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IBTEX No. 64 of 2019 March 28, 2019

USD 69.04| EUR 77.72 | GBP 91.08 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21292	44500	**82.15**

Domestic Futures Price (Ex. Warehouse Rajkot), April

Rs./Bale	Rs./Candy	USD Cent/lb
21600	45144	**83.34**

International Futures Price

NY ICE USD Cents/lb (May 2019)	76.95
ZCE Cotton: Yuan/MT (May 2019)	15,200
ZCE Cotton: USD Cents/lb	102.49
Cotlook A Index – Physical	**87.30**

Cotton Guide: Today is the meeting scheduled between the delegation from USA "US Trade Representative Robert Lighthizer and US Treasury Steven Mnuchin" and "the Chinese officials" in Beijing to continue their trade talks. The market participants are eagerly awaiting for some positive news. Also, the markets might show some volatility with the scheduled release of the Planting intentions tomorrow.

The ICE cotton futures settled lower with changes of almost a cent. The ICE May futures settled -94 points lower at 76.59 cents/lb with a high of 77.77 and a low figure of 76.59. The ICE July futures settled -86 points lower at 77.92 cents/lb. A correction was seen in the ICE prices due to technicals. However the market is still geared into an uptrend for the short term.

The MCX contracts on the other hand also settled in negative territory parallel to ICE. The MCX April contract settled at 21600 Rs/bale with a negative change of -80 Rs hitting a high of 21,730 Rs/Bale and a low of 21560 Rs/Bale. The MCX May and MCX June contract settled at 21,870 Rs/Bale and 22,150 Rs/Bale respectively with a change of -70 Rs and -50 Rs.

The total volumes noted for MCX contracts were 4409 lots as compared to the previous figure of 7105 lots. The volume for the April contract was 2814 contracts as compared to the previous figure of 4365 lots. The total Open interest also declined 19,928 contracts as compared to 20,040 contracts from the previous session.

Market sentiments are still positive. However, with the rise in prices domestically we can soon witness import enquiries coming in, which can again consolidate the domestic market. In other words, we presume that the uptrend at the domestic market will continue at a certain pace, but as soon as imports kick in, the uptrend will slow down, mostly showing more of consolidation with a positive bias.

Export enquiries have declined owing to “no parity” in prices. Today WTI crude is trading at 59.23 $/Barrel after trading above 60$/Barrel Yesterday. The average price of Shankar 6 is firm at 44,500 Rs/Candy. The cotlook Index A is adjusted to 87.30 cents/lb with a positive increase of 0.25 cents/lb. The arrival figures are estimated to be 88,500 lint equivalent bales (source cotlook) including 32,000 registered in Maharashtra, 25,000 in Gujarat and 15,500 in Andhra Pradesh.

ICE Cotton futures witnessed marginal correction after rallying the levels of 78. However immediate support exists around 76 (21 Day EMA) and the breakout zone support which coincides at same level. Moreover, price is still trading in an upward sloping channel with daily RSI above 55 supports the strength in market.

In the daily charts price got supported by bullish crossover of short EMA (13) above the Long term EMA (26). So for the day price is expected to dip towards the immediate supports at 76.45-76.10 zones before rallying higher towards 77.50-78.00 levels. In the domestic market April futures is expected to remain in the range of 21400-21700 zone.

Currency Guide

Indian rupee may witness choppy trade against the US dollar but overall bias remains weak. Indian rupee traded in a narrow range yesterday amid mixed factors and this trend could continue in the near term. Rupee has benefitted from general strength in domestic equity market amid increasing investor inflows and RBI's measures to improve liquidity.

Also supporting rupee is Fed's dovish stance. Kansas City Fed President Esther George joined other Fed officials in saying that it was appropriate to put policy on hold after the central bank's interest-rate increases last year. Correction in crude oil price has also lent support to rupee. Brent crude slipped to $67 per barrel amid unexpected increase in US crude oil stocks. However, weighing on rupee is increasing global economic uncertainty amid disappointing economic data from major economies, inversion of US bond yield curve and uncertainty about Brexit and US-China trade deal has dented outlook for global economy.

The US 10-year yield hit a fresh Dec.2017 low today while yield curve remained inverted keeping recession concerns high. US-China will resume trade talks today in Beijing however there is little expectations of an imminent deal. Brexit concerns rose further as members of Parliament voted on Wednesday on eight possible options for a new Brexit strategy but rejected every one of them. Crisis in Turkish financial market has also put pressure on emerging market currencies.

Investors dumped Turkish bonds and stocks after the nation orchestrated a currency crunch to prevent the lira from sliding days before elections. Rupee has been struggling for direction near 69 levels on back of mixed factors however general weaker outlook for global economy 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 and China Got Into a Trade War and Mexico Won

The Trump Administration's trade war with China has turned out to be a windfall for another country the president frequently berates: Mexico.

Consider Fuling Global Inc., a Chinese maker of plastic utensils that developed a lucrative business making paper cups and straws for U.S. restaurants. But President Trump upended all that with tariffs on $250 billion worth of Chinese imports, including paper products.

So the company found an alternative, opening a $4 million factory in Monterrey, Mexico, that will soon begin shipping millions of paper straws across the border."We had to look for other ways to do business,'" said Fuling Chief Financial Officer Gilbert Lee.

The move means the Wenling, China-based company will avoid the tariffs and make up for pricier Mexican labor with lower shipping costs. "Mexico is a very logical and advantageous location for us."

Fuling isn't alone. Mexico has seen big gains in shipments to the U.S. in categories where competing Chinese goods were hit with tariffs, everything from poster board to air conditioner parts. In all, U.S. imports of goods from Mexico surged 10 percent to almost $350 billion last year, the fastest growth in seven years. That helped widen America's trade deficit with Mexico by 15 percent to more than $80 billion. Meanwhile, the growth in shipments from China slowed by about a third.

Mexico's bonanza underscores the difficulty in trying to win a trade war where companies can shift production or find new sources to avoid tariffs.

Despite Trump's vow to reduce it, the U.S. trade deficit for goods globally hit a record $891 billion last year as tax cuts boosted demand for imports and retaliatory tariffs weighed on American exports. Given Trump's early attacks on Mexico for taking U.S. jobs, it's an ironic turn to observers such as factory consultant Alan Russell.

“It’s a case of unintended consequences,” said Russell, chief executive officer of Tecma Group, an El Paso, Texas firm that helps companies open and run factories in Mexico. Interest has never been this high in his 35 years in the industry, he says. “Any company manufacturing in China has had a wake-up call.”

Much of the shift in companies sourcing from Mexico instead of China centers on low value-added items where substitution is easier, according to Jorge Guajardo, a former Mexican ambassador to China. For example, Taskmaster Components has for almost 20 years imported large wheels and tires from China, and assembled them for companies making trailers and recreational vehicles.

