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IBTEX No. 56 of 2018 March 19, 2018

USD 65.08| EUR 80.02 | GBP 90.73 | JPY 0.61

Cotton Market (16-03-2018)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19457	40700	**80.00**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20430	42735	**84.00**

International Futures Price

NY ICE USD Cents/lb (May 2018)	83.53
ZCE Cotton: Yuan/MT (Jan 2018)	14,995
ZCE Cotton: USD Cents/lb	**91.51**
Cotlook A Index – Physical	**92.6**

Cotton guide: Four days past this week cotton price continued to trade sideways and moved in the range of 82.50 to 84.50 cents per pound. Thinnest trading volume witnessed this week in last few months and average daily volumes were less than 30K contracts.

However, the aggregate open interests are adding up gradually and standing above 270+K contracts. The mentioned price data is of active May contract at ICE platform. The subsequent contracts also moved in the similar trend. No major activity this week except that the weekly export sales figure released Thursday in the US showed a bit of decline from the previous week's number. However, the broad understanding suggest the exports in the US are good in last few months supporting cotton price to trade positive.

For reference, weekly export report showed combined net sales for the week ended March 8th at 528,000 bales (upland 520,600/pima 7,400). That included cancelations of 11,200 bales. Total 2017-18 sales have reached 14,405,200 bales, 2.3 million bales ahead of same week sales last year. Weekly shipments were 439,900 bales (upland 414,400/pima 25,500). Total shipments stood at 7,002,900 bales (upland 6,653,500/pima 349,400); 465,900 bales behind last year.

On the price front whole this week market has been strongly respecting 82.50 as key support level. This morning ICE cotton for May is seen trading at 83.40 cents per pound and the July is at 83.46. The spread between the two contracts have further narrowed down to only 6 points which was earlier maintaining around 30 points. Earlier this week we had emphasized on the spread movement between this two contracts citing if the market moves into inversion (July turning backwardation to May) then the near term trend for cotton would turn completely positive and the most reaction would be felt on the near month May contract. For the day we expect market to trade within the range of 82.50 to 84 cents per pound.

Coming onto domestic market the spot price of Shankar-6 continued to trade near Rs. 41000 per candy ex-gin approximately 80.50 cents per pound at parity. Likewise, J-34 is quoted at Rs. 4160 per mound (about 78 cents per pound). Interestingly the domestic future for the near month contract March is quoted on Thursday close at Rs. 20430 per bale which translates to 84 cents per pound.

This signify that the spread between spot and future is widened to more than 4 cents where in the latter is seen expensive. So we expect if the ICE cotton or the spot cotton S-6 holds steady in next few trading sessions then March future contract might observe good correction in the price onto the downside. While we associate the domestic future price chart with technical study we see market is looking moderately bearish and may move towards Rs. 20250 to Rs. 20300 per bale. So the trading range for Indian cotton future for March would be Rs. 20300 to Rs. 20600 per bale for the day.

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

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INTERNATIONAL NEWS

USA: Demand, Weather Concerns Driving Strong Trade

Exceptionally strong demand continues to underpin the bull's hopes for higher prices, while the bears are supported by the idea that market trading has become dull and listless in its attempts to break out above the highs established two weeks ago.

The market's misunderstanding of tariffs and the resulting Wall Street attitude has also kept the market skittish. The 82-cent plus level has provided excellent price support for both the May and July futures contracts as mills continue to build very bullish on-call sales positions. Yet, the market wants to see the old crop May and July contracts move above 86 cents.

Textile mills are playing a slightly bearish game, wishing and hoping prices will move back into the upper 70s. It could happen, but it will not. Never say never. World trade is just too strong.

The 82 cent price support should hold with a bias for higher prices. The new crop December contract is also supported by very active demand. Yet, it is struggling to move above the 78.50 cent level, but has defended the low 78 cent level very well. That contract remains bullish based on demand and weather concerns.

Demand for the crop will remain exceptional, but Mother Nature can still wipe out much of the bullishness with very kind moisture between now and mid-June in West Texas, as the drought is beginning to extend into the Rolling Plains. Oklahoma, Kansas and the Texas Panhandle are little more than hardpans now.

Nervous about the world trade environment and talk of tariffs, the market will continue to muddle through its trading days until traders come to grips with the fact that world stocks are declining. The U.S. Department of Agriculture has a stake in this, as it refuses to update its Indian cotton statistics. It is almost as if USDA wants the cotton market to move lower.

Virtually, every international public and private cotton group or organization – including India – has advised USDA that its Indian data base is void of any reality and is based on multiple assumptions void of factual date.

Were USDA to grasp this and correct its errors surrounding the largest producing country in the world, the market would likely be free to stretch its wings. Yet, in the absence of such and on top of the nervousness surrounding the tariff issue, the U.S. cotton grower is taking cards from a stacked deck.

Another indication of the tightness in world stocks was displayed this week in the export market as Brazil, a major U.S. export competitor, purchased over 40,000 bales of U.S. cotton for nearby delivery. Brazil is out of cotton for export. Thus, any bales it sells to meet export contracts must be replaced bale-for-bale by imported cotton.

Practically, this means it must be replaced by U.S. cotton. Thus, until some resolution can be found within USDA, the market will remain highly volatile and nervous. It will continue daily trying to correct USDA foreign agricultural statistics data so as to get a handle on prices.

Weekly net export sales totaled 328,800 RB of upland and Pima, and another 199,200 RB were sold for 2018-19 delivery. Both the 2019 and 2020 December futures contracts have climbed to 73 cents or above. These prices, while not there yet, are beginning to approach the breakeven point where a grower could afford to purchase a new cotton picker – a $700,000 plus investment.

