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# IBTEX No. 79 of 2018 April 17, 2018

USD 65.58 EUR 81.22 | GBP 94.05 | JPY 0.61

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 19625 | 41050 | **80.17** |

**Domestic Futures Price (Ex. Gin), April**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20910 | 43739 | **85.42** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( May 2018) | 83.25 |
| ZCE Cotton: Yuan/MT ( Jan 2018) | 14,880 |
| ZCE Cotton: USD Cents/lb | **91.43** |
| **Cotlook A Index – Physical** | **92.8** |

**Cotton guide:** Cotton was sideways on Monday's trading session. The ICE July future attempted to break 84 cents but made an intraday high of 83.94 and closed the session a tad lower at 83.22 cents. The same contract this morning in Asia on Tuesday is seen trading at 83.47 cents per pound.

Market has been consolidating rather trading in a very sideways range since past one week and this is the start of the second week. Since there are no major cues and triggers in the market it is hovering in the same range.

The cash sales transactions are low, and there was talk about the forecast for rain in Texas late in the week that could bring much needed rains ranging from about a third to over 2 inches in some areas.

The trading volumes have been also drying up. In the last week the average daily volumes were around 60K contract at the derivatives which have dropped significantly on Monday to 40K contracts. From the price perspective we are seeing a very tight range of 82.50 to 84 cents for the past 5 days and either side breakout shall give a fresh direction to the market.

There are no events except that Chinese auctions are in progress but at a very slow pace. The Chinese State Reserve Auction's daily turnover rate was 39.35 percent: 30,014.488 tons (137,857 bales) offered; versus 11,809.728 tons (54,242 bales) sold. The cumulative turnover rate is 56.6 percent (offered versus sold).

Further, the weekly USDA planting report was out post the markets were closed last evening in the US. The report showed 8% planted compared to the average of 7%. Only 4 states have started planting; Arizona; Texas; California; and Georgia.

On the domestic front, spot price for Shanakr-6 moved higher to an average price of Rs. 41,450 per candy ex-gin which approximately reached to 80.80 to 81 cents per pound. The arrivals further dropped from 106K bales to 102K bales which includes 30K and 30K each from Maharastra and Gujarat. The rise spot price and marginal improvement in ICE future during the day supported Indian cotton futures to trade higher.

Therefore, the April contract ended the session at Rs. 20910 up by Rs. 40 from previous close while it had made an intraday high of Rs. 20980. We believe market to continue to trade in the sideways range and the price band should be Rs. 20800 to Rs. 21K per bale.

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

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# INTERNATIONAL NEWS

## China's economic growth holds steady at 6.8 percent

*The ruling Communist Party is in the midst of a marathon effort to steer the country to slower, more sustainable growth based on domestic consumption and reduce reliance on trade and investment.*

China's economic growth held steady in the quarter ending in March, buoyed by investment and rapid growth in e-commerce amid mounting trade tensions with Washington. The world's second-largest economy expanded by 6.8 percent over a year earlier, in line with the quarter ending in December and down slightly from 2017's full-year expansion of 6.9 percent, data showed Tuesday.

It was above the official 2018 target of "around 6.5 percent." Forecasters are expecting growth to cool this year as Beijing tries to rein in rising debt by tightening controls to cool a boom in real estate sales and bank lending.

The ruling Communist Party is in the midst of a marathon effort to steer the country to slower, more sustainable growth based on domestic consumption and reduce reliance on trade and investment.

A potential looming threat is President Donald Trump's threat to raise duties on up to $150 billion of Chinese goods in a dispute over Beijing's technology policy. Beijing has issued its own list of U.S. goods for possible retaliation.

The country's trade balance swung to a rare deficit in March as exports contracted 2.7 percent. The country relies less on trade than it did a decade ago but export industries still support millions of jobs. In a positive sign for efforts to encourage consumer spending, retail sales rose 9.8 percent, up from December's 9.4 percent growth, according to the National Bureau of Statistics.

E-commerce sales surged 35.4 percent, up 3.3 percent from the previous quarter. Investment in factories, real estate and other fixed assets rose 7.5 percent, up from 2017's 7.2 percent growth. Factory output rose 6.8 percent over a year earlier.

Source: financialexpress.com- Apr 17, 2018

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## Top RMG exporter, Vietnam still lags a popular domestic brand

Although Vietnam is one of the five biggest apparel exporters in the world, there aren't any known Vietnamese brands.

The textile and garment sectors spearheads the country's export and generates the biggest number of jobs -- about 2.5 million.

However, most employees in the sector are manual workers in charge of simple steps while the steps requiring technical skills like dyeing or designing are facing a shortage.

Shortage of high-quality manpower is also one of the reasons why local production of apparel remains undeveloped and Vietnam has to depend on imported materials. Meanwhile, not much is being done about generating high value additions like designing products or on brand building.

Only about 30 per cent of the 6000 textile-garment businesses in Vietnam operate in textiles, including weaving, dyeing, printing and finishing fabrics. Most of the remaining firms make products ordered by foreign fashion brands.

Only a few are able to create their own products, from manufacturing fabrics, designing, to making apparel.

Many companies still have to hire foreign experts and technicians at high costs to be responsible for dyeing, completing fabric and designing products, thus augmenting production costs and reducing their products' competitiveness compared to foreign rivals.