But tariffs on many of those products pushed the Mount Pleasant, Texas-based company to go hunting for new sourcing. That list now includes Mexico, where it wants to invest in a factory. The U.S. isn’t being considered because Taskmaster hasn’t found a willing partner among the few remaining American manufacturers.

“A lot of people are moving production down there,” said Amanda Walker, the firm’s chief operating officer. The close proximity, access to ports and an educated workforce make “everything about Mexico attractive.”

Mexico’s gain is evident across a diverse span of sectors. After the U.S. levied tariffs on metal ores and their byproducts, Mexico’s exports to America more than doubled, while China’s sank by a quarter. Tariffs on aluminum products helped wipe out almost $500 million in imports from China. Mexico saw a 20 percent increase in sales to the U.S.

The trade war also made the U.S. more reliant on produce from Mexico, which was already the biggest source of vegetables like cauliflower, carrots and onions.

In one stark example, peeled garlic cloves from China sank by almost a quarter after receiving tariffs while Mexican exports rose 54 percent.Even small businesses in Mexico benefited. After the U.S. put 10 percent tariffs on silk yarn, one of China’s iconic exports, Mexico’s shipments to the U.S. jumped from basically nothing, just $5,500 in 2017, to $1.6 million last year.

China's imports of knitted and crocheted fabrics fell by about $3 million, almost the exact amount Mexican imports rose.Trump's tariffs especially targeted the auto supply chain, which had already been expanding in Mexico and has continued to gain under Trump's policies.

One example: U.S. imports of Mexican passenger vehicles with gasoline engines jumped 17 percent to $32.6 billion, while shipments from China, Germany and Canada all declined.

Even before Trump's presidency, Mexico was becoming more competitive with China, in part due to rising Chinese labor rates and Mexico's proximity to the U.S., especially important in the e-commerce era of quick shipping.

To be sure, a lot was happening last year other than the tariffs that could have played a part in boosting Mexican exports. Some companies may have upped orders to beat Trump's threat to dismantle the North American Free Trade Agreement; he instead signed a renegotiated deal in November. Fluctuations in the value of the dollar and Trump's global steel tariffs might have also played a role.

The Mexico bump could be short-lived if the U.S. and China strike their own trade deal, reducing the impetus to move production to Mexico. Another headwind might be new leftist President Andrés Manuel López Obrador, who has rattled investors' confidence by canceling a $13 billion airport after it was already one third built and inspiring a more aggressive labor movement, including factory strikes.

But for now, paper-straw maker Fuling Global is all in. It will begin production in Monterrey by July and if all goes well, Fuling will shift more work to Mexico and possibly start selling to the local market and then to

South America. “Changes spur opportunities,” said Lee, Fuling’s CFO. “It’s just a matter of how you deal with it.”

Source: sourcingjournal.com - Mar 27, 2019

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USA: Trade Tensions, Raw Material Shortages, Climatic Disruptions Top Supply Chain Risks

Avoiding risks in the supply chain probably comes in second only to cost control for companies operating in a global environment.

For apparel, textile and footwear manufacturers, the prediction that manufacturing network disruptions and raw material shortages will be among the top risks in 2019, according to the first annual “First Resilience360 Risk Report” from DHL, will cause some concern.

The DHL report said key events in 2018 that impacted the global supply chain included climate-driven disruptions affecting shipping, higher than expected cyber-attacks targeting supply chain assets and industry zone shutdowns impacting production activities.

The report, based on risk and incident data collected by DHL’s cloud-based risk management provider, Resilience360, examined last year’s major supply chain challenges and identified trends that will shape the risk landscape in 2019.

“Risk assessment and building up supply chain resilience is a crucial part of our customers’ business,” Tobias Larsson, CEO Resilience360, said. “Wherever they operate, the report’s insights will make the re-evaluation of the respective risk environment easier and thus complement the existing Resilience360 offer.”

Three key risks surfaced as top issues plaguing supply chain stakeholders: uncertainties concerning trade flows, cyber security incidents, and climate change paired with extreme weather conditions. The report said uncertainty in trade increased over disputes between the U.S. and other countries, notably China, including new unilateral import tariffs. In addition, the ongoing question of the U.K.’s withdrawal from the European Union (EU) also contributed to uncertainty, as companies worried over border congestions and delays at ports in the event of a disorderly departure.

In the realm of cyber security, a rising number of incidents involving supply chain and transport infrastructure showed how actors are intent on obtaining trade secrets, engaging in blackmail or causing economic disruption.

Climate change presented a range of severe weather-related disruptions in 2018, now considered the fourth warmest year on record. Incidents like wildfires, droughts, low water levels and melting ice had the most significant impacts on supply chains, Resilience 360 said.

While North America experienced fewer disasters and weather-related incidents than in 2017, the Asia-Pacific region suffered eight major tropical storms that caused significant supply chain disruptions in Japan, China, South Korea, Taiwan and the Philippines.

In Europe, Resilience360 recorded the most incidents in Germany and the U.K., with two-thirds of high-impact events caused by cargo theft, industrial fires and explosions, and train accidents. Air and ground transportation incidents represented 44.7 percent of incidents. DHL said such events are especially relevant for supply chains.

Civil unrest accounted for the second-highest portion of events at 12.9 percent. Protests related to Labor Day on May 1 and the Yellow Vests in France and Belgium disrupted highways, ports, border crossings and access roads to industrial areas.

In the U.S., the report noted that while improved police work and security measures contributed to the reduction of cargo theft incidents in 2018, major areas of logistics importance, such as Los Angeles and Long Beach, New York and New Jersey, Chicago, Detroit, Memphis, Atlanta and Miami, continued to experience high rates of cargo theft incidents.

In addition to ongoing global risks like the political tensions that characterized trade in 2018, companies could also face added costs and uncertainty due to raw material shortages, recalls and stricter environmental regulations.

Rising demand for raw materials combined with a fragile supply caused by political instability and supplier shutdowns could also result in raw material shortages, according to DHL. The low supply of adiponitrile (ADN), a precursor chemical to products such as nylon, for one, could impact the textile sector. ADN is only manufactured at five plants in the world, with Invista being a major supplier, and shortages have been driven by operational problems and maintenance shutdowns, according to the report. Also affecting the sector are disruptions in the global recycling industry, and other countries in South East Asia could follow China's lead in closing their doors to scrap imports, which has included plastics used to make recycled polyester.

Companies dependent on U.S.-Mexico and EU-U.K. lanes are likely to see increased costs and border crossing wait times.

"Modern supply chains are vulnerable. Transportation delays, theft, natural disasters, inclement weather, cyber-attacks and unexpected quality issues can disrupt cargo flows, creating short term costs and delivery challenges," Shehrina Kamal, Resilience360's director of risk intelligence, said. "Resilience360 strives to understand these risks and gain a common understanding of how they impact supply chains across countries, regions, industries and organizations in measurable ways."

