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IBTEX No. 247 of 2017 December 11, 2017

USD 64.36 | EUR 75.83 | GBP 86.24 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18238	38150	**75.49**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19150	40057	**79.27**

International Futures Price

NY ICE USD Cents/lb (March 2018)	73.72
ZCE Cotton: Yuan/MT (Jan 2018)	15,150
ZCE Cotton: USD Cents/lb	**88.22**
Cotlook A Index – Physical	**84.70**

Cotton & currency guide: Cotton market in the US was initially stable. The March ICE future traded in the range of 73.62-74.28 and settled at 73.72. The contract closed down by 0.52 cents on Friday. The aforementioned contract posted a day high at 74.28 cents per pound.

Market has come out of the recent consolidation phase. Earlier this week market talk was export cancellation order to notice for US cotton because of which market was holding steady.

However with the export sales figure holding at 186+K bales for the week ending 30th November supported the market.

With the price gain above 74 cents and cleared the intermittent resistance believe market may now head towards 75 cents. We now need to keep a close watch 75 as next key resistance level; upon breakout would give a base change effect on cotton price and the short term target could shift to 77cents.

On the supply front arrivals were around 186K lint equivalent bales which includes 48K from MH, 42K GJ and 35K from AP& TG.

Lastly on the futures front in India the December future settled a tad lower at Rs. 19210 per bale up by Rs. 380 from previous close. With the profit booking in ICE futures the domestic market may open with a gap down and the fresh trading range for the day would be Rs. 19050 to Rs. 19400 per bale.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

WTO Says Trade Restrictive Measures Actually Fell in 2017, but Protectionism Remains a Threat

Notwithstanding the headlines and rhetoric about greater protectionism in trade this year, the World Trade Organization said countries are holding back on trade restrictions, despite the apparent uncertainty.

In its latest trade monitoring report, WTO said in the year to October, 108 new trade-restrictive measures—like new or increased tariffs, customs regulations, restrictions on quantities and local content measures—were put in place, which amounts to an average of nine new measures per month, according to the WTO.

As WTO director-general Roberto Azevêdo said, it's a "marked reduction" from the average of 15 per month in the report's prior year period.

Over the same period, WTO members also implemented 128 measures designed to facilitate trade—like reducing or eliminating import tariffs and simplifying customs procedures, amounting to roughly 11 measures per month, which is down considerably from the 18 trade facilitation measures implemented each month in the previous period.

The WTO said international trade flows have rebounded "strongly" in the last year, following a sharp downturn in 2016. As such, the WTO in September upgraded its forecast for trade growth in 2017 to 3.6% from the previous 2.4% forecast. World merchandise trade volume growth in the first half of 2017 was 4.2%, considerably higher than the 1.3% increase recorded for all of 2016.

Several factors contributed to this year's upturn in world trade, according to the WTO.

"Asian trade flows have strengthened, partly due to stronger intra-regional trade as China and its neighbors have recovered from a period of financial volatility in early 2016, and partly due to stronger extra-regional shipments as demand has risen in the United States and remained steady in the European Union," the report noted.

"Prospects for imports in resource exporting regions have also brightened as commodity prices have risen year-on-year, boosting export revenues that support higher imports. South America in particular should exert less of a drag on the world economy going forward as Brazil emerges from its two-year recession."

Though things are looking up, Azevêdo cautioned that the positives won't necessarily persist if certain things get in the way.

"This improved outlook is very welcome, but substantial risks that threaten the world economy remain in place and could easily undermine any trade recovery," Azevêdo said, adding however, "Looking ahead, we need to keep up the hard work to help facilitate trade. And of course, this includes avoiding measures which can hamper and restrict trade flows."

Countries have been looking to partner up on trade—seemingly even more so as the U.S. pulls pack—and the WTO said between October 2016 and October 2017, it was made aware of 18 regional trade agreements, compared to nine in the prior year reporting period. Among those deals, the Pacific Alliance (formed by Chile, Colombia, Mexico and Peru) agreed to remove 92 percent of tariffs on goods traded between members, and the European Union was busy, making an agreement with Canada, Colombia and Peru, and the Southern African Development Community, among others. None of the deals involved the U.S.

Trade growth volume is expected to moderate to 3.2% next year, reflecting "the higher level of uncertainty associated with longer-term forecasts," the WTO said.

Further to Azevêdo's point, the report went on to say, "The improved outlook for trade could still be undermined by downside risks, including the possibility that protectionist rhetoric translates into trade-restrictive actions, increasing geopolitical tensions and a rising economic toll from natural disasters across several regions. On the other hand, synchronized trade expansion across regions could be self-reinforcing, leading to more positive outcomes."

Source: sourcingjournalonline.com - Dec 09, 2017

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Bangladesh: Apparel export to US falls 4.22pc

Bangladesh's garment export to the US fell in the 10 months into October this year with higher shipments from competing countries such as China, India and Vietnam.

The country's apparel shipment to its single largest export destination declined 4.22 percent year-on-year to $4.54 billion, according to data from the US Department of Commerce.

Indonesia, South Korea and China also experienced a fall to the US market. China, the global leader in apparel exports, shipped $32.89 billion worth of garments to the US, down 0.58 percent year-on-year, according to the data. Indonesia's export fell 2.85 percent to $4.09 billion and South Korea's 3.71 percent to $733 million.

On the other hand, India sent $6.36 billion worth of garments to the US, up 3.44 percent year-on-year. Vietnam's exports rose 7.07 percent to $10.36 billion, Pakistan's 1.74 percent to $2.31 billion and Mexico's 7.64 percent to $3.99 billion.

In the 10-month period, the overall export to the US from Bangladesh also fell, by 4.09 percent year-on-year to $4.87 billion.

Considering the garment export growth to the US, Bangladesh now stands at sixth behind China, Vietnam, India, Pakistan and Mexico whereas the country's used to be ranked third to fourth in 2016.

However, imports from the US to Bangladesh have been rising in the recent months on the back of capital machinery imports for the garment sector.

Bangladesh imported goods worth $1.31 billion from January to October, which was $905.7 million in the full year of 2016, according to the data.

Local businesspeople blame the fall in the garment exports on the lack of infrastructure which hampers quick delivery of goods to the retailers in the US.

For the international market, India has brought down apparel prices to the level of Bangladesh by launching stimulus packages for the garment sector although the labour cost in India is higher compared to Bangladesh, said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

American giants GAP and Walmart, the biggest buyers for Bangladesh, have recently shifted some work orders to India because of quicker lead-times, which is also responsible for the fall in the garment exports to the US, he said.

He, however, did not specify the amount of work orders that have shifted from Bangladesh.

Rahman said Bangladesh's garment makers import a huge amount of fabrics from India and have to spend a lot of time and go through a lot of hassles for the release of goods at Benapole land port, Chittagong port and Hazrat Shahjalal International Airport.

“As a result, the local garment makers can't maintain the lead-time and ultimately lose the work orders from the retailers and brands. So, we need to improve the port situation to perform well in the international markets.”

Source: thedailystar.net- Dec 11, 2017

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Nigeria: Reviving textile industry for economic growth

The travails of Nigeria’s textile industry were rehashed recently at a seminar organised by the Nigerian Institute of Social and Economic Research, Ibadan. For a once thriving industrial sub-sector that has defied various policy measures to resuscitate, ongoing and other measures suggested signpost some hope. Success will, however, depend on tested initiatives, creativity and strong political will to see them through.

Those at the monthly NISER seminar tagged, “Competitiveness of the Nigerian Textile Industry,” recalled that the problems that had crashed the local textile and garment industry were well-known and still persistent.

Apart from smuggling, high costs, lack of power, shortage of locally-sourced raw materials, prohibitive borrowing rates, inconsistent policies and low patronage. Researchers highlighted the devastating impact of signing on to the World Trade Organisation compact. Bashir Adelowo, a senior researcher with NISER, recalled that WTO's trade liberalisation policies, to which Nigeria signed on in 1997, had failed to revamp the industry, instead, favouring rich and major exporting countries like China and India, which have since taken control of the market.