The market seldom sees a three-year price stream so favorable. We need another nickel. Too, if USDA did not insist on carrying more cotton in India than the country even has for storage capacity, and were India not importing cotton for its own mills…who knows?

Export sales were made to 24 countries, and shipments totaled 414,000 RB of upland and 25,500 RB of Pima. Vietnam, China, Pakistan, Indonesia, and Turkey were the primary destinations. Another four countries received shipments of 15,400 RB or more, indicating the literally immediate worldwide demand for U.S. cotton. Still, cotton approved and ready for shipment continues to stack up for want of available transportation.

We have preached the single word demand, demand, demand. Demand markets mean higher prices. Cotton demand is still increasing. Even U.S. mills are using more cotton than in 2017. Foreign mills are now spinning around the clock and buying on a daily basis.

The Chinese auction is off to a very solid beginning. The government offers at auction 30,000 metric tons for sale every day, 2011-2012 crop cotton (137,500 bales). The daily purchase by mills is 100,000 bales or more. Thus, Chinese demand remains very strong.

In round numbers, the U.S. sold for export over 500,000 bales on the week and shipped some 450,000 bales. In just a very few weeks, the world demand for U.S. cotton has exceeded 3 million bales.

Additional bullish support continues to come from the on-call sales report. While mills are struggling with price fixations, some pricing is being done. However, on-call sales for May and July futures contracts continue to increase, not decrease. Thus, upward price pressure is building and will likely push July prices higher relative to May.

The difference between 2017 and 2018 is increased demand. Additionally, mills initially felt that world stocks would build. However, it has been clear since late November that world stocks would decline for the third consecutive year.

Source: cottongrower.com- Mar 17, 2018

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Depreciating trend continues at Australian wool auctions

The depreciating price trend continued at Australian wool auction sales in the sale week ending March 16, although the rate of falls slowed considerably. During the sale week 37 of the current season, the Australian Wool Exchange - Eastern Market Indicator (AWEX EMI) fell by 27ac for the week and settled at a week ending figure of 1751ac/clean kg.

Merino wool movements during the week were all to the negative with the superfine sector most affected. The fall in prices for wool finer than 18.5 micron was exacerbated by diminishing quality and losses of 50 to 60ac were recorded. The fine and medium wools held on better with prices 20 to 30ac lower. The skirting segment behaved similarly but the cardings and crossbred wools performed the best with 10 to 15ac lost and a large portion of that due mainly to the stronger and disadvantageous USD v AUD rates.

"Merino wools of all types and descriptions were allowed to drift backwards from the outset by buyers, but the under-current of swelling demand became evident towards the close of selling and arrested the slide on quite a few of the type sectors," Australian Wool Innovation (AWI) said in its 'Wool Market' weekly report.

"The foreign exchange rates on all of the major currencies didn't really stimulate overseas buyers to move trade sentiment to the positive either. Those rates all appreciated against the Australian dollar (AUD) by varying degrees of between 0.4 per cent and 0.8 per cent. As such, the EMI when expressed in US dollars was far less affected and drifted 13usc lower or 0.9 per cent lower to 1379usc/clean kg," the report said.

After a few weeks of going against the trend of most other currencies moving up against the AUD, the euro finally succumbed and joined that trend and recorded the strongest movement. For buyers using this currency, this dulled the AUD falls and eliminated most of the advantages of the weaker auction prices. This remains probably theoretical only though, as buyers reported a high percentage of the wool on offer was not suitable to this market due to quality factor.

The factors hampering wool markets at present remain similar to the past few weeks since Chinese New Year break put the skids under the market. The high prices and finance access issues, combined with the reduction in quality of wool on offer are predominant factors affecting the market. Additionally, it seems having the major buyer of wool globally basically out of action for a week whilst wool auctions forged ahead regardless probably didn't help either, AWI said.

Access to finance is an issue that all would understand. Put simply, it takes twice as much today to fill the same order for the same type it did eight years ago.

Also, with wool prices being considered on the high side at present, this usually prevents local buyers stepping in to stock wool whilst waiting for clearer demand signals from their clients. Essentially this means too much risk for very little reward for the buyer exporters, explains the report.

Conversely, the sellers are happy to continue to sell and take current prices on offer and hence the sliding market. So, whilst demand is still there, and supply is okay, this lull is typical of spot markets reacting to the immediate hand-to-mouth demand situation that the wool market has been operating for years now, it adds.

For sale week 38, around 39,000 bales is rostered for auction in Australia. A firming tendency in prices on the better wools and a lift in buying intent from exporters witnessed at the close this week just may signal a slowing in the fall, says AWI.

Source: fibre2fashion.com- Mar 17, 2018

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EU lists products to face duties

The European Union on Friday published a list of U.S. products it plans to introduce duties on if the 28-nation bloc is not exempted from President Donald Trump's steel and aluminum tariffs.

The list contains dozens of products including breakfast foods, kitchenware, clothing, washing machines, textiles, whiskey, motorcycles, boats and batteries.

They are worth around 2.8 billion euros ($3.4 billion) in trade annually, but the list could grow to the equivalent of 6.4 billion euros once the full extent of the impact of U.S. tariffs is known.

The EU's executive Commission, which negotiates trade matters on behalf of member countries, gave European industry stakeholders 10 days to object if they fear that any products targeted for “rebalancing” tariffs would hurt their business.

Trump announced last week that he was imposing tariffs of 25 percent on imported steel and 10 percent on aluminum. He temporarily exempted big steel producers Canada and Mexico – provided they agree to renegotiate a North American trade deal to his satisfaction.

He said other countries could be spared as well if they can convince Washington that their exports don't threaten American industry. The tariffs are set to be enforced next week.

The EU believes it too should be exempted and rejects Trump's assertion that the tariffs are needed for national security and are simply protectionist measures. Most EU countries are U.S. allies in the world's biggest security organization, NATO.

