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USD 68.90| EUR 77.57 | GBP 90.87 | JPY 0.62

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21292	44500	**82.32**
Domestic Futures Price (Ex. Warehouse Rajkot), April		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21680	45311	**83.82**

International Futures Price	
NY ICE USD Cents/lb (May 2019)	77.89
ZCE Cotton: Yuan/MT (May 2019)	15,245
ZCE Cotton: USD Cents/lb	102.97
Cotlook A Index – Physical	**87.05**

Cotton Guide: After the markets touched a new high at 77.98 cents/lb the markets remained consolidated therefore showing a low of 77.42 cents/lb with a difference of just 0.56 points. The ICE may contract settled mixed with a positive increase of +16 points at 77.89 cents/lb. The ICE July contract showed a small increase by +27 points therefore settling at 78.78 cents/lb. We expect prices to move on the higher end today. A breach of 77.98 was expected yesterday but the bulls could not keep the momentum going. We have to revise the support level from 73.50 to 75.50. Broad trading band is expected to be between 75.50 to 79.50/80 in the very near term. The volumes are lesser as compared to that of Monday. The volumes were seen at 29,830 contracts as compared to 35,242 contracts.

The MCX contracts on the other hand also emitted a consolidated view with the nearby contracts settling with increases in the range of +20 and +50. The MCX April contract settled at 21680 Rs/Bale with a positive figure of +50 Rs.

The MCX May and the MCX June contract settled at 21940 Rs/Bale and 22200 Rs/Bale respectively with a positive change of +20 Rs for both the contracts. The volumes were seen at 7105 lots with MCX April contract showing a volume of 4365 lots. The total open interest did not show much of a difference with a figure of 20040 lots registered yesterday.

The arrival figure estimate is 93,500 lint equivalent bales (170 kg)(source cotlook), including 33000 registered in Maharashtra, 28,000 in Gujarat and 15,500 in Andhra Pradesh. The average price of Shankar 6 is at 44500 Rs/Candy. The cotlook Index A is adjusted to 87.05 i.e. an increase of +1.25 cents/lb.

Tomorrow we will have the weekly Net Export Sales being released. Market participants might wait to get another glance of the trends with respect to sales and thus pricing.

Also on Friday we have the release of the planting intentions for 2019. The intentions are expected to be 50% cotton and 50% corn. The Reason attributed to it is that producers are needing some mid-summer income flow, and are not willing to risk everything on a full cotton crop into a fall harvest.

WTI crude yesterday crossed it’s Threshold point by trading at 60.33 $/Barrel, which could drive cotton to positive grounds. While we write this report, the prices of WTI crude are still above the 60$/Barrel mark.

On the technical front there is no change in our view, ICE Cotton futures continued to hold above 77 levels (50 % Fibonacci retracement level) after moving out of the downward sloping channel with the formation of pennant pattern. In the daily charts price got supported by bullish crossover of short EMA (13) above the Long term EMA (26) and the momentum indicator RSI which is trading above 60. Moreover, positive divergence between RSI and price strengthened the bullish bets.

So for the day price is expected to move in a positive direction targeting 78.20 followed by 78.80 levels. On the downside immediate support exists around 76.70. Prices were up through the important 100 day moving average last week.

This kind of break is termed to be a bullish sign for all who trade based on technical signals especially speculators. In the domestic market April futures is expected to rise towards 21500-21900 zone.

Currency Guide

Indian rupee may witness mixed trade against the US dollar but general bias may be on the downside. Rupee managed to gain modesty yesterday amid some stability in US and global equity markets. Domestic equity markets continued to benefit from investor inflows, increasing expectations of a second term for ruling BJP government and RBI's measures to boost liquidity.

As per reports, RBI accepted $5b at FX swap auction in a bid to ease liquidity ahead of March 31 financial year-end; the move was seen as successful and may lead to more such auctions.

Rupee and other emerging market currencies have also benefitted from Fed's dovish stance. Stephen Moore, President Donald Trump's pick for an open Fed board seat, said the central bank should immediately cut rates by half a percentage point.

However, weighing on rupee is higher crude oil price and increasing global uncertainty. Brent crude has rescaled $68 per barrel amid supply disruption in Venezuela and Russia's support for continuing with production cuts. Global economic concerns are high amid disappointing economic data and inversion of US bond yield curve.

US-China will resume trade talks this week but no immediate deal is likely. Rupee has been struggling for direction ever since breaking below 69 levels and we could see choppiness continuing however higher crude price and global concerns will keep pressure on the currency. USDINR may trade in a range of 68.65-69.2 and bias may be on the upside.

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

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INTERNATIONAL NEWS

US-Morocco FTA Gives Yarn-Forward Exemptions to Certain Fabrics

The U.S. has announced an agreement with Morocco that could see more duty free imports from the country.

As part of the U.S.-Morocco Free Trade Agreement (USMFTA), the originating status rule for five classes of woven garments has been modified to allow for them to receive duty-free status. This means the country of origin for garments made with these fabrics imported from Morocco into the U.S. can be sourced from outside of Morocco or the U.S. and still be eligible for the preferential treatment, effective April 1.

The rule changes were implemented though Presidential proclamation on Dec. 21, according to the Commerce Department's Office of Textiles & Apparel (OTEXA). On March 4, Morocco notified the U.S. that it had completed domestic procedures to allow the agreement's rules to be changed for origin of certain apparel made with the specified fabrics, and both countries implemented the changes.

According to details provided by international trade law firm Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt, in most cases, qualification of apparel for duty-free entry into the U.S. under USMFTA requires adherence to a "yarn forward" rule, which limits the benefits that can be obtained from sourcing in Morocco.

The fabrics that now qualify include women's or girls' cotton corduroy skirts and polyester corduroy man-made fiber blouses, shirts and blouses; women's trousers of synthetic bi-stretch fabric containing certain percentages of polyester, rayon and spandex, and women's trousers of woven herringbone fabric containing certain amounts of viscose rayon, polyester, cotton, wool, nylon and spandex.

Morocco had petitioned for these classifications of goods to be exempt from the yarn-forward rule on behalf of a domestic supplier because they were not commercially available in the U.S. According to OTEXA, a preliminary determination was made that agreed with that petition.

The two governments consulted on proposed changes and in February 2017, the U.S. International Trade Commission (USITA) provided advice on the lack of probable economic effects of the proposed changes. There were other fabrics that Morocco also requested a waiving of the yarn-forward rule where USITA found there was commercial availability in the U.S. and exemptions were not granted.

According to OTEXA data, the U.S. imported $136.09 million worth of apparel from Morocco in 2018, an increase of 4.24 percent from 2017. The USMFTA went into effect on Jan. 1, 2006. Duties on 95 percent of bilateral trade in industrial and consumer goods were eliminated upon entry into force, with duties on other such goods phased out in stages in the next 10 years.

Source: sourcingjournal.com - Mar 26, 2019

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USA: Here's How Much Money The Government Is Making Off China Tariffs

The U.S. government has found itself a new cash cow: China. By slapping tariffs on more than $200 billion worth of Chinese imports, the U.S. government has made $55 billion, up $19.9 billion from 2017, according to the Treasury Department.

Last month, the U.S. collected $5.08 billion from China imports, 89.8% more than February 2018. Once the government gets hooked on new sources of revenue, it is hard to imagine them reversing course, and giving it back.

China-U.S. trade talks are ongoing. No new developments have come out of the discussions, with the possibility of a meeting between President Trump and Xi Jinping still tentative for April.

Any failure to reach an agreement could add another $30 billion of additional duties to China, namely automotive, Panjiva research analyst Chris Rogers said on Tuesday.

China was hit with three rounds of tariffs since Trump took office.

They started last year with Section 201 Trade Act duties -- or temporary import relief -- for Chinese made washing machines and solar panels in January and continued with Section 232 duties on steel and aluminum imports worth $46.9 billion in March. September was the mother lode with Section 301 tariffs on Chinese imports worth an aggregate $200 billion. The tariffs on that section of imports was supposed to jump from 10% to 25% in March but Trump agreed to extend the 90-day trade truce reached in November at the G-20 Summit in Argentina.

More money may be coming via trade war tariffs. And it's not just from China.

Trump is expected to decide on tariff rates for automotive imports by May 17. U.S. imports of cars and car parts from countries outside of Nafta were worth $168.5 billion in 2018. The highest reported level of duties of 25% could be imposed on cars, which would be worth $27 billion in new tariff cashflow, and on components where the tariffs could be worth $15.2 billion.