But with its estimated population of 186 million, advantage in cotton farming, the sub-Saharan African market and the popularity of its African prints – Ankara and Adire – reviving the textile industry is one key to the resurgence of Nigeria's manufacturing sector and the economy. The federal and state governments need to adopt workable, consistent policies and muster the political will to actualise the dream.

Typically, the industry is a mass employer of labour, directly in factories and through the value chain, including farm labour growing cotton, jute and silk. It lies at the heart of India's industrialisation, where it is the second largest employer after agriculture; second to China in global textile manufacturing, generates about 45 million jobs and 27 per cent of the country's foreign exchange inflows, according to India Brand Equity Foundation. China, the world champion, produced 54.36 per cent of global textiles in 2014, accounting for $274 billion of global textile apparel sales in 2013.

The World Bank says low income economies like Nigeria should leverage their cheap labour to develop textile industries. Bangladesh, a developing country with a population of 162.95 million and GDP per capita of a measly $1,524, defied expert forecasts to beat off competition from China and India after WTO lifted textile quotas in 2005 to export $28 billion worth of textiles in 2013, a sector that accounts for over 80 per cent of its export earnings. Textile was one leg of the tripod that drove the Industrial Revolution in England, the others being iron founding and steam power. Manchester and Lancashire grew to world fame on the basis of textiles.

Policies need to be put in place to recover and surpass past levels in the collapsed local textile industry in Nigeria that, at its peak, 1970s–1990s, featured about 130 modern factories and supported numerous other ancillary firms, providing about 350,000 direct jobs and 1.2 million indirect jobs – farmers, suppliers, transporters, dealers, traders and exporters – according to the Nigerian Textiles Manufacturing Association. Between 25 and 30 per cent of local production was exported, said the Central Bank of Nigeria in its 1995 Annual Report with over 60 per cent of raw materials sourced locally, thereby supporting agriculture. Alas, the story has since changed with only about 33 factories still standing and the local cotton industry comatose.

Chinese, Indian and other foreign fabrics have since taken over our market. The National Bureau of Statistics revealed that in the three months to September 2016, Nigeria spent N24.7 billion importing textiles; N1.29 trillion annually on such imports, according to the NTMA.

The government should clamp down on smuggling that operators say accounts for 80 per cent of our local market in defiance of a ban and import restrictions re-imposed since 2005. There should be a thorough reform and massive shake-out at the Nigerian Customs Service to rid it of corruption. The Federal Government should rally all stakeholders to revive and prosecute the National Cotton Textile and Garment Enterprise Policy under the Nigerian Industrial Revolution Plan launched in 2015, but has been sabotaged by the lack of interest by the states.

Measures such as intervention funding, including the N100 billion provided by the CBN since 2009, may not fly in an operating environment with inadequate electricity, a forex crisis and lack of lubricating oil. A report found that some beneficiaries of the intervention fund given at nine per cent interest simply diverted it to servicing existing debt obligations instead of acquiring new machinery and inputs. The N51 billion stimulus the government said it set aside in 2017 and a new move to provide lower interest loans in 2018, may not go far unless the crucial issues bordering on the adverse operating environment are addressed.

National interest should be paramount: Nigeria should make massive job creation and development of agriculture, mining, manufacturing and non-oil exports the pre-eminent objective of all policies. We should protect our agriculture and local industries. Twenty-six of our 36 states are suitable for cotton growing. We have to renegotiate with the WTO or pull out of the 164-nation global organisation. Both the World Bank and the IMF have criticised it for favouring rich nations at the expense of developing countries.

The United Nations Conference on Trade and Development said market distortions caused by its free trade policies cost developing countries $700 billion in lost exports annually, with the World Bank adding that its textile quotas of 1994-2005 enriched advanced economies, but cost developing nations 27 million jobs and $40 billion in lost exports each year. Nigeria's market is said to sustain 2.5 million jobs and more in China, India, Bangladesh, Turkey and Europe.

Through domestic and foreign content textile export, we must increase our participation in global value chain. It has been shown that trade-induced accumulation of productive knowledge creates increasing productivity in the economy. President Muhammadu Buhari should mobilise the economic management team and relevant ministries, departments and agencies to implement existing policies for Nigeria to become a world's leading textile and apparel producers and exporters.

Source: punchng.com - Dec 11, 2017

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US gets bulk of Peruvian exports

The United States and Brazil received 72 per cent of Peru's total garment shipments between January and October 2017. Peru's total garment shipments to the US registered a 2.6 per cent growth.

Peruvian garment shipments to the United States account for 67.8 per cent of exports.

The US and Brazil are overcrowded and dynamic markets; therefore, they are important export destinations for Peruvian companies. The other top garment importers from Peru are Argentina, Canada, Ecuador, France, Chile, Colombia, the United Kingdom and Germany.

The most demanded goods are cotton T-shirts, knitted cotton shirts, undershirts, and synthetic shirts, among others. Production and commercialization of light sportswear —namely jerseys— will be reinforced in the coming months, thanks to the optimism generated by Peru's recent qualification for the 2018 FIFA World Cup.

Peru's garment imports barely totaled $550 million in the first 10 months of 2017, lower than the figures registered in exports. Peru's major garment suppliers are China, Bangladesh, India, Vietnam, Turkey, Cambodia, Indonesia, Pakistan and Sri Lanka. Peru, the world's top alpaca fiber producer, supplies to international markets, mainly to Asia, the United States and Europe.

Peru currently holds 80 per cent of the world's alpaca production. Alpaca-breeding associations, shearers, processing, industrial and artisanal dressmaking companies as well as spinners and fashion designers comprise this sector, which has reached its highest peaks over the past two years.

Source: fashionatingworld.com- Dec 09, 2017

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Pakistan: No free trade deal signed since 2013

The incumbent government has failed to sign any free trade agreement (FTA) with any country since June 2013, indicating its non-seriousness in enhancing trade with other countries.

The government is currently negotiating free trade agreements (FTAs) with Thailand, Korea and Turkey. Meanwhile, Pakistan is also negotiating the second phase of the FTA with China. However, the government has not able to sign FTA with any country.

"The government is negotiating with several countries on FTAs, in which two agreements can be signed next year," said an official of the ministry of commerce. He further said that government will not sign any FTA that does not safeguard the country's interests. "Pakistan's trade balance deteriorated after signing the previous trade agreements with China, Malaysia and Indonesia due to ineffective, ill-planned negotiations of the ministry of commerce with other countries," he added.

According to the official documents, the Cabinet accorded approval to initiate negotiations on Pak-Thailand FTA in its meeting on 24th August, 2015. Eight rounds of negotiations have been held so far. Both sides have completed the text of the agreement, shared their respective initial request lists and tariff reduction modalities. Efforts are being made to conclude free trade agreement by next year 2018.

Similarly, Pakistan is in process of negotiating comprehensive free trade agreement (FTA) with Turkey to remove barriers to its exports in Turkish market. This FTA covers trade in goods, trade in services and chapter on investment. So far, seven rounds of negotiations have been held. However, Turkish government is reluctant to sign FTA with Pakistan due to resistance from its textile sector. Pakistan wants 10 percent duty free exports to Turkey, which is not acceptable to them.

Meanwhile, Pakistan and Korea also failed to sign FTA. Both sides have concluded a feasibility to explore the possibility of a free trade agreement between the two countries. The government of Pakistan is also negotiating 2nd phase of the FTA with China.

The focus is on exchanging concessions in such areas where the strengths of the two countries complement each other, thereby encouraging intra-industry trade. Since the signing of FTA with China back in 2006, Pakistan managed to avail only five percent of the concessional lines, while Chinese imports enjoyed 57 percent of tariff concessions. As per the original plan, the second phase was supposed to be implemented from Jan 1, 2014. Both countries started negotiations for the second phase in 2011. Both the countries held 8th round of negotiations of the 2nd phase of FTA, but failed to sign it.

