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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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SD 69.84| EUR 78.33 | GBP 87.95 | JPY 0.64

Cotton Market (14-06-2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21866	45700	**83.71**
Domestic Futures Price (Ex. Warehouse Rajkot), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21500	44935	**82.31**
International Futures Price		
NY ICE USD Cents/lb (July 2019)	66.83	
ZCE Cotton: Yuan/MT (September 2019)	13,475	
ZCE Cotton: USD Cents/lb	88.30	
Cotlook A Index – Physical	**77.50**	

Cotton Guide: The ICE cotton futures were still up yesterday but marginally. The reason attributed was again weather conditions and gains in competing crops. The Most active cotton future the ICE December contract emanated a gain of 0.55 cent or 0.90% at 66.43 cents/lb. the trading range was 65.47 to 66.75 cents/lb. There is some news coming with respect to planting delays with heavy rains being the major concern. The volumes have now shifted from ICE July to ICE December with the December contract showing volumes of 27,973 as compared to ICE July's volume of 21,891 contracts. The total volumes seen yesterday at ICE were 53,011 contracts.

The USDA reports emanated net sales of 75,100 running bales (2018/2019) which means a decline of almost 60% from the previous week and 72 percent from the prior four week average. For the second time the India was the lead export sales destination.

Country	Increases (Running bales)
India	30,400
Vietnam	25,200
Indonesia	9,800
Taiwan	2,900
Country	Reductions (Running bales)
China	5,600
Mexico	2,000
Table 1: US Upland Sales 2018/2019	

The net sales for 2019/2020 was seen at 43,000 running bales primarily for:

Country	Increases (Running bales)
Japan	11,700
Guatemala	11,700
Vietnam	8,500
China	4,400
Pakistan	3,500
Country	Reductions (Running bales)
Mexico	2,000
Table 2: US Upland Sales 2019/2020	

On the other hand export shipments were up by 17% at 360,400 RB.

Country	Increases (Running bales)
Vietnam	90,700
Turkey	55,200
India	53,200
China	42,500
Indonesia	22,500
Table 3 : Export Shipments	

The MCX contracts on the other hand were tilted towards the positive side with the MCX June contract settling at 21,500 Rs/Bale with a change of +50 Rs. The MCX July and MCX August contracts settled at 21,610 Rs/Bale and 21,630 Rs/Bale respectively with a change of +40 and +70 Rs. The MCX July and MCX August contracts are almost at par with each other. Total Volumes were decent.

The Cotlook Index A was adjusted positively at 77.50 cents/lb with a change of 1.00 cents/lb. The Cotlook Index A 2019/2020 was adjusted at 75.95 with a change of 0.75 cents/lb. The average prices of Shankar 6 are at 45,700 i.e. they are marginally rising up.

Indian spinners are seen to have booked good amount of imported cotton while they are now further looking to import more cotton as the prices are favorable for them at the moment. While speaking about Ginners, as the monsoons have now set in, the ginners are expected to sell the stocks which were held by them during summer. The Ginners usually await for the monsoon so that they could take the advantage of the weight gain (due to the moisture in the air) and get better realization on their bales.

While we speak about imports, there is a very important news coming in from China. The China Cotton Association recently requested a waiver form import tariffs on the US Uncombed cotton. They have submitted an application representing all its members to the Government. Lately, the Chinese Ministry of Finance had brought forth a list of goods which includes cotton (carded or combed) in the later part of May, which can qualify for waivers on tariffs that China imposed on US Goods. During the first half of the cotton marketing year China only imported 11% cotton as compared to 45% in the previous year.

Fundamentally, for today we feel that the markets will continue with a steady rise for the MCX contract coupled with the Domestic Spot prices, whereas the adverse weather conditions can push the ICE Prices slightly higher. On the other hand, the lesser export sales data can play with the sentiments of the international markets.

On the technical front, prices are trading in an upward sloping channel, with a range of 66-67.50, however a close below the channel would help the negative momentum also forming a bearish flag formation. Prices have taken support of 50% Fibonacci extension level (64.80), but are currently trading below the DEMA (5, 9) at (66.61, 66.94). However immediate support for the prices at 66 & the resistances would be 67.80 (upper range of channel). Momentum indicator Stochastics which works well in sideways markets is hovering near the oversold zone at 36 suggesting sideways to negative bias for the coming sessions. For the today's session we expect the prices to trade within a range of 66-67.50. In the Domestic market MCX Cotton June may trade in the range of 21000-21700.

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

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INTERNATIONAL NEWS

US import of denim apparels increases by 6.82%

Recently released apparel import data by OTEXA suggests that USA imported US $ 1,061.76 million worth of denim apparels during the Jan.-Apr. '19 period. This was an increase of 6.82 per cent over the previous quarter.

Of all countries, Mexico exported $261.23 million worth of denim apparels to USA, registering an increase of 17.44 per cent from the previous quarter. China's exports declined by l 2.29 per cent to US$ 222.77 million.

Vietnam too posted solid growth of 33.65 per cent to export US $ 83.43 million worth of denim apparels. The country surpassed Pakistan in the first four months of 2019 due to latter's meagre growth of just 5.42 per cent.

Pakistan's sluggish growth could only make US $ 74.57 million from its denim apparel exports allowing Vietnam to overtake it.

Bangladesh, on the other hand, saw a rise of just 3.23 per cent and its export shipment valuation stood at US $ 130.48 million in the review period.

Source: fashionatingworld.com- June 15, 2019

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Brexit: An Opportunity For Indian Companies?

In the three years since the referendum to decide whether the UK should leave or remain in the European Union, debates have raged about the impacts to businesses in the UK during this period while a deal is worked out. Unfortunately, the debate on business is usually polarised between those who want to protect the status quo and those that want a free for all.

Neither, in my opinion work and from my experience, most successful business leaders are pragmatists, who just want clarity of direction, so we can pivot our business towards a new reality.

Our ability to adapt is and should be more important than our ability to protect. Despite the uncertainty today, there are many potential opportunities for businesses in the UK, as well as other nations - particularly those within the Commonwealth.

As UK Trade Minister Liam Fox noted last year, Brexit affords the country the opportunity to "reinvigorate Commonwealth partnerships," by renewing exchanges of "expertise, talent, goods, and capital" in a manner that has not been done for at least a generation.

This perspective has allowed many to come to the conclusion that a UK-India Fair Trade Agreement (FTA) would not only be a useful deal, due to India's services culture and scale but also its strong technical workforce.

After all, India is considered the fourth most attractive investment market, surpassed only by the U.S., China and Germany, according to a PwC survey of global CEOs announced at the latest World Economic Forum. In the midst of political or economic change, it is a market that draws even greater attention. Several industries could potentially benefit from a UK-India FTA, not only technology but also textiles, engineering, healthcare and many more.

As the leader of a technology firm that is listed on India's NSE with operations in the UK, I see significant short-term opportunities that are ready to be realised in both markets – whether Brexit moves forward or not and irrespective of the flavour of Brexit we end up with.

In the technology space, India's long standing focus on innovation has made the country a global leader and top exporter of information and communication technology, and a key source of exports to the UK.

As one of the top 10 digital technology solution suppliers to the UK government by revenue, we see the opportunity for Brexit to create additional opportunities, contrary to the way that things may appear at present.

While innovative tech exports are important, drawing from India's high-quality service culture is even more critical to sustainable success for Indian companies. I have found that this culture, which stems from a desire to serve customers well, is focused on improving overall experiences with the company's product or service.

In the tech sector, this is manifested through a commitment to creating value for our customers that goes beyond the simple benefits of specific product features.

So too with the growth of digital, new technologies and projects are helping the public and private sector engage with their stakeholders in different ways. For us it is all about the customer experience and having an impact on their operations, not a race to develop technology at a low cost.

India's burgeoning IT sector must evolve and must innovate. We must leverage new technologies such as AI and RPA to drive productivity improvements and for this we need new talent, new skills and new business models.

Indian tech firms, such as ours, and companies undergoing digital transformation in other sectors are making recruitment a priority this year. With such a phenomenal talent base in the Indian economy, it is now a key moment to invest more skilled capacity within our companies to exploit the huge benefits digital technologies will create. I would argue this is the way to drive sustainable competitive advantage for India and maintain India's global leadership in technology services.

As Indian companies follow the Brexit situation in the UK, business leaders and investors would be wise to see the market as an opportunity to usher in a new era of partnership and leverage Commonwealth ties to strengthen and increase market share.

Anglo-Indian partnerships have a tremendous opportunity to set the agenda for global prosperity and the pragmatists will be the ones to benefit.

Source: businessworld.in- June 15, 2019

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Vietnam: Denim production needs green growth

Nguyen Thi Tuyet Mai, general secretary of the Vietnam Textile and Apparel Association, said that around 55 to 60 per cent of the demand for materials for jeans production could be satisfied domestically.

Both domestic and foreign companies in the denim production sector in Vietnam are investing in advanced manufacturing chains and technologies. Domestic companies are also focusing on being more involved in the design stage and reducing the number of manual laborers.

