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**IBTEX No. 223 of 2018** **October 29, 2018**

USD 73.32| EUR 83.54 | GBP 94.10 | JPY 0.65

| Cotton Market | | |
|---|---|---|
| **Spot Price ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 21585 | 45150 | **78.46** |
| **Domestic Futures Price (Ex. Gin), October** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 23040 | 48194 | **83.76** |

| **International Futures Price** | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2018) | 77.68 |
| ZCE Cotton: Yuan/MT ( Jan 2019) | 14,875 |
| ZCE Cotton: USD Cents/lb | **82.60** |
| **Cotlook A Index – Physical** | **86.80** |

**Cotton Guide:** The gone by week was quite volatile for cotton. The ICE cotton future the most active December contract moved in the wide range of 76.14 to 80.14 ( 4 cents variation) and ended the week at 78.53 just up by 61 points from the previous week's close.

Including last week it has been fourth week that cotton price in the US market at ICE has been maintaining the price band of 75.37 to 80.14. Technically it is considered as consolidation band however, in other ways to look at it is though market is sideways but it is making higher highs but mixed low. This means it is still under indecisive phase and no clarity on the direction of cotton in the near term. Adding fundamental and market dynamics of cotton to price following are the key drivers that are keeping cotton price stressed.

a- The continued US-China trade worries though it is progressing nowhere but losing confidence in the market as each day is passing.

b- US is now facing multiple issues- a) Export demand is shifting from US to other countries- China & Vietnam are shifting focus to India, Turkey and Greek. b) The threat of wide open crop loss due to hurricane in the country is likely to change the supply dynamics of cotton. Market is expecting as minimum as 1 million bales loss in US cotton. This will deteriorate the USDA estimates.

Indian cotton supplies are relatively tighter this year (2018-19), the production estimates are expected to be lower, and the stocks are less. The impact is not yet reflected on the price as currency weakness and a credit crisis is driving cotton to export. For detailed report please access Kotak Commodity Research Desk.

**Currency Guide:**

Indian rupee has appreciated by 0.2% to trade near 73.34 levels against the US dollar. Rupee appreciated amid some stability in Asian equity markets in early trade today. Outlook for emerging market economies was also bolstered by victory of far-right candidate Jair Bolsonaro in Brazilian Presidential elections. Bolsonaro campaign was centered on promises to clean up politics and crack down on crime.

However, weighing on market sentiment are concerns about Chinese economic slowdown, Brexit impasse, Italy budget crisis, trade war and higher interest rate. Rupee has also benefitted from stability in crude oil price as it eases inflation and trade deficit concerns. Brent is rangebound near $77 per barrel amid demand concerns and higher US output. The US dollar however remains supported by optimism about US economy and Fed's rate hike stance. US GDP growth slowed down from 4.2% in Q2 to 3.5% but was slightly better than market expectations of 3.3% growth. Rupee may remain under pressure unless risk sentiment improves significantly. USDINR may trade in a range of 73.1-73.55 and bias may be on the upside.

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

## *Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:*

| Indicative Prices of Cotton Yarn in China<br>Date: 28/10/2018 | ***Prices in US$ FOB*** | |
|---|---|---|
| **Country** | **20s Carded** | **30s Carded** |
| India | 2.80 | 3.10 |
| Indonesia | 2.56 | 2.85 |
| Pakistan | 2.31 | 2.70 |
| Turkey | 3.20 | 3.45 |
| Source: CCF Group | | |

### China yarn

Overall yarn market showed weakness. Prices of cotton yarn, polyester yarn and rayon yarn also went weak, while prices of polyester/cotton yarn and polyester/rayon yarn stayed stable and price of cotton/rayon yarn tended stable to strong due to better downstream demand.

**International yarn**

Cotton yarn values continued to stagnate. Downstream manufacturers in Pakistan have remained reluctant to meet spinners' asking rates.

Export demand has also been lacking.

Egyptian apparel export earnings in the year to August were six percent ahead of the same period in 2017.

**Source: CCF Group**

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# INTERNATIONAL NEWS

## The importance of Asia-Europe cooperation

The Asia-Europe Meeting (ASEM) is the highest platform for Asia-Europe dialogue. As such, it could play a substantive role in fostering cooperation among the countries of the two continents. It could also enable them to play a strong role in global politics buffeted by challenges from Donald Trump's America.

Held on 18-19 October in Brussels, the two-day biennial 12th ASEM revolved around these issues. Titled 'Global Partners for Global Challenge', it deliberated on how Asia and Europe could work together to safeguard and preserve multilateralism and issues relating to global commons through multilateral dialogues. Venkaiah Naidu, the vice president, represented India at the summit and highlighted key concerns and priorities for the government.

Established in 1996, ASEM functions as an informal inter-governmental dialogue platform. Through five rounds of expansion, it has registered a two-fold increase in membership, from 26 in 1996 to 53 in 2018. This also includes two regional organizations, the Asean (Association of Southeast Asian Nations) Secretariat and the European Commission. Asia has registered its robust presence with 21 countries, including its prominent major and middle powers such as China, India, Russia, Malaysia, Indonesia, Japan, and South Korea.

India joined ASEM in 2007 after it was inducted during the second round of expansion. Its cooperation with post-war Europe goes back to the 1950s when the European Union's (EU's) precursor, the European Economic Community, was established. India has had its own summit mechanism with the EU from 2000, which was further consolidated with the 2004 India-EU strategic partnership agreement.

ASEM's potential lies in the fact that it encompasses 60% of the world population, more than half of global trade, and around two-thirds of global gross domestic product. Moreover, it consists of four United Nations Security Council members, all BRICS members except South Africa, and 12 of the G20 member states. However, much of this is yet to be translated into real strength.

Nevertheless, ongoing shifts in global power and geo-economics, and convulsions in the liberal international order, make ASEM increasingly relevant. Europe has been a major stakeholder in Asian growth. For one, the EU is one of the biggest trade and investment partners of Asean, India and China. It is the largest source of foreign direct investment in both India and Asean.

Both Asia and Europe are wary of the uncertainties being created by the US. Rising protectionist trade policies, withdrawal from the Paris Agreement on climate change mitigation, and Trump's disregard for multilateral dialogue pose significant common challenges. While China is the main target of the Trump administration's trade tariffs, the EU, Japan and India are vulnerable as well.

Increasingly disillusioned by the Trump administration, post-Brexit EU is likely to be more focused on Asia. Recent trends indicate that it is keen to be more integrated with Asian growth. Major European countries such as France and Germany are getting more involved in Asian security dynamics too.

For Delhi, relations with both China and the US have been a tightrope walk. China's Belt and Road initiative (BRI) and Trump's tariff barriers and H-1B visa issue are prime areas of concern for India. In that context, greater cooperation with the EU and Asian powers could open up new vistas of cooperation. Even on critical strategic issues with economic ramifications such as Iran, India, China, and the EU are largely on the same page. ASEM countries should find common ground on trade liberalization and reduction of tariff and non-tariff barriers, among other things.

