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IBTEX No. 80 of 2019 April 22, 2019

USD 69.75| EUR 78.40 | GBP 90.65 | JPY 0.62

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
22249	46500	**84.82**

Domestic Futures Price (Ex. Warehouse Rajkot), April

Rs./Bale	Rs./Candy	USD Cent/lb
22150	46294	**84.44**

International Futures Price

NY ICE USD Cents/lb (July 2019)	78.27
ZCE Cotton: Yuan/MT (September 2019)	15,825
ZCE Cotton: USD Cents/lb	107.07
Cotlook A Index – Physical	**88.25**

Cotton Guide: The ICE contracts were mixed during the week but ended on a lower tone with the release of the US Export sales data. China was almost absent in the weekly export sale figures. Net sales of 217,600 RB for 2018/2019 were down 25 percent from the previous week and 9 percent from the prior 4-week average. Increases were reported for India (78,700 RB), Vietnam (76,900 RB), Bangladesh (26,000 RB) Turkey (17,300 RB), and South Korea (10,400 RB). Reductions were primarily for Hong Kong (4,500 RB), Malaysia (3,800 RB), and Japan (3,300 RB). For 2019/2020, net sales of 20,600 RB were primarily for Vietnam (7,900 RB), El Salvador (7,400 RB), and China (4,400 RB).

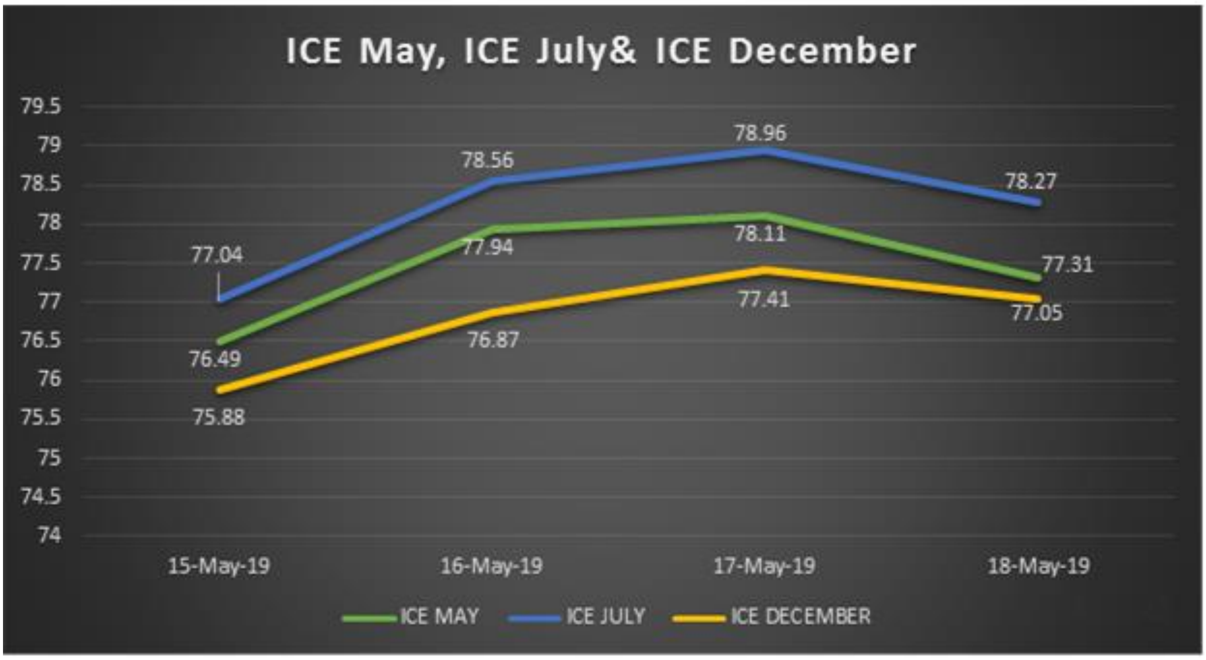
Exports of 340,000 RB were down 11 percent from the previous week and from the prior 4-week average.

NET EXPORT SALES 2018- 2019

Country	Increases	Country	Reductions
India	78,700 RB	Hong Kong	4,500 RB
Vietnam	76,900 RB	Malaysia	3,800 RB
Bangladesh	26,000 RB	Japan	3,300 RB
Turkey	17,300 RB		
South Korea	10,400 RB		

NET EXPORT SALES 2019-2020	
Country	**Increases**
Vietnam	7,900 RB
El Salvador	7,400 RB
China	4,400 RB

The ICE contracts reacted to these lower export sale figures and thus did not give much strength to the bulls. The ICE July contract settled at 78.27 cents/lb with a change of -69 points whereas the ICE December contract settled -51 points lower at -36. Another reason attributed to this change was profit taking by the market participants before the long three day weekend. On the other hand the volumes were lowest since February 28, 2019 at 25,717 contracts as opposed to the 60,000+ contracts seen in the week.



On the MCX front, the contracts followed ICE despite bullish news from the domestic spot market. The MCX futures were all trading almost -150 Rs lower for the MCX April, MCX May and MCX June contracts. The settlement figures seen at MCX contracts were 22,150 Rs/Bale, 22450 Rs/Bale, 22720 Rs/Bale respectively for April, May and June contracts.

There is a firmness in domestic spot prices. The reason attributed to this was no clarity of what the real crop size actually is as the figure still varies from 321 lakh bales to 360 lakh bales. The ICF has requested the CAB to reassess the cotton crop of the country. The ICF represent the consumers of cotton whereas the CAI represent the traders in the country. According to the CAI's previous revised figure, the cotton crop is estimated to be at 321 lakh bales. On the other hand there is news of shortage of cotton at the Ginning Factories in Gujarat.

Technicals:

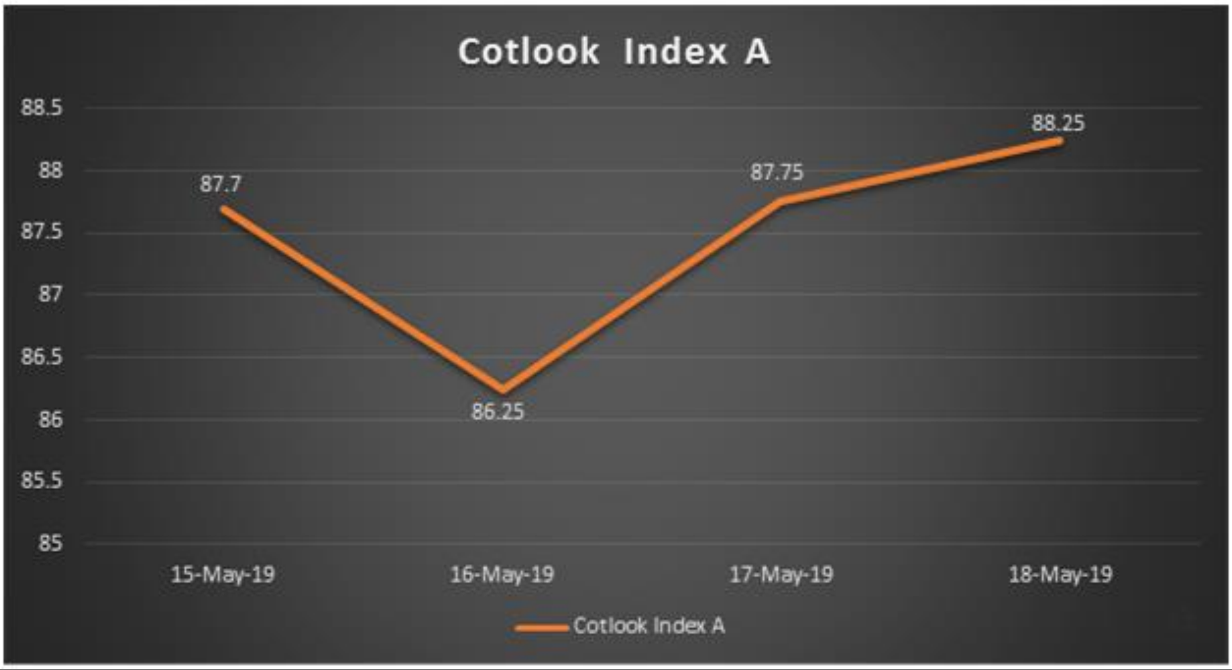
ICE Cotton July futures continued to trade in a sideways range of 77.44-79.60 during previous week. Price witnessed strong rebound from the support at 21 day EMA. Meanwhile price is still moving above the short term EMA of 9 days at 78.40. In the daily charts positive crossover of 9 day EMA above the 21 day EMA supported the bullish bias in cotton futures. Moreover, the strength index RSI is holding above 50, which further strengthened bullish bias in price. So for the day price is expected to remain in the range of 78.40 to 79.60 with sideways to positive trend. Only a move above 79.60, would push price further higher towards 79.90/80.00 zones. In the domestic market April future is expected to remain in the range of 21900-22400.

Opinion

The tightness in supply and the increasing demand is paving a way for Cotton to head towards north in the domestic market whereas the international scenario also tends towards the positive side.

Price Surge in April - reasons:

If we view, in the month of April the prices of Cotton shot up due to two major reasons. First being, China's renewed buying therefore replenishing its supply i.e. as soon as prices started to decline (during the first Quarter of 2019) China very cleverly took the initiative to start purchasing. Second, tightness in supply with respect to the revisions being made by CAI in India.



Cotlook Index A and Indian Spot Price:

The Cotlook Index A is adjusted to 88.25 cents/lb with a change of +0.50. Arrivals have declined to 47,300 lint equivalent bales (source cotlook) including 20,000 registered in Gujarat and 13,000 in Maharashtra. The Average prices of S6 is at 46,500 Rs/Candy.

Currency and Oil:

Indian rupee is expected to trade sideways with weaker bias against the US dollar. The trading range: 69.40 to 70.20. The US dollar index is expected to trade in the range of 97.10 to 97.80. Oil is already up by more than 2% this morning and is expected to remain higher and the WTI oil may move in the range of 63.50 to 67.80 per one barrel.

Major Events:

24th April: 1st Notice period for May 2019 contract at ICE, 7th May- Day 1 of 5 funds roll over phase, 10thMay: World Supply/Demand USDA Report.