Source: sourcingjournal.com- Mar 27, 2019

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US textile fibre imports at record high in 2018: USDA

Net textile and apparel fibre imports by the US rose to a second consecutive record in calendar 2018, as consumer demand for clothing increased with the expanding economy.

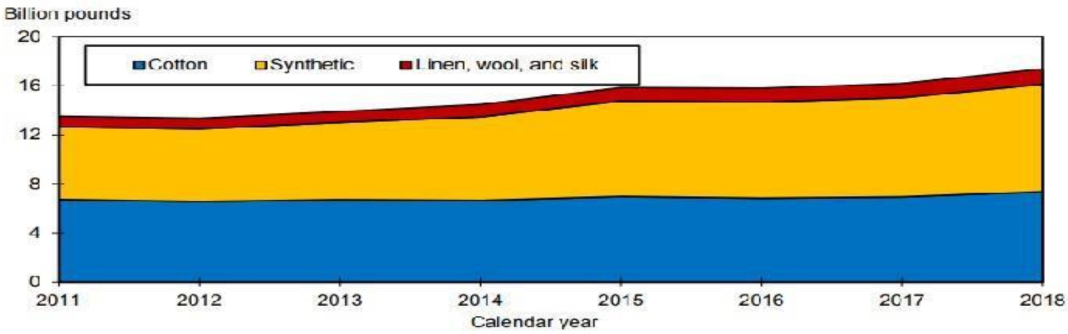
Total fibre product imports exceeded 20.8 billion raw-fibre-equivalent pounds in 2018, compared to 19.7 billion pounds in 2017. Textile and apparel exports reached 3.5 billion pounds.

Thus, net textile and apparel fibre imports by the US in 2018 approached nearly 17.4 billion raw-fibre-equivalent pounds, 7 per cent above 2017, the

Economic Research Service of the US department of agriculture (USDA) said in its latest 'Cotton and Wool Outlook' report.

In 2018, synthetic product net imports increased for the 9th consecutive year, as continued growth in athleisure wear has increased demand for synthetics. For the 5th year in a row, synthetic fibre products accounted for the largest share of total net imports—surpassing cotton in 2014.

U.S. net imports of textile and apparel fiber products



Note: Raw-fiber-equivalent pounds.
Sources: USDA, Economic Research Service and U.S. Department of Commerce, U.S. Census Bureau.

Last year, synthetic textile and apparel products contributed about 51 per cent of the total, while cotton products provided 42 per cent, and linen, wool, and silk combined for an additional 7 per cent. Although cotton's share of total net fibre product imports has steadily declined since 2007, its share equalled 50 per cent as recently as 2011, when synthetics accounted for 44 per cent, the USDA report said.

Meanwhile, the US domestic cotton consumption (mill use plus net textile imports) increased 4 per cent in calendar 2018 as consumer demand for cotton products reached its highest in 8 years. Retail consumption was estimated at nearly 8.9 billion pounds, or 18.4 million bale-equivalents for the year. Although domestic cotton consumption has increased for 2 consecutive years, the 2018 estimate remains more than 18 per cent below the calendar 2006 record of approximately 10.9 billion pounds.

US cotton product imports and exports moved in opposite directions once again in 2018, as demand for synthetic products grew at a faster pace and limited cotton's growth. Cotton product imports approached 9.0 billion pounds in calendar year 2018, 4 per cent higher than 2017 and the highest since 2010.

At the same time, however, cotton product exports declined 3.5 per cent to 1.6 billion pounds in 2018. Similarly, US cotton mill use in calendar 2018 decreased to 1.5 billion pounds.

Consequently, the US per capita estimate of retail cotton consumption rose nearly 1 pound in 2018 to 27 pounds; however, US cotton mill use contributed less than 5 pounds of the total as textile and apparel product manufacturing remains concentrated in low-wage-rate countries, the report said.

Source: fibre2fashion.com- Mar 28, 2019

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Pakistan: Govt pays Rs42bn to textile sector under PM exports enhance package

The government has provided Rs 42 billion to local textile industry under Prime Minister Exports Enhancement Package for enhancing the textile exports.

The initiative was aimed at to bridge the gap between local exports and imports by encouraging the export oriented industry and incentivising the industrial sector for introducing the innovative, modern and cost cutting technologies, particularly in the textile industry, said a senior official in the ministry of and textile industry.

Talking to APP here on Wednesday, he said so far State Bank of Pakistan has received the 2 75,000 refund claims under the package and it was 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 fiscal year 2017-18 the government had cleared the refunds amounting Rs 26 billion.

He said in last seven months, the government had paid Rs 11 billion in terms of outstanding claims, adding that pending liabilities of Rs. 23 billion would pay off by the government in coming 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 priority of the government was increasing the country’s exports and job opportunities for the people.

He said textile sector was also working for modernizing to improve the skills of textiles worker through using modern technology and tools.

Source: brecorder.com- Mar 27, 2019

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Apparel Textile Sourcing soon to be in Germany

The trade show Apparel Textile Sourcing (ATS) started 2016 in Toronto, Canada and expanded to Miami, Florida in 2017.

Now, there will be an edition in Germany: From 11th to 13th September 2019, Apparel Textile Sourcing Germany will take place at Estrel Berlin - Hotel & Congress Center announced the ATS in a press release.

More than 2000 attendees are expected. They can get information about product development and sourcing, participate in a world-class seminar series, take advantage of matchmaking events between potential business partners and will have the opportunity to connect with more than 200 manufacturers from Europe, Asia and Latin America.

“While finding factories is a primary reason retailers and brands attend sourcing shows, ATS trade shows also bring leading industry professionals, trade commissioners and government officials together into an open forum to interact with those shaping the current and future trade ecosystems in the apparel industry.

Our matchmaking platforms have been very helpful to both brands and retailers as well as our manufacturers. European brands and retailers can now become involved in the ATS experience,” commented founder and CEO Jason Prescott in the press release.

The organisers decided on Berlin as the German ATS location as it is a hub for design, retail, fashion and many other creative sectors. With numerous other events, fashion shows and technology conferences, the city has the most influence on the apparel and textile market in the region.

”What ATS has done for the Americas, will now be available to German and European buyers at large. We look forward to assisting both the exhibitors and attendees of ATSG to leverage the IAF network during the show in September,” said Matthijs Crietee, general secretary of the International Apparel Federation (IAF).

”While many shows for sourcing and retail have become too large, predictable and lacking energy, ATS events have offered contrast and focus. ATS efficiently showcases both Asian and regional vendors, in a setting that focuses on product development while addressing the major challenges in global sourcing. In addition, ATS has successfully delivered a seminar series that is blended into each day of the trade show,” shared Jeff Streader, managing director of Go Global Retail and former executive with VF, Guess, Billabong and American Apparel.

