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IBTEX No. 102 of 2019 May 28, 2019

USD 69.62| EUR 77.90 | GBP 88.29 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21818	45600	**83.43**

Domestic Futures Price (Ex. Warehouse Rajkot), June

Rs./Bale	Rs./Candy	USD Cent/lb
22230	46461	**85.00**

International Futures Price

NY ICE USD Cents/lb (July 2019)	68.39
ZCE Cotton: Yuan/MT (September 2019)	13,550
ZCE Cotton: USD Cents/lb	89.10
Cotlook A Index – Physical	**78.50**

Cotton Guide: The ICE Futures were closed yesterday. Currently ICE July this morning at 7:30 am is trading at 68.68 cents/lb showing a positive change of +0.34 or +0.50%.

The international prices are slightly changing course with news of adverse weather in the cotton belt of the United States.

On the other hand the MCX contracts skyrocketed, the most important MCX June contract settled +420 Rs higher with the settlement figure of 22,230 Rs/Bale.

The MCX July and MCX August contract settled at 22320 and 22300 Rs/Bale respectively with a change figure of +340 and +330 Rs. Today we need to look at the total volumes that the future contracts bagged. Yesterday the total volumes were seen at 12,269 lots as compared to the previous figure of 6072 lots i.e. almost an increase of 102%.

The Cotlook Index A has been updated at 78.50 cents/lb with a change figure of +0.75 cents/lb, whereas the cotlook Index A 2019/2020 has been updated to 77.00 cents/lb with a change figure of +0.60 cents/lb. The spot prices of Shankar 6 have also shot up to 45600 Rs/Candy.

The reason attributed for such a drastic change in both spot and domestic futures is that all the market participants are now becoming aware of the shortage of cotton available in India. On the other hand Ginners usually like to hold the stock with them in the month of May and sell the stock later in the month of June as soon as the monsoon kicks in. The reason is simple, Ginners sell cotton based on its weight. When there is moisture in the air during monsoon, the cotton fibre takes in all the moisture and thus its weight increases which makes it profitable for the Ginner to sell.

For domestic markets we can expect prices to continue with its steady bullish trend. As for International markets for the short term we are biased towards the positive end. However, the long term trend at this moment seems to be quite difficult to predict due to two factors : Weather and President Trump.

On the technical front, Prices made a bullish belt hold candlestick and closed above the Dema(5,9)=(68.01,68.04) indicating the pullback is likely. Immediate resistance is around 69.50 (Neckline of reversal pattern) and the support is at 68(5 and 9 day EMA). Relative strength index (RSI) is at 42.53 suggesting the negative to sideways bias. For the day we expect the prices to trade in the range of 68-69.50. In the Domestic market MCX Cotton June may trade in the range of 22050-22400.

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

"Shri Manojkumar Patodia, Vice Chairman, Texprocil along with Past Chairmen, Shri Ujwal R Lahoti, Shri Amit Ruparelia and Executive Director, Dr. Siddhartha Rajagopal congratulating Smt. Smriti Zubin Irani, Former Union Minister of Textiles on Saturday, 25th May 2019 at New Delhi on the occasion of her spectacular win in the Loksabha Elections 2019!

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INTERNATIONAL NEWS

OECD projects world economy to grow 3.2% in 2019

The Organisation for Economic Cooperation and Development (OECD) expects the global economy to achieve moderate but fragile growth over the coming two years. It projects that the global economy will grow by 3.2 per cent in 2019 and 3.4 per cent in 2020. It identifies continuing trade tensions as the principal factor weighing on the world economy.

OECD Economic Outlook projections, May 2019

Real GDP growth, year-on-year, %

	2018	2019	2020		2018	2019	2020
World	3.5	3.2 ↓	3.4	G20	3.8	3.4 ↓	3.6 ↓
Australia	2.7	2.3 ↓	2.5	Argentina	-2.5	-1.8 ↓	2.1 ↓
Canada	1.8	1.3 ↓	2.0	Brazil	1.1	1.4 ↓	2.3 ↓
Euro area	1.8	1.2 ↑	1.4 ↑	China	6.6	6.2	6.0
Germany	1.5	0.7	1.2 ↑	India	7.0	7.2	7.4 ↑
France	1.6	1.3	1.3	Indonesia	5.2	5.1 ↓	5.1
Italy	0.7	0.0 ↑	0.6 ↑	Mexico	2.0	1.6 ↓	2.0 ↓
Japan	0.8	0.7 ↓	0.6 ↓	Russia	2.3	1.4	2.1 ↑
Korea	2.7	2.4 ↓	2.5 ↓	Saudi Arabia	2.2	2.5 ↑	1.9 ↓
United Kingdom	1.4	1.2 ↑	1.0 ↑	South Africa	0.8	1.2 ↓	1.7 ↓
United States	2.9	2.8 ↑	2.3 ↑	Turkey	2.6	-2.6 ↓	1.6 ↓

↑↓ Arrows indicate the direction of revisions since March 2019

Source: OECD Economic Outlook, May 2019

OECD

"Global growth slowed sharply in late 2018 and is now stabilising at a moderate level.

Escalating trade conflicts and dangerous financial vulnerabilities threaten a new weakening of activity by undermining investment and confidence worldwide," says the OECD's latest Economic Outlook.

Working with over 100 countries, the OECD is a global policy forum that promotes policies to improve the economic and social well-being of people around the world.

The Outlook includes downward revisions for many major economies and warns that current growth rates are insufficient to bring about major improvements in employment or living standards. Over the coming two years, vulnerabilities stem from trade tensions, high policy uncertainty, risks in financial markets and a slowdown in China, all of which could further curb strong and sustainable medium-term growth worldwide.

The Outlook notes that world trade – a key artery of the global economy – is projected to grow by just over 2 per cent this year, which would be the lowest rate in a decade. It underlines that the current cycle of trade disputes is hurting manufacturing, disrupting global value chains and generating significant uncertainty that is weighing on investment decisions, and highlights the risk of further disruption.

China remains key to global economic growth, according to the Outlook. Significant fiscal policy stimulus has buffered the economy as it rebalances from investment and export-led growth to a more domestic footing. A sharper slowdown than already seen in China would pose important risks to both global growth and trade prospects.

"The fragile global economy is being destabilised by trade tensions," said OECD chief economist Laurence Boone, launching the Outlook during the annual OECD Forum in Paris. "Growth is stabilising but the economy is weak and there are very serious risks on the horizon. Governments need to work harder together to ensure a return to stronger and more sustainable growth," Boone said.

The Outlook calls on governments to act now to ensure a stronger economic future. It calls for a return to international cooperation and multilateral dialogue to restore predictability in policy and relaunch trade. It renews calls for combining structural reforms in all euro area countries with additional public investment in low-debt European countries.

"This should focus on digital, transport and energy networks as well as the education, training and competition reforms needed in the 21st century economy, which would add momentum to a growth rebound, boost productivity and spur wage growth over the medium term," the Outlook said.