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

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INTERNATIONAL NEWS

China: Cotton futures open higher

Cotton futures opened higher Monday on the Zhengzhou Commodity Exchange (ZCE).

The most active cotton contract for September delivery gained 20 yuan (2.98 U.S. dollars) to open at 15,845 yuan per tonne.

As the world's largest producer, consumer and exporter of textile, China listed cotton futures on ZCE in June 2004, helping cotton-related enterprises hedge the price risk.

Source: xinhuanet.com- Apr 22, 2019

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Data Tells: The changing face of trade along the China-Europe rail network

As freight train X8044 arrived at its terminus in central China last August it quietly hit an impressive landmark, becoming the 10,000th train to make the journey between China and Europe since the launch of the container service in 2011.

Carrying goods all the way from Hamburg in northern Germany, the X8044 service to Wujiashan container terminal in Wuhan, central China's Hubei Province is just one of the many services now linking 48 Chinese cities with 42 European destinations.

A closer look at the number of containers moving an array of goods across continents underlines just how much this rail connection between China and Europe has transformed trade.

Since 2011, the number of containers being transported along the China-Europe freight rail service network has increased dramatically, from 1,404 per year to 214,374 in 2017. Between 2016 and 2017 alone the volume more than doubled during a period that saw major new routes established, such as the link between London and Yiwu, in east China's Zhejiang Province.

The vast majority of container traffic is heading out of China, with 212,000 outbound containers compared with 2,437 inbound. This reflects China's growing goods exports to partners in Western, Central and Eastern Europe.

The rapid uptick in container volume is impressive, but what is being transported? According to official data, among the most frequently transported goods are tobacco and alcohol products, electronics, machinery, cars and car parts and clothing and textiles.

Outbound containers mostly transport electronics, machinery and clothing from China to Europe, while inbound routes are bringing European tobacco and wine products, cars and car parts and construction materials to China.

Most Chinese exports along the China-Europe freight rail network go to Germany, the Netherlands, France, Russia and Spain, and mainly include boilers, machinery and mechanical appliances.

The top countries using the rail link to export goods to China are Germany, Russia, France, Iran and the Netherlands, with major exports including fossil fuels, machinery and aircraft.

The development of the freight rail network has seen several routes customized and tailor-made for specific companies or products. During the 2018 FIFA World Cup in Russia, a train with a load of 100,000 crayfish made its way from Jingzhou in central China's Hubei Province to Moscow, for football fans to enjoy Chinese seafood during their time at the tournament.

In 2017, a refrigerated train capable of adjusting temperature and humidity took a shipment of red wine on a 28-day journey from Duisburg, Germany to Yiwu, ensuring its expensive cargo reached Chinese consumers in as good condition as possible.

Given the success of the China-Europe freight rail network, other countries are now looking to work with China to transport their goods along the route. Last September, Japanese logistics company Nippon Express announced it would launch freight train services along the network twice a month in 2019.

Nikkei Asian Review reported that the company was in talks with several Chinese logistics company, and was considering setting up a Chinese terminal for its services in either Xi'an, Chongqing or Wuhan.

Source: news.cgtn.com- Apr 18, 2019

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China lowers tariffs on imported goods, including textiles

China's tariff rate on import of books, computers, food, furniture and medicines will drop to 13 per cent from 15 per cent starting April 9, the Chinese State Council's tariff commission announced. Tariffs on other imports like sporting goods, fishing supplies, textiles, electronic appliances and bicycles will also be lowered to 20 per cent from 25 per cent.

The move is reportedly perceived as part of Beijing's response to major trading partners that are challenging its trade practices, according to global news wires.

President Donald Trump last week said talks with Beijing were making progress toward ending the trade war between the two nations.

US trade representative Robert Lighthizer and treasury secretary Steven Mnuchin discussed trade issues with a Chinese delegation led by vice premier Liu He from April 3 to 5 in Washington, DC.

Source: ctei.cn- Apr 18, 2019

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Sri Lanka: Imports decline to US$ 1.65 bn in January

Expenditure on merchandise imports declined in January 2019 for the third consecutive month by 17.8 per cent (year-on-year) to US dollars 1,655 million, reflecting the effect of policy measures taken by the Central Bank and the government..

All major import categories, namely intermediate goods, consumer goods and investment goods, contributed to this decline. Intermediate goods imports largely contributed to the decline in overall imports, mainly due to lower expenditure incurred on fuel, gold and fertiliser. Expenditure on fuel imports declined due to lower average import prices and lower volumes of crude oil and refined petroleum products despite a higher import volume of coal.

Expenditure on gold imports, which declined since May 2018, following the imposition of customs duty on gold, remained at a negligible level in January 2019 as well. Expenditure on fertiliser imports also declined significantly, led by lower import volumes in all sub categories, particularly urea.

Meanwhile, expenditure on wheat and maize, base metals and rubber and articles thereof contributed notably to the decline in intermediate goods in January 2019. However, import expenditure on textiles and textile articles increased, driven by fabric imports, while mineral products and agricultural inputs also increased during the month.

Import expenditure on consumer goods declined, mainly due to lower expenditure on almost all subsectors under consumer goods except beverages and spices imports. Continuing the declining trend observed since November 2018 that reflected the impact of policy measures taken to curtail imports, expenditure on personal motor vehicle imports showed a significant decline. Expenditure on almost all non-food consumer goods imports decreased in January 2019 compared to the corresponding month of the previous year.

However, considering the revision of excise duties in the Budget 2019, eased pressure on the exchange rate and other developments in the external sector, the Central Bank removed the margin deposit requirement on both vehicle and non-essential consumer goods imports against letters of credit (LC) effective from 7 March 2019 and on documents against acceptance (DA) terms effective from 12 March 2019.

Meanwhile, expenditure on rice imports continued its declining trend in January 2019, with higher supply in the domestic market. Import expenditure on vegetables and dairy products also declined.

Expenditure on the importation of investment goods also declined in January 2019, due to lower imports of all sub categories classified under investment goods. Lower expenditure on commercial cabs and auto trishaws categorised under transport equipment, and iron and steel categorised under building material, mainly led to this decline.

In January 2019, the import volume and unit value indices decreased by 14.6 per cent and 3.7 per cent, respectively, indicating that the decline in imports was driven by low volumes as well as prices of imported goods in comparison to the corresponding period of 2018.

In January 2019, earnings from merchandise exports surpassed US dollars 1 billion for the second consecutive month. Considering the historical pattern of relatively low level of exports being recorded during the month of January, reaching over US dollars 1 billion of export earnings in January 2019 is noteworthy. Accordingly, export earnings increased by 7.5 per cent (year-on-year) to US dollars 1,038 million in January 2019, driven by increased exports from all major sectors.

Industrial exports mainly contributed to the growth of export earnings, driven by textiles and garments, rubber products, machinery and mechanical appliances and food, beverages and tobacco. Textiles and garment exports increased as a result of high demand for garments from the EU and the USA as well as non-traditional markets such as India, Japan, Australia, China and Canada. Further, export earnings from rubber products increased during the month owing to the improved performance in all sub categories.

Export earnings from machinery and mechanical appliances also increased with increases in all sub categories, while earning from food, beverages and tobacco exports increased driven by manufacturing tobacco.

In addition, animal fodder and printing industry products also contributed towards the increase in industrial exports in January 2019. Meanwhile, export earnings from petroleum products declined significantly in January 2019 for the second consecutive month due to lower bunkering and aviation fuel exports driven by significantly lower bunkering quantity, reflecting the intense competition faced by Sri Lankan ports from regional ports mainly in India and Singapore.

Source: dailynews.lk- Apr 22, 2019

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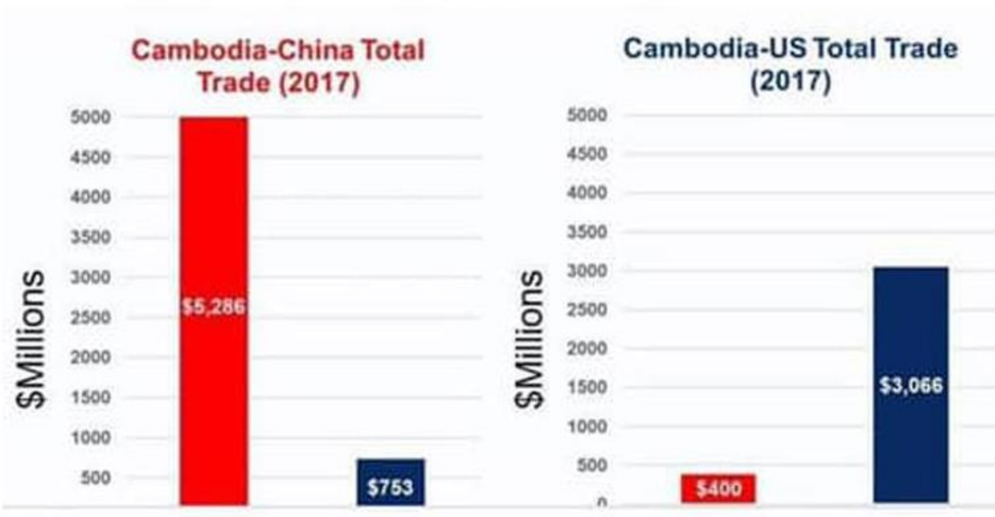
US embassy attacks China over Kingdom's trade deficit



The Chinese and United States embassies in Phnom Penh traded barbs last week over their trade deficits with the Kingdom, with one claiming to be better for the Kingdom than the other.

On Friday, the US embassy posted a bar chart showing that imports from China to Cambodia reached about $5.3 billion in 2017, while Cambodia only exported $753 million worth of goods to China.

It also noted that the US exported $400 million worth of goods to the Kingdom in 2017, while Cambodia exported about $3 billion worth of goods to the US.

"China is Cambodia's largest trade partner, but this relationship is heavily skewed in China's favour," the US embassy said. "About 87 percent of trade are Chinese imports, which do not support jobs or industry in the same way Cambodia's trade relationship with the United States or the European Union does."

“This is just one more way Cambodia has shifted from a more balanced and diverse economic approach to one more dependent on China,” it added.

In response, the Chinese embassy in Phnom Penh issued its own statement saying that the US embassy was attempting to “stir things up”.