Source: fashionatingworld.com- Apr 16, 2018

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## Indonesia Talks Preferential Trade Agreements with African Nations

*At the Indonesia-Africa Forum (IAF), held on 10-11 April 2018 in Bali, Indonesia agreed to negotiate preferential trade agreements (PTAs) with three African countries: Mozambique, Morocco, and Tunisia. Trade talks are part of a strategy to widen Indonesia's export markets.*

*Considering heightened concerns over global trade as the USA and China - the two biggest trade partners of Indonesia - are implementing tariffs, Indonesia seeks to tap new markets, hence reducing its dependence on traditional export markets thus reducing the impact of US-China related trade turmoil.*

The focus on more intensive trade relations with African countries came after Indonesian President Joko Widodo visited the Indian Ocean Rim Association (IORA) Summit in March 2018. The IORA is an international organization, consisting of coastal states bordering the Indian Ocean, that aims to promote co-operation and closer interaction among its 21-member nations. Indonesia joined the IORA in 1997.

At this summit Indonesian Trade Minister Enggartiasto Lukita stated that the IORA member nations are the future of the world economy and thus it is of strategic importance to enhance trade relations with these member countries.

Total trade among the IORA nations reached USD $777 billion in 2015, up significantly from USD $233 billion in 1994. Moreover, approximately 70 percent of world trade goes through the Indian ocean, the world's third largest ocean. Particularly in terms of oil and gas distribution, the Indian Ocean is the world's key seaway.

### Indonesia-Mozambique

At the inaugural Indonesia-Africa Forum (IAF) on Bali, Lukita had bilateral talks with Ragendra Berta de Sousa, Mozambique's Minister of Industry and Commerce. After the meeting both sides issued a joint statement in which they confirmed their commitment to start negotiations for a preferential trade agreement (PTA).

Total trade between Indonesia and Mozambique reached USD $82.2 million in 2017, with Indonesia having the upper hand. Indonesia exported USD $54.1 million of goods to Mozambique last year, while Mozambique shipped USD $28.1 million of goods to Indonesia.

**Indonesia-Morocco**

Meanwhile, Lukita also had a meeting to talk bilateral trade with Mounia Boucetta, Morocco's Secretary of State to the Minister of Foreign Affairs and International Cooperation. She confirmed Morocco's interest in the proposal of Indonesia to engage in a PTA.

In 2017 total trade between Indonesia and Morocco reached USD $154.8 million with Indonesia also having the upper hand: Indonesia exported USD $86 million worth of goods to Morocco, while Morocco shipped USD $68.8 million of goods to Indonesia.

**Indonesia-Tunisia**

Meanwhile, a preliminary meeting was conducted between officials of Indonesia and Tunisia. Both sides are interested to talk about a PTA. However, so far there has not been an official statement about future plans.

Total trade between Indonesia and Tunisia reached USD $88 million in 2017. Again, Indonesia had the upper hand in this trade relation (a trade surplus). Southeast Asia's biggest economy shipped USD $55.2 million worth of goods to Tunisia, while Indonesia imported USD $22.4 million worth of goods from the North African country.

Stronger trade ties with Mozambique, Morocco and Tunis will also open opportunities for Indonesia to boost trade with the whole African continent; a continent that forms a growing market for investment and infrastructure. In 2017, Indonesia's total trade with this continent reached USD $8.84 billion, an increase of around 15 percent from 2016.

And although coming from a low base, Indonesia recorded strong bilateral trade growth with several African countries last year, including Liberia (+284 percent y/y), Comoros (+260 percent y/y), and Gabon (+215 percent y/y).

Therefore, there should be much more room growth in the future, especially for exports of food & beverage products, textiles and crude palm oil.

**Trade Talks Indonesia & the World:**

| Country - Type of Agreement | Target of Implementation |
|---|---|
| Mozambique - PTA | December 2018 |
| Kenya - PTA | 2018 |
| Morocco - PTA | August 2018 |
| South Africa - PTA | December 2018 |
| Nigeria - PTA | December 2018 |
| Turkey - Trade in Goods | October 2018 |
| Peru - Trade in Goods | 2018 |
| Sri Lanka - PTA | December 2018 |
| Bangladesh - PTA | 2018 |
| Eurasia - CEPA | 2019 |
| GCC - CEPA | 2018/2019 |
| ASEAN Canada - FTA | 2018 |

Source: indonesia-investments.com- Apr 16, 2018

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# Pakistan: Cotton market slows down

Diminishing cotton demand from spinners kept proceedings on Monday extremely dull and dreary. With a listless session due to negligible, prices stayed pegged at overnight level.

The end season trading pattern in cotton market is responsible for the erratic behaviour, with some days witnessing a surge in cotton demand and others with no buying interest.

Ginners are currently holding less than 350,000 bales while the issue of quality is also aggravating.

However, it is encouraging that the yarn market is currently performing fairly well due to demand from domestic market and export front.

The market is eagerly looking forward to see the final cotton production report due in a couple of days. Therefore, there was hardly any evident on buying interest despite the fact many ginners were keen to dispose off their stocks even at lower rates.

On the global front, trade war between China and United States seems to have benefitted India due to higher cotton import by China from India. However, reports suggested that Indian textile industry is under severe crisis and many units are either being closed down or are offered on lease.