Source: fibre2fashion.com- May 28, 2019

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US 'not ready' to make a trade deal with China, says Donald Trump

Trump said American tariffs on Chinese goods 'could go up very, very substantially, very easily'

The US isn't ready to make a trade deal with China, President Donald Trump said while on a state visit to Japan.

"I think they probably wish they made the deal that they had on the table before they tried to renegotiate it," Trump said Monday at a joint press conference in Tokyo alongside Japanese leader Shinzo Abe. "They would like to make a deal. We're not ready to make a deal."

Trump said American tariffs on Chinese goods "could go up very, very substantially, very easily." His comments came after trade talks between the two countries stalled earlier this month. Each side has since blamed the other, and Trump has threatened billions more in tariffs.

Trump said businesses were leaving China for countries without tariffs, including the US and Asian neighbors including Japan. Still, he also expressed optimism that the world's biggest economies would eventually reach an agreement.

"I think sometime in the future China and the United States will absolutely have a great trade deal, and we look forward to that," Trump said. "Because I don't believe that China can continue to pay these, really, hundreds of billions of dollars in tariffs. I don't believe they can do that."

New Rhetoric

For some time, the US "has had various voices on China-US trade talks. Sometimes it is said that an agreement will be reached soon, and sometimes that it is difficult to reach an agreement," Chinese Foreign Ministry spokesman Lu Kang said in Beijing Monday when asked about Trump's comments.

"In the same period of time, China's position has always been the same," Lu said. "China has always believed that the differences between any two countries should of course be resolved through friendly consultations and negotiations."

Over the weekend, China pushed back at the perception that Trump's tariffs are hurting its economy.

Higher tariffs will have a "very limited" impact, and would hurt the US about as much, according to Guo Shuqing, head of China's banking and insurance regulator. Guo is the highest-ranking Chinese financial official to publicly comment on the trade standoff since talks deteriorated.

A commentary published by the official Xinhua News Agency accused the US of "scapegoating" China for its trade imbalance and even some domestic economic issues, as Chinese state media urges unified resistance to foreign pressure.

"The United States is attempting to squeeze an unequal trade deal out of China, using measures such as tariff hikes and targeting its tech companies," it said, while praising Beijing's "utmost sincerity" in the negotiations.

China has escalated its anti-US discourse since the talks faltered and Trump blacklisted Huawei Technologies Co. and scores of its affiliates earlier this month in a bid to stymie its access to the US market. His administration is considering restrictions on as many as five other Chinese tech companies.

Source: business-standard.com- May 28, 2019

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Cameroon bans azo dyes in textile manufacturing

The Central African country of Cameroon has banned the use of five chemicals in textile manufacturing in the country.

The banned chemicals are azo dyes, formaldehyde, alkyl phenol, phthalates, and heavy metals that have a negative impact on both the environment and consumer health, Cameroonian ministry of mines, industry and technological development said.

“The distribution of non-compliant products ... is therefore prohibited throughout the national territory. Any offender to this regulation will face sanctions provided for by the law in force,” Gabriel Dodo Ndocke, minister of mines, industry ad technological development said, according to Cameroonian media reports.

The minister said that the ban is in line with Cameroonian standards, specifically those related to loincloths and household linens. He urged textile processing and manufacturing companies, importers and retailers to comply with the decision.

Source: fibre2fashion.com- May 27, 2019

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Mali on track to harvest record cotton crop of 800,000 tonnes

Mali is on track to harvest a record 2019/20 cotton crop of 800,000 tonnes, up about 22 percent from 2018/19, the agriculture ministry said on Monday.

It said it expects good rainfall, growth in cultivated land and rising prices to boost production.

Mali’s cotton season runs from April to March in two phases: production between May/June and September/October, and a harvesting and marketing phase that runs from October/November to the end of March.

Source: brecorder.com- May 28, 2019

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Vietnam markets mixed on continued trade worries

Domestic markets were mixed on Monday, with the benchmark southern index rising but the northern one falling due to the continued uncertainty of regional and world markets.

The VN-Index on the Hồ Chí Minh Stock Exchange increased 0.53 per cent to close at 975.14 points. The index lost a total of 0.66 per cent last week.

The HNX-Index on the Hà Nội Stock Exchange dropped 0.33 per cent to end at 105.04 points.

More than 138 million shares were traded on the two local exchanges, worth VNĐ3.4 trillion (US$146 million).

Worries about the US-China trade war continued to cast a shadow over global markets. Investors feared the escalation of the trade war would dampen global trade and the trade conflict would "turn into a technology cold war", Reuters said.

Asian stocks lingered near four-month lows on Monday. Chinese shares started Monday higher but then slumped, with the benchmark Shanghai Composite dropping by 0.3 per cent and the blue-chip CSI 300 falling 0.6 per cent. Hong Kong's Hang Seng declined 0.5 per cent.

Vietnamese large-caps saw wide divergence among stock groups.

Masan Group (MSN), dairy firm Vinamilk (VNM), brewery Sabeco (SAB), Vietjet Air (VJC), HDBank (HDB) and Vietcombank (VCB) gained to support the VN-Index with MSN up by 1.4 per cent, VNM 2.7 per cent, SAB 1.5 per cent, VJC 0.5 per cent, HDB 1.7 per cent and VCB 1.4 per cent.

Bảo Việt Holdings (BVH), Coteccons Construction Joint Stock Company (CTD) and Phú Nhuận Jewelry Joint Stock Company (PNJ) all declined, limiting the market's gains. BVH fell 1.2 per cent. CTD decreased 1.04 per cent and PNJ fell 1.4 per cent.

Several oil and gas stocks increased such as PetroVietnam Drilling and Well Services Corporation (PVD), PetroVietnam Gas JSC (GAS) and Petrovietnam Transportation Corporation (PVT).

Sectors that increased included logistics, oil and gas, seafood processing, banking, real estate and food and beverages.

The agriculture, insurance, securities, construction and construction materials sectors reported losses.

According to Bảo Việt Securities Company (BVSC), the VN-Index is expected to alternate between ups and downs in upcoming sessions.

“After last week’s decline, the VN-Index might sit between 965 and 993 points in the short run, before sending signals to indicate what it will do next," BVSC said. "The market may recover in early sessions of the week then decline to the 960-965 support zone in the remaining sessions."

Cash inflows are expected to be spread out this week among textiles, real estate, industrial parks, rubber, information technology and electricity.

As the market is expected to remain flat in the short term, stock exposure should be limited at a maximum of 50 per cent of an investor's portfolio, BVSC recommended. Investors with high cash proportion should buy stocks at their support zones.

Source: vietnamnews.vn- May 27, 2019

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Bangladesh: Poor sales upset traders of imported clothes

Stores selling expensive imported garment items have so far been disappointed with sales as financially solvent customers are shopping abroad while locals keep faith on domestic produce as Eid purchases gain momentum.

The days to Eid-ul-Fitr are considered the busiest shopping season in Bangladesh, particularly for garments and footwear, and shop owners prepare accordingly to meet the growing demand.

But stores that retail expensive items have not had a good time so far.

The sales have been lower so far this season compared to the last one because the wealthy segment of the customers are shopping in India thanks to the visa processing becoming easier, said Serajul Alam, who has a store in Gulshan.