In Washington on Friday, White House press secretary Sarah Huckabee Sanders commented on the EU tariff list.

“The president's going to continue fighting for the American worker. He's also working with a number of individual countries and negotiating on areas of national security where we can work together, and there's some flexibility there,” she said.

EU Trade Commissioner Cecilia Malmstrom will hold talks next week with U.S. Secretary of Commerce Wilbur Ross.

Malmstrom met in Brussels last Saturday with U.S. Trade Representative Robert Lighthizer to discuss the tariffs and the exemption procedures. She said she got “no immediate clarity on the exact U.S. procedure.”

That weekend, Trump argued that the U.S. has been abused economically by the EU, saying they were “wonderful countries who treat the U.S. very badly on trade.”

The EU insists that it is committed to open, global trade, and that Trump's tariffs are a protective measure to prop up U.S. industry which could undermine the global trading system. The bloc says a glut on steel markets is to blame.

Source: journalgazette.net- Mar 18, 2018

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African Union expects cooperation with China on free trade area

The African Union (AU) is looking forward to work with China and other partners outside Africa as the continent focus on realizing the African Continental Free Trade Area (AfCFTA), an African Union (AU) official said Saturday.

The AU is expecting their continued support as it focuses on achieving economic prosperity for African citizens, Kwesi Quartey, deputy chairperson of the AU Commission, told Xinhua on the sidelines of the ongoing AU's extraordinary summit on the AfCFTA.

"China is one of the great partners of Africa in achieving rapid economic development on the continent," he said in Kigali, capital city of Rwanda.

African leaders are expected to sign an agreement to launch the AfCFTA at the summit, which will make Africa the largest free trade area created since the formation of the World Trade Organization, according to the AU.

The AfCFTA could create an African market of over 1.2 billion people with a GDP of 2.5 trillion U.S. dollars, the pan-African bloc said.

"There is a political will and commitment in this agreement, we expect to amicably address any challenge that may arise during the implementation process," said Quartey.

The challenges could include protection of local industries, he said, adding that this would not be a big challenge since African leaders are committed to creating a single African market.

According to him, once the agreement is signed, it will be submitted for ratification by state parties of the agreement in accordance with their domestic laws. The agreement will enter into force 30 days after being ratified by 15 state parties.

Source: xinhuanet.com- Mar 18, 2018

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Bangladesh: Facing the challenges ahead

On March 16, at the UN, the Committee for Development and Policy (CDP) in its First Triennial Assessment meeting cleared Bangladesh's eligibility for graduation to a developing country. After our independence in 1971, what could be more glorious than this announcement, since Bangladesh was once despised by Henry Kissinger as a “bottomless basket." Now, this is the moment of truth, rejoice and celebration—Kissinger was wrong. It's indeed a matter of pride and self-esteem for the nation.

In the recent months, there were mixed reactions from the intelligentsia, think tanks, civil society members and professionals about Bangladesh's capability to surmount the challenges ahead.

Unquestionably, Bangladesh will lose benefits of LDCs in terms of DFQF (Duty-free, quota-free) market access, non-compliance of TRIPS (Trade-Related Aspects of Intellectual Property Rights) flexibilities and patent protection for pharma products.

Export subsidy will have to be stopped. With the loss of all benefits upon graduation, Bangladesh will definitely face challenges in terms of competitiveness in the global market. However, under WTO, during the transition phase, Bangladesh will continue enjoying preferential market access, longer transition periods to implement WTO agreements, flexibilities regarding WTO rules, and priority in receiving technical assistance.

Interestingly, Bangladesh will lose benefits only after CDP's Second Triennial Assessment in March 2021. Then, it will get a transition time of three years, meaning Bangladesh will continue with all benefits till 2024. EU—the largest trading bloc for Bangladesh will allow another three years (till 2027). Thus, Bangladesh will have 5-8 years to be fully prepared to brave the challenges.

Traditionally, Bangladesh with other LDCs, have been claiming “supply side constraints”—pertaining to infrastructure, sea and land ports, technology, capacity building, etc.—as the main obstacles to its competitiveness and sought 100 percent DFQF, more FDI (foreign direct investment), and technology transfer for export promotion and creating jobs for economic development.

The US, still the biggest single market for Bangladesh, was not pleased about this. Bangladesh was, however, not deterred but exploited benefits of TRIPS flexibilities and particularly DFQF offers (with varied Rules of Origin) of other countries, trading blocs and succeeded to triple its export (USD 35 billion) within a decade.

Most importantly, Bangladesh has been fortunate with its top political leadership under Prime Minister Sheikh Hasina who formulated Vision 2021.

Graduation will not necessarily pose only challenges. It also offers benefits. It will immediately offer benefits of credit worthiness, more potential for foreign investment, reduce volatility for flagship project financing, increased investment, job creation and revenue through protection of intellectual property, and above all, pave the way for joining the club of developed economies by implementing Vision 2041.

As a developing country, Bangladesh will still have more time to open up its economy like other developing countries. But, the challenge is its capability to compete with developing countries in terms of market access, attracting investment, infrastructure and skill development. However, there has always been an opportunity to reach out to other countries bilaterally or through WTO Committees to explain the difficulties pertaining to graduation and seek dispensation.

Bangladesh should actively consider implementing its commitments pledged through Trade Policy Review mechanism in WTO (though they are not compulsory) for its own benefit by improving infrastructure, automation, skills, and bringing legal and administrative reforms. The Trade Facilitation Agreement, which Bangladesh has ratified, is also an area to look into for proper implementation.

Simply put, Bangladesh needs to improve the infrastructure and services of its sea ports, have at least one or two operational deep sea ports by 2021, diversify its export basket and market, seek to attract more domestic and foreign investment, properly implement "one step service", etc. Bangladesh still has some leverage to maintain its competitiveness, but it immediately needs to minimise its cost of production and transportation time and cost by improving various aspects of its supply chain.

