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IBTEX No. 211 of 2018 October 12, 2018

USD 73.80| EUR 85.53 | GBP 97.70 | JPY 0.66

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21943	45900	**78.89**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22300	46646	**80.17**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	76.80	
ZCE Cotton: Yuan/MT (Jan 2019)	15,565	
ZCE Cotton: USD Cents/lb	**86.67**	
Cotlook A Index – Physical	**86.35**	

Cotton Guide: US Cotton traded steady on Thursday to post a close for December future at 76.81 cents per pound. The same is seen trading higher by more than half per cent this morning at 77.24 cents. Broadly market is trading in the same range for the past 11 days. This has been the tendency that after a good price move cotton is getting into consolidation mode for some days and then again moving down. This has been observed since price made a top of 95cents in June 2018.

Coming to Thursday movement market was very quiet despite the USDA WASDE Report was released. We saw no major action in the market as the data turned out mixed. Trading volume was 30,077 contracts. Cleared yesterday were 25,483 contracts. The market has demand concerns on its mind. The US has been slipping to be the residual supplier of cotton rather than the first pick by mills. Currency issues and trade war constraints have almost stopped sales. Also Thursday's market had to contend with the continuous meltdown of US equities.

The 3 major indexes lost 1.3 to 2.1 percent in value having lost 3.1 to 4.1 percent on Wednesday. The DOW and S&P have ended lower in 5 of the last 6 sessions, and the NASDAQ lower in all 6 sessions. Cumulative 6 session losses have been 6.6 percent in the DOW; 6.7 percent in the S&P; and 8.4 percent in the NASDAQ.

If there is good news on the macro-economic scene for US exporters, the US dollar index has dropped in 5 of the last 6 sessions for a cumulative loss of just over 1 percent. That's a notable drop for that index, but it has a long way to go to attract buyers.

USDA reports were highlighted with a 3 million bale drop in India's stocks going back to 2002. While there were notable changes in some countries, the net change on World Supply/Demand report was a 3.01 million bale reduction in world ending stocks. Other highlights were: a half million bale drop in Australia's production to 2.5 million bales; and in the US, production up 80,000 bales and exports down 200,000 bales. Here is the link to the USDA World Supply/Demand Report: USDA Report. Here are the yield and production changes for the US. More details can be found on the link: More details.

FX Guide:

Indian rupee has opened firmer by 0.5% to trade near 73.755 levels against the US dollar. Rupee has benefitted from sharp correction in crude oil price. Brent crude trades near $80 per barrel today, off 8% from recent 4-year high, as part of sell-off in equity and commodity markets and on demand concerns amid pressure in emerging markets. The US dollar has also weakened against major currencies amid drop in yields and Trump's concern about Fed rate hikes.

The US 10-year yield has corrected from 7-year high on safe haven buying and disappointing inflation data. US CPI rose 0.1% in September as against forecast of 0.2% growth. Rupee is also gaining support from Indian government's decision to raise import tariffs on certain telecom equipment and components by up to 20% to reduce dollar demand. Indian government last month raised import duty on 19 goods to reduce demand. Maintaining optimism about Indian economy, Economic Affairs Secretary Subhash Garg said India stands ready to deal with any situation affecting its currency and current-account deficit.

Rupee has witnessed a firm opening on crude oil correction however weaker risk sentiment and selling pressure in domestic equity market may limit any major gains. USDINR may trade in a range of 73.5-74.05 and bias may be on the upside. Further cues will come from inflation and industrial production data today.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	In US-China trade war, Pakistan gets extra export orders
2	Pakistan: Separate gas tariff for textile value chain praised
3	Philippines, US to announce free trade negotiations in November
4	Pakistan to implement environmental laws in knitwear, garment units
5	Bangladesh export earnings from India up 142 per cent
6	EU adopts restrictions on CMRs in textiles
7	Pakistan: Textile machinery imports: steep decline
8	Vietnam: Experts talk competitiveness
	NATIONAL NEWS
1	GST dues: Exporters want Govt to organise 4th tranche of special refund fortnight
2	MSMEs, entrepreneurs engines of growth; have key role to play, says chairman of Club of Rome-India
3	MMF sector worried over dumping of Chinese textile goods in India
4	India to make limited gains in the Chinese market despite US-China tariff war: Study
5	India asks Bangladesh to use Kolkata, Haldia as transhipment ports
6	India feels RCEP may frame tighter rules on state-owned enterprises
7	India: Seed companies asked to pay up in Maharashtra

INTERNATIONAL NEWS

In US-China trade war, Pakistan gets extra export orders

FAISALABAD: The present tense relations between the US and China have proved to be a blessing in disguise for Pakistan as its exporters are getting extra orders from the US in the prevailing circumstances, said Faisalabad Chamber of Commerce and Industry (FCCI) President Syed Zia Alumdar Hussain.

