Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>22636</td>
<td>47450</td>
<td>88.01</td>
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</tbody>
</table>

Domestic Futures Price (Ex. Gin), October

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>23770</td>
<td>49721</td>
<td>92.42</td>
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International Futures Price

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<tbody>
<tr>
<td>NY ICE USD Cents/lb (Dec 2018)</td>
<td>88.12</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (Jan 2019)</td>
<td>16,055</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>90.65</td>
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</table>

Cotlook A Index – Physical

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<tbody>
<tr>
<td>Cotlook A Index – Physical</td>
<td>98.70</td>
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</table>

Cotton Guide: Three weeks past cotton price is trading in a very confined range of 86 to 90 cents per pound at the global market. The active December future settled the week at 88.12 merely down by 22 points from previous week’s close. Interestingly, in the given period and the mentioned contract the average weekly trading volumes and open interests have been also steady.

For ready reckoner the average volume was around 60K contracts while the Open interests were around 0.175 million contracts. The steady price range, thin trading volume and no major change in open interests suggests the market is waiting for fresh cues to drive either side.

Nonetheless, in the last week the trading volumes were slightly higher than the average as the price broke previous two week’s high and hit weekly high of 89.98 however, failed to hold the gains to break 90 cents and eventually ended at 88.12 cents per pound.
On the domestic front Indian cotton price continued to trade near Rs. 47500-Rs. 48000 per candy ex-gin with minimal old stock arrivals. Therefore, the MCX cotton price in the gone by week made a record high of Rs. 24,200 per bale but failed to hold the gains and ended lower at Rs. 23770 per bale. The most of the price fall was witnessed on last week Friday when both ICE and MCX price declined in tandem.

The last Friday's fall was majorly attributed to US- China new development. China said they would put tariffs on US$60 billion of US goods if the US doesn't end the proposed tariffs on Chinese goods. Also sharp decline in the Chinese Yuan currency makes it a lot more expensive for the Chinese mills to pay for US cotton. China’s ZCE futures ended lower for the 5th time in the last 6 sessions. That noted the ZCE actually ended higher for the week. Like ICE, ZCE trading appetites seem to be bouncing around with the tariff news.

Technically, the recent price action has been weak enough to cause some deterioration in the daily modern work. This could give the bears a short-term advantage. However, the trading ranges still reign.

This morning ICE cotton is seen trading at 87.53 down by 0.67% from previous close, while ZCE is steady we think Indian cotton future might correct down on today’s trading session. For the day we expect it to trade in the range of Rs. 23460 to Rs. 23800 per bale and recommend selling for intraday only. We shall be covering our detailed analysis in our weekly report today.

FX Guide:

Indian rupee has appreciated by 0.08% to trade near 68.55 levels against the US dollar. Rupee benefitted from stability in equity market amid some recovery in Chinese yuan and despite weaker US jobs growth and continuing trade war worries. Yuan stabilized as People’s Bank of China announced a rule tweak that will make bearish yuan trades much more expensive.

The Chinese central bank has raised the forward reserve requirement for foreign exchange to ease pressure on yuan. However, weighing on rupee is choppiness in crude oil price and Fed’s rate hike outlook. Brent crude trades higher near $73 per barrel on reports of decline in Saudi output and concerns relating to Iran. The US dollar index is steady as Fed’s two rate hike outlook remains unaffected by disappointing US non-farm payrolls data. Rupee may witness choppy trade on mixed cues but some depreciation is likely as trade worries persist. USDINR may trade in a range of 68.35-68.7 and bias may be on the upside.

Compiled By Kotak Commodities Research Desk, contact us: mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source
**Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:**

<table>
<thead>
<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.80</td>
<td>3.10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.44</td>
<td>2.85</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.10</td>
<td>3.30</td>
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</tbody>
</table>

*Source: CCF Group*

**China yarn**

Cotton yarn market tended stable to weak while prices of polyester yarn, polyester/cotton yarn and polyester/rayon yarn improved due to rising PSF.

Price of rayon yarn was stable to weak and that of cotton/rayon yarn continued falling amid slack season.

**International yarn**

The cotton yarn market has been dull in Pakistan. Downstream manufacturers were generally unwilling to meet current asking rates.

Some spinners in Bangladesh have slowed operations owing to prohibitive raw replacements costs.

India’s cumulative exports of cotton yarn from August to May were over one million tonnes.

*Source: CCF Group*
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<thead>
<tr>
<th>No</th>
<th>Topics</th>
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<tbody>
<tr>
<td>1</td>
<td>U.S. Exports To India Increase As Bilateral Trade Deficit Drops</td>
</tr>
<tr>
<td>2</td>
<td>Cotton prices drop 7% in Brazilian market in July</td>
</tr>
<tr>
<td>3</td>
<td>Will US-China trade war reshape global value chains?</td>
</tr>
<tr>
<td>4</td>
<td>Pakistan: Cotton Crop Assessment Committee to meet next week</td>
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<td>Bangladesh: RMG Minimum Wage: CPD proposes Tk 10,028</td>
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<td>US' export to India increases, bilateral trade deficit in services down 43%</td>
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<tr>
<td>3</td>
<td>Fabrics for armed forces will be made in India: Smriti Irani</td>
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<tr>
<td>4</td>
<td>Trade war opens export doors</td>
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<tr>
<td>5</td>
<td>Govt may give incentives to textiles sector to boost domestic manufacturing</td>
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<td>6</td>
<td>Has cabotage relaxation made an impact?</td>
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<tr>
<td>7</td>
<td>Arriving at a fair value of the rupee</td>
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<tr>
<td>8</td>
<td>Fall in exports to China worries textile industry</td>
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<td>9</td>
<td>Major port trusts not keen on container transhipment</td>
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<td>10</td>
<td>Tapping technologies for farmers: BT Cotton</td>
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<tr>
<td>11</td>
<td>India makes final plea to avail GSP benefits</td>
</tr>
<tr>
<td>12</td>
<td>Govt. will consider establishing trade fair centre in Tirupur</td>
</tr>
<tr>
<td>13</td>
<td>Telangana to give push to handloom franchises</td>
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</tbody>
</table>
INTERNATIONAL NEWS

U.S. Exports To India Increase As Bilateral Trade Deficit Drops

The U.S. exports to India in both goods and services have increased this year, resulting in a substantial drop in trade deficit as compared with the last year, according to the latest official figures.

As per the figures available with the U.S. Department of Commerce's Bureau of Census, in the first six months of this year, America's export to India in merchandise increased by 28.42 percent from $12.1 billion to $15.5 billion.

During the same period, India's export to the U.S. in goods increased by 13.11 percent from $23.6 billion in 2017 to $26.8 billion.

The total bilateral trade in the first six months of the year increased by 18.4 percent from $35.7 billion in 2017 to $42.36 billion in 2018. The trade deficit in goods registered a decline of 2.54 percent, according to the figures.

The bilateral trade figures in the services sector for the first six months are yet to be revealed. However, in the first quarter of 2018, the deficit in bilateral trade in services declined by a whopping 42.9 percent from $11.89 billion to $678 million.

India’s export to the U.S. in the services sector in the first quarter of the year increased by 1.83 percent from $6.8 billion to $7 billion. During the same period, America's export to India in the services sector increased by 11.19 percent from $5.69 billion to $6.3 billion, the figures stated.

Total bilateral trade in the services sector in the first quarter increased by 6.7 percent from $12.57 billion to $13.3 billion.

If these trends continue, the bilateral trade in goods and services is expected to maintain the upward trajectory and register a decline in the trade deficit, which is one of the main issues of concern of the Trump administration.
India and the U.S.' total bilateral trade in goods and services has increased from a mere $20 billion in the year 2000 to over $126.1 billion in the year 2017. The two countries have set a target of taking the total bilateral trade to $500 billion.

During their White House meeting in June 2017, Prime Minister Narendra Modi and U.S. President Donald Trump committed that the U.S. and India, leading engines of growth in the global economy, should intensify their economic cooperation to make their nations stronger and their citizens more prosperous.

Source: bloombergquint.com- Aug 04, 2018

Cotton prices drop 7% in Brazilian market in July

Higher supply and pressure from buyers led cotton prices to drop over seven per cent in the Brazilian market in July, according to the Center for Advanced Studies on Applied Economics (CEPEA).

