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Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 8/07/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.80	3.10
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	3.10	3.30
Source: CCF Group		

China yarn

Trading of cotton yarn sustained weak with partial divergences. Low-to-medium cotton yarn performed better than high-count one under support of seasonal orders. Price of cotton yarn tended stable to weak. Price of polyester yarn kept flat and that of rayon yarn was stable to weak. For blended yarn, polyester/cotton yarn stayed steady while polyester/rayon yarn and cotton/rayon yarn both dipped.

International yarn

The cotton yarn market was firm in Pakistan. Downstream manufacturers have been forced to meet spinners' asking rates to cover requirements. The recent depreciation of the rupee has facilitated some improvement in export yarn demand.

In Bangladesh, ready-made garment orders were described as good. State-owned factory workers have had their wages increased.

Source: CCF Group

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INTERNATIONAL NEWS

Why Trump's Trade War Could Mean Paying More for Clothes

Macy's, JCPenney, and Walmart are some of the retailers that have opposed Trump's tariffs.

Donald Trump was supposed to be bad for civil rights, bad for the environment, and bad for women, but he was always supposed to be good for business. After all, Trump is a businessman. But now that he's ignited what China is calling the "largest trade war" in history, he's managed to alienate the business community, too.

The second year into his presidency, he's clashing with business leaders, including those from retail and fashion. The current dispute — it's not Trump's only disagreement with business leaders — started after the president's decision in March to impose a 25 percent tariff on imported steel and a 10 percent tariff on imported aluminum. (A tariff, or duty, is essentially a tax placed on goods made overseas, and ultimately consumers pay the price.) At the time, Matthew Shay, president of the National Retail Federation, a trade group representing retailers from the US and other countries, said Trump had an "apparent desire to ignite a trade war."

That's exactly what's happened. In addition to the steel and aluminum tariffs, the Trump administration is placing 25 percent tariffs on $34 billion worth of Chinese products and restricting Chinese investments in the US technology sector. In retaliation, China is hiking duties on $34 billion worth of US goods.

These tariffs went into effect today, despite the efforts of top retail brands and economists to persuade the Trump administration not to impose them. Instead of helping the United States, they're going to hurt businesses, consumers, and the economy overall, experts say. Jeffrey Sachs, a professor and director of the Center for Sustainable Development at Columbia University, went so far as to call Trump's trade war "insane." And it could have a major impact on retail.

Phil Levy, senior fellow on the global economy at the Chicago Council on Global Affairs, a nonpartisan organization that provides insight on world affairs, told Racked: “I think this will be a problem for retail. I think they’re going to raise costs and hurt American consumers and hurt businesses that cater to Americans. I think it’s going to hurt and not do much good.”

In addition to his current role, Levy has taught at the University of Virginia’s Darden School of Business and served as senior economist for trade for President Bush’s Council of Economic Advisers. He points out that because retail is already struggling, the tariffs will be challenging for the industry.

“It’s going to be a big increase in their costs,” Levy said. “The president has this misperception that every dollar from a sale of a product [not made domestically] is a loss to the US, but that’s just not true. US businesses and consumers have decided this is the best thing they can buy at that price now. If you look at the retail industry, it’s not an industry that’s been flourishing, where they can easily take a hit. I think this is going to be painful.”

More than 41 percent of clothes and 72 percent of shoes sold domestically are Chinese-made. While apparel and textiles are not currently the focus of the US-China trade war, Jon Gold, the National Retail Federation’s vice president of supply chains and customs policy, said those goods were still a source of worry for retailers.

“As of right now, apparel is spared from the tariffs involving China, but the concern is that as the president continues to escalate the trade war, apparel will get caught on up on those lists,” he told Racked. “As China ramps up its escalation, they could place retaliatory tariffs on things like cotton, which could have an impact on apparel. The US relies on China to make apparel and footwear, and it’s not easy for companies to find another source in the supply chain for these products. It takes some time to develop those contacts. Often, it takes years.”

China, though, isn’t the only country planning to place retaliatory tariffs on US products. The European Union recently started placing tariffs on US exports like metals, agricultural products, T-shirts and jeans, another sign the trade war could hurt the apparel industry. And the EU has already threatened to place tariffs on $300 billion worth of US goods after Trump flirted with the idea of putting tariffs on European cars.

It troubles Gold that the US is imposing tariffs on US allies and rivals alike.

“It’s extremely concerning for industries that are relying on those markets that we’re putting tariffs on our allies,” he said. “We’re trying to quantify what those impacts are going to have, especially if you have companies operating in Mexico that rely on US exports for their business or you have Canada in retaliation mode.”

In fact, Canada has already started placing tariffs on billions of dollars of US exports because of the duties the Trump administration put on its steel and aluminum.

The nation’s top retailers aren’t keeping quiet about the tariffs and the potential for revenge tariffs. Macy’s, Walmart, Target, JCPenney, Levi Strauss and other major retailers issued a letter to Trump outlining their concerns with his approach to trade. The letter asserted that the tariffs would lead to retaliatory tariffs on US exports and result in consumers paying higher prices for clothes, shoes, and other goods.

Levy said that some members of the public might shrug off the tariffs, thinking the US can just make these products domestically. “The problem is in modern manufacturing businesses tend to specialize in certain things,” he said.

“Maybe China makes inexpensive cotton T-shirts, and the US makes higher tech fabrics. Each country or region is specializing in the things they do best, so it’s not a painless process. It’s going to be a jolt for all the producers who are going to have to adapt to the new prices.”

A policy brief from the Trade Partnership predicted that up to 470,000 jobs could be lost due to the tariffs. Small businesses could take a hit as well, according to Gold. He said that while retailers are very supportive of the Trump administration’s corporate tax and regulatory reforms, the tariffs could counteract the benefits of both.

Click here for more details

Source: racked.com- July 08, 2018

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Pakistan's next government will need IMF bailout: Analysts

Pakistan's next government, to be chosen in a July 25 election, faces growing fears of a balance of payments crisis with speculation it will have to seek its second IMF bailout in five years, analysts say.

The central bank is running down its foreign reserves and devaluing the currency in a bid to bridge a yawning trade deficit, and the winners of the July 25 election will have "limited time" to act, Fitch ratings agency said on July 2.

Together, the economic challenges are "horrendous", said Dr Ashfaq Hassan, an analyst and former financial advisor to Pakistan government.

"The most important (challenge) will be how to protect Pakistan's balance of payments, how to build Pakistan's foreign exchange reserves and how to fix its fiscal position," he told AFP.

Plagued for years by militancy, Pakistan - a rapidly growing country of some 207 million people - has been battling to get its shaky economy back on track and end a years-long chronic energy crisis that has crippled industry.

Confidence had grown slightly in recent years, with security improving and the IMF claiming in October last year that the country had emerged from crisis after completing its post-2013 bailout programme.

The previous government of former prime minister Nawaz Sharif attempted to ease the power shortages, enact structural reforms and improve the creaky infrastructure which previously hampered growth.

China has also made progress on an ambitious multi-billion dollar infrastructure project - the China-Pakistan Economic Corridor (CPEC) - linking its western province of Xinjiang to the Arabian Sea via Pakistan. But growth has not been as fast as many hoped.

The economy grew by 5.8 per cent during 2017-18, its fastest since 2005 but still missing a government target by 0.2 per cent.

Public debt now sits at roughly 70 per cent of GDP.

