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IBTEX No. 57 of 2018 March 20, 2018

USD 65.20| EUR 80.47 | GBP 91.54 | JPY 0.61

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19218	40200	**78.67**
Domestic Futures Price (Ex. Gin), March		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20110	42130	82.**34**

International Futures Price	
NY ICE USD Cents/lb (May 2018)	81.23
ZCE Cotton: Yuan/MT (Jan 2018)	14,950
ZCE Cotton: USD Cents/lb	**91.11**
Cotlook A Index – Physical	**92.0**

Cotton guide: Start of the week cotton price fell sharply across the globe. The US cotton trades at ICE for across contracts traded down. The most active May contract ended the session at 81.23 cents per pound 162 points lower from previous close. Likewise, the July future also traded down to end at 81.52 cents. The market continued to hold the contango structure between May and July at a spread of 30 points. We believe since the near month contract has move into backwardation more selling is witnessed on the underlying. In fact market has breached a critical support level of 81.50 (which is the March month low) indicating the near term trend may remain weak and move towards 80.50 to 80 cents.

Broad based selling due to economic uncertainty over the continued turmoil in the US, took a further toll on markets. Talk of a global trade war made markets nervous once again.

From the trading perspective trading volumes were around 31K contract no major difference from the last one week's average daily volume and the aggregate open interest held steady.

No major cues in the market related to cotton while it's the mere selling on rise has been the key strategy. This morning the same underlying for May delivery is seen trading at 81.30 cents no major change from previous close and believe the weakness may continue to persist. The trading range for the day would be 80.50 to 82 cents per pound.

From the fundamental front, the Chinese State Reserve Auction started its 2nd week on Monday. The turnover rate was 69.13 percent, an improvement over the last two auction days. There were 30,007.665 tons offered and 20,744.937 tons purchased. Cumulative sales stand at 614,415 bales (133,442 tons). Using the estimated figure of remaining reserves after last year's auction of 24,142,123 bales (5,256,286 tonnes), the balance of reserve stocks stand at 23,314,996 bales (5,076,202 tons).

Coming onto domestic market the spot price which was hovering around Rs. 41000 per candy ex-gin for the whole last week has declined on Monday to trade at Rs. 40,500. The same in parity has also corrected down from 80.60 cents to 79.45 cents per pound. The arrivals have maintained around 165K bales. The fall in spot price made the futures price to decline sharply. On Monday the most active March ended at Rs. 20020 down by Rs. 320 from previous close. Likewise, the April contract has also declined. However, the spread between the two contracts is maintained at Rs. 300 per bale. Overall we expect cotton price to remain weak and the trading range for the day would be Rs. 19900 to Rs. 20130 per bale.

Currency Guide:

Indian rupee has depreciated by 0.08% to trade near 65.2275 against the US dollar. Weighing on rupee is sharp losses in global equity market amid uncertainty about Trump's administration, increased geopolitical tensions and concerns about US led global trade war. Rupee is also pressurized by increased expectations of Fed's interest rate hike. Rupee may depreciate unless we see a significant recovery in equity market. USDINR may trade in a range of 64.95-65.4 and boas may be on the upside.

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

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INTERNATIONAL NEWS

Cotton farmers accuse China over collapse of textile industries

ABUJA- COTTON farmers in Nigeria have accused China over collapse of textile industries in the country following contraband textile materials smuggled and labeled made in Nigeria that have flooded the market.

This allegation was made in an address delivered by Managing Director/Chief Executive Officer, Arewa Cotton and Allied Products Limited, Anibe Achimugu, at the 16th African Cotton Association, ACA, Annual Congress 2018 edition, held in Abuja, on March 14, 2018.

According to Achimugu the Nigerian textile industry, while holding the short end of the globalisation stick, lost out in the struggle with more potent outside economic forces following the damage done by pernicious economic policies of structural adjustment, the Chinese contraband had so thoroughly captured the Nigerian market that it would be impossible for the Nigerian operations to compete.

He further stated that similarly, China's highly competitive manufacturing sector has devastated many smaller-scale rivals across Africa, Asia and Latin America in the course of implementing Beijing's global strategy and pursuit of global ambitions, with growing dominance in global trade.

He said: "The cotton and textile industry is faced with huge predicaments of various origins and types. But, in spite of Africa's many challenges, it is a land of many opportunities, with agriculture as means of producing food and non-food products. We are gathered here today to examine one of these, under the theme, 'Mechanised Cotton Farming: A Necessity to Boost African Cotton Production'.