Between June 29 and July 31, the CEPEA/ESALQ cotton Index, with payment in 8 days, dropped 7.57 per cent, closing at 3.3303 BRL per pound on July 31.

Higher supply was due to advanced harvesting of 2017-18 crop. “Some processors were trying to acquire only small amounts for prompt delivery, while others were focused on the delivery of the cotton previously purchased, which was still slow,” CEPEA said in its latest fortnightly report on the Brazilian cotton market.

Several batches of cotton on sale had lower quality cotton, resulting in a fierce competition between purchasers and sellers regarding price and quality in July.

As for future trades, agents were more active in the market in the first fortnight of July, when international quotes rose. Liquidity was higher in the domestic market and for exports, mainly for trades of batches from the 2018-19 crop – however, trades involving the cotton from the current (2017-18) and the 2019-20 seasons were also closed.
For the next season, data indicate that at least 52.4 per cent of the 2017-18 production (estimated at 1.965 million tons) was traded, with 51.1 per cent allocated to the domestic market, 34.7 per cent for exports, and 14.3 per cent for flexible contracts, i.e. exports with an option to sell in the Brazilian market.

Data from the Brazilian Commodity Exchange BBM, tabulated by CEPEA, indicate that 75.9 per cent of the 2016-17 Brazilian crop, estimated at 1.529 million tons, has been harvested.

Of this total, 62.3 per cent was allocated to the Brazilian market, 27.3 per cent to the international market, and 10.5 per cent to flexible contracts.

Source: fibre2fashion.com- Aug 04, 2018

Will US-China trade war reshape global value chains?

China says the United States has waged a trade war, while America’s intelligence agency is now terming it as a China-led cold war. Nevertheless, the trade brouhaha continues. Trumponomics ceases to be rhetoric anymore, and Xinomics is candidly reciprocal.

In fact, neither countries were striving for autarky, nor is the situation as grim as it was in the 1930s. Yet the present scenario is destined to reach alarming proportions, as its spillover effect has begun to deter the global value chains (GVCs) that perennially define the geo-economic architecture of international business today.

It is true that the United States is experiencing a huge imbalance in merchandise trade with China. In 2017, the United States had a negative global trade balance of US$862 billion, whereas China enjoyed a positive global balance of trade accounting for more than US$430 billion.

Moreover, the bilateral merchandise trade balance between the United States and China favors the Asian powerhouse by more than US$395 billion. That is unsustainable for the United States and unacceptable to President Donald Trump.
From China’s perspective, the trade imbalance with the United States is a structural and long-term problem and should be viewed rationally. It ought to be gradually solved through bilateral negotiations, rather than resorting to a trade war. This May, the two sides met and negotiated in both Beijing and Washington, and they agreed to resolve the relevant trade and economic issues through dialogue and consultation.

However, in June, the Trump administration eventually fired its shot with the first round of 25% tariffs on 818 Chinese products, including aircraft and other industrial goods worth US$34 billion. China calls it “the largest trade war in economic history.” China, however, immediately retaliated with tariffs of equal measure.

In July, the US announced the new 10% tariffs on US$200 billion of Chinese imports, including electronic goods, fisheries and cosmetics, among others. Recently, Trump said that he really likes President Xi Jinping a lot. But in his own country’s national interest, he threatened to impose a tariff on all Chinese imports worth over US$500 billion – the magic number that would make it a full-blown trade war.

There is no doubt that China is the “world’s factory” today, and is a key trading partner for more than a hundred countries spanning across geographies.

Today, more than 60% of the world’s trade happens in intermediate goods, with China being a major trader inter-linking the GVCs of large multinationals and other lead firms. China has enjoyed a 10% growth rate over the past three decades, and this was possible largely owing to the increasing GVC participation of its small and medium enterprises (SME). In fact, most export-led economies are dependent on import contents for their exports, such as the importation of raw materials, parts, components, etc.

The spillover effect created by the growing intensity of the ongoing US-China trade war will definitely have repercussions on the multilateral trading system. It can affect the export-led economies in several ways. This includes increased costs of the import contents of their export; increased tariffs on their exports, thus making their products costlier in an importing country; costs associated with supply-chain disruptions; spillover effect on partner countries and sectors; and impact on investment inflows.
Besides China and the US, some of the key export-led economies in East and Southeast Asia that have started feeling the heat include Hong Kong, Taiwan, South Korea, Japan, and Singapore – all of which are participants in the electronic goods GVCs through their value-added trade in components and semiconductors.

The spillover is gradually becoming so intense that manufacturers are now shifting their production lines outside China. Though this phenomenon was ongoing even before the trade war, the number is now growing up sharply.

Manufacturers in Hong Kong, especially those in the sectors of components and metallurgy, have already started relocating. One of the cost-effective destination now hosting such industries is Malaysia – a country that aspires to become a high-income economy by 2020.

Also, Taiwan is watching the situation very closely and fears a possible difficulty in inventory management for its manufacturing sectors. With its industrial production unexpectedly going down and its currency weakening, Taiwan is also revising its GDP growth forecast for 2018 from 2.6% to 2.4%.

Even South Korea’s exports of cars and electronic goods have fallen recently and the country’s growth rate is now forecasted to be lower than the earlier estimate of 3%. The growing unemployment in recent months can also be attributed to the rising intensity of the trade war.

In fact, SMEs in South Korea have internationalized themselves through China-centric and American orientations. Trump’s magic figure will likely deter the internationalization and value-chain upgrading process of these SMEs. Not only the SMEs, but the chaebols are also likely to be affected. Even the electrical machinery and equipment value chain across East Asian countries is robust and likely to be affected. For instance, more than half of South Korea’s US$163 billion global exports of electrical machinery and parts go to China.

Other countries, including Japan, Australia, Malaysia, Indonesia, Thailand and the Philippines, would be affected too, as they are either engaged in manufacturing automotive parts and components or are engaged in value-added activities pertinent to the basic metals and rare earth elements for this sector.
On the other side, to counter China, the US has agreed to work with the EU toward the “zero tariffs, zero non-tariff barriers and zero subsidies” deal. This is intended to largely secure the economic interests of the US – which are potentially at stake because of the trade war.

Interestingly, in this context, the role of mega-trade blocs like the Regional Comprehensive Economic Partnership (RCEP) cannot be undermined either.

In the recently concluded 23rd round of negotiations of the RCEP, consultations on two key issues – trade facilitation and government procurement – have been completed. The RCEP free trade negotiations – once positioned against the US-led Trans-Pacific Partnership (TPP) – involve 16 countries (China, Japan, South Korea, India, Australia, New Zealand and the 10 ASEAN member states).

With such a free trade agreement in this region, which China is rigorously pushing for, the trade war may even take a back seat. This is because most of the production lines being relocated now owing to the fear of a trade war are going to those countries that will again come under the ambit of this trade agreement – thereby minimizing trade costs for the participating economies.

The repercussions of a full-blown trade war will be too complex to decipher, and too onerous to handle. It may even trigger a recession of a connotation – if not the magnitude – of what the Smoot-Hawley Tariff Act of 1930 did to the economic crisis of 1929-32.

Singapore’s prime minister, Lee Hsien Loong, has explained the global anxiety today in a very simple and lucid manner saying: “Nobody wants a trade war.” Thus, whether Xinomics survives or Trumponomics prevails, the export-led economies and global consumers are indeed getting ready to suffer!

Source: atimes.com- Aug 05, 2018

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Pakistan: Cotton Crop Assessment Committee to meet next week

Cotton Crop Assessment Committee (CCAC) will meet next week in order to take stock of the output of major cash crop of the county during current season.

Restructuring of the committee has also been completed after the devolution of CCAC from the Ministry of Commerce to Ministry of National Food Security and Research, said Cotton Commissioner in the Ministry of National Food Security and Research Dr Khalid Abdullah.

Talking to APP, he said that formulation of new committee had been finalised and all the relevant stakeholders were taken on board in order to sensitize the issues and challenges being faced by the cotton growers across the crop sowing areas of the country.

He said that representation of all four provinces, federal government and allied departments working under the respective governments had also been aligned for streamlining the matters related to enhance the output of the crop by facilitating the farmers and field extension departments.