And the deficit is widening. Pakistan, which has historically relied on imports, has increased its procurement of materials to help build CPEC projects while also suffering from higher oil prices.

Its meagre exports such as textiles, meanwhile, have been hit as cheaper Chinese-produced goods flood the markets. Foreign remittances have not been enough to plug the gap.

Amid stability fears the caretaker government pledged in June to stem the current account deficit with rapidly dwindling foreign reserves.

According the State Bank of Pakistan, the country's reserves plunged to $9.6 billion on June 22 from $16 billion on April 17.

"We have to finance this gap of the trade deficit of $25 billion by depleting our reserves. There is no other option," caretaker Finance Minister Shamshad Akhtar, installed last month, told a press conference.

"This is a major worry which our government is facing."

The announcement came hours after the central bank devalued the rupee by 3.7 per cent, the third devaluation since December and representing a cumulative 13 per cent against the US dollar, according to Fitch.

The agency said the move has eased some pressure on reserves - but "their magnitude so far has not been sufficient to prevent external finances deteriorating more sharply than we expected".

Economic analyst Dr Salman Shah told AFP that Islamabad would have to seek help from friendly countries or negotiate a fresh bail-out package from the IMF.

"It would be very tough for the next government to deal with all those challenges... it would have to undertake wide-ranging and deep-rooted reforms in all sectors linked to the economy," he said.

But Shah, also a former economic advisor to government, said that though the task was huge projects such as CPEC meant there was hope long-term.

Still, there is an undercurrent of growing unease. The terms of the massive CPEC deals are shrouded in secrecy, raising concerns about Pakistan's ability to repay Beijing's investment.

Finance ministry officials were unable to immediately confirm multiple reports that Pakistan is seeking Chinese loans to pay off the debts it incurs as it imports CPEC materials.

The Washington-based IMF has bailed out Pakistan before, with an $11.3 billion loan package in 2008 to stave off a balance of payments crisis in a deal Islamabad abandoned in 2011.

The country received a second $6.7 billion bailout package in 2013. In 2016 the IMF said Pakistan had emerged from crisis, though a review one year later noted that it was facing "important near-term challenges".

Fitch predicted the fiscal deficit could rise to around six per cent of GDP this year, warning: "The government is becoming increasingly reliant on external borrowing - particularly from Chinese policy banks."

The borrowing will help, the agency said - but with rising debt-servicing payments to start in 2019 there is little room for the next government to maneouvre.

Source: khaleejtimes.com- July 08, 2018

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Better Cotton is 14 pc of global cotton: BCI report

Better Cotton now accounts for 14 per cent of global cotton production, a 2 per cent increase on 2016, according to the BCI 2017 annual report, launched at the BCI Global Cotton Conference in Brussels.

The report celebrates the achievements of BCI farmers, partners, members and stakeholders from around the world towards making cotton production sustainable.

BCI is striving to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

In the 2016-2017 cotton season, 1.3 million licensed BCI farmers in 21 countries produced 3.3 million metric tonnes of Better Cotton lint, enabling a record-level of more sustainably produced cotton to enter the global supply chain.

The report highlights achievements of the initiative in sustainable cotton production including challenging of the gender inequality and implementation of innovative sustainable farming practices among BCI farmers and implementing partners in Mozambique, Pakistan and China.

The Global Harvest Report section details the BCI's global reach, providing global and country-level figures, plus updates on the Better Cotton Standard System.

The 'Better Cotton Growth and Innovation Fund' and 'Financial Footprint' sections of the report provide details of the BCI funding model and investment mechanisms.

Source: fibre2fashion.com- July 08, 2018

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China's aid will improve cooperation with Ethiopia

China's development cooperation has long been an important part of its relationship with Ethiopia, which started soon after the establishment of diplomatic relations in 1970.

Complete projects have been the main form of China's development efforts in Ethiopia. China has supported Ethiopia in constructing dozens of projects, including highway interchanges and energy stations. China also provided food, tents and medicine when Ethiopia suffered from a massive drought in 2011.

In the technical cooperation area, China has dispatched agricultural and health experts to provide technical guidance to local people. In addition, China has run seminars and training programs for government officials and technical personnel, and provided scholarships for Ethiopian students.

Economic cooperation and trade made steady progress, with bilateral trade continuing to expand. Chinese companies were actively involved in Ethiopia's Growth and Transformation Plan, and progress was achieved in mutually beneficial cooperation. Ethiopia-related projects under the framework of the Forum on China-Africa Cooperation were implemented step by step.

Still, geopolitical risk is potentially increasing and Ethiopia's business climate is relatively poor. Additionally, the African nation's currency is often volatile. Influenced by falling commodity prices, the value of coffee exports and other agriculture products has decreased. Widening trade deficits influence the nation's ability to pay back debt.

According to data from the IMF and World Bank, Ethiopia has faced challenges in meeting its debt payments since 2017, leading to increasing debt distress.

Furthermore, Ethiopia is short of specialized technicians, notably those in the pharmaceutical industry. Companies need to repay the educational costs of those they want to hire; otherwise, those people are required to work for state agencies first. There are not enough skilled industrial staff, so Chinese companies need to train them first, not only in terms of skills but also in work behavior.

Based on the existing road, bridge and railway programs between China and Ethiopia, the two governments should support cooperation in the area of transportation, boosting railway operations and management capability in Ethiopia. This effort could include helping Ethiopia to build a state-level transportation university that will focus on training senior engineers and promoting technological innovation in rail transit and bridge engineering.

The two countries should establish small-scale railway training centers in the cities along the Addis Ababa-Djibouti Railway, combining the practice of railway management with the training of skilled workers in operations.

Regarding energy and electricity, the two states should utilize interest-free loans and concessional loans to support the renovation and upgrading of the grid, which would increase the electricity supply of industrial zones and surrounding areas.

China should work with Ethiopia in technological cooperation, improving Ethiopian industrial-zone policies, as well as investment and trade policies. China can encourage officers from the Ethiopian Investment Agency and Industrial Parks Development Corporation of Ethiopia to come to China and study its experience of developing industrial zones. Participation in those programs should be extended to middle- and lower-level government officials.

Also, experts who work on Chinese economic reform can go to Ethiopia and meet with the Ethiopian Investment Agency to discuss policies related to attracting foreign investment.

Aid programs should be specialized in particular areas like promoting trade and supporting academic exchanges in customs, tax, inspection and quarantine procedures.

Such programs can further enhance the understanding of export policies and regulations in both nations, which will help reduce non-tariff barriers such as miscommunication and problematic business environments.

Chinese WTO researchers and regional trade dealers can go to Ethiopia to help Ethiopia start capacity-building and training programs in the rules of international trade.

Also, China could design human resources development programs based on various factors. Considering the advantages of the cheap labor force in Ethiopia, we suggest that China should renovate or build state-level vocational schools. It should design the categories of training in those schools and open courses related to textiles and light industry, mechanical engineering, auto repair, and architectural engineering, which will target preferred development areas and meet demand for labor.

Academic programs should invest more in mathematical and engineering majors based on the Chinese educational advantages in these majors. The programs should cultivate international students, mainly senior engineers and technicians, who understand the technical standards of China and can look at issues with a Chinese perspective.

We also suggest that China should work with Ethiopian universities and think tanks in conducting research. China should also encourage Ethiopian professors, mainly those who work in mathematics and engineering, to come to China for further study. This will help disseminate Chinese experience through Ethiopian experts.