“Cambodian friends beware! The US is trying to stir things up again with the so called trade deficit issue,” the Chinese embassy said. “It is common sense that in a globalised world, trade goes far beyond bilateral.”

The Chinese embassy added that Cambodia imports large amounts of textile raw materials and machineries from China for its garment industry, while the Kingdom exports final products all over the world, including to the US and the EU.

“In between…is the hard work of industrious Cambodian workers,” it noted. “Besides, state-to-state relationship is not just about trade. It is worth noting that China has built 31 highways and eight bridges for Cambodia with a total highway length of 3,000 kilometres. What has the US done in this area?”

“China helped to build all the hydropower stations in Cambodia,” it added. “How about the US?”

US embassy spokesman Arend Zwartjes declined to comment yesterday.

Information Minister Khieu Kanharith on Saturday slammed the US embassy for making the statement.

“Maybe it is only in Cambodia that an embassy can release fake news to attack both host country and another country the host has diplomatic ties with,” Mr Kanharith said on Facebook. “We want to build a good relationship with all countries, especially the United States, but some of them try to ruin this relationship with their absurdity.”

This is not the first time that the Chinese and the US embassies have disagreed. In February, the embassies traded barbs over who was behind the coup led by Marshal Lon Nol to depose then-prince Norodom Sihanouk in the 1970s.

The US embassy at that time denied that the US was ever involved in the coup, and accused China of supporting Pol Pot's brutal Khmer Rouge regime.

"There is no substantiated evidence that the US was involved in a coup which brought Lon Nol to power. Instead, there is a lot of evidence which showed that the Chinese government actively supported the Khmer Rouge regime from 1975 to 1979," the US embassy said.

In response, the Chinese embassy said that the US Central Intelligence Agency was involved in the coup led by Marshal Nol on March 18, 1970.

"Recently, an embassy of a powerful country in Cambodia said publicly that it was not involved in the coup led by Lon Nol in the 1970s. In fact, the coup that plunged Cambodia into years of war did not involve the US, but the CIA," it said.

Kin Phea, director-general of the Institute of International Relations at the Royal Academy of Cambodia, yesterday said the barbs between the two embassies oppose the Vienna Convention on Diplomatic Relations and that the US embassy's statement was a political message discouraging the government from developing ties with China.

"I think they want to tell Cambodia to be careful with China – they want to see Cambodia-China relations damaged," he said. "They made the statement to create confusion."

"For me, this is an unacceptable act because it is disrespectful towards Cambodia," Mr Phea added. "They are jealous of the depth and good relationship between Cambodia and China because the relationship with the US is just normal."

Source: khmertimeskh.com- Apr 21, 2019

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China-Pakistan jeans 'marriage': is it Beijing's duty to help Islamabad?

The theme of Texpo Pakistan 2019 – Sharing a common thread – reminded the reporter of an old Chinese saying that an invisible red thread connects those who are meant to be together. If the first phase of the China-Pakistan Economic Corridor (CPEC) starts from 'several power plants and three roads', will the second phase begin with yarns of below 20s?

From April 11 to 14, the second Texpo, hosted by the Trade Development Authority of Pakistan (TDAP), was held in Lahore, Pakistan's third largest city. China and Pakistan are world leaders in the textile industry while Weiqiao and ChenOne are famous in the industry of the two countries.

"Pakistan has an edge in its high-quality short-staple cotton, which is suitable for producing yarns of below 20s and can be used to make denim fabric. Pakistan exports a large amount of yarn of below 20s to China," said Sun Jingying, General Manager of China Weiqiao Textile Co Ltd.

"Xinjiang's long-staple cotton is used to produce high-count fabric very well," he said while pointing to his shirt cuffs.

ChenOne Home Textiles is the first booth on the right side of the main aisle at the No 1 Hall of Expo Centre Lahore. "If we have to compare with China, I think Pakistan's greatest advantage is that the cotton planted here is one of the best in the world," said Pakistan ChenOne Home Textiles General Manager Muhammad Amir Mahboob.

Sun and Mahboob both mentioned one of Pakistan's major advantages in textile – the short-staple cotton. But according to Dawn's report, as of March 1, the cotton production in Punjab, Sindh and Balochistan – the top three cotton-producing provinces in Pakistan – was down 6.8% over the corresponding period of last year, and was expected to be the second lowest in eight years.

Analysis by Dawn suggests that the major cause for production shortage in the ongoing season is that against the nine million acres earmarked for cotton crop, only six million acres have been cultivated in 2018-19 and the use of poor-quality seeds and pesticides, resulting in a low yield per acre and causing heavy losses to cotton growers.

In this regard, Muhammad Siddique Rana, an exhibitor and CEO of MHR Exports, said agricultural production was unstable. “The bumper year usually comes after an off-year for production. It is unnecessary to worry too much about what the media report says,” he said.

Among the visitors, Xi Jianlong, Deputy Director of International Business Centre of Xinjiang Xinyan Mushen Technology Co Ltd, said the key to solving current problems was to increase per-unit area yield, but there were three limiting factors in Pakistan.

First of all, Pakistan has no breeding technology, so the local farmers use inferior seeds of Monsanto and Pioneer, which are less tolerant to the muggy monsoon temperatures in Pakistan. Second, Pakistan’s field management ability is weak, and the crops could not grow well because of a lack of water and fertiliser, Xi said.

Third, the low labour costs lead to insufficient mechanisation in Pakistan. Xi pointed out that the labour price is about $3 to $4 per day during a busy season in Pakistan, meaning the monthly salary is about 500 yuan ($74.5).

“They plant and harvest the cotton all by hand and use flood irrigation method. As a consequence, some cotton plant grows to 1.5 metres in height and some 50 centimetres in height. We use trickle irrigation and mechanised cotton topping technology with all the plants almost having the same height in China.

“Spending six dollars a day or 700 to 800 yuan ($119.2) a month seems like the trigger point for introducing agricultural mechanisation in Pakistan. We really hope to establish a model project in Pakistan, using our own seeds and machines to let Pakistani people truly see the effect of mechanised operations,” Xi concluded.

Gu Jie, Head of the Central Asia Comprehensive Experimental Station of the Cotton Research Institute of the Chinese Academy of Agricultural Sciences, has long promoted cotton farming techniques in Central Asia.

“When the output-to-input rate of cotton cultivation reaches 4 to 1, the farmers will consciously consider using machinery. Now that it is difficult to bring equipment in Pakistan, we, Chinese, can initially export the two key technologies of flood irrigation as well as soil testing and formulated fertilisation. As far as I know, these two technologies have been popularised in Kyrgyzstan and have been adopted in one-third of Tajikistan."

Gu particularly pointed out that most of the countries that responded to the Belt and Road Initiative lived on farming and herding. Agricultural cooperation must be put on the agenda, he said.

"The Belt and Road Initiative will eventually be implemented by the enterprises. Seed breeding is our core technology. If the irrigating and fertilising technologies can be properly combined and transferred with part of seed breeding technologies, the initiative will be more active. The policy is supposed to be in line with strategy. In the current international trade environment, properly and conditionally transferring agricultural production out of China will resolve core risks and reduce the probability of counter killing. China should be more proactive," Gu added.

Source: tribune.com.pk- Apr 22, 2019

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Rising Cotton Production in Mexico Curbs Demand for US Exports

Mexico's cotton industry is booming, reaching levels not seen since the late 1970s.

But that rise is sending U.S. cotton exports on a downtrend that could worsen depending on how certain trade relations shake out.

According to a recent Global Agricultural Information Network report released by the United States Department of Agriculture (USDA), increased production in Mexico from 2017 through 2019 has lowered demand for U.S. cotton—which accounts for the nearly all of Mexico's imports.

At the same time, the cotton boom has driven Mexico's exports to their highest point in more than 30 years, with much of that product going to China in 2018.

Because of stipulations outlined in trade agreements requiring the use of U.S. cotton, Mexico's imports have not yet fallen as much as production has climbed, though according to the USDA report, that fact could change if similar conditions persist.

“If Mexico’s production were to remain high for an extended period, it could make further inroads into domestic mill use as the downstream demand becomes more accustomed to the greater supply of local cotton,” according to the report.

“A successful outcome resolving U.S.-China trade tensions could also reduce Mexico’s export opportunities, increasing pressure to use cotton domestically. Neither of these outcomes bode well for U.S. cotton exports to Mexico.”

The overall forecast for cotton consumption in the 2018-19 season has dipped slightly—due largely to Turkey’s recent economic struggles—while global production remains largely unchanged. U.S. consumption is lowered, and stocks are raised.

Looking at major cotton importers, Turkey’s cotton imports are projected down 200,000 bales as the country struggles to regain financial footing. Weaker exports could force India to reduce its imports by the same amount.

Vietnam’s declining mill use could represent a 100,000-bale decrease in cotton, while estimates for U.S. imports remain unchanged. By contrast, China’s cotton intake is projected up 500,000 bales owed to government purchases.

When it comes to cotton exports, Australia, whose exports are forecast to increase by 200,000 bales, has been buoyed by China’s growing demand, according to the USDA. Turkey’s exports could also grow by 100,000 bales due to declining domestic mill use, while India’s exports are expected down 300,000 bales, and Burkina Faso’s down 150,000 bales due to smaller crop sizes.

The U.S. season average farm price so far remains unchanged at 70 cents/lb.

Source: sourcingjournal.com- Apr 15, 2019

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S. Korean companies turn optimistic about their business in China in Q2

Business sentiment of South Korean companies operating in China has recovered after the world's second-largest economy released better-than-expected economic data for the first quarter of this year, a survey showed Sunday.

According to a survey of 214 Korean firms operating in China conducted by Korea Institute for Industrial Economics & Trade, Korea Chamber of Commerce & Industry's Beijing office, and The Korea Chamber of Commerce in China, their business survey index (BSI) for market condition outlook stood at 106 for the second quarter ending June and sales outlook 120 during the same period.

A BSI is based on a survey response of companies' business performance, revenue, costs, business environment, and difficulties, and ranges between 0 and 200. A reading above 100 means there are more companies optimistic about their business, whereas a reading below 100 means there are more companies pessimistic about their business.

The reading for the April-June period is up 23 points from the previous three months that stood at 83 for market condition outlook and 33 points for sales outlook that came at 87.

