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IBTEX No. 104 of 2019 May 30, 2019

USD 69.80| EUR 77.72 | GBP 88.18 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22010	46000	**84.03**

Domestic Futures Price (Ex. Warehouse Rajkot), May

Rs./Bale	Rs./Candy	USD Cent/lb
21970	45917	**83.88**

International Futures Price

NY ICE USD Cents/lb (July 2019)	69.06
ZCE Cotton: Yuan/MT (September 2019)	13,670
ZCE Cotton: USD Cents/lb	89.68
Cotlook A Index – Physical	**80.60**

Cotton Guide: The US China trade tensions have once again strengthened the bears thus bringing the prices of the cotton fibre to settle lower. Currently, this morning while we write this report the cotton fibre is trading at 68.88 cents/lb. Another report showing upbeat crop plantation numbers has also added to the fuel of the bears.

The ICE July contract settled at 69.06 cents/lb with a change of -41 points. Yesterday's session however had a mixed tone later favoring the bears at the end. The ICE December contract settled at 67.98 with a change of -49 points.

Volumes were again below the 30,000 contract mark at 26,200 contracts which is much lower than yesterday's 37,671 contracts. While cotton settled, the US Dollar was trading higher along with Soybeans coupled with lower figures seen for corn and wheat.

July first notice day is June 24th, with 17 sessions. The Total OI has increased by 963 contracts to 215,815. ICE July interest decreased by 543 contracts to 97,973 while ICE December interest increased by 310 contracts 89,530. The Jim Rogers long only spec funds will begin their 3-session rolling period tomorrow. Liquidation of the nearby month typically accelerates going forward.

The MCX contracts on the other hand contracts showed a bit of pessimism. The most active MCX June contract settled -160 Rs lower at 21970 Rs/Bale. The MCX July and MCX August contract settled at 22080 and 22250 Rs/bale with a change of -200 Rs and -120 Rs respectively. The market participants at MCX lacked enthusiasm. However the overall long term view is still optimistic. The total volumes were also a tad lower at 5932 lots.

The cotlook Index A has been adjusted to 80.60 cents/lb with a change of +1.10 cents/lb. The Cotlook index A for 2019/2020 has been adjusted to 78.65 cents/lb with a change of +0.90. The Prices of Shankar 6 are now at 46,000 Rs/Candy.

For Today we need to wait for more news on the US China Front. Yesterday, Chinese newspapers displayed articles on how China could retaliate by shut off the supply of the rare Earth Metals to the United States. Yesterday, the news of escalating trade tensions between the two superpowers dragged the world stock markets to 2 month low.

Fundamentally, we expect prices to show a range bound trend. However, weather in the US still remains a concern for the cotton growers. The USDA Export sales report and the CFTC on call weekly report will be released on Friday due to a holiday shortened week.

On the technical front, Prices made a negative candlestick pattern and resisted at 69.50-69.80 (H &S neckline) in a bear flag pattern. Immediate support is at 68(below 5 and 9 day EMA). Relative strength index (RSI) is at 43.35 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 21800-22200.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Canada Introduces Legislation to Ratify North America Trade Pact
2	USA: Major Ocean Carriers' Latest Blockchain Move May Give the Technology More Credibility
3	China's exports to the US drop
4	Hanoi: Manufacturing migration: Trade spat shifts business from 'factory of the world'
5	Bilateral treaties boost trade growth in Europe
6	Trade war affects demand for Australian wool in China
7	Global cotton prices fall
8	Turkey fourth-largest denim exporter in the world
9	Bangladesh to seek GCF funding to green textile sector