Asia-Europe connectivity is another key issue. The EU has recently released a policy document on fostering physical, economic, digital, and people-to-people connectivity between Asia and Europe. Prepared by the European Commission, the document, Connecting Europe and Asia: Building blocks for an EU strategy, emphasizes the need for "sustainable, comprehensive and rules-based connectivity" to enhance "prosperity, safety and resilience of people and societies in Europe and Asia". If the EU is able to move towards operationalizing these principles, it will have significant economic upsides.

This connectivity plan is seen by many as a response to China's multi-billion-dollar BRI project. Major Asian stakeholders have already launched their own alternatives—to varying degrees—to BRI.

In addition to their individual connectivity and outreach initiatives, Japan (Partnership for Quality Investment) and India (Sagarmala) are working together on the Asia-Africa Growth Corridor for inter-regional connectivity. With Australia and the US, the two are also working on Indo-Pacific connectivity. In this context, the EU was conspicuous by its absence. Thus, this plan is a good move, even if it has come about more slowly than it should have.

The EU strategy is a good omen for Asian countries which have been looking for a rule-based and transparent multilateral cooperation mechanism that can yield quality investments for greater intra-regional, regional, and inter-regional connectivity. It will also be interesting to see what impact the EU's participation could have on the manner in which China is implementing the BRI.

All of this, however, comes with caveats. Europe is facing a rising tide of nationalism across its member states. Brexit is the most overt symptom, and a disruptive one, but there are many others. As for Asean, its unity is being challenged by widening internal rifts. These could prove to be significant stumbling blocks.

ASEM could play a key role in bringing Asian and European countries closer on a range of issues. This is significant at a time when the US is disrupting the gains of globalization. However, this will require political will in Asia and Europe to back multilateralism and free trade.

Source: livemint.com- Oct 28, 2018

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# How will the 'New NAFTA' impact North Carolina?

Who knew trade negotiations could play out like a best-selling thriller? The negotiations for a new trade treaty between the U.S., Mexico and Canada had a deadline of September 30th, which was a Sunday.

I followed the news that day, and it was all gloomy about successful resolutions to several problems between the U.S. and Canada. An agreement on a new trade treaty had already been reached between the U.S. and Mexico, so as I went to bed on Sunday night I thought a three-country NAFTA deal was likely not going to happen.

Arising the next day – Monday, October 1st – at 6 a.m., I turned on one of the financial news programs and saw the day's forecast for the Dow-Jones stock average was up big – in the three digits. Clearly something good had happened overnight, and I wondered what it was.

I soon got my answer. Literally at the 11th hour (11 p.m. on Sunday night), Canada joined the U.S. and Mexico for a new NAFTA deal. Except it will no longer be called NAFTA (North American Free Trade Agreement). The new three-country trade arrangement will now be known as the USMC (United States, Mexico, Canada) Agreement.

I was here as a faculty member at North Carolina State University for the original NAFTA in 1994, and debate over the treaty was contentious in our state. There was a deep divide between those who worried about lost production and cutbacks in jobs in some sectors of the economy, and others who were excited about the possibilities for new selling opportunities in both our northern and southern neighbors.

This time has been different. The dust is settled from the original NAFTA. Yes there were winners and losers, but the perception seems to be that the majority of people are used to – and indeed expect – international trade. So most of the reports I have seen, and most of the discussions I have had, expressed a hope that NAFTA would be successfully renegotiated.

So how will the new USMC affect North Carolina's economy? Before I answer this question, let me step back and describe how our state's international exports have evolved in recent decades.

Current North Carolina exports represent a combination of two major strengths in the state economy.

One is a traditional strength – agriculture. North Carolina farmers are very good at growing crops and raising livestock – particularly hogs and poultry. Therefore it should not be surprising to see agricultural products, as well as processed food products, among the state's top exports to foreign buyers.

North Carolina is also still a manufacturing state. Almost twice as much of the total state economy is devoted to manufacturing as at the national level. Consequently it also makes sense a variety of manufactured products – in health care, transportation, machinery and others – are top exports to other countries.

Canada and Mexico are the number one and number two buyers of North Carolina's exports, accounting for almost one-third of the value of all the state's sales to foreign countries. Since 2000, the value of the state's exports to these two countries has increased 50 percent. But among specific products, the gains have been even more impressive.

Sales of agricultural products to Canada and Mexico jumped 550 percent between 2000 and 2017. Between the same two years, our exports of manufactured food products to our NAFTA partners rose 200 percent, and export sales to Canada and Mexico of transportation equipment made in North Carolina gained 140 percent.

The preservation of access by North Carolina farmers in the new USMC Agreement to Canadian and Mexican markets is a big win for the state's companies and workers in agriculture and agribusiness.

Many experts see bright prospects for farming and its related businesses as advances are made in animal and crop biology, production technology and resistance to natural and weather-related threats.

Perhaps the biggest impact on North Carolina from the USMC Agreement will be on the state's very important transportation parts industry. Vehicle manufacturing has been one of the industries most affected by NAFTA.

More vehicle assembly shifted to low-wage Mexico while the production of vehicle parts concentrated in tech-heavy Canada and the U.S. Indeed, jobs in vehicle parts production in North Carolina are one-third higher today than prior to NAFTA.

There is reason to think the new USMC Agreement may create additional vehicle manufacturing opportunities in the U.S. and North Carolina. This is because the USMC will require a higher percentage of vehicle parts to come from North America, and the trade pact requires an increase in the wage rates of some workers in Mexican auto plants. The latter requirement might even help North Carolina land it's first-ever auto assembly plant!

What about North Carolina's textiles and apparel industries, where employment has fallen 85 percent from pre-NAFTA years to today? Will the USMC Agreement revive it? Likely not, at least in terms of jobs. The U.S. imports by far the most clothing from China, with Vietnam and India a distant second and third.

Which brings us to China. Although the USMC Agreement will have to be ratified by the legislatures of the three countries, the odds are it will pass. So China is the remaining country where we are in a big trade battle.

Will there be an agreement soon? If not, could the dispute eventually plunge the world into a recession? These are multi-trillion questions. You decide on the answers!

Source: laurinburgexchange.com - Oct 27, 2018

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# Euratex harps on regional cooperation for long-term growth

The 7th Euratex Convention, organised in Ontinyent (Valencia, Spain) by the Consejo Intertextil Español (CIE), stressed on the pivotal role of regional cooperation for the long-term growth of the European textile and clothing sector. The event saw participation of over 200 persons from the textile and apparel sector, besides regional and national figures.

Hosted for the first time in Spain, the event was titled '2018 Euratex Convention on Regional Cooperation for Industrial Modernization in the European Textile and Clothing Sector'. It was an opportunity to exchange views and present approaches for regional collaboration, to encourage the development and modernisation of the fashion and textile industries.