While the denim production sector has formed a complete supply chain within Vietnam's textile and garment industry and is able to supply materials for domestic production, the number of businesses in this sector is still limited.

The sector has growth potential, but currently denim products only account for around 10 to 20 per cent of Vietnam's textile and garment product exports.

Nguyen Dinh Truong, deputy standing chairman of the association, said that considering the trend toward sustainable development, consumers were keen for green production and environmentally friendly products.

"Businesses need to have greener operations and save on raw materials," he said.

Vietnamese textile and garment businesses had been improving their production methods and were taking part in the global supply chain, he said, adding that this was a good opportunity for foreign companies that want to sell machinery or transfer technology to local denim businesses.

Jordi Juani, Asia division director of the Spain-based Jeanologia, said that if production of denim and jeans in Asia continued to grow, it could pose a major threat towards the environment.

He urged businesses to raise awareness about sustainability and to deal with industry problems, and follow modern retail trends and customers' tastes, especially for green goods.

Currently, denim products account for around US$80 billion of global industrial good exports.

The conference was held on June 13 as part of Denims and jeans Vietnam, an international exhibition on textiles, garment sand machinery held by the association, Denimsandjeans.com and other organisations on June 12-13.

Source: sggpnews.org.vn- June 16, 2019

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Why India should prefer the preferential trade agreement with Iran

India and Iran have been important trading partners. With the US imposing sanctions on Iran, and pressure on other economies to cooperate, India has perhaps entered into a cobweb.

The sanctions are likely to put pressure on her trade deficit. While importing oil from Iran, India has the advantage in being able to pay partially in rupees, and partially settled with food and pharma exports.

Secondly, for four months, global crude oil price has been on a surge, by almost $18 per barrel. This may exacerbate our CAD and domestic market prices, if not cushioned adequately.

Thirdly, Iran oil is relatively cheaper, but US officials have assured its adequate supply from Saudi Arabia, the UAE and the US to avoid shortages, if any, after the sanctions.

Iran is India's third-largest oil supplier. It is beneficial for India to import oil from Iran as it includes free shipping and insurance, besides payment in domestic currency, which others are unlikely to offer.

Oil imports surged from $4.6 billion to $11.7 billion during 2015-16 to 2018-19 (April-February). As per ITC Trade Map UN Comtrade, crude oil import increased from 148 million tonnes in 2009 to 225.5 million tonnes in 2018, rising at 4.8% per annum. If India restricts oil imports from Iran, it may hurt agricultural exports.

During 2018-19, the export of basmati rice to Iran was worth $1.35 billion, which will have to be sold to others. It may adversely affect domestic prices, hence farmers' incomes. Also, the time required to cultivate basmati rice is much longer than that needed to grow non-basmati varieties, which is likely to make it expensive for farmers in terms of opportunity costs foregone. Like basmati, tea exports worth $130 million will also be under threat due to sanctions.

Earlier, when the US put sanctions on Iran, India did not stop trading. Britain, France and Germany had issued a joint statement to maintain economic ties with Iran despite the threat of American retribution. Now, Iran is aware that the EU, Russia, China and India are its allies, but will not be vocal in support due to scepticism about the nuclear programme.

These economies may also feel they cannot do much to protect Iran's economic interests without risking their own business. It appears the sympathy these countries have for Iran on political grounds is not enough to outweigh their own economic interests. This may add to Iran's frustration as its economy has shrunk by 6% this year, after having contracted 3.9% last year.

A preferential trade agreement (PTA) with Iran would act as a catalyst for India. Initiated in 2016, India will discuss the fifth phase of negotiations with Iran. The PTA will be distinct from the existing one due to the scope of reducing tariff rates by 25-45%. Since Iran is not a WTO member, there is no obligation to keep tariffs in accordance with the specified bound rates, and bilateral trade flows will benefit both.

India's total value of trade with Iran is estimated at $18 billion (2018). The export basket consists of rice (46.4%), tea (4.4%), soybean oil cake (4.3%), carbon electrodes used for electrical appliances (3.3%), extracted oil essence (3%), uncoated paper and paper board (1.8%), and medicaments (1.4%). In contrast, key imports worth $12.85 billion include 88% crude oil, with the remaining share comprising of chemicals (organic and inorganic chemicals) and fertilisers. Iran offers 10% import tariff or less on only 37.2% tariff lines, whereas still 17% of tariff lines are under 50% tariff and above. Major products of India's interest facing high tariffs are basmati (45%), black fermented tea (30%), motorcycles (65%), textiles (65%), glass microspheres (45%), new pneumatic rubber tyres (30%), filament yarn of polyester (40%)

and woven fabrics (70%). A germane design of truncating tariffs through normal track under the prospective PTA will help India increase exports.

Another reason for favouring PTA is the Trade Intensity Index (TII) with Iran, which has remained more than one and increased from 3.4 to 4.13 during the last three years. It signals Iran to be a vital trading partner compared to China and Turkey where the TII has plummeted. In January 2014, Iran entered into an agreement with Turkey. Under this, Turkey granted concessions to Iran on 140 agricultural products, while the latter reciprocated the same on 125 industrial products. Entering into such an arrangement would be mutually beneficial for India and Iran.

From the above, it might appear that India has been caught, where choosing one possible scenario will create a bad taste for another. However, India can be diplomatic with the US in pursuing trade relations with Iran.

Source: financialexpress.com- June 17, 2019

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Pakistan: FY20 Budget: Rs 74 billion set aside for exporters, industries

The government has allocated Rs 74 billion for exporters/industries in the budget for fiscal year 2019-20. The export package of Rs 40 billion announced in the federal budget 2019-20 comprises of Rs 35 billion for Duty Drawback of Taxes Order 2016-17 and Rs 5 billion for export package under Strategic Trade Policy Framework (STPF), revealed officials in the Commerce and Textile Divisions.

When Business Recorder approached concerned Divisions, they maintained that Rs 40 billion export development package allocation was made under the head of Duty Drawback of Taxes Order 2016-17 and Export package strategic trade policy reflected in the development expenditure outside PSDP.

According to budget documents 2019-20, in addition to the export development package, the government has earmarked Rs 34 billion for gas and electricity subsidies to industry. In addition the government will provide electricity at 7.5 cents per unit and RLNG at $6.5 per MMBTU to the industrial sector; and to continue subsidies on utilities for the industrial sector the government has earmarked Rs 34 billion for next fiscal year.

Officials further revealed that the government has so far released Rs 21 billion to the export sectors under the Prime Minister package for exporters against the claims of Rs 43 billion. To cater to the outstanding claims of exporters, the government has earmarked Rs 35 billion in the budget for next fiscal year.

Minister of State for Revenue Hammad Azhar in his budget speech stated that to boost exports, the government provided subsidized electricity and gas to industrial and export sectors, loans at low interest rates, reduced import duties on raw materials of export-oriented industries with a benefit of Rs 10 billion, and the Prime Minister's export package was extended for three years. These initiatives, according to the Minister led to higher volumes of exports. Knitwear exports increased 16 percent, readymade garments 29 percent, fruits 11 percent and vegetables 18 percent, and basmati rice 22 percent.

The Pakistan Tehreek-e-Insaf-led government has projected $25.66 billion exports in 2018-19, $28.1 billion in 2019-20, $31.1 billion in 2020-21, $34.67 billion in 2021-22 and $38.99 billion in 2022-23. However, Pakistan's exports during the period July-April (fiscal year 2019) stood at $20.01 billion compared with $20.49 billion during the corresponding period of fiscal year 2018, reflecting a decline of 1.9 percent.

Pakistan witnessed highest ever exports of $25.1 billion in 2013-14. However, in subsequent years exports have declined considerably. Former Prime Minister Nawaz Sharif had announced incentives worth Rs180 billion in a bid to boost exports initially for 18 months ie. till June 2018. Former Prime Minister Shahid Khaqan Abbasi had extended the PM Export Package for the next three years ie. up to June 30, 2021 aimed at improving the competitiveness of the textile and non-textile export sector.

The exports package was targeted to provide competitiveness benefits of around Rs 65 billion annually (including Rs41 billion in Drawback of Local Taxes and Levies) to the export sector. However, around Rs 21 billion has been released so far under the PM package, sources added.

Textile division has identified three pressing impediments before the Prime Minister Imran Khan including pending liabilities with Federal Board of Revenue (FBR), cost of doing business & ease of doing business for not achieving exports targets. Textile division has listed several reasons for not achieving the targets which include lack of skills development, infrastructure, product and market diversification, compliance, cotton standards, cluster development, combined effluent treatment plant, revitalization of textile and garment cities, unnecessary import of textile goods, increase in cotton yield and production of long staple cotton, SME development, pending liabilities, tariff rationalization and regulatory regime.