	NATIONAL NEWS
1	Cotton rides high on favourable market conditions
2	Textile industry needs flexible labour laws,more favourable free-trade pacts: expert panel
3	Textile industry body seeks policy support
4	Cotton rises in sync with New York futures rate
5	Trade tantrums
6	Budget 2019 by Modi government to eye 5-point agenda; from income tax, GST to industrial policy, check details
7	FDI policy review begins as inflows drop despite auto route
8	India is 43rd most competitive economy
9	DPIIT proposes to formulate national retail policy as part of 100-day action plan for new government
10	Maharashtra cabinet extends power duty relief to Marathwada, Vidarbha till 2024
11	India's partnership with Africa is free of conditionalities
12	Trade Imbalance

INTERNATIONAL NEWS

Canada Introduces Legislation to Ratify North America Trade Pact

Canadian Prime Minister Justin Trudeau brought forward legislation to ratify the new North American free trade agreement.

Speaking to lawmakers, Trudeau said the decision by President Donald Trump's administration to lift tariffs on steel and aluminum cleared the biggest obstacle to the country's ratification of the U.S.-Mexico-Canada Agreement.

"Today is a big day for Canada," Trudeau said in a speech in the House of Commons. "We've just introduced legislation to ratify the new Nafta and secure free trade across North America."

The bill comes ahead of a visit to Ottawa by U.S. Vice President Mike Pence, who is scheduled to meet with Trudeau on Thursday to discuss advancing the agreement.

There is an element of urgency for Trudeau. Parliament is scheduled to break for summer recess in four weeks—giving lawmakers in two legislative chambers little time to study and vote on the pact.

Source: sourcingjournal.com- May 29, 2019

HOME

****

USA: Major Ocean Carriers' Latest Blockchain Move May Give the Technology More Credibility

The digitalization of ocean shipping got a boost on Tuesday when global container carriers CMA CGM and MSC Mediterranean Shipping Company said they will join TradeLens, a blockchain-enabled digital shipping platform jointly developed by A.P. Moller – Maersk and IBM.

With CMA CGM, MSC, Maersk and other carriers committed to the platform, data for nearly half of the world's ocean container cargo will now be available on TradeLens. The addition of CMA CGM and MSC will provide momentum to TradeLens' vision of greater trust, transparency and collaboration across supply chains to help promote global trade.

CMA CGM and MSC will operate a blockchain node, participate in consensus to validate transactions, host data and assume the critical role of acting as trust anchors, or validators, for the network. CMA CGM and MSC will be on the TradeLens Advisory Board, which will include members across the supply chain to advise on standards for neutrality and openness.

"Digitization is a cornerstone of the CMA CGM Group's strategy to provide an end-to-end offer tailored to our customers' needs," Rajesh Krishnamurthy, executive vice president of IT & Transformations at CMA CGM Group, said. "We believe that TradeLens, with its commitment to open standards and open governance, is a key platform to help usher in this digital transformation. TradeLens' network is already showing that participants from across the supply chain ecosystem can derive significant value."

TradeLens enables participants to connect, share information and collaborate across the shipping supply chain. Members gain a comprehensive view of their data and can digitally collaborate as cargo makes its way around global ports.

"The TradeLens platform has enormous potential to spur the industry to digitize the supply chain and build collaboration around common standards," said André Simha, chief digital and information officer at MSC.

With more than 100 participants on the platform today, TradeLens is already processing over 10 million discrete shipping events and thousands of documents each week, providing shippers, carriers, freight forwarders, customs officials, port authorities, inland transportation providers and others a common view of transactions.

Source: sourcingjournal.com- May 29, 2019

HOME

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China's exports to the US drop

The US-China trade tension has led to a significant drop in China's textile and apparel exports to the US.

Overall, US textile and apparel importers are apparently shifting sourcing orders away from China mainly because of concerns over trade tensions rather than their usual business considerations.

Also, China's export competitiveness is shifting from apparel to textiles. Even before the tariff war, the competitiveness of China's apparel exports was weakening.

In comparison, China is exporting more yarns and fabrics to the US in recent years.

Between 2016 and 2018, China's yarn and fabric exports to the US enjoyed a 13.1 per cent and 2.6 per cent compound annual growth respectively, compared with a 0.6 per cent decline of apparel.