Meanwhile, giving the overview of crop during current season, the Commissioner said the cotton crop was in good shape and stability in prices in the domestic markets had enhance the interest in the crop and encouraged the farmers to put more land under cotton cultivation.

Besides, he informed that the federal government has imposed import duty on cotton, which would also help in price stabilization in the local markets.

"The cotton had been cultivated over 2.69 million hectares of land to produce 14 million cotton bales fixed during the current sowing season to fulfill the domestic requirements as well as for exporting, adding that crop sowing had registered about 1 percent increase across the crop producing areas of the country as compared the cultivation of corresponding period of last season," he remarked.

The cotton sowing targets were fixed at 2.95 million hectares in order to produce over 14 million cotton bales during the crop season 2018-19 in order to fulfill the domestic requirements as well as for exporting.
He informed that the crop cultivation targets, which fixed for the current sowing season were achieved by over 91 percent as it went up by 1.0 percent as compared with the area under cotton crop cultivation during same period of last year.

He said that overall cotton sowing in the Province of Punjab registered about 11 percent growth as it had cultivated the crop over 2.29 million hectares of land as against the set targets of 2.31 million hectares for the period under review.

However, he informed that crop sowing in the Sindh Province was decreased by 40 percent and attributed the low sowing trend with dry weather during the crop sowing time as well as shortage of water for crop irrigation.

The province, he said could achieve the sowing targets by 66 percent and cultivated the crop over 0.41 million hectares as against the targets of 0.62 million hectares fixed for current sowing season.

Meanwhile, he said that Balochistan and Khyber Pakhtunkhwa provinces were assigned a task to cultivated the crop over 0.1 million hectares. Dr Abdullah said that due to recent rains, the water availability for crop irrigation would strengthened, which would help further boosting the area under cotton growing as well as enhance the output.

The exports of raw cotton from the country during l2 months of last financial year ended on June 30, 2018 had registered over 33.65 percent growth as compared the exports of the corresponding period of last year as about 35,347 metric tons of the above mentioned commodity worth US$ 58.227 million exported, which stood at 25,462 metric tons valuing US$ 43.567 million of same period last year.

During the period under review, about 521,959 metric tons of cotton yarn worth US$ 1.371 billion was also exported as compared the 458,074 metric tons valuing US$ 1.243 billion of the same period last year, according the data of Pakistan Bureau of Statistics.

During the period from July-June, 2017-18, the exports of the cotton yarn grew by 10.30 percent as compared the corresponding period of last year, whereas the exports of yarn other than the cotton yarn grew by 38.85 percent, it added.
About 11,690 metric tons of yarn other than cotton yarn worth US$ 33.411 million exported as against the 2,519 metric tons valuing US$ 24.063 million of same period of last year, it added.

Source: nation.com.pk- Aug 06, 2018

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Bangladesh: RMG Minimum Wage: CPD proposes Tk 10,028

The Centre for Policy Dialogue yesterday proposed a minimum monthly wage of Tk 10,028 for garment workers, in what can be deemed a reasonable middle ground for both the factory owners and workers.

The garment workers are demanding a minimum monthly wage of Tk 12,020 but the factory owners have proposed a 20 percent hike to Tk 6,360.

The private think-tank arrived at the figure by assuming: a family size of 4.4 with 2.1 being earning members, total living expenses, including food and non-food items, of Tk 22,435, and 3 percent savings on basic wages.

The minimum wage for entry level workers would then be Tk 11,004 a month, according to a study of the CPD on the minimum wages and livelihood conditions of garment workers, the findings of which were shared in an event yesterday at the Brac Centre Inn in Dhaka.

However, considering the shrinking of profit margin in garment business as well as possible risks like trade war, rise of petroleum prices, rise in gas price, the CPD suggested a minimum wage of Tk 10,028 or $119 a month.

Given the current situation, the proposed minimum salary is not adequate for garment workers. But, at the same time, the industry will not sustain if higher salaries are proposed as the production cost is on the rise and the price per unit of apparel items is being squeezed,” said Khondaker Golam Moazzem, research director of the CPD.

Subsequently, he advised involving the buyers in fixing the minimum wage for garment workers.
Also, the government, the factory owners and the foreign retailers should come up with ways to increase the fringe benefits for workers such as cheap housing, quality education for workers' children and recreation, he said.

“Workers are the very central part of the garment industry. This is one industry where the prime input comes from the workers,” said Rehman Sobhan, chairman of the CPD.

Therefore, only giving them a living wage is not adequate; they should be offered a decent lifestyle, he added.

Mustafizur Rahman, distinguished fellow at CPD, said the major buyers should also ensure fairness for workers in the whole value chain of garment business.

The CPD also proposed elimination of the seventh grade and recommended taking into account the sixth grade as the entry level due to a lack of skills in handling the modern machinery and for a standard productivity rate.

So, in case of workers having no children, the wage for grade six would be at Tk 9,228 or $110 a month.

Similarly, the monthly wage for workers who are employed in grade five would be Tk 10,715, for grade four Tk 11,786, for grade three Tk 13,319 and for grade two Tk 15,317.

The CPD also proposed two sub-categories for grade one: grade 1A and grade 1B. “The minimum wage for workers in this grade should be kept open for negotiations,” Moazzem added.

Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association, said the factory owners have proposed the minimum salary of Tk 6,360 considering the inflation rates over the last five years.

“The local manufacturers are selling a shirt for $5 to the foreign retailers, who are, in turn, selling the shirt for $20 or above. Who are the main beneficiaries of the $15?” he said.
Mujibul Haque Chunnu, state minister for labour and employment, urged the factory owners to contribute a certain percentage for formation of a central provident fund for garment workers. The government is constructing two more dormitories for female garment workers in Narayanganj and Chittagong so that they can get cheap accommodations, he added.

Montu Ghosh, president of Garment Workers Trade Union Centre, said 8 to 10 female garment workers have to live in a single room and share the kitchen and toilet. “It is not possible to work properly in such a situation,” he said.

The workers should be given medical facilities so that they can go to work in good health.

The government should also rein in the spiralling house rent, he added.

Source: thedailystar.net- Aug 06, 2018

India, Sri Lanka to hold talks on expanding scope of FTA, conclude negotiations on ETCA by December

India and Sri Lanka plan to hold 10th round of talks to expand the scope of the existing free trade agreement on goods and aim to conclude negotiations on the Economic and Technology Co-operation Agreement (ETCA) by December.

The talks are proceeding and both countries aim to conclude them in December for the Economic and Technological Cooperation Agreement, Press Trust of India news agency reported.

"The talks are going at a healthy pace and both the countries are targeting to conclude the talks by December for the Economic and Technology Co-operation Agreement (ETCA)," an official said.

The pact aims to further boost the economic ties between the two countries by liberalizing trade norms.
"Both the countries already have a free trade agreement (FTAs) in goods, but now the talks are on to widen the scope of this pact by including services and investments to make it comprehensive," according to the official.

India and Sri Lanka have a free trade agreement in goods implemented in March 2000.

India has a healthy trade surplus in goods with Sri Lanka. India exported goods worth $4.5 billion in 2017-18 and its imports from that country were only $773 million.

Sri Lanka is India's major trading partner in South Asia.

In 2003, both sides set up a joint study group to widen the ambit of the FTA. Based on its recommendations, they started negotiations for a comprehensive economic partnership agreement in February 2005.

Source: colombopage.com– Aug 05, 2018

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**Business moot to boost trade between Pakistan and Europe**

The Second Pakistan – Belgium Business and Investment Opportunities Conference jointly organized by the Rawalpindi Chamber of Commerce and Industry (RCCI) and Brussels Enterprises Commerce and Industry (BECI) took place this weekend.

A 30 member strong delegation of RCCI led by its president Zahid Latif Khan and businessmen from different regions of Belgium participated in the conference.

The RCCI and BECI had signed a Memorandum of Understanding at the conclusion of First Business and Investment Conference held in Brussels in May this year. Both the chambers are keen in promoting trade and investment for the mutual benefit of the two countries.

Speaking on the occasion Pakistan’s Ambassador to Belgium, the European Union and Luxembourg Mrs Naghmana Alamgir Hashmi said, “Pakistan is emerging not only economically but also socially and politically”.