The trade war has been quiet these past few days. Some people in China, like former Chinese central bank monetary policy committee member Li Daokui, think the Trump Administration will even try to set up a new World Trade Organisation with Europe and exclude China during the 2019 meeting of the Group of 20 nations in Osaka in June. “If this happens, China will not apply to join,” Li said.

Doesn't matter. They wouldn't be invited.

Li told the South China Morning Post on Tuesday that China braced for the worst once Trump won.

“He is new, from outside political institutions. Trump does not believe in a lot of things," says Li. "He will try, but he will be burnt.”

A study by the Peterson Institute for International Economics found that Section 232 tariffs increased the price of steel products by 9%. Steel users will pay an extra $650,000 for each job created, according to a recent study published by the organization.

Another study by the Federal Reserve Bank of New York, Princeton University, and Columbia University found that Section 301 and 232 tariffs cost companies and consumers $3 billion a month in additional taxes and companies a further $1.4 billion in other loses. They also were causing the diversion of $165 billion a year in trade, leading to significant costs for companies having to reorganize supply chains.

The Coalition of American Metal Manufacturers and Users said in a statement on Tuesday that it was urging Trump to scrap steel and aluminum tariffs. They said that some manufacturers in their organization were reporting lost business to overseas competitors because of higher domestic steel prices and long wait times for U.S. steel due to supply constraints.

Hundreds of U.S. companies have applied for exemptions to tariffs over the last year, but very few, if any, have gotten them. Some countries, however, have been exempted, including steel exporter Brazil.

Source: forbes.com- Mar 26, 2019

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Delay in WTO reforms irks the US

Dealing a huge blow to the WTO, President Donald Trump in August 2018 threatened to withdraw from the organisation if it fails to upgrade operations to reflect a modern, rapidly changing world. If this threat is executed by the WTO, it would not only impact multilateralism and global cooperation but also the entire international trading system.

The Geneva-based WTO facilitates trade deals and settles disputes to help producers of goods and services, exporters, and importers conduct their business. Its 164 members account for almost 98 per cent of all global trade. The organisation recently initiated several measures to boost developing economies through preferential trade policies.

One of the reasons why the US plans to exit WTO is it loses all trade disputes settled by the body. The country wins all the lawsuits that are filed by it but loses around 90 per cent of the cases filed by other countries against its trade practices. These rulings threaten the country’s national sovereignty and ability to strictly implement its trade laws.

US' refuses to nominate new judges to the WTO

The US has also accused the WTO of failing to keep up with changes in the global economy, with rapid growth in servicesDelay in WTO reforms irks the and technology sectors difficult to regulate effectively. The country, which has the power to nominate judges at the WTO's final court of appeal, has refused to allow any new names to be put forward to decide disputes. As the term of several judges on the Appellate Body is likely to expire this year, the US' refusal to nominate new names would leave less than three judges at the organisation, posing a serious existential threat before it.

Need for unanimous approval delays reforms

In November, the Chinese Ministry of Commerce proposed three fundamental principles and five proposals for reforming the WTO reform. Thus many parties seek reform in the WTO. However, none of them seek the same reform posing one of the biggest challenges to the organisation. Any major change needs unanimous approval from every member. A case in point is the Doha Round of Negotiations, a draft of WTO reforms that still has not been approved by the 164-member body, almost 18 years after first being proposed.

Source: fashionatingworld.com- Mar 26, 2019

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Visitors up by 9% at this year's 'Yarn Expo Spring'

At the recently concluded 'Yarn Expo Spring' fair in Shanghai, China, 468 exhibitors from 12 countries/ regions welcomed 28,302 visitors from 87 countries/regions, representing a 9 per cent increase in visitors.

This was in comparison to 435 exhibitors from 10 countries/ regions in 2018, which saw 25,966 trade buyers from 88 countries/regions.

The fair covered 26,000 sqm at the National Exhibition and Convention Centre (Shanghai), with new exhibiting countries including Egypt and France. 'Yarn Expo Spring 2019' was held concurrently with Intertextile Shanghai Apparel Fabrics – Spring Edition, Intertextile Shanghai Home Textiles – Spring Edition, PH Value and the China International Fashion

Fair (CHIC). It is jointly organised by Messe Frankfurt (HK) Ltd and the Sub-Council of Textile Industry, CCPIT.

Yarn Expo has certainly established itself as a leading networking destination for worldwide visitors and exhibitors, with a wide variety of products on offer. Most notably, there was onsite evidence of ever-shifting sourcing trends from around the world, according to a press release by Messe Frankfurt.

The fair welcomed buyers from well-known brands such as Fila, Guess, Ralph Lauren, Jack Jones and Vero Moda, as well as Adastria, Itochu, Li-Ning, Maracaibo, s.Oliver and a buyer delegation from Korea.

The India Pavilion of the fair, witnessed 48 per cent more exhibitors at this edition.

“The visitors to Yarn Expo are very professional and match our exhibitors’ expectations. Some large Chinese importers visited our booths, and I’ve noticed this edition there are a lot of new importers who haven’t bought from India before.

We’re really happy with our participation in the fair as this is a global meeting point. This is definitely the best fair in China, and one of the best in the world. We place a lot of value on this fair,” said Ravindranathan Narayanasamy, director, The Cotton Textiles Export Promotion Council (Texprocil), India (India Pavilion organiser).

“Yarn Expo Spring’s strength lies in its diversity of products and innovations. It’s undeniable that this is attracting trade buyers from throughout the supply chain,” said Wendy Wen, senior general manager of Messe Frankfurt (HK) Ltd.

“It’s no longer just spinners and weavers buying from Yarn Expo. This week, we’ve also witnessed more downstream buyers sourcing directly from our exhibitors. They recognise that the properties of yarns and fibres are essential for ensuring a high-quality end-use product.”

Brands like Sankom, who were searching for a unique functional fibre, are increasingly visiting Yarn Expo to meet their specific sourcing needs. Whether that’s in order to source the particular yarns or fibres needed to maximise efficiency or sustainability, it's evident that 'Yarn Expo Spring' provides plenty of options to make end-use products stand out from the crowd.

"Although we make end-use products, by sourcing yarn we have better control over the composition of our fabrics. We are making premium underwear products, so our consumers are quite conscious of the fibres in their purchases," said Anita Lazo, senior product and business development manager of Sankom.

"The most important benefit for us being at Yarn Expo is the customer connection and to see what is new in terms of innovation. We leverage this platform for our own innovation campaign and marketing story.

We have a wide range of customers – we see the entire chain up to the consumer as our customers, so we have a lot of brands from Hong Kong, Europe and the US coming here to meet us. You can always find what's new at Yarn Expo," said Manohar Samuel, senior president (marketing & business development), Grasim Industries Ltd (Birla), India.

"I'm mainly sourcing from suppliers from China and India. This fair is quite big, there's a lot of choice on offer. Compared to other fairs, Yarn Expo better suits my requirements as the choice of yarns is quite wide.

We know fabric suppliers very well, but yarn is a new project for us, so this is an excellent platform for discovering new options," said Gordan Rowan, senior manager, Zhongshan Lifeng Corporate Service Ltd, China.

The next Yarn Expo fair, the Autumn Edition, will be held from September 25-17, 2019, once again at the National Exhibition and Convention Center.

Source: fibre2fashion.com - Mar 25, 2019

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Sri Lanka Singapore FTA in operation as signed: Minister

A free trade deal between Sri Lanka and Singapore is in operation and there are no ongoing talks on changing the deal, Economic Reforms Minister Harsha de Silva said.

The deal gives economic freedoms to poorer Sri Lankans and stronger investor protections to investors from Singapore.

Sri Lanka has found it difficult to attract investors due to past expropriations.

Sri Lanka's President Maithripala Sirisena appointed a committee headed by academics who presented a report with several criticisms.

"The FTA was approved by the cabinet," de Silva told foreign correspondens in Colombo. "A committee cannot change it without cabinet approval."

Legislators aligned with opposition leader Mahinda Rajapaksa criticised the deal, saying trash could be imported tax free without saying whether it was alright to import trash after paying taxes.