Pakistan has signed a PTA with Indonesia in 2013. Trade deficit between the two countries has widened in favour of Indonesia during the said period, as import of palm oil shifted from Malaysia to Indonesia. Pakistan is presently conducting a review of the PTA with Indonesian side and efforts are at hand to rectify the widening trade deficit.

It is worth mentioning here that Pakistan Business Council, a business advocacy group, in its report noted that Pakistan's economy failed to benefit from any of the six bilateral trade agreements over the past one decade with the country struggling to get tariff incentives from its trading partners. The country has so far signed free and preferential trade agreements with six countries, including China, Malaysia, Sri Lanka, Iran, Mauritius and Indonesia.

Source: nation.com.pk- Dec 10, 2017

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Sri Lanka to push ahead with shipping liberalization: Mangala

Finance Minister Mangala Samaraweera wrapped up the 2018 budget debate in parliament Saturday vowing to end the country's 'nanny-state' approach and expressed his determination to press ahead with radical liberalisation.

The Budget focuses on liberalization to allow greater investment, trade, and start-up enterprises, the minister said just before the House approved his 2018 budget with an overwhelming two-thirds majority.

"We envisage the day when the farmer's daughter becomes an agri biz-entrepreneur, when the fisherman's son becomes a seafood exporter," Samaraweera said. "Sri Lanka needs to go back to its roots of being a nation of entrepreneurs, a nation of traders."

"To do this we must be open to global trade, embrace competition, and take on the world and win. Whilst the government will not be a nanny state, we do not forget the vulnerable, and those who need the support of the state."

He said the budget has made substantial allocations to ensure appropriate safety nets and support for those adversely affected by market dislocations.

However the government will not protect those who stifle competition at the expense of the greater good of society, he stressed.

He singled out the resistance to his proposal to liberalise the shipping sector. President Maithripala Sirisena too has reportedly opposed the move to liberalise the shipping sector .

"At present, five Sri Lankan companies control the agencies of shipping lines that account for 74% of the global shipping market. These five companies have an average age of 115 years.

"Whilst these companies have opposed liberalisation of the sector, Sri Lanka's apparel exporters (JAAF and the Sri Lanka Apparel Exporters Association), the Tea Exporters Association of Sri Lanka and the Sri Lanka Export Association, have all hailed the move to liberalise the shipping industry since it enables more competitive pricing and better services to the entire export industry."

The minister said he will not undermine the interest of thousands of export companies, and hundreds of thousands of their employees, just to serve the interests of a handful of entrenched shipping agency companies.

Source: economynext.com- Dec 11, 2017

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Zimbabwe: Clothing sector calls for an all-inclusive rebate scheme

Zimbabwe Clothing Manufacturers Association (ZCMA) chairman Mr Jeremy Youmans said although the 2018 National Budget proposals presented by Finance and Economic Development Minister Patrick Chinamasa highlighted positives with the removal of various barriers to trade and investments which were stifling the growth of the economy, there is still room for improvement.

"The budget had a positive focus with particular reference to removing some of the barriers to trade and investment which are encumbering the local economy. As long as the interventions are implemented, it will be up to all stakeholders to ensure that growth potential can be realised," said Youmans.

He said it was pleasing to note that the Clothing Manufacturers Rebate (CMR) was extended for a further two years, along other manufacturers' tax refunds but hinted that there was a need to have an all encompassing CMR, which accommodates all players in the clothing sector.

"We are pleased that the CMR was extended for a further two years, along with the other manufacturers' rebates. This is a key support measure for the sector. However, we have been lobbying for four years now for reform of the current CMR to enable full inclusion of the sector in the rebate scheme," said Mr Youmans.

He said when CMR was implemented the Zimbabwe Revenue Authority (Zimra) imposed punitive conditions, which made it difficult for small players which make up the majority in the sector to participate and enjoy the benefits of the rebate scheme.

"We had thought that the Ministry of Industry and Commerce and the Ministry of Finance had understood the necessity for these reforms, but they have included no reforms in the Budget statement. Basically, the lack of reforms means that only the manufacturers with larger resources participate in the scheme.

"The majority of clothing manufacturers are SMEs who do not have the resources to meet the onerous rules. This prevents the support measure from having its full effect and retards economic growth, higher employment and value addition which would be created in the sector if the scheme was made more inclusive," said Mr Youmans.

He further said the proposed increase of Customs Duty on Cotton Fabric from 10 percent to 30 percent plus $2,50 per kilogramme (kg), with effect from 1 January 2018 was likely to increase the cost of manufacturing a garment locally by over 50 percent.

In his National Budget proposals announcement Minister Chinamasa said the proposed increase of Customs Duty on Cotton Fabric was aimed to protect the textile manufacturing industry from unfair competition due to an influx of cheap imported fabrics.

"Notwithstanding support measures availed by Government to the textile manufacturing industry, the sector continues to face competition, due to the influx of dumped cheap imported fabrics. This has been compounded by limited administrative capacity to identify the various types of fabrics.

Importers have, thus, used the capacity gap to declare imported products under tariff codes which attract lower rates of duty," he said.

Apart from proposing for an increase of Customs Duty on Cotton Fabric, Minister Chinamasa further proposed to introduce a Fabric Specification Declaration Form that would be used in the verification of fabrics to minimise false declaration.

However, Mr Youmans said the country's clothing sector was experiencing a growth though it was being severely weakened by lack of adequate raw materials locally as well as lack of allocations of foreign currency to import the same.

"Given the correct mix of support measures, clothing will be a significant driver of economic recovery in Zimbabwe, just as it has in many other economies around the world. The local textile industry faces many challenges.

"It employs around 2 500 people but less than 800 of these are involved in making products which are then utilised in the clothing sector. The rest make a wide range of finished goods, such as blankets, nets and ropes, twine and cordage, elastics and tapes, socks and jerseys among others," said Mr Youmans.

He said the textile industry was very capital intensive and for it to be competitive there was a need for it to be capacitated so as to re-equip with latest machinery since most of it was now archaic.

"Most of the cotton yarn produced is exported, with the remainder being used to make some knitted and woven fabrics, which are then sold into the clothing sector but deliveries are poor and quality is inconsistent and unreliable. Prices are high and are increased regularly," said Mr Youmans.

He said ZCMA supports the Cotton to Clothing Strategy, which was premised on developing a cotton value chain based on high quality cotton lint value added through the various stages of the value chain to supply niche markets.

"Zimbabwean manufacturers can compete in these niche international markets but need the quality raw material to do that. You cannot make a quality garment from poor quality fabric and you cannot make good quality fabric from poor quality cotton lint. So the focus on quality must start with the farmer.

"For the farmers to produce quality, they need to be able to utilise a full package of inputs and get a viable return from the crop they produce. So we welcome plans to grow the crop, but this must include plans to focus on quality to ensure the maximum value addition and yield to ensure viability to the farmer," said Mr Youmans.

He said the Association of Cotton Value Adders of Zimbabwe, which was formed to implement the Cotton to Clothing Strategy and oversee a lot of interventions in the cotton value chain, was currently incapacitated.

"Given a full range of high quality cotton fabrics made from high quality ecological cotton, being available to the clothing sector, we could market garments in numerous niche international markets. A large crop of quality cotton lint will also be an attraction to investors in the textile sector," said Mr Youman.

Source: thezimbabwemail.com- Dec 11, 2017

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End-of-year deal on Indonesia Australia free trade agreement in doubt

Indonesia and Australia's trade ministers will meet in Argentina this week amid growing doubt the free trade deal between the two countries will meet the end-of-year deadline.

Sources close to the negotiations say it is hoped the deal will be signed at the ASEAN-Australia Special Summit to be held in Sydney in March next year, although some say even this is ambitious.

Negotiators failed to reach a deal in November - despite both ministers buoyantly predicting it would be the last round - with an eleventh round of negotiations held in Jakarta last week.