"Now, Chinese fabrics fraudulently labeled "Made in Nigeria," which used to be a hidden international trade, is now an open trade. Their imitation fabrics come through Cotonou in Benin Republic, and undergo trans-shipment by smuggling into Nigeria in a trade estimated to be worth about $2 billion a year, equivalent to about a fifth of all annual recorded imports of textiles, clothing, fabric and yarn into the whole of sub-Saharan Africa. According to a team of experts working for the United Nations, in 2009, 'The Nigerian textile industry is on the verge of a total collapse'.

"The textile industry was a significant non-oil sector of the economy, which provided direct and indirect employment to the masses. Besides, varied and thriving economic activities were witnessed within the textiles gates and around the host communities. The sector was such a boom that it was rated the second largest in Africa after South Africa. Can the good old days return?"

In his assertion, he said there was need to carry out fundamental reforms of the cotton and textile industry in Africa, basically focusing on a vibrant seed sub-sector, which lack of quality cotton seed and inadequate quantity should be addressed to meet the needs of farmers for seed and to achieve higher yields.

"For cotton you need long fibre, disease resistant seed varieties and those that adjust properly to the vagaries of the weather. Our seed companies must respond well to the challenge. We need to facilitate the establishment of world class seed processing plants in the first instance. Adequate financial support for farmers as well as Research and Development (R&D) on the part of governments will ensure seed production programmes are implemented to produce breeder and foundation seeds for the industry's needs.

As part of the solutions to tackle factors negatively affecting the cotton sub-sector he called for collaboration through Public-Private Partnership, PPP, arrangement that would tap into the combined strength and synergy between the public and private sector practitioners that would enable decisions on price fixing, quality, modern technology, environment and sustainable production. He also advocated for biotechnology adoption that would increase cotton production as some countries have adopted and applied the technology, therefore have benefited immensely, and added that the adoption of Bt cotton, has helped China, US, India and Burkina Faso, and if adopted by Nigeria would be part of national strategy to mitigate the effects of climate change and boost production.

Source: vanguardngr.com- Mar 19, 2018

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Pakistan hopes to sign FTA-II with China in April

ISLAMABAD - Pakistan on Monday hoped to sign Free Trade Agreement (FTA) phase II with China in next month (April) during the visit of Prime Minister Shahid Khaqan Abbasi to China that would increase the bilateral trade.

Secretary Commerce Mohammad Younus Dagha Monday expressed satisfaction over the progress on the FTA phase II.

"I hoped that both sides can meet at an early date for the 10th rounds to finalize the remaining issues so that a formal announcement can be made during the prime minister's visit to China in April, 2018," the secretary said in a meeting with China's Ambassador to Pakistan Yao Jing.

He briefed the ambassador on the status of negotiations of second phase of FTA. He thanked the Chinese government on accommodating the concerns of Pakistan's local industry and agreeing to provide a competitive edge to Pakistanis exports in Chinese market.

The Chinese ambassador reaffirmed Chine's commitment to address any apprehensions of Pakistan's local industry.

He also agreed on the need to finalise the negotiations before PM Abbasi's visit to China.

He assured to coordinate early dates for the next round with the Chinese Ministry of Commerce.

Sources in the commerce ministry informed The Nation that government is already completing its homework before next round on FTA.

The ministry and textile sector has recently called a meeting of all key chambers and associations to finalize sensitive list of items to be placed before Chinese officials during 10th round of FTA-II, the sources said.

They said that government wanted to take viewpoint of business community on revised trade agreement with China before its finalization.

In February this year, China had agreed to revise whole Free Trade Agreement (FTA) under which Beijing will provide tariff concessions for increasing exports of Pakistan.

Pakistan had suggested incorporating clauses for safeguarding the industries and the economy from any undue pressure on the balance of payments position. Dagha had presented the demands of Pakistani exporters and industries for accommodating in the final draft of the FTA.

The demands included those from exporters to provide tariff concessions equivalent to Asean countries.

Chinese side also agreed on Electronic Data Exchange which would help reducing the chances of under-invoicing, another major concern of Pakistani industry.
It may be mentioned that these negotiations had started in 2012 to finalise the revised version of the FTA.

Under the first phase of FTA, Pakistan's trade balance with China had worsened, and it had registered $12 billion mark in last financial year 2016-17.