Source: globaltimes.cn- July 08, 2018

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Georgia signs FTA with Hong Kong

Georgia and Hong Kong have signed a free trade agreement. The FTA was negotiated in 2016 and has several standard components, namely the elimination or reduction of tariffs, the liberalization of non-tariff barriers, flexibility regarding rules of origin to facilitate bilateral trade, customs facilitation procedures, liberalization and promotion and protection of investment, liberalization of trade in services, and a dispute settlement mechanism for the FTA.

The FTA has strategic value for Hong Kong and will help expand Hong Kong's FTA network into the respective regions including Eurasia.

The agreement is Hong Kong's first with a country in the Caucasus region.

Georgia is the city's 121st trading partner in terms of goods. The signing is a part of Hong Kong's long-term strategy of expanding its global reach as it moves toward being an international trading center. In the past 12 months, the city has secured three sets of FTAs, including the one with Georgia.

The agreement aims to facilitate and promote trade between Georgia and Hong Kong. There are hopes that increased trade with Hong Kong will encourage Georgian entrepreneurs to participate in the high-end Hong Kong market.

The FTA is advantageous for Georgia, as Hong Kong is a key international transit and financial center. The agreement is scheduled to enter into force by the end of the current year.

Source: fashionatingworld.com- July 07, 2018

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Bangladesh export earnings up five per cent

Bangladesh's export earnings grew 5.81 per cent in fiscal year 2017-18.

This was mainly because of the performance of apparels, jute and leather.

However total export receipts were 2.22 per cent less than the strategic target.

Exports of the readymade garment sector posted a 8.76 per cent growth.

Earnings of knitwear products recorded a 10.40 per cent growth over the previous fiscal.

Export receipts from woven garments until June of the last fiscal rose by 7.18 per cent compared to the previous fiscal. Export earnings from home textile products until June of the last fiscal were up by 9.95 per cent.

Export earnings from jute and jute goods were up by nearly 6.56 per cent from that of a year ago. Jute yarn and twine recorded a growth of 6.55 per cent while raw jute recorded a fall of 7.24 per cent.

Earnings from the shipment of leather and leather products fell by 12.03 per cent. Only leather footwear grew by 5.33 per cent.

Export receipts from frozen and live fish amounted to 508.43 million dollars and that of agricultural products reached 673.70 million dollars.

The country's export earnings touched the 30 billion dollar benchmark for the first time.

The expansion is seen as satisfactory compared with the previous year's 0.20 per cent.

Source: fashionatingworld.com- July 08, 2018

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US-China trade war: A new phase of global recession?

American President Donald Trump, since assuming office, has consistently shown a dislike—both through words and policies—towards immigration, Islamic fundamentalism and trade protectionism by foreign states.

The Trump administration has, beginning 2018, imposed fresh import tariffs on a number of countries spanning the globe. The countries include China, India, Canada, Mexico and a few others. Many authors and global observers have labelled this aggressive protectionist measure as yet another evidence of Trump's ultra-nationalism.

China, India and Canada are amongst the countries that have decided to counter the new US tariffs in kind. For instance, India has hiked the import tariff on as many as 30 American goods after the metals including steel and aluminium from India were subjected in March 2018 to tariff hikes by the US.

The Indian government has repeatedly confirmed that the hike was in order to maintain the balance in trade with the US, and also to recover additional duty. In addition, many other countries have decided to revise their tariffs on American goods.

At present, the Trump administration, more than any other country, is taking a particular interest in China—for good reason. The prominent view of the Trump administration is that the American economy has suffered greatly due to “unfair trade practices” and state-sponsored “Intellectual Property Theft” by China. In fact, on April 4, 2018, Donald Trump had tweeted “…Now we have a Trade Deficit of $500 Billion a year, with Intellectual Property Theft of another $300 Billion. We cannot let this continue!”

In light of these allegations, the US has already announced a tariff of 25% from July 6, 2018, on a broad range of Chinese goods, worth $50 billion, i.e. 10% in value of the total Chinese goods imported by the US each year. This specific amount of $50 billion has been fixed based on the lost corporate earnings of American companies.

Notably, China has also threatened with a retaliatory tariff on as many as 128 items imported from the US—these include steel scraps, steel piping, soybean and many others. Amid the escalating tensions, the US has warned of an additional round of tariff hikes on Chinese goods worth $200 billion. Interestingly, both China and the US are actively considering a complaint before the World Trade Organisation (WTO) for unfair trade practices.

The Trump administration has clarified on two important aspects—that it is not interested in a trade war with China, and that the revised tariffs are inevitable to protect the interests of its economy.

At present, the US-China trade deficit is the highest in the world—at $375.2 billion (as of 2017). Further, the investigations have revealed that China has used its foreign investment restrictions to compel foreign companies to transfer its technology to domestic companies.

There have also been various instances of stealing trade secrets of US companies through cyber attacks originating from China.

All this, coupled with weak intellectual property laws in China, make it, in turn, a difficult market for American companies. In very critical terms of the United States Trade Representative (USTR) Robert Emmet Lighthizer, “Markets do not run better when manufacturing shifts to China largely because of the actions of its government.”

The new tariff hikes by the US find the force of law, under the Section 301 of the US Trade Act of 1974, which vests the US President with unbridled power to deal with such cases of unfair trade practices by foreign countries. Section 301 allows investigation into trade practices of other countries and taking counter-measures, including hiking import tariff in response.

The fact is that this trade war of the US with China will hurt not only both the economies, but will also disturb the global trade and may begin a new phase of global recession. The Central Bank of Germany, the Deutsche Bundesbank, has already slashed the growth rate of its economy owing to the hovering “global trade disputes.” The European Union, Canada, India and Mexico have gradually started hitting back with retaliatory tariffs on US imports.

Still, there is a growing consensus among the economists that in the probable case of intensifying the US-China trade war, it is China that will ultimately suffer more. The same looks true since China exports goods worth $500 billion to the US, and imports American goods worth only $150 billion. In the case of a lost US market, no other existing country has an economy large enough to absorb such a huge amount of Chinese goods.

The lost market for goods may potentially lead to retrenchment and unemployment, and eventual insolvency of many Chinese companies. However, apart from such speculations, one thing we can be sure of is that such measures will ultimately hurt world trade and investor confidence in foreign investment—putting the global economy and people at the bottom of the pyramid at risk. On the sidelines, such measures from the US may also be beneficial for Sino-India ties, as China would like to improve relations with its biggest importer in South Asia. The signs of the same are already becoming visible.

There is another moot point for the economists. Many have already concluded that such unilateral severe measures will only do more harm than good to the US economy. For instance, a retaliatory tariff hike by other countries would reduce the market penetration of American companies in foreign countries. Also, many of the items, such as steel, will become unreasonably expensive after the tariff hike for small and midsized American firms, resulting in job losses. The gain is expected to be limited to a few big American companies.

Another important question is: Can India be the next victim of Trump's ultra-nationalism? The answer, for now, seems to be in negative for two reasons. The US-India trade deficit is a paltry $22 billion, and goods from India, unlike those from China, are considered non-sensitive by nature.

Source: financialexpress.com- July 09, 2018

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Global village: The future of international trade

The rise of the global trading system as seen today, like many features of the modern world, began largely with the Industrial Revolution.

During my growing years, Asterix Comics, by Goscinny & Uderzo, were one of my favourites, as would be with many of us of the generation of the 1970s and 1980s. One of the titles was Obelix and Co, a parody on capitalism. In this, there is a part that typically depicts a scenario that is relevant even today.