To overcome the potential challenges, the government has already assigned the External Economic Resources Division to carry out impact assessment and the General Economic Division (GED) of Planning Commission to map and prepare a plan of action, in consultation with all the ministries, on a priority basis. The Ministry of Commerce is also conducting its own assessment, like it did in the case of preparing for the implementation of SDGs.

Most importantly, the business community led by the FBCCI is accustomed to conducting their own impact assessments. Think tanks have also been preparing "policy briefs" for the government on issues that concern our economic interests. Taken together, these things will definitely strengthen the government's capacity to understand the enormity of the challenges at hand and address them appropriately through policy and strategies within the limited transition period.

As Abul Kalam Azad, the Principal Coordinator for Sustainable Development Goals (SDG) Affairs in the Prime Minister's Office assured the business community in a meeting on the graduation, hosted by FBBCI on March 15, 2018, that the government will do everything possible to overcome the challenges. "If Bangladesh could clinch independence in nine months, the government will also succeed (in facing the challenges) within the next 5-7 years," he said. Making Vision 2021 a reality is a testimony of that claim.

Source: thedailystar.net- Mar 19, 2018

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Cotton prices show upward trend in Brazilian market

Cotton prices showed upward momentum in the Brazilian market in the first half of March, as sellers were unwilling to lower their asking prices.

Between February 28 and March 15, the Center for Advanced Studies on Applied Economics/Luiz de Queiroz College of Agriculture (CEPEA/ESALQ) cotton Index rose 5.9 per cent, ending at 3.0091 BRL per pound on March 15.

Owing to stiff stance taken by sellers, “purchasers who needed cotton for prompt-delivery had to increase bidding prices in order to close trades.

Some other processors, in turn, were cautious regarding purchases of new batches in the spot market, claiming difficulty to pass on the price rises of cotton to the by-products," CEPEA said in its latest fortnightly report on Brazilian cotton market.

Meanwhile, Brazil's national supply company Conab has increased its estimate of area to be sown with cotton to 1.143 million hectares, up 21.8 per cent from 2016-17 season. As a result, volume of cotton produced may reach 1.855 million tons in 2017-18, up 21.3 per cent from the previous season. Yield per hectare is likely to be 1,629 kilos.

In Mato Grosso, the main cotton growing region in Brazil, 2017-18 cotton area is forecast to increase by 18.9 per cent compared to last season to 746,500 hectares. Output is expected to increase by 21.1 per cent to 1.224 million tons.

In international trade, Brazil's cotton exports decreased 31.3 per cent during January-February this year to 54,300 tons, according to data from the secretariat of foreign trade (SECEX).

Source: fibre2fashion.com- Mar 18, 2018

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Pakistan: Trade for development

US President Trump's unilateral tariffs on steel and aluminium imports threaten to unleash a trade war with America's friends and foes. The move may appease Trump's 'rust belt' constituency but is unlikely to end America's trade deficits or bring back manufacturing jobs.

Emerging from the Second World War as the dominant economic power, the US propagated the thesis that "nations can advance only by eliminating barriers to the free movement of goods and capital and by minimising the role of government in the economy". This Washington Consensus became the driving force for globalisation.

However, history indicates a contrary conclusion: that industrial development has been achieved almost always behind the walls of state protection and intervention. Great powers became great because of active state promotion of industrialisation and production.

Pankaj Mishra's article 'The Rise of China and the Fall of the Free Trade Myth' (New York Times Magazine, Feb 7, 2018) points out that China's rise has happened with "state-led economic planning, industrial subsidies and little or no regard for the rules of 'free trade'".

Mishra recalls that Britain prevented its colonies from competing while selling its own goods globally. Alexander Hamilton's formula for protecting 'infant industries' behind government-erected barriers made the US the fastest-growing economy in the 19th and early 20th centuries. Germany after the First World War, and Japan after the First and Second World War, emulated these protectionist principles in their rapid industrialisation.

Of the three institutions proposed by Lord Keynes for the reconstruction of the world economy after the Second World War, the IMF and the World Bank were created at Bretton Woods. The third, the International Trade Organisation, endorsed in the 1946 Havana Charter to promote "full employment" and "make finance the servant, not the master of human desires internationally", was stillborn. The US Congress withdrew support because the protections provided to American corporations against 'expropriation' of investments were considered not strong enough.

Thereafter, the world trading system developed unequally. Europe's revival was fostered by US aid and trade under the Marshall Plan. As US allies, Japan, followed by Korea and Taiwan, industrialised behind protective barriers and because of the 'one-way' access offered them to the US market, capital and technology. Other countries were asked to adhere to the 'free-trade' principles of the General Agreement on Tariffs and Trade (GATT).

The system was unfair at multiple levels. Agriculture was excluded from free-trade principles; the US and EU maintained their agricultural subsidies, while the developing countries were not allowed to do so. Textile trade was restricted by small import and export quotas. Tariffs on other goods were lowered uniformly despite the inherent economic disparity between the industrial and developing countries. The latter had almost no ability to oblige stronger 'partners' to observe the trade rules fairly.

After the collapse of the Soviet Union, Gatt was transformed into the World Trade Organisation (WTO) and the Washington Consensus was imposed with a vengeance. Besides goods, free-trade principles encompassed services, finance, intellectual property and industrial policy. Almost all the tools used by the industrial world to 'climb the ladder' of industrial development (tariffs, subsidies, domestic content requirements), were 'kicked away' under the WTO agreement.

During the late 1990s, a small group of developing countries, led by India, Pakistan, Egypt and Cuba, organised a concerted resistance to the Western juggernaut in the WTO. They blocked one-sided decisions at the WTO's Singapore and Seattle ministerial meetings and were successful in inserting a modest 'development agenda' in the 2000 Doha Ministerial Declaration.