Source: economynext.com - Mar 26, 2019

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Bangladesh: Duty waived for Jamdani components' import

National Board of Revenue has offered duty waiver on import of two types of yarn for Jamdani industry to facilitate the development of the sector.

Customs wing of NBR on March 19 issued a statutory regulatory order, amending the previous SRO on weaving industry, in this connection reducing the import duty for metalised round yarn and other metalised yarn. NBR waived customs duty in excess to 5 per cent, all supplementary duty, regulatory duty and value-added tax on import of the two products.

Previously, there was a total of 91.88 per cent duty including 25 per cent customs duty, 20 per cent SD, 15 per cent VAT, 3 per cent RD, 5 per cent advance income tax and advance trade VAT respectively on import of metalised round yarn.

On the other hand, total duty rate was 60.73 per cent including 25 per cent customs duty, 15 per cent VAT, 3 per cent RD and 5 per cent AIT and ATV respectively on import of other metalised yarn.

After the waiver, total duty incidence will be around only 17 per cent. Metalised yarn, one kind of textile yarn combined with metal in the form of thread, strip or powder or covered with metal, are basically used for design and decoration of Jamdani, one of the luxuries textiles of Bangladesh.

Officials of the NBR said that registered Jamdani Weavers Association would be able to import the yarns by paying duty at reduced rates.

They said that NBR offered the benefit in line with demand of Jamdani manufacturers to boost production, employment and contribution to economy. The benefit will reduce the cost of production, Bangladesh Jamdani Manufacturers and Exporters Association founding secretary Md Zahirul Hoque told New Age on Monday.

He said that metalised yarn costs 20 per cent of the total production cost of Jamdani. So, weavers will be benefited from the reduction of the duty as it will reduce the cost of production, said Zahirul, also the owner of Semom Fabrics, based in Tarabo of Rupgonj of Narayangonj.

NBR officials said that registered Jamdani weavers would import the yarns and distribute to their member weavers for the purpose of production of Jamdani. Importers will have to pay duty at the original rate along with penalty for failure of using the imported yarns for the purpose, they said.

Earlier on November 2016, the Department of Patents, Designs and Trademarks under the industries ministry certified the Jamdani as the country's first geographical indication product.

DPDT also registered 66 weavers as authorised users of geographical indication of Jamdani so that they can commercially utilise the GI recognition for the product.

Source: newagebd.net - Mar 26, 2019

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Italy's Hug Makes China Feel Warm Inside

The first G-7 country to join Belt and Road embraces Beijing's benign view of its place in the world.

Italy's agreement last week to sign on to China's Belt and Road Initiative has unnerved European and U.S. leaders who hoped for a united front against Beijing's geo-economic ambitions. "Endorsing BRI lends legitimacy to China's predatory approach to investment and will bring no benefits to the Italian people," the White House's National Security Council warned via Twitter.

While Chinese investment in Europe is nothing new, Belt and Road is Chinese President Xi Jinping's signature program. Winning over a member of the Group of Seven industrialized nations and a major European country boosts its credibility.

But the deal's importance for China and Xi goes beyond establishing a foothold in Europe for Belt and Road.

Winning over Italy specifically was essential. Not even Germany would have been a more desirable European partner. For centuries, Italy was the European center of silk production and trade with the east. Xi cannot credibly claim to re-establish the Silk Roads without their historic terminus.

Seeing China as a rising rival power, western analysts too often ignore the cultural symbolism of the Belt and Road project for Xi's domestic audience. Belt and road isn't just a power move or even a pragmatic economic investment. It's an assertion of Chinese identity.

Evoking the Silk Roads offers contemporary Chinese a national story of technological leadership, peaceful trade and international respect — all, not coincidentally, compatible with autocratic rule.

It reminds the Chinese people and the world that the nation's story is an old one, filled with great achievements. Unlike some stories a Chinese leader might endorse, however, it emphasizes openness to influences from elsewhere.

A typical caption in the China National Silk Museum in Hangzhou exemplifies this message: “As trade along the Silk Road developed, textile patterns from the West began to influence silk production in China.

In some cases, Chinese silk bore patterns copied directly from Western models; in other case, Chinese silk incorporated Western textile motifs.” The caption is straightforward history, reflecting the patterns in exhibited fabrics. But there’s an unmistakable political undercurrent: Chinese greatness comes not from isolation but from engagement.

Ignoring some pesky historical details, he recalled the Silk Road links between ancient Rome and the Han Dynasty (206 B.C. to 220 A.D.) and, of course, invoked Marco Polo. Italy and China have 2,000 years of friendship, he declared, which constitutes a “rich historical heritage.” While flattering the Italians for their own heritage, Xi hinted that his bid to make China great again might do the same for its partners.

It’s a tricky message. Today, in the textile towns of northern Italy, “made in Italy” often means made by Chinese workers in Chinese-owned mills. Edoardo Nesi’s prize-winning 2010 memoir, "Story of My People," which recounts the decline of his family’s Prato mill, depicts the fall of the Italian textile industry as the fault of shortsighted fashion houses, globalist economists, uncaring politicians and cutthroat Chinese. It’s Trumpism with literary flair.

When Matteo Salvini, Italy’s deputy prime minister and head of the anti-migrant League party, warns of “colonization” by foreign companies, his audience doesn’t picture the French. (Salvini conspicuously left Rome to campaign in the south during Xi’s visit.)

In this context, the deal represents a coup for Xi. Amid rising nationalism, Italy’s populist government is endorsing China as the benign trading partner that it imagines itself to be.

Source: bloomberg.com - Mar 26, 2019

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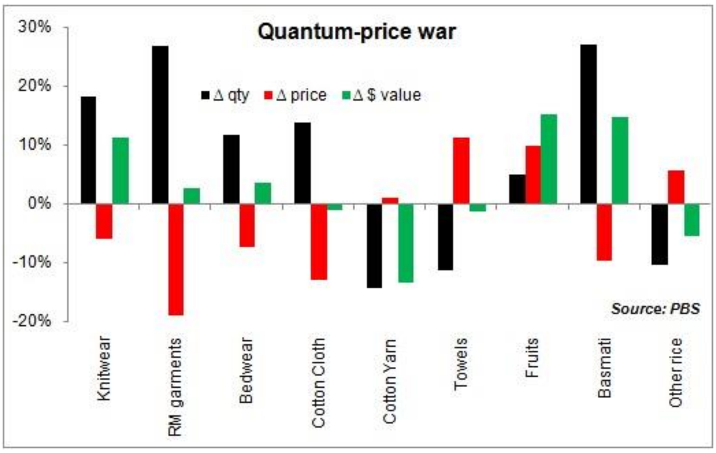
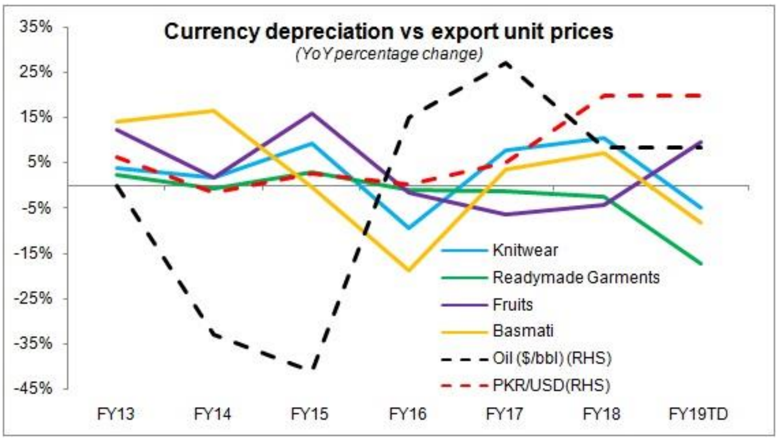
Pakistan: Export prices take a dent

Pakistan's exports at $15 billion, growing at 1.86 percent year-on-year in 8MFY19 must be a worry. Only that the massive slide in imports seems to have masked the minimal growth in exports. But imports can only be curtailed to a limit, and the limit appears to be here. Exports growth, on the other hand, will depend on a multitude of factors, mostly out of Pakistan's control, unlike imports.



Exports were never expected to rise immediately with the sharp currency correction. Prices were expected to slide with the dollar going dearer and that happened. Pakistan also made efforts on its part to provide the exporting sectors ground to play competitive through reduction in energy prices, issuing of promissory notes for clearing long pending dues of the textile sector, among other factors.