The Karachi Cotton Association (KCA) spot rates were firm at overnight level.

According to official announcements, no deal was reported to have transpired on ready counter although many ginners offered deals at lower rates. However, late in the evening some private deals of small lots were reported by brokers to have changed hands.

Source: dawn.com- Apr 17, 2018

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# Vietnam firms advised to invest in Indian garment market

A representative of the Indian Consulate General in Ho Chi Minh City recommended Vietnamese companies look for investment opportunity in the Indian market of 1.3 billion people, particularly in garment and textiles.

Currently Vietnam and India are among the five leading garment exporters in the world. Last year, the value of India apparel exports to Vietnam grew 44 percent to 429 million USD, while Vietnam's shipment of garment-textile products to India reeled in 178 million USD, an annual increase of 42 percent.

The Indian Government is allowing 100 percent foreign direct investment (FDI) in single-brand retail via automatic route, which means foreign investors can pour money into the market without prior permission from the authorities. Vietnamese garment companies can take advantage of the policy by investing in the production of threads, fabrics and ready-made clothes.

It was estimated that between April 2017 and January 2018, Vietnam – India trade reached 10.39 billion USD, surpassing the figure of 10.13 billion USD recorded from April 2016 to March 2017.

Improving trade transactions and connectivity have been classified as a strategic target by the two countries' leaders.

The two countries aim to bring bilateral trade to 15 billion USD by 2020.

Last year, Vietnam exported 31 billion USD worth of textile and garment products, up 10.23 percent from the same period last year while its imports of textile and garment materials, mostly yarns and fabrics, amounted to 19 billion USD.

Source: en.vietnamplus.vn- Apr 16, 2018

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# Pakistan: Growth is an illusion for textile millers

The hostility of big business to democracy in Pakistan seems to have diluted but the textile millers of Punjab do not conceal their deep rooted antagonism towards the democratic experiment in general and the PML-N government in particular.

“Whatever its virtues globally, in Pakistan, democracy has failed to deliver. In nine plus years since General Musharraf's exit the total debt has doubled from $42 billion to $85bn and the twin deficits have ballooned to unsustainable levels, thanks to the government's botched priorities”, said Gohar Eijaz, an articulate leader of the textile lobby.

“How can the government proclamations' of progress convince me when I had to lock down my plant and fire thousands of workers?” asked a second generation businessman who closed down his textile spinning mill in Faisalabad last year owing to viability reasons.

Many leaders of the textile sector told long tragic tales of suffering, culminating in lock outs and finally scrapping of textile plants, in a meeting with Dawn.

At the All Pakistan Textile Mills Association (Aptma) Punjab office in Lahore last week there was tension in the air as Secretary General Anis ul Haq shared data and past presentations highlighting the significance of the textile sector and problems threatening its future.

Gohar Eijaz dismissed the perception of economic progress. He believed that through face lifting and building roads/bridges in Punjab the PML-N has created ‘an illusion of growth’ in the country.

“All through the past decade the environment has been hostile for textile in Punjab. This shattered confidence. Several dozen plants have closed down and I foresee many others crumbling under the weight of rising costs soon”, commented another disgruntled businessman.

He told Dawn that many textile millers want to pull out but for bank involvement. “Exit is easier for those who invested from their own pocket”, he asserted.

Commenting on the possibility of the sector's revival this group of businessmen reacted sharply. "We lost our overseas buyers and credibility. It would be impossible. We are paying through our nose for the government's follies. There is nothing we can do to save the situation when the game is rigged against us", a businessman who moved to Punjab from Karachi in the early 1990s commented.

Dr Hafiz Pasha, an economist and former finance minister, believes that the economy indeed has worsened significantly under the PML-N government. In his recently launched book 'Growth and Inequality in Pakistan' he cited several factors and identified slippages that drew this conclusion.

Some relevant portions from the book are: "Driven by a stagnant tax-to-GDP ratio, mounting public enterprise losses and persistent subsidies for the power sector, the overall fiscal deficit has increased to an average of 5.8pc of GDP over the last five years.

"The overall public debt which was brought down to 57pc of the GDP in 2007-08 has again shot up to over 67pc by 2016-17 … consumer inflation moderated … in part due to a change in base year of CPI from 2000-01 to 2007-08 with under reporting of inflation in house rent, electricity and gas price.

"Stagnancy in exports and unsustainable imports due to an increasingly overvalued exchange rate put Pakistan current account in stress….Overall; the economy has shown little dynamism since 2007-08".

Without overtly advocating reversion to direct rule, the textile millers of Punjab pulled out historic growth data to prove that stability and industrial expansion has been greater under, dictatorial rule.

In contrast, the Pakistan Business Council, advocacy platform of big business, threw its weight behind the PML-N government on tax reforms and the amnesty scheme. Following in its footsteps the Federation of Pakistan Chamber of Commerce and Industry (FPCCI) and several chambers also announced their support.

“Politics is not our business but we have come to realise that an elected government with a broad support base is inherently better equipped and more invested in removing road blocks to higher sustainable growth in Pakistan, than a dictatorship”, a big boy of business in Karachi commented.