The division has also proposed tariff rationalization of textiles value chain, international branding ie. branding strategy and establishment of brand development scheme. Further e-commerce may be promoted through virtual trade fairs, business match making, e-product filing, online business analyses and digital marketing. Textile division has also proposed introduction of latest seed technology, improving cotton staple length, up-gradation of ginning machinery, cotton standardization, introduction of hedge trading, research and development grant fund for new and existing markets, introduction of new fibers, new products and new blends.

Source: fp.brecorder.com- June 15, 2019

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Bangladesh garment manufacturers seek higher export subsidies

Garment manufacturers in Bangladesh on Sunday demanded higher export subsidies from the government, saying proposals in the latest national budget, unveiled last week, were not enough to compensate for higher production costs and low prices.

Bangladesh textile industry earns about $30 billion annually by exporting ready made garments, which represents about 16% of the economy and employs over 4 million workers.

But last year, the prices of garments fell 7.4% in the United States market and 3.64% in the European market compared to 2012, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Manufacturers' costs have been rising, mainly driven by labor costs. Last year, for example, there was a big increase in the minimum wage for Bangladesh garment makers.

In April, the garment makers asked the government to extend a 5% export subsidy for the industry that was due to end on June 30.

The budget proposed an enhanced one-time cash incentive for garment exporters of 5% of the value of goods exported to a new market from 4% currently. It also proposed an additional cash subsidy of 1% of total value of garments exported.

The garment industry is pressing the government to increase the additional incentive to 3% from the proposed 1% before the budget goes to parliament for approval.

Finance Minister AHM Mustafa Kamal's budget for the fiscal year of 2019-20 that starts in July has total expenditure of 5.23 trillion taka ($61.90 billion) and an economic growth target of 8.2% for the year. It has yet to be ratified by the parliament.

The Bangladesh Garment Manufacturers and Exporters Association is backing the demand for higher subsidies because of the slump in international prices and increased costs.

Rubana Huq, BGMEA president, said a number of factories had had to sell machinery to pay monthly wages and bonuses linked to the end of Ramadan. "We urge government to look after the sector," Huq said.

Source: investing.com- June 16, 2019

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Apparel buying houses in Bangladesh asked to register

Bangladesh has directed all buying houses in the garment and textile sector to register themselves with the department of textiles to run their businesses. In a May 28 gazette notification, the textiles and jute ministry said the registration is mandatory within 60 days. If any buying house seeks extension with valid reasons, it can be allowed 60 more days.

If registration is not done on time, the government will take legal action.

On April 1, the ministry issued a gazette notification detailing the registration procedure.

Many buying houses are operating in the country unregulated and the government does not know how many companies are working in the sector, Bangladesh Garment Buying House Association president Kazi Iftequer Hossain told a Dhaka-based English-language daily.

According to the association, there are more than 1,200 buying houses operating in the country out of which around 400 are its members. Since April 1 this year, 10 buying houses have got themselves registered.

Source: fibre2fashion.com- June 15, 2019

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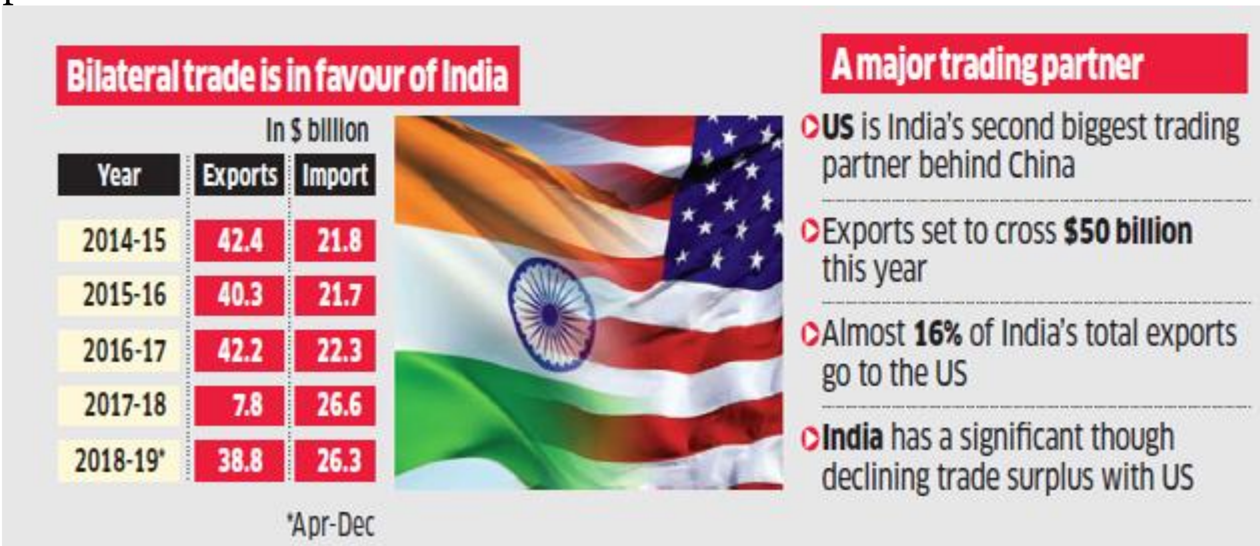
NATIONAL NEWS

How the ending of GSP for India impacts Bangladesh apparel export

The impact of the ending of GSP for India will not be long-lasting

US President Donald Trump announced to cut off India's $5.6 billion trade concessions under the Generalized Scheme of Preferences program with effect from June 5.

"I have determined that India has not assured the United States that India will provide equitable and reasonable access to its markets," he said in a proclamation.



India, which came under the GSP program in 1975, is its largest beneficiary in the US. India's GSP exports of $5.6 billion were only a part of the total exports worth $76.7 billion in 2017, according to the US Trade Representative (USTR).

Total India-US trade was $126.2 billion in 2017, with a $27.3 billion shortfall for the US.

Trump is on a mission to end the massive US trade deficits and has imposed or proposed higher tariffs on imports from several countries.

How will it influence Bangladesh's apparel export?

In 2017, Bangladesh RMG exports to the US market saw a 4.51% negative growth to $5.03 billion, which was $5.30 billion in 2016. However, Bangladesh recently registered double-digit growth in the US market due to the US-China trade war, which opened up opportunities for Bangladeshi exporters.

According to Otexa data, Bangladesh exports to the US registered a 6.42% rise to $5.60 billion in 2018, riding mainly on apparel items to the single largest export destination. Apparel products alone fetched $5.40 billion of total merchandise export. Non-apparel products managed to earn only $206.25 million during the period.

India is the third largest exporters of textile apparel goods to the US marker after Indonesia with the export of $7.67 billion as of 2018, while Bangladesh is the fourth largest exporter of apparel and textile goods worth $5.60 billion.

There were about 2,000 products including textile goods from India, which enjoyed duty-free market access to the USA under the Generalized System of Preference (GSP). Since the preferential trade facilities are gone, the Bangladesh apparel sector may gain.

Trade analysts and economists think that the impact of the scrapped preferential trade facilities will be temporary and long-lasting.

"In any trade tariff conflicts, there remains uncertainty among the business people. As a result, in placing work orders they shift a portion of orders to remain safe through the item is not included in the tariff list," Centre for Policy Dialogue (CPD) Khondaker Golam Moazzem opined.

"So, there will be a positive impact on Bangladesh exports to US market but it may be temporary," said Moazzem, adding that the US is cutting trade facilities to renegotiate the trade benefits bilaterally.

Bangladesh has to think of diversifying its goods and concentrating on connecting the buyers who are currently sourcing from the Indian manufacturers to reap the full benefits.

He also notes that Bangladeshi importers from India can benefit from the cut of trade facilities as there will be scope for price negotiation.

Beyond the apparel sector, there is an opportunity to grow in the leather and footwear exports, which have already seen a sharp rise due to US-China tariff war. The American Apparel and Footwear Association said in written testimony to the USTR that if GSP benefits are withdrawn for India as well as Indonesia and Thailand, US companies will have no choice but to return to sourcing from China.

As India is a close competitor of Bangladesh in leather goods and footwear, it will bring benefits for Bangladesh.

Bangladesh has increased capacity and trade diplomacy is doing better in branding the country, these positive indicators may help Bangladesh in grabbing more market share in the US market.

Source: textiletoday.com.bd- June 15, 2019

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Crisis in the cotton field

Cracking down on spurious seed sellers is fine, but more important is finding a way to weed out farmers' problems

There is a problem brewing in the domestic cotton sector. Farmers across India in the key cotton-growing belts, including Maharashtra, are planting HT (herbicide-tolerant) cotton seeds, despite it being illegal and entailing criminal punishment with a heavy fine.

For over several years now, cotton farmers across the country have been wanting better quality seeds that are resistant to pests, but the powers that be have turned a deaf ear. Result: a crisis.

Cotton production is dropping every year. From 35.9 million bales (of 170 kg each) in 2013-14, production fell to 32.8 million bales in 2017-18 and is expected at 27.5 million bales for 2018-19, the lowest at least in the past eight years. The yield has dropped from 510 kg/hectare to about 448 kg/hectare in the period between 2013-14 and 2017-18.