But as luck would have it, the sharp slide in rupee and the resultant drop in unit prices almost across all major export product categories, coincided with a considerable drop in demand in the major exporting markets of Pakistan, such as Europe and the USA.

Growth of textile and apparels in the European market has gone down from 4.1 percent in 1HFY18 to 1.4 percent in 1HFY19, according to SBP's latest report on the state of the economy. That in the US almost doubled during the period, but Pakistan's textile and related exports to the US grew by only 0.5 percent, down from 4.6 percent in 1HFY18.

Apart from fruits with a total share of 2.25 percent in exports, all major export categories have either faced a drop in unit prices or quantity or both.

Readymade garments, for instance, grew by a massive 27 percent year-on-year in terms of quantity, but the unit price slid to $4.43 a piece, by 19 percent, restricting the growth to under 3 percent year-on-year.

Towels on the other hand, fetched 11 percent higher prices year-on-year, but the quantity dropped by the same magnitude, limiting the value growth.

Basmati exports have shown resurgence with nearly 28 percent year-on-year growth in quantity.

The unit prices dropped by 10 percent year-on-year, but the quantum growth were more than enough to keep the value growth well within double digits. But the story on no-Basmati rice is not as good, as the 10 percent drop in quantity, more than wiped off the Basmati gains.

Most of the exporters' concerns seem to have been addressed. Some are also reportedly in different phases of expansion.

But, the SBP has rightly pointed out that the "support would not amount to much-desired forex earnings if the exporters continue to chase the same markets without making concerted efforts to improve their product quality and brand image".

There is a dire need for the exporters to tap new markets. Pakistan's share in the Middle East textile and apparel market of over $5 billion is a mere 3 percent. This is simply not enough.

Diversification has to happen, both in terms of product mix and markets, and soon.

Source: guardian.ng - Mar 25, 2019

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Will Mankai Textile Industrial Park be a blessing for Egypt's textile sector?

Egypt's experts in the textile industry have concerns that the establishment of the largest Chinese textile city in the country — known as Mankai Textile Industrial Park — will divert the government's attention from supporting the loss-making local textile industry and from helping it gain competitiveness in the international market.

On Jan. 16, Egypt's Minister of Trade and Industry Amr Nasser announced that China's Ningxia Mankai Investment Co., which has been operating in the textile industry for more than 10 decades, has made an investment of 2.1 billion Egyptian pounds ($121.6 million) to establish the infrastructure for the first phase of the Chinese textile city in Sadat City, north of Cairo.

Nasser said the Armed Forces Engineering Authority has completed about 50% of the construction work in the first phase of the Chinese textile city. The whole city will spread over an area of 3.1 million square meters (1.2 square miles) and house 592 factories.

Negotiations between Egypt and China on building the textile city started in May 2017, and the two sides signed an agreement for establishing it in the industrial city of Sadat on Nov. 5, 2017.

Nasser said the pilot operation of the first phase is planned to start in May, adding that the first phase, which will include building 150 factories, is set to be completed by the end of this year.

Mankai Investment has signed preliminary sales contracts with 49 Chinese factories for the first phase and is negotiating with more than 60 Chinese investors to sign contracts selling more factories for the same phase. The project includes four phases and will be developed over four years (until 2022).

Upon completion, the city's annual production will reach 60 billion Chinese yuan ($9 billion), according to Mankai Investment's website.

The idea that Egypt's textile and garment industry has started to gain the attention of foreign investors such as clothing-export giant China inspires optimism and fear at the same time. The establishment of the city could be a value added to the country's economy as it is expected to boost the state's production and volume of exports in the textile sector. But there is also fear that this city will complicate matters for the state-owned weaving and textiles companies — which are suffering from low productive capacity — and drive them out of the market.

Mohamed el-Morshedy, chairman of the chamber of textile industries in the Federation of Egyptian Industries, told Al-Monitor, “The spinning and weaving industry in Egypt is made up of the state-owned business sector that includes 32 companies, the investment sector that includes companies owned mainly by foreign investors, and the Egyptian private sector.”

“The performance of state-owned textile companies has been going downhill since the 1990s. They have been left without being updated and supported by the state, and consequently, they ended up being just huge complexes in various governorates with outdated machinery, a large number of unskilled workers with a clear shortage of raw materials and liquidity,” Morshedy said.

Morshedy said the problems of the local textile industry started with the liberalization of the cotton sector in Egypt in 1994. Liberalization exposed farmers to volatile global prices and rising fertilizer costs, leaving the market unstable and shrinking. This pushed farmers to turn to the production of more lucrative crops. Consequently, Egypt saw the 1 million acres of cotton crops cultivated in the early 1990s gradually dwindle over the years, leaving local textile factories unable to secure supplies of cotton.

According to a statement by Minister of Agricultural Ezz Eddin Abu Steit in August, only 366,000 acres of cotton were planted in 2018, compared with 1.5 million acres in the 1980s and 1 million acres in the early 1990s.

“What also cripples the productivity of state-run textile companies is that they work with outdated machines that have not been replaced with new ones since the 1960s,” Morshedy said.

According to a Jan. 13 statement by the minister of the public business sector, Hisham Tawfik, of the 32 companies of the state-run Cotton and Textile Industries Holding Company, 23 are operating at losses totaling 3 billion pounds (about $174 million) annually, while the remaining nine are making just slim profits.

Morshedy believes that the establishment of the Chinese textile city appears to be a lifeline for the local textile industry. But, practically, the start of the work of the new factories inside the city — which will be using modern machinery and equipment — could spell the end of the existing undeveloped state-run textile factories.

“It would have been better for the Egyptian government to have developed the existing state-run textile factories through coordination between the Egyptian Ministry of Public Business Sector and Mankai Investment, which has decades of experience in the textile industry to support the state-run textile factories and help them to gain a foothold in the international market,” Morshedy added.

However, the chairman of Egypt's Textile Export Council, Magdi Tolba, said the establishment of the Chinese textile city can turn Egypt into a major international and regional exporter of textiles.

“The production of the Chinese textile city is aimed at foreign markets and not for local consumption. Hence, it can play a pivotal role in pushing up Egypt's economy through increasing the volume of its exports,” Tolba told Al-Monitor.

He said Egypt's textile-export volume is very low compared with other emerging markets such as Vietnam and Bangladesh. This is why, he added, the establishment of the Chinese textile city in Egypt is an opportunity to make use of Chinese expertise in advancing the Egyptian textile sector and making it competitive with the world's top producers and exporters of garments.

According to data released by the World Trade Organization in 2018, Bangladesh is the second-largest apparel exporter in the world after China. In 2017, Bangladesh exported garments worth $29 billion. In the same year, China exported clothing items worth $158 billion, and Vietnam exported $27 billion worth of garment products.

Meanwhile, Egypt's exports of readymade clothes during the first nine months of 2018 were just $678 million, according to a report issued in November by Egypt's General Organization For Export and Import Control, which is affiliated with the Ministry of Trade and Industry.

Source. al-monitor.com - Mar 26, 2019

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Indonesia must seize trade war opportunity

Jakarta needs export-boosting policies to draw global manufacturers diversifying away from China

As the trade tensions between Beijing and Washington push global manufacturers to consider moving more production out of China, they are thinking about where to go.

One common option is Vietnam, which has been working hard over the last decade to attract Japanese, South Korean and other manufacturers diversifying away from China. Then there is Bangladesh and Cambodia, with their low wages and a focus on the labor-intensive textile industry. Some pioneers are even talking about Ethiopia, where labor costs are even lower than in Asia, China has been building infrastructure and industrial parks, and there is preferential access to the U.S. market.

Indonesia is a glaring omission in this discussion of new global production bases. And that is a big problem for the most populous state in Southeast Asia. With 260 million people, a large domestic market and a fast-growing but underemployed workforce, the country should be an obvious target for foreign investors looking for new manufacturing sites.

Average monthly base salaries for factory workers in Indonesia of around $296 per month are well ahead of Vietnam ($227), Cambodia ($201) and Bangladesh ($109) but still significantly below China ($493), according to the Japan External Trade Organization.

With the workforce expanding by 2 million-3 million people every year, Indonesia needs the jobs desperately. It also needs the technology, know-how and connections that come with playing a bigger role in the global supply chain. To encourage interest, the government has been offering tax holidays and promising to implement one-stop shop licensing.