“I don’t mean to say politicians are perfect. Often they are self indulgent, resent meritocracy, mismanage and misgovern. They take no interest in institution building.

“Yes, the PML-N hierarchy is arrogant and inaccessible but it has made a difference as far as the economy goes. Despite all that is wrong Pakistan is blipping on the world’s investment map of after a long time. This is no mean achievement”, he argued.

Commenting on the change of hearts in corporate Pakistan, a tycoon in Lahore had a different take. “It is not a matter of choice for corporate Pakistan. The fact is that the deeper establishment has dumped the civilian elite. In transformational phases in the past we were always approached.

“Can you believe I do not recognise the Core Commander of Lahore? He did not bother to call on me. This time round no one has been contacted by Rawalpindi for any kind of input. My class is feeling left out and hence is soft on politicians”, he regretted.

Another top banker who has expanded into other sectors defended the ruling party. “How can anyone deny that under PML-N rule the country has been propelled out of stagnation and slowly but surely is on an upward growth trajectory. The GDP growth rate has almost doubled from over 3pc to about 6pc. Yes manufacturing is nowhere close to its potential but the investment sentiments are positive”, a corporate head contended.

Source: dawn.com - Apr 16, 2018

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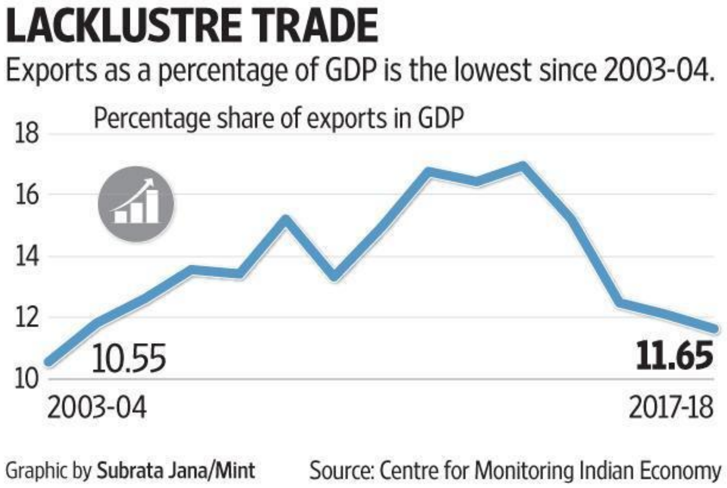
## NATIONAL NEWS

## Exports as percentage of GDP lowest in last fourteen years

***Given this lacklustre export performance and the clouded outlook, growth in the Indian economy will have to come from the domestic market***

The botched introduction of the goods and services tax (GST) has taken a heavy toll on India's exports. Merchandise exports as a proportion of gross domestic product for 2017-18 is the lowest since 2003-04, as the chart illustrates. The data has been taken from CMIE or the Centre for Monitoring Indian Economy.




While it could be argued that the poor showing in 2017-18 is a consequence of GST, especially in the delay in giving refunds to exporters, the trade figures for March 2018 are also not encouraging. Exports contracted in March from a year ago.

The gems and jewellery sector has not done well all through the last quarter and the disruption on account of the Punjab National Bank (PNB) scam has hit the sector hard.

Textile exports too haven't been doing well, nor have engineering exports. EEPC (Engineering Export Promotion Council) India chairman Ravi Sehgal said, "The engineering sector, which had been leading the basket of goods exports, could manage to grow by a meagre 2.62% in March, making it imperative to redraw our external trade strategy.

This is all the more important in the backdrop of more and more protectionism rearing its head. Rising raw material costs, among other factors, have had a crippling impact on the shipments." Sehgal also pointed out that Indian exports have been sluggish despite a pick-up in global growth.

With the rise of protectionism in the US, the outlook for exports has been further clouded. Last Thursday, the US trade representative office said it has launched investigations on whether India was complying with the rules on the Generalised System of Preferences, which could affect duty-free entry of a host of products from India.

Given this lacklustre export performance and the clouded outlook, growth in the Indian economy will have to come from the domestic market.

Source: livemint.com- Apr 16, 2018

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## India's apparel exports decline by nearly 4% in year of GST

*Backed by its duty-free access to the EU market, Bangladesh retains its status as the second-largest apparel exporter after China*

In the first year of implementation of the goods and services tax (GST), India's apparel or readymade garment (RMG) exports have declined by nearly four per cent in dollar terms in FY18. In rupee terms, the decline is higher at 7.6 per cent.

RMG exports fell from $17.4 billion in FY17 to $16.71 billion in FY18, a 3.8 per cent decline.

Fall in RMG exports happened due to continual month-on-month (MoM) decline in dollar terms, beginning from a 39.30 per cent fall in October 2017 and ending at 17.8 per cent in March 2018.

In the latter month alone, India's RMG export was $1.49 billion, against $1.81 billion for the corresponding month last year.

H K L Magu, chairman, Apparel Export Promotion Council, said, "The export figures show apparel export is not only stagnating but heading towards recession. These clearly indicate ongoing shrinkage in the industry, which is a big cause of concern."

Global factors such as free trade agreements (FTAs) of competing nations with key markets like Europe, the UK and the US had already been posting a challenge to RMG exporters. GST implementation in July 2017 resulted in blockage of funds for the export community, says the industry. Further, export incentives such as duty drawback and rebate on state levies (ROSL) were reduced.