When the makers of Roman menhirs are banned from selling their stock, they block the Roman roads in protest—at the loss of their jobs. Nothing has really changed today in the context of the so-called global village. The scenario unfolding since the initiation of Section 232 in the US and reactions of nations across the world probably warrant a revisit of our understanding of economics and international trade, the trends in vogue and, most importantly, the attempt to gauge the future.

The rise of the global trading system as seen today, like many features of the modern world, began largely with the Industrial Revolution. Technological advances in the form of transportation—from ships, railroads, automobiles to airplanes—and the internet steadily reduced the cost of transporting goods, technology, capital and people around the globe. This "death of distance," a modern-day metaphor, has been one of the most important forces shaping global economic development since the inception of Industrial Revolution. These technological forces were further supported by structural forces, facilitating and cushioning the rise of a globally integrated market. Globalisation has seen it all, right from the presence of the gold standard, the dense web of bilateral trade agreements to the advent of new multilateral economic institutions.

International trade and economics is quite a big topic for enormous deliberations but two of its most important questions are “why do nations trade?” and “how should a nation conduct its trade policy?”

The theory of comparative advantage is one of the most plausible answers to the former question. Yet it has had little impact on answers related to the latter one. The need of the hour is to explore the relationship between comparative advantage and optimal trade policy, and to understand, how the consequences of populist politics, economic dislodgement and technological alterations are going to impact the future of global trade.

The theory of comparative advantage is the core of neoclassical trade theory. Yet we are not aware much about its implications. How should nations conduct their trade policy? For example, should import sectors with weaker comparative advantage be protected more? Conversely, should export sectors with higher comparative advantage be less subsidised?

According to the canonical Ricardian Model, optimal import tariffs should be uniform, whereas optimal export subsidies should be gradually decreasing with respect to comparative advantage, reflecting the fact that countries have more room to handle the prices in their comparative advantageous sectors. Thus, there would be substantial gains from such policies relative to simpler tax agenda.

Although there is a temporary push back against globalisation, the global economy is expected to grow, as the global markets and their prosperity are too intertwined to unwind. In the short term, we may see a deeper focus on proper enforcement of current trade agreements and concerted efforts to make them balanced from all sides. We may also go for a close review or perhaps a restructuring of the governance system within the WTO. Another interesting scenario would be the extent of motivation for US firms to stay in the domestic market and encouragement for foreign firms to set up their base in the US, amid growing protectionism.

The long-term scenarios seem intentionally vivid and provocative, and are expected to not only spark debate about the future of world trade among policy-makers and the wider trade community, but may also change the global structure on the basis of availability of resources and the willingness of global organisations to coordinate their actions.

Today, to overcome current challenges and growth barriers and maintain sustainable trade, countries may go beyond the neoclassical theories to one-on-one partnership models. They need alliances across industry sectors and value chains, and these include their competitors and peers too. Even market leaders cannot make the necessary impact acting alone.

In this context, industry may undergo a silent revolution in order to adopt a completely different approach that will lead to the path of long-term trade development in the form of accrued benefits such as adjustment of global economies to technological innovation, new production schedules and changing competitive patterns, thus raising productivity levels.

All these trade reforms, if undertaken, will yield substantial economic benefits, but sustaining the momentum will be a key challenge as the consequences of this trade liberalisation will be associated with societal and economic adjustments, such as regional and sectoral disparities, and urban migration. Institutions attached to labour markets need to be strengthened to enhance labour mobility and their skills.

The government would need to ensure that the possible gains from trade reforms are shared by a wider segment of society. The only big question is, whether political will for market openness will be maintained or whether protectionism and inward-orientation are going to gain an upper hand? If the answer is we are falling back to a protectionist world, then sustainable trade considerations and collaboration will diminish in importance—they will be just add-ons, not a decisive criteria.

In the last scene in Obelix and Co, all complicated problems melt away under the stars, like snow melting in the sun, and the Gauls celebrate the re-establishment of their friendship with a quiet mind. We hope this would also happen in today's scenario and the global village would endeavour to reach optimal trade relations.

Source: financialexpress.com- July 09, 2018

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NATIONAL NEWS

India does not subsidise exports, complies with WTO norms, says Suresh Prabhu

Dispelling the “misconception” that India subsidises its exports, Commerce Minister Suresh Prabhu today asserted that the country fully complies with the guidelines of the WTO, which itself is “under threat”. Batting for the global trade body, Prabhu said all countries will face problems if there is no WTO.

He said the government was merely trying to mitigate the adversities of exporters, which did not tantamount to subsidising of exports from India. “It is a misconception that we subsidise our exports. We are fully WTO compliant and not at all violating those,”

Prabhu said at an event here. The minister, at a separate event, said that the “very existence the World Trade Organization (WTO) is now under threat”, but India strongly supports its need for regulating trade norms. “But, if there is no WTO, all countries will face problems. There will be chaos,” Prabhu said.

He said India strongly feels that WTO is a must as it guarantees rules and regulations of world trade but admitted that reforms within the global trade body were also needed. “There is need to keep the WTO alive and strong for which an initiative was taken to arrange a mini-ministerial meeting in Delhi, after the failure of ministerial talks at Buenos Aires (Argentina),” he said.

India is also trying to forge a number of bilateral trading agreements with Latin America, Africa, ASEAN, Europe, the UK, central Asia, GCC, Far East and China, Prabhu said.

On the trade dispute with the US, he said India is trying to resolve the matter. With China, India is making efforts to reduce the huge trade deficit, the minister said.

The Commerce Ministry, in association with exporters’ bodies, is in the process of preparing a product-market matrix for realisation of additional exports to the tune of USD 100 billion in the next few years.

He also pitched for granting priority sector status to exports to facilitate financing. "We also must have agencies like Japan's Jetro, Australia's Austrade, and are working on those lines," the minister said. Elaborating on the issue of export subsidies, Prabhu said that the Organisation for Economic Cooperation and Development (OECD) countries were giving more subsidies to their farmers, particularly in the export of agriculture products.

The minister said it was important to provide market access to the farmers for which the highest standard of safety was needed to overcome the non-tariff barriers (NTBs).

The government is already working on a draft agriculture policy to double farmers' income, he said. "The commerce department is already working on the development of standards. The standard in the Western countries is very high."

Regarding GST refund to exporters, he said the issue has been addressed to a great extent. Prabhu, who, is also the civil aviation minister, said that the ministry is preparing separate plans for the manufacturing of drones and planes in the country.

On West Bengal, he said that the Commerce Ministry will work closely with the government of the state, which has a "great potential" to become an economic hub in future.

"We want the state to achieve progress. We will work together to ensure that," the minister added.