Both sides are tight lipped about the roadblocks but market access and legislative constraints to Australia opening university campuses in Indonesia are understood to be among them.

Asked if he was still optimistic that a deal would be concluded by the end of the year, Trade Minister Steven Ciobo said via SMS: "We are working toward that, only time will tell".

"From the outset I have said I want a high quality trade agreement because that is what will drive economic growth and create jobs in both countries," he said. "Both countries continue to hold the ambition to conclude shortly."

Mr Ciobo said the countries would now consult closely with stakeholders in relation to their interests in the deal, known as the Indonesia Australia Comprehensive Economic Agreement. He said he looked forward to discussing it with Indonesian Trade Minister Enggartiasto Lukita at the World Trade Organisation ministerial conference held in Buenos Aires from December 10 to 13.

Despite the physical proximity of the two countries, Indonesia is only Australia's 13th largest trade partner with a paltry 2.3 percent share of total trade.

When Indonesian President Joko Widodo visited Sydney in February, Prime Minister Malcolm Turnbull said the two leaders were "very committed to concluding a high-quality bilateral Free Trade Agreement ... by the end of this year."

However by August Indonesia's chief negotiator Deddy Saleh was already hosing down expectations, warning Indonesia was aiming for a "good quality" agreement instead of a high-quality one.

He told Fairfax Media at the time a high-quality agreement suggested fully opening up markets, something Indonesia would be reluctant to do if it harmed its domestic industries.

The two countries have also been at loggerheads over alleged dumping of paper, with Indonesia filing a complaint against Australia in the World Trade Organisation in the middle of free trade negotiations.

Minister Lukita told Fairfax Media last week that it was hoped the agreement would be "finalised at a technical level" by the end of the year "and we will try to sign it next year".

"We have to remain optimistic, since there are things that may come to a deadlock, I will just negotiate them with the minister, we will do the negotiation at the final stage," he said.

Lowy Institute research fellow Matthew Busch said free trade agreements frequently consumed years of negotiations and it had been ill-advised of the governments to commit to deliver a deal by the end of 2017.

"Turnbull has framed IA-CEPA as a testament to a relationship that is now (unlike with previous occupants of the office, wink, wink) getting better and better," he wrote in The Interpreter.

"Unfortunately the government has painted itself in a corner here; it will be undeniably awkward if IA-CEPA is too hard and must be rolled into next year."

Indonesia Institute president Ross Taylor has also publicly expressed doubt tweeting: "IA CEPA free trade agreement with Indonesia unlikely to be completed by year end. Better to get it right even if after any deadline".

Indonesia and Australia have already twice announced that Indonesia would reduce tariffs on imported Australian raw sugar and Australia would eliminate import duties on Indonesian herbicides and pesticides under the deal.

Australia has asked Indonesia to remove import tariffs on skim milk/skim milk powder, copper cathode and hot and cold-rolled coil steel, while Indonesia has asked Australia to lift import tariffs on Indonesian textiles, clothing and footwear.

Source: smh.com.au- Dec 11, 2017

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NATIONAL NEWS

Textiles Ministry identifies 13 nations to increase global export share

India is the second largest exporter of textile and apparel in the world with 5 per cent trade share

The government has identified 13 countries as target markets where products like handicrafts, jute, cotton, textiles and apparel can be showcased through exhibitions to increase their visibility and exports.

The target markets include Germany, France, Italy, the US, China, Hong Kong, Turkey, Australia, Russia, the UAE, Brazil, Egypt and Chile where product segments identified as per their sales and marketing potential will be showcased, the textiles ministry said.

The target segments for European nations including Germany, France, Italy include cotton textiles and handicrafts, whereas Indian apparel will be showcased in the US, and Indian cotton & carpets will be marketed in China, among others.

India is the second largest exporter of textile and apparel in the world with 5 per cent trade share.

"There exists a huge potential for India to increase its market share in various markets by aligning the product with specific market. In line with this, the Marketing Plan has been prepared to synergise various ongoing marketing initiatives while adopting specific approaches for traditional, emerging and other important markets," the ministry said.

The Integrated Marketing Plan 2017-18 approved by the ministry for textile and apparel sector calls for "greater convergence among various agencies and to tap new markets through focused trade promotion activities such as B2B meetings, exhibitions, roadshows, etc".

The plan recommends that a common umbrella brand and space must be created by showcasing strength of textile products at the Indian pavilion in fairs.

It also includes organising roadshows in tandem with the ongoing event and organising India Eve (B2B meetings) after business hours.

A designated official in the delegations participating in exhibitions overseas will coordinate with export promotion councils on the pavilion design, take part in bilateral meetings with government officials and hold interactions with potential investors, showcasing India's advantages.

India's total textiles and apparel exports stood at USD 39.7 billion in 2016-17, which have grown at a CAGR of 2.6 per cent since 2012-13. However, the exports have remained almost stagnant in the last two years.

Source: business-standard.com- Dec 10, 2017

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Speculative price increase of cotton not sustainable, says textile body

Indian Texpreneurs Federation, an apex body of the textile industry, today expressed confidence that cotton prices would come down and the speculative price increase during last week was not sustainable.

Though there are issues in the ‘quality of crop’ in the current cotton year in a few states, overall there would not be much drop in cotton crop this year, ITF convenor Prabhu Dhamodharan said.

Charging a section of the trade with creating panic to increase prices by spreading specific negative information on cotton crop, Prabhu said 80 per cent of the crop was yet to reach the market.

“This translates to the tune of nearly three crore bales.

This massive supply will balance pricing pressure in the coming weeks,” he said, citing ITF field reports.

Dhamodaran said ITF strongly believes that the price increase this week in cotton to the tune of Rs. 1,500 per candy would not sustain and was only a short-term speculative increase.

He said ITF has advised members to plan for cotton import for two months of the mills consumption this cotton year to mitigate the risk.

"With our last year import experience, even with Rs. 2,000 more cost, mills can get a better cost advantage because of superior quality of imported cotton with less trash and less contamination," he said.

Apart from this, domestic cotton quality here was a big issue this year due to various factors, he said, adding there has been a drop in realisation levels in spinning mills, which is leading to straight two to three per cent increase in manufacturing cost at the yarn stage.

A 15 member ITF cotton team would again visit two important cotton growing states in the coming week to meet partner ginners to work out an action plan for the current year, Prabhu added.

Source: thehindubusinessline.com- Dec 10, 2017

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Cotton yield to be 10% lower over last season despite increased acreage

The cotton yield in Punjab is expected to be lower 10% less as compared to the past year. The state agriculture department and trade bodies expect the production of the fibre crop to be nearly 1 lakh bales less than the target set at the start of the sowing season.

Initially, the department and Cotton Corporation of India (CCI) were expecting over 12 lakh bales (1 bale of 170 kg) in Punjab.

Till Wednesday, 3.80 lakh bales of raw cotton had arrived in the markets in the state. As the farmers were busy in sowing wheat, arrival of raw cotton is expected to pick pace now.

Cotton was sown over 3.82 lakh hectares in Punjab this season compared to 2.57 lakh hectares in 2016. Last year, 8.90 lakh bales of cotton had arrived in the mandis of Punjab.

In 2016, cotton yield was recorded at 22 quintals per hectare (756 kg of lint per hectare). Trade bodies expected cotton productivity to be less than 20 quintals per hectare (670-675 lint kg per hectare). Deficient rainfall in July-August coupled with less availability of canal water were cited as the reasons by the agriculture department for drop in yield of the crop.

Besides lower yields, farmers are also getting less price for their produce this season. Raw cotton had fetched Rs 5,200-5,400 per quintal in December 2016 while the rates are hovering in the range of Rs 4,650-4,800 per quintal this time.

Balwinder Singh, a cotton grower from Sangat village of Bathinda, said, "We got a double blow as the yield has come down and prices too are down by over Rs 600 per quintal over the previous year. We had shifted back to cotton hoping higher returns but we feel disappointed."