Pakistan's major exports to China are, cotton yarn, chemical material, crude vegetable material, rice, raw hides and skins, fish and fish preparations.
On the other hand, the major imports of Pakistan from China are machinery and its spare parts, manufactured fertilizer ,chemical elements, yarn and thread of synthetic fibre, iron and steel, chemical materials and products, vegetable and synthetic textile fibre, road vehicles and their parts, non-ferrous metals, tyres and tubes of rubber etc.

Source: nation.com.pk - Mar 20, 2018

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Egypt govt approves 2018/19 fiscal year budget

The Egyptian Prime Minister Sherif Ismail has said the government on Sunday approved its 2018/19 fiscal year budget , targeting a budget deficit of 8.4 percent of Gross Domestic Product (GDP).
A statement from the cabinet said the budget would target GDP growth of 5.8 percent.

Meanwhile, Egypt's Finance Minister Amr El Garhy on Monday told Reuters that the country expects GDP growth between 5.3 and 5.4 percent in the third quarter of the 2017-2018 fiscal year.

Last month , Planning Minister Hala al-Saeed said the economy grew by around 5.3 percent in the second quarter.

A World bank 2017 report said the country's macroeconomic conditions were showing signs of stabilization following the liberalization of the exchange rate.

Egypt's fiscal year begins in July ends in June.

Source: africanews.com- Mar 19, 2018

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APTMA plans to invest $7 bn in Pakistan's garments sector

All Pakistan Textile Mills Association (APTMA) members are ready to set up 1,000 garment manufacturing plants with an investment of $7 billion to resolve the crisis in the sector, the association proposed recently. These will be set up near textile-producing cities including Lahore, Sheikhupura, Faisalabad, Kasur, Multan, Sialkot, Rawalpindi, Karachi and Peshawar.
Source: fibre2fashion.com- Mar 17, 2018

The planned units will install half a million stitching machines, which will boost annual production to three billion pieces, according to a report in a top Pakistani newspaper.

Investments in the country's textile industry have dwindled over the last decade due to high cost of business and therefore, the industry has lost technological advantage over its competitors, according to an APTMA proposal presented to the government.

Around 35 per cent of the sector's production capacity was impaired now, causing an export loss of nearly $4.14 billion, it said.

Once the proposal enters the implementation phase, the sector will need an additional 10.3 million bales of raw cotton, 345 million kg of man-made fibre, 1.983 billion kg of additional yarn and an additional 7.928 billion square metres of processed fibre.

Cotton-producing area and cotton production, however, have declined by 30 per cent and 38 per cent respectively in Punjab since 2011, according to the newspaper report.

APTMA has demanded corrective and conducive policy measures from the concerned government departments in return for the investment planned.

The group has sought a long-term policy for consistent energy prices across the country and removal of surcharge on electricity tariff and also suggested that foreign brands be encouraged to establish buying houses in commercial enclaves in major cities with rent-free space.

Source: fashionnetwork.com- Mar 19, 2018 HOME

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Pakistan: Cotton arrival at ginneries cross 11.5 mn bales: PCGA

Over 11.552 million bales of cotton have arrived in 2017-18 season at various ginneries in Pakistan, as on March 15, 2018, up 7.74 per cent over arrival of 10.722 million bales during the corresponding period of last season, according to the latest fortnightly report on cotton arrivals, released by Pakistan Cotton Ginners' Association (PCGA).

In the major cotton producing province of Punjab, total cotton arrivals increased by 5.24 per cent year-on-year to 7.298 million bales, according to the report prepared by PCGA, in joint cooperation with All

Pakistan Textile Mills Association (APTMA) and the Karachi Cotton Association (KCA). While in Sindh province, cotton arrivals increased 12.31 per cent to 4.253 million bales as on March 15 during the ongoing cotton season 2017-18.

Of the total arrival of 11.552 million bales at various ginneries in Pakistan, 11.540 million bales were pressed by ginners, of which 10.954 million bales were sold, leaving an unsold stock of 586,110 bales with the ginners, as on March 15, according to the data.

The textile mills in Pakistan consumed 10.737 million bales, while another 216,615 bales of cotton were sold to exporters, according to the data. The Trading Corporation of Pakistan (TCP) has not procured any bale of cotton so far this season.

As of March 15, a total of 43 ginning factories were operational in Punjab compared to 8 ginneries that were operational during the same time last season. Similarly, 8 ginning units were operational in the Sindh region, compared to 3 operating units during the corresponding period last year.