Source: financialexpress.com- July 08, 2018

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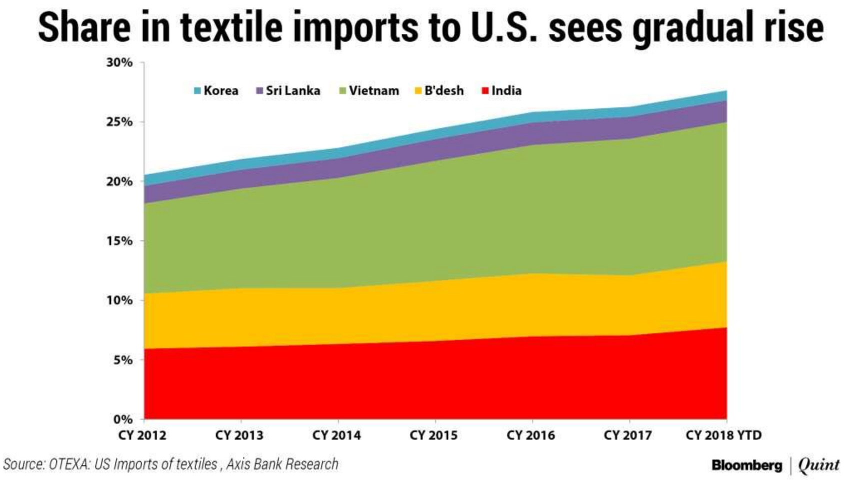
Does Currency Really Impact Exports: A Study Of The Textile Sector

The recent weakness in the Indian rupee has been seen as positive by those who fear that an overvalued currency has made India's exports uncompetitive. The Indian currency has weakened by about 7 percent since the start of the year.

Recent comments from policy makers, suggest that a weaker currency will help rather than hurt the Indian economy. While most economists agree with that view, Axis Bank, in a recent research report, argues that there is no conclusive evidence that exports have been hurt by a strong currency or that a weaker currency will benefit exports.



"Global comparisons suggest that effects of trade drive currency rather than vice versa," wrote Saugata Bhattacharya, chief economist at Axis Bank in a report on Friday.

A Case Study Of The Textile Sector

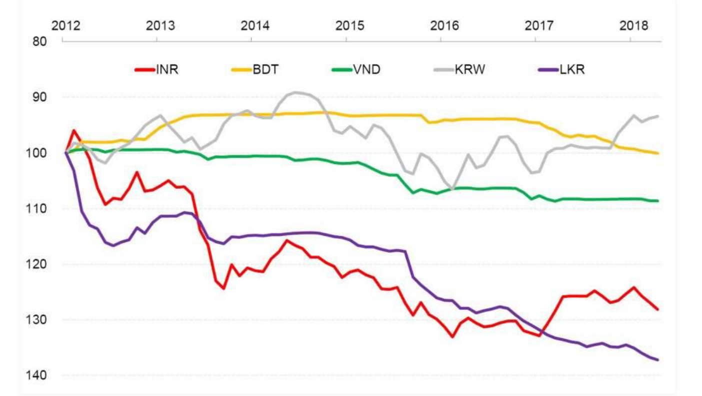
Textiles continue to make up a significant constituent of India's exports, accounting for $40 billion of a total of $220 billion. Overall, the textile export industry has been stagnating since 2014, having seen contraction in annual growth.

However, data released by the U.S. Office of Textiles and Apparel on Indian textile imports, reveals that India has actually not been losing ground to emerging economies, said Axis Bank in its report.

India has seen a rise in textile exports to the U.S., albeit a gradual one, while Vietnam's share has risen most significantly.

This performance in textile shipments has little direct correlation with the performance of the currency over this period, said Bhattacharya.

EXPORT PERFORMANCE NOT COMMENSURATE WITH RUPEE DEPRECIATION



Source: Bloomberg, Axis Bank Research

Relative to the countries used for the study, India has been one of the major depreciating currencies since 2012. Only the Sri Lankan Rupee has underperformed the Indian Rupee.

The Bangladesh Taka has remained strong, as has the Korean Won. The Vietnam Dong has seen intermediate strength and weakness.

Compared to the export outcomes, the inescapable conclusion is that the role of currencies in exports is quite weak.

Conventionally theory dictates that when a currency depreciates, exports become cheaper and imports become more expensive. Demand for exports responds to the depreciation by rising and current account deficit improves.

However, Axis Bank's research across countries suggests that no causal relationship between a weakening currency and exports. It gives instances of China where the currency has appreciated on the back of strong export growth from 2011 to 2015.

The appreciation has not dented the country's standing as an export powerhouse. In contrast, despite South African Rand's depreciation since 2010, the country's share of trade remains steady.

The report by Axis Bank further reiterates the importance of exports for India to grow at eight percent annually. While conventional knowledge dictates that a depreciating rupee is likely to boost exports, current evidence fails to support the same.

In line with expectations, India's exports appear to decline, with a lag, when the rupee appreciates.

However, this trend is being seen to extend to imports as well. The net effect appears to have been a further decline in the current account deficit, notes the report.

Source: bloombergquint.com- July 08, 2018

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India's apparel exports fall by 17% in Q1 FY19 due to slowdown in demand

India's apparel exports are estimated to have declined by 17 per cent in the first quarter of FY19 due to a slowdown in demand from developed countries following weak economic activity there.

Data compiled by the apex industry body, the Clothing Manufacturers' Association of India (CMAI), showed India's apparel exports at $1.35 billion and $1.34 billion in April and May 2018, a decline of 23 per cent and 17 per cent respectively.

During FY18, apparel exports from India fell by 4 per cent to $16.72 billion.

Starting in June 2017, after the goods and services tax (GST) was implemented, and resulted in the blockage of working capital due to delay in refund of state levies and other mandatory refundable taxes, the slowdown in overseas pick continued till the first quarter of the current fiscal.

"India's overall apparel exports are estimated to have declined by 17 per cent in the quarter between April – June 2018 due to depressed economic conditions-led lower demand and growth.

Consequently, Indian domestic market performed better during the first quarter of the current fiscal than the largest consumption regions like United States (23 per cent share in India's overall apparel exports), European Union (38.4 per cent share) and Japan (1.1 per cent share)," said Rahul Mehta, President, CMAI, while announcing the 67th National Garment Fair, India's largest apparel trade show, scheduled to be held between July 16-19.

India’s domestic apparel market was estimated at $67 billion in 2017 and it has grown at a compounded annual growth rate (CAGR) of 10 per cent since 2005. Owing to strong fundamentals, the domestic apparel market is expected to grow at 11-12 per cent CAGR and reach about $160 billion by 2025.

“The introduction of GST has resulted in non-refund of several embedded taxes. Consequently, apparel exports for the financial year 2017-18 posted a decline. The downturn continues in FY 2018-19 with a month on month decline of 10 per cent. The government is seized of the matter and has assured that embedded taxes will be refunded through the drawback route,” said Premal Udani, Managing Director, Kaytee Corporation, one of India’s largest kids' wear exporters.

Meanwhile, the apparel industry has raised concerns over the rising import of apparel from Bangladesh, which experts claimed had hit the domestic industry hard.

“The imports of textiles and apparel have reported a jump of 16 per cent to touch the highest ever of $7bn for the financial year 2017-18 compared to $6bn. All the categories across the value chain have seen a drastic rise in imports over the last few years,” said Sanjay Jain, Managing Director, TT Ltd and Chairman of the Confederation of Indian Textile Industry (CITI).

Source: business-standard.com- July 09, 2018

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Just the rupee depreciating is not going to help exports

A competitive currency is a good thing, but what matters much more is labour and capital productivity.

With the rupee crossing 69 to the dollar, several experts are of the view that it can go even below 70, given how the dollar is strengthening against all currencies, as well as the condition of the country’s macro-fundamentals.

Apart from the slowing in both FDI and FII inflows, as Delhi-based macroeconomist Renu Kohli points out, there has been a dramatic slowing of both India’s software earnings and remittances from Indians overseas.