Speaking to trainees of the Pakistan Institute of Trade and Development (PITAD) at the FCCI, Hussain said Faisalabad was a main industrial and economic hub of Pakistan as the city had Asia's biggest sock manufacturing units, the largest knitwear factory, rice mill, yarn market and a state-of-the-art agriculture university.

"The share of Faisalabad in total textile exports is around 55%," he pointed out. "Although textile is the mainstay of Pakistan's economy, many other sectors like oil, chemicals and beverages are also contributing to the national economy in a big way."

Emerging markets threatened by US-China trade war: Lagarde

He emphasised that the basic objective of the FCCI was to protect the economic interests of its 7,000 members in addition to developing a cooperative working relationship between the government and business community.

Hussain revealed that FCCI office-bearers had chalked out their roadmap which consisted of 'Triple E'. "We will focus on the economy, exports and education as these sectors will be our priority for the year 2018-19."

Regarding the impact of deteriorating US-China ties, he said Pakistan was already getting additional orders from the US.

"These orders could be doubled provided the government resolves the country's liquidity problem by ensuring immediate payment of tax rebate, refund and Drawback of Local Taxes and Levies (DLTL) claims," he said.

He specifically mentioned the recent visit of Finance Minister Asad Umar to the FCCI and told the trainees that the chamber had played a major role in drafting the textile policy for the next five years. He expressed satisfaction over the government's efforts to implement uniform gas tariffs across the country, especially for the five major export-oriented sectors including textile.

US, China trade talks end without much success

"Punjab is getting gas for Rs1,600 per unit while it was supplied in other provinces at only Rs488 per unit," he lamented. "This disparity has made our exports uncompetitive even within the country."

Source: tribune.com.pk- Oct 11, 2018

HOME

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Pakistan: Separate gas tariff for textile value chain praised

The 8th meeting of Federal Textile Board was held on Thursday in Textile Division, Ministry of Commerce and Textile, Islamabad.

The meeting was chaired by advisor to prime minister on Commerce and Textile in his capacity as Chairman of the Board. It was also attended by Federal secretary Textile Division, joint secretaries Textile Division, Secretary to the board, and representatives of almost all the leading associations of textile sector.

The advisor welcomed all the participants for their interest in the meeting and highlighted the importance of the textile sector.

The advisor assured the participants that the government is cognizant of the problems faced by the industry and that steps are being taken to address them. Representatives of the associations appreciated the decision of the government to introduce a separate gas tariff for the textile value chain and that the price has been kept at Rs600/mmbtu.

Furthermore, they highlighted the issues like pending rebates under PM package for exporters, energy prices and other issues faced by the ginners, spinners and value added sectors due to which our textile exports are uncompetitive and at disadvantageous position vis-à-vis other regional countries particularly India and Bangladesh.

The advisor to PM assured the industry that sufficient funds would be released by FBR for refund of the claims submitted by the exporters to boost total exports in view of the on-going trade and current account deficit.

The advisor desired that industry should import state of the art machinery and adopt scientific methods in their value chain to become more productive. Representatives of the industry thanked the advisor for his interest in the problems being faced by the textile sector.

Source: tribune.com.pk - Oct 12, 2018

HOME

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Philippines, US to announce free trade negotiations in November

The US and the Philippines plan to announce the start of a free trade negotiations by next month as the two allies look to bolster their economic relationship amid uncertainty over security ties. Once completed, the free trade agreement will be the US' second in Southeast Asia after the one with Singapore.

The move towards starting talks comes after both resolved issues around a Trade and Investment Framework Agreement, including those related to e-commerce. The talks, which could last one to three years, are part of President Donald Trump's strategy to pursue bilateral rather than multilateral trade agreements to let Washington secure the best possible deal.

The US ranks among the Philippines' major trading partners. In 2017, bilateral trade totaled around $20 billion, with the US registering a $3.2 billion trade deficit, according to the Census Bureau. The Trump administration has been tough in trade negotiations, but Lopez is upbeat on a win-win deal. For the Philippines, a free trade agreement with the US would upgrade the current Generalised System of Preferences scheme wherein the U.S. reviews zero-tariff privileges given to more than 3,000 Philippine products every three years.