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She said that the recently held general elections in Pakistan have proved strengthening of democratic values in Pakistan. She further pointed out that with the improvement in law and order situation and tackling of energy crises to a greater extent, people of Pakistan have started looking for expanding business ties with outside world and the world has also started approaching Pakistan.

She reckoned surge in the number of tourists visiting Pakistan, as 2017 saw an increase of 30% in the number tourists who visited Pakistan. Ambassador Hashmi appreciated the initiative of RCCI for bringing Business delegations to Belgium on regular basis.

Highlighting the significance of Belgium in Pakistan’s trade scenario she informed that, as Pakistan’s 9th largest export destination globally, Belgium remained important for exploring more opportunities for business and investment.

She said that a second visit of RCCI within two months reflects seriousness of both sides to increase trade relations.

Pakistan’s exports to Belgium have increased by 6% since 2015 and stood at 421 Million EUR in 2017. Pakistan’s exports mainly constitute home textiles, surgical goods, sports goods, apparel, leather, cotton and food items especially rice. Ambassador Hashmi called for diversifying exports and also to tap opportunities for investments in Pakistan.

Talking about areas of collaboration Ambassador Hashmi said that Belgium could help Pakistan by transfer of technology in the fields of pharmaceuticals, agriculture machinery, dairy products, processing of fruits and vegetables, fisheries and mineral development.

Besides this huge potential existed for technical assistance from Belgium in port handling, dredging, science and technology, she added. Secretary General BECI Jan de Brabanter welcomed the delegation of Rawalpindi Chamber of Commerce and Industry.

In his presentation he pointed out that due to its central location Belgium serves as the heart of Europe for exports to other destinations. President RCCI Mr. Zahid Latif Khan in his address informed about the business and investment opportunities in various sectors in Pakistan.
He said that reality is different in Pakistan against what is portrayed in media and there was a need for more visits of Belgian businessmen to Pakistan in order to acquaint themselves with real potential of the country.

He referred to Investment Policy of Pakistan which allows 100% foreign ownership in manufacturing and social sectors and exemption from customs duty on import of plant, machinery and equipment under various schemes.

He further pointed out that Special Economic Zones (SEZs) were being set up in all the provinces and regions of Pakistan including AJK, GB and FATA. Khan said that immense potential for investment and collaboration existed in the areas of energy, light engineering, steel manufacturing, pharmaceuticals, textile, food processing, IT and halal food industry.

During the conference documentaries on ‘Emerging Pakistan’ and ‘Investment Regime of Pakistan’ were also screened. Both the sides exchanged mementos. Ambassador Hashmi also presented made in Pakistan official football of FIFA tournament ‘Telstar’ to Secretary General BECI as a memento.

Source: dailytimes.com.pk- Aug 06, 2018
NATIONAL NEWS

Amended TUFS delivers huge benefits across entire textile value chain

New scheme allows cooperative banks to lend to units for tech upgrade, LLP firms can also benefit; synthetic textiles to get a leg up

In a significant boost to the dwindling textile sector, the Union Ministry of Textiles has introduced Amended Technology Upgradation Funds Scheme (ATUFS) for wider financial and operational benefits for players in the entire value chain.

Introduced first in 1999 to replace age-old technology with brand new ones for improving operational efficiency of textiles units, the TUFS was revised and upgraded time and again to incorporate new players and encourage them bring in new investments in the sector. Industry sources estimate billions of rupees of new investment post TUFS introduction.

Notified on Thursday, the ATUFS allows co-operative banks to lend to textile units for technology upgradation under this scheme. The ATUFS, which is set to benefit the synthetic textile sector immensely, has also been extended to limited liability partnership (LLP) firms.

“The ATUFS is set to boost textile exports from India. It is a good initiative taken by the government, with expansion of a new class of financial and operational parameters.

The scheme will also benefit domestic textile units,” said Ujwal Lahoti, Chairman, The Cotton Textile Export Promotion Council (Texprocil).

The Ministry of Textiles had launched ATUFS in place of the erstwhile Technology Upgradation Fund Scheme (TUFS) in 2016 for a period of seven years ending March 2022.

The financial and operational parameters and implementation mechanism for ATUS were notified in February 2016.

The government provides credit-linked subsidy under the scheme.
Interestingly, the scheme was fraught with difficulties that were brought to the notice of the government. Keeping in view the hardships faced by the industry in getting benefits under the scheme and the demands raised by various stakeholders for streamlining it, the Ministry of Textiles for the first time allowed textile units to take advantage of this scheme in addition to other benefits availed from the state governments.

“This is yet another positive step taken by the Ministry of Textiles for strengthening the industry. This will also help generate employment and boost exports and facilitate improvement in productivity, quality, etc.,” said Narain Aggarwal, Chairman, The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC).

Under the new scheme, applicants who had applied for the unique identification number (UID) under revised and restructured technology upgradation fund scheme (RRTUFS) before January 12, 2016 but to whom UIDs could not be issued for non-availability of funds, will be given a one-time opportunity to apply for subsidy under ATUFS.

The revised specification of technology for the machinery for all the eligible segments would be prescribed annually in advance by the technical advisory and monitoring committee (TAMC) effective from April 1 of the year. The revised guidelines allow Textile Commissioner to constitute a Technical Committee which will assist the TAMC to prepare an indicative list of manufacturers of machinery. This Committee will meet on monthly basis to update the list of machineries and manufacturers.

Most importantly, accessories, attachments, sample machines and spares procured from other manufacturers enlisted in the indicative list will also be eligible for subsidy up to a value of 20 per cent of basic cost of machinery.

Except in the case of merger, acquisition, amalgamation or takeover of an entity, the plant and machinery bought with subsidy under TUFS shall not be disposed of before 10 years of the date of purchase without prior approval of the Textile Commissioner.

The government has been assisting textile players with timely policy support. In June last year, it had announced a Rs 60-billion package which, according to the ministry of textiles, helped attract Rs 270 billion of fresh investment till early March 2018.
Apex industry body, the Confederation of Indian Textiles Industry (CITI), reported a four per cent decline in textile and apparel exports at Rs 2,279 billion for the financial year 2017-18 from Rs 2,382 billion for the previous year.

While textile exports declined marginally by one per cent to Rs 1,202 billion at the end fiscal 2018 from Rs 1,217 billion a year ago, apparel exports saw a sharp drop of 8 per cent to Rs 1,077 billion as against Rs 1,165 billion in the fiscal 2017.

**Highlights of the scheme**

- Limited Liability Partnerships will also be eligible for capital subsidy
- Co-operative banks included as lending agency under the scheme
- Textile Commissioner to set up Technical Committee to prepare list of machinery manufacturers.
- Accessories, attachments, sample machines, spares also eligible for subsidy up to 20% of basic machinery cost
- Except in merger or takeover, plant & machinery bought with subsidy under TUFS shall not be disposed of before 10 years
- Textile units permitted to avail benefits of state govt schemes in addition to ATUFS benefits.

Source: business-standard.com- Aug 04, 2018
US' export to India increases, bilateral trade deficit in services down 43%

India's export to the US in goods increased by 13% from $23.6 billion in 2017 to $26.8 billion

The US' export to India in both goods and services has increased this year, resulting in a substantial drop in trade deficit as compared with the last year, according to the latest official figures.

As per the figures available with the US Department of Commerce's Bureau of Census, in the first six months of this year, America's export to India in merchandise increased by 28.42 per cent from $12.1 billion to $15.5 billion. During the same period, India's export to the US in goods increased by 13.11 per cent from $23.6 billion in 2017 to $26.8 billion.

The total bilateral trade in the first six months of the year increased by 18.4 per cent from $35.7 billion in 2017 to $42.36 billion in 2018. The trade deficit in goods registered a decline of 2.54 per cent, according to the figures.

The bilateral trade figures in the services sector for the first six months are yet to be revealed. However, in the first quarter of 2018, the deficit in bilateral trade in services declined by a whopping 42.9 per cent from $11.89 billion to $678 million.

India's export to the US in the services sector in the first quarter of the year increased by 1.83 per cent from $6.8 billion to $7 billion. During the same period, America's export to India in the services sector increased by 11.19 per cent from $5.69 billion to $6.3 billion, the figures stated.