Software earnings grew by around 24% per year in FY02-12 and this crashed to 2.9%, while remittances growth slowed from over 16% to a mere 0.1%. Given this, the rupee's weakness should not really come as a surprise; indeed, the NITI Aayog's vice-chairman has said the rupee is still overvalued.

While the rupee weakening will push up inflation—high oil prices and the recent MSP increases will accentuate this—the traditional view is that this will boost India's competitiveness and, so, exports will do well. But, once you keep in mind that most other competing currencies have also weakened, the advantage gets a bit muted.

What you see on the ground, however, is that India's exports are actually doing quite poorly despite a slight pickup in FY18. Indeed, India's exports were around $315 billion in FY14 and they have struggled after that—they fell to $262 billion in FY16 and then recovered to $303 billion in FY18 while the rupee fell from around 62 to the dollar in 2014 to around 69 right now.

Increased exports, at the end of the day, are not just about the value of the currency, they are mostly determined by factors like quality and productivity. And, nothing shows this better than India's performance in the textiles sector. A recent analysis by Axis Bank of India's textiles exports to the US shows that, between 2012 and 2018 (first half), India's share of US imports rose from 6.5% to 7.5% while those of Vietnam rose from 7% to around 12%—during this period, the Vietnamese Dong depreciated by 10% while the rupee fall around 30%.

The rupee's relative depreciation gave India's exports a greater edge, but Vietnam's superior quality/productivity ensured that its exports grew much faster. While India has moved up the value chain in the US market, the unit value of exports was similar to that of Vietnam in 2012; today, Vietnamese exports command a premium of 15-16%.

Indeed, last year, HSBC economists had estimated that exchange rates explained just around 20% of India's exports growth whereas domestic bottlenecks explained half the exports performance and global growth explained the rest. And, while India's exports do weaken a bit—with a lag—when the rupee appreciates, Axis Bank economists point out that the net impact is that the trade deficit seems to worsen with a depreciating rupee.

In other words, if the government is keen to give a push to India's exports, it will have to do a lot more to increase productivity levels, and that requires changes in labour laws or the removal of infrastructural and other bottlenecks—electricity costs in India, for instance, are much higher than those in competing countries.

And, while India has not done too well in raising productivity, recent moves like the huge jump in MSPs will hit agriculture exports as well as those—like textiles—that are based on them.

Source: financialexpress.com- July 08, 2018

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China-US trade war may hit Indian rupee, exports

Will India get caught in the trade crossfire between the US and China?

Most experts and economists believe it would depend a lot on how India plays the game.

They all agree that the rupee is sure to feel the tremor of the US-China face-off, but whether it will turn into an opportunity or a challenge would be an outcome of New Delhi's policy reaction to it.

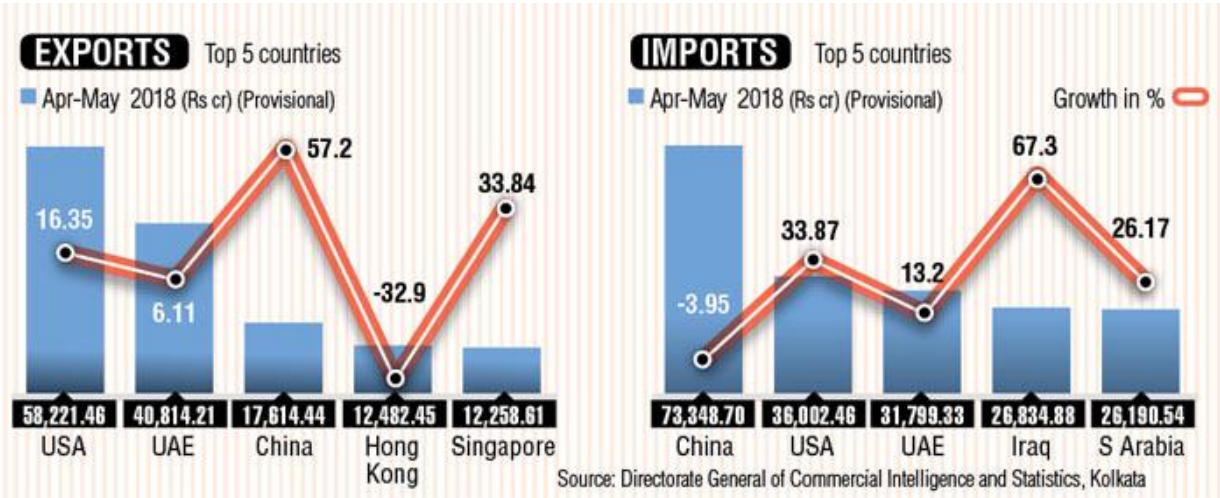
D K Srivastava, chief policy advisor, EY India, told DNA Money that if the trade war between the two major economies escalated and took a "more permanent shape" then India would have to alter the current structure of its exports.

He believes that any impact of the trade tussle between US and China would depend on the policy New Delhi adopts.

"It (trade war) will definitely have an impact (on India). It is both a challenge and an opportunity. Its effect on us depends on the policies that we adopt," said the EY economist.

Srivastava believes that if India stayed away from engaging in a tariff war with the US, it can widen its trade volume with it even as it tried to reduce the $23-billion trade surplus.

"If we also start engaging in a tariff war (with the US) it would be detrimental. We must adjust our policy so that a tariff war does not ensue because the US is also questioning India's trade surplus. Even if that (trade surplus with the US) is squeezed but if the volume of trade increases it would be better for us. We should import and export more with US," he said.



As per the Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata, India's exports was highest to the US for the two-month period of April and May this year at Rs 58,221.46 crore. China came third at Rs 17,614.44 crore.

In case of imports, it was just the opposite with China at the top of the list with Rs 73,348 crore and US in the second spot at Rs 36,002.46 crore.

The government numbers show that India's trade deficit with China has risen to $51 billion in 2017-18 from $16 billion in 2007-08. In contrast, we have a trade surplus of $23 billion with the US.

Ajay Sahai, director general & CEO, Federation of Indian Export Organisations (FIEO), sees little chance for India to substitute Chinese exports to the US for now. This is because India is not a major exporter of the products that have come under the US scanner in its trade battle with China.

"Yes, US is imposing tariff on Chinese goods and China is retaliating. But it may not help us. If you look at the profile of products, which have been covered so far, we are not a major exporter of these products. There may be a few products, but I don't think they are going to make any difference," said the exporters' lobby body chief.

The Trump administration has imposed 25% levy on more than 800 Chinese products, including industrial machinery, medical devices, electronic goods, auto parts and others. It had earlier clamped down on steel and aluminium imports into the US. Beijing, on its part, has slapped tariff curbs on 545 US items, including agricultural products, vehicles and aquatic products.

EY's Srivastava said export opportunity for India may show up in a significant way once trade war may assume a full-blown proportion.

"Immediately this will take some doing, but once we recognise that, this might be a medium- to long-term opportunity," he said.

For Sahai, the bigger worry was the shrinking global trade due to the US-China squabble, which could erode India's already small export base.

"These kinds of protectionist measures and counter measures are expected to reduce the growth of global trade. This has a greater impact on India because it could adversely hit its exports," he said.

Sahai, however, took comfort in the fact that India was not an export-oriented economy as exports contributed just 20% to the GDP; "most other countries in Asia will be much more impacted compared to India because its exports accounts for only 20% of the GDP. This is much lower than the 40%-plus contribution of exports to the GDP in other counties. In that sense, we are a little insulated from these developments".

Another big concern for him was the impact of the trade war on the Indian currency, which could likely weaken more.