Source:fibre2fashion.com- Mar 19, 2018

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Nigerian ministry to end use of imported stuff in uniforms

Nigeria's minister of interior retired Lt Gen Abdulrahman Dambazau recently announced plans to end the import of textile materials for producing uniforms by all services under his ministry. Dambazau announced this when the New Nigeria Development Company (NNDC) management sought his support for the revitalisation of the company's textile industry.

The minister reminded the various heads of agencies the need to strictly follow the order to support local raw material in public procurement, according to Nigerian media reports.

Dambazau hoped that the step would help revive the nation's textile industries and ensure the complete domestic production of uniforms and other accoutrements by 2019.

Asean summit ends with rebukes against trade protectionism

The leaders of Australia and Singapore closed a regional summit yesterday with a stand against protectionism, arguing in favour of multi-nation trade deals as fears mount that US plans for new tariffs could stoke a global trade war.

"We strongly believe that a free, open and rules-based multilateral trading system is key to the region's growth and prosperity," Singapore's Prime Minister Lee Hsien Loong said at a news conference to mark the end of a summit between Australia and the Association of Southeast Asian Nations (Asean).

President Donald Trump announced the tariffs on March 7 to protect domestic steel and aluminium producers on national security grounds. The United States is also looking at tariffs on up to $60bn worth of Chinese imports, targeting technology and telecommunications sectors. Lee and Turnbull urged Asean to speedily agree to the Regional Comprehensive Economic Partnership, a China-backed alternative to the Trans-Pacific Partnership (TPP) trade pact that Trump withdrew the United States from last year. "If we secure a good agreement, this would be, as one of our colleagues said this morning, an antithesis of protectionism, it would ensure, on the back of the TPP-11, that the Indo-Pacific continues to be the fulcrum of open and free trade," Prime Minister Malcolm Turnbull said. Officially, the summit was focused on fostering closer economic ties among the members of Asean and Australia, and countering the threat of militants returning to the region from the Middle East.

Australia hosted the weekend meetings despite not being a member of the 10-nation bloc, aiming to tighten political and trade ties in the region amid China's rising influence.

In a joint communique issued at the conclusion of the summit, Asean and Australia also called for "self-restraint" in the South China Sea, where aggressive Chinese expansion has irked Asean members.

"We emphasise the importance of non-militarisation and the need to enhance mutual trust and confidence, exercise self-restraint ... and avoid actions that may complicate the situation," the communique said.Asean members Brunei, Malaysia, Vietnam, the Philippines, also have claims in the important trade waterway that is mostly claimed by China, which has been building artificial islands on reefs, some with ports and air strips.

“This is a security and stability question in Southeast Asia which will affect all Asean countries if it goes wrong,” Lee said.

Asean also called for the “complete, verifiable and irreversible denuclearisation of the Korean Peninsula” and urged all UN members to strictly apply Security-Council sanctions on North Korea. Earlier in the summit, Asean and Australia announced new measures to co-operate on counter-terror intelligence.

Source: gulf-times.com- Mar 19, 2018

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Pakistan: Cotton price remains firm on demand for better grades

KARACHI: Buyers at leading stations in Sindh and Punjab stations during trading session bought better grades of lint on premium price besides buyers also made one-month forward deals for better grade of lint.

The Karachi Cotton Association (KCA) spot rate remained firm at Rs 7.400 per maund. The buyers also consolidated their long positions by making deals for better grade of lint.

Around 900 bales changed hands while fine quality cotton fetched higher price around at Rs 7,275 per maund.

The sellers withholding better lots of lint remained on front foot and they also brought better stocks of old crop on higher price in the market. Price fixation of cottonseed stood high by Rs 250 per maund to Rs 3,400 per maund on average.

They are looking at cottonseed price and shrinking better stocks coupled with growing demand that have provided them opportunity to ask higher price.

Demand for second grade of lint remained on higher side for blending purpose.
More than 18,000 bales of cottonseed is left, however the prices are firm and there seems no immediate selling panic in the market.

Garment and spinning export sector is in need of better input so it remained eager for better grade of lint on the back of growing demand of yarn and cloth.

The physical market prices would remain around at Rs 6,500 per maund to Rs 7,175 per maund. Some ready market deals also changed hands below KCA's prevailing spot rate during the trading session.

According to KCA, 200 bales of upper Sindh changed hands at Rs 6,775 per maund, 200 bales of Bahawalpur at Rs 6,900 per maund and 200 bales of southern Punjab at Rs 7,125 per maund.