Total bilateral trade in the services sector in the first quarter increased by 6.7 per cent from $12.57 billion to $13.3 billion. If these trends continue, the bilateral trade in goods and services is expected to maintain the upward trajectory and register a decline in trade deficit, which is one of the main issues of concern of the Trump administration.

India and the US' total bilateral trade in goods and services has increased from a mere $20 billion in the year 2000 to over $126.1 billion in the year 2017. The two countries have set a target of taking the total bilateral trade to $500 billion.
During their White House meeting in June 2017, Prime Minister Narendra Modi and US President Donald Trump committed that the US and India - leading engines of growth in the global economy - should intensify their economic cooperation to make their nations stronger and their citizens more prosperous.

Noting that extensive economic and tax reforms in their respective countries will unlock immense economic opportunities for both countries, the leaders committed to further expanding and balancing the trade relationship and removing obstacles to growth and jobs creation, a joint statement after the meeting had said.

Modi and Trump also resolved to pursue increased commercial engagement in a manner that advances the principles of free and fair trade. "To this end, the United States and India plan to undertake a comprehensive review of trade relations with the goal of expediting regulatory processes; ensuring that technology and innovation are appropriately fostered, valued, and protected; and increasing market access in areas such as agriculture, inform

Source: business-standard.com- Aug 04, 2018

Fabrics for armed forces will be made in India: Smriti Irani

Union textile minister, Smriti Irani said that the fabrics required for armed forces will be manufactured in India as scientists, textile ministry, industry and armed forces are working together for the ‘dream’ project.

Irani, who was in the city to inaugurate Yarn Expo-2018 organised by Southern Gujarat Chamber of Commerce and Industry (SGCCI) on Saturday, stated that the government has also appointed group of secretaries for transforming India as the textile machinery manufacturing hub.

More than the inauguration, the event provided the platform to the industry leaders to felicitate Irani. They praised her for taking a lead role in resolving the input tax credit (ITC) issue for the powerloom weaving sector, pending since last year.
Irani informed that the National Institute of Fashion Technology (NIFT) and SGCCI will work in conjunction on the design diversification project for the city’s textile sector.

The design diversification will not only help the manufacturers to get more value for their fabrics, but it will also increase the export potential of the fabrics manufactured in Surat.

Irani said, “It’s time to show to the world the true capacity and strength of Indian textile industry.

The government has taken many proactive measures for the industry and now it’s time to work and prove that all our efforts in conjunction with the industry is going to pay off to the nation as a whole.”

President of Reliance Industries Limited’s (RIL), polyester chain, RD Udeshi said, “Surat is the main hub for polyester yarn consumption. But, we need to scale up our production to compete with China.

In China, a single shed has more than 2,000 powerloom machines, while in Surat we have a maximum of 100. Now, that the government has announced relief under GST, it’s time to ramp up our production.”

SGCCI president, Hetal Mehta said, “This is first time that about 70 leading yarn manufacturers in the country are participating in the event.

We will have about 7,000 buyers from across the country and 100 overseas buyers as well in the coming three days of the event.”

Source: timesofindia.com- Aug 05, 2018
Trade war opens export doors

China has imposed an additional tariff of 25 per cent on soya beans, chemical products and medical equipment from the US but reduced tariffs on many agricultural products, including soya bean, from its Asia Pacific Trade Agreement partners, comprising India, Sri Lanka, Bangladesh, South Korea and Laos.

At present, India does not export any soya bean oil or flour but only a negligible amount of oilcake obtained from soya bean oil to China.

EEPC India chairman Ravi Sehgal said, "We must be very watchful of the unfolding tariff war between the US and China. Certainly, we should not be caught in the crossfire. Instead, India must devise its own strategy to deal with the fast changing global trade environment to maintain a smart growth in our exports."

With the US imposing an additional duty of 25 per cent on imports worth $34 billion from China, certain Indian products may become more competitive, according to a study by industry association CII.

The goods that India should focus on for the US market include machinery, electrical equipment, vehicles and transport parts, chemicals, plastics and rubber products.

Intermediate parts for the defence and aerospace sectors, vehicles and auto parts, and engineering goods have a high potential for exports.

Sectors such as apparel and textiles, footwear, toys and games and cell phone manufacturing are becoming competitive industries in India and need to be encouraged, it said.
Policy push

India’s share in global exports is now a mere 2 per cent. There is scope to step it up to 5 per cent over the next 4-5 years if some reforms are carried out, analysts said.

As exports expanded 20 per cent in May and 18 per cent in June, the ministry of commerce is working on a strategy in consultation with the Federation of Indian Exporter Organisations (Fieo) to sustain a 20 per cent growth in exports to achieve $400 billion in two years.

After clocking near double-digit growth, exports touched $300 billion last fiscal, following negative growth in the previous year at $275 billion.

Analysts said the Merchandise Exports from India Scheme (MEIS) includes major products of interest to the US and should be used to build exports in the identified categories.

Indian companies require better access to credit to intensify their export effort.

Micro, small and medium enterprises (MSME) should be supported to export intermediate and high-technology products and trade facilitation must be a high priority to lower transaction costs and enhance competitiveness, analysts said.

Rewards under the scheme are payable as a percentage of realised free-on-board value and the MEIS duty credit scrip can be transferred or used for payment of a number of duties, including the basic customs duty.

However, they warned that India cannot reap big gains unless it is able to improve its competitiveness. This would require tough reforms and investments in infrastructure.

Source: telegraphindia.com- Aug 06, 2018
Govt may give incentives to textiles sector to boost domestic manufacturing

Products on which imports duties are expected to increase includes some fabrics, garments and man-made fibres

The government is likely to hike import duty on about 300 textile products to boost domestic manufacturing and create employment opportunities, sources said. Foreign direct investment norms for the sector may also be relaxed.

Products on which imports duties are expected to increase includes some fabrics, garments and man-made fibres. The duties could be enhanced to 20 percent from the current level of about 5-10 percent.

According to government sources, the Finance Ministry may soon issue a notification in this regard.

If the government decides to notify the duty hikes this week, then it would have to be first tabled in Parliament.

Increase in duties would give an edge to domestic manufacturers as the imported products are relatively cheaper. Increase in manufacturing activity will help create jobs in the sector, which employs about 10.5 crore people.

In July, the government doubled import duty on over 50 textile products -- including jackets, suits and carpets -- to 20 percent, a move that is aimed at promoting domestic manufacturing.

Through a notification, the Central Board of Indirect Taxes and Custom (CBIC) had hiked import duties as well as raised the ad-valorem rate of duty for certain items.

The imported products which have become expensive include woven fabrics, dresses, trousers, suits and baby garments.

According to trade experts, India would not be able to give any direct exports incentive to the textile sector, so there is a need to support the segment to encourage domestic manufacturing.
Imports of textile yarn, fabric, made-up articles grew by 8.58 per cent to USD 168.64 million in June.

However, exports of cotton yarn/fabrics/made-ups, handloom products grew by 24 per cent to USD 986.2 million. Man-made yarn/fabrics/made-ups exports grew 8.45 pc to USD 403.4 million. Exports of all textile readymade garments dipped by 12.3 per cent to USD 13.5 billion.

Source: moneycontrol.com- Aug 05, 2018

Has cabotage relaxation made an impact?

Foreign players welcome the move, but Indian shippers say overseas lines have only moved empty containers after the restriction was lifted

Foreign carriers have been moving only empty containers between Indian ports after the cabotage restriction was lifted in May, according to a local shipping group, which raised doubts of the effectiveness of the government decision aimed at boosting container transhipment and reducing logistics costs for exporters and importers.

Foreign container lines ‘transshipped’ 3,500 twenty-foot equivalent units (TEUs) for 10 days in May after the Shipping Ministry eased cabotage rules on May 21, followed by 11,5999 TEUs in June, and an estimated 16,000-17,000 TEUs in July, according to Deepak Tiwari, Chairman of the Container Shipping Lines Association (CSLA), a lobby group of foreign carriers.

The May 21 ministry order allowed foreign-flagged container ships to carry export-import (EXIM)-laden containers for transhipment and empty containers for re-positioning on local routes.