“While the duty drawback rate and ROSL were lowered to two per cent from 7.5 per cent and 3.9 per cent, respectively, in the post-GST era, incentive under the Merchandise Exports from India Scheme (MEIS) was increased from two to four per cent,” Magu told Business Standard.

However, with the MEIS deadline on June 30, the industry is uncertain of taking orders beyond the date on the basis of a higher incentive. "We are unsure if MEIS will continue after that. We will lose money if we assume four per cent incentive beyond June and the government does not extend it,” said Magu.

Global factors have been rendering Indian RMG exporters uncompetitive. “While China has vacated the apparel export space, India is unable to encash on the opportunity, unlike Vietnam, Bangladesh or Cambodia who have FTAs. India is emerging as an expensive affair in the global apparel market," Magu stated.

Backed by its duty-free access to the EU market, Bangladesh retains its status as the second-largest apparel exporter after China. Vietnam remains fastest-growing among large apparel-exporting nations, maintaining its growth in the US market despite the latter backing out of a proposed trade agreement.

"Bangladesh and Vietnam are showing consistent growth in the apparel exports. We would like the government to address the issue at the earliest," Magu said.

Source: business-standard.com- Apr 17, 2018

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## India's T&A shipments to Vietnam up 44 per cent in 2017

India's textile and garment shipments to Vietnam were up 44 per cent in 2017 while imports from Vietnam were up by 42 per cent. The two countries aim to bring bilateral trade to $15 billion by 2020.

Vietnam's textile sector is growing rapidly but in an unbalanced manner due to restricted supply of raw material like cotton. So the country expects India to supply quality yarn and fabrics. And India is in a position to do this.

Vietnamese and Indian textile and garment firms see this as a good time to enhance links in investing, exporting materials and technical assistance for mutual benefit.

Vietnam is one of the five largest textile and garment exporters in the world. However, the country is also one of the world's leading importers of fabrics and materials.

The shortage of high-quality materials for production is the biggest barrier to Vietnam's textile and garment industry, hindering the country from taking advantage of free trade agreements.

Cooperating with Indian businesses will be an effective measure to diversify material supply resources for Vietnam.

Trade promotion programs can help Indian businesses make deeper inroads into the Vietnamese market. These can also help Vietnamese businesses seek more material suppliers and learn from effective production models.

Source: fashionatingworld.com- Apr 15, 2018

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# How India can become a $5 trillion economy

Apart from structural changes in all sectors of the economy, our perspective must shift from policy to projects

Last month, Prime Minister Narendra Modi spoke of India becoming a "Five Trillion Dollar" economy. Let us find out how soon we can reach the 5T mark? What growth rate is required? And what changes we need to introduce?

**But how do we assess the current size of the economy?**

There are two measures of GDP — at constant prices (2011-12) and current prices. Currently, India's GVA is $1.8 trillion, GDP at constant price $2 trillion, and GDP at current price $1.8 trillion.

What growth rates will take us to 5T and how soon? World Bank says India's GDP is expected to grow at 7.3 per cent in 2018-19. The RBI's figure is 7.4 per cent. So we can take 7.4 per cent as the base figure.

A simple calculation shows that the GDP at current prices will reach 5T in 2027 at this growth rate. So if we sustain the base growth rate of 7.4 per cent, we will become a 5T economy within ten years.

However, an ambitious agenda of change can push growth rates upwards. So, India can become a 5T economy in 2024 with 10 per cent annual growth rate. And 14.2 per cent growth will get us there in 2022. But achieving such high growth will require exceptional structural changes in all sectors of the economy.

Table 1 indicates when our economy will reach 5T. The year is different for each of the three measures of economy and depends on the growth rate selected. Sectors such as agriculture, manufacturing and services grow at different rates. Table 2 captures the sectoral growth rate required to achieve the target.

To reach 5T, we need to shift our perspective from policy to projects. Select sectoral initiatives can be converted into 100 projects. Each to be led by a competent leader with proven skills. They must report to the PM.

The regular bureaucracy would facilitate the job of the project leader, who will be free to choose her team. We propose few such initiatives.

Table 1

**When the economy will reach 5T**

| Three measures of economy | Current value of economy ($ trillion) | Targeted average annual growth rate | | |
|---|---|---|---|---|
| | | 7.40% | 10% | 14.20% |
| **GDP at current prices** | **2.5** | **2,027** | **2,024** | **2,022** |
| GDP at basic prices | 2.0 | 2,030 | 2,027 | 2,024 |
| GVA at basic prices | 1.8 | 2,031 | 2,028 | 2,025 |

Table 2

**Sectoral growth rates**

| Sectors | Sectoral GDP ($ billion) | % share in GDP | Targeted sectoral average annual growth rate | | |
|---|---|---|---|---|---|
| | | | GDP @ 7.40% | GDP @ 10% | GDP @ 14.20% |
| Services | 1412.0 | 56.5 | 8.0 | 10.8 | 15.3 |
| Manufacturing | 449.1 | 18.0 | 5.2 | 7.1 | 10.0 |
| Agriculture, forestry and fishing | 370.7 | 14.8 | 2.4 | 3.2 | 4.6 |
| Construction | 192.8 | 7.7 | 4.1 | 5.5 | 7.9 |
| Mining and quarrying | 76.3 | 3.1 | 3.3 | 4.5 | 6.3 |
| **Total** | **2500.0** | **100.0** | **7.4** | **10.0** | **14.2** |

## Model farms

One, transform agriculture by setting up a thousand world-class farms across the country. Most farmers do not have the capacity or means to benefit from the existing schemes. Time to try a new model where farmers learn to be productive by working in association with a professional firm which takes care of farming, marketing, and exports.