Farmers of Punjab are storing raw cotton on the hopes of higher prices in future following the reports of pink bollworm attack on the crop in Maharashtra. Pest attack on cotton in Maharashtra is yet to affect prices, though the estimated output of the crop has been put at 370 lakh bales as against the initial estimates of 385 lakh bales.

"We were expecting the yield to be around 756 kg of lint per hectare. However, it is likely to remain nearly in the range of 670-675 kg per hectare due to deficient rain and hot and humid weather conditions in July. The yield is expected to be lower by 10% as compared to last year," said Punjab agriculture department's joint director Sukhdev Singh.

Bathinda branch in-charge of the state agency Cotton Corporation of India (CCI) Brajesh Kasana, said, "Earlier it was expected that over 12 lakh bales will be produced in Punjab. Going by fall in yield, we estimate the output to be nearly 11 lakh bales in the state. CCI has so far not made any purchases as raw cotton prices are above the minimum support price (MSP) of Rs 4,220 per quintal (for long staple)."

Textile maker Vardhman Textiles' director (raw material) I J Dhuria said cotton scene at the national level seemed good. "In Punjab the yield has come down and in Maharashtra the pink bollworm attack has lowered the sentiments but overall the season may not be bad," he said.

Source: timesofindia.com- Dec 10, 2017

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Bt technology increased cotton yield but not profit for farmers

Even as the state government is yet to reveal the findings of the Special Investigation Team (SIT) report on deaths caused due to pesticide spraying, for the first time a city NGO Agrovet-Agri-engineering Mitra Pariwar tried to bring all the stakeholders on a platform to analyse the causes of the deaths in the backdrop of the failure of the Bt technology, illegal entry of new Bt, RRFlex, and excessive use of pesticides.

The stakeholders included scientists from Central Institute for Cotton Research (CICR), Panjabrao Deshmukh Krishi Vidyapeeth, agriculture activists, MLAs and representative of the Bt technology leader Monsanto.

While the agriculture activists like Vijay Jawandiya claimed that the Bt technology had increased the yield of cotton, it in no way increased the profit or farmers' income. "Farmers have been misled. The technology did increase the production, but it also increased the input cost manifold.

The farmer didn't get the right produce for his cotton. Also, the state government failed to play its role in reaching the intricacies of the technology to farmers. No technology is feasible without state support. In America agriculture is completely subsidy based. No hybrids are grown there. But in India it is the opposite," said Jawandiya.

Leaders like Ashish Deshmukh (BJP MLA) and Sunil Kedar (Congress MLA) called upon all stakeholders to rise to the challenge and give a solution.

Deshmukh blamed state agriculture department for not reaching good practices to farmers and Kedar proposed for action against illegal sale of Bt seeds by the state government and not pushing it on central government.

CICR director Vijay Waghmare stressed on following the technology in toto and not to twist it according to convenience. "The cycle of pink boll worm (PBW) needs to be broken to prevent the attack of PBW.

Extended cultivation is basic reason in Central India for increased attack of PBW," he said.

Waghmare said that in north zone in Punjab, farmers could control white fly and PBW by preventing monoculture. Farmers there take other crops like wheat etc and don't leave the land fallow. Crop rotation he said would prevent PBW attack.

P Suresh, Monsanto representative, also held ginneries responsible for maintaining the PBW. He said that Karnataka and Gujarat could contain the PBW attack in due period but in Maharashtra there was less adoption of the technology. Farmers here also don't follow the regime of cultivating 20% non Bt with Bt as refugia.

He stated that even BG-III technology would not fully protect from PBW. There were no yield benefits also with BG-III. "The crop should be terminated in December and illegal sale of Bt seeds should be stopped to prevent situations like that of Yavatmal. If farmer follows the steps in technology Bt can benefit farmers for another ten years," he said.

Former Vice Chancellor of PDKV, Sharad Nimbalkar stated that Bt technology was an imposed technology of MNCs and was a failure. Hence Monsanto and other seed and pesticide manufacturing companies should share some amount from their huge profits with the farmers by paying them compensation for the deaths.

Agrovet president Dilip Mohitkar gave vote of thanks. Pranay Parate conducted the programme and adviser Milind Raut introduced the subject.

Source: timesofindia.com- Dec 10, 2017

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Where is the economy headed in 2018?

We put the components of GDP plus inflation factors under the scanner

As the year draws to a close, the big question is, how will the economy perform in 2018? Will India regain the title of the fastest growing BRIC economy by inching ahead of China?

After reeling under the effects of GST and demonetisation, GDP growth in the September 2017 quarter showed signs of a pick-up. It clocked a growth rate of 6.3 per cent after sliding for five consecutive quarters. Whether the pick-up will gather further momentum or fizzle out remains a billion-dollar question. The government and monetary authorities are working towards getting Indian economy to its potential growth rate of 7 per cent plus in 2018 — which evaded us in 2017.

Btis-n-pieces

Forecasting GDP of the Indian economy for 2018 need not be an exercise of crystal ball-gazing. It requires analysing the prospects of various components. GDP — as per the expenditure method — is measured as a sum of Consumption, Investment and Government Expenditure (which in economic parlance is referred to as C + I + G).

While consumption includes consumption by the households, investment refers to capital formation in the economy. Government expenditure includes Government Final Consumption Expenditure (GFCE) — spends made on items like education, health as well as salary and arrears. In addition, investments are also considered part of Government expenditure.

To the above figure, if one incorporates the external sector by way of net exports (exports minus imports), one arrives at the nominal GDP of an economy.

Thus, in all, we could analyse the four components of GDP to gauge its robustness in driving the economic recovery for India. And since we are looking at estimating real GDP growth, inflation is another important factor that cannot be ignored.

Consumption

Consumption is the largest component of the Indian economy, constituting about 54 per cent of GDP. Post the note ban in November 2017, the worrying factor is that its share in the economy has fallen drastically (it was 59 per cent as of December 2016).

Consumption growth — as measured by growth in the private final consumption expenditure — fell consecutively in the initial three quarters of calendar year 2017. From a high growth level of 11.1 per cent in the December 2016 quarter, it fell to 7.3 per cent, 6.7 per cent and 6.5 per cent in the first, second and third quarter of this calendar, respectively. The note ban and GST implementation have had impact on household consumption in 2017.

With consumption being the primary growth driver of the economy, boosting it will be crucial to bring the economic growth rates back to 7 per cent levels. And in this, the Central government will play an important role. For instance, lowering GST rates of mass consumption products like detergents, aftershave and chocolate, which were in the 28 per cent tax rate, to that of 18 per cent could boost consumption.

Moreover, over the next one-and-a-half years, with eight State elections as well as General elections on the cards, rural consumption is expected to get a boost from the government’s populist measures. It is expected that the government will try to appease most sections of the society — be it farmers, traders, consumers or the poor — to get the votes.

While further farm loan waivers seem unlikely from the Central government, farm loan waivers announced by the various State governments as well as the effect of the Seventh Pay Commission payout at the state levels is expected to put more money into the pockets of consumers in 2018. Moreover, the la Nina forecast by the Australian weather bureau should bring good rains and further boost rural demand.

However, at the current juncture, consumer sentiment remains poor. The MasterCard India Consumer Confidence Index was at 86 as of June 2017, down from 95 in December 2016.

Demand for consumer durables seems to have been hit more; IIP (Index of Industrial Production) growth for consumer durables was a negative 1.8 per cent during the first nine months of calendar year 2017 as compared to 5.9 per cent witnessed during the corresponding period of the previous year. However, IIP growth for consumer non-durables remained strong — averaging 8 per cent in 2017 as against 7 per cent a year before.

Going forward, getting back to 8 per cent plus growth rate in consumption will be crucial to put the economy back in recovery mode. The consumer lending rate, which is currently at a multi-year low, should remain at lower levels to aid consumption. Higher growth in personal and credit card loans in recent times shows that consumption is set to improve next year.