Korean companies have turned more optimistic about their business conditions in China after the country's economy in the first quarter ended March expanded at 6.4 percent from a year earlier, 0.1 percentage point higher than analysts' poll of 6.3 percent. The better-than-expected growth in its gross domestic product (GDP) led companies' business sentiment in the country to recover.

By sector, the BSI for local sales rose significantly to 116 for the second quarter and facility investment to 108, rebounding for the first time in four quarters. The index for system policy was still below 100 at 87 but it was the highest since the survey index began to be compiled.

When it comes to overall system and policy, the Chinese government passed a new foreign investment law last month that bans forced technology transfer, fostering fair competition. Hopes are also rising that electric vehicles equipped with secondary batteries manufactured by Korean firms will be subject to the Chinese government subsidy.

As for sales outlook by industry, the reading for most sectors except for textiles and clothing remained above 100. The manufacturing segment painted a rosy picture for the second quarter, with its reading coming at 120, above 100 for the first time in two quarters, and electronics and electric sector at 148 and metal machine 148. The reading for automobile (119), chemicals (123), and retail (123) sectors also rebounded to above 100.

Source: pulsenews.co.kr- Apr 21, 2019

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Sri Lanka: Exports off to a positive start in 2019

Sri Lanka's exports have got off to a positive start in 2019, recording healthy growth and topping the $ 1 billion mark, whilst regulatory measures checked imports, leading to a lower trade deficit in January.

The Central Bank yesterday said the deficit in the trade account contracted significantly in January 2019 compared to January 2018, as a result of increased export earnings and a significant reduction in imports, mainly reflecting the impact of policy measures implemented to discourage vehicle and non-essential consumer goods imports.

Terms of trade deteriorated by 1.7% year-on-year to 107.8 index points in January 2019, due to the decline in export prices at a higher rate than the decline in import prices.

Low agricultural and industrial export prices contributed to the decline in the overall export price index, while import prices of intermediate and investment goods contributed to the decline in the import price index. However, terms of trade improved in January 2019, in comparison to the previous month.

In January 2019, earnings from merchandise exports surpassed $ 1 billion for the second consecutive month.

Considering the historical pattern of relatively low level of exports being recorded during the month of January, reaching over $ 1 billion in export earnings in January 2019 is noteworthy. Accordingly, export earnings increased by 7.5% to $ 1.038 billion in January, driven by increased exports from all major sectors.

Industrial exports mainly contributed to the growth of export earnings, driven by textiles and garments, rubber products, machinery and mechanical appliances and food, beverages and tobacco. Textiles and garment exports increased as a result of high demand for garments from the EU and the USA, as well as non-traditional markets such as India, Japan, Australia, China, and Canada.

Further, export earnings from rubber products increased during January, owing to the improved performance in all subcategories. Exports earnings from machinery and mechanical appliances also increased with increases in all subcategories, while earnings from food, beverages, and tobacco exports increased, driven by manufactured tobacco. In addition, animal fodder and printing industry products also contributed towards the increase in industrial exports in January.

Export earnings from petroleum products declined significantly for the second consecutive month, due to lower bunkering and aviation fuel exports driven by significantly lower bunkering quantity, reflecting the intense competition faced by Sri Lankan ports from regional ports, mainly in India and Singapore. In addition, export earnings from gems, diamonds, and jewellery products also declined in January.

For the first time since February 2018, earnings from agricultural exports grew on a year-on-year basis in January 2019, mainly due to the growth in coconut, seafood, vegetables, and unmanufactured tobacco exports. Earnings from coconut exports increased due to the rise in export earnings from both kernel and non-kernel products, led by desiccated coconut and coconut fibre, respectively.

Export earnings from seafood continued to increase significantly, owing to higher exports to the EU market. However, despite an impressive increase in export volumes of tea, its earnings declined marginally during January, as a result of lower average export prices of tea. Export earnings from spices, minor agricultural products, and rubber declined.

Earnings from mineral exports also increased in January, led by the growth in ores, slag, and ash exports.

The export volume index increased notably by 13.7% in January, while the export unit value index declined by 5.4%, implying that the growth in exports was driven entirely by higher volumes in comparison to January 2018.

Expenditure on merchandise imports declined in January for the third consecutive month by 17.8% to $ 1.65 billion, reflecting the effect of policy measures taken by the Central Bank and the Government. All major import categories, namely intermediate goods, consumer goods, and investment goods, contributed to this decline.

Intermediate goods imports largely contributed to the decline in overall imports, mainly due to lower expenditure incurred on fuel, gold, and fertiliser. Expenditure on fuel imports declined due to lower average import prices, and lower volumes of crude oil and refined petroleum products, despite a higher import volume of coal.

Expenditure on gold imports, which declined since May 2018, following the imposition of customs duty on gold, remained at a negligible level in January as well. Expenditure on fertiliser imports also declined significantly, led by lower import volumes in all subcategories, particularly urea.

Expenditure on wheat and maize, base metals and rubber, and articles thereof, contributed notably to the decline in intermediate goods in January. However, import expenditure on textiles and textile articles increased, driven by fabric imports, while mineral products and agricultural inputs also increased.

Import expenditure on consumer goods declined mainly due to lower expenditure on almost all subsectors except beverages and spices imports. Continuing the declining trend observed since November 2018, which reflected the impact of policy measures taken to curtail imports, expenditure on personal motor vehicle imports showed a significant decline. Expenditure on almost all non-food consumer goods imports decreased in January.

However, considering the revision of excise duties in the Budget 2019, eased pressure on the exchange rate, and other developments in the external sector, the Central Bank removed the margin deposit requirement on both vehicle and non-essential consumer goods imports against letter of credit, effective from 7 March 2019, and on documents against acceptance terms, effective from 12 March. Expenditure on rice imports continued its declining trend in January, with higher supply in the domestic market. Import expenditure on vegetables and dairy products also declined.

Expenditure on the importation of investment goods also declined in January, due to lower imports of all subcategories classified under investment goods. Lower expenditure on commercial cabs and auto trishaws, categorised under transport equipment, and iron and steel, categorised under building material, mainly led to this decline.

In January, the import volume and unit value indices decreased by 14.6% and 3.7% respectively, indicating that the decline in imports was driven by low volumes, as well as prices of imported goods in comparison to the corresponding period of 2018.

Source: ft.lk- April 18, 2019

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Bangladesh: Garment exports rise sevenfold in a decade

Garment exports to new destinations grew sevenfold to $5 billion in the last one decade buoyed by market diversification drives and the government's stimulus package set aside for exploring opportunities in emerging markets, exporters said.

The country's garment shipment to the emerging markets was $700 million in 2009, according to Faruque Hassan, vice-president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Except for three traditional markets, namely the US, the EU and Canada, all other markets are considered as the emerging or new export destinations for Bangladesh.

India, China, Russia, Japan, South Africa, Turkey and Brazil are among the major non-traditional markets for the garment sector.

Exporters started exploring the new destinations as part of market diversification efforts in 2009. In the same year, the government introduced a stimulus package to help exporters weather the fallouts from the global financial crisis.

Currently, the government gives 4 percent export incentive against garment shipments to new destinations.

“We are on the right track. We need to do more. However, we need to get proper prices from buyers,” Hassan said at a press conference at Sonargaon hotel in Dhaka.

Bangladesh Apparel Exchange (BAE) organised the briefing to announce the schedule of the second Bangladesh Fashionology Summit, which will be held at the International Convention City Bashundhara in Dhaka on May 2.

Speakers from 15 countries will take part in different sessions at the summit, said Mostafiz Uddin, the founder of the BAE.

He also said the market size of the global smart clothing items would be $130 billion by 2025. “We need to explore this market.”

Source: thedailystar.net- April 19, 2019

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Vietnam: Credit package proposed for support industry

The Ministry of Industry and Trade (MoIT) has proposed a VNĐ100 trillion (US$4.31 billion) preferential credit package for the development of the country’s support industry.

The ministry says that Vietnamese support industry products could have high competitiveness, meeting 45 per cent of essential demand and local consumption, and accounting for 25 per cent of total export value by 2020. The support industry plans to meet 70 per cent of local demand by 2030.

It also planned to have 1,000 firms capable of supplying products to assembly companies and multinational groups in Việt Nam.

The local support industry would meet the requirements of localisation progress of production sectors including 40 to 45 per cent for garment and textile, and leather shoes, and 10 to 20 per cent to assembly of cars with fewer than nine seats.

To realise the set targets, the ministry has proposed a range of solutions in terms of policies and market development for the support industry.

Accordingly, the Government should continue to build and complete policies to promote development of some key support industries. Policies to encourage localities to use their budgets for support industry would also be promulgated.

In addition, the Government should have mechanisms to develop some sectors such as automobile, electronics, garment and textile, leather shoes and material industry.

Businesses should be given support to improve their capacity. The country would build three centres for the development of the support industry.

Preferential credit would also be given to the sector. Specially, the VNĐ100 trillion credit package would have similar mechanisms to the credit package for hi-tech agriculture development.

The package for hi-tech agriculture development has the participation of eight commercial banks. The banks would provide loans to organisations and individuals who want to invest in clean and hi-tech agriculture. The interest rates would be 0.5 to 1.5 percentage points lower than normal levels.

Prime Minister Nguyễn Xuân Phúc assigned the Ministry of Planning and Investment in co-operation with the Ministry of Finance to arrange capital to build the three centres. MoIT would study for the construction of the centres. The State Bank of Việt Nam would provide preferential mechanism on capital and loans to develop prioritised sectors within 5 to 10 years.

The Ministry of Science and Technology would consider adjusting access mechanisms of the Việt Nam National Fund for Science and Technology to make them simpler for support industry firms. In addition, each locality should have action programmes to develop the support industry.

Statistics from MoIT showed that Việt Nam now has some 1,800 part suppliers. However, only 300 firms are in the supply chains of multinational groups.

Source: vietnamnews.vn- April 22, 2019

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Bangladesh: Growth at cost of environment

Bangladesh's industrial sectors, especially garment, are growing at the cost of environment, said ActionAid Bangladesh, a non-governmental organisation, yesterday.

“Although the garment industry in Bangladesh contributes significantly to the economy, it raises a number of environmental concerns,” said Farah Kabir, country director of ActionAid.

All aspects of the industry -- be it spinning, weaving, knitting, wet processing and apparel manufacturing -- process pollute air, water and soil.