The implementation will cover less than one per cent of the arable land and cost no money to the government.

To implement, the government will need to identify 1,000 agriculture development regions (ADRs) each with a minimum area of 200 sq. km. State governments will take this land on a 10-year lease from the willing farmers. In return, the State governments will assess a farmer's 10-year income and agree to pay double the amount in annual instalments. Farmers will remain the landowners.

Next, the States will invite corporate farming ventures (CFVs) to work on each of the ADRs for 10 years. In return, CFVs will pay the money that the States promised to pay the farmers. The CFVs will apply modern techniques and investments to produce and market high-quality products. Farmers may work on the land and imbibe the right practices.

Soon, the best practices will spread to adjoining areas. Farmers who participated with such CFVs will pool their land and start collaborative farming where external CFVs will not be needed. The model will turn millions of farmers into smart and prosperous entrepreneurs. ADRs will contribute substantially to production and exports. This model may supplement the existing government schemes.

**Manufacturing ecosystem**

Two, transform manufacturing. With a trade war-like situation emerging between the US and China, and MNCs looking for alternative manufacturing locations, there is no better time for India to give a big push to manufacturing. To get there, India has to focus on setting manufacturing ecosystem for the four product groups.

One, machinery that makes the products. Two, specialty materials, biologics, nanotechnology, integrated circuits, embedded systems, medical imaging devices. Three, computers, TVs, mobile phones, and telecom equipment. And, four, auto components, toys, furniture, footwear, and apparels. This skill and labour-intensive products group can absorb part of surplus people from the agriculture or informal sector.

Successful operations would require sector-specific policies and inviting an anchor firm for each major product group. Flexible labour laws are an essential precondition for large-scale manufacturing.

Over 70 per cent of India's exports come from the manufacturing sector. New manufacturing operations will allow India to become part of few global value chains and help in raising exports to a trillion dollar mark.

**Transform services**

Services contribute to 56.5 per cent of GDP but create only 30 per cent of jobs. So far, IT sector has been the star, exporting over 80 per cent of its $150 billion turnover.

But as over 50 per cent of IT revenues come from the US, the future looks challenging with Trump at the helm.

Also, as over 40 per cent of the IT jobs India does will disappear due to automation, the sector needs to develop expertise in IOT, AI, and their applications. Travel and tourism, health, and professional services can be the other star service sectors. Better delivery of infrastructure, education and essential services would also create a large number of jobs and growth.

The travel and tourism sector created 40 million jobs and contributed a significant 10 per cent to GDP. Considering the variety of experiences India offers, the sector can grow manifold with project-driven investments in budget hotels, medical tourism, tourist safety, and top 100 attractions.

India as a global healthcare jobs provider can be another big story. Global healthcare and wellness is a $8 trillion industry, which would require over 100 million health workers in the next 15 years. Dr Devi Shetty proposes that we should convert India's 600 district hospitals as medical nursing and paramedical schools to train 5 million doctors, nurses, and paramedics to meet the global requirement. They can remit about $100 billion of foreign currency every year.

The construction sector's potential is largely untapped. It has slowed in the past two years but remains big with over 8 per cent share in GDP.

It is the largest job-generating sector after Agriculture. The sector lacks transparency, and millions of buyers stand cheated in the hands of builders every year. Ensuring transparency and ease will revive the sector attracting FDI and create millions of new jobs.

Source: thehindubusinessline.com- Apr 17, 2018

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# Employment to be main criterion for coastal economic zones

Coastal Economic Zones (CEZs) may be renamed Coastal Employment Zones, keeping in view their job-generating potential and giving them an identity.

Union Shipping Minister Nitin Gadkari's favourite project will make employment generation the main condition while giving approval to industrial units looking at setting up shop in these zones.

Under its Sagarmala programme, the government had in July 2016 announced building 14 CEZs, which will be aligned to ports in maritime states. These will house Coastal Economic Units for setting up manufacturing facilities.

**PROPOSED LOCATIONS**

| | |
|---|---|
| Kutch | Gujarat |
| Saurashtra | Gujarat |
| Suryapur | Gujarat |
| North Konkan | Maharashtra |
| South Konkan | Maharashtra |
| Dakshin Kanara | Karnataka |
| Malabar | Kerala |
| Mannar | Kerala |
| Poompuhar | Tamil Nadu |
| VCIC South | Tamil Nadu |
| VCIC Central | Andhra Pradesh |
| VCIC North | Andhra Pradesh |
| Kalinga | Odisha |
| Gaud | West Bengal |

Source: Ministry of Shipping

According to a senior official in the know, "The proposal to change the name and definition of CEZs was mooted by the NITI Aayog in the last inter-ministerial committee meeting. The focus of the economic zones will be on employment and have an identity distinct from that of the existing SEZs (special economic zones)."