“In the first six months of the order, there will be a quantum leap in containers transshipped through Indian ports,” said Tiwari, who is also the Managing Director of MSC Agency India Pvt Ltd, which represents Mediterranean Shipping Co SA, the world’s second-biggest container line.
Debunking this claim of foreign container lines, a top executive with an Indian container shipping firm, said that foreign lines have only moved empty containers along the coast for re-positioning.

“They have only moved empty containers from Jawaharlal Nehru Port Trust to Mundra and from Chennai to Vizag,” said VK Singh, Managing Director of Shreyas Shipping & Logistics Ltd.

A perusal of the container shipping data, compiled by a private firm at various ports from May 22, revealed that only empties containers were transhipped between Indian ports by foreign lines. The data, though, could not be officially verified. “Post cabotage relaxation, empty container movement has doubled at Visakhapatnam Port Trust,” its said its Deputy Chairman, PL Haranadh.

“People are taking the same set of statistics and interpreting it differently,” Malini Shankar, Director General of Shipping (DGS), said at an event organised by JNPT to discuss issues related to transhipment after the cabotage was eased.

“There is a need for a qualitative analysis of the data so that the picture is not misrepresented for the benefit of stakeholders,” said Shankar. “The CSLA can use the statistics to say, ‘look you [Indian container lines] have been holding us to ransom for 20 years’,“ Shankar added.

When asked by the DGS on the veracity of a 30 per cent spike in freight rates after cabotage relaxation, CSLA’s Tiwari said “no way”.

A representation received by DGS from a local fleet owners’ lobby group had alluded to the emergency bunker surcharge and a peak season surcharge imposed by the lines from early June.

“The emergency bunker surcharge was imposed not because of cabotage relaxation, but because of a $125 rise in bunker prices globally. The lines had no option but to implement a bunker surcharge,” said Tiwari.

“A peak season surcharge may be declared, but lines don’t get any money from the trade,” he said.
“The bunker surcharge was introduced in the first week of June a few days after the cabotage was eased. I don’t know whether it was a coincidence or whether it was pre-planned. They are trying to increase the rates so that any attrition in rates is compensated through surcharges.

The rates were dropping and they probably wanted to sustain it. Lines are justifying it by saying that the bunker prices have gone up, but since then the bunker prices have dropped and they have not removed the surcharge,” said Anand Dikshit, Director, Clearship Forwarders Pvt Ltd.

Critics of cabotage relaxation also say that the money saved by foreign mainline ships on carrying empties has not been passed on to the trade.

Source: thehindubusinessline.com- Aug 05, 2018

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Arriving at a fair value of the rupee

India must not remove cap on debt inflows in a hurry. A real exchange rate stable at 114-16 will stimulate exports

This year rupee volatility created a buzz because it came after four years of relative stability, and a reversal of the trend appreciation of 2017. In earlier episodes of global-shock-led depreciation in 2008, 2011 and 2013, a major worry was on its impact on the already high inflation. Today inflation is moderate. But after a prolonged slump in trade growth, and in a climate of currency wars, the focus is on the impact on trade.

The real exchange rate

Even in 2004-05 when the index base was changed the level of the real effective exchange rate (REER) was almost the same as it was after the double depreciation following the early nineties’ liberalisation — this was regarded as the export competitive or fair-valued exchange rate since Indian exports had done better in this post-reform period.

Even in 2007 the REER was at this level and deviations were only transient. After 2014, however, there was sustained real appreciation, peaking at almost 122 in 2017-18.
But 100 may no longer be the equilibrium or fair value of the REER, because other factors, apart from relative inflation, affect the equilibrium real exchange rates. Rise in Indian relative productivity, real wages and non-traded goods prices imply an appreciated fair value. Problems in the construction of the REER also make it a flawed indicator of competitiveness.

First, in 2014 the consumer price index began to be used for India’s price level, but since consumer price inflation exceeded wholesale price inflation over 2007-15, the REER calculated using CPI was at a more elevated level. The CPI is more relevant for the REER as a measure of the purchasing power of a currency, but WPI with a larger share of traded goods, is more relevant to measure trade competitiveness.

Second, the dollar has a much lower weight in the REER than it has in India’s trade (including in oil) most of which is settled in dollars. So relatively higher current depreciation against the dollar means the relevant real exchange rate is more competitive than the REER.

Therefore the rupee may not be 20 per cent overvalued as the REER itself indicates. Overall research shows Indian export growth to be more sensitive to world demand than to the real exchange rate.

Since the exact valuation is contentious, an alternative approach is to examine past levels of REER that were compatible with good export growth and a sustainable CAD. The REER at 115-113 over 2010-12 was consistent with high export growth even in a period of low world export growth. But at the same the level export growth was negative in 2015-16. World exports were booming before 2007 and then finally recovered in 2017, but Indian export growth remained low.

Apart from low world demand, the collapse in oil prices in 2014 also reduced demand for Indian exports partly explaining slow export growth despite real depreciation.

In 2016 and 2017 as world export demand recovered, first demonetisation and then the implementation of GST hurt supply, especially from small firms that are the backbone of exports. Signs of recovery in export growth by May 2018 suggest these supply issues are getting resolved.
The REER had also depreciated to 116. Since 115 was consistent with strong double digit export growth even during the global slowdown further real depreciation may not be required. But there must not be sustained appreciation above this level.

**Preventing over-valuation**

Interventions can affect exchange rate since we are not at a point of a full float and a fully open capital account where monetary policy has no effect on the exchange rate. Despite accusations of currency wars flying around, intervention is also consistent with international laws and conventions, since the Indian exchange rate is not deliberately kept cheap. It is not in India’s interest since it raises import costs and inflation.

After the US abrogated the Bretton Woods agreement on fixed exchange rates in 1976, article IV of the IMF’s Articles of Agreement was amended to allow countries to adopt any exchange rate regime. The only constraint is policies should promote stability and growth, with no manipulation to gain an unfair advantage. But there is no agreed definition of what constitutes currency manipulation.

There are attempts at peer pressure, for example through the G-20, which favours the advanced economy (AE) agenda of no interference in markets, disregarding emerging markets’ defensive needs under capital flow surges and stops due to global shocks. The US Treasury threatens to label a country as a manipulator and pressurise it to appreciate its currency.

A prior step is putting it on a watch-list based on three criteria: a bilateral trade surplus with the US of at least $20 billion, current account surplus of at least 3 per cent of GDP, persistent one-sided FX intervention of at least 2 per cent of GDP over 12 months. A large share of the overall US trade deficit is adequate for inclusion.

India was a new addition in the April 2018 Monitoring List. Its FX purchase of $56 billion came to 2.2 per cent of India’s GDP and bilateral goods trade surplus was $23 billion. But India’s currency has tended to appreciate, not depreciate in the period.
Its marginal surplus is nothing compared to China’s, which is above $300 billion. The US Treasury does note India’s overall current account deficit (CAD) and that its currency is not deemed under-valued by the IMF. In its view, however, India does not need more foreign exchange reserves since it still has some capital controls.

**Capital flow management**

But India needed to intervene more precisely because it relaxed capital controls. Caps on debt flows were lifted. Too much ($19 billion) came in 2017, taking up all space available, because they gained both from India’s much higher interest rates and from currency appreciation.

These inflows did not reduce the cost of government borrowing since the RBI was forced to buy US treasuries at zero interest from the excess inflows it accumulated as reserves rather than buying Indian G-secs through open market operations (OMOs).

Indian G-sec yields shot up to 8 per cent. And the policy repo rate is now being raised partly in fear of debt outflows as the US Fed raises rates. So they do not provide security in CAD financing either.

The RBI will be able to do more OMOs, exit the US watch list, avoid real appreciation, interest rates and the cost of government borrowing will come down, if there are fewer inflows this year. A real exchange rate stable at 114-16 will stimulate exports, and stable oil prices imply the gap in BOP financing will be minor and can easily be financed through reserves.

Markets must get used to two-way movement in reserves as well as in exchange rates.

Caps on debt inflows must not be lifted too quickly. Six per cent of domestic debt makes them too large as a percentage of foreign liabilities. Their contribution to market development is adequate at lower caps. More stable forms of inflows should be encouraged, instead.