“European brands and retailers who visit the show will have the ability to meet exhibitors with numerous capabilities and finishing techniques. We will host a Made in China pavilion that will provide visitors a balance of mass market manufacturers that can service larger programs, along with factories that service brands or retailers who have smaller programs. As the consumer market has changed, so have many of the factories throughout China in order to accommodate the shift", stated Chairman Cao of the China Chamber of Commerce for the Import and Export of Apparel and Textiles (CCCT).

In view of an apparel industry that is becoming further homogenised with retailers and factories developing private labels and starting their own brands, orders getting smaller, but with more seasons, and e-commerce encroaching on B2B in addition to B2C, professionals across the industry need to be nimble and aware of ways to refine their supply chain, many times at a moment’s notice. This is where the ATSG wants to start and help both startups and established companies alike.

Source: fashionunited.in- Mar 27, 2019

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Investors urged to leverage on Kenya/ India trade

Indian investors have been urged to leverage on the government's big four agenda and set up textile and pharmaceutical industries in the country. Indian High Commissioner to Kenya, Rahul Chhabra said there was need for Indian investors to partners with their Kenyan counterparts to create more startups in a bid to bridge the trade deficit between the two countries.

Speaking Tuesday during an annual trade and investment promotion in Nairobi, Amb. Chhabra noted that India is one of the largest trading partners of Kenya with a total trade volume of Sh200 billion in 2018.

"India's old straight ties with Kenya are known and even though we are trading at 2.2 billion dollars, this is just touching the surface. It should be easily close to 5 billion and should be immediate," he said. He explained that although the trade volume reflects growth of more than 9 percent from 2017, there still exists a huge potential to increase it even further.

To bridge the deficit, the High Commissioner asked Kenyan investors to take advantage of direct trips to Mumbai and create partnerships that will assist them access the huge Indian market and also get partners to help them with capital and skills to startup business in the country.

Equally Indian investors were urged to explore and invest in the pharmaceutical and textile sectors that have huge economic potential. "India is the 3rd largest country investing in Kenya and has invested 3 and a half billion and as trade and investment flows. We are now entering County governments and networking for trade opportunities and options," Commissioner Chhabra said.

Speaking at the forum, Principal Secretary, State Department of Investment and Industry Betty Maina said Kenya's industrial development in partnership with Indian companies is aimed at looking at various possibilities of diversifying and increasing the trade and investment opportunities, keeping in line with the Government's 'big four agenda'.

She noted that despite the government being the driver of the big four agenda, it has an underpinning of seeing additional investment coming from the private sector.

“Indian businesses that are new in Kenya have opportunities under the 4 government priority areas to invest and in the next 11 years we want to achieve our ambitions that are set out to see vibrancy in our industry and also in agriculture,” she said.

Maina explained that India has offered a great inspiration in the agriculture sector through exploring technology, such as investing in cotton, textile and apparel as well as mechanization through companies like Rivatex and also EPZ.

“We are excited by investment in EPZ and other sectors of interest and what we are encouraging is in the area of pharmaceutical sector, iron and steel products and also automotive,” the PS said.

She explained that the government is finalizing the automotive policy and they have reached out to some countries, including India to make sure that the policy as crafted would be concurrent with a lot of Original Equipment Manufacturers (OEM) in the automotive sector.

Narok County Governor Samuel ole Tunai urged the Indian investors to consider investing in the tourism sector in light of direct flights from the East Africa region to the Mara slated to start in June 2019.

Kenya National Chamber of Commerce & Industry (KNCCI) CEO Kiprono Kittony said Kenya has recently signed an agreement with three Indian businesses from Guajarati that would be setting up in Kenya, including one of most famous food chains, a chocolate room that is a leading fast food chain already established in 35 countries and Kenya will be the 36th.

“Through the same Memorandum of Understanding, we have established links for Kenya tea and coffee to be exported to Guajarati,” Kittony said India and Kenya are Indian Ocean neighbours who share longstanding trade and people-to-people contacts. At present, India is one of Kenya’s largest trade partners and the second largest foreign investor in Kenya
By Wangari Ndirangu

Source: kenyanews.go.ke- Mar 27, 2019

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Pakistan: PCJCCI focuses on promotion of textile business with China

Pakistan China Joint Chamber of Commerce & Industry (PCJCCI) was focusing on promotion of textile business with China as a strategic partner of a three-day 21st Textile Asia 2019 trade fair, jointly organised by Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) and Ecommerce Gateway Pakistan.

PCJCCI Secretary General Salahuddin Hanif told the media here on Wednesday that the three-day Textile Asia had been termed South Asia's largest trade fair with regard to B2B (Business-to-Business) textile, garment, embroidery, digital printing machineries and chemical and allied services. More than 1,000 international brands displayed their products in over 788 booths from 27 countries mainly from Austria, China, Czech Republic, France, Germany, Italy, Korea, Japan, Turkey, UK, USA etc. participated in the event.

He thanked Sualeh Farooqui, secretary Trade Development Authority of Pakistan, along with Sheikh Mohammad Shafiq, chairman Pakistan Readymade Garments & Manufacturers Association (South Zone), Dr Khursheed Nizam, president Ecommerce Gateway Pakistan (Pvt) Limited and Uzair Nizam, project director Textile Asia for attending the inaugural ceremony of the event. Meanwhile, President Ecommerce Gateway Pakistan, Dr Khursheed Nizam, expressing comments on the international exhibition, emphasised that 21st Textile Asia was the only UFI (Paris) approved textile trade fair in South Asia.

This trade fair has showcased immense buying and selling potential of textile, garment and allied industries and was poised to introduce overseas suppliers of textile and garment materials, accessories and parts and machinery to the textile and garment industry of Pakistan.

Source: brecorder.com- Mar 27, 2019

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Pakistan senate standing committee on commerce, textile meets

A meeting of the Pakistan senate standing committee on commerce and textile held last week at the parliament under its chairman Mirza Muhammad Afridi witnessed briefings regarding the annual review of the budget and its utilisation by the textile division and the relevant rules of procedures. The committee was informed about the national tariff policy 2019-2024.

The committee members inquired about reasons behind no rise in textile sector exports. A number of reasons including energy outages, low seed quality, less demand of raw cotton, increased subsidies were cited as reasons for the same.

A number of measures in the new textile policy and new schemes will address many grievances of the textile sector with a focus on upgradation, both in infrastructure and manpower, the committee was told.

The committee strongly recommended including representatives of at least two small and medium enterprises on the special taskforce on improving the textile sector, according to the Pakistan senate website.

It also reiterated the need to bring the cotton research committee back under the control of the textile industry division. (DS)

Source: fibre2fashion.com- Mar 27, 2019

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Pakistan: 'Make cotton profitable to achieve 15mln bales target'

The government's dream of 15 million bales cotton production would only be fulfilled if it takes steps to make its cultivation profitable for growers, Pakistan Kissan Ittehad (PKI) said on Wednesday.