Source: fashionatingworld.com- Oct 11, 2018

HOME

****

Pakistan to implement environmental laws in knitwear, garment units

Pakistan textile industry has received technical support from the Punjab Environment Protection Department to implement environmental laws in the factories set up by knitwear and garment manufacturers and exporters. The entrepreneurs have chalked out a detailed plan of action to ensure total compliance with national and international standards. The time frame to bring about total compliance has been set at one year.

The move to complete compliance process was confirmed by the Environment Secretary Zafar Nasrullah. He said the department is actively giving technical support and mentoring to industry members to adopt technically sound and cost effective solutions facilitating green entrepreneurial processes.

The compliance initiative will also receive adequate support in terms of soft loans from banks and financial institutions. The department is also prepared to create linkage with financial institutions and banks to provide soft loans to the industry.

Source: fashionatingworld.com- Oct 11, 2018

HOME

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Bangladesh export earnings from India up 142 per cent

Bangladesh's export earnings from India rose 142 per cent in the first quarter. Readymade garment exports to India grew 167 per cent. Western and Indian clothing brands have set up a good number of stores in India and raised procurement from Bangladesh.

Earnings from two major export destinations: the US and Germany, also registered sizable growth. Bangladesh's exports to the US and Germany grew by 14.23 per cent and 14.53 per cent respectively in the quarter while export earnings from most European countries, except the UK, saw a growth of ten per cent.

The ongoing trade war between the US and China created additional demand for Bangladeshi apparel products in the US market contributing to higher growth. US buyers have started considering Bangladesh as an alternative sourcing destination beyond China.

Export earnings from Japan increased due to a surge in apparel exports by 49 per cent in July-September in the current fiscal year compared with that of the same period of the last fiscal year. Overall exports to Japan and China grew by 31.84 per cent and 24.54 per cent respectively. The growth in export earnings from Japan and China turned around in the period after experiencing frustrating performances in the last few months.

Source: fashionatingworld.com- Oct 11, 2018

HOME

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EU adopts restrictions on CMRs in textiles

The European Commission has adopted restrictions for 33 carcinogenic, mutagenic and reprotoxic (CMR) substances used in clothing, textiles and footwear.

The restrictions place maximum concentration limits on the substances and ban certain textiles that exceed the thresholds from being placed on the EU market. Product exemptions apply, including for natural leather and second-hand clothing.

NGOs have expressed disappointment with the "limited scope" of the restriction. The Commission initially considered 286 substances, which were narrowed down to 33. Industry groups, meanwhile, have opposed the 'fast-track' restriction proposal.

The restrictions will come into force 24 months after they are published in the EU's Official Journal.

Source: chemicalwatch.com- Oct 11, 2018

HOME

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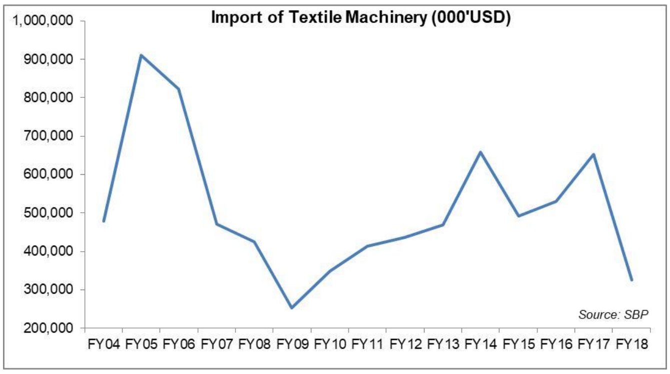
Pakistan: Textile machinery imports: steep decline

Even though there are many factors at play in the demise of Pakistan's textile sector, an often overlooked reason is the failure to invest in balancing, modernisation and replacement activities by textile firms.



As the world moves on to fabric improvement using the latest technologies, and the use of synthetic fibres disrupts conventional apparel industries, Pakistan's textile industry has struggled to keep pace with modern developments.

A look at the historical context will help. The Textiles Policy 2014-19 made by the Ministry of Textile Industry (MoTI) rightly points out that the textile industry development in Pakistan was shaped in a large part by the Multifibre Arrangement (MFA) which imposed quotas on textile exports from developing countries to developed countries.

The spinning sector attracted more investment due to a higher quota in this segment while woven garments and other value added sectors such as weaving did not see the same influx of investment due to non-availability of quotas.