Source: thehindubusinessline.com- Aug 05, 2018
Fall in exports to China worries textile industry

Urges Centre to seek duty-free access

The textile industry has urged the Centre to push for negotiations with China to provide duty-free access to Indian cotton textiles.

Sanjay Jain, chairman of the Confederation of Indian Textile Industry, said in a release that in 2017-2018, India exported textile goods worth $1,362 million to China.

But imports from China were to the tune of $2,905 million, indicating a trade deficit of $1,543 million.

Between 2010 and 2014, India was a net exporter of textile and apparel products to China. However, after that, India’s trade deficit with China was on the rise.

Indian products attract 3.5% (yarn), 10% (fabric), and 14% (made-ups) duty in China, while Vietnam, Cambodia, Pakistan, and Indonesia enjoy duty-free access to the Chinese market.

India’s cotton yarn exports to China have decreased 53% in the last five years, while Vietnam’s exports to China have increased 88%, he said. The Indian textile industry is sensitive to even small changes and if it had a level-playing field as its competitors, Indian exports to China could double, he added.

Mr. Jain told The Hindu that China buys cotton fibre from India but prefers other countries for value added products, such as yarn and fabric. Even recently, when it cut import duty on several products, textiles were not included.

“We do not need incentives (from the Government). FTAs and bilateral agreements will help exports. Refund of embedded taxes to exporters and trade agreements wherever possible are two policy changes that are needed to boost exports,” he said.

Source: thehindu.com- Aug 04, 2018
Major port trusts not keen on container transhipment

The major port trusts owned by the Centre are “not keen” on promoting transhipment of containers at their ports. This has come as an embarrassment to the Shipping Ministry, after it lifted cabotage restrictions in May to permit foreign container ships to ply on local routes.

Cabotage was eased to promote container transhipment in India and cut the dependence on Colombo to send and receive containers, which entailed extra time and costs for exporters and importers (EXIM).

The major port trusts don’t have a strategy in place yet vis-à-vis transhipment,” said Capt Deepak Tiwari, Chairman of the Container Shipping Lines’ Association (CSLA), a lobby group.

“They have their own hinterland cargo of exports and imports, so transhipment doesn’t make sense,” he said, adding that “maximum transhipment is happening at non-major ports such as Mundra, Krishnapatnam, Kattupalli and a little bit in Hazira”.

Shipping lines are ready to give a minimum volume assurance, but major port trusts are not “willing to negotiate” on their vessel-related and transhipment charges, he noted. All the container handling terminals at major port trusts, except one facility at Jawaharlal Nehru Port Trust (JNPT), are run by private firms.

Low transhipment charges and high vessel-related charges (VRC) at major port trusts are acting as deterrents to transhipment, says industry sources. Transhipment charges are collected by the private terminals, while VRCs are collected by the landlord port trusts.

Non-major ports are more flexible in setting and negotiating such rates. In Jawaharlal Nehru Port Trust (JNPT), India’s busiest container port, the container terminals run by D P World and A P M Terminals are “not forthcoming or committed” to go for transhipment because of certain “commercial” reasons and, hence, would want to focus on mainline container business, says JNPT Chairman Neeraj Bansal.
And, the newly opened container terminal of PSA International is facing an issue on inter-terminal transfer of containers. “We want to use JNPT as a hub, but we are not able to do it,” says Prashant Sindhwani, director-operations at the Indian unit of German line Hapag-Lloyd A G.

JNPT's Bansal said his port was reluctant to go for transhipment for fear of losing toll revenue from a Rs 3,200-crore road widening project connecting the port, for which it had borrowed $400 million, and the loan repayment is linked to the VRCs.

In effect, lowering the VRCs (which are collected in dollars) for promoting transhipment, will hurt the repayment of ECB loans. It will, in turn, reduce toll revenue from lesser export-import cargo, hurting the recovery of investment from the road project.

“Instead of asking for discounts, lines should prepare a business plan/comprehensive policy on transhipment for all the terminals at JNPT,” Bansal said. “The rates set by the Tariff Authority for Major Ports (TAMP) for transhipment are low. That’s why terminals at major port trusts are not interested in transhipment,” said Suresh Amirapu, CEO, Bharat Mumbai Container Terminals Pvt Ltd, which runs a facility at JNPT.

The transhipment charges approved by TAMP for container terminals at major port trusts is about $57 per TEU, while it is $80 per TEU in Colombo and $110 in Singapore, according to Amirapu.

On the other hand, a shipping line pays Rs 11 lakh more in vessel-related charges for calling at Kochi compared to Colombo, says Jibu Kurien Itty, CEO, India Gateway Terminal Pvt Ltd, the transhipment terminal-run by D P World at Vallarpadam in Cochin Port Trust. At Chennai, it is much more, he added.

Chennai Port Trust is offering 60-70 per cent rebate in vessel-related charges to mainline ships calling at its two privately-run container terminals, according to its Deputy Chairman Cyril George. “We are waiting for shipping lines to come for discussions,” he said.
“No one has approached Visakhapatnam Port Trust so far on starting transhipment,” its Deputy Chairman P L Haranadh, said. “We are ready to offer whatever more is required, in addition to the 70 per cent discount in VRC announced earlier,” he said.

“Transhipment cannot work in silos. We neither have the infrastructure, including depth for mainline vessels to come, nor do we have adequate feederings happening out of ports such as JNPT,” V. K. Singh, Managing Director of Shreyas Shipping & Logistics Ltd, said.

“Terminals at major port trusts never encouraged transhipment in India. That’s why we have reached this situation today,” says V K Singh, managing director of Shreyas Shipping & Logistics Ltd.

“Most of our terminals at major port trusts have become gateways. So many direct calls are coming, why should a port such as JNPT move containers by transhipment?” he asked.

Source: thehindubusinessline.com- Aug 05, 2018

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**Tapping technologies for farmers: BT Cotton**

*The Field Inspection and Scientific Evaluation Committee (FISEC), set up at the instance of the prime minister’s office (PMO), has submitted its report saying that the planting of unauthorised Herbicide Tolerant (HT) Bt cotton has soared to 15% of the total cotton area in Andhra Pradesh, Gujarat, Maharashtra, Telangana and 5% in Punjab during the 2017 kharif season.*

So, now it is almost official that there is a thriving business in new cotton technology, the Bollgard-II with Herbicide Tolerant (HT) traits, a technology that is not yet officially approved by the government!

Also, that farmers have been paying Rs 1000 to Rs 1500 per packet of 450 grams of seeds, despite an official cap on Bollgard-II seeds pricing at Rs 800/packet.
Further, the FISEC findings also reveal that it has not been smuggled from outside the country, but has been manipulated with original varieties of Mahyco Monsanto Biotech Limited (MMBL), that were under trial through the official route, but were later withdrawn due to uncertainties over the trait fees with some licensee companies.

What all this indicates is the following: (a) on a good note, farmers want to have access to new technologies provided they benefit from them, and that they are ready to take risks to procure these seeds even through unscrupulous dealers at a substantially higher price than fixed by the government; (b) on a flip side, it shows the utter failure of the government’s regulatory mechanism and puts the government in poor light.

Now that the PMO is well aware of this, what is the action? Not surprisingly, as a knee-jerk reaction and to show the might of the Modi government, the premises of several breeding companies were raided. One may also see some temporary arrests and/or fines imposed on these unscrupulous players.

All this is fine, but, will it solve the issues confronting cotton farmers? Instead of showing the might of the government, it is time to think coolly and rationally in the interest of cotton farmers. And, it is here that the Modi government can learn a lesson from the Vajpayee government. What is this lesson?

The Vajpayee government was faced with a somewhat similar situation in 2001, when they came to know that some farmers in Gujarat had planted Bt cotton without government approval. The natural bureaucratic reaction was to confiscate and burn the cotton crop of these farmers. But, the political maturity of Vajpayee averted that bureaucratic jingoism.

He sensed an opportunity for India to emerge as a leader in biotech. He not only approved Bt cotton on March 26, 2002, the first GMO crop in the country, despite opposition from several quarters, but gave the nation a new slogan, “Jai Jawan, Jai Kissan, Jai Vigyan”, extending the original slogan of Lal Bahadur Shastri to incorporate salutation to science.