Higher input cost of cotton production in the country compared with other countries of the world, lenient import policy without duty and from the land routes putting pressure on the local cotton prices, PKI President Khalid

Mehmood Khokhar said. Even International Cotton Advisory Committee (ICAC) declared that the cost of production in Pakistan is higher than India, Turkey, Tanzania, Argentina, Australia Brazil, etc.

Imports from such countries without duty hurts the local prices and reduce growers' profitability, which ultimately influence the growers' choice for planting other crops instead of cotton, he added.

Secondly, since the textile industry is the only buyer of cotton in Pakistan, it monopolises the market and suppresses the prices far below the international prices. In these circumstances, Khokhar said, it is imperative to pay cotton support price to secure growers' profitability, which is widely practiced in the neighbouring country for over 27 crops, including cotton, very effectively.

Pro-industry policies of the previous government about cotton import, illegal import from the land route and non-provision of support price, resulted in over 30 percent reduction in cotton area, he said, adding that the textile industry is also not showing any patronage to this crop and has been avoiding to pay research cess for the last four to five years, as they were enjoying cheep imported cotton and benefiting growers abroad.

It is right time to take appropriate decision and protect local agriculture, in general, and cotton, in particular, by taking decisions according to the rule of law and in favour of cotton growers, the PKI president said.
All major cotton growing countries, including US, India, Brazil, Turkey Argentina are paying support price or supporting growers by insurance and protect their profitability. Resultantly, their exports are flourishing and textiles are growing.

Growers were already facing severe financial losses due to the lack of surplus production policy for potatoes and are in stress. Pakistan Kissan Ittehad strongly urge the government to give cotton growers' confidence, announce support price for seed-cotton (Rs4,000 / 40kg) in order to achieve 15 million bales target well ahead of cotton sowing season.

Source. thenews.com.pk- Mar 28, 2019

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Belt and Road friend in need: China and Sri Lanka

In recent years, with the continuous improvement of the economic and trade cooperation between China and Sri Lanka, Chinese enterprises have made leaps and bounds in their investment in Sri Lanka and signed contracts to invest in large-scale projects. The main investment projects are concentrated on infrastructure constructions which are directly under the broader framework of the Belt and Road Initiative (BRI). Currently, the key investment projects in Sri Lanka include Colombo International Financial City, Colombo International Container Terminals and Hambantota Port. Also, Chinese private investments in Sri Lanka has grown rapidly. Chinese private enterprises mainly invest in hotel construction, agricultural product processing, manufacturing, warehouse logistics etc.

The historical foundation of the China-Sri Lanka relations has laid exchanges on cultural, commercial and trade relations. The famous Sino-Lanka Rubber Rice Pact in 1952 officially commenced a strong bilateral economic and trade partnership, allowing to strengthen diplomatic ties among the two countries. With China's expertise, hard and soft infrastructure construction such as roads and highways, value-added agricultural products, construction of ports and related industries, Sri Lanka could manoeuvre the potential opportunities gained through establishing mutual cooperation among the two nations. This article has identified key areas where China and Sri Lanka could mutually benefit through cooperating in areas such as: value added agriculture, infrastructure construction, developing ports and related activities, upgrading local manufacturing industries, and tourism development.

Towards value added agriculture

Under the influence of the tropical monsoon climate, Sri Lanka has abundant rainfall, fertile land, and a wealth of tropical economic crops. SriLanka has favourable conditions for the development of the agricultural sector. In addition, Sri Lanka is rich in fisheries, forestry and water resources. Sri Lanka's arable land area accounts for 61% of the country's land area. It has a large area of rubber plantations, tea plantations, and coconut plantations. These three types of agricultural products are the three pillars of Sri Lanka's agricultural economic income.

Export of agricultural products accounts for a section around 25% of the total export earning of the country. In recent years, Sri Lanka's share of spices exports has gradually increased, becoming a major emerging industry in Sri Lanka's agricultural exports. At the same time, Sri Lanka is also the world's third largest producer of black tea and the largest exporter.

In order to improve the international competitiveness, the Sri Lanka Government has highlighted increasing investment in research and development of agriculture and improving the quality of their agricultural products.

Under the influence of this national policy background, China can strengthen cooperation with Sri Lanka's agricultural sector, especially in the fields of tea, coconut and rubber. Sri Lanka is the world's leading coconut producer, and its output is second only to India, the Philippines and Indonesia. China can strengthen cooperation with Sri Lanka in coconut production and deep processing, which can increase the added value of coconuts and related products.

Modernising infrastructure

According to Sri Lankan development goals, the Sri Lankan Government points out that, it should continue to strengthen its investments in developing infrastructure and increase the annual investment by 30% to 35%, which in return will drive the growth of the national economy.

Upgrading domestic roads

At this stage, there are three highways in Sri Lanka; the southern expressway from Colombo to Matara, the Colombo Airport Expressway, and the first phase of the Colombo Expressway. According to the Sri Lanka Government's national highway development plan, highways currently under construction include the Colombo Outer Circular Expressway project, and the original Southern Expressway extending to Hambantota Port and Hambantota International Airport. In addition to the highways mentioned above, the highways from Kadawatha to Dambulla in the central region, and the expressways from Colombo to Ratnapura, are undergoing preliminary preparations.

At present, China's domestic highways are developing rapidly and the researches on road construction technology have matured. China's railway construction began in the Qing Dynasty. After more than a century of expertise in railway construction and development, at the end of 2016, China's railways had a total mileage of 124,000 kilometres, ranking second in the world. Among them, 25,000 kilometres of high-speed railways ranked first in the world. The national railway double-track rate and electrification rate reached 54.9% and 64.8% respectively.

Strengthening cooperation with Sri Lanka railways on the one hand will help ease the slow development of the Sri Lankan railway freight mileage, and solve the people's livelihood problem in Sri Lanka. On the other hand, it will help to develop advanced technology for China's railways and to promote the Chinese railway construction standards to the world. So the cooperation between China and Sri Lanka is a win-win cooperation.

From a port to city and provincial development

The Sri Lankan Government has already taken measures to develop port construction and development of industrial parks with an intention to increase exports and improve the value addition of its export products. At present, the Sri Lankan Government manages a number of export processing zones and it is also learned that a couple of privately-owned industrial zones are also managed. They are located in the economically-developed Western and Central provinces. The port industry involves a wide range of diversified industries. In addition to the most basic loading and unloading functions of the port, there are a number of related industries, such as the maritime industry and transportation.