Last night New York futures market May 2018 closed at 83 cents per pound while July futures 2018 closed at 83.60 cents per pound. Cotlook A Index closed at 92 cents per pound.

Source: dailytimes.com.pk- Mar 20, 2018

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NATIONAL NEWS

Textiles ministry launches wellness programme for workers

In a bid to introduce best global practices and technological up-gradations in the embroidery sector, the ministry of state for textiles has launched a unique wellness programme aimed at the overall development of the workers employed in the sector. The move is expected to bring relief to almost 45 million people associated with the industry.

Despite the prevalent world status, the textile sector has been experiencing new difficulties, largely due to technological obsolesces and fatigued workforce. Taking this into consideration, Embroidery Intelligence Quotient (EMBiQ) commissioned an expert panel to conduct an in-depth study of the varied working conditions and associated health risks of all departments of the apparel industry.

The programme was unveiled by Ajay Tamta, minister of state for textiles, along with HKL Magu, chairman Apparel Exporters Promotion Council and Sudhir Dhingra, chairman, Orient Craft Ltd.

The EMBiQ wellness programme is a comprehensive programme covering lifestyle changes, nutrition, yoga and exercises, which can be followed easily to overcome the health issues faced by the workers in the sector, specifically, while performing their job-role. It incorporates well researched diet plan which is both effective and affordable and safety guidelines aimed at avoiding accidents in each function. Keeping in mind the immediate need of a wellness module, it has also been decided to make it available to all workers for free. It is a token of gratitude for their immense contribution towards developing the embroidery sector, the ministry said in a press release.

In times when the apparel and textile industry has been facing stiff competition, the focus must always be on out-of-the-box thinking for improving efficiency and productivity. EMBiQ wellness module is a step in that direction.

"What EMBiQ has offered is unique in the industry. The programmes have not been offered by any existing institute. If we have to make our industry grow, we have to invest in training & development. Any issues that the garment experts have regarding GST & duty draw backs, will be addressed by the government very soon," Ajay Tamta said.

"Apparel industry is the biggest employment generator in the country with computer embroidery being its forte. It is imperative that the vision EMBiQ has shared and quickly implemented across the industry. It is the tool that can help the Indian apparel expert face the challenge it is facing today," HKL Magu, chairman AEPC.

"At EMBiQ our vision is to empower the apparel industry with the Power of Knowledge by bridging the gap through technical and management education which has been neglected so far in the embroidery domain," Vikas Kapoor, co-founder.

Source: fibre2fashion.com- Mar 19, 2018

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Industrial Employment (Standing Orders) Central Rules, 1946: Amendment eases hire-and-fire, to reduce middleman role

The government has notified fixed term employment for all sectors through an amendment to the Industrial Employment (Standing Orders) Central Rules, 1946. Fixed-term employment for all sectors will make it easier for companies to hire-and-fire workers along with reducing the role of middlemen.

As per the the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018, a “fixed term employment workman is a workman who has been engaged on the basis of a written contract of employment for a fixed period”. No employer of an industrial establishment shall convert the posts of the permanent workmen existing in his industrial establishment on the date of commencement of the amended rules, that is, March 16 as fixed term employment thereafter, the notification stated.

The notified rules for fixed term employment provide for equal work hours, wages, allowances and other benefits as that of a permanent workman along with all statutory benefits available to a permanent workman proportionately according to the period of service rendered by him even if his period of employment does not extend to the qualifying period of employment required in the statute.

However, no workman employed on fixed term employment basis as a result of non-renewal of contract or employment or on its expiry shall be entitled to any notice or pay in lieu thereof, if his services are terminated. No notice of termination of employment shall be necessary in the case of temporary workman whether monthly rated, weekly rated or piece rated and probationers or badli workmen, it said.

The government had notified fixed-term employment for apparel manufacturing sector only in February 2017. In December, the Union Cabinet approved proposed extension of fixed-term employment to leather, footwear and accessories industries. Earlier this year in January, the labour ministry had issued a draft notification for extension of fixed-term employment for all sectors through amendment of the Industrial Employment (Standing Orders) Central Rules, 1946.
While presenting the Union Budget for 2018-19, Finance Minister Arun Jaitley had said that the facility of fixed term employment will be extended to all sectors.