He was very clear that Indian agriculture should be based on science, and that India should lead in biotechnologies to fight hunger and malnutrition.
What have been the results of that bold decision? India officially released its first Bt cotton (Bollgard-I) in 2002, patented by MMBL and multiplied by several Indian companies under their private pact of license fees, etc.

This ensured the protection of the intellectual property rights (IPR) of MMBL. In 2006, MMBL introduced Bollgard-II with additional traits. As a result of this bold and wise decision, India, today, has emerged as the largest producer of cotton and the second largest exporter in the world.

The attached figure shows that, as against the business-as-usual scenario, India gained from extra exports of raw cotton, yarn, and also from import savings, to the tune of $67 billion, cumulatively, during the period 2003-04 to 2016-17.

The farmers gained in terms of extra income and the nation gained in additional foreign exchange earned. And, today, more than 95% of the cotton area is under Bt cotton.

All a result of the political maturity, wisdom and boldness of Atal Bihari Vajpayee to take a call on Bt cotton. Alas, since then, neither the UPA, nor the Modi government, has had the courage and wisdom to approve other GMO crops, such as Bt brinjal and mustard, despite the scientific body (GEAC) having given the green signal after due safety checks. This is sheer timidity killing India’s chance to be a global leader in GM technology!
We all know that it is investment and continuous innovations that can ensure India emerging as a global leader in biotechnology. Bollgard-I (BG-I) was the first Bt variety launched by MMBL with a single gene, cry1Ac, that fought against American bollworm (Heliothis Armigera) infestations. The last official approvals for BG-II, with double genes, cry1Ac and cry2Ab, for enhanced protection came in 2006.

But, now after 12 years of BG-II, these benefits seem to be fading away. The outbreak of pink bollworm in Maharashtra, last year, may be an indication of that.

Alongside better farm practices for BG-II, it maybe time to have BG-III with additional pest resistant proteins (cry1Ac, cry2Ab and Vip3A), along with HT (Roundup Ready Flex (RRF)) traits. This will enhance pest resistance and save on labour costs for weed management with some Glyphosate spraying.

Globally, Australia, Brazil and US have gone ahead with this, but India has lagged behind, and very soon, all the gains of the Vajpayee government may be frittered away, if the Modi government does not take the right decision that puts farmers and their right to access the best technologies in the world first.

It would also require protecting the IPR of suppliers of genuine innovations. One needs innovators, and not pirates, for genuine products for the long haul.

Can the Modi government fix this and give the green signal to not only BG-III, but also Bt brinjal and GM mustard?

Only then can it fulfil the dream of Vajpayee wanting to make Indian agriculture science-based, and it will hopefully propel India towards global leadership in biotech.

Source: financialexpress.com- Aug 06, 2018
India makes final plea to avail GSP benefits

Cheaper imports under World Trade Organization’s (WTO’s) generalized system of preferences, or GSP, help US firms, says India

India has made a final plea for continuation of the generalized system of preferences (GSP) benefits currently under review before the US Trade Representative (USTR), arguing that the cheaper imports of intermediary products from India enable availability of cost-effective and price-competitive inputs to the US downstream industries and helps the US firms remain domestically and internationally competitive.

The GSP programme allows duty-free entry of 1,937 products worth $5.6 billion from India into the US, benefitting exporters of textiles, engineering, gems and jewellery and chemical products.

In its initial submission during the hearing, India had threatened to drag the US to the dispute settlement mechanism of the WTO, claiming withdrawal of the GSP benefits would be “discriminatory, arbitrary and detrimental” to its developmental needs.

In its post-hearing submission, while answering the queries raised by the USTR GSP sub-committee and other US industry lobbies, India has maintained that GSP benefits are integral and catalytic in promoting the pace and sequence of domestic and external economic reforms in India.

“It needs hardly be over-emphasized that the products on which India receive GSP benefits belong to sectors which employ several thousands of men and women, especially in rural areas through micro, small and medium enterprises.

Furthermore, India’s GSP exports represent a minuscule part of the total imports of the United States and do not pose any threat or disruption to the US industry,” it said. Mint has reviewed a copy of India’s final submission before the USTR.

While the US has been trying to leverage the GSP review to gain more market access in India, India has at least through the written submission, made it clear that the benefits should be “unconditional and not contingent upon
reciprocal market access for goods, services or other emerging areas of trade."

However, India on Saturday deferred till 18 September tit-for-tat retaliatory tariffs against the 29 US products worth $235 million intended to counter a US move to unilaterally raise import duties on Indian steel and aluminium products. India’s move is seen as a conciliatory measure pending the GSP review and the upcoming “2+2” dialogue among their foreign and defence ministers on 6 September of the two countries.

US supermarket major Walmart in its submission to the USTR has come out in support of continuation of GSP programme for India, holding that it provides significant benefits to Walmart customers and US suppliers by reducing costs.

“We support the administration’s efforts to work with GSP countries to concretely address market access and other GSP eligibility concerns but caution against undermining or weakening the significant policy and development benefits embodied in the GSP programme.

Revoking GSP-eligibility from GSP countries risks undermining US interests and benefits from GSP while jeopardizing the significant development opportunities GSP has created for poorer countries and workers around the world,” it added.

The USTR in April announced that it is reviewing the GSP eligibility of India, along with Indonesia and Kazakhstan, after the US dairy industry and the US medical device industry requested a review of India’s GSP benefits, given India’s alleged trade barriers affecting US exports in these sectors.

Total US imports under GSP in 2017 was $21.2 billion, of which India was the biggest beneficiary with $5.6 billion, followed by Thailand ($4.2 billion) and Brazil ($2.5 billion).

Source: livemint.com- Aug 05, 2018
Govt. will consider establishing trade fair centre in Tirupur

The State government will consider establishing a permanent trade fair centre in Tirupur like the CODISSIA Trade Fair Complex in Coimbatore, said Minister for Animal Husbandry Udumalai K. Radhakrishnan here on Sunday.

Inaugurating a three-day knit show, the Minister said that the knitwear industry and textile machinery companies were in need of a permanent centre to conduct exhibitions and trade fairs in Tirupur.

He said the grievances of the textile industry will be taken to the notice of the Chief Minister and a textile policy will be brought out by the Government.

A. Sakthivel, vice-president of the Apparel Export Promotion Council, said the garment industry faced slump in business. To give a boost, the Union Government has enhanced the export incentive package.

Tirupur Exporters Association president Raja M. Shanmugam said that the exhibitions and trade fairs brought new businesses to industries in Tirupur.

Source: thehindu.com- Aug 06, 2018

Telangana to give push to handloom franchises

On National Handloom Day, August 7, the Telangana government will invite designers and private retailers to set up franchises that sell handloom textiles.

The Telangana State Handloom Weavers Cooperative Society (TSCO) attached to the department of Handlooms and Textiles would issue notification calling for franchises on the day, Jayesh Ranjan, Principal Secretary, Information Technology and Industries, said here on Saturday.

Already TSCO runs 38 showrooms across Telangana. TSCO’s e-commerce website would also be relaunched with additional features, he said, during a media conference. Bangladeshi designer Bibi Russell would present her collection of handloom designs, Mr. Ranjan said.
Speaking to the media, Ms. Russell said, “Telangana is sitting on a gold mine, a rich culture of textiles that showcase the best of weaves and the best of colours”. The designer said fashion houses and foreign fashion designers would be interested in showcasing Telangana’s handloom fabric in their collections.

Textiles from 11 districts in Telangana, including from places like Mahadevapur, Chevella and Bhupalapalli, would be used for the show. Other designers, including Prasad Bidapa, Sunaina Sood and Shravan Kumar, would also showcase their collections at the event to be held at Sampradaya Vedika, Shilparamam. “We want to showcase that handloom textiles are chic and luxurious,” Mr. Bidapa said.

TSCO officials said handloom textile sales have improved by 50% to 100% in the past three years.

Celebrations would include a handloom exhibition at People’s Plaza on August 7. Minister, K.T. Rama Rao is expected to inaugurate the expo, where benefits would be given under loan waiver, Chenetha Mithra and Nethanna Cheyutha schemes.

Source: thehindu.com- Aug 04, 2018