Chinese expertise in the construction of ports and managing industrial parks is well demonstrated under the framework of 'Shekou model' also known as Port-Park-City (PPC) model. Followed by China's open reforms and economic policy by the chief architect Deng Xiaoping in 1978, Shekou, a small fishing village in Shenzhen was transformed into an industrial zone in 1979. With an area of 2.14 square kilometres and a population of few thousands, Shekou Industrial Zone was constructed by the China Merchants Group and is the first export-oriented industrial zone. Today, the Shekou industrial zone has become an international coastal new city, with a population of 400,000 and a per capita GDP of more than $ 60,000.

The first phase of the Shekou mode or the Port-Park-City mode is to build the port and is mainly based on developing a multi-purpose port to accommodate large vessels to receive bulk cargo. Construction of an industrial park with logistics and an export processing zone are a few components of the next phase.

This development process will end up building a modern city, with facilitating technological innovations. China Merchant Holdings have used the experience of Shekou to transform the African port of Djibouti making use of its geographical advantage into an international hub for maritime cargo making.

At present, the Djibouti International free trade zone with an overseas park has benefited from this model, which has made breakthroughs and is expected to promote local development into a ‘Shekou of East Africa’, which integrated functions of finance, logistics and trade. After the operations of the new port commences, Djibouti aims to build a modern business district which is fully equipped with commercial and tourism facilities. It is important to understand that mega infrastructure projects such as the construction of ports and industrial parks should not only be port-centric or park-centric.

These approaches may not deliver the guaranteed results unless these become international trading hubs which will sustain in the longer run. An industrial park consisting of a special economic zone will boost inward investments and trade. On the other hand, industrial parks enable connectivity to global supply chains, which in return will add value to local exports and contribute to cargo generation.

Taking the experience of Shekou and Djibouti into practice, the port of Hambantota will be built according to the PPC model. The Sri Lankan government has announced that an investment of $ 3.85 billion in the southern Hambantota refinery will start its construction.

A cement plant project with an investment of $100 million was started in parallel with the refinery project. These two projects are expected to create a large number of employment opportunities and have positive implications for stimulating local economic development.

Benefitting from Chinese industrial capacity relocation

Due to lack of its resource capacity, Sri Lanka depends heavily on import of raw materials. The textile and garment industry accounts for a significant contribution to the overall industrial composition. The textile and clothing industry accounted for 45.9% of Sri Lanka's major export commodities in 2015. Sri Lanka hopes to promote the development of the Sri Lankan secondary industry through an agreement with the China Free Trade Zone, especially the relatively weak manufacturing and equipment manufacturing in Sri Lanka.

Industry is also a key area of Sri Lanka's major industrial development goals. The establishment of the China-Sri Lanka Free Trade Zone will help to increase the manufacturing capacity of Sri Lanka and help the development of its secondary industry. With regard to the cooperation between China and Sri Lanka in the manufacturing sector, Sri Lanka's industries with advantages in development at this stage are labour-intensive, especially in the textile field, and China can transfer some of its production capacity in related fields. Chinese companies intending to invest in Sri Lanka's textile manufacturing industry should give priority to areas in Sri Lanka where the transportation is convenient, where the population density is relatively high, and the southern provinces, and at the same time they negotiate details with the relevant departments of Sri Lanka and have targeted investment options.

Today, China occupies a leading position in the global textile industry. It is not only the country with the largest production scale but also the country with the most complete industrial chain with prominence to global value chains.

Data show that in 2017, China's chemical fibre production reached 4,915,500 tons, accounting for more than 70% of the world's total; the total production of garments accounts for 28.78 billion which is equivalent, to 6.89 garments per person.

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Source: ft.lk - Mar 27, 2019

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Bangladesh: Yarn manufacturers struggle to survive

Local yarn manufacturers are struggling to survive as unsold yarn worth around Tk 1,500 crore is piling up at warehouses, said the industry insiders. The prices of yarn fell drastically in the local market due to currency devaluation and a buoyant grey market, leaving yarn manufacturers in a dire situation, they said.

As a consequence, unsold yarn worth around Tk 1,500 crore is piling up at warehouses, industry sources said.

According to Bangladesh Textile Mills Association (BTMA), it costs $3.25 on average to produce a kilogramme of yarn, which is now being sold at $2.80 to $2.90.

Yarn manufactures blamed the devaluation of Taka against the US dollar, misuse of bonded warehouse facility, smuggled yarn, and cheap Indian yarn that is often imported through trade misinvoicing, as the main reasons for the present situation.

"Cotton prices in the international markets were high three to four months ago. The prices of yarn suddenly fell as India is offering lower prices due to devaluation of the Rupee against USD," BTMA President Mohammad-Ali-Khokon told Daily Industry.

Besides, huge amounts of yarn are being imported illegally from India through land ports, which are increasing supply at lower prices as taxes are not paid, the BTMA chief said.

As a result, local manufacturers are suffering and struggling to survive. If the present situation persists, spinners will be left in dire situation and will become bank defaulters, he added.

Meanwhile, illegal import of Indian and Pakistani clothing products and misuse of bonded warehouse trade facility are causing serious problems, industry people said.

"For the lower prices and sluggish demand, the prime reason is misuse of bonded warehouse trade facility. Huge amounts of fabrics imported under duty-free trade facilities to produce goods for export are being sold in the local market at lower prices," Shahid Alam, a director of BTMA, said.

"In the last few days, customs authorities seized fabrics worth crores, which were imported under bonded warehouse facility," he said.

As the local market is flooded with illegally imported clothing items, the demands for local yarn is sluggish, added Shahid, who is also vice chairman of Jalal Ahmed Spinning Mills Ltd.

On top of that, some dishonest importers import 80-count yarn falsely declaring it as 30-count yarn to evade import duties and distort the market, he claimed.

It is high time to take measures as there is a huge scope for new investment in the woven sector, which can meet only 40% of local demands, opined sector people.

If the government fails to ensure better environment and stop illegal imports, the country will not be able to achieve targeted development and will be deprived of new investments, they added.

According to BTMA, from 2014 to 2018, local entrepreneurs invested an average of Tk1,380 crore per year in the primary textile sector. During this period, 44 new textile mills also became members of the association.

Since the main problem is misuse of duty-free trade facilities and illegal imports, mill owners want strong monitoring to stop misuse of the bonded warehouse facility. They urged the government to ban yarn import through land ports.

"There is a huge local clothing market, with 17 crore consumers. And to attain double digit growth, we have to meet the local demands," said Mohammad Ali Khokon.

"I strongly call for introducing a separate exchange rate for the export-oriented sector, as we are losing competitiveness to our competitors," he said.

According to Bangladesh Bank data, in 2017, Bangladesh's textile and apparel sector received foreign investment worth $421.68 million, which was 15.70% higher than $364.44 million in 2016.

As per BTMA, there are 430 yarn manufacturing mills, 802 textile mills, and 244 dyeing-printing finishing mills in Bangladesh, along with 32 denim fabric manufacturing mills and 22 home textile manufacturing mills.

