crore, create 40 lakh jobs by 2023-24

Maharashtra's new Industrial Policy aims to promote a walk-to-work culture to enhance productivity for the urban working class. The Industrial Policy 2019, approved by State Cabinet on Tuesday promises additional floor space index (FSI) to industries opting to construct residential complexes for the workforce on the same land, thereby making it easy to walk to work.

Unveiled by Chief Minister Devendra Fadnavis and Shiv Sena chief Uddhav Thackeray days before the code of conduct for the Lok Sabha polls kicks in, the policy comes into effect from April 1. It aims to attract investments of over ₹10 lakh crore and creating around 40 lakh jobs by 2023-24, Minister for Industries and Mining Subhash Desai said while reiterating the goal to turn Maharastra into a trillion dollar (₹1 lakh crore) economy.

“The focus of this policy is creation of jobs, it is not the capital but the prospect and promise of 40 lakh jobs that will be the success story. Maharashtra is where you can have both consumption and growth, while the massive plus factor is the ease of doing business growth, which draws industries,” said Piruz Khambatta, chairman of the Confederation of Indian Industry, Western Region.

The policy offers special incentives for underdeveloped areas — Vidarbha, Marathwada and Naxal-affected zones. It gives special emphasis to emerging technologies and other vital ‘thrust areas’. “The aim of the policy is to create a conducive business environment while promoting micro, small and medium enterprises (MSMEs) through public funding, fiscal incentives, cluster promotions and institutional support.

During the last four years, Maharashtra’s growth has been spectacular. I want to tell investors to come invest in Maharashtra and that it will give you most returns in the future,” Mr. Desai said.

The thrust areas the policy identifies are defence and aerospace, bio-tech, medical equipments, information technology, textile machinery and electric vehicles.

The policy also offers incentives for futuristic technologies like Industries 4.0 and startups.

“The objective is to give priority in land development to MSMEs, women entrepreneurs and ST/SC entrepreneurs,” the new policy documents stated. Among the key highlights of the policy are promotions of MSMEs, new Chief Minister Employment Programme, incentive for large and mega projects, creation of land bank, a critical infrastructure fund of ₹1,000 crore, creation of commerce and trade councils, and additional incentives for agro and food processing industries.

Source: thehindu.com- Mar 05, 2019

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