Once the MFA ended, Pakistan's textile sector had an issue of uneven capacities across the textile value chain with higher capacities in lower value added segments. The lack of investment in readymade garments and quality fabric production has now necessitated up-gradation of obsolete machinery. According to the Research, Development and Advisory Cell (RDA) of the MoTI, the investment pattern remained the same following the end of the MFA where processing, apparel and readymade garments got less than 22 percent of new investment.

As the graph highlights, textile machinery imports reached their highest in FY05 which can be attributed the local industry investing for capacity up-gradation to prepare for a post-MFA era. The State Bank of Pakistan's scheme for Long Term Financing for the Export Oriented Projects in 2004 also proved to be a catalyst. The scheme offered long-term loans for machinery imports at interest rates ranging from 5-8 percent.

There was an up tick in textile machinery imports during FY10-FY14 which industry stakeholders attribute in some part to the Textile Policy 2009-14. The policy brought back the long term financing facility and introduced measures such as DLTL, Export Finance Mark-up facility as well as the Technology Up-gradation Fund. A transition from conventional power looms to shuttle-less and air jet looms also helped fuel textile machinery imports during this period.

However, the past two years have seen a steep plunge in imports of textile machinery once again. Textile machinery imports for FY18 clocked in at $325 million which is the lowest since the bottom of $252 million in FY09. Declining textile exports due to a high cost of production and the inability to adapt to evolving international consumer trends have not provided any

incentive for further up-gradation to textile firms particularly the small and medium sized ones.
In the long-run, the textile sector needs to continue investing in modern technology and up-gradation of existing infrastructure if it is to remain relevant in the modern world. Competitor countries including Vietnam and Bangladesh have witnessed a sharp increase in textile machinery imports owing to their robust growth in textile exports. While it might be true that large textile units in Pakistan might be at par with their regional peers in BMR activities, it is the SME's that are most at risk of becoming obsolete.

Source: brecorder.com- Oct 11, 2018

HOME

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Vietnam: Experts talk competitiveness

Companies should offer higher-quality products and authorities should provide better business networking opportunities to increase purchase of locally made goods and parts, experts said during a conference on competitiveness held on October 11 in HCM City.

Trần Quang Hà, deputy head of the Ministry of Industry and Trade's Industry Department, said that Vietnamese companies' participation in the global supply chain was still limited, and that even though product quality was improving, most supporting firms supply simple, low-value components.

To enhance competitiveness, the ministry was pushing for more co-operation between local and foreign firms, as well as more training sessions for firms and business networking events, Hà said.

More favourable policies are also being considered to encourage firms to invest in the supporting industry.

Phạm Minh Hương, operating director of the Việt Nam National Textile and Garment Group, said that urban areas still preferred foreign goods, and that domestic companies were facing more quality international brands, in addition to more smuggled and fake goods.

She said that companies should improve their production processes and conduct better market research to understand customers' needs.
Nguyễn Huỳnh Trang, deputy director of HCM City's Department of Industry and Trade, said the city had organised trade promotion programmes and networking events with other southern authorities, with more and more businesses finding suitable partners.

The city was also buying a great deal of produce from provinces, which allowed provincial specialties to enter HCM City's distribution networks.
However, many products were still made manually, on a small scale, or without proper certifications required by modern distribution channels.

HCM City and provinces would continue their efforts to link firms from different regions and invest in developing provincial specialties, Trang said.
The city would also push for more semi-processing of produce at the provinces before it is transported to the city to reduce waste and improve product traceability.

Lý Kim Chi, chairman of the HCM City Food and Foodstuff Association, said that small- and medium-sized businesses in the food industry were struggling to access big distribution channels due to limited funding and capability.

She said that more favourable tax policies and support policies should be provided to spur growth of small retailers.

Đào Hùng, deputy director of the Petrolimex Sài Gòn, noted that products with unclear, misleading labels or unclear origin were still sold in the market, and that some businesses remained unskilled in customer service.

"Businesses have to improve their product and service quality, as consumers now have more options than before, and can't be persuaded to buy low-quality Vietnamese goods just because of patriotism," he said.

More inspections to identify fraud and other violations were also needed, as well as public awareness about high-quality goods should be improved, he added.