The changing product structure of China's textile and apparel exports to the US also has an impact on trade flows.

For example, as estimated, China lost around $20.4 million apparel exports to the US in the first quarter of 2019 because the sourcing orders shifted towards those product categories with relatively lower market growth.

In comparison, the commodity structural effect has favored China's made-up textile exports to the US market, resulting in more exports in the first quarter of 2019 than otherwise.

Source: fashionatingworld.com- May 29, 2019

HOME

****

Hanoi: Manufacturing migration: Trade spat shifts business from 'factory of the world'

From socks and sneakers to washing machines and watches, Asian countries are hoping the US-China trade war will permanently boost manufacturing as brands dodge the row by choosing cheaper locations to make their goods.

Business has fanned out from China, often referred to as the 'factory of the world', into Vietnam, Cambodia, India and Indonesia for years.

But the shift has accelerated as the world's two biggest economies slap tit-for-tat tariffs on each other.

In the latest round of the bruising spat, US President Donald Trump this month raised tariffs to 25 per cent on $200 billion of Chinese goods, prompting Beijing to retaliate with higher duties on $60 billion worth of American products.

That "really became a kicker to force people to move", said Trent Davies, manager of international business at the advisory and tax firm Dezan Shira & Associates in Vietnam.

A surge in relocation from China or plans to scale up production has strengthened the manufacturing hubs of Southeast Asia and beyond.

Casio said it was moving some of its watch production to Thailand and Japan to avoid the US penalties, while Japanese printer-maker Ricoh said it was also shifting some of its work to Thailand.

American shoe giant Steve Madden plans to boost production in Cambodia, and Brooks Running Company, Haier washing machines and sock maker Jasan -- which sells to Adidas, Puma, New Balance and Fila -- are all eyeing Vietnam.

The country is a logical move for manufacturers, wooed by low-cost labour, attractive tax incentives and close proximity to China's unparalleled supply chains.

"It's not just a result of the trade war, a lot of it is opportunity in Vietnam," Davies said.

Some Vietnamese suppliers say the trade dispute has fast-tracked the trend as companies scramble to dodge fresh tariffs that could affect some 4,000 categories of exports to the US.

On a busy stretch of road in Hanoi, the bustling Garco 10 factory is churning out men's shirts for American brands like Hollister, Bonobos and Express.

The company says exports to the US were up 7 per cent last year, with an expected 10 per cent jump this year.

"Thanks to the trade war... several sectors of the Vietnam economy have gained, especially our garment sector," Garco 10 director Than Duc Viet told AFP.

"We want to open more factories, we want to expand our capacity," he said at one of his facilities where an army of workers made shirts destined for American shopping malls and department stores.

US imports from China during the first three months of this year reached nearly $16 billion, up 40 per cent from the same period last year, according to US trade data.

And that number could rise.

More than 40 per cent of US companies in China are now considering moving or have already done so, mainly to Southeast Asia or Mexico, according to a poll this month from the American chamber of commerce in China.

But the shift is not expected to be seamless.

While Southeast Asia offers low-cost labour -- monthly factory salaries are about $290 in Vietnam and $180 in Cambodia and Indonesia, compared to around $540 in China -- workers are less experienced.

"Labour costs are three times higher in China, but the efficiency is also three times higher," said Frank Weiand, co-chair of the manufacturing committee at the American chamber of commerce in Vietnam.

There is also a smaller labour pool to draw on.

Vietnam employs around 10 million people in the manufacturing sector compared to 166 million in China, according to data from the International Labour Organization.

Indonesia employs 17.5 million, and Cambodia 1.4 million.

Experts warn companies may also face supply chain woes, infrastructure challenges and land shortages in less developed markets without the capacity to absorb overspill from China.

This could be a problem for Indonesia, whose clunky bureaucracy has left it trailing some of its neighbours.

But now the country is hoping to soak up foreign investment from the trade war.