Textile and garment sectors and their entire supply chain make 1.40 crore tonnes of carbon dioxide emission annually and consume 60,000 crore litres of water.

“So, time has come to go through a massive technological upgradation to keep the industrial development sustainable,” she said at a seminar styled 'Voices and solutions: Achieving growth through sustainable production and consumption in the fashion industry'.

ActionAid Bangladesh and Fashion Revolution jointly organised the event at the capital's Brac Centre Inn.

The garment sector has ensured the wellbeing, dignity and safety of workers, said Atiqul Islam, mayor of Dhaka North City Corporation.

The sector has installed state-of-the-art environment-friendly machines in factories but a lot more needs to be done to reduce environment contamination, said Islam, also a former president of the Bangladesh Garment Manufacturers and Exporters Association.

Globally, the textile sector is the second highest user of water, contributing to water waste by 20 percent, and the apparel industry emits 10 percent of carbon dioxide alone.

Cotton farming is responsible for 24 percent of insecticide and 11 percent pesticide production.

Furthermore, only 15 percent of the textile waste is recycled, whereas the remaining 85 percent is sent to landfill, thus negatively impacting the environment.

The wastes, as they decompose, release methane, which is a significant contributor to global warming.

Chemical dyes used in the process leach into the soil, contaminating surface and groundwater, it added.

The garment sector is working to reduce environmental pollution, but huge investment and efficiency of workers are needed, said Faruque Hassan, a former vice-president of the BGMEA.

"Please don't blame us only -- we are trying hard," he said.

Most of the factories in Bangladesh are located along the river banks, so waste is dumped into the rivers, ActionAid said.

Asif Ibrahim, a former president of the Dhaka Chamber of Commerce and Industry, hopes that the BGMEA will continue to work to reduce environment pollution through introducing modern facilities.
Hazardous chemicals are being discharged into the water bodies affecting the marine ecosystem, reducing fish population and resulting in unsuitable land for cultivation. Many rice paddies are now inundated with toxic wastewater.

Nawshin Khair, country coordinator of Fashion Revolution, and Imran Rahman, dean of the ULAB School of Business, also spoke.

Source: thedailystar.net- April 21, 2019

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Pakistan: Major industrial sectors see spike in FDI

Pakistan's 11 major industrial sectors attracted considerably high foreign direct investments (FDI) during the current financial year indicating an attraction for industrial growth in near future.

The country's key industries such as textile, chemicals, pharmaceuticals, and electrical machinery saw their inflows jumping by 50-800 per cent.

However, the overall FDI plunged by 51pc during the first nine months of 2018-19 mainly due to outflow of Chinese investments from the local power sector, which in turn eroded the positive impact on inflows in the major industries. Outflow of Chinese investment during the period was $294 million, as compared to net inflow of $929m in same months of last fiscal year.

The highest inflows were recorded in electrical machinery, which attracted $126.6m during 9MFY19 as against $13.8m in corresponding period last year, reflecting an increase of 813pc.

Transport sector came in second as inflows into the sector jumped by 663pc to $84.3m, led by FDI worth $89.6m in cars whereas buses, trucks, vans and trails posted a $5.3m outflow. Similarly, inflows in chemicals soared by 322pc to $113.9m during 9MFY19 versus $27.6m in same period of 207-18 while those in pharmaceutical rose 274pc to $55m from $14.7m.

The FDI in textile sector clocked in at $54m during the nine-month period, up 50pc over $36.6m in corresponding months of FY18. The sector earns over 60pc of all export proceeds for the country.

For the last couple of years, only two sectors – power and construction – have found themselves on the radar of investors while the rest have seen limited activity in terms of inflows. If latest data is to serve as an indicator for reversal, it could help boost sentiments in the local industry.

Power sector saw a steep decline in FDI as it recorded a net outflow of $293m in 9MFY19 as against $929m in corresponding period last year. Construction also seems to be ceding its gains with inflows shrinking steeply as investment in the sector slowed down to $385.4m, from $527m.

Communications saw a net outflow of $141m, led by telecommunications which recorded outflows worth $157m.

Source: dawn.com- April 21, 2019

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Pakistan: Gov't Pays Rs. 44 Bn To Textile Sector Under PM's Exports Enhancement Package

The government has paid Rs. 44 billion to the local textile industry under "Prime Minister Exports Enhancement Package" to enhance the country's exports.

The package was aimed at bridging the gap between local exports and imports by encouraging the export-oriented industry and incentivizing the industrial sector for introducing the innovative, modern and cost-cutting technologies, particularly in the textile industry, a senior official in the ministry of textile industry told APP.

He said that so far, State Bank of Pakistan (SBP) has received 276,000 refund claims under the package and they were processed accordingly.

He said the package was introduced in 2016-17 and in first five months, the government had paid an amount of Rs. 5 billion, adding that in the fiscal year 2017-18 the government had cleared the refunds amounting to Rs. 26 billion. He said that in the last seven months, the government had paid Rs. 11 billion in outstanding claims, adding that pending liabilities of Rs. 23 billion would be paid off by the government in next few months.

He said, "We are committed for the execution of PM export enhancement package for development and growth to the textiles sector for increasing country's export." He further said the priority of the government is increasing the country's exports and job opportunities for the people.

He said that the textile sector was also working towards modernizing and improving the skills of textile workers by using modern technology and tools.

The official said that textile sector is back bone of the country's exports and the government is committed to provide all facilities for increasing the exports in textiles sector.

Source: urdupoint.com- April 21, 2019

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Pakistan: Competitive textile industry in larger interest of textile value chain: Aptma

All Pakistan Textile Mills Association (APTMA) Chairman Syed Ali Ahsan has said that a competitive and viable domestic textile industry was in the larger interest of the textile value chain.

In a statement issued on Friday, he said that the present regime has rightly announced and implemented initiatives to ensure regionally competitive energy, both electricity and gas, to the exporting industry. Consequently, viability as well confidence of the businessmen/industrialists and prospective investors has restored.

Ali Ahsan said the industry, all across the value chain, has started preparing a policy framework, under the guidance of Advisor to Prime Minister on Commerce Abdul Razzak Dawood and Chairman Task Force Dr Salman Shah to achieve an export target of $50 billion in five years, which will attract huge investments and create 15 million direct workforce in line with the manifesto of the present government.

Chairman APTMA dispelled the impression that export of yarn was impacting the value added industry and stated that it has declined by 24% percent in quantity terms in the month of March.

More than 80 percent lower count yarn (below 20) being exported was not in demand of the domestic industry. Today, he said, the kind of yarns required by the domestic industry was available in abundance for their consumption. Any price increase in such yarns was linked with international cotton prices.

He said some mills were designed for export production and cannot be forced to sell locally amidst long unreliable credit sales and previous bad debts in the knitwear sector.

He said these mills have explored new markets, made customers and established their brands with lot of efforts of many years of hard work and consistency of quality. Such mills should not be forced to close down their operations, he added.

Source: nation.com.pk- April 20, 2019

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Azerbaijan: Local textile products strive to new CIS markets

The growth observed in the textile industry of Azerbaijan also increases the country's export potential in non-oil sector.

Azerbaijan’s Gilan Textile Park LLC intends to export textile products to the new markets in the CIS countries, chairperson of the Azerbaijan Textile Products Manufacturers and Exporters' Association Mehriban Akhundova told Trend.

"The negotiations on the export of the company's textile products are underway with Russian partners," she said.

"Besides Russia, we also intend to supply textile products, namely, terry products, bathrobes, blankets and others to Belarus," Akhundova said. "In the future, we plan to supply our textile products to other CIS countries."

She stressed that Gilan Textile Park's products are environmentally friendly and meet all international quality standards.

Taking into account the production potential, Gilan Textile Park is considered one of the biggest processing enterprises not only in Azerbaijan, but the entire region.

Gilan Textile Park, which uses cotton grown in Azerbaijan as a raw material for the production of various products, renders great support to the development of local industry and agriculture.

The weaving, dyeing and sewing factories operate on the basis of the Gilan Textile Park, which launched its activities in Azerbaijan's Sumgait city in 2012.

The National Fund for Entrepreneurship Support under the Azerbaijani Ministry of Economy issued a preferential loan worth 15 million manats ($8.8 million) for the construction of three factories in the textile park worth 46 million manats ($27 million).

Recently, the Gilan Textile Park announced that the company will export its first batch of yarn to Portugal.

It is also expected that Latvian textile manufacturers will cooperate with Gilan Textile Park to create joint production in Azerbaijan for further export to the CIS countries.

Textile industry of Azerbaijan has deep roots and centuries-old history. The socio-economic policy pursued in Azerbaijan in recent years, as well as the implementation of programs aimed at the development of agriculture and industry, led to the implementation of large-scale projects in this area.

The launch of textile enterprises is of particular importance in reducing dependence on imports in the light industry, increasing export potential, creating national textile brands, training of qualified personnel and opening new jobs, allowing the development of the textile industry in the country.

The Association of Textile Producers and Exporters was established to support the development of this sector in Azerbaijan. The initiative on the establishment of this association was put forward by entrepreneurs involved in the textile sector. In general, such associations serve to improve relations between the state and the private sector.

The development of cotton growing in Azerbaijan gives impetus to the development of the textile industry. The further development of textile industry has great potential in Azerbaijan, since in early 2017, the State Program for 2017-2022 was approved with an aim of strengthening measures directed at developing cotton-growing in the country. The purpose is to develop cotton growing, increase export potential, ensure employment of the rural population.

Source: azernews.az- April 18, 2019

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Pakistan: 313 items: China accepts duty-free access demand: Dawood

Advisor to Prime Minister on Commerce and Textile Abdul Razak Dawood said on Tuesday that China has accepted Pakistan's demand of duty-free market access on 313 items and both sides would sign Phase-II of Free Trade Agreement (FTA) on April 28, 2019.

This he stated while briefing the National Assembly Standing Committee on Commerce and Textile which met with Naveed Qamar in the chair here on Tuesday to investigate and scrutinise the export, import and WTO policy directions, challenges, initiatives, way forward, Vision 2019-2024, and assessment of future reciprocal FTA access trends in Pakistan.