Since the Doha Conference, the nature and dynamics of global trade have changed dramatically. After its entry into the WTO, China, with lower wages, high efficiency and access to domestic and international capital, took advantage of the WTO's 'free-trade' regime to beat the industrialised countries at their own game, emerging as the world's manufacturing hub and accumulating huge trade surpluses and reserves. Simultaneously, due to their financial profligacy, the US and the European Union endured their worst financial and economic crisis since the 1929 Great Depression. The West's Washington Consensus evaporated and was replaced by a protectionist crouch.

The law firm, Gowling WLG, has reported that the world's top 60 economies adopted more than 7,000 protectionist trade measures between 2009-16, with the EU responsible for 5,657 and the US for 1,297. Losing the game in the WTO, the developed countries have moved to pursue plurilateral and bilateral 'free-trade' agreements.

The much-advertised 12-member Trans Pacific Partnership, apart from seeking to exclude China, sought to introduce new 'standards' favouring the industrialised countries: extended intellectual property protections, non-judicial investor-state dispute settlement, restrictions on state-owned enterprises. Although Trump ignorantly denounced the TPP, he may rejoin if the 11 'partners', who have revived it, accommodate his demands, which appears likely.

Similarly, the trade tensions with US allies generated by Trump's steel and aluminium tariffs are likely to be resolved through cosmetic concessions. The focus of future trade friction will be China. India and other developing countries which are seen to be 'taking away' US jobs may also feel some 'heat'.

Pakistan is unlikely to figure in this trade turbulence. It is a puny trader, exporting $20 bill and importing $45 bill annually; as compared to the $375 bill and $380 bill which Mexico, a country of comparable size, exports and imports. Pakistan's failure to produce and trade deserves a separate analysis.

The interests of the developing countries would be best served if they are able to act collectively. They could take advantage of Trump's challenge to the global trading system and revive the proposal for an international trade organisation that is more efficient (in the application of capital and technology); more advanced (eg encompassing digital trade) and more equitable (embracing full employment and the SDGs). Today, the developing countries possess the collective economic and political power to construct a trading system that serves development.

As Deng Tsiao Ping remarked at the outset of China's rise: "Development is the only truth. If we don't develop, we will be bullied."

Source: dawn.com - Mar 18, 2018

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$1.287bn of trade exchange between Egypt, EFTA countries in 2017

Saeed Abdallah, head of the trade agreements sector at the Ministry of Trade and Industry, announced on Friday that the trade exchange between Egypt and European Free Trade Association (EFTA) countries recorded $1.287bn in 2017.

The EFTA is a regional trade organisation and free-trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland.

Abdallah added that the trade exchange figures do not reflect the huge opportunities available for cooperation between the two sides, explaining that Egyptian exports to EFTA countries represent $485m, while exports of EFTA countries to Egypt reached $800m.

This came on the sidelines of a seminar that was held at the Ministry of Trade and Industry on ways to enhance trade between Egypt and EFTA countries.

Abdallah said that Egyptian exports to EFTA countries are mostly concentrated in raw materials, especially gold, which represents the largest proportion of Egyptian exports to EFTA countries, representing 85% of Egyptian exports to Switzerland, followed by textile products like yarn, cotton, textiles, and carpets.

On the other hand, he explained that Egyptian imports gold plated with platinum, medicines, preserved fish, equipment, concentrated milk, and watches from EFTA countries.

Abdallah stressed on the importance of enhancing trade and investment cooperation between Egypt and EFTA countries during the coming period.

Source: menafn.com - Mar 18, 2018

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Pakistan: Plan prepared to boost cotton output

To boost the cotton production and increase its cultivation area by 45 percent by 2025, an action plan has been prepared which recommends to rationalize existing excessive incentives for sugarcane.

The recommendation was part of the action plan presented to a meeting of the federal cabinet for increasing the cotton production in the country.

According the minutes of the meeting, available with The Nation, the cabinet was informed that due to different factors cotton production had faced virtual stagnation since 1991-92, which had been fluctuating between 10 and 12 million bales, with a disastrous fall to 9.9 million bales in 2015-16.

However the cotton consumption was 15 million bales, making Pakistan a net importer of cotton, the action plan said.

The reason for stagnation includes use of inappropriate 1st generation, rather that 4th Generation BT technology; absence of quality seeds; lack of solution to CLCV problem; low quality of ginning; and Pakistan's being the most contaminated cotton.

These reason had led to declining cotton profitability and 20 percent decrease in the cotton area between 2004 and 2016.

The action plan recommended that the cotton production target may be fixed at 25 million bales by 2025 by increasing area from 2.4 million hectares (a 45 % increase) and yield up to 1200 kg/hectare. Research funding may be provided with a restructured PCCC to revive the textile industry financial contributions. Cotton research may be revitalized from PSDP at Rs 2.5 billion for 5 years through competitive FRANTS managed by PARC under IPC.

It was also recommended that partnership may be initiated for variety development and marketing, the Seed Act and Plant Breeder Rights Act may be implemented, Sub-standard cotton seed and BT cotton varieties may be regulated.

It was also recommended that cotton sector may be regulated by rationalizing over 700 seed companies and disallowing cotton import during cotton picking season.It was recommended in the action plan that Cotton Cultivation may be expended in KP and Balochistan.

Spinning and ginning may be improved through better technology, shifting of current weight based pricing to quality based system, and bale labeling by ginners showing quality features.

The existing excessive incentives for sugarcane may be rationalized, by replacing its current pricing mechanism with a new linking sugarcane price to the wholesale price of sugar in order to ensure a level playing field for all commodities.