"We're trying to make it easier for investors by speeding up the process for getting business permits," said Yuliot, a senior official at the Indonesian investment board who goes by one name.

The country is also beefing up infrastructure and skills training while offering corporate tax breaks, he added.

With no end to the trade war in sight, analysts say the manufacturing shift out of China is likely to continue -- and could redefine long-entrenched global trade patterns.

"Certainly it will end China's dominance as the 'factory for the US'," Gary Hufbauer, senior fellow at the Peterson Institute for International Economics, told AFP.

US companies and consumers may also get the short end of the stick: higher tariffs on goods out of China means the average American will likely have to pay more for a pair of Nike sneakers or Levi's jeans.

And if Trump was hoping to drive US manufacturers back home by imposing those tariffs as part of his 'make America great again' clarion call, he's not likely to get his wish.

American industries -- and wages -- are not set up for low-cost manufacturing on the scale of China.

Source: timesofindia.com- May 29, 2019

HOME

****

Bilateral treaties boost trade growth in Europe

As per European Textile and Apparel Confederation (Euratex) in its annual report, the European textile sector generated a business volume of €181 billion in 2017. Europe is also one of the world's biggest consumer markets along with the United Kingdom, Germany, France and Italy.

As Eurostat reveals in 2016, each European home invested almost a 5 per cent of its consumption expenditure in clothes and footwear, which is a total investment of €395.4 billion. Consumption of clothes further grew by 0.9 per cent in 2017.

Trade agreements with Japan and Canada boost commercial exchange

To encourage free trade within the region, the European Union is negotiating bilateral agreements with variousBilateral treaties boost trade growth in Europe countries. Two of the biggest agreements signed recently are the agreement with Canada (CETA) and the treaty with Japan (JEFTA).

The Canada Comprehensive Economic and Trade Agreement (CETA) was signed between the European Union and Canada. Reduction tariffs in the agreement, valid from 2017, have increased trade between the two territories by 20 per cent in besides boosting commercial interexchange by €20,000 annual million.

EU plans more treaties, agreement with Morocco causes concern

The European Union is also negotiating trade treaties with Mexico. The treaties deal with tariff reductions, with the leather as one of the most important raw materials in that exchange. Additionally, the union recently concluded agreements with South Korea, Moldova and Ukraine, and is negotiating with Colombia and China.

The European Union has also resumed dialogue with the US on free trade issues. After the US withdrawal of Tip negotiation post Donald Trump's Presidency, the European Commission has started maintaining contacts again to resume negotiations.

However, the dialogue between the European Union and African countries of the Mediterranean watershed is a major cause of concern for the industry. One of these is about Morocco -- the main destination for Spanish textile exports. The country is seeking to reduce the number of industrial process to a single country in order to enjoy trade benefits. This will also allow them to abandon the European market and work with Asian raw material.

Promoting import from third world countries

The European Union also promotes import from third countries by excluding them from tariff payments upto approximately 50 years ago. Countries like Myanmar or Bangladesh enjoy free trade policies with Europe, despite not respecting human rights.

According to the European Union, countries with good government also enjoy benefit. In this case, they are free of two third of the total tariffs rates. In this group, countries like Bolivia, Philippines or Sri Lanka are included.

However, countries having duty free access to the European market form the biggest group. This group caters to all kinds of products except arms and ammunition.

The European Commission is now promoting a digital single market policy to encourage a single price for all European products sold online.

Recently companies like Nike and Guess were penalized by the European Commission for violating this principle of digital single market, and limit cross-border sales to certain products.

Source: fashionatingworld.com- May 29, 2019

HOME

****

Trade war affects demand for Australian wool in China

Australia's wool market has crumbled amid heightening US-China trade war. The dispute has led to a slowdown in the Chinese economy and a dip in consumer confidence.