So why aren't business people rushing in? The list of complaints is long, and often repeated: endemic corruption, poor infrastructure, long delays at customs, ever-changing regulations, burdensome labor rules and an unpredictable legal environment.

As one Hong Kong toy manufacturer who invested in Indonesia told me: "whatever the government says, you get the impression on the ground that you're not really wanted."

The Indonesian government needs to heed these criticisms or miss out on what the World Bank calls a "unique opportunity" to reinvigorate its flagging manufacturing sector at a time when factory executives are looking to accelerate moves out of China.

Indonesia has long needed to reduce its reliance on exporting commodities, such as coal, palm oil and rubber, and expand manufacturing, which has been shrinking as a proportion of the economy.

Indonesia's share of global manufacturing exports fell from a peak of 0.8% in 2000 to 0.6% in 2016, according to the World Bank. By contrast, over the same period, Vietnam, has expanded its share from under 0.2% to more than 1.2%.

After years of indecision, the technocrats in the Indonesian government, who share control of the key ministries with a mixed bag of political appointees, are finally starting to acknowledge the scale of the problem.

In the foreword to a new Asian Development Bank report on how to revive Indonesia's manufacturing industry, Bambang Brodjonegoro, the minister for national development planning, warned that "there are reasons to be concerned about the country's future" and that the government needs to "take immediate policy actions."

He called for Indonesia to draw up a "modern industrial policy" that promotes higher value-added manufacturing, as opposed to the existing approach that haphazardly supports some troubled and some favored sectors.

Rightly, President Joko Widodo, who once ran a small furniture exporting business, seems to be on side.

He has regularly spoken of the need to cut red tape and his officials have made some progress, helping Indonesia jump from 120th to 73rd in the World Bank's ease of doing business ranking over the last five years.

While campaigning for re-election in April, Jokowi, as he is known, has also promised to ensure that Indonesia is not left behind as technologies from big data and artificial intelligence to advanced robotics bring about what has been called the Fourth Industrial Revolution.

But Jokowi's incremental business reforms have done little to improve Indonesia's overall attractiveness to long-term investors, domestic and foreign. A more cautious leader than his most fervent advocates hoped, Jokowi has been reluctant to tackle the vested interests in the bureaucracy and legal system that can make doing business in Indonesia so tough.

And, unfortunately, he seems to adhere to many of the nationalist sentiments that underlie Indonesia's protectionist policies -- even if he is good at charming foreign investors with his easy manner.

He cannot, however, take all the blame. Indonesia's manufacturing problems predate Jokowi and will outlast him.

Part of the problem is the "resource curse." Indonesia's commodities have helped it generate foreign exchange but have distracted policy makers and businesses from pressing development needs.

The sense that Indonesia is endowed with great natural wealth, allied to a wholly understandable anti-colonial legacy, has contributed to a damaging atmosphere of general suspicion toward foreign investment and foreign workers.

The tycoons and state-owned companies that dominate the economy have capitalized on this inward-looking sentiment to sustain a regulatory environment that protects their interests.

Curbs on imports and exports, and local content requirements, support their strong domestic positions but make it harder for Indonesia to plug seamlessly into the regional supply chains that underpin global manufacturing.

Politicians bidding for votes have all too often played to these galleries, rather than doing the right thing by empowering technocrats pushing for a more open approach.

It is unrealistic to expect any single leader to transform the orientation of a huge economy in a year or two.

What Indonesia needs is a smart long-term industrial policy that supports the development of internationally-competitive export industries rather than simply subsidizing struggling ones.

Jakarta should look at clever protectionist policies, similar to those adopted by China, South Korea and Taiwan during their industrial revolutions.

The government also needs to spur the growth of a more productive workforce and upgrade research and development capacity.

Indonesia appears to be falling victim to "premature deindustrialization." This term, coined by Harvard economist Dani Rodrik, describes emerging economies that see their manufacturing sector begin to shrink long before they reach income levels comparable to the developed world.

If it fails to make headway in manufacturing now, Indonesia risks being left behind as other countries scoop up the business exiting China.

Without creating better job opportunities for its young, growing workforce, Indonesia's vaunted demographic dividend could become a demographic nightmare.

Source. asia.nikkei.com - Mar 26, 2019

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Pakistan: CPEC trickle down effects to be achieved from SEZs

The trickle-down effects of CPEC will be achieved from the Special Economic Zones (SEZs) and relocation of industries from China. This was stated by Dr. Mirza Ikhtiar Baig, Senior Vice President FPCCI during Pak-China Investment and Trade Forum organized by Federation of Pakistan Chambers of Commerce and Industry (FPCCI) in collaboration with Embassy of Republic of China and Chinese Council for Promoting South-South Cooperation at Islamabad.

Dr. Baig highlighted the special incentives allowed by the government to investors for the industries in the SEZs which includes one-time exemption from duty and taxes on import of plant and machinery, five-year tax exemption during construction and development of projects, ten-year tax holiday during operation and production starting by 30th June, 2020 and additional five-year tax holidays making a total 20 years of tax exemption.

He stressed on the benefits of relocation of industries and mainly of textile from China in the SEZs to benefit from Pakistan's expertise in textile sector and local availability of raw material.

On the occasion, the Chief Guest of the Forum Haroon Sharif, Chairman Board of Investment (BOI) said the forum was organized at opportune time when there is a global shift in the investment planning and activities, as the developed world is facing huge uncertainty.

He appreciated the organizers of the Forum which was attended by Vice Presidents of FPCCI Sheikh Abdul Waheed, Ijaz Khan Abbasi, Qurban Ali and leaders of the business community in the ICT region prominently Shoail Altaf, Zafar Bakhtawari, Zahid Latif and Sohail Malik. There are about 60 Chinese companies represented by their Chairmen and CEO who met their Pakistani counterparts from various sectors at the Forum.

The Ambassador of China H. E. Yao Jing and the Chairman of Chinese Council for Promoting South-South Cooperation Lv. Xinhua also addressed the Forum and emphasized on South-South Cooperation aimed at achieving shared economic and development goals between Pakistan and China. They further emphasized both countries to promote joint venture projects to achieve export-led growth in SEZs under CPEC.

Source: thenews.com.pk - Mar 27, 2019

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Cotton sowing campaign started in Turkmenistan

Last week, the important agricultural campaign - cotton sowing, approved by President of Turkmenistan Gurbanguly Berdymuhamedov at a Cabinet session, was launched in the country. On the instructions of the head of state Akhal, Lebap and Mary velayats' cotton growers began sowing. Shortly thereafter, on April 3 Dashoguz velayat's farmers will follow them.

By well-established popular tradition, the honorary elders gave a start to the sowing campaign. Offering up a prayer for wellbeing and prosperity of the Homeland, the Turkmen people and President of Turkmenistan Gurbanguly Berdymuhamedov, they had planted the first cotton seeds and, after that, gave way to machine operators.

This year, 545 thousand hectares of land in Turkmenistan have been allotted for cotton. Altogether it is planned to gather 1 million 50 thousand tons of cotton, including 207 thousand tons in Akhal velayat, 230 thousand tons in Dashoguz velayat, 300 thousand tons in Lebap velayat and 313 thousand tons in Mary velayat.

Over 65 thousand tons of selected cotton seeds have been prepared for the sowing campaign, the stock composed of about 15 medium- and long-staple grades. Medium-staple cotton is traditionally grown in all regions of Turkmenistan.

As the TDH correspondent was informed in the «Turkmenobahyzmat» State Association, about 7 thousand different models of tractors, more than 2 thousand seeding machines, nearly 5 thousand cotton cultivators and other agricultural machinery, required for uninterrupted sowing and subsequent agro-technical treatment, would be operated in the course of current campaign.

On the threshold of the sowing campaign seminars were held in Daykhans' Associations «Bugdayly» of Akhal velayat's Ak Bugday etrap, «Vatan» of Lebap velayat's Galkynysh etrap and «Yenish» of Mary velayat's Mary etrap to discuss the topical issues of further modernization of the village, intended to promote the dynamic development, high profitability of the agro-industrial complex and the stable expansion of agricultural production.

Source: tdh.gov.tm- Mar 26, 2019

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Pakistan: Faisalabad manufacturing hub of popular int'l textile brands

Faisalabad is manufacturing hub of popular international textile brands while local businessmen have also introduced their own brands in South Asia which can be internationalized by launching joint ventures with the collaboration of Italian experts.