The cabinet was also requested that the administrative control of Pakistan Cotton Central Cotton Committee should be transferred to National Food Security and Research Division to strengthen public private partnership in cotton research through increased funding from the public sector and more pro-cotton policies in the overall policy framework.

Furthermore, National Food Security and Research Division should also submit an annual report to the cabinet on the actual results achieved by PCCC and implementation of this action plan.

The cabinet approved to transfer Pakistan Cotton Central Cotton Committee and related matters from the ministry of textile industry to ministry of National Food Security and Research Division.

Source: nation.com.pk - Mar 19, 2018

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NATIONAL NEWS

Export promotion schemes opposed by U.S. not subsidies

Measures help offset logistics costs: Textile Commissioner

Programmes such as the Export Promotion Capital Goods Scheme offered by India for exporters, that have been challenged by the U.S. at the World Trade Organisation (WTO), are not subsidies, according to a senior Union Textile Ministry official.

'Not reimbursed'

These are given mainly to equalise the costs incurred by the industry with the international costs, Textile Commissioner Kavita Gupta told The Hindu here on Friday. "We are not giving subsidies. Industries face high logistics costs and State levies and these are not reimbursed. Schemes such as the Merchandise Exports From India are to offset these costs.

The Export Promotion Capital Goods Scheme is for adoption of better technology." The total textile exports this financial year was expected to be about $40 billion. This was almost the same as last year. There were several reasons that are affecting exports such as contraction of international demand, she said.

"There is tremendous potential for exports. Export of value-added products such as garments, made- ups and technical textiles should increase to pull up the downstream segments of textiles. Investors should invest in these sectors," Ms. Gupta earlier told journalists.

With the special packages that were announced by the Union Government for made-ups and garments, five lakh to seven lakh new jobs (direct and indirect) were created.

Apart from investments in spinning and ginning segments, investments of more than ₹30,000 crore happened in the last three to four years across the value chain under the Technology Upgradation Fund Scheme. On increasing imports, she said the ministry had been deliberating on these issues to see how best it could be resolved.

"I am sure some solution is going to emerge soon," she said. Regarding Rebate of State Levies, she said the ministry had got about ₹900 crore and it would be released soon. The ministry is also pursuing with the government on the additional funds required for the scheme.

The office of the Textile Commissioner has given proposals related to Technology Mission on Cotton and Technology Mission on Technical Textiles to the Textile Ministry.

Source: thehindubusinessline.com- Mar 17, 2018

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India's apparel exports decline 10.25% in February 2018

Apparel exports from India were to the tune of $1.44 billion (approx.) in February 2018, showing a decline of 10.25 per cent compared to $1.60 billion (approx.) exports made in the corresponding month of the last year, as per the latest official trade data. In rupee terms too, the value of exports declined by 13.86 per cent to Rs 9275.08 crore.

"Already apparel production is on a declining curve with industry registering decline of 10.4 per cent for the period April-January 2017-18. On the other hand, for the period July 2017-February 2018, apparel exports from Bangladesh has registered an 8.68 per cent improvement over last year.

Given the kind of uncertainty which has been prevailing due to US challenging India's export subsidy programme at WTO, we are seriously worried about the future of the industry," said HKL Magu, chairman, Apparel Export Promotion Council (AEPC).

India's garment exports are witnessing a continuous decline since October 2017.

AEPC is also worried about the fact that the US has filed a complaint at the WTO about India's export subsidy programmes like Merchandise Exports from India Scheme, Export Oriented Units Scheme, Export Promotion Capital Goods Scheme etc.

Talking about the complaint, Magu said, "The fact that the US has filed a complaint at the WTO about India's export subsidy programmes has turned the heat further on India. The withdrawal of export subsidies is only going to benefit countries like Bangladesh which is already showing consistent growth in their RMG exports.

It is a drastic situation and we would like to request the government to intervene immediately to redress the situation and also allow the release of the refunds as until refunds start flowing, things will not improve both on the production as well as export front."

In April-February 2017-18, India's clothing exports have registered $15.22 billion (approx.), showing a decrease of 2.19 per cent compared to $15.55 billion (approx.) registered in the same period of previous financial year.

Meanwhile, readymade garment exports from Bangladesh during July 2017-February 2018 increased by 8.68 per cent to $20.25 billion, according to the data released by the Export Promotion Bureau of Bangladesh.

Source: fibre2fashion.com- Mar 17, 2018

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Multiple tax slabs put man-made fibre sector in a tight corner

'Accumulated credit under GST, capital goods investments affecting the industry'

Multi-stage and different tax slabs are affecting the man-made fibre (MMF) sector, according to the industry.

Narain Aggarwal, chairman of the Synthetic and Rayon Textiles Export Promotion Council, told The Hindu that the MMF sector saw almost 9% growth in the domestic market every year.

'Exports stagnant'

However, exports were stagnant for the last couple of years. The export target for this financial year was $7.5 billion.

The Indian MMF sector was expensive in the international market by 5% to 8 % compared to the East Asian countries. This was mainly because of multi-level taxes that were not fully rebated, and high interest rates, he said.

In China, the GST was 17% on textiles, while in Vietnam and Bangladesh it was 15%. In India, there were multiple rates for different fibres, Mr. Aggarwal said.

"Textiles are an integrated economy and the accumulated credit under GST from raw materials and capital goods investments are affecting the industry. It blocks investments." "We have been speaking on these issues and the Ministry of Textiles has taken these up with the ministries concerned," he said.

Mr. Aggarwal said the average annual wage rate in China was $8,000 and in Vietnam it was $3,000. In India, it was $1,500.

The actual production cost for the domestic MMF sector is lower compared to China. But, "we are not competitive because of taxes," he added.