"With over 170,000 textile and clothing companies in the EU, most of which have less than ten employees, it is fundamental to work together at local, regional and European level. This is a unique strength that allows our sector to tackle its three biggest challenges—namely skills, digitalisation and sustainability—and benefit from international market opportunities," Euratex president Klaus Huneke said in his opening speech. "Euratex has indeed focused its efforts and priorities to successfully achieving these goals."

Spanish member of European Parliament, Inmaculada Rodríguez-Piñero, praised the textile and clothing sector for "setting an example for all other industries", as she called for even more collaboration initiatives at EU level.

The Convention also included a round table discussion with representatives from textile clusters around Europe. In showcasing the role of clusters in the sector, the testimonials offered a first-hand perspective into best practices, particularly the importance of providing high level services and products, maintaining a flexible approach, and focusing on innovation.

With textile and clothing companies all around Europe sharing common challenges and priorities, now more than ever "interregional collaboration is the key to the future", stated CIE president and Euratex board member Càndid Penalba.

Source: fibre2fashion.com- Oct 27, 2018

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## GSP helps Sri Lanka increase exports to the EU

With GSP Plus, Sri Lanka's exports to the EU increased 18 per cent. In June 2017 the country regained GSP Plus from the EU. The facility was reinstated following Sri Lanka's positive steps towards restoring human rights in the country. It took one-and-a-half months for the ratification of the agreement with the EU for the market expansion to commence in earnest. The expansion fructified in the month of July. From July 2017 Sri Lanka's export figures grew 10.34 per cent year-on-year. Sri Lanka's apparel exports account for 60 per cent of the country's exports to the EU.

The country is now trying to diversify its export base. Sri Lanka's export basket has not changed much since the 1990s. If Sri Lanka is to substantially increase export revenues, diversifying to new sectors is the key to success. The EU is Sri Lanka's second largest trading partner, next to India.

The European Union is the largest single trade market accounting for 16.5 per cent of the world's imports and exports. This allows developing countries to open their markets for 500 million consumers over the European Union. It follows trade deals with 70 countries around the globe, representing 40 per cent of the world's Gross Domestic Product.

Source: fashionatingworld.com- Oct 26, 2018

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## Moody's upbeat about Vietnam's economic outlook

Vietnam's expansion has charged ahead despite the recent financial and trade turmoil, which has affected many emerging Southeast Asian markets, Moody's Investors Service has said.

In a report titled 'Vietnam outlook: Resiliency amid emerging market uncertainty' released recently, Moody's forecasts that Vietnam's GDP growth would maintain an expansion of 6.7 per cent this year, following 6.8 per cent real GDP growth in 2017.

According to the report, the positive economic outlook is supported by burgeoning electronic and textile exports, a modest recovery in agriculture, and steady inflows of foreign investment.

Additionally – unlike in years past – a strong domestic market will further support headline growth, it said, adding that with tourism traffic at a record high in the first nine months of this year and a healthy labour market, consumer sales have been rising at a double-digit clip since last year.

Trade remains the primary driver for continued expansion within Vietnam, it said, providing analysis that Vietnam's low cost of labour and comparatively young and growing population make it an attractive locale for manufacturers.

As a result, the improved trade balance increased Vietnam's current account surplus to an estimated 6.6 per cent of GDP in the second quarter of 2018 from 5.1 per cent of GDP in 2017.

Driven in part by trade tensions, multinational companies – including LG and Samsung – have been shifting some production from China to other areas, including Vietnam, the report noted.

However, global trade frictions and a strengthening US dollar have hurt Vietnam's financial market this year, although less so than other emerging markets.

Moody's said Vietnam's current account surplus and large foreign reserves will continue to position the economy better than other emerging markets facing widening current account deficits.

The rating agency said it expects the State Bank of Vietnam (SBV) to maintain a neutral stance through the end of the year, deviating from a handful of other central banks in Asia.  SBV is largely content with how economic conditions are playing out this year, and wants to maintain an environment that supports foreign investment into the country, it noted.

According to Moody's, sound macroeconomic policy and further structural reforms are vital for continued growth in the medium and long term, and policymakers are working on stabilising the Government's debt load, as Vietnam's public debt rose to an estimated 63.7 per cent of GDP in 2017.

Source: vietnamnews.vn- Oct 26, 2018

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## China forces Australia to abandon FTA with Taiwan

As per former Australian foreign minister Julie Bishop, China forced Australia to abandon a planned free trade agreement with Taiwan because it wanted to isolate the island's pro-independence president Tsai Ing-wen, It was expected that Australia, after signing a FTA with China in 2015, would pursue a similar agreement with Taiwan.

However, Australia decided to abandon the deal after president-elect Donald Trump assured Taiwan president Tsai ing of elevating relations with US, triggering the start of his diplomatic stand-off with China.

Since then Australian businesses have been losing export share in Taiwan to rivals from countries that have FTAs, and have started lobbying for the start of formal negotiations. There is particular concern that New Zealand firms, benefiting from low-tariff access to Taiwanese markets, have been able to undercut Australian export prices for dairy products.

Source: fashionatingworld.com- Oct 26, 2018

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## Why Bangladesh's apparel industry needs a voice

Bangladesh's ready-made garment industry, the world's second largest garment exporter, has made huge strides especially in the past few years. It has undergone the most comprehensive, far-reaching safety overhaul which this—or indeed any other—industry has ever witnessed.

We have some of the most innovative, sophisticated factories in the world now. As China's textile industry consolidates, our industry is best placed to become the "go to" export hub for apparel brands and retailers. We have the know-how, the infrastructure and the people.

But how much does the outside world hear of this positive story? The answer is not enough. Bangladesh's RMG sector needs better, more sophisticated public relations. As an industry, we should be shouting from the rooftops about our achievements, and presenting them in a palatable, interesting way which an international audience and media outlets can understand. In short, our industry needs a voice.

This, I believe, is a critical missing link for Bangladesh's RMG industry. We do not make ourselves heard enough in international debates around our past, present and future. Why is this and what can we do about it?

Let me offer just one example: the recent debate around wages for garment workers. I am not going to go into the rights or wrongs of the new National Minimum Wage for garment wages. My issue is with regards to the way in which these arguments are been being portrayed. The loudest voice of all heard on these issues, and the one attracting the most international media attention, has been that of international NGOs.

International unions have also made their voices heard, as they are entitled to do. But where is the voice of our industry? If you were to follow the line of the international press, you could be forgiven for thinking that factory owners are happy to exploit their workers! As a factory owner, I believe I speak for a great many fellow entrepreneurs when I suggest that this is simply not the case. Our failure as factory owners to make our voices properly heard in the debate around wages, and many other issues, is very damaging and reflects badly on us as an industry.

Who should be this “voice”? We would like to see the associations of the garment manufacturers be more vocal. We would also like the government of Bangladesh to adopt a more sophisticated public relations strategy to support its most important export sector.