Farmers want to benefit from the hike in MSP (minimum support price) for cotton announced by the government in recent years, but are unwilling to take the risk with the regular Bt cotton seeds; so, they are sowing the HT seeds illegally.

Now, who is going to bell the cat?

The Genetic Engineering Appraisal Committee's (GEAC) lax attitude is what is responsible for the current situation of farmers. Between 2013 and 2016, when Mahyco Monsanto's application for permission to sell BG II RRF (HT cotton variety) was with the panel, it could have acted expeditiously. Now, it's too late. Mahyco withdrew its application for the HT seed variety from GEAC in 2016 and has not approached it again. Unless the company goes back to GEAC, HT seeds' commercial sales in the country is not possible.

BG II: What went wrong

In 2002, Mahyco Monsanto (the Indian arm of global seed major Monsanto) got approval to sell its Bt cotton (a genetically modified pest-resistant variety) that used Bollgard (BG I) technology, commercially in India. Then, in 2006 with additional traits, it released Bollgard II (BG II) technology.

Farmers reaped the benefits of GM seeds — a sharp jump in yield and lower usage of pesticide.

However, by 2015, Mahyco Monsanto's BG II technology began losing its effectiveness. Certain kinds of pink bollworm showed a high level of tolerance to the Cry2Ab protein — a key component of BG II. Also, the cotton crop in the country was infested by weeds on a large scale. Farmers can spray herbicides to clear the weeds, but the chemical in the herbicide can cause significant damage to the cotton crop. Farmers do not prefer manual weeding, as it is time-consuming and expensive. Thus, they wanted herbicide-tolerant cotton seeds.

In 2013 itself, Mahyco Monsanto sought permission from the GEAC for release of its HT seeds (BG II RRF) — which will also be resistant to bollworms, but later withdrew it as the business environment for GM seeds turned uncertain in India with several sub-licensee seed companies refusing to pay trait fee on BG II technology to Mahyco.

So, till date, BG II RRF technology has not been approved for commercial sale in India. But over the last many years, HT seeds are being sold in the market and farmers across the country have been using it. In the 2017 kharifseason, about 35 lakh packets of illegal HT cotton hybrids were used by Indian farmers, as per reports by South Asia Biotechnology Centre, New Delhi, a not-for-profit scientific organisation.

One development to take note of is that, this January, the Supreme Court gave a verdict in favour of Mahyco Monsanto and held valid its patent on BG II technology and the right to collect trait fee from the sub-licensee seed companies.

Risks for farmers

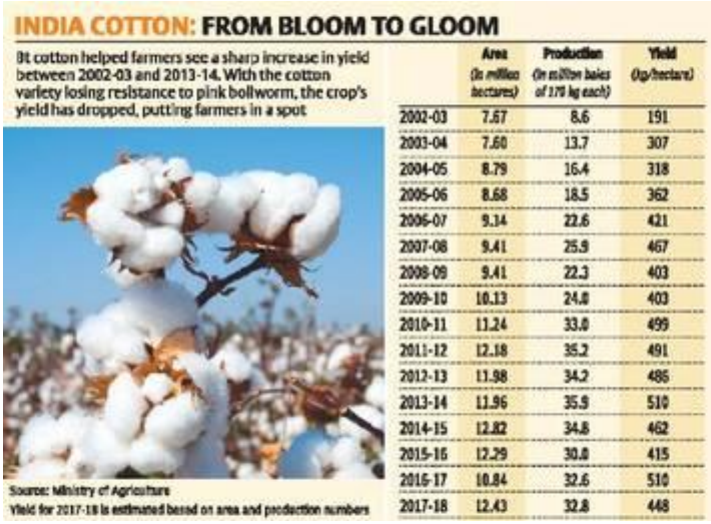
Videos of farmers in Maharashtra sowing HT seeds are going viral in social media. These farmers are being supported by activists groups. Neither the farmers nor the activists groups seem to understand the implications of sowing these HT seeds bought from spurious seed companies in the market.

One, there is no guarantee that the seeds are HT and will resist bollworm attack. And, if they fail, there is no legal recourse to the farmer. Further, when using any biotech crop, proper crop management practices need to be undertaken. It was the failure to do so that saw BG II technology fail early in the Indian market, and now, the same risk applies to HT seeds, too.

If farmers start spraying higher dosage of herbicide than is generally allowed in the case of HT seeds or do not resort to non-Bt refuge planting around the HT crops, the HT crops will also fail. Scientists warn of a super weed developing and rendering HT technology useless in India.

Solution

While the government is seen showing interest in curbing the illegal use of HT seeds and cracking down on those selling them to farmers, it does not seem to be paying attention to the problems of the farmers. If the Indian Agriculture Universities or the Indian Council of Agricultural Research (ICAR) have a solution to the HT/Bt mess now, through a domestically developed variety, why be silent? It is close to two decades since the first GM cotton crop was introduced in India, where is the country’s R&D heading on the GM front, ask observers.



INDIA COTTON: FROM BLOOM TO GLOOM

Bt cotton helped farmers see a sharp increase in yield between 2002-03 and 2013-14. With the cotton variety losing resistance to pink bollworm, the crop's yield has dropped, putting farmers in a spot

	Area (In million hectares)	Production (In million bales of 170 kg each)	Yield (kg/hectare)
2002-03	7.67	8.6	191
2003-04	7.60	13.7	307
2004-05	8.79	16.4	318
2005-06	8.68	18.5	362
2006-07	9.14	22.6	421
2007-08	9.41	25.9	467
2008-09	9.41	22.3	403
2009-10	10.13	24.0	403
2010-11	11.24	33.0	499
2011-12	12.18	35.2	491
2012-13	11.98	34.2	486
2013-14	11.96	35.9	510
2014-15	12.82	34.8	462
2015-16	12.29	30.0	415
2016-17	10.84	32.6	510
2017-18	12.43	32.8	448

Source: Ministry of Agriculture
Yield for 2017-18 is estimated based on area and production numbers

At the least, the government should push States to conduct more awareness programmes on saving the Bt cotton crops from pink bollworm and controlling weed infestation.

Cotton farmers have to be advised to go for shorter duration cotton crops, resort to crop rotation to reduce pest susceptibility and use only seeds from registered companies where trait purity is guaranteed, say experts. An integrated pest management system should be taught to farmers, they add.

It is about time the government finds a solution to the problems of the seven million-plus cotton farmers.

Source: thehindubusinessline.com- June 16, 2019

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India can boost exports of 300 products to US, China amid trade war, says report

Both the US and China are imposing heavy import duties on each other's products, which has triggered a trade war kind of situation.

The ongoing trade war between the US and China offers an opportunity to India for boosting exports of as many 350 products such as chemicals and granite to these countries, a study by the Commerce Ministry has said.

The identification of these products is part of a study carried out by the ministry which states that the ongoing tariff or customs duties war between the US and China proves a big window of opportunity for enhancing India's exports to these two nations.

Both the US and China are imposing heavy import duties on each other's products, which has triggered a trade war kind of situation.

According to the study, as much 151 domestic products including diesel, X-ray tubes and certain chemicals have an outright advantage to displace the US exports to China. Similarly, 203 Indian goods like rubber and graphite electrodes have the advantage to displace Chinese exports to the US.

It said that the specific products in which India can potentially expand exports to China immediately based on its strengths and available market access in the neighbouring country and also those in which concerted efforts need to be made to acquire market access are being shared with the line ministries.

The ongoing trade war may bring about a shift in the global trading patterns due to spillover effects and displacement of the bilaterally traded communities to other countries, it said.

The Indian products which can tap the Chinese market include copper ores, rubber, paper/paperboard, equipment for transmission voice/data in a wired network, tunes and pipes.

Similarly, domestic goods which can grab exports opportunities in the US market include industrial valves, vulcanised rubber, carbon or graphite electrodes and natural honey. Increasing exports would help India narrow the widening trade deficit with China, which stood at USD 50.12 billion during April-February 2018-19.

Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said that the trade war between the US and China is benefitting India. He has said that India's exports to the US went up by 11.2 per cent in 2018 and to China by 31.4 per cent in the same year.

Echoing the views, Ludhiana-based exporter and former FIEO president S C Ralhan said enormous opportunities are there in the engineering and machinery sector in both the countries and "we have to tap that".

Source: financialexpress.com- June 16, 2019

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No trade war, but expect US to push for pact: India

Trade issues may be taken up during US Secretary of State's talks with S Jaishankar next week and at the G20 summit.

India's exports to the US amounted to $52.4 billion in FY19, while imports were worth $35.5 billion.

India is bracing for pressure from the US to sign a bilateral trade pact with it after New Delhi slapped retaliatory tariffs on some American products.

India-US trade relations came under stress in the last fortnight with Washington ending preferential benefits for Indian exports worth $6.35 billion and New Delhi raising tariffs on 28 American products on Sunday — a year after announcing the levy.