Syed Zia Alumdar Hussain President Faisalabad Chamber of Commerce & Industry (FCCI) said this during a meeting with a six-member Italian delegation headed by Italian Designer Ms Stella Jean.

The FCCI Chief said that Faisalabad is iconic textile city. However, other segments are also contributing their role in the overall development of this city.

He said that Faisalabad is providing 55% textile related raw material to the Pakistan while its share in total textile export is around 45%.

He said that Faisalabad has state-of-the-art textile units which are supplying branded items to American and European Union countries. Among these brands include Zara, Nexus, American Eagle, Puma etc.

Regarding Italian machinery, he said that many local units are using Italian textile machinery.

He said that a delegation of FCCI is scheduled to visit Spain to participate in international exhibition at Barcelona, adding that another delegation for Italy has also been proposed to have B2B meetings with Italian buyers.

Ms. Stella said that Milan Fashion Week is scheduled to be held in September which will attract large numbers of buyers from all over the world. She hoped that Pakistani exporters will also participate in this event.

A representative of United Nations Industrial Development Organization (UNIDO) said that 90% industrial sector of Italy is consisting of SMEs.

He said that Italy has a very rich cultural values and its people have successfully combined their cultural values with modern technology to give a new and popular shape to their innovative products. He said that Pakistan should also get benefits from this Italian experience.

Engineer Rizwan Asharf Former President FCCI, Sectary General Abid Masood, Fazal-ur-Rehman Rao Deputy Director Trade Development Authority of Pakistan (TDAP), Senior Vice President Mian Tanveer Ahmed, Rana Sikandar Azam, Mian Gulzar Ahmed, Engineer Asim Muneer and other executive member of the FCCI were also present during this meeting.

Later, Syed Zia Alumdar Hussain presented FCCI shield to Ms. Stella Jean.

Source: brecorder.com- Mar 27, 2019

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NATIONAL NEWS

Withdrawal of GSP benefits undermines WTO's objectives

The genie is out of the bottle. After constantly objecting to India's trade restrictions on import of goods, the US has finally responded by announcing the withdrawal of the preferential tariff benefits to India under the Generalized System of Preferences (GSP) programme.

However, given the chequered use of preferential tariffs by the US, the recent measure deserves a closer look.

One of the key principles of WTO (World Trade Organization) law is the provision of non-discrimination between WTO members, i.e., the principle of Most-Favoured Nation (MFN).

Applying lower tariffs to imports coming from certain countries would be against the MFN principle. However, the enabling clause permits members to derogate from this MFN principle and provide preferential tariffs to imports from "developing countries".

There is no criteria for qualifying as a developing country in WTO—a member may self-elect itself as a developing country.

An analysis of average MFN tariffs applied by the US (as reported in the WTO tariff analysis online database) is of interest. The average MFN tariff by the US on import of goods is around 3.5%.

Thus, for many products of export interest, the MFN tariff, in the absence of GSP benefits, may not be very high and may not have significant impact.

However, it appears that the withdrawal will impact different products of export interest at varying degrees depending upon the applicable MFN tariff.

Irrespective of the eventual trade impact, the US action is at loggerheads with its WTO obligations. Requiring the developing countries to provide "reasonable and equitable market access" is not strictly in compliance with the enabling clause, which expressly requires grant of preferential treatment by developed countries to developing countries to be on a non-reciprocal basis.

Withdrawal of GSP benefits on such pretext also undermines the objective recognized in the preamble to the WTO Agreement that there is a need for “positive efforts" to ensure that developing countries secure a share in their growth in international trade commensurate with the needs of their economic development.

GSP benefit to India is not being withdrawn because it has crossed certain financial, developmental or trade threshold, but because it has not reciprocated with “reasonable and equitable market access". Such criterion for discriminating between developing countries is not consistent with WTO.

There is also an obligation to not discriminate between “similarly situated" developing countries.

The WTO Appellate Body, in response to the complaint by India, in the case of European Communities—Conditions for the Granting of Tariff Preferences to Developing Countries (EC-Tariff preferences)—decided that discrimination between similarly situated developing countries is not consistent with the WTO obligations of the member country.

The US action does not even attempt to distinguish or identify developmental, financial or trade needs of India vis-à-vis other developing countries.

India’s response to the US action is yet to be formally announced. The record shows that India has been reluctant to resort to retaliatory tariff but has not been shy of initiating WTO dispute against the US.

Another alternative in this case is to bend over backwards and allow what the US considers “reasonable and equitable" market access.

Source: livemint.com- Mar 27, 2019

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India must support all options to end crisis at WTO's dispute settlement system, says expert

India must play an active role in resolving the WTO's Appellate Body crisis triggered by the US by supporting feasible options for the appointment of judges, a top legal expert has said.

"There is a big chance that the US may declare the Appellate Body of the WTO non-functional in December 2019, as there would be just one judge left. India and other countries must then support Mexico's proposal of appointing judges through an administrative majority decision (selection done on the basis of majority of vote cast)," said Ernst-Ulrich Petersmann, Emeritus Professor, Department of Law, European University Institute, in an interaction with BusinessLine.

Petersmann is here to deliver a lecture on the WTO's Appellate Body crisis at the invitation of the Centre for WTO Studies and the Centre for Trade and Investment Law. The Appellate Body is the top decision-making body that hears appeals from reports issued by panels in disputes brought on by WTO members.

The WTO's dispute settlement system is facing a crisis as the US has blocked the appointment of appeals judges since last year, which has now resulted in the shrinking of the numbers from seven to three.

Two of the three judges are scheduled to retire on December 10, following which appeals made by WTO members on panel reports can't be entertained.

Call for change

The Donald Trump regime had initially said the Appellate Body's functioning needed to be improved and that the body had been over-reaching and creating laws through legal rulings.

The EU and several other members including India subsequently came up with proposals for inter-governmental reforms of the dispute settlement system, but Washington's goal posts changed.

"The US' blocking strategy seems to be now aimed at gaining leverage for WTO reforms in areas such as market access, notifications, state-owned enterprises, subsidies and least developed countries. The proposals on reforming the dispute settlement system is something it is unlikely to agree to," Petersmann said.

Initiating an administrative majority decision, which is provided for in Article IX of the WTO ('where a decision cannot be arrived at by consensus, the matter at issue shall be decided by voting'), would require a meeting to be convened by the General Council or the Dispute Settlement Body, the trade law expert added.

Asked whether going in for an administrative majority decision before the two judges retire in December would be a good move, Petersmann said it would be desireable but WTO diplomats are not likely to do so. "Members are more likely to wait and see as they do not want to provoke the US more at the moment," he said.

Source: thehindubusinessline.com- Mar 26, 2019

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India may seek 2 more months for withdrawal of GSP export benefits from US

India may seek two more months for withdrawal of export benefits

India is considering to seek extension of the deadline set by the US for withdrawal of export benefits to domestic exporters under Generalized System of Preferences (GSP) programme, sources said.

Earlier this month, the US has decided to go ahead with its decision to scrap the preferential trade benefit under GSP scheme after 60 days, which is expected to impact India's exports to the US worth $5.6 billion under this scheme.

Although, the government has said that the US government's move to withdraw duty concessions on certain products under the GSP programme will not have any significant impact on exports to America, small and medium exporters have flagged concerns.

Sources also said that issues can be sorted by holding bilateral dialogues as the US is important economic and strategic partner of India.

They added that India may seek two more months for withdrawal of export benefits.

The commerce ministry had said that the US move will not have a significant impact on exports to America as the benefits were only about $190 million annually.

India exported goods worth $5.6 billion under GSP last year, but India's total GSP benefits were to the tune of only $190 million.

GSP benefits are envisaged as non-reciprocal and non-discriminatory to be extended by developed countries to developing economies.

US President Donald Trump has said he intends to end the preferential trade status granted to India and Turkey, asserting that New Delhi has failed to assure America of "equitable and reasonable" access to its markets, an announcement that could be seen as a major setback to bilateral trade ties.

The US Trade Representative's Office has said that removing India from the GSP programme will not take effect for at least 60 days after notifications to Congress and the Indian government, and it will be enacted by a presidential proclamation.

As many as 3,700 products get GSP benefits but India exports only 1,900 items such as chemicals and engineering under that concession, which was introduced in 1976 by the US.