“When I went to India for wholesale purchase ahead of Eid, I found more than 50 percent of the customers carrying out shopping to have come from Bangladesh,” he said.

Alam imported clothes from India and China, mostly for ladies and kids items. His store, RUPOM, located in Police Plaza, however, has found very few customers.

The scenario is the same in other stores in shopping mall as well as in all markets in upmarket areas of Gulshan, Banani and Baridhara.

The stores selling imported clothes in Bashundhara City Shopping Mall also did not have many customers whereas local brands and stores are abuzz with visitors.

“It seems that customers can’t afford the imported products,” said Kamrul Hassan Shahin, a clothes importer who has a store in the market.

He said the prices of imported products were higher than that of local products but still people preferred imported ones because of higher quality and variety in designs.

Eid shoppers have, however, thronged cheaper shopping destinations such as New Market, Gausia Market and Chandni Chowk where merchandise from India dominates store fronts. People start Eid shopping from the first weekend of Ramadan and female customers are mostly allured by the imported salwar kameez, said Sabuj Mia, a shop owner in New Market.

About 45 percent of the clothes in his store are from India, some from China and the rest is sourced locally.

“There is a tendency among female customers to ask where products originate from. Such questions indicate that they are expecting to hear that the items are from India or Pakistan,” he said.

Though people are rushing for Indian clothes at cheaper prices in New Market, the items are actually locally produced, said Abu Khalid, who owns a store in Bashundhara City Shopping Mall.

He said the items are produced using low-quality fabrics and copying Indian or Chinese designs. As a result, stores can easily sell the products at lower prices in the pretext of being Indian or Chinese.

Ramzan Mia, owner of a store in Gausia Market, said he sells local items but most of those were made from costly cotton fabrics, prompting customers to turn to cheaper Indian alternatives. The price of imported salwar kameez ranges between Tk 1,500 and Tk 5,000 in New Market and Gausia Market, he said.

Source: thedailystar.net- May 27, 2019

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Garment exporters to exhibit at Denimsandjeans Vietnam

The fourth edition of Denimsandjeans Vietnam, which is scheduled for June 12-13, 2019, in Ho Chi Minh City, has released the list of exhibitors. Over 40 denim companies from 10 countries will exhibit at the event, which will also have participation of several reputed garment exporters. Two design houses from China will also be present at the show.

Five garment exporters from Vietnam—TCE Vina Denim, T&T Garments, Navi Jeans, Resource Garments, and Knit Indigo—will exhibit their A/W 20/21 collections at the show.

“Vietnam has gained more importance in the last few months not only because of business treaties including Europe-Vietnam Free Trade Agreement (EVFTA) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), but also due to ongoing tariff trade war between China and the US,” the event organisers said in a press release.

For China, Vietnam seems to be a good market, as it is facing heat from the US due to increased duties, and also due to the rising labour cost there. Leading denim fabric suppliers from China and Hong Kong, including Prosperity, Blackpeony, Foison Textile, XDD Textile, Chanzhou Thome

Textile, Zhejiang Xinlan Textile, and Guangzhou Indenim Textile are participating in the next month's event. Prosperity Textile has recently built a factory in Vietnam and has started operation.

India has also got a great advantage as its fabric has only 7.5 per cent duty in Vietnam. Further, the duty is expected to cut in the coming time due to good diplomatic relationship between the two countries. From India, Arvind Limited, KG Fabriks, Bhaskar Denim, Anubha Industries, Malwa and Ramsons are exhibiting at the show.

Vietnam is one of the most strategically growing markets for Pakistan as well, as it has been increasing its exports to the US. From Pakistan, the show will have Artistic Milliners, Kassim Denim, Crescent Bahuman, Soorty, Indigo Textile and US Denim Mills would be showcasing their products at the show. All these companies have been catering to some of the most niche denim brands/retailers including Levis, H&M, Tesco, Inditex, C&A, PVH, GAP and Li & Fung.

Turkish denim mill Kilim Denim is going to launch its special 1986 collection at the show, while JS.Viet from Vietnam will present its special A/W 20/21 collection at the show. Sri Lankan chemical manufacturer S and D Chemicals will showcase its range of sustainable chemicals at the show.

Apart from fabric and garments, the show will have the presence of leading industrial thread supplying company Coats, which is going to launch some special innovation at the show. The participation of accessories suppliers including Copen United, Swarovski, Polsan Buttons, and Kwong Ngai complete the presence of all the stakeholders from denim supply chain.

The show this time will also witnesses two design houses—Ciecro Design and DNA1964—from China showcasing their latest denim design.

A special traditional fashion show, Ao dai Denim Show, has also been scheduled on the very first day in the evening. It will bring the traditional dresses of Vietnam in the denim form.

Source: fibre2fashion.com - May 27, 2019

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Bangladesh: RMG exporters demand 5pc cash incentive

Apparel exporters yesterday demanded 5 percent cash incentive on their export receipts due to the rising costs amid implementation of a new salary structure in the industry.

At present, garment shipments to new markets -- which are destinations other than the US, the EU and Canada -- and the use of local yarn yield 4 percent cash incentives.

But now, the apparel and textile makers have demanded 5 percent cash incentives for all export shipments for the next five years.

The ongoing trade war between the US and China and the suspension of trade benefits by the US for Turkey have created good opportunities for Bangladesh's garment sector, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said at a joint press conference on the upcoming national budget.

If the opportunities are to be utilised, the exporters need a helping hand from the government, she said.

Leaders of the Bangladesh Textile Mills Association (BTMA), the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and the Exporters Association of Bangladesh (EAB) were present at the press conference held at the Amari Dhaka hotel.

Huq demanded an extra Tk 5 in exchange rate of US dollar for garment export receipts as it may boost shipments by 6 percent.

She also called for keeping all kinds of purchases for export purposes out of the purview of VAT, corporate tax cuts for garment companies from 12 percent to 10 percent and duty-free import of all kinds of safety equipment.

The BGMEA chief urged the government to carry forward the source tax of 0.25 percent on export receipts in the next budget.

Some exporters' loans should be rescheduled for a longer time frame as they are facing challenges in running their factories.

"Such a move will create more job opportunities as small and medium enterprises will be able to rerun their units." She also suggested forming an emergency fund of Tk 300 crore to help the small and medium factories.

Mohammad Ali Khokon, president of the BTMA, urged the government to give 16 percent cash incentives on apparel exports to the US markets as Bangladeshi product face 15.62 percent duty there.

"High duty to the US erodes our competitiveness," he said, while also calling for a 10 percent corporate tax rate for textile companies. Mohammed Hatem, senior vice president of the EAB, urged the government to simplify the process for getting cash incentives.

"Exporters have to face a lot of difficulties in receiving the incentive money," he said. Mansoor Ahmed, first vice-president of BKMEA, also spoke.

Source: thedailystar.net- May 28, 2019

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Pakistan: Imran's govt promises incentives to textile exporters

The Pakistan Tehreek-e-Insaf (PTI) government has decided to continue providing incentives to the country's leading textile sector in a bid to boost value-added textile exports to $30 billion over the next five years.