"We anticipate the US to ask us to sign some kind of a trade pact and we should be prepared for that. This is not a trade war," said an official aware of the development.

The issue could be taken up when US secretary of state Mike Pompeo visits India for talks with his counterpart S Jaishankar early next week, followed by meetings between US President Donald Trump and Prime Minister Narendra Modi at G20 summit on June 28-29 in Osaka.

Pompeo said on Thursday that the US was open to discussions on the Generalized System of Preferences (GSP). "They might want to extract concessions on intellectual property rights (IPR) and e-commerce," the official said.

Through its Special 301 report, the US has tried to push India to drop Section 3 (d) in the Indian Patents Act that denies patents on items that are not significantly different from their older versions.

The US is also opposed to compulsory licences to be issued for manufactured copies of patented drugs to address situations of national emergency, as permitted by the global trade rules.

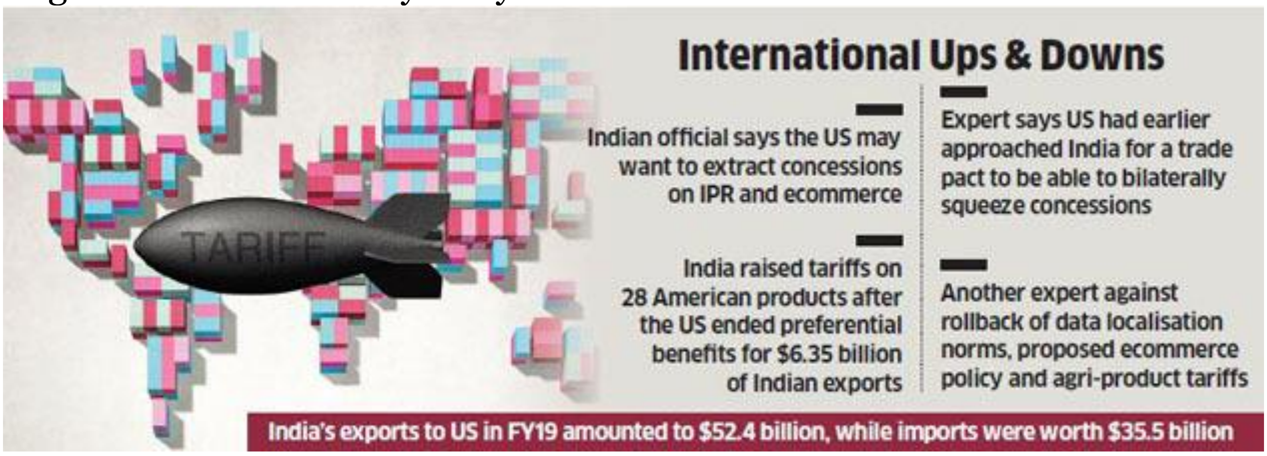
India prohibits ecommerce companies with foreign direct investment (FDI) from selling products via firms in which they have an equity interest. It also bars them from making deals with sellers to sell exclusively on their platforms.

The policy change of December 2018 had a direct bearing on Amazon and Walmart-owned Flipkart.

Washington has also flagged its concerns on India's draft ecommerce policy on data localisation requirements, restrictions on cross-border data flows, transfer of intellectual property and proprietary source code, and preferential treatment for domestic digital products.

PAST INTEREST, EXPERTS WARY Experts said the time is not right for India to get into a bilateral agreement with the US. "This is the normal path of trade talks and not a trade war. The US had previously approached India for a trade agreement to be able to squeeze concessions from us," said a Delhi-based expert on trade issues.

The US was keen on a free trade agreement (FTA) with India and US envoy Kenneth Juster had called for an eventual FTA between the world's two largest democracies early last year.



Earlier in 2005, there was pressure on India to seal a trade deal after the two nations signed the Civil Nuclear Agreement. The current US administration has favoured bilateral engagements, instead of multilateral or regional agreements.

"Our red lines should be clear and that is (there will be) no rollback of the RBI's data localisation norms, proposed ecommerce policy and tariffs on agricultural products," said another Delhi-based expert.

"The US wants a trade agreement and it will be comprehensive. They could also put more pressure on us in WTO. Their insistence on reducing the trade deficit is posturing before the elections and India should be cautious of any such pact," said Biswajit Dhar, professor at the Centre for Economic Studies and Planning in the School of Social Sciences at Jawaharlal Nehru University.

India's exports to the US amounted to $52.4 billion in FY19, while imports were worth $35.5 billion.

"While a lot depends on what we get in return, one must know that the US is in no position to promise and deliver anything of benefit to India such as easier visa rules because of the elections next year. The time is not right for a bilateral pact," the first expert said.

Source: economictimes.com- June 16, 2019

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India in a tight corner over trade policies

The US has launched a frontal assault on India's tariffs and subsidies, with others joining in. A medium-term strategy is essential

The Modi government's second term in office has begun with the country's foreign trade policy facing multiple challenges. The day the government took office, President Donald Trump announced his decision to withdraw the benefits of Generalised System of Preferences (GSP), effective from June 5.

The US administration has also questioned India's subsidies to both industry and agriculture. Several other countries, including Brazil, Australia have also challenged India's agricultural subsidies, they argue, are inconsistent with the WTO's Agreement on Agriculture (AoA). At the same forum, the European Union (EU) and Japan have questioned the government's decision to increase tariffs on mobile phones.

Finally, India is also under considerable pressure to undertake extensive trade liberalisation via the Regional Comprehensive Economic Partnership (RCEP).

This regional trade agreement seeks across-the-board tariff elimination, including agriculture, which is among India's most sensitive sectors. China's presence among the 16 RCEP participating countries has left India's manufacturing industry worried.

The US's removal of India from its GSP-beneficiary list was not unexpected. In early March, President Trump notified to the Congress his decision to remove India from the list of countries, which enjoy duty-free access to the US market in 3,700 products.

President Trump has often argued that US's trade deficit with India must be reduced by "curbing" India's "unfair trading practices". Withdrawal of GSP benefits is, therefore, one further step taken by the US to whittle down India's trade surplus with the US; the first was the increase in tariffs on steel and aluminium in 2018.

The challenge for the new government is to prepare an effective strategy to deal with a resolute US trying to pry open India's market. The US could target sectors with high tariffs; a few in the manufacturing sector and agriculture and allied sectors. During the consultations after India was put on notice in March 2019, the US had demanded that India allow imports of agriculture, milk, and poultry products. It is difficult to perceive how India can relent, given its domestic compulsions.

Retaliatory tariffs

The first response from the new government has already been announced; retaliatory tariffs on 29 products. This list was drawn up after the US imposed tariffs on steel and aluminium. India's expectation was that it was providing room for dialogue by not retaliating. This gesture has clearly not worked, as the Trump administration has relentlessly pressured India, by removing India from its GSP-list, among others. It was, therefore, necessary for India to respond appropriately. India has now put its cards on the table with which it can now negotiate with the US.

The challenges that India faces in the WTO are more formidable since the issues that have been raised could affect several sectors, not the least, agriculture. At stake are three issues: export subsidies for non-agricultural products, agricultural subsidies, and India's recent tariff increases for mobile phones.

In 2018, the US complained to WTO's Dispute Settlement Body (DSB) against India's major export subsidies, namely, Merchandise Exports from India Scheme (MEIS), Export Oriented Units Scheme and support extended to Special Economic Zones. India could use these subsidies so long as its per capita GNP was below $1,000. With India's GNP having exceeded this threshold, export subsidies came under the scanner. The initial response of the government on the issue of export subsidies is forward looking.

The new Commerce and Industry minister gave an unambiguous message in his first meeting of the Board of Trade on June 6, that industry would have to think beyond subsidies and to seek ways of improving efficiency.

Farm subsidies

Several countries have targeted India's agriculture subsidies. They argued that these subsidies are well above the limit set by the AoA, which is 10 per cent of the value of production for every product. The US has questioned subsidies provided to rice and wheat, while Brazil, Australia and Guatemala have gone a step further and have initiated disputes against India's sugarcane subsidies.

Three more countries, Thailand, Costa Rica and the Russian Federation have joined the dispute as third parties.

The complainants argue that India has substantially increased production-related subsidies for sugarcane provided by both the Central and State governments and, as a result, the country has breached its commitment to limit sugarcane subsidies.

The complainants also argue that the Central and State governments provide subsidies for exporting sugar, which it cannot under the AoA rules, since these subsidies were notified to the WTO. Thus, the politically sensitive sugarcane faces testing times.

In his 2018-19 Budget Speech, the then Finance Minister announced the government's decision to increase import tariffs on mobile phones to encourage domestic manufacturing.

The EU and Japan have challenged this decision, complaining to the DSB that India had agreed not to impose tariffs on these products. Six other countries, Thailand, Canada, China, Chinese Taipei, the US and Singapore, have joined the dispute as third parties.