The move towards fixed-term employment will make it easier for companies to layoff workers, which could have a bearing upon job creation in the country. As per the International Labour Organization's World Employment and Social Outlook for 2018, India's unemployment rate is estimated to rise to 3.5 per cent for 2018 from 3.4 per cent estimated earlier. In absolute terms, the country's unemployment is estimated to have risen to 18.3 million in 2017 from 17.8 million projected earlier, while for 2018, the ILO estimates unemployment to increase to 18.6 million from 18.0 million estimated earlier in its previous employment outlook report.

Though the government has moved ahead in extending fixed term employment to all sectors, the consolidation exercise of 44 central labour laws into four major codes–industrial relations, wages, social security, and occupational safety, health and working conditions–is still pending by the government. The 'Code on Wages Bill' was introduced in Lok Sabha last August and is awaiting passage. The Code on Wages Bill. The Code on Wages, which proposes a national minimum wage, amalgamates provisions of the four labour laws of The Minimum Wages Act, 1948; The Payment of Wages

Act, 1936; The Payment of Bonus Act, 1965, and The Equal Remuneration Act, 1976.

Source: indianexpress.com- Mar 20, 2018

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Export Promotion In The Era Of Trade Wars

The newspapers are awash with analysis of President Donald Trump's tariff hikes and the subsequent threat by United States Trade Representatives (USTR) to pull India to World Trade Organization (WTO) dispute panel for maintaining export subsidies to the tune of $7 billion. The current popular narrative revolves around how the US's tariff move is bad for the world trade, and why India should stick to the stand of promoting multilateralism in international trade. The arguments are usually sound and include the fact that there is ultimately no winner in a long drawn trade-war. However, it is important to understand and analyse the matter in more depth, as the stand we take now would affect the direction of our industry and trade policies in future. In addition, it is also important that we understand and account for the emerging big picture in order to fine-tune our strategy for future.

The pundits and the papers have been almost unanimous in declaring Trump's tariffs economically harmful to the US. However, what they miss is that Trump is trying to do a Reagan of 80s who extracted so-called 'voluntary export restraints' (VER) from the exporters to the US. When Reagan went hard on trade and imposed tariffs on a wide range of goods including textiles, automobiles, electronics etc, people warned and recalled the horrors of Smoot-Hawley Act of 1930s, when tariffs destroyed trade and exacerbated the depression. That didn't stop Reagan from going ahead. While it is debatable if VERs helped the US economy, it did make for a good PR, especially when the agreement with Japan was reached. It paved the way for low resistance towards further globalisation in the next decade when WTO was founded.

Today when Trump talks about reciprocal tariff measures and imposes duties on items ranging from washing machines to steel, one needs to factor in the need for Trump to do a good PR on this front. Renegotiating 'bad' trade deals has been one of the key planks on which Trump got elected. To that extent any discount that Trump extracts through the noise and actions would make for good PR. Only this time the world might not be ready to accommodate the US, and the US economy might indeed suffer more than it gains. Nevertheless, we should expect the noise to last the term at the least.

That brings us to India, as India has started figuring lately in Trump's trade talks, after China. He has not taken kindly to high tariffs India maintains on some items. A favourite of Trump has been the tariffs India imposes on motorcycles (50 per cent) versus the tariff the US imposes (zero). Despite the recent reduction in duties by India, Trump was not happy. It doesn't matter that US President's favourite export product constitutes almost 25 per cent share of India's motorcycle imports, whereas the US figures at 22nd place in the list of countries to whom India exports the item, with a share of 1 per cent in total (read more for details). Trump quoted the tariffs imposed, called it unfair, and warned about imposing reciprocal tariffs. A few days later USTR came down heavily on India's alleged exports subsidies and sought consultations. Trump's rants are less harmful than potential USTR actions.

To start with, one may safely ignore Trump's threat of reciprocal tariffs on countries such as India as it is not easily implementable unless the US decides to violate the principle of most favoured nation (MFN) at WTO. If done, it would lead to unraveling of WTO and the rule-based trade ecosystem that the US has helped build over decades. While the US has undermined WTO in the recent years through measures such as blocking appointment of judges at dispute panels, it is safe to assume for the time being that the US is not willing to break the system completely. This is attested by the fact that when Trump imposed tariffs on steel and aluminum, he used the pretext of 'national security' in order to not fall foul with the WTO rules.