"A road map to grow value-added textile exports to $30 billion, through a comprehensive textile policy (for the next five years – 2019-24), will be rolled out by the task force led by Dr Salman Shah in the next eight weeks," Pakistan Textile Exporters Association (PTEA) Patron-in-Chief Khurram Mukhtar said, after holding a series of meetings with high government officials from May 8 to 19.

The Punjab government has recently appointed Shah as the adviser to the Punjab chief minister on economic affairs and planning.

The PTEA patron-in-chief, along with other colleagues and delegates, held a series of meetings with Adviser to PM on Finance Dr Abdul Hafeez Shaikh, Adviser to PM on Commerce and Textile Abdul Razak Dawood, Federal

Board of Revenue Chairman Shabbar Zaidi and other key officials at the Ministry of Finance in May.

The previous five-year Textile Policy 2014-19 is going to expire by the end of June 2019. The government has, however, failed to achieve the target of doubling value-added textile exports to $26 billion under the policy.

“Textile exports in first nine months of the current fiscal year, however, grew 19% in quantity and 3% in value due to the exchange rate adjustment,” said Mukhtar.

Key incentives

“The special energy package will continue for the five zero-rated sectors; electricity at 7.5 cents per kilowatt-hour and gas at $6.50 per MMBtu,” he said.

The government has decided to increase financing under the subsidised export finance scheme (EFS) and long-term financing facility (LTFF). “Currently, the total textile sector exposure stands at Rs1,009 billion. The share of subsidised loans stands at 41% of the total exposure,” he said. “The EFS ceiling will be increased by Rs100 billion and that of LTFF by Rs200 billion,” he added.

“The drawback of local taxes and levies (DLTL) scheme will continue for the five zero-rated sectors,” the patron-in-chief said.

DLTL was announced in the outgoing textile policy for the exporters of textile products on the free-on-board value of their enhanced exports on an incremental basis if exports increased more than 10% over the previous year’s exports.

In the meetings, it was noted that the zero-ratings of export sectors is a sensitive issue. The FBR chairman will take a final decision in this regard in consultation with all stakeholders.

The Ministry of Finance has released Rs12 billion in refunds under the Duty Drawback of Taxes (DDT) scheme for the textile and non-textile sectors, which was received by all exporters recently.

Road map for remaining refunds of Rs115b

The Federal Board of Revenue (FBR) would issue promissory notes for sales tax refunds of Rs40 billion by the end of May if all exporters opened an account with the Central Depository Company (CDC). Sales tax refunds stand cleared till November 30, 2018, he said.

Another Rs25 billion would be released for the DLTL/DDT schemes till June 20, 2019. The FBR will also issue promissory notes of Rs50 billion having sales tax refunds and income tax by the end of July 2019. The promissory notes will be of three-year tenure with an interest rate of 10%.

The meeting decided on a 5% customs duty to be applied to raw cotton imports from July 1, 2019. Support price will also be announced for the raw cotton based on export parity.

Source: tribune.com.pk- May 26, 2019

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NATIONAL NEWS

Textile manufacturers urged to do groundwork to reap RCEP benefits

“While the ongoing trade war between the US and China is perceived as an opportunity for the India’s textile manufacturers to enhance exports to the US, India should tread cautiously, particularly with regard to the Regional Comprehensive Economic Partnership (RCEP) trade with China as half Indiá’s textile and clothing trade is in RCEP with China,” said Sanjay K Jain, Chairman, CITI.

The Confederation of Indian Textile Industry (CITI) has urged the industry to reap the RCEP benefits, while emphasising the need for policy measures to enhance the total merchandise trade among RCEP member- countries. The pact is likely to be inked by the year-end.

RCEP, he pointed out is a gigantic regional bloc in size and scope as it contributes approximately 39 per cent of global GDP and is also home to almost three-and-half billion people. The huge population size makes this region a big market for world trade, including textiles and clothing.

This proposed comprehensive regional economic integration agreement is among 16 nations (10 member-countries of the ASEAN and six FTA partners of ASEAN — China, Republic of Korea, Japan, Australia, New Zealand, and India).

The RCEP member-countries’ total export of textiles and clothing to the world was $413 billion in 2018, and India’s share among RCEP nations stood at 9 per cent .

India maintains a trade surplus in T&C Sector with all the RCEP member-countries except China. The trade deficit with China was close to $1 billion in T&C in 2018.

At this juncture, India does not have any free trade agreement with two of its biggest trading partners — the US, with which it has the highest trade surplus, and China with which it has the highest trade deficit, the CITI Chairman said.

"India's trade deficit with China in the T&C sector could widen once RCEP is concluded. This could be detrimental to the domestic textile manufacturers. To reap the RCEP market, industry stakeholders in the textile value chain should gear to make the industry globally competitive," he said.

Source: thehindubusinessline.com- May 27, 2019

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New code in offing for textile, clothing sector

May improve staff working conditions

The 'Social and Labor Convergence Programme (SLCP),' an initiative to have a standard-neutral, converged assessment framework for the textile and clothing industry, will be launched in India shortly.

According to K.V. Srinivasan, chairman of The Cotton Textiles and Export Promotion Council (Texprocil), the issues of social and labour compliance had become highly relevant in labour-intensive industries, including in the textile and clothing sector.

The SLCP is not a code of conduct or compliance programme. The converged assessment framework is a tool developed by the SLCP, which provides a data set with no value judgment or scoring. It is, however, compatible with existing audit systems and codes of conduct. This means that the same data set can be used by a wide-range of stakeholders. It eliminates the need for repetitive audits to be carried out on the same facility.

A statement said the initiative is led by world's leading manufacturers, brands, retailers, industry groups, non-governmental organisations and service providers. The objective of the initiative Its aim is to improve the working conditions in textile units by allowing resources that were previously designated for compliance audits to be redirected towards the improvement of social and labour conditions.

This is a voluntary adoption by the textile and clothing makers. For the exporting units, it will reduce the number of social audits and facilitate measuring of employment practices, thus improving working conditions and employee relations.

It also redeploys resources towards improvement actions and fosters collaboration between supply chain partners. The SLCP would be holding free seminars at Mumbai, Bengaluru, Tiruppur, and New Delhi and will launch operations in India, China, Sri Lanka and Taiwan this month.

Source: thehindu.com- May 27, 2019

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100-day agenda: Commerce ministry proposes major export promotion scheme

The proposal is part of a 100-day action plan prepared by the ministry for the new government which will take office on May 30

The commerce ministry is considering a major export promotion scheme to ensure expeditious refund of central and state taxes and levies to boost shipments in the wake of global challenges at trade front, an official said.

The proposal is part of a 100-day action plan prepared by the ministry for the new government which will take office on May 30.

A new export promotion scheme has become necessary as the existing merchandise exports for India (MEIS) scheme is being opposed by the US in the World Trade Organisation (WTO), stating it is not in compliance with global trade norms, the official said.

The new scheme could be named as Central and State Taxes and Levies Scheme.

According to the proposal, the new scheme would ensure refund of all un-rebated central and state levies and taxes imposed on inputs that are consumed in exports of all sectors.