A campaign to raise awareness of Vietnamese goods among local customers was launched during the conference. The campaign will feature events to

help firms promote their products, and will include parades, musical performances and other promotional activities.
At the conference, an exhibition was held to promote products of more than 100 Vietnamese enterprises

Source: vietnamnews.vn- Oct 12, 2018

HOME

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NATIONAL NEWS

GST dues: Exporters want Govt to organise 4th tranche of special refund fortnight

Exporters have asked the government to organise the fourth tranche of its special refund fortnight to clear all the dues under the Goods & Services Tax (GST) regime as the pending claims were affecting their cash flow and competitiveness in the global market.

“Refund of IGST (Integrated GST) worth ₹ 8,000 crore and input tax credit (ITC) worth ₹ 15,000 crore are yet to be paid to exporters and it is causing a liquidity problem. In our meeting with Commerce Minister Suresh Prabhu and senior officials from the Ministry, we have urged that urgent steps should be taken to clear the dues such as organising another clearance fortnight,” FIEO President Ganesh Kumar Gupta said at an interaction with the media on Wednesday.

With the government looking at ways to reduce the widening trade deficit, exporters are of the view that improving their liquidity position could go a long way in improving exports. “The government is looking at an export growth of 16 per cent this year. With timely refund, we could try to achieve a growth rate of 21-22 per cent,” Gupta said.

Last year, India’s exports grew 9.7 per cent to $302.84 billion. In the April-August 2017-18 period, exports had posted a growth of 16 per cent, which the government is hopeful of maintaining it for the entire fiscal.

Gupta said that while the refund process has improved over the last six months, refunds can only be claimed after manufacturing of goods and exports with a lead time of about 3-9 months depending on the production cycle. “If the EU has worked out an exemption regime for exports, there must be some merit in it and we should also provide the same to our exporters to create a level-playing field,” he said.

For Indian exporters, ITC refund is a great problem as it is partly electronic and partly manual. The exporter files refund application on the portal, takes a print out along with an acknowledgement and carries it to the GST authority together with the required documents, the demand for which varies depending upon the official handling the matter, FIEO said.

"The GST Network may be asked to develop a complete EDI processing for ITC refund as has been done for IGST refund so that there is no human intervention and the process becomes seamless," Gupta said.

By the end of the third edition of the special refund fortnight on July 31,2018, organised by the Central Board of Indirect Taxes and Customs (CBIC), the total amount of IGST refund claims disposed was worth ₹ 29,829 crore taking the disposal rate to 93 per cent, as per government figures. IGST refund worth ₹ 3,391 crore were sanctioned by CBIC during the fortnight.

Source: thehindubusinessline.com- Oct 10, 2018

HOME

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MSMEs, entrepreneurs engines of growth; have key role to play, says chairman of Club of Rome-India

The scare of job losses is affecting people across sectors. With limited resources and rising global population, the debate has to be centred around the efficient utilisation of these while providing employment opportunities and quality life. The 2018 annual conference of the Indian National Association for the Club of Rome focuses on this aspect. Former TCS vice-chairman S Ramadorai who is chairman of Club of Rome-India, speaks to FE's Shubhra Tandon on the future job market.

We are talking about efficiencies and sustainability, but given the kind of job losses numbers we read and hear in textiles, telecom, manufacturing, etc, what is your sense of how will all these play out?

There are a lot of adjacency. For example, if you take textiles, the whole question is how do textiles and technology come together? With the design capability through the iPad, a designer in any part of the world can specify the design and visualise it completely, instead of physically doing anything.

So, what a weaver could do in about three months can now be done in one or two days and produced with best of silk or hand loom. Their children too get involved with technology-based intervention into weaving. Then they can also migrate to other sectors because technology and design are picked up by them. What stops them from doing an interior design or become an architect or becoming temple builders or restoring temples? The same is true with agriculture too, where technology is helping farmers to match output with demand and aiding sustainable agriculture. So, there might be job losses, but there is a number of MSMEs we can create with the world class quality and automatically the demand will be more.

What about people who have been in the same industry for 10-12 years or may be more? When they make the move to another industry it is not necessary that they will get to do things where they specialise.

Today a 30-35-year-old individual cannot assume she/he is going to do the same thing for the next 20 years. One has to look for opportunities to learn new things. One needs to keep the intellectual capacity very active and then keep shifting.

What about remuneration?

Not every issue has to be judged by revenue or remuneration. Whatever job you want to define for yourself, so long you know how to market it, you have an opportunity. Nobody is going to say this job means you are going to get more money. You can disrupt anybody's job by a different thinking. Also, one of the things of sustainability is that the disparity between the wealthiest guy and the downtrodden is so terrible now that if 7% of India's population grabs 85% of all consumption or money, this is not an equitable society. The thing we are trying to address is how we are going to bring in equilibrium. It is going to take time, but I think younger people can adapt to this and should be able to shift gears faster.