Investments

Investments as measured by Gross Fixed Capital formation (GFCF) are the second most important constituent of the Indian economy. Saddled with excess capacity, the private sector, which comprises the bulk of the country's overall investments, is currently sitting on the fence. Back-of-the-envelope calculations hint that India requires investment of about 35 per cent of GDP (investment rate) on a consistent basis to clock 7 per cent GDP growth rate. This is with the assumption that every ₹5 of investment results in an output of ₹1 (in technical terms, it is referred to as the Incremental Capital Output Ratio or ICOR).

While India showed initial promise by clocking investment rate of 36 per cent in late 2011 (and registering 7 per cent plus GDP growth rates), the investment rate is plunging now. The average investment rate for the first three quarters of 2016 was about 30 per cent as against 29 per cent in the corresponding period of 2017.

IIP growth (monthly average) halved to 2.7 per cent in the first nine months of 2017 as against 5.7 per cent witnessed during the corresponding period of the previous year. IIP y-o-y growth in manufacturing also slowed down to 2 per cent in 2017 as compared to 5.7 per cent a year before.

Excepting auto, pharma and computer and electronics, the IIP growth figure was lower in 2017 as compared to 2016 for most of the other sectors. Textiles, leather, chemicals and chemical products, basic metals, electricals, coke and refined products and machinery were among the laggards.

Also, the Purchasing Managers Index (PMI) figures — usually out before the industrial output and GDP figures — indicate that while manufacturing PMI was up in November 2017 to 52.6 as compared to 50.3 in the previous month, the services sector PMI dipped below 50 (48.5), indicating contraction of business activity. PMI (composite) averaged 50.6 in the first 11 months of 2017, as compared to 52.5 in the corresponding period of the previous year.

Credit slowdown

In all, industrial activity is not showing any concrete signs of pick-up for the moment. Moreover, credit growth has slowed down — thanks to excess capacity and banks' aversion to lend. The credit growth of scheduled commercial banks to the industry stood at -0.2 per cent (October 2017 vs October 2016) as compared to -1.7 per cent in the corresponding period of the previous year.

Bank recap

While the capex cycle is unlikely to change over the next year, the government is trying to enable credit offtake by recapitalising public sector banks to the extent of ₹2,10,000 crore. This is expected to be completed by the end of FY19. While part of the money will be used to clean up bad loans, the rest is expected to boost credit growth.

However, given that banks will need to take huge write-offs, particularly on large NPA accounts, getting back to the healthier credit growth rate of 16-18 per cent seems unlikely in 2018 given the challenges of overcapacity and risk emanating from possible increase in interest rates. Investments will therefore continue to be a drag on the economy. It will continue to remain at levels similar to 2017.

Government spends

The share of government consumption is relatively smaller — 12-13 per cent of GDP. However, it has been up sharply in 2017 on the back of increased spends by the Centre. In the initial three quarters of 2017, its growth averaged about 18 per cent as compared to 12 per cent a year before. After clocking high growth rates in the first two quarters of 2017, it fell sharply for the September quarter to 4.1 per cent.

Further, a tight fiscal situation might lead to a cut in government spends to meet the fiscal deficit target set for 2017-18. There are signs of slowdown in revenue collection. For the period April-October ’17, revenue receipts were about 48 per cent of budget estimates (for 2017-18) as compared to 51 per cent amassed during the corresponding period of the previous year.

While tax revenues were higher at 52 per cent of budget estimates (for 2017-18) as against 50 per cent a year before, non-tax revenues were down to 33 per cent as against 52 per cent a year before. Less dividends from the RBI (thanks to demonetisation) played spoilsport, reducing non-tax revenues to the extent of ₹35,000 crore in 2017-18 for the Central government.

Moreover, after the reduction in GST tax rates for several household items, the monthly GST collections, according to reports, were down to ₹83,000 crore in October ’17 as compared to ₹93,000 crore it clocked every month during the period July-September ‘17. This could impact the fiscal situation as well its spending power.

While it is likely that the government will make do the shortfall by pushing disinvestment, the risks of lower GST collections remain in addition to expected shortfall in collections from the telecom sector. In all, with overall finances appearing dicey, Central government consumption spends are expected to be muted in 2018.

Inflation

So far, consumer inflation has been well within the RBI’s target of 4 per cent (plus/minus 2 per cent) . CPI (Combined) averaged 3 per cent in 2017 during the first 10 months of 2017 as compared to 5.3 per cent in the corresponding period of the previous year.

While housing and fuel and lighting were up sharply in 2017, food and clothing were lower in 2017 compared to a year before.

Moreover, there is the greater risk of inflation being stoked due to increase in input prices for producers, which will ultimately be passed on to the consumers. Monthly WPI inflation averaged 3.3 per cent in 2017 as compared to a negative 0.5 per cent in the previous year. WPI inflation is up for manufacturing, fuel, power & lighting as well as crude petroleum & natural gas.

For starters, crude oil prices are on the way up, risking import-led inflation for the economy. Moreover, food inflation is also inching up with prices of tomato, onion and eggs soaring in recent months.

Going forward, while food inflation is expected to come down with cooling of vegetable prices, the risk of rising international crude oil prices remains a worry. Moreover, with the Centre already hitting 96 per cent of the 2017-18 fiscal deficit target in October 2017 itself, the targeted fiscal deficit might be breached — risking inflationary trends for the economy. The Centre was targeting a fiscal deficit to GDP ratio of 3.2 per cent for FY18 and 3 per cent for FY19.

Economic outlook

To sum up, consumption will lead the economy on the recovery path, taking it towards the 7 to 7.2 per cent growth in 2018 from 6.5 per cent expected in 2017. While investments are likely to remain muted, any surprise performance from the manufacturing sector can push GDP growth levels.

Incidentally, the SBI Composite Index was up slightly in November to 51.2 — indicating expansion of manufacturing activity. While the external sector is unlikely to turn around and be a game-changer, there are risks of inflation delaying the recovery. Especially, with elections on the cards, it seems fiscal prudence will give way to populism — risking worsening of the fiscal situation.

Source: thehindubusinessline.com- Dec 10, 2017

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Are there green shoots of a capex revival?

Consumer goods, propelled by government spending, is picking up but infrastructure, construction and textiles are still in a rut

For the first time in six years Srivats Ram, MD of Wheels India, a TVS group company, has begun worrying about capacity constraint. In fact, he has begun de-bottlenecking his operations to meet the demand from customers across the commercial vehicle, passenger car, bus, tractor and construction equipment sectors. Tractor-maker Escorts is looking at expanding its capacity from lakh units to 1.6 lakh units. A decision is likely next year even as tractor sales, in FY18, are set to touch a record 6.45 lakh units.

Ramco Cements is already investing ₹1,200 crore to expand two of its grinding units in West Bengal and Andhra Pradesh apart from setting up a new one in Orissa. While this is strictly not a capacity expansion (clinker is shipped from existing facilities to the grinding unit to be crushed and converted into cement), the investment, however, increases its capacity in the eastern market where the off-take is strong.

These are just some indicative examples. Media reports suggest that companies across the country have started talking about possible capacity expansion.

After an extended lull, signs of a possible revival in capital expenditure (capex) are becoming visible. That is good news for the anaemic Indian economy which has been suffering from a long drought of private investment and consequent capex spending.

Different scenario

It was not the case a decade ago when investment in the economy as measured by gross fixed capital formation (GFCF) was strong. It peaked at 35.57 per cent of GDP in 2007-08. That was the time when demand appeared insatiable and funds were available cheap for the industry to expand aggressively. Then the 2008 ‘great recession’ happened. The demand evaporated and the industry was, suddenly, sitting on large surplus capacity.

In fact, capex spend never really recovered after the global financial crisis. A steady decline ensued as the private sector struggled to use the capacity effectively and by 2015-16 it had fallen to 29.30 per cent of the GDP.