The disputes challenge the government's policy to use import tariffs to not only provide protection to the domestic producers from import competition, but to also indirectly incentivise domestic production.

The most significant of the challenges awaiting the government is the future course of RCEP negotiations. The negotiations were on hold for the past few months as the governments in two of the largest economies, India and Indonesia, were seeking fresh mandates from their electorates. Countries driving the RCEP negotiations have been seeking deep cuts in import tariffs in almost all sectors.

While this is the most immediate challenge from the RCEP, inclusion of areas like e-commerce and investment could bring commitments that conflict with the policies of the government.

For instance, India has firmly stated its position on data localisation, which several RPCs (RCEP participating countries) do not support. Also, India has its model investment protection law that is different from the one that is backed by RPCs.

After nearly three decades of its tryst with globalisation, India's trade policy faces formidable challenges.

Most of the challenges stem from structural infirmities in the domestic economy, which require a medium-term perspective. The government must recognise that it has obtained the political mandate to develop such a perspective.

Source: thehindubusinessline.com- June 16, 2019

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As trade wars roil global markets, exporters are set for a difficult time: FIEO's Ajay Sahai

Indian exporters are treading cautiously amid uncertain territories. The withdrawal of preferential trade treatment for India under the GSP, talk of scrapping away incentives such as the Merchandise Exports from India Scheme (MEIS) to align with WTO compatibility and sustained exporter refund issues are all implying significant challenges in maintaining export competitiveness.

Keeping up with the changing dynamics means that exporters need to up the ante on aspects such as technology and skilling to forge ahead. Ajay Sahai, DG & CEO, Federation of Indian Export Organisations (FIEO) spoke to ET on how the path looks brighter ahead with measures such as availability of credit, research & development, manufacturing support and import substitutions likely to be high on the agenda for the government in the next Foreign Trade Policy. Excerpts:

The Economic Times (ET): MSMEs contribute around 45 per cent in India's exports. In this context, how can their contribution be enhanced for further development of the economy?

Ajay Sahai (AS): If you look into the labour intensive sectors, they are quite a dominant player. Their share is 45% because some other sectors, such as petroleum, which contributes to roughly 18 to 19% of the exports is totally dominated by the large industry and so are steel, automobile and other sectors. But if you come to labour intensive areas such as gems and jewellery, textiles, carpets - the exporters here largely belong to the MSME segment. That's why we say that this segment is extremely important for us because besides providing us the foreign exchange, they help us in creating more jobs into the country and if you look into the capital employment ratio, it is quite a substantial sector.

The sector has definitely diversified but I still feel it faces some major challenges. Technological adaptation is a new challenge. The sector has huge contribution whether it is exports, GDP or creation of employment. But still we are nowhere near the potential which exists - that is true of MSMEs in India as well as of other countries. Probably MSMEs in other countries are being provided better facilities as compared to India. If you look into the public procurement, the share of MSMEs in it is pretty high. In countries like

Brazil, the share is as high as 90% whereas that isn't the case in India. Whereas I feel if we are able to address some of the basic challenges faced by the MSMEs starting with the flow of credit to marketing to technology, this sector can provide huge push both to exports and to job creation in the country.

ET: How will GSP withdrawal impact exporters and their trade? How do you view this move?

AS: Exports to US in 2018 was to the tune of $51.4 billion out of which $6.35 billion was under the GSP. It was 12% of the total exports happening under GSP, but the net gain to India in terms of tariff advantage was only $260 million. So that is miniscule. When we talk about GSP, the total GSP benefit available to India was in respect of 1921 tariff lines. Out of that, only 611 tariff lines where India's exports were more than a million dollars. If India's export has been less than a million dollars, at a country level we can treat export as only insignificant export. So we are worried about the export of 611 tariff lines where export is more than a million dollar and the total export is $5.35 billion out of total export of $6.35 billion.

In this 611 tariff line, there are tariffs where GSP gain was less than 3% and also where GSP gain is more than 3%. We did an analysis and there are 200 tariff lines where GSP advantage is less than 3%. We feel that if GSP advantage is less than 3%, the industry may be able to absorb the losses - they may cut down the prices to remain in the market. Our greater worry is in respect of 411 tariff lines where GSP gain was 3% or more and that's why we have pitched that issue before the Commerce Ministry. We feel there is a need to engage with the industry to understand to what extent will they be able to absorb the loss and if they are not able to absorb, in what way can the government assist them so that we don't lose the market. The US is a very important market for India and though people say we should diversify, this process will take 5-6 years to develop elsewhere.

ET: Do you think India can build up its export competitiveness without depending on the GSP scheme provided by the US?

AS: If you look into the broad picture, we have already crossed $3 trillion mark. We are now the sixth largest economy. These benefits were given to a developing country so that, over a period of time, they migrate to developed country or to a better status. To some extent, we have already done that.

From that perspective, one view could be that let us leave the field so that other countries can get the benefit. Secondly it is equally important for us to look into the competitiveness of the economy. Why do we need such kind of support?

The Commerce Minister, Piyush Goyal, has rightly identified that we need to increase the flow of credit to the industry. That's a huge challenge today. Banks have become extremely cautious. So unless credit is available, how do you expect industry to be competitive. He is also looking into the cost of credit. That's why he said to see if we can move away with the government support and provide regime where market forces bring down the cost of credit itself.

If you are getting credit at a cheaper rate, you are becoming more competitive. At the same time, GST has also provided competitiveness to the industry. It is a different issue that exporters still have some issue with the refund. But if you look into the GST, it has made logistics also very efficient.

So if these things are put into place and flow of credit is offered at a competitive rate, I think the issue of GSP becomes redundant. In the US market also, we have graduated in number of products also. Over a period of time, our exports have increased. It is not that we can't live without the GSP. There are products where we have crossed the threshold limit, we have graduated out. The only difference is that now we are graduating out in terms of number of tariff lines. I am with the government on the broad issue that if we look at the bigger picture, it is totally miniscule.

ET: In your view, has India really been able to capitalise amid the current China-US trade war? What more can be done to have an India advantage?

AS: It is still early to say. The trade war started in May last year. These kinds of investment decisions won't be taken in a short period of time. Even if countries want to relocate to India, they will take their own time to relocate. But going by the success of mobile companies in India, you have a huge opportunity to attract the rest of the companies. It is easier to get investment from the countries who have already invested because then the companies can give proper feedback to others as well. From that perspective we have seen that investments from Japan and Korea have gone up by leaps and bounds.

If China is exiting a particular sector, it is because of various reasons. First is that the cost of labour has gone up, second is the environmental norms have become stricter, thirdly because of the population pressure, the industry has been asked to move away from the coastal area which is making them less competitive. So Chinese companies are looking at investment elsewhere - their investment has flown to Vietnam, Cambodia etc… that is why people say that the biggest gainer in the US-China war is Vietnam. It is not that the Vietnam investment is resulting in export, rather it is the Chinese investment which is taking place from Vietnam and is exporting to US. If China is vacating a sector, it is only in terms of geographical location. Those companies will continue to produce from elsewhere and export. But if you can attract those companies in India, it will be exports and job creation in India.

I think a trade war has created an opportunity for countries that are looking more closely to India. In a globally competitive environment, you have to be competitive vis-a-vis the other. So if the others are providing much faster clearances, much lesser time from approval to operations, then we have to benchmark with them.

ET: How do you foresee the impact on exports of removing certain incentive schemes to be in sync with WTO compliances?

AS: If the extension of Rebate of State and Central Taxes and Levies which has been extended for apparel and made up sectors is an indicator, I think we are moving away from a non-compatible scheme like MEIS to a more WTO compatible scheme like Rebate of State and Central Taxes and Levies. WTO allows refund of any indirect tax used in export production. There are still taxes that have not been integrated into GST, for instance electricity duty, turnover tax.

There may be a small number of exporters who may be impacted but if the scheme is countervailed, that means the benefit accruing is actually going to a foreign country. So whatever support the government is offering, it is collected by the foreign country. So hence it is better to provide support within the WTO compatible schemes. There are challenges but it has to be this way for a long term roadmap.

ET: Do you think the current environment is an especially challenging one for Indian exporters in the light of the recent trade developments?

AS: I think the WTO forecast clearly says that we are set for a very difficult time. We contracted in the fourth quarter of 2018. The WTO has revised its forecast for 2019 from 3.7 % to 2.6 %, which shows that we are set for a difficult time. We feel that the tariff war will not vanish. Its speed may be controlled by the two partners because there are some fundamental differences in the two sides that are engaged in the tariff war. That's why we have to live with the situation where trade destructive measures go up.

We are not a major player who commands 10% of the global trade. Therefore little downfall in trade will affect. We are talking about 15K tariff lines at 8 digit and our problem is confined to 411 tariff lines. So if you fit things in perspective, it is 3% of the tariff line where there will be a problem for a particular market. I feel GSP is not something where we should be unduly worried.

My advice to exporters is that we have to maintain our current competitiveness and, for that, I think induction of technology is very crucial. Skilling of worker also needs to be seen because we are always very confident that our wages are half that of China but if labour is one third less productive, then cost per unit of production is very high.