What is the role of MSMEs in job creation? With credit offtake by the segment all but stopped, how do you look at gainful employment there?

These are cycles. There is going to be distress, then there will be plenty, there will be sustained effort to create employment and then there will be underemployment. However, delivery of jobs has become easy through technology. You do not have to be physically in that location. If you are part of an MSME, you can do the work in your small area or district and supply it so long the road infrastructure and logistics are good.

MSME and entrepreneurs are the engines of growth and their role is the most important. Supply chain of MSMEs is going to be the critical component of our growth.

What do you think are jobs of the future that youth should train themselves in?

Anything to do with sustainability will be important. Affordable medicine is going to be a great revelation, affordable devices for affordable healthcare will be in great demand. Similarly, in agriculture, sustainable agriculture, nutrition and organic farming will be the key.

Source: financialexpress.com- Oct 12, 2018

HOME

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MMF sector worried over dumping of Chinese textile goods in India

The man-made fibre sector in the country is worried over high crude oil prices and the US sanctions on import of fibres, yarns and other textile products from China because it fears these could lead to dumping of Chinese textile goods in India Synthetic and Rayon Export Promotion Council (SRTEPC) has drawn the attention of the central government to this possibility and on the need to incentivize the textile sector to raise its competitiveness.

SRTEPC office-bearers said the US sanctions on Chinese fibres, yarns and other textile products will make these items highly prone to their dumping in India. China government is considering to further increase subsidies on textile exports, which may lead to escalation of imports of textile goods in India.

China, South Korea, Indonesia, Taiwan and Vietnam. Yarns, fibres and fabrics dumped by China in India are very cheap compared to those manufactured by the textile sector here.”

SRTEPC chairman Narain Aggarwal told TOI, “Indian textile sector is facing tough price competition from China, South Korea, Indonesia, Taiwan and

Vietnam. Yarns, fibres and fabrics dumped by China in India are very cheap compared to those manufactured by the textile sector here."

Textile industry leaders have urged the central government to increase merchandize exports from India scheme (MEIS) to reward rates under foreign trade policy of India to 5 per cent on all MMF textile tariff lines. SRTEPC vice-chairman Ronak Rughani said,

"MEIS scheme gives the much-needed cushion for increasing competitive edge of MMF textiles that face price competition from China and other countries." He said governments of South Asian countries incentivize exports through refund of duties as high as 17 to 21% apart from giving multi-layered subsidies. Therefore, Union commerce minister Piyush Goyal was requested that rewards under MEIS be extended to all MMF textile items, including fibre, yarns, fabrics and made-ups and MEIS reward rates increased to 5% for all MMF textile tariff lines.

Asked about input tax credit (ITC) issue, Rughani said, "The issue of lapse on unutilized ITC credit will be a huge setback for textile exporters as this provision is against the basic settled principle that the right validly earned cannot be extinguished. Lapsed amount is leading to huge losses as the same has now become cost of business for exporters."

Source: Times of India.com - Oct 12, 2018

HOME

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India to make limited gains in the Chinese market despite US-China tariff war: Study

To increase exports, New Delhi must focus on items that are currently denied market access by China

India may manage to benefit from the on-going tariff war between China and the US by increasing its exports to Beijing, but the rise is likely to be limited to just a handful of items, a Commerce Ministry study has estimated.

Nonetheless, the increased need for both the US and China to have India as a reliable partner in keeping global trade and investment flows open provides India with a new leverage in negotiating the terms of economic engagement with both economies which policy makers should make effective use of, the study titled 'Sino-India Trade-A Perspective', advised.

"The study was commissioned by the government to try and understand the reason behind the widening trade deficit with China, which crossed $60 billion, and find ways to bridge the gap. Exploring the opportunities for India flowing from the US-China trade stand-off is an important part of the study," an official told *BusinessLine*.

Of the over 600 items on which the Chinese government has imposed higher tariffs for the US, India at present exports just 44 items and there is scope for increasing sales in China of items such as fresh grapes and steel alloy, the study said.

For future engagements, the study proposed easing of non-tariff barriers in items like pharmaceuticals, fruits and meat and harnessing potential in services like IT.

Concerted efforts

"The specific lines in which India can potentially expand exports to China immediately based on its strengths and available market access in China and also those in which concerted efforts need to be made to acquire market access have been shared with the line Ministries/Departments," the study said.