At this point, lack of private investment began to bite as other engines of growth such as exports began to sputter. Economic growth which had touched a high of 9.2 per cent in fourth quarter of FY16 began to slide. The decline accelerated as demonetisation smothered domestic consumption, another critical growth-driver. High public spending by the Government was not sufficient to reverse the trend and growth slumped to 5.7 per cent in the first quarter of FY18 before recovering marginally to 6.3 in the second quarter.

While this recovery is predominantly due to restocking post- GST , there are other positive signs as well. Exports have begun to recover on the back of some major economies doing better. For the first time since 2014, the US economy has grown by 3 per cent or more in two consecutive quarters. Europe recorded a strong growth of 2.5 per cent in the third quarter of the current calendar year. Exports declined in October but that was more due to GST adjustment issues. A double-digit growth in exports is no more fanciful thinking, say experts.

Domestic front

Domestic consumption, aided by strong rural demand, has also revived as the economy has been sufficiently re-monetised. That apart, government spending to pump-prime the economy continues. It has just announced road projects spanning 34,800 km costing ₹14 lakh crore to be constructed over the next five years. And growth in GFCF has begun to pick up pace. In the second quarter of this fiscal it posted a year-on-year growth of 4.7 per cent compared to 1.6 per cent in the first quarter and a contraction of 2.1 per cent in the fourth quarter of FY17.

While this is a positive development, it is too early to celebrate as the capex revival is not broad-based. It is restricted to sectors that are consumer-focused (like cars, two-wheelers, FMCG and tractors) and those that are benefiting from government’s public spending (like cement and construction equipment).

Some sectors that also happen to be capex-intensive continue to languish. They include power (plant load factor of just 60 per cent), telecom (stretched balance sheet and declining profits), construction (poor demand) and textiles (exports fell by 39 per cent in October).

A broad-based recovery in private investment/capex is key to a faster pace of economic growth. It has taken more steps recently to catalyse it, including recapitalisation of public sector banks. This should help lenders take haircuts thereby reviving some jinxed projects. If all goes well, we could see a broad-based turnaround in private sector investment and revival of animal spirits in the economy. But for now, that must wait a few quarters more.

Source: thehindubusinessline.com- Dec 10, 2017

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We need to ensure that WTO is not weakened: Panagariya

The four-day ministerial conference of World Trade Organization (WTO) began on Sunday in Buenos Aires, Argentina. ***Arvind Panagariya*** *, Columbia University professor and former NITI Aayog vice-chairman, is a proponent of free trade. Yet, he believes that India adopted the right approach in seeking to block negotiations on issues such as e-commerce or investment facilitation. He explained his reasoning to* ***Sidhartha*** *and* ***Surojit Gupta*** *.*

Do you think that the WTO membership has diluted the focus on the Doha Round?

Already under President Barrack Obama, United States had come to favor abandoning the Doha Development Agenda (DDA) and start afresh. The 2017 Trade Policy Agenda of President Donald Trump now calls for "strictly enforcing U.S. trade laws," which can potentially come in conflict with the international trade laws under the WTO. The U.S. Trade Representative (USTR) Robert Lighthizer is seriously questioning the legitimacy of the WTO dispute settlement process. Therefore, yes, prospects that WTO negotiations would take place within the DDA framework are pretty dim today.

What should be India's focus on at the ministerial?

We have one clear priority item. At Nairobi, WTO members had agreed to come up with a permanent solution on public stockholding programs for food security purposes to be adopted at the ministerial conference in Buenos Aires. We will need to press on this front. Beyond this, we surely need to do everything to ensure that the WTO is not weakened.

Is the time ripe to expand the mandate of negotiations at WTO to include the so-called new issues such as e-commerce and investment facilitation?

On investment, I have maintained for long that we are not anywhere close to agreeing to a uniform set of rules governing investment regime. Even though you have mentioned only investment facilitation, we need to tread carefully. On e-commerce, I feel we should study carefully what it is that we may want. I suspect we have not done the necessary homework on this issue yet and therefore we may not be in a position to agree to a negotiating agenda on it. But it is an area of interest for us and in the near future, we should study what kind of negotiating agenda on it might suit us.

Many of the developed countries believe that India is an obstructionist as it says "no" on most issues? Is it a fair description?

Let me put the matter this way. Sustained efforts by the Prime Minister have resulted in a steep jump in the stature of the Prime Minister as well as India at international forum such as the G20 and the United Nations. Similar change in perception at the WTO seems not to have happened. We need to probe why.

If our rivals label us as obstructionist purely as a negotiating tactic, then we cannot be faulted and nothing need be done. But if this is because we are making unreasonable demands or making reasonable demands in a manner that appears unreasonable, it is in our interest to take corrective action.

Given US's stand is there scope for multilateralism or is it time that countries like India pursue plurilateral deals such as RCEP and bilateral FTAs with greater vigour?

It is not an either or issue. We should generally think in terms of liberalisation on all fronts as long as it is in our national interest. But as you suggest, at the moment, significant progress towards liberalisation at the WTO is unlikely. This leaves only two channels for liberalisation: unilateral and bilateral/plurilateral.

We need to judiciously deploy both these channels. Our last clear liberalisation was in 2007-08 when we reduced the top industrial tariff from 12 to 10% (with some tariff peaks in products such as automobiles and textiles and clothing). Since then protection in some products has gone up. We are also among nations that have signed very few bilateral or plurilateral agreements. If we want to be a major player in the global economy and bring the global companies in labor-intensive sectors from China to our shores, there is no escape from moving ahead with liberalisation on both unilateral and bilateral/plurilateral fronts.

It needs to be clarified in this context that often we think that import liberalisation hurts us because it leads to imports replacing domestic production. But this is a fallacy since it ignores exports. To pay for extra imports, we must simultaneously expand exports. Part of the RBI's mandate is to ensure through exchange rate adjustment that our current account deficit is held low.

Therefore, liberalisation leads to some of our inefficiently produced domestic products to be replaced by imports. At the same time, it allows some of our more efficiently produced products to be exported. We must remember that our own past liberalisation has rewarded us handsomely with exports rising from just 7% of the GDP in 1990-91 to 24% in 2008-09.

Source: timesofindia.com- Dec 11, 2017

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India on ASEAN's mind

Envoys of the Association of South East Asian Nations (ASEAN) in India have their hands full this holiday season. As New Delhi gears up to welcome the 10 ASEAN heads of governments as chief guest for Republic Day, it is proving quite a mammoth logistical task.

Security teams from respective countries will start arriving this week onwards. Official activities kick off with the ASEAN-India Connectivity Summit on December 11 followed by the Business Investment Meet and Expo, Weaving Textile Relationship, Business Council Forum, Mekong Ganga Cooperation Business Conclave, Youth Awards and a film festival from February 4 to 9.

On January 25, leaders would be hosted for lunch at Rashtrapati Bhavan by President Ram Nath Kovind, followed by a plenary and cultural evening and a banquet. India's show of its Constitutional strength and military might on Rajpath and bilateral meetings on January 26 will culminate the engagement.

Thailand's ambassador to India Chutintorn Gongsakdi feels the symbolism in the invitation is not lost on anyone. "ASEAN is investing in its future with an emerging economy like India. ASEAN leaders cannot avoid being here," says the envoy.

Outcome documents

Meanwhile, outcome documents are being negotiated in Jakarta by permanent representatives. The aim is to finalise the blueprint and have it endorsed by senior officials in Delhi on December 23. It is likely to focus on renewable energy, International Solar Alliance, South China Sea, and connectivity issues along with terrorism.

"Thailand would like to see a celebratory document of 25 years of the India-ASEAN relationship hinting at what the future looks like. Next year, a plan of action is to be adopted. Therefore, this document would be a leaders' declaration for guidance," says the Thai Ambassador.

"There is an opportunity for ASEAN to play a role as Indo-Pacific is a reality. ASEAN is there and has a role but much is to be done through inclusive participation without being a threat to anyone," he says.