Major un-rebated levies are - state VAT/ central excise duty on fuel used in transportation, captive power, farm sector; mandi tax; duty of electricity; stamp duty on export documents, purchases from unregistered dealers; embedded CGST and compensation cess coal used in the production of electricity.

Initiatives by Commerce and Industry Minister Suresh Prabhu has helped in taking exports to an all-time high of $331 billion in 2018-19.

The ministry has also proposed to Introduce a WTO compliant production-based support scheme to increase outbound shipments.

The department of commerce is consulting with all the concerned stakeholders to frame this scheme to promote high potential sectors like electronics, telecom, hi-tech engineering, medical devices, pharmaceuticals, and technical textiles.

"We are consulting the stakeholders to propose production based government assistance. We will finalise the architecture of the scheme very soon," the official said. Any government support which is subject to export performance becomes a prohibited subsidy under WTO norms.

The ten-point action plan has also proposed the launch of a new five-year foreign trade policy (2020-25) on September 1 this year and promote shipments of the services sector.

The current policy will end in March 2020. The policy provides guidelines for enhancing exports with the overall objective of pushing economic growth and generating employment. "The new policy would include new export schemes while retaining important existing schemes. It will also include modern IT system with end to end IT enablement of all interfaces and processes of DGFT (directorate general of foreign trade) with exporters and other ministries/ agencies," the official said.

The other proposals include resolution of WTO issues like on agriculture sector; steps to revive special economic zones (SEZs), implementation of agriculture export policy; disbursal of funds under Trade Infrastructure for Export Scheme and promotion of Government e-marketplace (GeM) portal for public procurement.

For SEZs, the ministry has proposed measures such as uniformity in administrative and financial matters among all zones; integrated online portal for processing new investment requests, easy operational and exit-related matters, procedural relaxations.

Besides, the commerce ministry would consider allowing alternate sectors to invest in sector-specific SEZs, the flexibility of long term lease for developers and tenants, facility of sub-contracting for customers outside these zones and flexibility in usage of non-processing area by developers.

"We need bold measures to revive investment, promote manufacturing and exports from SEZs. The new SEZ policy needs to be future ready, investor-friendly and correspond to global market needs," the official added. The ministry has also planned to roll out national logistics policy, multi-modal logistic policy, integrated national logistics action plan, and logistics planning and performance management tool.

"Multi-Modal Transportation of Goods bill will be introduced in Parliament. The new bill will replace the existing MMTG Act, 1993. The new Bill introduces new concepts like regulation of self-regulatory agencies etc," the official said. Prabhu has taken a series of steps to cut logistics time and cost to push both domestic and foreign trade.

Source: business-standard.com- May 28, 2019

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A ready reckoner that decodes export rules

The Commerce Ministry has come out with a comprehensive draft of the export policy that includes product-specific rules to provide a ready reckoner for exporters.

“Based on inputs received from various partner government agencies, it is proposed to bring out a comprehensive exports policy for all ITC (HS) tariff codes (including items which are ‘free’ for export and do not currently exist in the policy), covering conditions/restrictions imposed by partner government agencies on exports,” the Directorate General of Foreign Trade said.

The draft policy is aimed at consolidating the export norms for each product as applicable at different government agencies.

ITC-HS Codes are Indian Trade Clarification based on Harmonised System of Coding. It was adopted by India for import-export operations. Every product has been accorded an eight digit HS code.

The compendium will help an exporter know all the applicable norms pertaining to a particular product.

Source: thehindubusinessline.com- May 27, 2019

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FIEO concerned over slowing exports

Industry body FIEO expressed concern over slowing exports growth of the country.

Reacting to the April, 2019 trade data, FIEO President, Ganesh Kumar Gupta said that the export data of USD 26.07 billion with a growth of 0.64 percent is not at all encouraging as almost all the labour-intensive sectors dominated by MSMEs are into negative territory.

These sectors are still facing the problem of liquidity besides various other challenges including global trade war, protectionism, fragile global conditions and constraints on the domestic front.

FIEO Chief said that there may be front loading of exports in the past as exporters were apprehensive of withdrawal of GSP in US and development in Iran.

FIEO Chief also expressed his concerns on the rising trade deficit primarily on account of swelling crude import bill with further northward movement of prices and ban on Iranian imports along with rising gold import.

Gupta also opined that with rising trade tensions between US and China, the global trade scenario may further worsen, putting more pressure on Indian exports in months to come. The uncertainty attached to it will affect the flow of investment and add to currency volatility.

He said that domestic issues including access to credit, cost of credit especially for merchant exporters, interest equalization support to all agri exports, benefits on sales to foreign tourists and exemption from IGST under

Advance Authorization Scheme with retrospective effect should be seriously looked into.

Besides these, budgetary support for marketing and exports related infrastructure are some of the other key issues, which needs immediate attention of the government.

Source: smetimes.in- May 27, 2019

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Trade pacts in an age of data flows

India, fixated on tariffs and market access, is unequipped to deal with credibility and other issues with respect to data

We live in a different world of trade compared to even two decades ago. Trade in services has become much more important and the value of cross-border exchange of data and data-related digital services (which include intangibles such as streaming of electronic media) has increased exponentially.

Indeed, the underlying value represented by cross border exchange of data is only just coming into trade discussions. As an example, imagine the commercial value of consumer preference data of millions of Indian credit-card holders being processed and used by an entity in, say, Malaysia to provide digital services in the Indian market.

Trade agreements, therefore, have stopped revolving around tariffs or even traditional non-tariff barriers, but around exchange of information and institutions that protect cross-border data flows and ensure credibility of information exchanged between the regulators of trading partners.

How do these changing landscapes of trade influence the design of trade agreements? Let us first consider the more mundane world of trade in tangible goods and the key concerns of governments around the world.

The main concerns revolve around under-invoicing to avoid or reduce customs tax obligation, dumping, abuse of Free Trade Agreement (FTA) privileges, and compliance with product, environmental, labour and ethical standards.

Ensuring compliance

Compliance in all these areas are becoming data-driven through networks that ensure credibility of the information being exchanged between regulators.

For example, the need for effective application of customs tariffs on goods at the border is putting increasing emphasis on validating the value and volume of transaction by integrating the data from customs of both (or more countries) involved, as well as banks and other financial intermediaries through secure networks such as blockchains. This might also require the central banks and fintech regulators of the trade partners having to enter into formal data reporting agreements with each other.

To use another example, prevention of abuse of FTAs can only be achieved when countries can signal the validity of agreed upon rules of origin (ROO) requirements, and exchange this information in a secure manner that prevents manipulation. Once again, the role of credible information exchange between the ROO certifying agencies of both countries become central to the solution.

Being able to grapple with the rising tide of technical and other non-tariff related requirements — whether they are product standards or environmental and labour regulations — is to find the most efficient way to comply with these regimes.

Thus, trade agreements are increasingly focussing on the means to enable their businesses signal their compliance with such requirements at the lowest cost possible.

Such solutions are once again dependent on developing cooperation between agencies in one or more countries with a focus on credibility of the actors involved and rules-based exchange of verifiable data.