Another reason for the recent hesitation from Chinese mills is that stocks of garments, fabrics and yarn in the Chinese wool textile industry are rising. Chinese buyers are reluctant to buy the greasy commodity at auction. As China has a 75 per cent share of Australia's exports, any reduction in China's demand will hurt the Australian wool market.

Currently, wool clothing have not been included in the punitive tariffs imposed by the US on Chinese imports. A potential US tariff hike on wool imports from China would have a severe knock-on effects for Australia's wool trade.

If the US imposes a 25 per cent duty on imports of wool clothing from China, that will flow-on back to Australian wool growers given that Australia supplies around half of China's raw wool requirements.

The US and China have been locked in a bitter dispute since July last year after the US enforced tariff increases on 818 categories of Chinese imported goods worth 50 billion dollars. Tensions threatened to reach boiling point last month when the US threatened to raise tariffs again.

Source: fashionatingworld.com- May 29, 2019

HOME

****

Global cotton prices fall

Global cotton consumption is growing at two per cent. However, world production is growing at a slower pace due to falling prices. Global cotton exports fell 6.4 per cent in 2016 compared to 2015. China is the largest exporter of cotton in the world.

Some of the significant cotton producing countries are China, India, Pakistan, and the US followed by Brazil, and Uzbekistan. Asia-Pacific dominates global production but most of the cotton produced is domestically consumed.

China holds a 29 per cent market share of world cotton production. In India, the domestic textile sector consumes most of the cotton produced in the country. In the US, most of the cotton produced is exported due to the less developed textile industry in the country.

Cotton is commercially used in various forms as cotton fiber, cottonseed, and cottonseed oil. Cotton is a crop that is majorly used in the textile industry. It is a perennial crop that is harvested in moderate rainfall and during a frost-free period with plenty of sunshine. Cotton is a leading cash crop in the US and is a labor-intensive farm crop. It is somewhat salt- and drought-tolerant, which makes it an attractive crop for arid and semi-arid regions.

Source: fashionatingworld.com - May 29, 2019

HOME

****

Turkey fourth-largest denim exporter in the world

Turkey is the world's fourth-largest denim exporter with a 2% share in the denim fabric exports, worth $338 million, and a 7% share in denim clothing exports worth $2.1 billion, according to the Uludağ Textile Exporters' Association (UTİB).

According to a UTİB statement, the association participated in the Denim Premiere Vision Milan, a two-day fashion and cultural denim event held in Italy.

UTİB Chair Pınar Taşdelen Engin noted that Turkey became the fourth biggest supplier in the international denim market with the investments made in the 1980s and subsequent projects. She added that they lent support to each year to increase the power of the companies in this market. "We took our place among the most participating countries with 27 companies," she said. "At our UTİB booth, we carried out all kinds of projects to meet the needs of our companies. In addition, we published a catalog to provide information on Turkish companies participating in the event and distributed them to the visitors."

Referring to the rapid rise in textiles, Engin said this was due to the Turkish firms' success in the production, marketing and evaluation of their proximity to Europe as a geographical advantage. "Since speed is a crucial part of the production, industrialists who could adapt to the requested capacity and quality standards, have achieved success in production and export without difficulty," she continued.

"Turkey, which once produced the designs of foreign brands, has now become a country that creates its own brands and directs the world denim fashion with its designs and technological products. In 2018, we took our place among the most successful countries of the world in both denim fabric and denim garment exports," she said.

Engin said that Tunisia, Egypt, Italy, Morocco, and Bangladesh took the lead in Turkey's denim fabric exports. "The fact that the production shifted to the east in terms of costs and that many of the global firms carried out their production activities in these countries increased exports to the region," she said.

She further stressed that Germany, Spain, the U.K., the Netherlands and Denmark were among the top players in Turkey's denim clothing exports, which clearly demonstrated Turkey's ability to produce top-end denim garments.