"These kinds of situations, which are developing, will further spur the flight of capital from emerging markets to the US. This could result in depreciation of most currencies," said the FIEO executive.

Aditi Nayar, principal economist, Icra, said emerging market currencies will follow the Chinese yuan.

"Emerging market currencies including the Indian rupee will take a cue from the impact that trade tensions have on the yuan," she said.

Srivastava also believes that as US and China engage in a trade war, Indian currency will come under pressure.

"Even without the trade war, US has followed policies that would have increased the flow of dollar back into the US, and so Indian rupee will come under pressure. I, however, think that, to some extent, the rupee was overvalued. The ongoing depreciation of rupee might help India's exports, but it's fall might need to be arrested at some point in time," he said.

FIEO's Sahai also sees the US-China standoff sparking inflation as global commodity prices shoot up. This could send inflation in India, which is already at an elevated level due to higher crude prices, soaring.

According to him, higher global prices will push up input and raw material costs for domestic manufacturers and make them less competitive in the international market.

"It is not a very positive sign for India. At best, if you can get some product into some market; that can be the only positive. But it does not outweigh the other disadvantages," he said.

Sahai said if the trade war led to depletion in exports, it could even pull down GDP growth to that extent.

Srivastava was more optimistic about the GDP growth as he feels India could record over 7% economic growth despite the trade war. His only caveat; it would depend on how New Delhi turned the whole situation to its advantage.

"We might be able to achieve the projected more than 7% GDP growth rate despite these developments, but again it depends on how we utilise this opportunity," he said.

Source: dnaindia.com- July 09, 2018

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Textile machinery show to be held in January

Business-to-business meetings to be organised with delegates

The second edition of Global Textile Technology and Engineering Show will be held in Mumbai from January 18 to 20 next year.

According to a press release, the event by India ITME Society is supported by all the major textile export promotion councils. Business-to-business meetings will be organised with delegates from Ethiopia, Ghana, Botswana, South Africa, Tanzania, Benin, Togo, and South Sudan on January 18.

Weaving units

Hari Shankar, chairman of India ITME Society, urged the technical textiles, apparel, and weaving units in this region, including Coimbatore, Erode, and Tirupur to take part in the show.

A conference on technology innovation in textile colouration and an international conference on non-woven technical textiles will be held on January 19 and 20 respectively as part of the event.

Textile machinery and accessories manufacturers can interact with delegates from African, south Asian, and Asian countries apart from the visitors from textile clusters across the country.

Machinery, accessories, and solutions will be displayed in 13 major categories, spread across the textile value chain, including engineering technology, the release added.

For details, log on towww.gttes.india-itme.com

Source: thehindu.com- July 09, 2018

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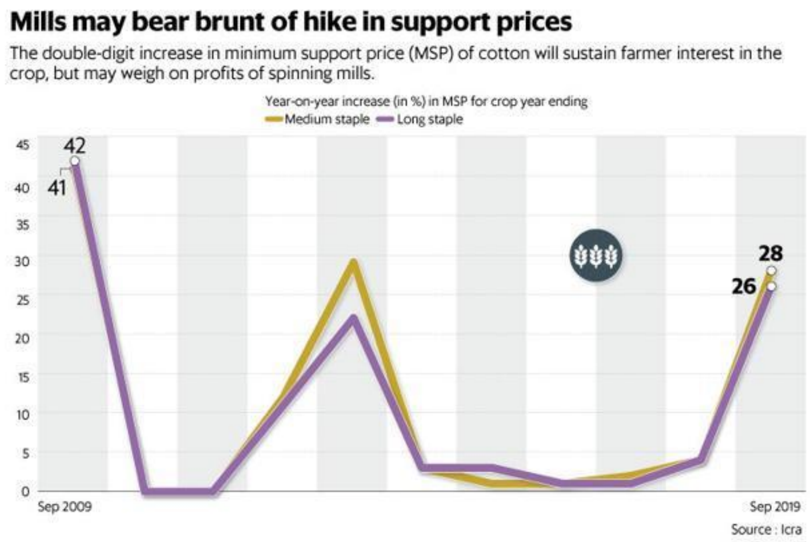
Implications of a steep hike in cotton MSP

Given the recent pest attacks and reduction in crop acreage, MSP hike will work well to keep farmers committed to cotton cultivation, in spite of adversities

The steep hike of 28% and 26% in the minimum support price (MSP) on medium-staple and long-staple fibre cotton respectively has come as a surprise, for two reasons.



One, the MSP hike comes after five consecutive years of only single-digit MSP increases. The last such hefty one was 29% and 22% respectively in 2013. Two, the cotton prices currently are higher than the proposed MSP, because of the deficit in global and domestic supply.

Is higher MSP for cotton redundant then? Yes, in the short term. However, given the recent pest attacks and reduction in crop acreage, MSPs will work well to keep farmers committed to cotton cultivation, in spite of adversities.

The proposed MSP ensures a 50-60% return over the cost of production. Given that India is now the largest producer of cotton after it overtook US and China in 2015-2016, it pays to support farmers in cotton growing. Besides, MSPs mitigate the risk of price volatility too.

But, in the longer term, a steep rise in Indian MSPs will set the stage for a high floor price in both domestic and global markets.

This could puncture the fortunes of spinning mills. Note that the large integrated mills fared well in the last three to four quarters. Ebitda (Earnings before interest, tax, depreciation and amortization) margin had improved by 100-150 basis points (bps) year-on-year for the March quarter.

A report by Icra Ltd says that the MSP revision may elevate working capital requirements for mills. This, in turn, would warrant a calibration of the end product pricing, to accommodate the upward shift in cost trajectory.

Larger mills that stocked up low price cotton may not feel the impact in the near term, but smaller ones would bear the brunt of high raw material cost.

In such a scenario, the key to spinning mills' profits is high demand for yarn and the ability to pass on cost pressures.

Besides MSP, another development at the global level is China's retaliatory imposition of 25% duty on yarn imported from the US. This could indirectly foster cotton yarn exports from India. With the festive season ahead, demand for yarn in home markets should be stable too. So demand for cotton should stay strong.

To sum up, while high MSPs would engage farmers in cotton growing, the higher floor price could impact profit margins of spinning mills if demand slows down.

Source: livemint.com- July 09, 2018

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India to change base year for calculating GDP, CPI data

The Indian Government will change the base year for calculating gross domestic product (GDP) and retail inflation to 2017-18 and 2018 respectively, which is expected to be effective by 2019-20. The last base year for GDP, index of industrial production (IIP) and consumer price index (CPI) was revised to 2011-12 and 2012 (for inflation), a news agency reported.

Allaying fears that the government has changed the GDP and CPI calculation methodologies to suit its needs, minister of statistics and programme implementation Sadananda Gowda recently said that the revisions facilitated more accurate assessment of the progress of the economy and the society.

Source: fibre2fashion.com- July 08, 2018

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China's cross-border e-commerce players value India, Middle East markets: Report

India is one of the main markets of focus for China's major cross-border e-commerce players due to high potential for economic growth, according to a report on Sunday.

Five of the top 10 best performing cross-border e-commerce Chinese apps in the first five months - such as Club Factory, SHEIN, ROMWE and JollyChic - focussed on the Middle East and India markets, according to a report from app data provider App Annie.

According to the report, the Indian market enjoys a huge population and high potential for economic growth, thus attracting many e-commerce players to expand their presence, state-run Xinhua news agency said.