All of us, myself included, have much to learn in the area of public relations. Effective PR can be a powerful tool: it can help win hearts and minds, it can give you greater influence in key debates, and it can ultimately be good for business.

But PR and having a voice are also about us as individuals. There are now many things in our industry which can effectively present our case.

We need to tell the world our achievements, explain the critical issues like why it can be very difficult to pay workers a living wage when we are constantly being forced down on unit price, and tell the international audience about the positive work we, as factory owners, are doing every single day.

All too often the image presented of our industry in the international arena is one of infighting, arguments, demonstrations about low pay and a general lack of harmony. Some of this might be true but we all know that there is another, more positive side to the Bangladesh RMG industry. Why are our positive stories not being heard and reported on? We all need to think about how we in the industry can change this picture and come together to present a united front to the global audience.

Source: thedailystar.net- Oct 29, 2018

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## South Africa commits support to apparel-textile sector

South Africa's Clothing and Textile Competitiveness Programme has helped sector exports grow from 7.1-billion rand (R) in 2008 to R25.1 billion in 2017 and will receive its share of the R15.9 billion allocated to incentives and the Expanded Public Works Programme. The Small Business and Innovation Fund will also help entrepreneurs in the pre-start-up phase.

Twenty two new leather factories have been opened in the last nine years creating 2,200 jobs. To augment this, government funds will be reprioritised to the clothing and textiles production incentive from special economic zones, according to a report in an engineering news website from South Africa.

The national treasury has, over the medium term, placed incentives for agriculture, land reform, manufacturing and research and development among its priorities for expenditure reprioritisation. The CEO Initiative's Small and Medium Enterprises (SME) Fund has raised R1.4-billion till now, with about R500-million expected to be committed for debt and equity investments in SMEs by the first quarter of 2019.

The financial sector has committed to invest R100-billion over five years in black industrial enterprises and firms. The Financial Sector Transformation Council is working with the Department of Trade and Industry to finalise guidelines for the disbursement of this funding, the report added.

Source: fibre2fashion.com- Oct 29, 2018

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# Uzbekistan, Russia sign 3 agreements in textiles, garments

Uzbekistan and Russia signed three agreements at the textile forum held within the First Forum of Interregional Cooperation between the two sides recently.

The Uztextileprom Association and the government of the latter's Ivanovo region signed an agreement to expand cooperation between enterprises in the textile, garment and hosiery sectors.

Uztextileprom and Business Russia also concluded a similar agreement, according to Uzbek media reports. The total investment attracted by Uzbekistan in export supplies will exceed $ 15 million.

The Agency for Advertising and Marketing of Textile Products under Uztextileprom and Samara Textile Company LLC signed the third agreement to facilitate ties during the implementation of export deliveries and the attraction of investments.

Source: fibre2fashion.com- Oct 28, 2018

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# Western brands to reduce sourcing from Bangladesh

A McKinsey report suggest, western mass-market brands may reduce sourcing from countries like Bangladesh for manufacturing readymade garments (RMG) in the coming years. The apparel marketing companies are likely to gain from sourcing Mexico or Turkey, in the neighborhood of the US and Europe respectively, instead of Bangladesh. The report emphasised the apparel companies' need to focus on near shoring, automation, and sustainability to meet customers' needs.

According to McKinsey, a 5-percentage point increase in sell-through would make up for the higher labor costs encountered closer to home. The US firm called 'chasing cheap' products in Asia outmoded as low-cost has, in some cases, become synonymous with low-quality and low-compliance in a world where transparency and ethics are in high demand, too.

By 2025, 82 per cent of respondents in the McKinsey-Sourcing Journal survey expect to move more than 10 per cent of their total sourcing volume to near shoring locales. Such a scenario may affect the potential growth of Bangladesh's garments, a more than $36-billion industry with the highest concentration of laborers.

Source: fashionatingworld.com- Oct 26, 2018

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## Vietnam: WWF, business group seek to green textile industry

A project to make the textile industry more environment-friendly has been launched in Hà Nội by the World Wide Fund for Nature and the Vietnam Textile and Apparel Association.

"Greening Vietnam's textile sector through improving water management and energy sustainability" will engage multiple players in the sector to promote better river basin governance and contribute to water quality improvement and sustainable energy use.

It is part of the "Driving impact reduction through the textiles value chain" project sponsored by HSBC to support the green textile industry in China, Bangladesh, India, and Vietnam.

The textile and apparel industry is one of Vietnam's most economically important sectors. It contributes 15 per cent of exports and has seen a steady annual growth rate of 12 per cent since 2010.

With 6,000 factories nation-wide and employing three million people, the sector is not only economically but also socially important for Vietnam.

But the sector also causes environmental impacts.

Intensive water extraction, use and discharge of wastewater and high energy consumption for water heating and steam generation mean that the industry can have significant impacts on water resources and greenhouse gas emissions.

As it continues to expand, changes in practice will be required to reduce impacts and adapt to changing conditions. The UN predicts that a 40 per cent water shortage globally by 2030.

“Vietnam is the fifth largest exporter of apparel in the world, but our industry is more famous for low-cost production with limited environmental standards and we must change now,” Vũ Đức Giang, chairman of VITAS, said.

“That is why this project is so important and timely.”

The project will be implemented from 2018 to 2020 with a vision to transform the textile-apparel sector in Vietnam.

It will achieve this through engaging the industry and influencing environmental governance in order to bring social, economic and conservation benefits to the country.

Geographically, the project will focus on the Mekong and Đồng Nai deltas where more than half of Vietnam’s apparel factories are located.

The main focus of the project is to improve water and energy sustainability in the sector, thus reducing its impacts on the environment.

It will also work with textile–apparel manufacturers to encourage them to be more active river stewards, practise sustainable energy planning and discuss collective actions for long-term sustainable investments and development in the sector.

One important target of the project is to influence Vietnamese textile investors to implement more sustainable practices.

Key stakeholders in the project include international brands with suppliers in Vietnam, factories around the country, in particular in the Mekong and Đồng Nai deltas in areas around HCM City, financial institutions, development partners, and other relevant stakeholders.

HSBC has long been involved in supporting the conservation of water globally through the HSBC Water Programme, an eight-year, US$150 million project started in 2012.

Source: vietnamnews.vn- Oct 29, 2018

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## Kenyan ministries to explore Bt cotton introduction

Kenyan President Uhuru Kenyatta recently ordered several ministries to explore the possibility of introducing genetically-modified (GM) Bt cotton.

The ministries of health, agriculture and trade, and industry and cooperatives have been instructed to jointly come up with a quick mechanism to revive the production of cotton, he said during Heroes Day celebrations.

Years of neglect and introduction of second hand clothes led to the collapse of cotton ginneries and textile manufacturing units in the country. Bt cotton trials have been under way in Kenya for a while but it has not been fully commercialised because of differences between various stakeholders, according to Kenyan media reports.

The country's scientists now say the presidential statement paves the way for eventual exploitation of the technology by Kenyan farmers.