Pointing to China, Bangladesh and Vietnam in the Far East; Italy in Europe; Mexico and the U.S. in the Americas; and Tunisia and Egypt in the Middle East as the prominent target markets for Turkey's denim fabric imports, Engin said the U.S., all of the EU countries, Japan, and Hong Kong stood out as the priority target markets in denim clothing.

Source: dailysabah.com- May 29, 2019

HOME

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Bangladesh to seek GCF funding to green textile sector

The Infrastructure Development Company Limited (Idcol), will be seeking $100 million in loans from the GCF, and hopes to secure a further $66 million through borrower co-financing

Bangladesh is looking to secure $166 million in financing to improve energy efficiency in the textile sector, with some one hundred million dollars being sought from the Green Climate Fund (GCF).

The Infrastructure Development Company Limited (Idcol), one of two local direct access accredited entities empowered to handle GCF monies, will be seeking $100 million in loans from the GCF, and hopes to secure a further $66 million through borrower co-financing.

Improving energy efficiency in Bangladesh’s textiles industry is considered key to retaining global competitiveness.

“Bangladesh is going to graduate from LDC status which means that business as usual for the textile sector will no longer work. We need to clean up our act,” explained Saleemul Huq, director of the International Centre for Climate Change and Development (ICCCAD), an implementing partner.

Stakeholders exchanged views at a city hotel on Wednesday at a workshop on energy efficiency in the textile sector and its influence on the environment, society and gender, organised by Idcol with support from implementing partners EY and ICCCAD.

“We’ve taken a very aggressive approach. This is probably one of the fastest proposals to the GCF,” EY associate partner Ashish Kulkarni said. Suraj Pandey, a GCF expert at EY, led the stakeholder discussion at the event.

Idcol's assistant manager for corporate affairs Mafruda Rahman explained that blended funding – mixing low interest GCF funds with financing available in the markets – effectively produces single-digit interest rates. The funds being sought will have a 5-year disbursement period and a 10-year repayment period with a two-year grace period.

Idcol, a non-bank financial institution working in the medium to large-scale infrastructure and renewable energy financing space, is accredited by the GCF to handle loans of up to $250 million. The company includes both senior government officials and three private sector representatives on its board.

Textiles manufacturers have already begun cleaning and greening their operations.

Hasan Mahmud, executive director at Bitopi Group which has two LEED certified factories, explained the business case for embracing energy efficiency: “We run business cases - we put it on paper and look at the payback period. It makes sense when we are getting our money back.”

Fakhrul Alam, sales and marketing manager at Noman Terry Towel Mills Limited, added: “I want to make the environment cleaner for my children. It isn’t always about the money.”

The UNDP’s Arif Faisal, programme specialist on environmental sustainability and energy, advocated a paradigm shift from a linear to a circular economy.

“Very visible solar panels on factory roofs are good. But if the same factory is dumping effluents into the river, that is not so good,” he said.

Mizan Khan, programme director of the LDC University Consortium on Climate Change at ICCCAD, agreed: “There is a lacuna in the conceptualisation of this issue and that is the significance of behavioural change as a part of energy efficiency.”

Special guest Mallick Anwar Hossain, additional director general of the department of the environment said: “I request industrialists to introduce innovative technology to make their industry clean and green.”

Abdullah Al Mamun, vice president of the |Bangladesh Textile Mills Association, responded: “We have accepted the challenge of making our country cleaner, greener and more efficient.”

Md Helal Uddin, additional secretary of the Sustainable and Renewable Energy Development Authority, attended the workshop as chief guest.

The proposal to the GCF will likely be submitted by September this year. If it is approved, Idcol will be authorised to identify local recipients of funding.

There are currently three approved GCF funded projects in Bangladesh.

Source: dhakatribune.com- May 29, 2019

HOME

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NATIONAL NEWS

Cotton rides high on favourable market conditions

A confluence of factors has taken cotton prices higher and as of now, that trend looks set to continue

Cotton prices are going through a volatile period in this season (October to September) on the back of lower crop estimates, strong demand and bullish global indicators. Cotton prices have been known to move 15-20 percent either way in a month. Since it is not classified as an essential commodity, there are no legal impediments that can come in the way of this volatility.