Interestingly, new ASEAN secretary general Lim Jock Hoi dons several hats of particular use to India. He handles all of Brunei's trade relations and is key to Asia Pacific Economic Cooperation) meetings as well as Regional Comprehensive Economic Partnership) negotiations.

Chinese embassy on Twitter

To welcome the merry season, 'Tree of Happiness' at Le Meridien Hotel was lit up by Vetsop Namgyel, the Ambassador of Bhutan, the kingdom with gross national happiness index.

And surprise. Stepping out of the WeChat forum, the Chinese embassy in India can now greet people on Twitter through their official handle @ChinaEmbDelhi launched last week. The handle so far has posted a single tweet announcing the Russia-India-China trilateral being held on Monday.

Source: tribuneindia.com- Dec 11, 2017

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No easier rules for foreigners, say home retailers

India-based multi-brand retail giants are questioning any demarcation in labelling rules between them and single-brand retailers.

In the hope of billions of dollars in foreign direct investment (FDI), the government is planning major changes in the labelling norms to exempt international single-brand retailers from stamping the Maximum Retail Price (MRP) on every product.

This has been a major demand of a host of global entities, including furnishing giant Ikea and infotech major Apple. They want to follow the international labelling norms for both aesthetic and cost reasons, they say.

Indian multi-brand retailers question this. "Why should foreign retailers get this preferential treatment? In Thailand or the Middle East, they have to print the labels in local languages and they obey.

What is the problem here?" asks Rakesh Biyani, joint managing director, Future Retail.

In an interview to Business Standard sometime earlier, Mikael Palmquist, retail president (Asia- Pacific) for Ikea, had said individually labelling the MRP on every product drove up their cost. “In India, there is an MRP slip on every product and we are 100 per cent aligned with that.

But, in a modern retail society, we can use things like phones to check prices on the website to maintain transparency. Labelling of items individually drives costs. We work with some of the international retailers and relabelling that has to happen when the products enter India is a concern,” he had said.

European Business Group, which includes retailing majors Ikea, Hennes & Mauritz AB and Decathlon, have had several discussions with the government on labelling norms. In January this year, the government had indicated it was ready to tweak the norms for single-brand retailers and to make changes in the Packaged Commodities Rules, 2011.

Sources say discussion on this has been held at multiple levels and the general consensus is to allow the change in the rules, in the interest of consumers and the companies alike. “When we have allowed multinational single brand retail companies to set up businesses in India, there is no reason why this should not be allowed,” said a senior official from the department of consumer affairs, the nodal ministry in this regard.

Indian retail sector bodies want the rules to be the same for all. “The MRP and Packaged Commodities Acts are dated and not in line with the modern world’s digital price mechanisms and comparisons. Also, the distinction between single-brand and multi-brand is unique to India and truly confusing. Neither FDI in retail nor consumer affairs policies should be based on this,” says Kumar Rajagopalan, chief executive at Retailers Association of India.

“The government’s plan seems unclear. We have to see what happens with the final rules. This is an evolving process and I think the government will realise that there is no need for a dual policy and things would change for us as well,” said Anand Agarwal, finance head at V-Mart Retail.

Source: business-standard.com- Dec 11, 2017

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E-commerce trade: Should India oppose rules at WTO as many fear it would push country back by years?

Member countries of the World Trade Organisation (WTO) will be debating the possibility of commencing negotiations for a binding agreement on e-commerce at the ongoing Ministerial meeting in Buenos Aires in Argentina, from December 10-13, 2017. The main proposal on the table is from the "Friends of E-commerce for Development" that includes Argentina, Chile, Colombia, Costa Rica, Kenya, Mexico, Nigeria, Pakistan, Sri Lanka and Uruguay.

Interestingly, none of the countries where large e-commerce companies are based are part of the Group, though they support this initiative. Broadly, the issues on the table from the Friends Group includes proposals related to infrastructure and services for information and communications technology (ICT), trade logistics and payment solutions. However, India and some of the African countries—which are opposed to this work programme at the WTO—are of the view that the impact of any negotiations for binding rules on e-commerce at the multilateral level would take away the ability of developing countries to regulate and create a sustainable e-commerce model in their respective countries.

The Friends of E-commerce Group is looking to change policies adopted by governments to ease the flow of goods integral to bridging the digital divide, inter alia, ICT hardware and software. They also want to look at regulating telecommunications, computer and related services, and relevant distribution services. India and other countries state that this issue would interfere in the sovereign rights of the country.

For example, India's National Cyber Security Policy (2013) encourages use of open standards to facilitate interoperability and data exchange among different products and services. Further, according to the National Policy on Electronic Accessibility, open source usage has been promoted. This certainly would not benefit some of the large companies that tacitly support this initiative at the WTO.

The Friends of E-commerce Group also hope to have a framework of trade rules and commitments to promote effective transportation and logistics and cross-border trade facilitation measures to advance goods-related e-commerce for development. Such proposals would look for nondiscrimination between domestic and foreign players. However, several policies of the Indian government mention giving preferential treatment and incentives to domestic players. Therefore, binding commitments here could hit the government's current disposition to help Indian industry build a robust domestic sector, say officials who deal with this issue.

Additionally, the proponents of an e-commerce work programme at the WTO want e-commerce users in developing and least developed countries to benefit by making payments safely, easily and affordably using effective solutions involving banking and non-banking operators, with greater interoperability and universal connectivity. This would certainly need a lot more discussion and the full impact of such developments will require far greater understanding.

The other areas of concern for India include the issue of localisation of servers. Over the years, the proponents of rules on e-commerce have been of the view that the servers that help e-commerce transactions should be located in a country of choice. India and other countries have opposed this as they feel that the servers servicing customers, say, in India should be physically located in India. This is for greater control over the data generated within the country and to stop any disruptions in services, according to officials.

Another area of concern for India would be cross-border data flows. The Telecom Regulatory Authority of India (TRAI) in a consultation paper on "Privacy, Security and Ownership of the Data in the Telecom Sector" is of the view that cross-border transfer of data and exercise of jurisdiction over service providers that do not have a direct presence in the country are becoming increasingly relevant in the context of digital trade.

The Friends Group that support rules on e-commerce at the WTO are of the view that there is a need to help identify key legal and regulatory steps to promote an underlying environment for consumer protection, data protection, secure cross-border data transfers, open platforms to facilitate trade, prevention of cyber crime, and other relevant issues.

The Friends Group also hopes to promote efforts to expand capacities and technical skills of enterprises, individuals and policy-makers to harness e-commerce, with a particular focus on removing barriers that inhibit SMEs from engaging in and benefiting from e-commerce. This is an area of concern for countries like India, as the whole move is being seen as one to bring market-driven standards in e-commerce that may hurt new e-commerce players in the country.

Further, the idea of the proposers of these negotiations is to bring about advanced industry standards for e-commerce. This, India feels, will take away any advantage that developing countries may have in the area of e-commerce, as they would always be trying to catch up to the higher standards imposed by large e-commerce companies, thereby always remaining at the lower end of the value chain of this sector.

Overall, the discussion in the e-commerce space at the WTO is about bringing discipline in a sector that developing countries like India are looking to build by evolving a conducive domestic policy environment.

There is a fear that accepting norms at the WTO would put developing countries back by many years in this emerging area of business. So, the way forward in this space may be to find a middle path that takes into account the needs of developing countries like India, while at the same time addresses the needs of some of the other developing countries that are being approached by large companies that have a dominant position in the global e-commerce trade.

Countries at the WTO need to analyse whether harmonisation of rules and regulations will help developing countries that are at the fringes as far as benefits emerging from e-commerce trade are concerned.

However, whatever be the outcome at Buenos Aires, the e-commerce space is an area where countries will target to bring about harmonisation of rules at the multilateral level. Studies suggest that global e-commerce trade by 2021 may cross $4 trillion, and given this huge potential, there will be a push to control markets by harmonising regulations across countries to bring about greater predictability. The question is, what can work better for countries keen on getting a good slice of the emerging market, pushing back proposals or taking charge of the negotiations?

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