Source: business-standard.com - Mar 25, 2019

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India yet to gain from US-China standoff

India's image of an unreliable supplier in the world market hits prospects, say sources

Contrary to expectations, Indian farm commodity exporters have not benefited from the ongoing trade war between the United States and China.

Key commodities such as soybean seeds or oilcake and rapeseed oilcake, which had genuine prospects to replace US supplies, found no attention in China . In the case of soybean, China preferred imports from Argentina and Brazil to sourcing it from India . Sources said India's image of an unreliable supplier in the world market could be the reason for China turning to the South American producers .

The Soybean Processors Association of India (SOPA), the apex trade body of the oilseed producer in Central India, has expressed disappointment over the missed opportunity .

"China usually buys soybean. And amid trade tensions with the US, it could have turned to India, but they (China) didn't open it, instead it is procuring from Argentina," said a SOPA official.

The Solvent Extractors' Association (SEA) had earlier stated that resumption of soybean meal exports to China could take longer due to pending inspection and approval of the units by Chinese authorities.

Even in the case of rapeseed oil cake, the orders are not forthcoming. BV Mehta, executive director, SEA said, "There is no known reason why China is not allowing imports of rapeseed oilcakes from India.

Already, five of the factories were inspected and approved by the Chinese authorities. But they have still not allowed any shipment. They have not given any reason for not allowing shipments despite companies showing readiness to start the shipments."

Major edible oil players, including Adani Group and Gujarat Ambuja Exports, are reportedly making efforts to begin shipments to China.

In the past few months, several feelers were given to the trade that China will resume the import of rapeseed meal from India. It was believed that units that were approved by General Administration of Customs of the People's Republic of China would be able to resume the export once their registrations with Chinese Ministry of Agriculture (MoA) was done. But there is no breakthrough yet .

Prior to ban in 2012, China used to import nearly half a million tonnes of oilmeals (rapeseed meal 3.5 to 4 lakh tonnes and 1 lakh tonnes of soybean) from India. "If the ban is revoked, there is an immediate possibility of at least 2 lakh tonnes of rapeseed meal exports to China," said Mehta.

"Exports have become a residual issue. When we have surplus production, we look at the international markets. Otherwise, we don't see production as part of export strategy. If international markets was part of our strategy, then potential importers would have relied on us. We need to factor in international markets as a strategy," said Biswajit Dhar, Professor, Centre for Economic Studies and Planning at JNU.

According to cotton stakeholders, China possesses an important place in the cotton exports from India. Bangladeshhas bought about 10 lakh bales (each of 170 kg) so far this season (October 2018-September 2019) .Exports to China is reported at about 8 lakh bales. Rising prices of the fibre crop in the domestic markets slowed down the exports.

"Cotton prices have shot up sharply in the past fortnight and due to higher prices, export contracts have taken a halt," said Atul Ganatra, President, Cotton Association of India (CAI). Also the diplomatic initiative launched by the Modi Government to push shipments of Indian rice has not paid off. Sources said China has preferred to source its white rice requirement from Pakistan because of the cost advantage. In addition to the lower costs, the exporters from Pakistan have a 5 per cent duty advantage while shipping to China.

The Indian rice has turned expensive in the world market after the Centre increased the MSP for paddy this year.

Source: thehindubusinessline.com - Mar 26, 2019

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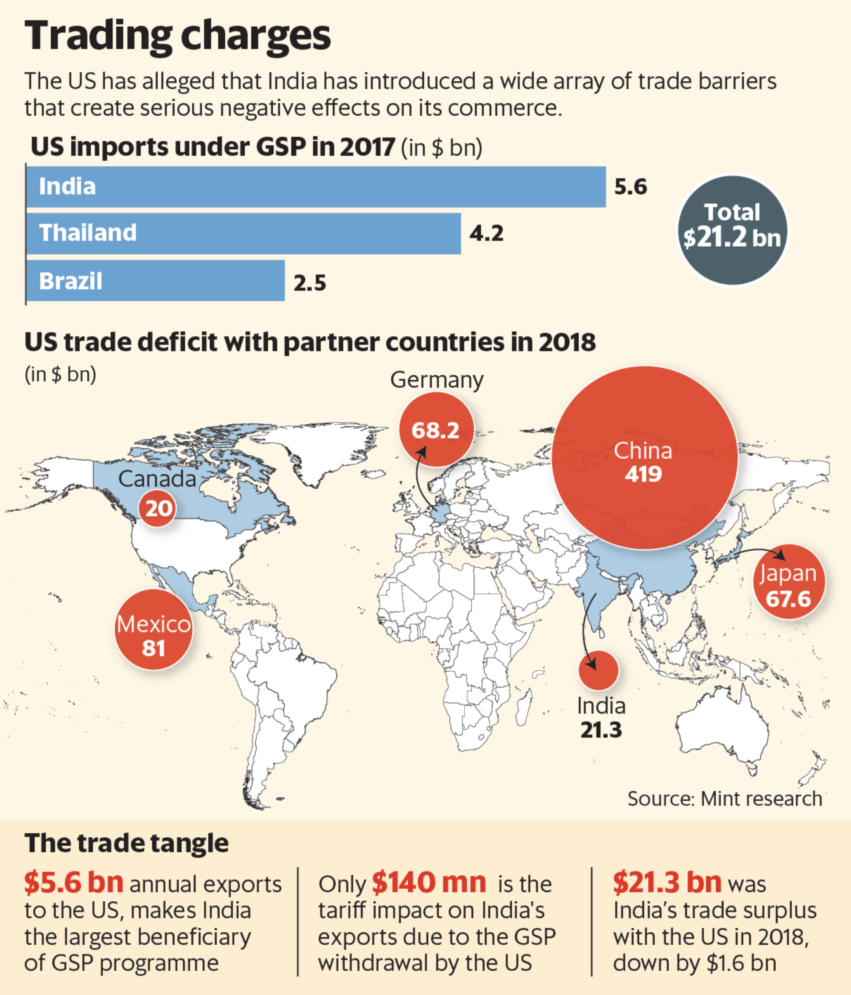
How India should respond to dispute over tariffs with US

About 100km south-west of Delhi in the industrial belt of Bawal in Haryana stands an assembly plant of Harley-Davidson. One of only three such plants the iconic American motorcycle company has outside the US, it employs 170 people.

That's a small number, but in Trump's fight against what he calls the unfair trade practices of "tariff king" India, which has led to the US withdrawing zero tariff benefits on some 1,900 Indian products, Harley-Davidson loomed large.



Trump's repeated tirades against high Indian tariffs on premium bikes forced India to reduce the duty on completely built units of such bikes to 50% from 75%. India, however, denied the charge of being a high-tariff nation, holding that its tariff regime is fully compliant with its commitments under the World Trade Organisation rules.

Sajeev Rajasekharan, managing director of Harley-Davidson India, in an interview, refused to reveal the capacity of the Bawal plant. But he said 13 out of the 17 models of the bikes sold in India are assembled in India, including the best-seller Street 750cc.

Trade tension

On 4 March, the Trump administration decided to scrap duty benefits on $5.6 billion of exports from India by early May, alleging that India has introduced a “wide array of trade barriers that create serious negative effects on United States commerce".

The Generalized System of Preferences (GSP) programme allows duty-free entry of around 1,900 products from India into the US market, benefiting exporters of textiles, engineering, gems and jewellery and chemical products.

Both sides were negotiating a trade package after the United States Trade Representative in April last year announced that it was reviewing India’s GSP eligibility, following complaints filed by the US dairy and medical devices industries on market access issues.

While American dairy companies were upset at Indian import restrictions, its medical devices industry had opposed Indian price ceilings on stents and knee caps. However, “disproportionate" demands by the US led to a collapse of the talks, leading to the withdrawal of GSP benefits from India, the largest beneficiary of the US programme.

The trade war goes further back than the cancellation of the GSP. In March 2018, the US unilaterally hiked duties on steel and aluminium imports from major trading partners, including India.

India has the option of enforcing tit-for-tat tariff hikes on 29 US products including almonds, apples and phosphoric acid worth $235 million in response to that measure.

But New Delhi has been deferring its implementation month after month, apparently unwilling to take a harsh measure amid ongoing talks between the two sides on a possible trade package.

India is unlikely to implement the decision and may yet again extend the deadline by another month after the current deadline expires on 31 March.

“The US is not just another trade partner.