It is learnt that the Ministry of Shipping has floated a Cabinet note for these zones and the response from the ministries concerned is awaited.

For promoting port-led industrialisation, 14 CEZs, covering all the maritime states and Union Territories, were identified as part of the National Perspective Plan under the Sagarmala programme.

The perspective plans for all 14 CEZs were prepared in consultation with the state governments and central ministries concerned.

The idea behind port-led industrialisation through the proposed development of CEZs under the Sagarmala programme was to provide impetus to the Make In India initiative of the government.

The Sagarmala programme has four essential features — port modernisation, port connectivity, port-led industrialisation, and coastal community development. The CEZs fall in the third category.

Ports handle 90 per cent of the country's EXIM cargo by volume and 70 per cent by value. Gujarat alone caters for 25-30 per cent of cargo traffic. Therefore, connecting the coastal areas to ports through port-led development was planned because proximity to the port brings down the logistics cost of a company substantially.

The 14 proposed sites are Kachchh, Suryapur and Saurashtra in Gujarat; North and South Konkan in Maharashtra; Dakshin Kanara in Karnataka; Malabar in Kerala; Mannar, VCIC South and Poompuhar in Tamil Nadu; VCIC Central and North in Andhra Pradesh; Kalinga in Odisha; and Gaud in West Bengal.

Source: business-standard.com- Apr 17, 2018

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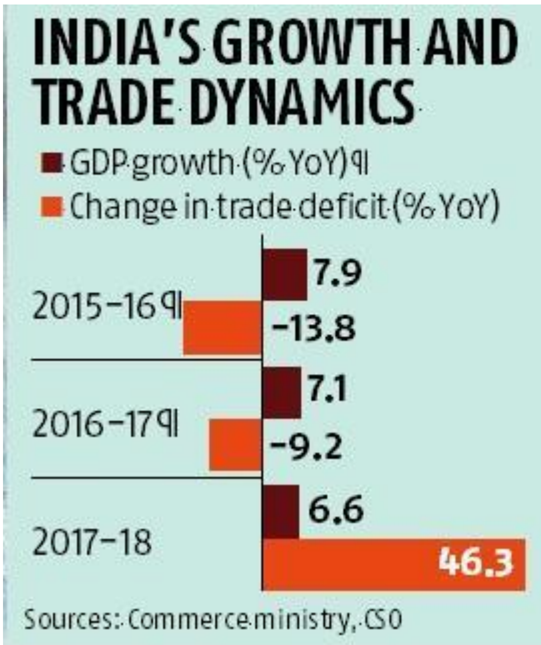
## India must grow at 18% to ensure jobs to growing workforce: World Bank

If employment growth per percentage point gross domestic product (GDP) growth remains business-as-usual, then India would need to grow at 18 per cent per year to ensure employment to the burgeoning workforce, a World Bank (WB) report has said.

However, it has said that attaining such rates is not possible and that growth rates alone cannot solve the looming jobs challenge in India, at a time when the job-demanding population is on an organic rise.

"These (growth) rates are implausibly high, implying that rapid growth alone will not be enough. If South Asian countries are serious about increasing employment rates, more jobs will need to be created for every percentage point of growth," said the report.




The WB released its bi-annual South Asia Economic Focus report for Spring 2018 titled 'Jobless Growth?' on Sunday. In its previous South Asia economic focus reports, it had focused on backlash of globalisation, tepid investment growth, and fading global tailwinds in the South Asian context.

Against the backdrop of an uptick in global growth in the current year, the report predicts that global demand and thus, the exports from emerging economies would moderate in the upcoming years to 2020. It also notes that the 6 per cent growth in Indian exports in 2017 (calendar year) was lower than what the WB expected in its January update.

Exports growth is key to employment growth in India, economists and policy planners have observed time and again.

India's GDP growth plummeted from 7.9 per cent in 2015-16, to 7.1 per cent in 2016-17 (Revised Estimate) to 6.6 per cent in 2017-18 (Advance Estimate). Keeping its eye on South Asia, the WB report said there is an addition of 750,000 jobs in India per percentage point of GDP growth.

In Pakistan, 200,000 jobs are added for 1 per cent upswing in GDP growth, while the figure is 110,000 for Bangladesh.

"With the Indian economy going through structural changes and technology changing the idea of our future every day, the report does not portray a realistic picture for India's growth," Ila Patnaik, an economist and a professor at the National Institute of Public Finance and Policy, said.

Deconstructing the debate on unemployment, it says female employment rate dropped by 5 per cent per year in India in 2005-2015, whereas male employment rate decreased very little.

Labour force participation rate is defined as the number of persons looking for a job as a proportion of the working age population (age group 15-59). In 2015-16, the labour force participation for males was 75.5 per cent, while that for females was a meagre 27.4 per cent.

The national sample surveys in India indicate that female labour force participation has reduced, while the census data says it has remained constant, notes the WB report. This incongruity in data, the report said, makes it difficult to ascertain employment estimates and prospects for not just India, but all South Asian countries.

The report notes that “faster economic growth leads to either more jobs in the aggregate, or to a reallocation of jobs away from self-employment”, but it also observed that this correlation is the weakest for India.