The USTR's allegation that India provides export subsidies is partially true as acknowledged by Indian counterparts. Therefore, greater danger lies in the potential actions that USTR may propose if the consultations fail. India needs to be wary about it. The timing couldn't have been worse given that India's exports are slowly showing an uptick despite recent shocks to the economy. India has defended the move well so far. Under the agreement on subsidies and countervailing measures (ASCM) of WTO, certain exemptions and remissions are allowed. India would easily defend allegations on some of the schemes that she runs for export promotion; especially the ones where the indirect taxes are nullified. Other exemptions such as special economic zones and export-oriented units would take deft to defend by proving that they do not violate the spirit of ASCM. Some schemes such as merchandise export incentive scheme would be difficult to defend in the long run.

India was supposed to stop the subsidies once it reaches the GNP per capital level of $1,000 (ASCM Annex to Para 2(a) of Article 27), after 2015. There, India has taken the correct stand that a time of eight years to phase out the subsidies as mentioned under ASCM should be allowed, as allowed for other members at the time of agreement. In the end, it all boils down to the consultation process, and how well it is handled. There is a good likelihood that the consultations might go well and the countries reach an agreed middle ground. However, the allegations should act as a warning for the policymakers in future.

In a developing economy context, it is difficult to dictate that governments should stay away from all kinds of subsidies and assistance to industrial growth. The non-actionable subsidies allowed as per ASCM under Article 8 include research and development (R&D) support, generic support to disadvantaged geographical areas, and one-time assistance to comply with new environmental regulations. In addition, indirect tax nullification is allowed as per general rules. Apart from these any kind of direct or indirect support can be quantified under subsidies. Annexure I to ASCM maintains an illustrative list of export subsidies that covers almost everything that the government does in the name of export promotion/industry development, and effectively leaves little flexibility to the government to help the industries.

Therefore, the coming years should see industrial and trade policies aligning to these requirements. A good way to move forward would be to let the individual states formulate their export strategies. The individual state level solutions catering to local industries and trade would be more difficult to quantify and countervail. Assistance in the form of alleviating pain areas in industry development through process simplifications, easier documentation, support for integrated logistics infrastructure, R&D support for key sectors and special packages for backward districts would not fall foul with ASCM requirements. Government is already moving in that direction.

In addition, it is time India prepares its own team to counter bodies such as USTR. There is a severe manpower crunch when it comes to countering ASCM allegations from other countries. In addition, offense may be best form of defence in trade matters. The team should also research on potential subsidies provided by other countries and launch investigations aggressively. India may do well to groom and train a dedicated sizeable team of hundreds to man these positions. International trade has evolved from being a pastime for economists to being a part of strategic arsenal for a nation. One needs dedicated teams working full time on these matters.

Finally, India should continue with the principled stand of multilateralism in international trade. It is heartening to see that India is hosting informal talks for trade ministers and officials from WTO on 19-20 March. While bilateral and regional partnerships may have their charm, there is nothing that matches the WTO in terms of reach and potential. Many a times India has been singled out as being the deal breaker, yet the unwavering faith in multilateralism that India has shown at WTO is not easily matched.

WTO's continued importance is underlined by the fact that despite efforts to dilute the effectiveness of dispute settlement mechanism in the recent years, the US still uses it to settle disputes with other members. WTO has shown the way to accommodate the less endowed members through the special and differential treatment clauses, and more often than not, has helped countries gain through trade. If we keep at it, probably in a decade or so, these years might appear like the Reagan era that ushered in hyper globalisation in the next decades, and today's discontents.

Source: swarajyamag.com- Mar 19, 2018

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MSME credit to grow at 12-14% over next 5 yrs: Icra

The credit to micro, small and medium enterprises (MSMEs) is expected to grow at 12-14 per cent over the next five years, helped by higher lending by non banking finance companies (NBFC) to the segment, says a report.

As on March 2017, credit to MSMEs stood at Rs 16 trillion.

NBFC and housing finance companies are expected to expand at about 20-21 per cent compounded annual growth rate (CAGR) in this space during the period, while bank credit to this segment, which accounted for about 84 per cent of total MSME credit, is estimated to grow at a lower CAGR of 9-11 per cent, according to a report by Icra.

"Non-banks share in the MSME credit pie should expand to 22-23 per cent by March 2022 compared to 16 per cent in March 2017. Non-banks, with their niche positioning, differentiated product offering, good market knowledge and large unmet demand, would be able grow at a healthy rate vis--vis banks," the rating agency's assistant vice president and sector head, A M Karthik said.

He added there is large unmet credit demand in the MSME segment, which was estimate to be about Rs 25 trillion in FY2017.

"Notwithstanding the estimated growth, the unmet credit demand quantum is likely to increase further, going forward," he said.