Smartphones are popular in Arab countries and local consumers have strong purchasing power. But the oil-rich countries lack textiles and other light sectors, offering cross-border e-commerce opportunities for products like apparel.

China will eventually lose all its investment when the countries would default on payments. It is just a matter of time that distress in weak democracies will actually become a headache for China.Teri gmd

Alibaba's AliExpress tops the list, which mainly reviews the performances of third-party business-to-consumer e-commerce platforms targeting overseas consumers, it said.

The report also showed that South American markets pose rising growth potential while developed markets in Europe and the United States remain attractive to Chinese e-commerce players.

Source: timesofindia.com- July 08, 2018

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Rains effect: Deficient monsoon slows sowing of paddy, cotton

The rain deficiency in rice-growing West Bengal, Odisha and Chhattisgarh has been quite high and has had an adverse impact on sowing area of paddy, the main kharif crop with a share of nearly 60% in the normal acreage.

Water levels at key reservoirs too are below the benchmark 10-year average touted to be normal, with the levels particularly low in north India.

However, the government reiterated on Sunday that last year's record food grain output pf 279.51 million tonne would be surpassed this year. "The shortfall in acreage will be made up in the coming weeks. We will definitely exceed last year's production," agriculture secretary Shobhana Pattanayak told PTI. He expressed confidence that a "favourable monsoon" and higher MSPs would increase crop productivity.

West Bengal, the country's largest producer of rice, and Chhattisgarh have received 22% and 21% below-normal rainfall, respectively, while Odisha got 30% less rains until July 6, according to the India Meteorological Department (IMD) data.

Cotton sowing too has also been severely affected as the main growing region of Saurashtra in Gujarat has received large rain deficiency during the June 1-July 6 period. The Saurashtra and Kutch regions have got only 30.2 mm rainfall against normal rainfall of 124.6 mm.

The cotton acreage in Gujarat dropped to 0.49 million hectare as of July 6 from 1.27 million hectare in the year-ago period. The country's total cotton acreage too slipped nearly 24% to 5.46 million hectare.

The overall deficiency in monsoon rainfall in east and north-east region of India is 21% and in central India, it is 9%. After getting stalled for more than 15 days last month, the south west monsoon covered the entire country 17 days earlier than its normal schedule.

Monsoon reaches Sriganganagar in Rajasthan, which is considered to be its last outpost in India, normally on July 15.

Till Friday, area sown of all kharif crops was lagging behind by 14.17% at 333.76 lakh hectare against 388.89 lakh hectare a year ago, as per the agriculture ministry's data. Rice acreage was down 15% at 67.25 lakh hectare, while that of pulses was down 20% at 33.60 lakh hectare. Even area under coarse cereals was down 13.45% at 57.35 lakh hectare and acreage of oilseeds was lower by 13.42% at 63.59 lakh hectare. Among cash crops, area sown to cotton was down 24% at 54.60 lakh hectare till last week of the 2018-19 kharif season when compared with 71.82 lakh hectare in a year ago.

"July is very crucial for rice crop since maximum monsoon rainfall happens this month and if the deficiency is substantial, it will lower the production," said BV Krishna Rao, president of Rice Exporters Association, an industry body of non-basmati rice traders. India had produced record foood grains backed by an all-time-high rice output of 111.52 million tonne in 2017-18 crop year (July-June). The government is expecting to bolster the food grain output on the back of a normal monsoon as predicted by the IMD.

"As the (higher) MSPs of paddy and other kharif crops were announced only last week, these will take time to be reflected on sowing.. but farmers will definitely increase the area," a government official told FE. He, however, admitted the lull period in the monsoon progress was too long this year and that has dragged down the sowing more than what was anticipated.

Meanwhile, the cumulative rainfall till July 6 across the country has been 92% of the long period average (LPA) or at 'below normal' level. Both the northwest India and south peninsula have received more-than-normal rainfall at 108% and 105% of LPA, respectively. In case of central India, the rainfall has been 91% of LPA. Rainfall in a range of 96-104% of LPA is treated as 'normal'. LPA rainfall is pegged at 89 cm, on the basis of average between 1951-2000. The IMD has predicted 97% rainfall of LPA during the June-September monsoon season this year.

The all India reservoir level is 20% of the capacity as of July 5, which is same as in the year-ago period. However, the reservoir level in the northern region is at 17% of the capacity, down from 30% in the corresponding period last year, according to water resources ministry data released last Friday.

Source: financialexpress.com- July 09, 2018

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India has reacted well to US tariff hikes

Postponing the levy of retaliatory duties and giving some room for resolution of the matter is tactically the right thing to do

Last month, when India confirmed to the World Trade Organisation (WTO) its plan to slap retaliatory duties on 20 items from the US by June 21, it could have qualified as a proud moment for policy-watchers in India.

The country was finally mustering up courage to take some concrete action against the Trump regime's bullying, and intended to punish it for wrongfully penalising its aluminium and steel producers. Finally, however, things turned out a little different. The Finance Ministry did come out with a notification listing retaliatory import duties on various items imported from the US, but actual implementation was put off by a month-and-a-half to August 4, 2018.

Although the postponement of duties was anti-climactic, diplomatically it was an astute move. A team from the US Trade Representative's office was to visit New Delhi in less than a week's time to discuss ways to bring down trade tension between the two countries. Imposing retaliatory duties at that point might not have set the right tone for the meeting.

Astute thinking

It is easy to see that it was totally unfair on Washington's part to impose higher duties on Indian steel and aluminium without any provocation from the country and treating it at par with large exporters of the metals to the US such as China, Russia, the EU and South Korea.

Adding insult to injury was the fact that the duties were imposed under the garb of national security concerns when India has only tried its best to intensify bilateral security ties. Therefore, taking action against the unilateral unfair trade measure and hitting back at American products with retaliatory duties was totally called for.

However, it is hard to ignore that the US happens to be one of the largest export destinations for India.

Despite exports from the US to India rising faster in 2017-18, India still has a robust bilateral trade surplus. If there is even a slight possibility of resolving the tariff issue amicably with the US, economic sagacity dictates that India should indeed give it a try.

Seen in this light, postponing the imposition of retaliatory duties and giving some room for resolution of the matter to the visiting team was tactically the right thing to do.

The same logic could be used to justify India's last-minute decision not to impose retaliatory duties on American iconic bike Harley Davidson. Since imposing duties would not have amounted to much revenue because of relatively low imports of the bike, the Centre thought it better not to unnecessarily provoke the US President who has been protecting the interests of the bike maker with zeal.

What is important here is that despite the placatory gestures India went right ahead to show the US that it means business by putting the effective date of implementation of the retaliatory tariffs on the notification itself. Unless India is convinced about rolling back the decision, the higher duties on imported items from the US will be triggered on August 4.

Be firm

What India needs to do now is to singularly focus on convincing the US to roll back the additional duties imposed on Indian aluminium and steel. It should make it clear to USTR officials that enough time has been provided to them to iron out the matter and if the issue is not sorted out by August 4, the retaliatory tariffs would roll in.

While Trump is a powerful man, Indian Prime Minister Narendra Modi should take inspiration from other WTO members, including China, the EU and even Turkey, who are all on the path of retaliation.

India needs to remember that the US cannot operate in isolation. While bending a bit for the Trump regime given the US's superpower status may be diplomatically appropriate, India should not crawl.

Source: thehindubusinessline.com- July 09, 2018

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