An example of this would be the acceptability of a digitally signed product standard certificate by regulator in one country to the regulator in another based on the due process and trust established between them.

The cross-border trade in intangible services is defined by cross-border exchange of data. Therefore, the criticality of having institutions that allow the secure cross-border transmission of data (and its use for transactional or analytical purposes) is obvious.

Take the example of back-office IT and IT-enabled services or the emerging areas of data analytics and cloud-based services. Since sensitive data of individuals and businesses are crossing borders, it becomes imperative to have properly defined rules-based systems to guarantee the privacy and safety of that data.

There have been cases of employees in Indian back-office operations misusing financial data of US customers for illegal material gain. As the complexity and kind of data being exchanged increases, the potential areas of concern also increase manifold.

The current impasse in the EU-India trade negotiations on the EU granting India ‘Data Secure’ status once again points to the importance of developing credible institutional mechanisms that allow countries to trust each other with the data of their commercial entities and individuals.

Given the sheer value that can be commercially unlocked from data, rules around the movement of such data across borders for commercial purposes would underpin trade deals of the future.

However, it is not just about secure transmission. Trading partners would have to credibly signal their willingness and competence in addressing any misuse of data once it has crossed borders into their jurisdiction. For example, ensuring punishment for offenders and imposition of compensatory fines and penalties.

Addressing grievances

This is the whole new world of addressing consumer grievances cross-border. What happens when someone buys the services of an accountant or math tutor online across the border and there is non-performance by the service provider? How does the customer sitting in one country get compensated for consumer fraud related to online or digitally delivered services based in another country?

What about standards in services? National certification regimes can signal the quality of a chartered accountant, doctor or engineer or the soundness of a financial services provider to a domestic audience.

But entirely new regimes would have to be negotiated that can acknowledge professional or business competence and credibly signal them to consumers and regulators in another country.

Finally, countries will increasingly start to find ways to tax even 'intangible' movement of services and data across borders. In order to ensure that such taxation is not arbitrary, it would require cooperation on measurement of volume and value of such intangible cross-border exchange of digitised services, and exchange of information between trading partners that is verifiable and trusted by both sides.

A key policy question for the incoming government is whether India is ready for such type of advanced trade negotiations. An honest answer has to be no.

The existing trade negotiating and policy-making machinery is geared towards the traditional issues of tariffs and market access. India is institutionally unprepared for negotiations that require a whole array of agencies that specialise in regulating cross-border data flows or develop networks of credibility with their counterparts to demonstrate quality and trust.

This must be a priority for the new government to ensure India has a robust response in the fast-changing landscape of international trade and an effective voice at the high-table.

Source: thehindubusinessline.com- May 27, 2019

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How India can capitalise on US-China trade war

India needs to focus on becoming a new powerhouse as a global hub for exports to cash in on US-China trade war.

Even with a trade war, US investment in China during January 2019 reportedly doubled, with foreign capital in China's hitech industry increasing by 41%.

In the major trade standoff between China and the US, US President Donald Trump is steadfast in his approach of raising tariffs and using other policies for pressurising China.

On his part, China's President Xi Jinping has indicated that China will not give in to pressure from the US. "We are now embarking on a new Long March, and we must start all over again," Xi stated recently.

Even if solutions emerge, the problem will keep festering. Thus major international firms that invest in China are examining options to spread their risks and shift some of their existing and new investments to other countries.

Several persons have written about the possibility of India benefiting through increasing exports to the US and a shift of foreign direct investment (FDI) to India.

However, to substantively benefit from this situation, India requires a strategic approach to convert this opportunity into a major gain. India needs to focus on becoming a new powerhouse as a global hub for exports, with a major positive impact on competitiveness and job creation.

China's merchandise exports are almost the same as India's GDP. Even a 10% shift from Chinese exports to Indian exports would imply over 75% increase in Indian exports.

India needs to develop a strategy and vision for itself and the world to make this a reality. Its recent tepid export performance suggests that investment from large global companies is the transformative path for India, provided certain key points are kept in mind.

Moving Up The Value Chain

First, India is only one among the alternative countries being considered by major international companies as an investment destination. Indonesia, Malaysia, Mexico, Thailand and Vietnam all have relatively easier access to large markets.

Second, India's domestic market is large, but the focus of most large firms with major international brands and global presence is on exports and maintaining their global value chains (GVCs).

China's 2018 exports to the US at $560 billion were nearly double of India's total exports. According to United Nations Conference on Trade and Development (Unctad), multinational companies account for 80% of GVCs.

Third, India's aspirations to double its exports and create jobs depend on its success to link up effectively with GVCs. As the seventh largest global economy and the 20th largest goods exporter, India is not yet a significant presence in GVCs.

Fourth, to establish domestic capacity for export hubs and GVCs, strong presence of 'lead firms' that manage the GVCs becomes essential. These 'lead firms' are usually those with major global brands that can place their exports in most markets of the world.

Fifth, for competing with other nations to attract major investments away from China, India needs to emphasise and improve implementation of support policies, with a new flagship programme, 'India: Making for the World'. Major global companies make investment decisions significantly based on ease of operational conditions and stable policy regimes.

All alternative countries under consideration focus on creating and effectively implementing investment-friendly regimes - that is, taking a step beyond policy announcement. It is noteworthy that even China, in these difficult times, is increasing its incentives and project support to retain and attract additional investment.

Even with a trade war, US investment in China during January 2019 reportedly doubled, with foreign capital in China's hi-tech industry increasing by 41%.

Create Export Hubs

Against this background, India needs to take its vision of ease of doing business and Make in India to the next level, devising its strategy for 'India: Making for the World'. Very soon, an announcement should be made to commence with an initial 100 days plan.

The 100-day period would quickly signal to global firms making investment decisions and provide a broader platform for meeting major 'lead firms' when attending major meetings such as G20, UN, World Bank/IMF meetings during Q3 2019.

To give specific focus, certain selected sectors significant for employment, technology and exports should be identified for launching the programme.

These 'champion' sectors could be textiles and apparel, automotive products and electronics (with emphasis on mobiles), to be supplemented with a few other sectors later. These three sectors in India are likely to contribute over $1 trillion by 2025.

India should identify about five key companies - lead firms - in each sector and open immediate negotiations with them to facilitate either shifting or adding new capacity in the country to boost exports.

These policies which would pave the way for export hubs in India, need to be administered by relevant government agencies, and, thus, should to be framed and managed in a coordinated and facilitative manner.

A new mechanism, approach and political commitment at the highest levels would be required. A senior official or minister reporting to/in the PMO should coordinate, monitor and manage effective implementation of the supporting policies and timelines.

GVCs work only with timely and consistent high-quality response from different producers linked to the value chain. The coordinated approach must focus on addressing in a timely manner the actual operational problems identified through feedback from exporters.

Source: economictimes.com- May 28, 2019

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Apex textile industry body tells government to be cautious with RCEP talks

The textile industry body said that while the ongoing US-China trade war presents an opportunity to Indian textile manufacturers to enhance their exports to the US, China too would be looking for new markets for its products.