On increasing import of MMF yarn, fabric and garments, he said that prior to GST, the import duty on MMF was 26.42 %. Now, it was 15%. So, the domestic sector has had a disadvantage and imports had gone up.

The industry took it up with the government and the basic customs duty rates were increased for fabric. In the case of yarn and readymade garments, the imports were still high, he said.

Source: thehindu.com- Mar 17, 2018

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Exports declining in labour intensive sectors

Despite the Centre's focus on promotion of exports and creation of jobs, the country's exports, mainly from the labour intensive sectors, have been on a declining path in the last decade and there is a need for some rapid structural changes for revival, say experts.

The slowdown has been pointed out by many rating agencies, including Crisil, but successive governments have not paid heed to such red flags. Rating agency Crisil had recently pointed out the lack of competitiveness which is leading to slow growth of exports from the country's labour intensive sectors.

The labour intensive export sectors include gems and jewellery, raw leather, leather products and readymade garments. Sachin Bhatia, chief executive officer of Metro Infrasys, a trade consultancy firm, told *The Sunday Guardian*.

"It is a worrying fact that India's exports are not picking up, that too at a time when the global environment is becoming more conducive for trade. The reason is not weak currency, but the lack of competitiveness. Exports from the labour intensive sectors are not only important for the generation of foreign revenue, but the sectors need a boost for creating more jobs."

"As per IMF data, while global merchandise trade is expected to grow stronger at 4.2%, India's exports have not been able to take advantage from a stronger trade environment, unlike many of its Asian counterparts like Vietnam, South Korea and Indonesia. India's export growth was 9.5% in last fiscal, but for Vietnam, South Korea, and Indonesia, it was way higher at 23.8%, 18.4% and 17.8%, respectively," Bhatia said.

Between 2006 and 2016, the competitiveness of the gems and jewellery sector has declined from 6.38 points to 3.96, leather and leather products from 3.12 to 1.79 and the readymade garments sector from 2.43 to 2.22 points, according to Economic Survey 2017-18.

"The national competitiveness of manufacturing has not made great pace, reflected in the declining manufacturing export-GDP ratio and manufacturing trade balance. For the immediate future, addressing exporters' concerns is imperative," the Economic Survey 2017-18 reads.

A few experts, however, claim that despite the demonetisation drive that slowed down domestic economic activity since November 2016, India's exports grew at the fastest pace in five years by 4.7% in 2016-17. However, various analyses have revealed that the competitiveness of the labour intensive sectors had already been on the decline since 2006, and was further impacted by demonetisation and goods and services tax (GST).

According to World Bank data, an increase in the outward remittances has failed to fill the gap in the current account deficit (CAD) in the recent past. India's CAD doubled to 1.2% of GDP or $7.2 billion, throughout 2016-17.

Paramjeet Singh, a former Export Promotion Council member, told *The Sunday Guardian*: "The problem of the country's widening CAD on year-on-year basis is difficult to fill in the current scenario when India's basket of exports (engineering goods, gems and jewellery, chemicals and readymade garments) have been registering negative or near zero growth rates since many years. Also, a commodity group like drugs and pharmaceuticals, that was earlier showing export dynamism, has been indifferent or poor during recent times."

"High exports growth, particularly in the labour-intensive sectors, is vital for economic sustainability. There are combinations of factors that are leading to the slowdown in this sector, including lack of diversification, dynamism and low level of competiveness," Singh said. The slow growth of the labour intensive sectors is also caused by domestic developments such as the ham-handed implementation of the GST.

"The implementation of GST and the associated glitches have hit the small and medium-scale enterprises the hardest, derailing growth in sectors such as textiles, gems and jewellery, and leather, where such enterprises dominate the supply chain," Singh added.

Source: sundayguardianlive.com- Mar 17, 2018

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E-wallet will address GST refund issue of exporters, says Suresh Prabhu

Commerce minister Suresh Prabhu says secretaries in the commerce and finance ministries are working on the e-wallet mechanism to address the woes of exporters on GST refund

Introduction of e-wallet mechanism will effectively address the woes of exporters who have been complaining of delays in refund of taxes under the GST regime, commerce and industry minister Suresh Prabhu has said.

Under the e-wallet mechanism, a notional credit would be transferred to exporters' accounts based on their past record and the credit can be used to pay taxes on inputs.

Prabhu said that secretaries in the commerce and finance ministries are working on the matter. "The only way it can be addressed properly is through e-wallet (mechanism). Finance ministry has to take a call on this. E-wallet will actually address the issue because then you (exporters) do not have to pay and seek refunds," he told PTI.

According to exporters, delay in refund of taxes is blocking their working capital and impacting shipments. The issue of refunds to exporters has been delayed for over eight months now.

The revenue department, on the other hand, has argued that there are discrepancies in the forms submitted by exporters with the customs department and those with the GST Network (GSTN).

As per exporters, about Rs20,000 crore is stuck on account of delay in refund of duty claims under the new indirect tax regime. Before GST, exporters used to get ab-initio exemptions from duties. But now they have to pay first and then seek refund.

The prime minister's office had earlier called a meeting of top officials of commerce and finance ministries to discuss the issue of GST refunds. The GST council in its meeting earlier this month decided to implement e-wallet scheme for refunds to exporters by 1 October. Meanwhile, the CBEC field formations have launched 'GST refund fortnight' beginning Saturday to quickly sanction pending refunds to exporters.

Federation of Indian Export Organisations (FIEO) had stated that e-wallet could help resolve the problem of liquidity.

Exporters may use it like a running account where money will be debited from e-wallet when duty paid supplies have to be undertaken and the amount is credited when the proof of exports is made available.