ET: What are the expectations that you have from the Budget for the MSME sector and exports?

AS: In the Budget, we feel there is some support that may be needed. If exports have to be sustained, manufacturing has to be on track. Both for manufacturing and export, I want innovation to happen, for which R&D needs to be supported. In a country where R&D investment is very low, we have to provide some encouragement for the industry.

We are also looking at a large number of companies looking for investment in India. We are also looking at corporate tax rate. In the US, corporate tax rate has been reduced from 35% to 21%. So US companies that are looking for investment in India, the tax rate may come as a deterrent.

Whatever little instance of inverted duty structure is present needs to be corrected. This should be high on the agenda of the government. Duty on capital goods and machinery should also be brought down further.

Source: economictimes.com- June 15, 2019

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Standing up to Trump

India is increasingly finding itself on the tariff-war radar of the US. But last week's retaliatory tariff and the nonchalant reaction of the Indian government to termination of Generalised System of Preferences (GSP) benefits by the US shows India is learning to stand up for itself in the global trade arena.

India is finding itself more and more at the centre of the tariff storm raised by the US President Donald Trump.

After a spell of conciliatory approach, last week India inflicted retaliatory duties to the tune of around $250 million on 29 items of US imports.

The move came more than a year after Washington slapped higher tariffs on domestic aluminium (10%) and steel (25%) exports. Since the US punitive levy on Indian metals in March last year, Prime Minister Narendra Modi-led government has been at the negotiating table but things have come unstuck.

At the strategic, trade, economic and political levels also, India is engaged in talks with the US over issues relating to data localisation, Generalised System of Preferences (GSP), policy barriers for foreign e-commerce companies, market access, sanctions against Chinese telecom firm Huawei and others. All being pursued at once; some of them linked to the tariff war.

What has sparked India's retaliatory tariff decision is not very clear, but it seems to have followed the abrupt withdrawal by the US of preferential market access to some of the Indian exports under its GSP programme on June 5.

A few days later, Trump dropped a direct hint of the US's unfair trade with India in his interview to a leading business news channel, repeating the oft-used term "tariff king" for India.

"You look at India, a very good friend of mine, Prime Minister Modi, you take a look at what they have done – 100% tax on a motorcycle. We charge them nothing. So, when Harley (Davidson) sends it over there, they have 100% tax. When they send it, they make a tremendous number of motorcycles. When they send them, no tax. I called him (Modi), I said it's unacceptable. He reduced it by 50% with one phone call. I said it's still unacceptable because it is 50% verses.

This was more than a nudge to India to correct its tariff structure for the US imports. India's reaction with retaliatory duty has come as a surprise.

New overtures

Many see it as an overture to India sometimes acting in the national interest rather than always giving an impression of a pushover.

Ajay Kumar Sahai Director General & CEO, Federation of Indian Export Organisations (Fieo), who has been working closely with the government on the issue, told DNA Money the call on counter-tariff to the US's higher duty on steel and aluminium was "taken in the national interest".

"People are feeling India should not have retaliated, but I feel the call has been taken in the national interest. And it's okay, as we should not always give the impression that we cannot retaliate to what the US does. Of course, this is not something which we were keen to do. It has been done after being pushed to the wall," he said.

Sahai does not see the reciprocal duty on US goods to have any impact on the bilateral trade. He sees walnut and apple imports from the US being hit the most.

According to him, India's exports are currently growing at around 11% and even after the last week's tariff on the US goods it is likely to grow at the same pace.

Individual versus national interest

Raj Kumar Malhotra, owner of Asian Handicraft Pvt Ltd, who has headed many lobby bodies for handicraft in the past, is not as bullish.

He urged the government to not get into a tariff face-off with the US and convince them to restore the GSP as jobs of over seven million workers employed with garment and handicraft industry could get impacted.

"I don't think that India should retaliate in that way. We are not in a position to retaliate like that. There should be discussions with the US and the government should convince them. Garment and handicraft industry is labour intensive with seven million workers involved. The government knows very well it will affect our employment sector. They should convince the US government that at least for handicraft and garment GSP should be restored," said Malhotra.

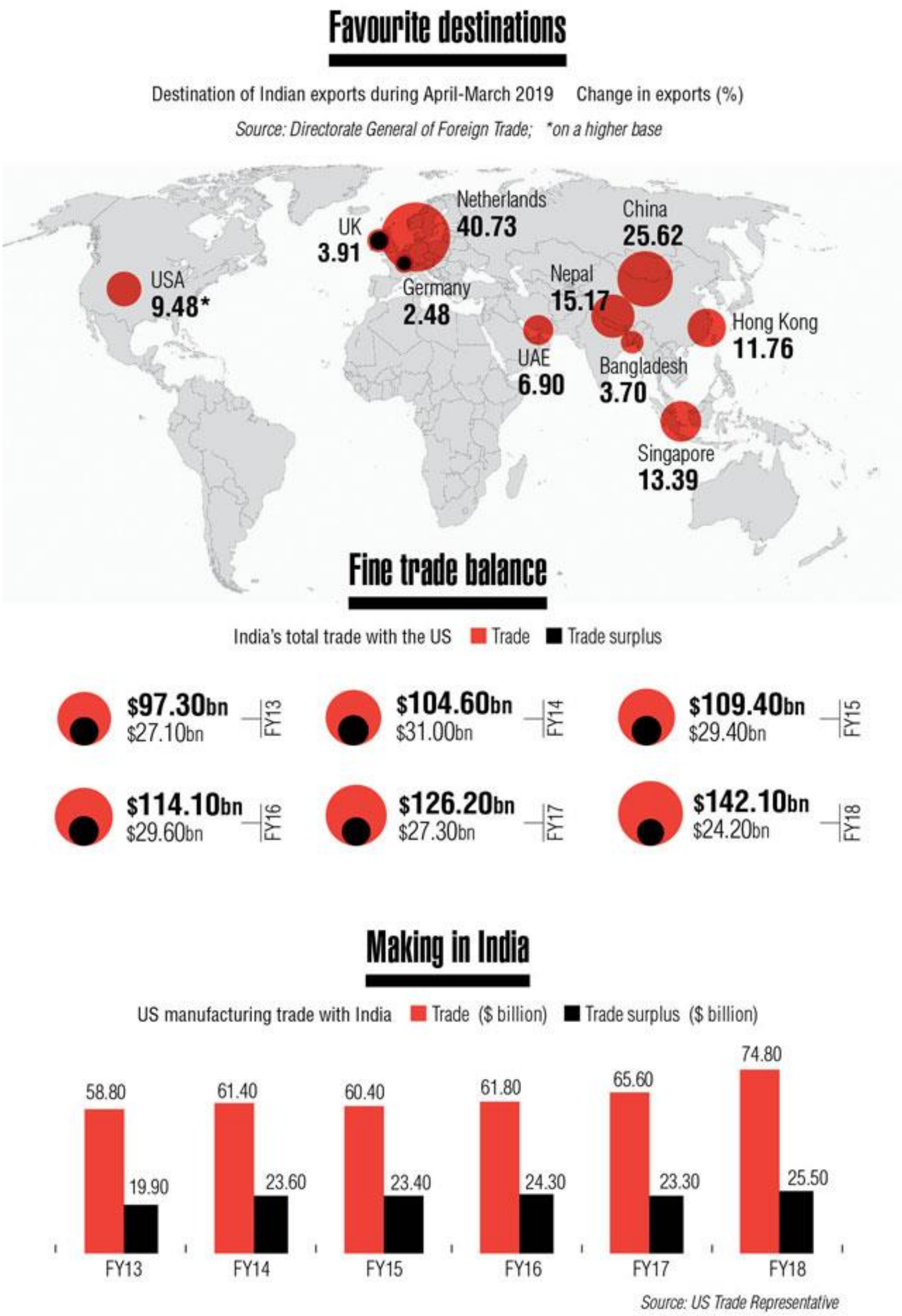
He said his US customers saved 3-7% on handicraft imports from India due to GSP benefit. "Now they are asking for a 3-7% discount. If we do not give then our orders will come down and if we do then we will have to pay less to artisans and quality will suffer. There is also competition from China, Philippines and other countries," he said.

Malhotra, whose 35-40% of business comes from the US, said the government could blunt the impact of GSP removal on local players by increasing exports incentive in the form of tradable script from the current 2-5% to 5-10%.

"Today, we get a licence in the form of a duty-free script against our exports, which is tradable in the market. We can sell it. This incentive is 2-5% of our total exports. If this is increased to 5-10%. That will help us a lot," he said.

Sahai said exporters will have to accept the government decision taken in the national interest.

"What an individual feels and what a country feels are different. Definitely, if I am an exporter, for me that is the most important thing, but the country has to look into all aspect. We cannot show a weak posture globally. That is the decision the government has taken and for the national interest, we have to go by that," he said.