The RCEP bloc comprises 10 ASEAN members and their six FTA partners - India, China, Japan, South Korea, Australia and New Zealand.

Confederation of Indian Textile Industry (CITI) has cautioned the government to tread carefully while negotiating for the proposed Regional Comprehensive Economic Partnership (RCEP) trade agreement and not to cede space to China in the global textiles and clothing (T&C) sector.

“India's trade deficit with China in the textiles and clothing sector is likely to be widened once RCEP is concluded and could be detrimental for its domestic textile manufacturers,” said CITI Chairman Sanjay Jain.

The textile industry body said that while the ongoing US-China trade war presents an opportunity to Indian textile manufacturers to enhance their exports to the US, China too would be looking for new markets for its products.

“The RCEP trade scenario reveals that India must tread cautiously, particularly with China, as half of India’s T&C trade in RCEP is with China, with which it had a big trade deficit of almost $1 billion in 2018”.

This is critical as China is already re-routing its textiles into India through Bangladesh and Sri Lanka.

India registered trade deficit in 2018-19 with as many as 11 Regional Comprehensive Economic Partnership (RCEP) member countries - including China, South Korea and Australia - out of the grouping of 16 nations that are negotiating a mega trade pact since November 2012.

The RCEP bloc comprises 10 ASEAN members and their six FTA partners - India, China, Japan, South Korea, Australia and New Zealand. There is pressure on India to conclude the pact this year amid domestic industry especially steel, aluminium, copper and dairy opposing it.

Source: economictimes.com- May 27, 2019

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To create jobs, an industrial policy focused on labour-intensive industries is key

These sectors deserve consistent support over time to compete internationally since India is lagging behind

Manufacturing contributed in 2017 only about 16% to India's GDP, stagnating since economic reforms began in 1991. By contrast, in east and south-east Asia, the industry share has exceeded 30-40% while manufacturing is 20-30%.

India's manufacturing share of GDP has not moved up at all, though between 2004-05 and 2011-12 manufacturing employment growth was reasonable (grew by 6 million, using NSS). However, total manufacturing employment has fallen significantly between 2011-12 and 2015-16 by 10 million in just four years (Annual Survey Labour Bureau data, with a sample size same as NSS), especially in labour-intensive manufactures.

This is the opposite of what was achieved in Japan, Korea, Taiwan and China. All these countries restructured agriculture after the Second World War, focused their modernisation efforts on manufacturing, and made their financial systems slaves to these two objectives.

The result was rapid absorption of surplus agri-labour in labour-intensive manufacturing first, which then enabled them to move up the manufacturing value chain to more capital-intensive manufacturing, making them the factory of the world.

By contrast, in India the labour intensive manufacturing sectors like food processing, tobacco, textiles, apparel, leather, wood and furniture have seen a decline since 2012.

The tobacco and textiles sub-sectors within manufacturing have seen a fall in their share of total manufacturing employment in India (though total jobs grew slightly). The fall in the textiles' share requires policy attention, while the fall in tobacco is consistent with government policy to reduce tobacco consumption.

Packages for Specific Industries (not enterprises): The most labour-intensive manufactures are food processing, leather and footwear, wood manufactures and furniture, and apparel and garments. These product groups account for 50% of manufacturing employment in India (total manufacturing is 60 million of the total employment in India of 475 million in 2011-12).

Unfortunately, however, it is the unorganised segment of these labour-intensive manufacturing firms that employ most workers, not the organised segment. Perhaps this could be one reason for their relative policy neglect. Another could be the rise in rural share observed in manufacturing.

Between 1970-71 and 2011-12, the rural share in output of manufacturing doubled (from 25% in 1970-71 to 51.3% of manufactured output) and exceeded the manufacturing production in urban areas.

In addition to the usual problems that beset all manufacturing (e.g. poor infrastructure, uncertain electricity, the poor record on ease of doing business), each of these sectors have special problems and each deserve individual attention through a government package of policies in specific states where these activities are concentrated. Thus drawing upon World Bank employment elasticities, rapid export growth in garments sector could generate about half a million additional direct jobs every year.

Nearly every successful economic growth take-off in post-war history in East Asia was associated with rapid expansion in apparel exports in the early stages.

The ratio of jobs to investment is as follows: in apparel 31.1, in autos only 2.6, and in steel 1.0 (based on Annual Survey of Industries, 2013-14). India could take a part oof the market share that China is losing in international markets due to rising Chinese wages. But India is losing to Bangladesh, Vietnam, and even Myanmar and Ethiopia. Why?

The former chief economic adviser, Arvind Subramanian, suggests the following. First, logistics. The cost and time involved in getting goods from factory to destination is higher than in other countries.

Second, labour costs could be an advantage, but not really for several reasons: a) regulations on minimum overtime pay; b) onerous contributions that become de facto taxes for low paid workers; c) lack of flexibility in part time work; and d) high minimum wages in some cases.

One indicator is Indian apparel firms are smaller compared to firms in China, and even Bangladesh. Some 78% of firms in India employ fewer than 50 workers with 10% employing more than 500 workers. Contrast China, where the comparable numbers are 15% and 28%.

Third, world demand is shifting towards clothing using man-made fibres while Indian domestic tax policy favours cotton-based production, and tariff policy protects an inefficient man-made fibre sector.

Finally, India faces higher tariffs in the US and EU, unlike its competitors, which India can do little about, but about the rest it can.

Garments and apparel in 2016 received a package, as did the leather sector in 2017. However, close on the heels of these packages came demonetisation of high denomination currency notes (in November 2017). Then the cow slaughter ban disrupted the cattle trade in the country, and leather production collapsed (just as beef exports, in which India was the world's largest exporter, fell).

All unorganised sector producers suffered, including these sectors. The government policy packages for these sectors came to nought as a result. Hence, these and other labour-intensive sectors (wood and furniture, food processing) deserve consistent support over long periods of time, for them to compete internationally, as jobs in these sectors are vacated by China.

High-end, technology- and skill-intensive large-scale manufacturing will also need greater attention of industrial strategy. Our argument is that policy must go beyond the traditional labour intensive sectors. Electronics are not very labour intensive as final products. But in terms of the components and supply chain, it is a sector that creates many jobs.

However, All India Manufacturers Association, in a survey over Oct-Dec 2018, found that MSMEs (that predominate in these sectors) had lost jobs massively over the last four years.

The survey found that in 2014-15, if firms had 100 employees then by 2018-19, they were down among traders to 57 workers in 4.5 years; to 68 among micro enterprises; to 65 in small enterprises; and to 76 in the medium segment.

The new government will need to respond rapidly if labour-intensive manufacturing jobs among MSMEs are to grow.

Source: hindustantimes.com- May 27, 2019

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An India-US trade deal? No thank you

A bilateral trade pact will be skewed against India's interests. A better option is to address the current trade irritants

While the government formulates its policy priorities for NDA-II, grappling with the challenges confronting India-US trade ties is likely to be high on the agenda. How this thorny issue is addressed by the government could have far reaching implications for India's economic growth.