Though India has grown faster than before past 2005, the report says that job growth has rather reduced in the reference period 2005-2015.

On the growth front, the report said that though improvement in global growth was the biggest relief for South Asian emerging economies in 2017, it is going to dampen in 2019 and 2020. It also noted that the growth in exports would be lower than expected in certain sectors. The WB has put 2017-18 growth estimate for India at 6.7 per cent.

“A further acceleration to 7.5 per cent by FY19/20 is dependent on a sustained recovery in private investments, which is expected to be supported by policy measures that improve the investment climate,” is said in its forward-looking outlook for India.

Upward looking growth rates and “contained” inflation are the positives, while the “export performance remains disappointing throughout the region,” it said. Criticising the current fiscal situation in South Asian countries, including India, its fiscal outlook is in the ‘sustainable’ domain.

Rising oil prices put a pressure on the balance of payments of South Asian countries, it added. Brent crude crossed $73 per barrel, while crude oil for the Indian basket crossed $70 per barrel last week, and is on an upward trot this week.

Better infrastructure, with a special mention of affordable housing in the upcoming urban areas, and greater integration with global markets were the top priorities spelled out by respondents in the survey preceding the report, in order to strengthen the relationship between GDP growth and job creation.

Source: business-standard.com- Apr 17, 2018

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## Infra, logistic firms take to blockchain to automate processes

***To ease supply-chain complexities and cut inefficiencies***

Disrupted digitally, global and national infrastructure and logistic firms are dipping into block-chain technology to ease supply-chain complexities and cut inefficiencies.

Indian logistics players Mahindra Logistics and JM Baxi Group have partnered with IBM to develop blockchain technology. While global ports and shipping conglomerates like the Belgium-based Antwerp Port and the Denmark headquartered Maersk have already invested in the technology, home-grown Essar Ports is exploring the option.

### Game-changer

These businesses invariably involve highly complex transactions between multiple stakeholders, involving contracts that could stretch to months or years. Blockchain technology is proving to be a game-changer in this space as it enables smart-contracts between players automating the processes of purchases, cutting time and cost. Storing all product information at a single ledger also dramatically improves transparency, cutting inefficiencies and risk of tampering, challenges the supply chain industry is so prone to.

## Mahindra, IBM tie up

Mahindra Logistics, which is using blockchain technology to authenticate businesses of auto components and spare part suppliers for Mahindra's automotive division, wants to expand it to spare parts suppliers of other companies.

"To start with, the technology is only for Mahindra and Mahindra vendors, but we want to bring in other auto component/spare part vendors as well. We are doing it as a project with IBM" Pirojshaw Sarkari, CEO of Mahindra Logistics, told BusinessLine.

Explaining an instance of how the technology works Sarkari, said "There are auto component manufacturers, who are supplying to Mahindra's auto division; Mahindra Finance is financing them (part suppliers) and Mahindra Logistics is picking up goods from the auto component vendors and delivering to Mahindra's automotive division.

The vendors get paid only once the products get delivered. When we pick parts, how are we to check whether they have a proper business? Blockchain helps us authenticate faster."

In fact, fraud, fictitious pick-ups and cargo thefts are fairly common in the supply-chain industry and have only risen in the last few decades since trade and commerce have become more globalised in nature. While there is no exact estimate of how much business is lost to cargo theft globally, industry experts peg it in the range of staggering $30-56 billion. Such losses might be making the end consumer cough up 20 per cent more.

Marc Van Peel, Chairman of the Antwerp Port Authority, which has invested in a blockchain technology platform called NxtPort, said that several logistics players are taking part in its project.

"It requires a lot of trust of the stakeholders as they have to share data about the whereabouts of cargo in the supply chain.

The port has to assure the players that competitive data will not be available to participants," he added. Essar Ports Managing Director and CEO Rajiv Agarwal said that blockchain is the new buzzword in the industry and they are open to it.

**Global trade body**

The technology has become large enough to have merited a global trade body named Blockchain in Technology Alliance which strives to develop common standards in blockchain use.

Early this year, AP Moller Maersk partnered IBM to build a blockchain technology-based trading platform.

Source: thehindubusinessline.com- Apr 17, 2018

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## Apparel exports may slip into negative zone

Apparel exports have entered a "recessionary zone" with shipments in March falling 17.78 per cent to $1.49 billion, with an overall dip of 3.83 per cent to $16.71 billion in 2017-18, the Apparel Export Promotion Council (AEPC) has said.

"These figures clearly show that apparel exports are not only stagnating but are heading towards a recession. Apparel manufacturing has already registered a decline for the tenth straight month in February," said HKL Magu. Chairman, AEPC. Though India is struggling with the problem of stagnation in exports, countries such as Bangladesh and Vietnam are showing consistent growth in apparel exports, the release stated.

Magu said the AEPC was working with policymakers for an early resolution of the sector's problems, including working capital being stuck due to slow refund of GST and reduction in drawback rates.

India's overall goods exports increased 9.78 per cent to $302.4 billion in April-March 2017-18, but declined 0.6 per cent to $29.11 billion in March 2018. The fall has been much more in the case of apparel exports.

The sector currently employs 12.9 million workers, but due to the ongoing slide, several clusters have been impacted, said Magu.

Source: thehindubusinessline.com- Apr 17, 2018

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