Source: fibre2fashion.com- Oct 28, 2018

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## Pakistan: Restructuring the export sector

It becomes a real challenge to craft an export-led economy for a country suffering from limited exportable surpluses, that too mostly raw materials, like cotton and leather and very low value-addition products such as yarn and at best towels and bedwear.

Pakistan is an agriculture-based country so there should be no doubt that majority of the exports made by the country would be agriculture based: Fruits, cotton fibre, raw cotton, yarn, thread, knitwear, bedwear textiles, clothing, carpets, sports goods, leather goods including belts and shoes, carpets, rugs, white and red meat, chicken, milk, wheat, seafood, vegetables, processed food items and, rice and maize.

All the incentives both monetary and financial that the government periodically allows to the export industries, especially to the textile sector, have so far ended up making no difference to export promotion but have enriched a handful of exporters without having had any positive impact on export – volume-wise as well as in value terms.

After surrendering a significantly big part of international textile clothing market to its regional rivals, especially Bangladesh, since the abolition of quotas, Pakistan is now fast losing its cotton spun yarn markets to the much cheaper products from Vietnam.

Vietnam's net yarn export of over 40pc in recent years is paralleled by the large rise in China's investment in spinning in Vietnam alongside wholesale relocations of some firms.

Cotton consumption for Vietnam's domestic yarn utilisation has also shown impressive growth, more than doubling. Thus, more yarn is being exported to China by Vietnam, eating into Pakistan's share of yarn export to our big northern neighbour. The International Cotton Advisory Committee estimated that Vietnam's cotton consumption had surged by 22pc to 1.1m tonnes in 2015/2016 and Bangladesh's by 13pc to 1.1m tonnes compared with the 12pc decline to 2.2m tonnes in cotton use by Pakistani factories.

The increasing cotton consumption in Vietnam and Bangladesh — both the countries grow very little cotton, and heavily rely on imports to meet their industry's demand — is attributed to the lower cost of production due to cheaper energy and labour in the two countries.

Pakistan needs to diversify its exports not only in terms of commodities but also in terms of markets. Heavy concentration of exports in few commodities and few markets has led to export instability. Other issues which need to be addressed include low value added and poor quality, obsolete use of machinery and technology, higher wastage of inputs adding to the cost of production, low labour productivity, little spending on research and development, export houses lacking in capacity to meet bulk orders, inability to meet requirements of consumers in terms of fashion and design, non-adherence to contracted quality and delivery schedule and lack of marketing techniques.

Pakistan also needs to do some original thinking on the issue of exports by studying the needs of land-locked western part of China linking Pakistan and the western neighbour through border regions of Xinjiang and Gilgit-Baltistan.

China's western region contains 71.4% of mainland China's area, but only 28.8% of its population. The main components of the strategy chalked out to develop the region include the development of infrastructure (transport, hydropower plants, energy, and telecommunications), enticement of foreign investment and increased efforts on ecological protection.

Pakistan needs to explore this market rather closely for improving our exports to the region as well as for relocating low-tech textile units from western China to Pakistan.

Source: tribune.com.pk- Oct 27, 2018

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## Pakistan: Over 98 high yielding cotton seed varieties developed for cultivation

Pakistan Central Cotton Committee (PCCC) had so far developed and approved about 98 high yielding cotton seed varieties for cultivation and commercialization in order to enhance per acre crop output across the cotton growing areas of the country.

These verities were developed and commercially demonstrated from 2000 to 2018, had resulted in significant per acre increase in yield and decreased the pest attacks damaging the crop, said said Cotton Commissioner in Ministry of National / Food Security and Research Khalid Abdullah.

Out of the total cotton seed varieties developed so far 68 varieties were developed by the public sector and 30 by the private sector as the government was working to strengthened the public private partnership. He said the government was determined to phase out use of all conventional seed varieties, which were breeding stones for the spread of insects attacks particularly cotton leaf curl virus and pink ball worm and others.

During last season, he said that cotton seed demand was recorded at 40,000 metric tons and 80 percent quality seed supply were ensured to farmers, adding that Federal Seed Certification and Registration Department had assigned a task to ensure 100 percent certified seed supply for farmers by the next season.

Meanwhile, he said that Pakistan Central Cotton Committee (PCCC) had so far approved and developed 53 new high yielding cotton seed varieties for cultivation for sowing in different ecology in order to enhance the major cash crop output in the country for maximizing the farms income particularly benefiting the small scale as farmers.

The committee was also working on war footings basis to produce high quality BT seed varieties to produce the crop of international standards, which would help in boosting the raw cotton exports from the country.

He said that research scientists across the country were working in different cotton crop research institutions in Punjab and Sindh to develop the seed as according to their ecological requirements.

The research was enabling them to provide drought reliant, high yielding seeds to farmers to enhance per acre crop output for enhancing their income as well as fetching the foreign exchange for the country, he added.

During recent past, he said that 28 cotton seed varieties were developed by the Central Cotton Research Institute Multan, 11 by CCI Sarakand, 8 by Bahawalpur and 3 by Sahiwal Cotton Research Station.

Meanwhile, Cotton Research Station Ghotki had developed 2 seed varieties, besides Cotton Research Station D.I Khan developed one cotton seed varieties for cultivation across the crop sowing areas of the respective districts, he added.

These varieties were Virus tolerant, high yielding, drought tolerant with desirable fibre characteristics and would help to develop the cotton on modern lines and get rid from the outdated and uncertified seed, which was damaging the crop and causing the attacks of different pests, he mentioned.

Source: nation.com.pk- Oct 29, 2018

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# Pakistan ranked 8th in size of trade deficit

The tenure of the previous government, from 2013 to 2018, witnessed a skyrocketing current account deficit as it increased from $2.5 billion in FY13 to $18.9 billion in FY18.

The major driver was the trade deficit, which widened from $19.2 billion in 2012 to $35.6 billion in 2017, according to data extracted from the ITC's Trademap.org. Imports increased from $43.8 billion in 2012 to $57.4 billion in 2017 and exports decreased from $24.6 billion in 2012 to $21.9 billion in 2017.

In June 2013, the real effective exchange rate (REER), reported by the State Bank of Pakistan (SBP), was valued at 104.35. In April 2017, it peaked at 127.44. However, the Pakistani rupee has further depreciated since December 2017, bringing it closer to its equilibrium value. REER in June 2017 was reported at 111.18.

Between July 2014 and June 2015, REER had increased by 8.83%. It increased by 5.54% in the prior fiscal year, FY14. In simpler terms, the rupee was kept above its equilibrium value between June 2013 and June 2018, making it cheaper to purchase goods from other countries. Furthermore, exporters lost their competitiveness against foreign competitors in the global market.

Today, with the rupee closer to its equilibrium value, exports have increased. This has positively impacted the trade balance, alleviating some of the concerns regarding the burgeoning current account deficit.