We need to take into account the fact that our strategic partnership is growing at a fast pace and millions of Indian tech professionals are working in the US," a commerce ministry official said, speaking under condition of anonymity.

However, he added that revoking the retaliatory tariffs at this time will send the wrong signal to the domestic audience and show the Indian government as weak.

“Hence, the deadline for its implementation may be further extended. A final decision will be taken by the Prime Minister’s Office," he added.

The US is also peeved with the new restrictions on e-commerce companies, directly impacting the Indian operations of Amazon and Walmart-owned Flipkart.

The proposed data localisation norms could also impact internet giants like Facebook and Google, and complicate the bilateral trade relationship.

The bigger S&D Game

However, analysts believe there is a bigger gameplan: The US wants large developing countries like India and China to forgo the special and differential treatment they enjoy. It has recently convinced Brazil to give up similar benefits in return for membership of the Organisation for Economic Cooperation and Development.

India, however, has been arguing that it lags behind developed countries on many socio-economic parameters and hence remains a legitimate beneficiary of differential treatment.

Biswajit Dhar, professor at JNU said: “India has to assert its rights under WTO. It just cannot allow one member country to unilaterally redefine the rules of the game."

Source: livemint.com - Mar 26, 2019

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In a first in India, JNPT handles 5 million TEUs

State-owned Jawaharlal Nehru Port Trust (JNPT) has handled 5 million twenty-foot equivalent units (TEUs) this fiscal, becoming the first Indian port to scale the peak.

The milestone comes three decades after JNPT was built as a satellite port to de-congest Mumbai Port Trust with an investment of ₹1,109 crore, of which ₹956.97 crore was loaned by funding agencies, with the World Bank being one of the major contributors.

JNPT has five container terminals, of which four are run by private entities and one is run by the port trust itself.

In FY18, JNPT handled 4.83 million TEUs. Till March 26, 2019, it handled 5.03 million TEUs.

Of the 5 million TEUs handled this year, Gateway Terminals India Pvt Ltd, the facility run by a joint venture between APM Terminals Management BV and Concor, emerged the top terminal yet again by handling 2.01 million TEUs. The container terminal run by the government-owned port authority handled 1.04 million TEUs.

Nhava Sheva International Container Terminal, Dubai government-owned DP World's first facility at JNPT and operating since 2000, handled 5.47 lakh TEUs. Nhava Sheva (India) Gateway Terminal, also run by DP World, handled 9.26 lakh TEUs.

Bharat Mumbai Container Terminals, run by Singapore's PSA International Pte Ltd, handled 5.03 lakh TEUs.

Source: thehindubusinessline.com- Mar 26, 2019

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'Shift to formal trade slower than expected'

GST focused on ease of doing business, but procedural issues made transition phase tough: report

The Goods and Services Tax (GST), which was introduced about 20 months ago, has seen the total number of returns filed increase, though the shift in trade towards a formal economy has been slower than anticipated.

In a report by Motilal Oswal Financial Services, the brokerage highlighted that though the collections had increased, it was still below the target as deferment of anti-evasive measures for a smooth roll-out of GST impacted collections.

In the GST regime, the manufacturing sector witnessed an increase in working capital requirements, while the services sector has had to comply with increased state-level compliances and higher tax rates, the domestic brokerage said.

"GST collections have increased year-on-year in FY19 [until February], but the monthly average collection is lower than the target, slimming the prospects of achievement of the full-year target. However, in our view, collections should improve once the anti-evasive measures are put in place," the report said. The average monthly GST collection in FY19 till February was ₹97,400 crore, higher than the FY18 monthly average of ₹89,900 crore, it added.

Scope for improvement

"We believe that GST collection should improve going forward, led by the rising compliance level from the broadening tax base and the government's increased focus on implementing anti-evasive tax measures," the brokerage report said.

Meanwhile, the total number of returns filed increased from 6.5 million in July 2017 to about 7.8 million in recent months. Further, while the GST revenue collection trend has been improving over the past 20 months, the monthly average revenue collection of around ₹97,300 crore (until February) in this fiscal is below the target of ₹1.06 lakh crore.

According to the brokerage, the FY19 revenue collection may fall short of the target by close to ₹1 lakh crore if the same revenue trend continues for the last month of FY19.

"GST is certainly a move focused on ease of doing business. However, the lack of preparedness, the technology glitches in the GST platform and the non-clarity over certain procedural issues have made the transition phase tough," the report highlighted.

Source: thehindu.com - Mar 26, 2019

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John Players' Rs 150 crore deal: Win-win for Reliance Retail and ITC

John Players is expected to help RRL in widening its fashion and apparels portfolio

The country's largest retail company Reliance Retail (RRL) has executed a definitive agreement with the largest fast-moving consumer goods (FMCG) firm ITC to acquire its menswear brand John Players in a deal that could prove to be beneficial for both the behemoths.

John Players – a mid-segment menswear brand launched in 2002 – is expected to help RRL widen its fashion and apparels portfolio. The sellout could also improve ITC's non-cigarettes FMCG business margins.

While size of the deal is yet to be declared, according to Reliance Industries – the parent firm of RRL - the acquisition will strengthen the retail arm's readymade garments and accessories portfolio in the fashion & life style retail space.

It further said the deal will consolidate RRL's leadership position as India's largest, most profitable and fastest-growing retailer.

After the deal, RRL will get "ITC's rights, title and interest, in and to the brand 'John Players' and related trade-marks and intellectual property, and the goodwill related thereto," a Reliance spokesperson said.

Industry estimates suggest John Players with sales of over Rs 300 crore a year, was acquired by RRL for Rs 150-200 crore.

While this may be the first instance in the recent past that ITC has sold a brand or business – unlike in the past few years when the Kolkata-headquartered firm has only acquired – the deal is not without a rationale.

A restructuring of its businesses was due as the firm was looking to rake in profits from its non-cigarettes FMCG business.

"As part of the strategic review of the lifestyle retailing business, a restructuring plan is under way. In line with this ongoing restructuring, ITC sold the brand 'John Players' and related trade-marks and intellectual property, and the goodwill," an ITC spokesperson said.

Industry sources said, ITC's focus is to grow newer FMCG businesses like food, personal care, and stationaries that it can leverage to grow its institutional strength. The firm has set an ambitious target of touching Rs 1 trillion revenue from non-cigarettes FMCG business by 2030 and expects the segment to drive its revenue in the next decade.

Its non-cigarettes FMCG business – worth over Rs 11,000 crore a year – may be one of the largest in the country but the firm has struggled to keep it profitable. According to Edelweiss Securities, the move reflects "ITC's renewed focus on improving margins of its consumer business." It resembles the firm's action in the premium end of the market that it had taken up a few years ago, it noted.

In fact, measures taken by the FMCG giant on that front in the past few quarters reflected in its earnings before interest, tax, depreciation and amortisation (EBITDA) margin. While in April-June 2018, its EBITDA margin was at 4.5 per cent, in September it rose to 5 per cent and to 5.4 per cent in the October-December period last year.

The business segment was hit by competition in the past three years. Edelweiss Securities estimates that the John Players sale "will improve margins of ITC's consumer business that was loss making. But it will also impact sales of ITC's consumer business by close to 3 per cent."

After the offloading, Abneesh Roy, senior vice-president, Edelweiss Securities, estimates that "ITC will focus on the premium end through the WLS stores that were relaunched last month. They were earlier known as ITC Wills Lifestyle. The WLS chain is a larger business contributing about Rs 500 to Rs 550 crore a year to ITC's total revenue," he said.

Reliance, on the other hand, is aggressively expanding its retail business and can sell the John Players brand of apparels through its offline stores and its online market place Ajio.com. The conglomerate plans to expand its Reliance Trend outlet count to 2,500 by 2024 from 557 now. It also aims to integrate all its offline and online retail operations, including its flagship telecom services arm Reliance Jio, in the coming years.

Furthermore, sources said through the deal, the petroleum-to-grocery giant is placing its retail arm at the forefront.

John Players' reach to over 700 outlets in the country will also help RRL sell its other in-house apparel brands.

With Rs 69,198 crore sales in 2017-18 and a growth rate of 44 per cent and 95 per cent in the past two financial years, RRL is already the largest and fastest growing retail business house in the country. During the first six months of 2018-19, it grew 122 per cent.

Source: business-standard.com- Mar 27, 2019

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