India's list of grievances against the US include problems encountered by its exporters of IT services, tariffs imposed by the US on exports of steel and aluminium products and the threat of the US to remove India from the list of developing countries enjoying preferential access to its markets.

US complaints include perceived barriers erected by India to its exports, India's recent measures related to e-commerce and its perennial criticism of India's intellectual property laws. At the WTO, the two countries have divergent positions on many issues, including the crisis at the dispute resolution mechanism and WTO reform.

In order to iron out the trade friction between the two countries, some strategic experts and foreign policy analysts have suggested that India should work towards a comprehensive bilateral trade deal with the US.

No doubt it should be a high political priority for India to have an enduring and mutually beneficial trade link with the US. However, any move by India for a comprehensive trade deal with the US should come only after a detailed examination of the fundamental reasons bedevilling trade relations between the two countries.

Despite the gradually deepening links between India and the US on geo-political issues, why have the two countries failed to forge deeper trade ties? Even a superficial analysis of the interests of the two countries would make it obvious that the path to strengthened trade relations is fraught with hurdles, many of which are insurmountable.

How does the US wish-list stack up against India's interests and concerns? At least six grounds of concern arise from an India-US trade deal.

First, as the average tariffs in the US is 3.4 per cent, India’s exports are unlikely get any significant boost, even if the US were to reduce its existing tariffs to zero. Second, India would be conceding considerable market access to the US by reducing/eliminating its tariffs from the existing average level of 13.8 per cent.

As India is not price competitive in a large number of products, the country may find it extremely difficult to face import competition under a zero-duty regime. This would pose severe risk to the manufacturing sector and could frustrate the Make in India flagship initiative of NDA-1.

Farmers at risk

Third, on the agriculture front, India’s farmers will be continuously exposed to the risk of being knocked out of the market by cheap and subsidised imports from the US. Tariff as a policy instrument would not be available to the government to regulate such imports. The consequences of such a situation can be extremely alarming. In particular, the horticulture sector, dairy sector and wheat would come under extremely intense pressure from US imports. Prospects of doubling farm income is likely to get dented by a comprehensive trade deal with the US.

Fourth, on the IPR front, India will get confronted by US to agree to its onerous demands, particularly for extending the monopoly protection enjoyed by the US pharmaceutical companies in India. This would require

India to make crucial changes to its domestic laws and regulations, which would eventually destroy the generic pharmaceutical industry in the country. This would result in sharp increase in prices of medicines, thereby compromising the health of the sick and the needy in India.

Fifth, the India-US trade deal would significantly erode the policy space currently available to the government to nurture the fledgling domestic digital economy in India. We are already witnessing a strong backlash unleashed by the US-based digital giants against some of the recent actions of the government, including data localisation for credit cards and the press note seeking to contain the unfair practices indulged in by retail platforms.

The trade deal will certainly be used by the US-based digital giants to ensure that their interests in India are strongly protected. This will compromise the digital future of our country.

Would the trade deal help India secure greater market access for its exports of services to the US? If the past FTAs of the US are an indicator, the US is extremely unlikely to agree to India's demands for more access for its professionals under Mode 4 of Services.

Further, given the strong emotions unleashed in the US against immigration, the US is not likely to show any flexibility to India in allowing seamless movement of professional. On the other hand, India would be required to grant considerable access to US firms in many sectors, including for financial services.

The proponents of the India-US trade deal are also optimistic on two issues, both of which need careful scrutiny.

Tech bogey

First, some experts have claimed that the trade deal will enhance India's access to high technology. This is not only incorrect, but also goes against the grain of the consistent stand of the US at various inter-governmental forums that technology transfer is governed by patents; and that it cannot direct its firms to share high technology. In short, the trade deal will certainly not have provisions that would facilitate technology transfer.

Another aspiration being articulated by some supporters of the trade deal is that it will enhance US investments in India. However, the link between bilateral investment protection treaty (BIT) and investment inflows is extremely weak.

On the contrary, based on a rigorous empirical exercise, UNCTAD's Trade and Development Report (2014) has concluded that "BITs appear to have no effect on bilateral North-South FDI flows". It is, thus, unlikely that the India-US trade deal will result in enhanced investment inflows from the US into India.

In conclusion, the stark reality is that a bilateral trade deal with the US would be extremely skewed and loaded against India's economic interests. The injurious consequences for India would far outweigh the export gains of a few billion dollars.

The proponents of the trade deal need to examine the nuts and bolts of a potential treaty and objectively assess its economic impact on the country. India must not fall into the dangerous trap of initiating negotiation for a comprehensive trade deal with the US.

Instead, the two countries must continue to talk and address individual irritants in trade ties. The time for a comprehensive India-US bilateral trade deal has not yet come.

Source: thehindubusinessline.com- May 27, 2019

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Govt proposes WTO-compliant schemes to boost Make in India

The commerce ministry under outgoing trade minister Suresh Prabhu has come up with a World Trade Organization (WTO)-compliant export promotion scheme along with a production based support scheme to boost Make In India as part of its 100-day action plan ahead of prime minister-designate Narendra Modi's swearing in ceremony on Thursday.

The new export promotion scheme may replace the existing Merchandise Export from India Scheme (MEIS) as the US has challenged India's existing export subsidy schemes at the WTO on the grounds of its incompatibility with multilateral rules.

“The new scheme will be on the nature of refund of all un-rebated central and state taxes and levies scheme on inputs consumed in exports in all sectors," a commerce ministry official said on condition of anonymity.

The major un-rebated levies are state value added tax/ central excise duty on fuel used in transportation, captive power and farm sector, mandi tax, duty on electricity, stamp duty on export documents, purchases from unregistered dealers, embedded central goods and services tax (CGST) and compensation cess, coal used in production of electricity.

The production-based support scheme will also aid Indian exporters in the absence of an export subsidy scheme and promote Make In India.

“Promotion of certain high potential sectors like electronics and telecom, hi-tech engineering products, medical devices, pharmaceuticals, technical textiles is very essential.

We are consulting the stakeholders to propose a production-based government assistance. We will finalize the architecture of the scheme very soon," the official said.

Under the special and differential provisions of the WTO’s Agreement on subsidies and countervailing measures, so-called least-developed countries and developing countries whose gross national income (GNI) per capita is below $1,000 a year at the 1990 exchange rate are allowed to provide export incentives to any sector that has a share below 3.25% in global exports.

However, they need to stop all export incentives if per capita GNI crosses $1,000 for three straight years.

According to a notification by the committee on subsidies and countervailing measures in 2017, India’s per capita GNI crossed $1,000 for three consecutive years in 2015.

India has argued that as countries that were already above $1,000 were given eight years to adjust to the new regime, it should also get similar time to change its exports policy.

The commerce department has also started work on launching a new five-year foreign trade policy on 1 September as the term of the current policy is set to end on 31 March 2020.

“The thrust of the new foreign trade policy would be to boost exports of goods and services which are bought in large values by the world and where India has strong competitiveness.

The launch of the new foreign trade policy will also include the state of art information technology (IT) systems with end-to-end integration with all agencies," the official said.

Source: livemint.com- May 27, 2019

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