Dawood said that Pakistan has rejected China's demand of duty-free market access, which they demanded in return for allowing Pakistani products duty free access; however access on a few items would be given. He further said that China has agreed to allow market access on the pattern of ASEAN countries.

China will give Pakistan duty-free access on 313 items. These 313 items are among those in which China's imports stand at $64 billion but Pakistan was not earlier allowed to export more than one billion dollars in these items, he added.

He further said if Pakistan gets 5 percent share in the $64 billion market of China after duty free market access and revised FTA, Pakistan exports could be increased by $3.2 billion per annum and if Islamabad succeeds in getting 10 percent market share, the exports could be increased by $6.4 billion.

China earlier did not agree to duty-free market access due to internal differences, as their commerce minister did not agree to give Pakistan market access but the Chinese prime minister and foreign minister agreed to give market access to Pakistan.

The advisor further informed the committee that many items' list (in hundreds) for reciprocal duty free export/ import (trade) to Chain is on final terms. He added that much improvement is expected in near future not only in exports to China but also to other countries including Indonesia, Bangladesh, Afghanistan, and Turkey.

The committee was further informed that Turkey is not ready to give any concession to Pakistani products, especially leather and textile. He further said that the US is also not ready to allow Pakistani products duty free access like it gives to Bangladesh and Vietnam and others due to geo-political and other reasons.

Federal Secretary Commerce Sardar Ahmad Nawaz Sukhera briefed the committee in detail on the exports of Pakistan and the World Trade Organisation (WTO).

The Ministry of Commerce and Textile Industry has projected a sluggish growth in exports owing to headwinds including slow economic growth, lack of fiscal space, contractionary monetary policy as well as geo-political uncertainty.

The secretary commerce said that Pakistan is making all-out efforts for making the FTA-II effective from July 1, but the Chinese side may take up to two months longer. The FTA-II will be signed on April 28 during the upcoming visit of Prime Minister Imran Khan to China, but after that it would be passed from the Chinese Parliament, he added.

The committee was informed that exports declined by 19 percent during 2014-17 due to global market contraction from $17.2 trillion to $14.9 trillion (16 percent), commodity crunch, and currency overvaluation (20 percent in Pakistan), while other regional currencies also depreciated i.e. India by 3 percent, RMB by 11 percent, MYR by 33 percent, BRL by 42 percent, besides competitiveness crisis (Pakistan vs Bangladesh), electricity prices and minimum wages.

The committee was further informed that trade balance is improving in 2019 as exports increased by 0.11 percent in dollar terms and 25.3 percent in rupee terms while trade deficit decreased by 13.02 percent during July-March 2018-19.

There is need for enhancing export competitiveness components particularly in the areas, i.e., PM's Package, zero-rating of 5 export sectors, rationalisation of energy costs for export sectors, exemption of export sectors from load shedding, tariff rationalisation on raw material and intermediate products.

In new policy initiatives, Strategic Trade Policy Framework 2019-24, National Tariff Policy, trade-related investment policy framework and regulatory reforms may be revisited for future improvements and growth of exports and decline in imports, he said and suggested regulatory reforms as amendments in export/import policy order.

On the WTO, the secretary informed the committee about the structure and functions and current issues faced by Pakistan. The basic principles of trade were explained in detail along with advantages of the WTO. He briefed the committee on multi-trade agreements, dispute settlement body, reforms, transparency, role of e-commerce, and norms of Trade Facilitation Agreement (TFA).

The committee issued instructions to achieve objectives following the principles laid down for tariff policy, besides revisiting the relocation of value added industry, resource intensive, agro and agriculture re-processing. The ministry was directed to give a briefing on the WTO and export/import of Pakistan more conclusively in the next meeting.

The chairman informed the members with regard to a sub-committee report on the visit to Faisalabad Garment City and JICA-sponsored Faisalabad Garment City Training Centre to identify problems therein due to which the projects could not achieve objectives of their establishment. Another sub-committee was constituted with the composition of four members with the mandate to hear the State Life Insurance Company (SLIC) and the aggrieved employees of the company.

Source: fp.brecorder.com- April 18, 2019

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NATIONAL NEWS

India is not a tariff king, has the right to protect specific sectors under WTO: Experts

The US President Donald Trump has repeatedly claimed that India is a "tariff king" and imposes "tremendously high" import duties on American goods.

India is not a 'tariff king' and it has all the right to take appropriate measures to protect the interest of specific sectors like agriculture, international trade experts have said.

Rejecting the US allegation that India's import duties are one of the highest in the world, experts said that several developed countries and regions including Japan, South Korea, European Union, and America maintain "extremely high" tariffs primarily on agriculture products.

The US President Donald Trump has repeatedly claimed that India is a "tariff king" and imposes "tremendously high" import duties on American goods. Biswajit Dhar, a professor of economics at Jawaharlal Nehru University, said that the US allegations are completely unfounded.

"In fact, the US import duties on several of their products are quite high such as on tobacco it is about 350 per cent and 164 per cent on peanuts. They too maintain reasonably high duties," Dhar said.

Sharing similar views, Professor at Indian Institute of Foreign Trade (IIFT) Rakesh Mohan Joshi said that the US allegations are not correct and in fact, they should rationalise their duty structure being a developed nation.

Trade Promotion Council of India Chairman Mohit Singla said that the assertion of the US is not factually correct. He said that the allegation of Trump that India is a tariff king does not hold true and is unjustified. "Like other nations, India has the right to take appropriate measures to protect its domestic interests in specific sectors as and when it is deemed fit.

Moreover, there are many countries which have much higher tariff as compared to India. Being a signatory and member of WTO, India remains committed to free, fair, and predictable trade," Singla added.

Geneva-based 164-member World Trade Organisation (WTO) is a multilateral body which frames global trade norms. Singla claimed that countries like Japan levy 736 per cent duty on certain products; while Korea imposes 807 per cent on some goods. Federation of Indian Exports Organisation (FIEO) said that product-specific high tariffs, like 150 per cent on alcoholic beverages, 100 per cent on coffee, and 60-75 per cent on automobiles have made India a villain in the eyes of the US President.

However, many countries in the world including Japan, South Korea, the EU, the US maintain an extremely high tariff primarily on agriculture products, FIEO Director General Ajay Sahai said. “India’s average WTO bound tariff is 48.5 per cent while average applied tariff is 13.4 per cent. The wide gap between the two clearly shows that India is not a tariff king else it would have pushed the applied tariff very close to the bound rates,” Sahai said. While bound tariffs or duties refer to the ceiling, the applied tariff is the duty which is currently in place.

Another expert, who did not wish to be named, said that the US should not level any allegation of discrimination at tariff front vis-a-vis developing countries like India as America has emerged as one of the richest nations in the world with per capita income of about USD 60,000 per annum.

“Repeated mention of India as a tariff king with cherry-picked examples like motorbikes and whiskey is disingenuous, as it conveniently ignores the overall tariff structure of the country, apart from India’s developing status,” the expert said. He added that India has complied with all tariff commitments under the WTO and has made sincere efforts to reduce applied duties suo-moto to 13.7 per cent today over a period of time.

Recently, the US decided to withdraw incentives being provided to Indian exporters under the Generalized System of Preference (GSP) programme. However, India has stated that it would not impact domestic exporters as the benefits were only about USD 190 million annually. Despite the fact that India and the US were working on a trade package, the US decided to go ahead with its decision.

The package was covering all concerns related to bilateral trade with the US on sectors including medical devices, dairy products and agricultural goods. America also wants a cut on duties on certain ICT products.

According to sources, India was ready to address the US concerns regarding these sectors. The bilateral trade between India and the US has increased to USD 74.5 billion in 2017-18 from USD 64.5 billion in 2016-17. Although India has a trade surplus with the US, India is a thriving market for US defence firms, e-commerce and technology companies.

Source: financialexpress.com- Apr 21, 2019

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The human side of 'Industry 4.0'

Indian entrepreneurs must strengthen the human side of their firms as it is the people who must control technology

Industry 4.0" is a big buzz-word in business and policy circles. It is expected to change the world in ways that cannot be comprehended yet. What is Industry 4.0? How will it change the world? What should businesses and policy-makers do to take advantage of it?

Iconic visions of Industry 4.0 are robots and self-driving cars that will eliminate human workers, and 3-D printers that can compress the capabilities of a large factory with hundreds of skilled workers into a small machine operated by a single person.

A broader view of Industry 4.0 includes the rapid advance of digital computational and communication technologies that have created platforms, such as Google, Amazon, Uber, and Airbnb, that are disrupting service and knowledge industries ,including the media.

Pervading through Industry 4.0, in manufacturing, service, and knowledge industries, are advances in artificial intelligence (AI) and 'machine learning'. With these, Industry 4.0 is going beyond all previous transformational waves of new technologies (such as electricity and automobiles) which replaced human energy in the 'doing' of work, to replacing human minds in 'thinking'.

Therefore, the fear of who will be in charge in the future is rising. Human beings using machines? Or, machines using human beings?

This profound question should concern us. However, of more immediate concern for policy-makers and citizens is, how new technologies are changing employment patterns, and how industry-leaders are harnessing Industry 4.0. If we can learn to ride the bucking horse before it grows too powerful, we will be equipped to harness its power when it grows further.

CEOs of three manufacturers, leaders in applying technologies to improve their competitiveness, were asked these questions at CII's AGM in April 2019. One was Toyota-Kirloskar: Toyota is a world-wide leader in the management of manufacturing. Another was Bosch, a global leader in the design and production of high-tech equipment for several industries.

The third was Bharat Forge, one of India's most successful component producing companies, who broke into global supply chains with its world-best ability in rapid prototyping, wherein computer-aided equipment enables the combination of flexibility with accuracy. Bharat Forge supplies to OEMs around the world and now runs plants in Sweden and Germany also.

All three said that the key to improving productivity with technology was people. Vikram Kirloskar emphasised that the fabric uniting Toyota's supply chains remains the famous 'Toyota Production System', of collaboration between parts of the system to improve the reliability of the whole system. 'People to people' collaboration and trust enables 'win-win' improvement within factories and across firms' boundaries in the supply chain. Teams choose new technologies as they are developed to improve the systems' performance.

Bosch had the same solution. It assists its vendors — many of whom are SMEs — to experiment with and determine which 'Industry 4.0' technologies will enhance their competitiveness. Industry 4.0 is 'pulled in' by people, not 'pushed on' to them.