Although imposition of higher tariffs by China on about 603 items imported from the US in about four tranches presented a possibility to India to increase exports of all these items to Beijing, the actual picture is not quite rosy.

Of all the items on which China has imposed higher duties, America's exports of about 262 items to the country is negligible while for 149 items US exports to China are less than $10 million for each item. "Increased tariffs in these lines would therefore not result in substantial opportunities for other country exporters," the report pointed out.

Then there are 17 items, in the list of 603, where US' exports to China are more than $10 million but India still cannot export to China despite exporting it to other parts of the world due to market-access barriers.
"While trying to find out ways to increase exports of the 44 items where it has an advantage, India could definitely focus on the 17 other items where it has a potential to export but is currently denied market access by China," the official said.

Source: thehindubusinessline.com- Oct 10, 2018

HOME

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India asks Bangladesh to use Kolkata, Haldia as transhipment ports

Initiative will reduce coastal shipping rates, boost bilateral trade

India has urged Bangladesh to use Kolkata and Haldia ports for transhipment purposes.

The initiative can make coastal shipping more cost effective for bilateral trade, thereby shifting cargo from the costly land route, and create an opportunity for Bangladeshi garment exporters to reach European and American markets avoiding congestion at the Chittagong port.

Indian customs authorities have already cleared the deck for Bangladesh to use Haldia as a transhipment port. However, Bangladesh is yet to approve the same. The proposal was reiterated at a ministerial meeting in Dhaka earlier this week.

At the crux of the proposal is the growing need to augment handling capacities on either side, keeping in tune with growing trade volumes.

India-Bangladesh trade grew 38 per cent to $9.1 billion over the last four years. On a year-on-year basis, the trade grew 24 per cent in 2017-18. This was followed by nearly 22 per cent growth in April-July 2018.

Keeping in tune with the trend, movement of bilateral cargo through coastal shipping is also rising. During the first six months of FY19, the port handled approximately 4,000 containers traded between the two nations. This is higher than 3,700 boxes handled in the full year of 2017-18. But there is a problem. As the overall trade is heavily in India's favour, the volume of return cargo from Bangladesh is abysmally low. The low capacity utilisation keeps the coastal freight rate — between Pangaon river terminal near Dhaka and Kolkata — at a high of $13.5 a tonne.

According to Sharad Varma, Managing Director of the Kolkata-based shipping agent, B Ghose & Co, availability of return cargo can bring down the freight rate by at least $4 a tonne, helping both the sides to access each other's market at a lower cost.

For Bangladesh there are twin opportunities Lower trade costs will boost its garment exports to India. Categorised under HS codes 61 and 62 by the Ministry of Commerce, India's garment imports from Bangladesh under the two categories increased by 52 and 88 percent respectively during April-July.

The key to opportunities lies in transhipment. Majority of Bangladeshi garment exporters are concentrated in and around Dhaka and their main markets are located in Europe and America. Currently, goods are transported by road to Chittagong port from where it is shipped via Colombo or Singapore.

Congestion at Chittagong

The road movement and the 10-12 days waiting period at Chittagong due to congestion, makes this logistics costly. Moreover, international garment trade is highly time sensitive and the congestion at Chittagong adds to the export risks. Bangladesh is expanding the capacity of Chittagong port but it is bound to take time.

If Dhaka responds to India's proposal, Bangladeshi exporters can send their products from Pangaon to Haldia to be loaded on to Colombo or Singapore-bound ships.

The whole process will be completed in a maximum of three to four days. While there is no available cost estimate, Indian officials expect shipping lines to tap the opportunity and offer competitive rates to make the proposition viable.

“We are trying to create options to facilitate trade. As per our preliminary discussions with shipping lines, transhipment operations through Haldia will be competitively priced to attract users. The gains are shared,” said an Indian official.