First, let us examine how the severe trade deficit for Pakistan, as reported by Trademap.org, is relative to other countries experiencing large trade gaps. With a deficit of more than $35 billion, Pakistan was ranked eighth in terms of the size of the trade deficit in 2017.

The trade deficit of Pakistan exceeds the total value of its exports. Even though the trade deficit was skyrocketing, the exports and imports (goods and services) as a percentage of GDP, as reported in the World Development Indicators by the World Bank, was the lowest for Pakistan in the region. Even with relatively higher levels of imports, the lack of exports has turned Pakistan into a relatively closed economy within the region.

The lack of export growth to accompany the high rate of import growth is a serious cause for concern. Pakistan had a trade deficit of $13.9 billion with China and $6.7 billion with the UAE in 2017. Moreover, it had a trade deficit of more than $1 billion with nine countries including Saudi Arabia, India, Thailand and Japan. In 2013, the trade deficit with China was $4 billion. Hence, the increase in CPEC-related imports was by far the most important factor in the rising trade deficit.

**Product-wise imports**

Considering the product classification by HS codes, which is followed by the Pakistan Customs, the imports of machinery and mechanical appliances increased from $3 billion in 2012 to $6.9 billion in 2017. Imports of electrical machinery increased from $2.8 billion in 2012 to $4.7 billion in 2017 while iron and steel imports increased from $1.8 billion to $3.4 billion.

However, there was a relatively smaller increase in the import of vehicles, which rose from $1.6 billion in 2012 to $2.7 billion in 2017, primarily as a result of the import of motor cars from Japan and Thailand. The most commonly imported cars are of smaller engine sizes, up to 1,500cc.

The fall in global oil prices between 2014 and 2017 led to a decrease in the import of mineral fuel. However, a recent shift in preference towards LNG and coal contributed to a surge in the value of imports of mineral fuels.

The demand for other products such as dry fruits, processed food and tea and coffee increased as well, primarily due to the overvalued exchange rate, but not to the extent of the aforementioned products. Palm oil has a larger share in imports than any other labeled under food items.

In essence, major contributors to the increase in imports are CPEC-related power machinery and construction material and equipment. As major projects are completed, the CPEC-related imports will decline. Food and luxury items constitute a smaller proportion of total imports into Pakistan. However, with rising fuel prices, fuel commodities will regain their share in the import bundle.

Efforts to curtail imports by increasing regulatory duties may divert imports into informal channels and create further challenges for the declining foreign exchange reserves.

Exports of goods and services as a percentage of GDP for Pakistan have declined from 12.4% in 2012 to 8.2% in 2017, the lowest amongst major economies in the South Asian region. Exports of textile products, which have the largest share, have hovered around $13 billion. Bangladesh and Vietnam increased their textile exports by more than 70% during the same time period.

Both Vietnam and Bangladesh imported textile machinery at 145% more value than that for the textile machinery imported by Pakistan in 2017. Since 2010, imports of textile machinery into Pakistan have remained stagnant.

It is important to note that Pakistan was one of the top five importers of textile machinery in 2005. Bangladesh and Vietnam import primarily knitting machinery, while Pakistan imports mostly spinning machinery involved in upstream production.

As Pakistan is a large cotton-producing country, investments in upstream textile production, such as cotton yarn, is likely. However, there is an urgent need to increase investments in downstream high value-added exports in the textile industry, such as garments and other finished products. The increase in exports in FY18 was primarily due to the utilisation of idle capacity in the textile sector.

The United Nations Conference on Trade and Development's (Unctad) trade and development report 2018 predicts higher levels of uncertainty in global trade may disrupt trade volumes. Higher levels of tariffs are likely to have consequences for income distribution and aggregate demand.

However, Pakistan can seek to attract foreign investment that is likely to be relocated from such countries. In summary, the government must adopt the right set of policies to attract investment and tackle the current account deficit.

Source: tribune.com.pk- Oct 29, 2018

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## NATIONAL NEWS

### WTO sets up dispute panel on India-US case on export subsidies

The World Trade Organisation's dispute settlement body has set up a panel to examine the US complaint against certain export-subsidy measures by India as both the sides failed to resolve the issue at consultation level, an official said.

In March, the US dragged India to the global trade body's dispute settlement mechanism over export subsidies, saying that these incentives were harming the American companies.

"The process of composition of dispute panel is over. The working procedure and the time table for the panel proceedings has been circulated," the official added.

The US has requested for the establishment of a dispute panel to examine the allegations on India's export incentive measures.

Seeking consultation under the aegis of the WTO is the first step of dispute settlement process. If the two nations are not able to reach a mutually agreed solution through consultation, the complainant can request for a WTO dispute settlement panel to review the matter.

The US has challenged India's export subsidy programmes such as Merchandise Exports from India Scheme in the WTO, asserting that these initiatives harm its companies by creating an uneven playing field.

They have stated that all WTO members, including India, are required to provide subsidies consistent with provisions of the WTO's Agreement on Subsidies and Countervailing Measures, including refraining from providing subsidies contingent upon export performance.

During the consultation process, the US had alleged that India was continuing to grant these export-contingent subsidies and even expanded the scope and scale of the subsidies.

India had stated that it was disappointed that the US chose to move forward with a request for a panel, as it believed bilateral consultations held on April 11 were constructive.

During the consultations, India provided a detailed understanding of the schemes implemented under its Foreign Trade Policy by answering all the questions raised by the US.

India has also said that the schemes identified by the US do not violate India's WTO obligations and are in conformity with all the elements of the agreement.

India's exports to the US stood at USD 47.9 billion in 2017-18, while imports aggregated at USD 26.7 billion during the same fiscal.

Source: economictimes.com- Oct 28, 2018

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## Depreciating rupee comes as no solace to exporters

A combination of higher input costs, tariff uncertainty, IGST refund woes leads to export contraction in September, the first time in six months

Exporters in India are not happy with the current policy and exchange rate situation even though they should be cheering the depreciating rupee. A combination of higher input costs, uncertainty over tariffs, and the fact that the government has said it would not be refunding them the Integrated Goods and Services Tax (IGST) they have paid, has meant that exports contracted in September for the first time in six months.

Exports contracted by 2.34% in September, albeit on a high base, despite the rupee averaging more than 72 a dollar during that month. Over August and September, when the rupee averaged 70.8 per dollar, India’s average export growth stood at 8.5%. Compare this to the 16.8% export growth rate in the same period of the previous year, when the rupee averaged a much stronger 64.2 to the dollar.

A depreciating rupee should ideally be good for exporters, since it means that India's exports are relatively cheaper than they were before. However, export bodies such as the Federation of Indian Export Organisations (FIEO) have said that this benefit is not passing through to exporters.

**Costlier capital goods**

According to FIEO, the depreciation has resulted in an increase in the cost of imported capital goods, inputs and various services used by exporters paid in foreign currency.

Apart from this, the exporters say that depreciating currencies in some of their biggest export destinations such as West Asia, Africa, and certain parts of Asia, has meant that buyers in these areas have also begun asking for discounts.