Baba Kalyani of Bharat Forge has been a path-finder in the automobile component industry, always ahead in using technology. He too re-iterated the necessity of human intelligence in improving the systems' performance. Bharat Forge employs graduate engineers to run its sophisticated machines. Technical know-how is a base-line requirement. However, curiosity — a very human quality — is essential for innovation and for continuous improvement of the system, he said.

The Toyota example

The Toyota Production System was described as the 'Machine that Changed the World'. Because Japanese companies applied its tenets of 'total quality management' through 'small group activity' on shop floors and offices, where workers used system analysis and simple statistical techniques for 'zero defects' and 'just-in-time' deliveries across supply chains. With these methods, Japanese companies became world-beaters in many industries — automobiles, steel, chemicals, electronics, etc.

Western companies began to imitate Japanese methods to catch up. However, often they could not see the 'people-to-people' fibers within the fabric that enabled the Japanese systems' pace of continuous improvement, with which it had overtaken the rest of the world. American automobile companies hired Prof WE Deming, who had catalysed the total quality movement in Japan, to guide them.

After a few years, when he was asked on US National Public TV whether the Americans would catch up, he replied very sadly: "They don't get it. They think the solution is in the statistics. Whereas it is the people."

Industry 4.0 technologies are disrupting many industries. They are changing patterns of employment and are creating new jobs too. The gig economy, led by food delivery firms and ride-hailing firms, has created over one million jobs in the Delhi region, according to IIM(B). An estimated 56 per cent of new employment in India is being generated by the sharing economy across both the blue-collar and white-collar workforce, according to Team Lease.

"The gig economy is an extension of India's informal labour, which has been prevalent for a long time. These workers do not get any social security insurance," ICRIER says. The flexibility in their employment, enabled by technological platforms, results in workers becoming mere tools in a technology-powered production system.

Contrast this with the wisdom of the world leading manufacturing companies cited before, for whom the people who work are their sources of competitive advantage, with people using technologies as their tools to improve performance.

Human beings provide the ultimate source of competitive advantage in enterprises. Enterprises are 'socio-technical systems'. They combine a social/human side with a technology side. Indian enterprises must strengthen the human side of their enterprises.

Indeed, India's masses of trainable people, eager to earn, can be a source of competitive advantage for enterprises in India. Workers cost less in India than workers in many other countries, whereas technology (and capital) costs more. Therefore, enterprises in India would do well to strengthen their social sides.

Employers (even in gig enterprises) must show more commitment to their workers' welfare, and to their continuous learning, to get the best out of Industry 4.0 technologies. Government policies must enable, and induce, employers to do this rather than change laws to make it even easier for them to informalise employment.

Finally, returning to the existential question of Industry 4.0. Humans must remain masters of technology; they must not let technology become their master with an excitement to adopt the latest Industry 4.0 technologies whatever its consequences.

Source: thehindubusinessline.com- Apr 21, 2019

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Development cooperation with Sri Lanka built on foundations of political understanding: India

India has said its commitment of USD 3 billion in development assistance to Sri Lanka is inspired by rationale of South-South Cooperation, underscoring that New Delhi's "unique" development cooperation with Colombo is built on foundations of political understanding and geographic realities.

"Sri Lanka has a special place in Indian hearts, given the time-tested bonds, going back almost to the very beginning of recorded history in the subcontinent. Our relationship is built upon the strong foundations of a shared cultural and socio-economic heritage and extensive people-to-people interactions over millennia," India's Deputy Permanent Representative to the UN Ambassador K Nagaraj Naidu said.

Participating in the Peacebuilding Commission Informal Meeting on Sri Lanka here last week, Naidu said India's development cooperation with Sri Lanka is "unique" and is built on foundations of political understanding, a historic past, geographic realities and socio-cultural empathy.

"India's commitment of USD 3 billion in development assistance to Sri Lanka is entirely based on the priorities set out by the Government and the people of Sri Lanka," he said, adding that these development projects, guided and inspired by the rationale of South-South Cooperation, focus especially on capacity-building, human resources development, uplifting of weaker sections as well as infrastructure development.

India's portfolio of development projects encompasses virtually all major sectors of the economy, including housing, infrastructure, education, health, agriculture, fisheries, industry, handicrafts, culture and sports. Naidu noted that the development projects have been widely appreciated for their transparent approach and timely implementation through recourse to local materials and manpower, in a manner that supports the local economy.

The diplomat reiterated India's commitment to stand with Sri Lanka in its efforts to build a future that accommodates the aspirations of all sections of society for "a life of equality, justice, and dignity and convey our sincere support and good wishes for Sri Lanka's journey of peace, reconciliation and progress."

Naidu said the collaboration between Sri Lanka and the Peacebuilding Commission, operating under the principle of national ownership, is a classic example of a fruitful partnership. The development of the Peacebuilding Priority Plan (PPP) by the Sri Lankan Government in close consultation with Peacebuilding Support Office, UN Country Team and civil society representatives in November 2015, has had a multiplier effect in galvanizing on Sri Lankan government's efforts.

"The continued commitment of the Government of Sri Lanka to peacebuilding and transitional justice is evident from its recent decision to co-sponsor a two-year extension to implement the Human Rights Council resolution 30/1 that established the framework by which the government, victims and civil society can address the root causes of the past conflict," Naidu said, referring to the resolution adopted by the HRC on promoting reconciliation, accountability and human rights in Sri Lanka.

Naidu said the establishment of the Office for Missing Persons and the resettlement of Internally Displaced Persons, and the budget allocation of 11.3 billion rupees for reconciliation efforts in 2018 and 15.3 billion rupees in 2019 demonstrates the Sri Lankan governments strong commitment to lasting and sustainable peace.

The introduction of the UN Joint Programme for Peace (JPP) in Sri Lanka aimed at harnessing assistance from multiple partners for strategic, coherent and sustainable support in the areas of transitional justice, reconciliation, good governance and durable resettlement should be supported by the international community, he added.

Source: financialexpress.com- Apr 21, 2019

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India must complete its reform process in next five years: Arvind Panagariya

India must focus on growth of labour-intensive sectors to create decent jobs for the masses as well as give “serious thought” to privatising the public sector banks (PSBs), eminent economist Arvind Panagariya has said, emphasising that the reform process must be completed in the coming five years.

Panagariya, who had served as the first Vice Chairman of the NITI Aayog from January 2015 to August 2017, was responding to a question on what the priorities should be of the government that comes into power when India’s mammoth and crucial general elections end next month.

“My personal view is that India must complete its reform process in the coming five years,” Panagariya, Director at the Raj Center on Indian Economic Policies at Columbia University, told PTI here.

The Deepak and Neera Raj Centre in The School of International and Public Affairs (SIPA) at Columbia University provides research and expertise necessary to inform policy decisions, deliver increased prosperity, and define India’s future role in the global economy.

Highlighting the priority areas, Panagariya said that India needs a clear focus on the growth of labour-intensive sectors such as apparel, footwear, furniture, kitchenware and other light manufactures to create decent jobs for the masses.

“We need firms in these sectors that are globally competitive and capture the space in export markets that China has been quitting due to its high wages. This requires flexible labour and land laws and an ecosystem that is yet friendlier to large firms,” he said.

Panagariya elaborated that one way to achieve this is to create Shenzhen-style Coastal Employment Zones (in China) that create zones of 500 square kilometers or more along the coast that are characterized by highly entrepreneur-friendly regime with respect to land, labour and international trade.

“Eventually, we must extend this regime to other parts of the country as well, he said.

He stressed that it is also time that “we gave a serious thought to privatising public sector banks (PSBs).

“Experience has shown that public sector ownership creates perverse incentives that have repeatedly manifested themselves in episodes of accumulation of non-performing assets (NPAs) in PSBs while the same has not been a problem in private and foreign banks,” he said.

Further, public ownership has also resulted in dual regulation of PSBs (by the Reserve Bank of India and the government) and two different RBI regulatory regimes for PSBs and private banks.

“The simultaneous role of the government as a provider of banking services through PSBs, policy maker and regulator create obvious conflicts. There needs to a separation of policy making, regulatory and service provision functions,” he said, adding that it is possible to promote social goals without ownership of the banks as the experience with priority sector lending illustrates.

“As a last resort, if the government feels that it must have control, keeping the State Bank of India in the public sector (with due governance reforms) may be a reasonable compromise,” Panagariya said.

The noted academician also stressed that serious thought must be given to the consolidation of numerous transfers into a single cash transfer.

“We must also introduce a sunset clause to all Centrally Sponsored Schemes and Central Sector Schemes. Ministries running these schemes should be subject to the burden of justifying continuation of their schemes beyond a certain date,” he said, underscoring that “indefinite perpetuation” can often mean that the scheme in question is making no progress in achieving its goals.

Panagariya also emphasised on the need for major reforms in the area of education, saying the Right to Education Act has wholly “neglected quality.”

“This law has to be amended such that it rewards schools and teachers for superior outcomes while also sanctions them for poor delivery. It cannot be that government uses taxpayers’ money to give public school teachers salaries that are four or five times what their counterparts receive in private schools and they still deliver poorer outcomes than the latter,” he said.

Opining that higher education requires an overhaul too, he said there is need to “replace” the University Grant Commission Act by a Higher Education Commission Act that “paves the way” for full autonomy for high-quality colleges and universities; provides for such colleges to acquire the right to confer their own degrees and covert into universities; and opens the door to the entry of foreign universities in a transparent manner.

“Colleges and universities should come to be governed by their boards with minimum interference by the government. Independent public and private accreditation agencies should be appointed to evaluate colleges and universities in an objective manner,” he said.

Panagariya also suggested that a national research foundation along the lines of the United States National Science Foundation should be created to bring research centrally to universities with the current system of research councils gradually phased out.

"The government must also pass the pending National Medical Council Bill and bring similar legislation in Homeopathy and Indian systems of medicine. Higher education in law, nursing, pharmacy and other professional fields also requires an overhaul," he said.

Source: thehindubusinessline.com- Apr 21, 2019

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Trade suspension across LoC will not impact big biz

Gul added that the traders were already cautious post Pulwama, which had brought close scrutiny of traded goods from both sides.

A day after Indian government suspended the cross LoC trade with Pakistan, small businesses rue temporary disruption of daily trade; however, the move will have no major impact on larger businesses.