With large corporate credit expected to remain sluggish, at least over the next one-two years, the bank credit to the MSME segment is expected to be around 9-11 per cent with public sector banks growing at 7-9 per cent and private banks at 16-18 per cent, the report said.

Banking NPAs in the MSMEs segment stood high at about 8.4 per cent in March 2017 while that of non-banks stood at about 3 per cent as on that date. The report said notwithstanding the moderate seasoning of the portfolio, non-banks have a more flexible and customised credit assessment for this segment and have steadily been moving to lower ticket loans, in view of the asset quality pressure in the large ticket loans and better yields in the smaller ticket loan categories.

"While non-bank asset quality is expected to worsen from current levels, the extent of deterioration may be lower than that witnessed in banks," the report said.

Source:business-standard.com- Mar 19, 2018

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Power looms to run full steam ahead

Sircilla weavers given orders for school uniforms, Ramzan gifts and Bathukamma sarees

The power loom weavers of Sircilla textile town in Rajanna-Sircilla district have their hands full as the State government has placed bulk orders for school uniforms, Ramzan gifts and Bathukamma sarees.

Following controversies over the distribution of Bathukamma sarees during the last Dasara, this time the government has exercised caution by placing order for Bathukamma sarees only with the Sircilla textile town, providing employment to the weavers and others belonging to various allied sectors of the textile industry, consistently for more than six months.

It may be recalled that last year the government had placed the bulk orders for Bathukamma sarees in the month of May, and the weavers could weave only 60 lakh sarees. In order to avoid last-minute rush, the orders were placed well in advance.

As per the textile calendar, the power loom weavers have already completed working on school uniforms worth ₹55 crore measuring 120 lakh metres under the Rajiv Vidya Mission. They had also handed over fabric worth 10.22 lakh metres to social welfare department and Ramzan gifts of 25 lakh metres for shirting and 30 lakh metres for pyjamas.

A total of 85 lakh sarees worth ₹250 crore would be distributed among the BPL women for the Bathukamma festival this year.

The State government had already placed orders for the sarees and the weavers have also placed orders for the procurement of yarn to begin the production from first week of April onwards. The government's bulk order would ensure salary worth ₹16,000 per month against the regular salary of ₹8,000 to ₹10,000 per month for the weavers.

Assistant Director (Handloom and Textiles) Ashok Rao told The Hindu that Bathukamma sarees would be weaved by a total of 25,000 power looms providing employment to 10,000 weavers directly and another 10,000 weavers indirectly with allied sectors of power loom industry.

Source: thehindu.com- Mar 19, 2018

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Despite global economy revival, India's net exports not doing well: Debroy

India's net exports are not doing well even as the global economy is on the recovery path, Bibek Debroy, the head of Economic Advisory Council to the Prime Minister (EAC-PM) and Niti Aayog Member, said on Monday.

Debroy further highlighted that India is facing a dilemma from the point of view of pushing exports, as exporters would like exchange rate to depreciate, however, exchange rate might not depreciate as much as exporters want because of capital inflows.

"Net exports is not doing well. During high growth years, net exports performed much better ... That world economy has not been doing that bad," he said at an event organised by industry body FICCI.

Debroy also noted that ideally the central bank should intervene in the market but intervention by the RBI in the market is not without its cost side. Exports grew by 4.5 per cent in February, the lowest expansion in the last four months, to $25.8 billion as shipments of engineering, textiles and gems and jewellery declined while trade deficit narrowed to a five-month low of $12 billion.

Stating that India's position has been that the country is in favour of multilateral trading system, the chairman of EAC-PM insisted as long as India's import duties are below the bound rates, it can increase import duties.

Debroy said that some of India's tariff rates are misaligned and the country has signed plethora of free trade agreements.

Noting that traditionally, Commerce Ministry and Ministry of External Affairs (MEA) have worked in silos, he said, "this is first time, they have started working together."

Debroy said that India's trade prospects will depend on the efforts being made to improve logistics, integrate investments in the global supply-chain, improve the business environment and develop infrastructure.

The reforms being ushered by Prime Minister Narendra Modi are fundamental in nature and will require time to bear fruit in terms of improvements in GDP and productivity, he said, adding that the mantra, therefore is 'You fix India and trade will fix itself'.

Talking about indirect tax, Debroy said, "GST is a process and if we expect that the entire process will settle down in anything less than 10 year then we are being unrealistic".

Source: business-standard.com- Mar 20, 2018

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