Cotton is one of the few commodities whose price has stayed at or above the minimum support price. This is chiefly because of lower crop restricting supply, strong demand and procurement of substantial quantities by the government-owned Cotton Corporation of India.

The cotton crop in India has been affected by drought like conditions in key growing areas and also by pest infestation woes.

The Cotton Association of India has lowered the cotton output estimates by nearly 10percent over a year ago to 31.5million bales (1 bale =170 kgs) for 2018-19. The Cotton Advisory Board has estimated the crop at 36.1mn bales in November but they are yet to revise it since. The US Department of Agriculture has put India crop estimates at 32.1mln bales.

Global trade cues have been supporting prices too. China's latest trade data shows imports up 87.5 percent in the January to April 2019 period over a year ago.

The US and China trade war has led to India benefiting by exporting to China. India is also importing higher quantities of cotton from the US to fulfil its high quality cotton requirements. India's cotton exports to China have surged 69 percent between April 2018– Feb 2019 Y-Y

India has contracted imports of up to 23.5 lakh bales, of which 8 lakh bales have already arrived into the country till this week.

The uptrend in cotton has rubbed off on by-products too. Indian cottonseed oilcake (used as cattle feed and is rich in protein) in the meanwhile has been making all-time highs for much of this month, due to supply shortage, strong demand and a 40 percent decline in inventories. The commodity is traded on NCDEX, where the exchange warehouse stocks are down by 70 percent from year ago.

A Crisil report suggests that Indian cotton prices are expected to be steady, given the Indian crop and stock position. By the end of cotton season 2019, we may be looking at stocks declining to 2-year lows. CAI has put the inventory at the end of March at 4.6mn bales, which is less than two months of inventory.

Traders expect prices to surge in June- August as arrivals decline and mills will then have to procure cotton from CCI, possibly at higher prices. The new cotton crop will start arriving in the month of September, new cottonseed oilcake from November, and that's when prices will soften.

But that depends on the sowing acreage, as farmers have started sowing cotton early and in more area to take advantage of higher prices. Uncertainty over the upcoming monsoon due to the El Nino effect has also meant that sentiments have turned bullish.

Globally, data that can impact prices is USDA's projection of world cotton production in 2019-20, estimated to expand to 125.5 million bales, that is 7mn bales or 6percent above the estimated 2018-19 level.

Since there are various moving pieces that can affect the cotton situation and hence prices, the situation could change in the future. As things stand, however, the next couple of months are pointing to a bullish trend for cotton and cotton product prices.

Source: moneycontrol.com- May 29, 2019

HOME

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Textile industry needs flexible labour laws,more favourable free-trade pacts: expert panel

To give a boost to the labour-intensive textile sector, a high-level expert panel constituted by the Commerce Ministry has recommended a review of free-trade pacts with countries such as Bangladesh that have zero-duty access to the Indian market, amendment of labour laws to allow flexibility in hiring and firing and fast-track disbursal of subsidies for technology upgradation.

"Modify labour laws (such as the Industrial Disputes Act, 1947) to remove limitation on firm size and allow manufacturing firms to grow," the 12-member panel headed by economist Surjit Bhalla recommended in its report submitted to the government last week.

The textile industry, which is the second highest job generator after agriculture and directly employing about 45 million people, has been demanding removal of rigid labour laws that hurt operations. The bone of contention has been the law prescribing that any firm employing 100 or more workers has to seek permission from the Labour Department, with jurisdiction over the firm, before any layoffs or retrenchment.

"The high-level group has suggested that limitations on firm size that need not take permission from the Labour Department before terminating employment should go and all firms given the flexibility to decide on the matter to encourage efficiency," a government official told BusinessLine.