On Thursday, the government suspended all cross-border trade between the two countries. The Ministry of Home Affairs said that the action was taken as the government has been "receiving reports of cross-LoC trade routes being misused by Pakistan-based elements for smuggling illegal weapons, narcotics and fake currency."

The development came almost two months after India withdrew the Most Favoured Nation status to Pakistan and increased tariff on imports from its western neighbour, following the terror attack in Pulwama. "The major trade included local goods such as groceries, spices, fruits and small artefacts.

The figure is not very big but many small traders depend on it. So they are bound to be impacted. But that is how businesses are in the valley. However there is no major impact on large businesses," said Najeeb Gul, a trader from Kashmir.

Gul added that the traders were already cautious post Pulwama, which had brought close scrutiny of traded goods from both sides.

Pakistan's exports to India stood at $488.5 million (around Rs 3,482.3 crore) in 2017-18 out of a total India-Pakistan trade of $2.41 billion, which was just 0.3 per cent of India's overall merchandise trade in that year.

Pakistan exports to India include fresh fruits, cement, petroleum products, bulk mineral ores and finished leather. India mainly exports raw cotton, cotton yarn, chemicals, plastics, manmade yarn and dyes to Pakistan.

According to Professor Biswajit Dhar of Jawaharlal Nehru University, while the announcement has political significance, huge trade takes place via indirect routes such as Dubai and gulf markets, which will continue despite the ban. Pakistan mainly exports to India through Dubai and Singapore. “So, to effectively have some impact, we need to target that too,” Dhar said.

The trigger

Post Pulwama, the ED and IT department had clamped up on terror funding via illegal drug peddling and fake notes. They claim to have seized drugs, foreign currencies and unaccounted cash, which was “being used to fund terror activities in Kashmir”, leading to the suspension of cross-LoC trade.

Source: newindianexpress.com - Apr 20, 2019

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Indian shoppers spends on apparel help it grow nearly threefold in last decade

Indians spent ₹5,408 billion on buying clothes in 2018, a jump from the ₹1,924 billion they spent in 2010, as higher disposable incomes, greater migration to large cities, and brands opening up in non metros helped more people access branded clothing.

The market for apparel in India grew at a CAGR of 13.8% in FY18, according to a report on India’s apparel market by CARE ratings.

CARE used data from CMIE and measured private final consumption expenditure (PFCE) on clothing to map overall expenditure on apparel in India.

While men’s clothing continues to constitute to be the biggest chunk of the local apparel market, at 41%; kids wear that is 21% of the overall market is the fastest growing segment in India.

Women's wear contributes almost 38%, and is largely dominated by ethnic apparel such as sarees, and suits. However, denim is the fastest growing sub-segment for women's wear. "The robust growth in this segment can be attributed to the rising income levels, rising number of working women and more college going females," Saurabh Bhalerao. associate director, industry research, CARE Ratings said in the report.

A shift in the country's demographic—half the country's population is under 25—and ease in accessing brands is helping consumers buy more clothing. "If you see the overall apparel consuming population in India has gone up in the last decade," said Bhalerao, explaining that a shift in demographics and the number of people residing in urban areas has helped Indian households access more brands.

According to CARE's research 20% of apparel is still bought in the country's top metros, making the cities of Delhi, Mumbai, Bengaluru, Chennai etc the largest consumers of apparel in India. "Considering that less than 20% of India's population lives in these cities indicate the higher purchasing power in urban areas and frequency of purchases," the report noted. These markets also have a higher penetration of women's western wear as compared to Tier -I or Tier -II cities of the country.

But a demographic shift has been underway too, CARE's Bhalerao noted.

For long the country's top fashion brands focused on largely catering to shoppers in the country's top metros. However, a proliferation of e-commerce and the popularity of the mall culture in tier 2 cities such as Indore, Surat, and Kochi over the last decade has helped brands cater to these markets. Additionally, more digitally connected shoppers across markets are now aware of the latest fashion trends. "The increasing purchasing capacity and awareness of fashion and trend in small cities has also resulted in providing a huge market to the organised players of the country," the report noted.

Indians however still remain value conscious.

As a result, medium-price apparels hold majority share among the market followed by economy segment. Here, "the price sensitive rural population forms a major part of the value and economy price segments of apparel market." Further, driven by the twin trends of premiumisation and value consciousness, the mid-market segment is being squeezed on both sides, CARE noted.

This has also prompted the entry of some of the world's largest fashion retailers, as well as has led to an increase in local, home-grown ethic wear brands such as W, Biba, Manyavar etc.

In the last decade, some of the world's top foreign retail brands such as H&M, Zara, Forever 21, have entered India to capitalise on the growing demand for fashion wear. Japan's Uniqlo is set to enter the market later this year. Zara and H&M ahve already crossed Rs1,000 crore in turnover in India.

Source: livemint.com - Apr 18, 2019

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It took just one acre to grow faith in organic farming

Cotton farmers in M.P. are getting higher yields at lower input costs

An innovative project aimed at promoting cotton cultivation the organic way, by replacing chemical pesticides and fertilisers with environment-friendly manures and sprays, is bringing rich dividends for cotton farmers of Madhya Pradesh.

Dasrath Patil, 50, like most inhabitants of Jobni village, comes of farming stock. The 700-plus population of this village in Sausar Tehsil, 63 km away from district headquarters Chhindwara, have been tilling their land for generations. Dasrath grows fruits like mango, pomegranate and papaya but the major kharif crop on his 16 acres is cotton, which he has been cultivating for years.

When he heard of a new method of growing cotton three years back, the hardy farmer was immediately curious but at the same time sceptical, unwilling to ditch the tried and tested practices followed through generations in his family.

However, he was persuaded to experiment on a sole acre and faithfully followed the instructions given to him, right from how to prepare the land for sowing the new seeds (which were also provided and differed from the hybrid seeds he would purchase from stores) to preparing home-made, bio-friendly, manure and pesticides.

“As advised, I prepared one acre of land by applying chemical-free fertilisers,” says Dasrath. “I have learned how to make organic manure and pesticides using locally available material.” He was taught how to make vermicompost by mixing cow dung, along with earthworms, in the soil and vegetable waste. He also learned how to make bio-friendly manure. He applied the manure evenly on his land a day before sowing his cotton saplings, and again, 30 days after the sowing.

“Earlier, I used harmful chemical pesticides for spraying. I would indiscriminately use the sprays, not realising that frequent spraying was not good for the plants.” Using this new method, the farmer was able to save considerably on costly chemical pesticides and sprays and his profits — though small — were one hundred per cent as his input costs were negligible. “I harvested three quintals of cotton using the organic method and sold the same for ₹5,000 per quintal,” he claims.

The Organic Cotton Project, launched by the Worldwide Fund for Nature India (WWF India) in collaboration with C & A Foundation, a Swiss-based corporate foundation, took off in 2015-16 in Chhindwara district, home to the famous Pench Tiger Reserve. When Dasrath compares this to the traditional way in which he cultivated his cotton crops, he realises the significance of going organic. “I harvested 45 quintals of cotton on my remaining 15 acres and sold the entire crop for ₹1.8 lakh. However, my input costs, including purchasing of chemical fertilisers and pesticides and hiring of labour, came to ₹1.20 lakh. So, my profit was actually just ₹60,000!”

A total of 72 villages involving over 4,000 farmers have been covered under the project which focusses on adopting improved agronomic practices, soil and water conservation techniques and inter-cropping, besides pest and disease management.

Deepa, 40, and her husband Dilip Sheshrao Bansod, also of Jobni village, are fourth-generation farmers. When this resilient couple first experimented with growing cotton organically three years back, they reaped a paltry 70 kg.

“But this year, we were more meticulous and planted the seeds carefully as we were instructed to. We also learned to remove the waste after the rains. The grass growing near the cotton saplings must be removed or else the cotton plant will not grow,” explains Deepa. “We also used more gobar (cowdung manure) and, so far, we have got four quintals,” she says proudly.

Benefits of intercropping

Dasrath has learnt several valuable lessons experimenting with cotton the organic way. “Earlier, my spacing of the cotton saplings was not precise and I would just place them all over my land. Now I know the importance of spacing the saplings at a distance of three-by-three feet, which is called ‘space marking’ and to grow another crop along with the cotton plant in order to make the plant stronger as well as to give myself an additional crop in the same area.”

The economic returns have proved rich for him. “I grew red gram alongside the cotton saplings and reaped about 11 quintals. I sold each quintal of red gram for ₹4,000.” Planting another crop alongside the cotton, or inter-cropping, is one of the salient features of the Organic Cotton Project.

Being part of the tiger corridor, Chhindwara is ecologically sensitive and is home to some small and marginal tribal farming communities, observes Anita Chester, Head of Sustainable Raw Materials, C&A Foundation.

“Our vision for this partnership with WWF is to maintain the ecology of the Satpuda-Pench Corridor while enhancing the livelihoods of cotton farmers by encouraging them to adopt low-input organic farming,” she says. “This results in minimising the degradation of soil and water quality that affects wildlife habitats, while benefiting farmers through lower costs and increased yields. The 2017-18 data shared by our partner points to an income increase of 36 per cent for programme farmers as compared to conventional farmers in the same areas, thanks to a 63 per cent decrease in cost of cultivation.”

Market challenges

The objective of setting up the project at the fringe of the forest is to provide premium market access to farmers complying with global practices such as organic certification, states Murli Dhar, Director of WWF’s Sustainable Agriculture Programme, which is implementing the project. “This will help minimise, for farmers, the risk from market volatility, which we are witnessing often in India,” he notes.

Farmers like Dasrath and Deepa are selling their organic cotton through the Chhindwara Organic Farmers Enterprise (COFE), a cooperative created under the project to help farmers get a premium price for their cotton through private suppliers and exporters. According to Sandip Bhujel, CEO of COFE, the objective is to link the farmers with the market.

“We collect the farmers’ cotton from village-level collection centres (VLCCs), about 20 of which have been set up in some of the target villages. We then sell the cotton to private companies, which give a premium of ₹7 per kg more than the market price and they accept raw cotton,” he says, adding that from an initial 46 farmers, COFE today has links with nearly 400 cotton farmers.

Source: thehindubusinessline.com - Apr 20, 2019

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