Not in cul-de-sac

The exporters' association chief, however, does not see it as the end of the road for India-US trade relations or a shift in their equation. "The retaliatory tariff should not be linked to India's relation with the US. I don't think these are issues which will impact trade. People are talking about US retaliation, we will do something about it when we reach that bridge. This is also not posturing. It has been done after waiting for a very long time. I still feel this is not the end of the road for the two countries. We can continue to discuss and negotiate and we can still find a solution," he said.

And even though India is not pushing for the reinstatement of GSP, the US Secretary of State Michael Pompeo has given clear indications that India could be brought back under the preferential benefit scheme. The US government official is expected to be in India later this month to discuss 5G network technology and data localisation issues with his Indian counterpart S Jaishankar. Modi and Trump are also expected to meet on the sidelines of G20 summit on June 25-26 in Japan.

Stage for trade talk ready

Thus, the stage for these meetings has been set with moves and countermoves by both countries. And, sure enough, the stakes for the two of them are high looking at how their relationship in several areas has only swelled over the years.

The numbers put out by the US Trade Representatives show the trade between India and the US amounted to $142.1 billion in 2018. Ministry of commerce and industry figures reveal estimated overall domestic exports at $535.45 billion for FY19.

As per the US Trade Representative, India's overall trade surplus with the US was $24.2 billion in 2018.

Last year, India's total US imports, including agriculture products ($1.5 billion), tree nut ($662 million), cotton ($329 million), fresh fruits ($163 million), dairy products ($48 million, prepared food ($33 million) and others, contributed just 2% of the total US exports.

On the other hand, Indian exports constituted 2.1% of the total US imports. Major exports from India to the US comprise premium metals and stones ($11 billion), pharmaceutical ($6.3 billion), machinery ($3.3 billion), mineral fuels ($3.2 billion), vehicles ($2.8 billion) and agriculture ($2.7 billion).

Directorate General of Foreign Trade statistics shows exports to the US, which is the largest export market for India followed by UAE and China, grew at 9.48%, albeit on a higher base. Interestingly, Chinese exports grew 25.62% during the same period.

Giving Trump Harley Davidson lolly

And trade ties are just one part of the India-US camaraderie, which has developed on several fronts – political, defence, economic, strategic diplomatic and others.

So, while juggling between these interests, India may well see the wisdom in relenting on Trump's Harvey Davidson demand to drive a hard bargain for a more substantive gain.

"He (Trump) is making it (Harley Davidson) an issue. Its tariff has already been reduced (from 100% to 50%). Harley Davidson is not so much of an issue since not many numbers of it are being imported. It is something which can be looked into. I am not sure what call the government will take. Last year, not even 100 pieces were imported. So, it's up to the negotiator to look into those aspects," said Fieo's Sahai.

Source: dnaindia.com- June 17, 2019

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Within reach – the $5 trillion economy

India as a $5 trillion economy by 2024 – that is the vision that Prime Minister Narendra Modi presented before the nation at the NITI Aayog.

To achieve this would be hard, he said, but not impossible. He is right. The Indian economy is estimated to have been $2.74 trillion at market exchange rates in 2018-19, leaving aside all controversies over GDP estimates.

From there to reach $5 trillion in five years, the economy needs to grow at a compound rate of 12.8% every year.

Growth in dollar terms would be a combination of growth in rupee terms and change in the exchange rate. If India achieves real growth in excess of 8%, maintains macroeconomic stability and registers a steady rise in productivity that would allow the rupee to gain against the dollar, the target is achievable.

That is in theory. In practice, growing at that pace calls for political courage, to fix the broken school system and expand healthcare. No sustained growth is possible with a dysfunctional power sector. The utilization of installed generation capacity is just over 50%, even as large tracts of the country go without power or run diesel generators to make up for the missing grid supply. Banks notch up non-performing loan numbers from power projects unable to sell power and service their loans.

Politicians must find the courage to ask people to pay for the power they consume, end open-ended power subsidies and stop patronizing power theft. Another constraint is repressed urbanization. The cost of land for a hospital, school or new factory complex is prohibitively high, thanks to artificially constrained supply of urban land. Releasing rural land for non-farm uses is bedevilled by absence of a coherent policy for making farmers stakeholders in urban prosperity. Amaravati in Andhra Pradesh seeks to change this.

Cropping patterns ill-suited to agro-climatic conditions are endemic, thanks to vested interests and the subsidies they extract. Ending this and removing shackles on farm marketing, call for reconfiguring internal and external trade policy and subsidies. That calls for both boldness and courage.

Source: economictimes.com- June 16, 2019

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Fashion brands now have a new task: Clothing the Indian tween

Dubai-based Landmark Group that owns Lifestyle International is clearly delinking highschool segment from younger children.

For 13-year-old Raina Pradhan, shopping is an ordeal as she listlessly scans the racks hoping to find something aligned with global youth fashion. What she mostly gets are routine childlike collections, often with cartoon prints. Unable to find hip styles, the tween shops at Forever21, the American fast fashion brand for slightly older people.

“Clothes with Disney characters are kiddish. It is hard to find trendy clothes as sizing is either too small or big. So I shop for the smallest size or whatever fits in the adult sections of brands,” Pradhan said.

T-shirts featuring Disney characters or bubble-gum coloured eye frames don't cut it for India's tweens and high-schoolers; neither kids nor adults. Aged between 9-15 years and practically born with smartphones and social media accounts, they are the new target segment for brands geared towards these young consumers who are beginning to make their own style choices.

"Increasing access, double-income households, brand consciousness and independent mindset shift in kids have contributed to the growth of this category. This age bracket has also nudged out hand-me-downs and cheaper export-reject options," said Vineet Gautam, CEO of Bestseller India, referring to high-schoolers as fashion influencers and opinion-makers of the future.

Jack and Jones, a menswear brand by Danish company Bestseller, extended its product portfolio to kidswear division by launching a junior range aimed at boys from 8-15 years. The apparel line comprises scaled-down sized garments of adult designs like slim-fit distressed jeans, mandarin collar and corduroy shirts to sweat pants that mirror mature colour stories.

Tweaking merchandise mix, introducing fashion that imitate adult clothing and accessories and having a smaller size within adult range is what several brands like US Polo, Flying Machine, Titan and Lifestyle are doing to woo this demographic segment.

"It is an important segment for us and a bridge between children and adults. It is also a starting point in exploring kids as an opportunity," said J Suresh, chief executive officer of Arvind Fashions that started 'dress like father' campaign for US Polo. "For Flying Machine, we introduced an S size that fits young teens," he added.

Retailers are aware of this. Tata Group-owned Titan Company's optical retail brand Titan Eyeplus is expanding its styles in prescription eyewear range. "The target age has dropped from 18-24 years to 15-year-olds. We have been seeing the shift for last couple of years but manifestation is happening now," said Shalini Gupta, marketing head for Titan Eyeplus.

"High-schoolers across Tier 1, 2 and 3 cities are driven and behaving like adults now. Timelines have collapsed for this selfie-generation who want to be aligned with global trends," added Gupta.

Retail experts also note that a large portion of the kidswear market is unorganised sector, that is gradually shifting towards branded segment helped by rising aspiration, frequent socialising, international travel and children's fashion on social media.

Dubai-based Landmark Group that owns Lifestyle International is clearly delinking highschool segment from younger children. They have recently started stocking dedicated lines from brands such as Bossini and Kappa that offer sized-down versions of adult apparel for children aged between 9-15 years.

"With no brands specifically targeting this segment, a highschooler currently remains underserved in the market. By the time children reach this stage, they have their own fashion preference and constantly seek to establish identity," said Vasanth Kumar, MD of Lifestyle International.

Source: economictimes.com- June 17, 2019

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CAIT submits memorandum of problems associated with textiles trade to Smriti Irani

A delegation of the members of Confederation of All India Traders (CAIT) met the Minister of Textiles, Women and Child Development, Smriti Irani and gave her a memorandum of problems related to the textile trade in the country.

In the memorandum, the issues related to import of textile trade and problems relating to GST and upgradation of textile trade in the country and exploring new possibilities for better growth of textile trade have been raised.

Speaking to the delegation, Irani said that she is eager to upgrade the textile business and industry in the country with the help of business class.

"It is necessary that the country's textile business equals other countries of the world", she added. Under Prime Minister Modi's digital India program, connecting the textile business with digital technology is also in her priority.

She said that the way of doing business across the globe is changing rapidly and in this context the Indian traders also need to bring changes in their business and the government is ready to cooperate with the traders.

In this context, the CAIT proposed to hold a national conference of all the major textile trading organizations of the country in Delhi and invited Irani to the Conference which she agreed.

The Conference will deliberate on issues related to textile trade and their solutions thereof and to understand the policies of the Government for easy compliance.

In addition, Irani expressed her desire that merchant organizations across the country given their outreach should also engaged in the work of women and child development and can play a major role in economic as well as social changes in the Country.

Source: knnindia.co.in- June 15, 2019

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