Currently, the country can meet around 40% demand of woven fabrics, and 80% to 85% for knit fabrics.

Source: dailyindustry.news- Mar 27, 2019

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NATIONAL NEWS

India one of world's fastest growing large economies: IMF

India has been one of the world's fastest growing large economies, according to the International Monetary Fund (IMF), which recently said the country has carried out several key reforms in the last five years. More reforms are needed to sustain this growth and harness the nation's demographic dividend opportunity, its communications director Gerry Rice said.

IMF will release details regarding the country's economy in the upcoming World Economic Outlook (WEO) report ahead of the annual spring meeting with the World Bank next month, he said. This report would be the first under Indian-American economist Gita Gopinath, who is now IMF's chief economist, a news agency reported.

Among the policy priorities, IMF would include accelerating the clean-up of banks and corporate balance sheets, continuation of fiscal consolidation, both at centre and state levels, broadly maintenance of the reform momentum in terms of structural reforms in factor markets, labour, land reforms, and further enhancing the business climate to achieve faster and more inclusive growth, Rice added.

Source: fibre2fashion.com- Mar 27, 2019

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Govt. unveils portal for MSMEs

A portal for micro, small and medium enterprises (MSMEs) to provide them a digital profile, including an online product catalogue and e-commerce store, and access to global networking opportunities towards identifying buyers and suppliers was unveiled here on Wednesday.

Telangana State GlobalLinker (ts-msme.globallinker.com), the portal, will digitise over 2.3 million MSMEs in the State, said an official release on the launch function in which Industries Secretary Jayesh Ranjan and representatives of various trade and industry bodies participated.

Digitisation is "going to be a game changer for MSME businesses as it helps them cater to customers beyond local boundaries, allows their profit to grow twice as fast and substantially increases their contribution to GDP", Mr. Ranjan said.

Co-founder and CEO of GlobalLinker Sameer Vakil said, "We look forward to assisting over 2.3 million enterprises."

Besides the digital profile, access to global networking opportunities, the portal will provide MSMEs access to industry news, articles and discussions, the release said.

Source: thehindu.com- Mar 28, 2019

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Rupee strengthens. Should RBI worry?

As a rising rupee could hurt exports, the RBI could use innovative tools like the dollar-rupee swap to rein in the currency

Cometh the hour, cometh the idea. This phrase is apt for the latest USD-INR swap auction conducted by the Reserve Bank of India. The runaway success of the auction — with banks bidding for $16.31 billion against $5 billion that the central bank proposed to buy — shows that the tool was well-crafted, in a manner that benefits all stakeholders.

Besides obvious benefits such as providing liquidity, such an auction also helps signal the RBI's intent that it will not allow a runaway appreciation in the rupee.

With the Indian currency doing a volte face in its performance, becoming one of the best performing emerging market currencies this year, from being among the worst performing, the central bank has been quite busy trying to control undue volatility in the rupee.

The rupee is likely to vie for the RBI's attention for the rest of 2019 too, given that many of its drivers are now turning positive.

The swap

The RBI's primary intention in using the forex swap was to inject liquidity in the system ahead of the elections and financial year-end, without resorting to further open market operations that tend to impact market interest rates. The ₹34,561 crore that the RBI plans to inject into the system could also boost consumption ahead of the election, thus keeping sentiment upbeat.

Banks seem to have lapped-up the offer because they can currently borrow dollars at a lower rate from international market and thus stand to gain by lending the dollars to the RBI at around 3.8 per cent annual return.

The weighted average premium of ₹7.91 for the bids was quite close to the three-year forward premium in the forex market. The immediate benefit of the swap has been lower hedging costs.

The swap, however, will not have a direct impact on the rupee spot rate; it only impacts the forward premium. But the move will help signal to the forex market that the RBI is scanning its arsenal to find innovative solutions to current issues, which include reining in the rupee.

The rupee strengthens

The rupee lost 8.9 per cent in 2018, led by increasing crude oil prices and rapid foreign portfolio outflows, only to reverse sharply higher to gain 1.9 per cent in the first quarter of 2019.

Sharp rupee depreciation may cause a furore among economists, but it does not put undue pressure on the Centre to take action.

This is because many companies have a natural hedge against their imports through their exports and the common man impacted by costlier imports does not have any voice.

But an appreciating rupee is greeted with a far less tolerant attitude. The exporters, who have a strong lobby, believe that the rupee needs to keep depreciating in order to make their goods competitive in overseas markets.

The recent strengthening of the rupee made the central bank intervene actively in the forex market to curb the rise. This is borne by the forex reserves increasing since the beginning of this calendar, to hit $405 billion recently.

What's changed for the rupee?

The downward pressure on the USD-INR exchange rate eased since last September, when the rupee hit a low of 74 against the greenback. There seem to be some medium-term shifts in the drivers of the rupee that need to be taken note of.

The dollar rally, that pressured the rupee, appears to have ended. The dollar index rallied from 89 in March 2018 to 97 by December 2018, fuelled by the Federal Reserve's aggressive interest rate hikes — four in 2018 with guidance for another three in 2019.

But the sharp sell-off in US equity market towards the end of 2018 coupled with threat of economic slowdown has made the Federal Reserve pause its rate hikes and adopt a more dovish stance. With expectations of the Fed staying on hold until June, the dollar index has cooled a little, to 96 levels.

The spectre of a slowdown in global growth has also been haunting other central banks. The ECB and the Bank of England too have decided to maintain a more benign monetary policy. As monetary conditions have eased in global markets, foreign portfolio flows into emerging markets, including India, have picked up.

The Indian equity market has received $6.3 billion of net inflows so far in 2019, a sharp contrast to net outflows worth $4.3 billion in 2018. Indian debt market flows have also turned slightly positive after witnessing outflows worth $6.9 billion in 2018.

Another factor that needs to be noted is that the rupee typically performs better in periods when global growth slows. Between June 2010 and 2011, as global growth fell from 5.7 to 4.3 per cent, the rupee appreciated from 46.44 to 44.6 against the dollar. Similarly, between December 2006 and March 2008, global growth declined from 4.9 per cent to 3.03 per cent, but the rupee strengthened from 44.2 to 40.1.

But once the global slowdown gathers pace, the rupee too begins declining; probably due to FPIs pulling out money and the adverse impact on exporters.

The IMF's global growth and trade numbers have been on a downward trajectory since 2017. Since slowing global demand brings down commodity prices, India stands to benefit as it is a net importer. The Thompson Reuters commodity index is down from the recent peak of 200 recorded in June 2018 to 184 currently. This is conducive for our trade deficit.

Given the increasing possibility of a chaotic Brexit and a long drawn US-China trade war, central banks could be more cautious with their monetary tightening in the immediate future, thus keeping foreign flows strong.