While these factors are not completely in the government's control, exporters complain that there are other issues where decisive government policies could go a long way in improving confidence in the sector and easing their financial troubles.

**Lost orders**

Several exporters have complained that the confusion surrounding India's eligibility for the U.S. Generalised System of Preferences has meant that many advance orders, which ordinarily would have gone to Indian companies, are now being diverted to exporters in Sri Lanka, Bangladesh, and Vietnam.

Further compounding this issue is that there is a complete lack of clarity among exporters on whether India's exports currently can get the GSP benefits or not. The GSP is a system where the U.S. allows certain eligible countries to export about 3,500 commodities to the U.S. on a duty-free basis.

Earlier this year, the U.S. said it would be reviewing India's eligibility for this benefit. In the meantime, while the Indian government has maintained that India's exporters are still eligible for the GSP benefits until the review is completed, major export bodies have said their exporters have not received these benefits since December 2017.

Others, however, say that they are receiving the benefits. It is up to the Indian government to clarify this situation with the U.S. government. The Commerce Ministry has also been somewhat casual about this issue, the exporters say, with officials shrugging the issue off by saying that Indian businessmen have been canny enough to invest in countries that are still eligible for GSP benefits, and so they have been able to indirectly avail of those benefits through that route.

The government has also maintained a stubborn stance on IGST refunds., say exporters. The Centre argues that since the exporters have been receiving duty drawback on input taxes paid, they are not eligible for IGST refunds. Exporters say this view lack skews the playing field in favour of exporters operating in a single State. An exporter with operations in one State is eligible for Central GST and State GST refunds, but an exporter with operations across States gets no IGST refund.

Many of them say the bulk of their working capital — in many cases more than 50% — is tied up in IGST refunds running into crores of rupees. Several exporters, The Hindu has spoken to, say that they have had to resort to taking loans to keep their businesses running.

Source: thehindu.com- Oct 28, 2018

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## Italy as India's premier knowledge partner

India has much to learn from Italy's experience in scientific research and 'cluster' approach to industries

If India is to emerge as a leading player in the evolving global knowledge economy, it must foster its technology and innovation capabilities. One way of doing this is to develop partnerships with global leaders in these areas.

An excellent partner in technology and innovation for India could be Italy, and the two countries have emphasised the sector as a significant cooperation area during the upcoming visit of Prime Minister of Italy Giuseppe Conte.

Italy is renowned for its creativity and innovation. Today, it is the eighth largest economy in the world and the third largest in the Euro Zone after Germany and France with a GDP of $1.86 trillion. It is also the world's sixth largest manufacturing nation, dominated by small and medium enterprises clustered in many industrial districts.

**Industrial powerhouse**

Characterised by the export of niche market and luxury products, the country has established itself as the eighth largest exporter globally with 59 per cent share of its international trade within the Euro Zone. Total exports from Italy stood at $506 billion in 2017, primarily comprising precision machinery, metals and metal products, clothing and footwear, luxury cars and motorcycles.

India's trade with Italy has been fluctuating over the last five years but rose to cross $10 billion in 2017-18, with its exports to that country at $5.7 billion and imports at $4.8 billion.

India's exports to Italy include iron and steel, automotives, organic chemicals, textiles, and pharmaceuticals. While Italy is India's fifth largest trading partner in the EU, the balance of trade has been in India's favour since long.

In terms of investments, Italy's presence in India is rather low, amounting to less than $3 billion cumulatively between April 2000 and June 2018. However, several Italian companies are well-known in India. Similarly, many Indian companies are operating in Italy, including six Indian banks. Italy has been a pioneer in education and science and technology. The country can be credited for establishing the very first university in the Western world, the University of Bologna, believed to have been set up in 1088 AD.

Italian scientists have had notable successes, winning several Nobel Prizes in chemistry, physics and medicine over the years.

While ancient scientific exchanges between India and Italy are known to have taken place, formal bilateral cooperation in science and technology first took shape in 1978. India's technical manpower resources are attracting global firms seeking competitive services with quick time-to-market.

This blends well with Italy's innovative industries which are renowned for their design and quality excellence. Italy's academic and research institutions as well as businesses can work with Indian universities and industry to develop advanced manufacturing and further the fourth industrial revolution.

**Cutting edge areas**

The two countries renewed science and technology cooperation in 2003 and the Indo-Italian joint committee was established in October 2016 to relaunch scientific exchanges.

The committee has approved several initiatives for collaborative projects in the areas of information and communication technology, energy, environment and sustainable agriculture, healthcare, biotechnology and medicine, nanotechnology and advanced materials, physics and astrophysics and technology applied to cultural and natural heritage.

The upcoming technology conference is expected to further cooperation in cleantech, renewable energy, ICT, healthcare, aerospace, education, and cultural heritage.

Cutting edge areas such as gravitational waves, bio-robotics, e-infrastructure and so on, which can push the knowledge envelope for global science and technology, will also be discussed. Such interaction will boost technology transfers, joint ventures, R&D cooperation and collaborations between industry and research institutions.

With the rich legacy of their great civilisations dating back thousands of years, India and Italy are poised to develop an enhanced partnership for advanced science and research for the benefit of the world at large.

Source: thehindubusinessline.com- Oct 29, 2018

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# India, US talks ongoing to resolve trade issues, says Commerce and Industry Minister Suresh Prabhu

Commerce and Industry Minister Suresh Prabhu has said India and the US have exchanged offers for a possible trade deal with a view to resolving issues related to bilateral commerce.

"The negotiations are ongoing. Of course, at this stage they have given an offer and we have also given a counter-offer and we are working on it," he said at an event here Saturday.

The statement assumes significance as India has deferred a notification for hiking import duties on as many as 29 US products.

India had announced hiking customs duty on 29 products, including pulses and iron and steel items, imported from the US as a retaliatory action against the tariff hike by Washington. The duty hike would come into effect from November 2.

India is pressing for exemption from high duty imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic goods under their Generalised System of Preferences (GSP) as well as greater market access for its products from sectors, including agriculture, automobile, auto components and engineering.

As many as 3,500 Indian products from sectors such as chemicals and engineering get duty-free access to the US market under the GSP, introduced in 1976.

On the other hand, the US is demanding greater market access for its agriculture goods, manufacturing products and medical devices.

India's exports to the US in 2017-18 stood at USD 47.9 billion, while imports were USD 26.7 billion. The trade balance is in favour of India.

Source: financialexpress.com- Oct 29, 2018

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# Japan, India Leaders Build Ties Amid Trade, Security Worries

The leaders of Japan and India are reaffirming their ties amid growing worries about trade and regional stability.

Indian Prime Minister Narendra Modi, who arrived Saturday, was meeting Japanese Prime Minister Shinzo Abe at a resort area near Mount Fuji on Sunday. Modi is also visiting a nearby plant of major Japanese robot maker Fanuc.