Source: livemint.com- Mar 18, 2018

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Kolkata to Dhaka: Ministry keen to push cargo through river route

Pangaon terminal in Bangladesh to be included in Secretary-level talks

In an effort to reduce logistics costs and make India-Bangladesh trade more competitive, the Union Shipping Ministry has proposed the inclusion of Pangaon river terminal near Dhaka in the bilateral protocol for inland water trade, during the upcoming secretary-level talks.

The Pangaon container terminal is located 20 km from Dhaka. Currently Kolkata port in West Bengal; Mongla, Narayanganj, Ashugunj in Bangladesh; and Karimgunj in Assam are listed in the protocol.

“We will propose inclusion of Pangaon terminal in the protocol during the annual secretary-level meet, which is expected shortly.

We expect the proposal to receive the support of the Bangladesh government as it would help transport goods at a cheaper cost between Kolkata and Dhaka,” Gopal Krishna, Secretary Shipping, told BusinessLine.

He was in Kolkata to assess the progress of the World Bank-aided Ganga Jal Marg project and flag-off two tug-barge flotillas, each of which can carry nearly a rake load of cargo, to cater to the Bangladeshi demand for fly-ash for land-filling purposes.

Resolving Logistics hurdles

Though Bangladesh is the ninth largest importer of Indian goods, the dominance of non-containerised road cargo (largely through the congested Petrapole-Benapole border) coupled with lack of uniformity in axel-load restrictions makes India-Bangladesh trade costly.

This could also be the major reason for the slow growth in official bi-lateral trade, which, after being stagnant for two consecutive years, registered an 11 per cent growth to $7.5 billion in 2016-17.

The high cost of formal trade has led to a high volume of informal trade, resulting in revenue loss to Bangladesh.

This problem can be solved by containerising and shifting road cargo to cheaper rail and inland river transport.

After ignoring these issues for long, India is now working on them. To boost container train service between the two nations, India has approved ₹40 crore for a transhipment hub at Ishwardy in Bangladesh across the Gede-Darshana broad-gauge connectivity.

Inland water is the cheapest mode of transport and attracts a high volume of the domestic cargo movement in Bangladesh. With the ₹5,369-crore Jal Marg project under implementation and Kolkata emerging as a multi-modal transport hub, India is now keen to tap this opportunity.

Joint river dredging

Meanwhile India and Bangladesh are keen on initiating a ₹305-crore dredging project in Sirajganj-Daikhawa on Kushiyara river in Bangladesh to promote inland river movement between Kolkata and the North East through Bangladesh. India will bear 80 per cent (₹244 crore) of the total cost.

According to Pravir Pandey, Vice-Chairman of the Inland Waterways Authority (IWAI), following the successful pre-bid meetings, tenders have been invited from suitable contractors in India and Bangladesh to participate in the project.

On the Jal Marg project that aims to create a fairway from Varanasi to Haldia on the Ganga, Pandey said dredging contracts have been issued for the Farakka-Kahalgaon section.

Of the six, three proposed terminals at Varanasi in UP, Sahibgunj in Jharkhand and Haldia in West Bengal are expected to be completed by 2019.

Source: thehindubusinessline.com- Mar 18, 2018

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A measure of manufacturing

There are two key parameters that the government and private sector analysts use to gauge the level of activity in the manufacturing sector — the Index of Industrial Production (IIP) and the Manufacturing Purchasing Managers' Index (PMI). While a lot has been written about the IIP, less has been said about the PMI.

What is manufacturing PMI?

There are two main points of difference between the PMI and the IIP. The first is that the PMI is a private sector survey while the IIP is gauged by the government. The second difference is in what is being measured. While the IIP is a measure of output, PMI, as the name suggests, measures activity at the purchasing or input stage.

Together the two indices provide a composite and reasonably comprehensive information about the formal manufacturing sector. As with the IIP, the PMI suffers from the lacuna of not measuring informal sector activity.

Another factor to be kept in mind is that both the PMI and the IIP are based on surveys and hence, represent only a sample of the entire formal manufacturing sector.

In addition, as with all surveys, the two are also susceptible to sampling errors, errors in assigning weights to various indicators and errors that creep in due to inaccurate responses.

How is the PMI survey conducted?

The Nikkei India Manufacturing PMI is based on data compiled from monthly survey responses by purchasing managers in more than 400 manufacturing companies.

The manufacturing sector is divided into eight broad categories — basic metals, chemicals and plastics, electrical and optical, food and drink, mechanical engineering, textiles and clothing, timber and paper and transport.

The survey responses are meant to reflect month-to-month changes based on the data collected mid-month. For each of the indicators, the report shows the percentage reporting each response, the difference between the number of higher or better responses and lower or worse responses and something called a 'diffusion' index. "Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change," Nikkei said in its report.

The Nikkei India Manufacturing PMI is composite index based on five individual indices with their own weightages — new orders (weightage 0.3), output (0.25), employment (0.2), suppliers' delivery times (0.15), stock of items purchased (0.1) and the delivery times index inverted so that it moves in a comparable direction. Once the overall number for the month is computed, the score is arrived at. A score above 50 denotes expansion while one below 50 signifies contraction.

What has the PMI been saying for India?

The Manufacturing PMI for India has been gradually declining from December when it was 54.7, the highest it has been in more than a year. Since then, it has declined to 52.4 in January and to 52.1 in February.

Growth in the manufacturing component of the IIP accelerated in January compared with the level in the previous month. Overall, the last three months have witnessed manufacturing growing at a rate faster than what has been recorded inin about two years.

One important advantage the PMI has over the IIP is how quickly the data for any reporting period comes out.

The manufacturing PMI report for any given month comes out either on the last day of that month or on the first day of the next month.

So, for example, the next data release will be for March 2018 and will come out either on March 31 or April 1. The IIP, however, comes out after considerable delay. The data for a given month comes out almost one and a half months later. The next release will be for February 2018 and will come out on April 12.

Source: thehindu.com- Mar 18, 2018

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