Source: thehindubusinessline.com- Oct 11, 2018

HOME

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India feels RCEP may frame tighter rules on state-owned enterprises

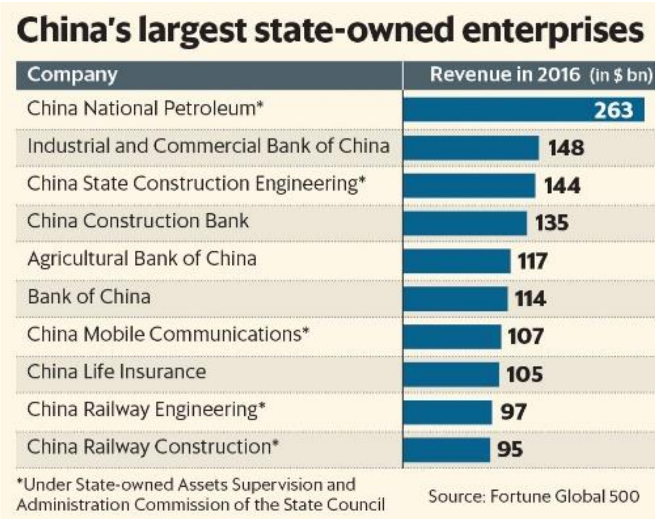
With the US, the European Union (EU) and Japan planning new rules on industrial subsidies and state-owned enterprises (SOEs) specifically targeting China to fix its market-distorting behaviour, India believes member countries of the Regional Comprehensive Economic Partnership (RCEP) led by Japan may formulate tighter rules on SOEs in the ongoing negotiations.

A joint statement issued last month by the three economies after a meeting of their trade ministers said new rules on SOEs will aim at creating a more level playing field for their workers and businesses.

“The ministers highlighted the importance of securing a level playing field given the challenges posed by third parties developing SOEs into national champions and setting them loose in global markets, resulting in distortions that negatively affect farmers, industrial producers, and workers in the ministers’ home countries,” it said.

The regulations are expected to focus on lending by state-owned banks to a company irrespective of its creditworthiness, including due to implicit government guarantees, subsidies to an ailing enterprise without a credible restructuring plan, and subsidies leading to or maintaining overcapacity.

"The trilateral partners continue exploring how to increase the costs of transparency and notification failures and how to strengthen the ability to obtain information on subsidies. The ministers also confirmed their commitment to continue working together to maintain the effectiveness of existing WTO (World Trade Organization) disciplines," according to the joint statement.



An Indian trade ministry official said India will not oppose more stringent rules on SOEs though central public sector enterprises (CPSEs) play a significant role in the Indian economy.

"We are very transparent. All the records of our CPSEs are on the internet. Their purchase transactions are also public," the ministry official said.

India's former commerce secretary Rajeev Kher said India should not shy away from negotiating tighter regulations for SOEs just because it also has large CPSEs. "China is not a market economy and there is a lot of opacity in the way it functions. State capitalism in China gives a lot of protection to SOEs. India should push for stringent rules on SOEs under RCEP because China's SOEs are so expansive in magnitude that we stand nowhere close to it," he said.

In China's economy, the private sector is dominant in industries such as clothing, food, and assembly for export, while companies are predominantly state-owned in sectors such as energy, utilities, and transport, financial, telecom, education, and healthcare services. China's overcapacity in steel production has been of particular worry to all major economies.

State trading enterprises in China have the exclusive right to import or export products such as grain, sugar, tobacco, rice, corn, cotton, coal, crude oil, processed oil, chemical fertilizers, tungsten, tea, silk, antimony and silver.

After many years of downsizing, SOEs started growing after the global financial crisis, accounting for three-quarters, or 60 percentage points, of the rise in corporate debt/GDP since then, and now have assets of over 200% of GDP, the International Monetary Fund noted in a report in August last year.

Source: livemint.com- Oct 10, 2018

HOME

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India: Seed companies asked to pay up in Maharashtra

Maharashtra has sent notices to nearly 60 cotton seed companies seeking a compensation of Rs 1,050 crores for losses incurred by farmers owing to sub-standard seeds that were prone to pest attack. A total of 14 lakh farmers applied to the state seeking compensation from the companies, of which hearing in nearly 10 lakh cases have been completed.

Last year, farmers across Maharashtra reported large areas under cotton affected by pink bollworm, a major cotton pest. Following the pest attack, the government adopted three ways to provide compensation to farmers: through crop insurance, by seeking compensation under the national disaster relief fund and also by making seed companies a part of the process.

Cotton farmers in the state are facing a crisis. Large-scale use of genetically modified or Bt cotton seeds that are failing to keep pests at bay is one of the main reasons for the crisis. This issue gains further significance as in Maharashtra nearly 96 per cent of the cotton crop cultivated in the state is by using Bt seeds. The use of an illegal variety of Bt seeds, herbicide tolerant seeds, has some part to play in the crisis. Seed companies have a month to reply to the notice. However they can move court against the order.

Source: fashionatingworld.com- Oct 11, 2018

HOME

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