Relations with China are a major issue shared by Modi and Abe, as their cooperation may balance China's growing regional influence and military assertiveness.

"The India-Japan partnership has been fundamentally transformed and it has been strengthened as a 'special strategic and global partnership,'" Modi told Kyodo News service. "There are no negatives but only opportunities in this relationship which are waiting to be seized."

Modi chose Japan among the first nations to visit after taking power four years ago. He has been urging countries in the Indo-Pacific region to unite against protectionism and cross-border tensions.

In another sign of closer relations, India and Japan are also set to hold their first joint military exercises involving ground forces, starting next month.

Abe has just returned from China, where he met President Xi Jinping and agreed the two nations were "sharing more common interests and concerns."

President Donald Trump's policies that have targeted mostly China with tariffs, but also Japan and other nations, accusing them of unfair trade practices, are working to prod India and Japan to promote their economic ties.

The Japanese Foreign Ministry said the leaders had lunch at a hotel in Yamanashi Prefecture, west of Tokyo, and exchanged a wide range of views on pursuing "a free and open" Indo-Pacific region.

Abe told Modi about his recent trip to China, and both sides agreed on the need to cooperate closely on getting North Korea to drop nuclear weapons development, the ministry said in a statement.

Japan's investment in India still has room to grow. Japan is helping India build a super-fast railway system.

Abe has made bolstering and opening the nation's economy central to his policies called "Abenomics," and has encouraged trade, foreign investment and tourism.

Although Japan has long seen the U.S. as its main ally, especially in defense, Abe is courting other ties. He has also been vocal about free trade, which runs counter to Trump's moves to raise tariffs.

Earlier this year, Japan signed a landmark deal with the European Union that will eliminate nearly all tariffs on products they trade. European and Japanese leaders pledged to strengthen their partnership in defense, climate change and human exchange, to send what they called a clear message against protectionism.

Source: financialexpress.com- Oct 28, 2018

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## Indian economy poised for long-term growth: experts

Demographic dividend, bustling market cited as advantages

Despite its structural weaknesses, the Indian economy is poised for long-term growth because of its advantages such as the demographic dividend and a bustling market, said economists at a seminar on 'Turbulence in Indian economy: Disruptive innovation or structural weakness?' held at the Indian Institute of Management, Kozhikode (IIM-K) on Saturday.

Tirthankar Patnaik, head of research at Japan-based Mizuho Bank, said what would work for India would be its demography. "India has the world's youngest population. Half of the people of the country are aged under 30," he said. This might sound like a problem with difficulty in job creation.

But it would also mean that India had a large workforce and there was a huge market out there. So, the current turbulence could be transient. However, he said the structural weaknesses such as massive skill deficit, difficulty in land acquisition and issues facing banking systems could not be neglected.

Strong demand

Siddhartha Sanyal, chief economist at Barclays India, said the Indian economy enjoyed strong demand, which was unique.

"In today's world, demand is lacking in many economies, including the advanced ones. But we are not able to meet the demand by boosting the supply," he said. Now the government, policy makers and central bank were concentrating on long-term supply boosting mechanisms.

"We are now moving away from policies of populism where we used to have minimum support price hikes, rural employment development programmes, etc., to cater to near-term demand boosting. The two major political formations have realised in the past few years that it is not what the country wants," he added. V.K. Vijayakumar, chief investment strategist, Geojit Financial Services, pointed out that turbulence in economy was normal and the question was how do we address it and what exactly was the nature of the turbulence.

"In November 2016, we had rather the most disruptive policy decisions taken in Independent India, arguably. Soon after came the implementation of the Goods and Services Tax. The economy was hit. The rate of growth of the Gross Domestic Product in the first quarter of 2017-18 came down to 5.7%, the lowest in recent times," he said.

Fortunately, now we have recovered from the twin shocks. The economy is back to high growth, though there are disagreements and different views regarding the GDP figures. "However, right now we are facing the headwinds from the currency depreciation. Rupee is the worst-performing currency in Asia. The question is whether it is a structural problem or not," Mr. Vijayakumar added. Subhasis Dey, associate professor of economics, IIM-Kozhikode, was the moderator.

Source: thehindu.com- Oct 27, 2018

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# Cochin Shipyard embarks on biggest expansion with Rs 1,799-cr dry dock

Dual-purpose dry dock caters to high tech ships

Cochin Shipyard Ltd, India's biggest state-owned shipbuilder by dock capacity, will start work on a Rs 1,799 crore new dry dock, its third, on Tuesday as the Mumbai-listed firm looks to expand capacity to tap potential for constructing and repairing specialized and technologically advanced large vessels including aircraft carriers.

Along with a Rs 970 crore international ship repair facility being developed at next door Cochin Port Trust, Cochin will turn into a one stop maritime hub for repairs of all vessels calling at Indian ports, chairman and managing director Madhu Nair told Business Line.

The new dry dock will generate employment opportunities for about 2,000 people (direct and indirect) in the core shipbuilding and ancillary and supporting industry sector. Besides, it will help develop a strong ancillary base in the country for ship building, promote adaption of world class technology and shipbuilding skills and training of youth, he said.

Kerala Chief Minister Pinarayi Vijayan and Union Shipping Minister Nitin Gadkari will break ground for the new dry dock – the second largest in India and the largest and more dynamic amongst its three docks in terms of ships docked - on Tuesday.

The mini-ratna PSU said that the new dry will contribute towards the target of increasing India's share of the global shipbuilding industry to 2 per cent from 0.4 per cent.

Cochin Shipyard sold shares in an initial public offering (IPO) in August 2017 to part-fund a Rs 2,769 crore expansion plan comprising construction a Rs 1,799 crore new dry dock and a Rs 970 crore international ship repair facility.

The new dry dock would be a 'stepped' dock with a length of 310 m (the existing dry docks have a length of 270m), width of 75m at the wider part and width of 60m at the narrower part and depth of 13m with a draught of up to 9.5m.

It will be equipped with one 600-ton capacity gantry crane, two LLTT cranes each with a capacity of 75 tons with an option to add another 600-ton gantry crane at a later stage. The dock floor is designed to take a load of 600 ton/m.

The stepped dock will enable longer vessels to fill the length of the dock and wider, shorter vessels such as jack-up rigs to be built or repaired at the wider part.

The new dry dock will help Cochin diversify its product portfolio to build large, complex and technology intensive vessels such as LNG vessels, jack up rigs, drill ships, dredgers, a second indigenous aircraft carrier of much larger capacity than the one it is building for the Indian Navy, high end research vessels and repair of offshore platforms and larger vessels.

The new dry dock can accommodate aircraft carriers of 70,000 tons docking displacement and tankers and merchant vessels of 55,000 tons docking displacement.

Larsen & Toubro Ltd was awarded the turnkey contract for the new dry dock for Rs 1,298.76 crores, which is expected to be completed by May 2021.

Source: thehindubusinessline.com- Oct 28, 2018

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