The global slowdown is also likely to prolong, thus keeping commodity prices soft. The RBI could continue to mop up the incoming dollars to build its reserves. Besides this, it might also have to pull some other tricks out of its hat, akin to the dollar-rupee swap.

Source: thehindubusinessline.com- Mar 28, 2019

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Commerce min calls meeting of stakeholders on increasing exports to China on Apr 5

The commerce ministry has called a meeting of stakeholders including export promotion councils and other government departments to discuss ways to increase exports to China, an official said.

Officials from the agriculture ministry, Agricultural & Processed Food Products Export Development Authority (APEDA), and representatives from export promotion councils would participate in the meeting.

Growth in exports to China is beneficial for India as it has huge trade deficit with the neighbouring country.

Trade deficit with China increased to USD 63.12 billion in 2017-18 from USD 51.11 billion in 2016-17.

India is taking several steps to promote shipments to China. Recently, it has managed to export agricultural goods such as non-basmati rice to China.

India is seeking greater market access for various agricultural products, animal feeds, oil seeds, milk and milk products, pharmaceuticals in light of the potential of these products/services in the Chinese market.

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

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HT cotton use: AP lists out suspended varieties

The Andhra Pradesh Government has modified its January order on cancellation and suspension of licences of several seed firms that faced allegations of contamination of herbicide tolerant (HT) technology in cottonseeds.

After conducting an investigation into the incidence of illegal use of the technology, the Director (Seeds) of Agriculture of Andhra Pradesh, has cancelled the licence of Narmada Sagar and suspended licences of 13 seed companies for one year.

The Department was acting on complaints that traces of HT technology, which has not received permission from the Central regulator Genetic Engineering Approval Committee (GEAC), had been found in the fields of some farmers.

However, the seed firms, through the National Seed Association of India, had sent an appeal to the Department asking them to repeal the cancellation and suspension orders. They asked for a proper testing and checking mechanism to keep tabs on the unscrupulous players.

They also protested against the blanket order on all the products. HT cottonseed technology is a third-generation GM (genetically modified) technology for cotton.

The technology gives the plant internal strength to protect itself from herbicide sprays that are targeted at weeds.

No commercial use

The GEAC has not given permission for the technology to be used commercially. However, the area under HT cotton is reported to be 20-25 per cent in Telangana and Andhra Pradesh alone, with unscrupulous players supplying HT seeds to farmers. Meanwhile, the Appellate Authority and Special Commissioner of Agriculture, after studying various representations, has issued an order specifying particular seeds that stand suspended.

The authority upheld the cancellation of the centralised seed license of Narmada Sagar Agri Seeds. It specified certain varieties of seeds of some companies that stand suspended for one year. The varieties (with the name of the company in the bracket) include: NCS 459 Bollgard-II (Nuziveedu Seeds); KCH 707 BGII (Kaveri Seed); and Ankur-3028 BGII (Ankur Seeds).

While listing out the varieties under suspension, the Additional Director of Agriculture (Seeds) and Licensing Authority of Andhra Pradesh has directed the officials to inform dealers and farmers about the development. He cautioned that strict action would be taken against those who violated the orders.

Source: thehindubusinessline.com - Mar 28, 2019

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Farm subsidies: India must keep a vigil

WTO's ruling on China's farm subsidies has important lessons for India and other developing nations

Agriculture is a widely subsidised sector in several countries. Amidst the escalating trade war between the US and China, the WTO gave a notable ruling in February 2019, in a challenge involving certain agricultural policies of China. This ruling is on one of the two disputes filed by the US against China's farm subsidies on grains.

China – Agricultural Producers (DS511) related to China's compliance with its domestic support commitments under the WTO Agreement of Agriculture (AoA). China not being an original WTO member, but a member that acceded much later, received a certain unique treatment.

China undertook obligations not to provide domestic support in excess of the de minimis level of 8.5 per cent of the total value of agriculture production.

Although China received treatment as a developing country, it did not receive the cushion of 10 per cent de minimis limit which other developing countries received. In this dispute, the allegation was that China exceeded the de minimis for Indica rice, Japonica rice, wheat and corn for the years 2012 to 2015.

The calculation of domestic subsidies in agriculture is particularly complex and is captured in the concept 'aggregate measurement of support' (AMS). Most governments provide agriculture subsidies in the nature of market price support. In China, the Minimum Procurement Price (MPP) programmes for wheat and rice apply in certain provinces such as Hubei, Anhui, and Jiangsu.

Under the programme, government purchases of agricultural products occur only when market prices fall below the established MPP level. Such market price support programmes should be included in the calculation of AMS.
Complex calculations

The AMS is not just the budgetary expenditure of the government to provide subsidies to the agricultural products. It depends on certain external factors as well. The calculation of quantum of market price support is based on the price gap between the 'applied administered price' identified in the domestic support measure and the 'fixed external reference price' multiplied by the quantity of eligible production.

An understanding of these concepts is crucial in evaluating the agriculture policies of other agrarian countries such as India. India too provides certain minimum support price (MSP) for agricultural products, which is akin to the applied administered price.

The determination of AMS significantly depends on the quantity of production eligible to receive the applied administered price. There is lack of clarity in the AoA as to whether "eligible quantity of production" refers to the total production of the concerned product or the amount actually procured by a WTO member.

The China dispute sheds some light on the quantity of eligible production, albeit in a limited sense. Previously, the Appellate Body ruling in Korea – Beef (2000) interpreted the eligible quantity of production to mean the amount of commodity produced that is entitled to receive the support, rather than the production actually purchased by the government.

Interestingly, China applied a number of criteria to limit the quantity of eligible production, such as: the geographical scope (MPP programmes limited to certain provinces), temporal scope (time period in which purchases were made), activation and de-activation (procurement only in cases where price drops below certain levels), minimum grain quality requirement, and consumption of grains in small-scale farms.

The WTO panel examined these factors and concluded that the quantity of production eligible to receive the market price support to be the entire volume of production in the relevant specified provinces.

China successfully convinced the panel on the geographical scope and the grain quality requirement but failed to do so with the rest of the criteria. Pursuant to AMS calculations, the panel concluded that China had breached its de minimis level and acted inconsistently with the AoA.

The decision's import

This decision has significance for a number of developing countries, including India. Most developing countries do not set targets for procurement of foodgrains in their market price support programmes. A possible consequence could be that some of the agriculture support programmes could come under WTO dispute scrutiny.

The Ministerial Decision in Bali on Public Stockholding for Food Security Purposes gives reasonable comfort to developing countries to provide agricultural support for food security purposes. However, countries will have to fulfil certain conditions such as notification and transparency requirements. Developing countries that take recourse to the Bali decision will find some parts of the China farm dispute particularly useful and instructive.

Source: thehindubusinessline.com - Mar 27, 2019

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