Free-trade pacts like the South Asia Free Trade Agreement (SAFTA) have led to intense competition from countries like Bangladesh which have zero-duty access to the Indian market. The expert group recommended that the government should take a re-look at such pacts and try to work out a solution.

The panel also recommended that the government should aim at driving scale across the textiles value chain by encouraging large investment, consolidation of firms and enlargement of clusters

The panel suggested that there should be fast-track disbursal of subsidies for technology upgradation under the TUFS scheme to help the industry modernise operations.

Source: thehindubusinessline.com- May 29, 2019

HOME

****

Textile industry body seeks policy support

The Confederation of Indian Textile Industry (CITI) plans to appeal to the new government to provide policy support to the textile and clothing (T&C) industry.

CITI Chairman Sanjay K Jain said the T&C sector went through a phase of consolidation with stagnating exports,demonetisation, bank restructuring and implementation of the Goods and Services Tax (GST).

India, which was the second largest exporter of T&C between 2014 and 2017 after China, slipped to the fifth place losing its position to Germany, Bangladesh and Vietnam. T&C exports fell from $38.60 billion in 2014 to $37.12 billion in 2018, while imports increased from $5.85 billion to $7.31 billion during the same period.

The textile industry looks to start a golden era to realise its true potential, he said highlighting the steps the new government will have to take to make T&C a $350-billion industry in the next five years.
White Paper

CITI has come out with a White Paper on the T&C industry, entailing both general and sector-specific suggestions, Jain said, while appealing for immediate intervention on issues related to TUFS guidelines and clearance of all pending subsidies in a time- bound manner; extending RoSCTL benefit across the entire textile value chain; launch of TMC II (Technology Mission on Cotton) at the earliest; introduction of direct subsidy to cotton farmers; announcement of national fibre policy; mission mode approach for promoting the man-made fibre sector; reducing hank yarn obligation by half to 15 per cent; negotiating FTAs with developed and large markets like EU, Australia, Canada and Britain; ensuring level-playing field against competing countries like Bangladesh, Vietnam, Cambodia, Pakistan and Sri Lanka and addressing issues related to GST.

Source: thehindubusinessline.com- May 29, 2019

HOME

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Cotton rises in sync with New York futures rate

The spot cotton prices of Gujarat 29 mm fibre length cotton increased by 2.7 per cent in a week.

Pune: Indian cotton prices jumped by close to 3 per cent in a week, driven by the rise in New York cotton future prices and lower availability of cotton in the market, and if the government announces any rise in minimum support price (MSP) for the ensuing kharif crop, it is also likely to drive cotton prices further.

The spot cotton prices of Gujarat 29 mm fibre length cotton increased by 2.7 per cent in a week – between May 20 and May 27 -- from Rs 44,400 per candy of 356 kg each to Rs 45,600/candy.

Pasha Patel, chairman, Maharashtra Commission of Agricultural Cost and Prices, said, “We have recommended a 15 per cent increase in cotton MSP for 2019-20.”

A Vidarbha broker, who didn’t want to be identified, said, “We expect the government to increase the MSP by at least 10 per cent. Cotton prices can rise further if the MSP goes up.”

Traders and ginners try to hold on to their cotton stocks in May as a weight loss of 2-3 per cent can result in a loss of about Rs 800/candy to Rs 950/candy at current rates.

As cotton absorbs moisture, increasing its weight, traders like to wait till the onset of monsoon to liquidate their stocks “Ginners are not selling cotton to avoid losses caused by reduction in weight of cotton due to moisture loss during a hot May," said J Thulasidharan, president of the Indian Cotton Federation (ICF).

Though Cotton Association of India, which largely represents traders, has pegged India’s cotton production at 315 lakh bales of 170 kg each, ICF has pegged India’s cotton production at 345 lakh bales.

As domestic prices have been rising, millers from south India have resorted to importing cotton.

As the cost of transporting cotton from Maharashtra to Tamil Nadu is higher than the cost of transporting it from Tuticorin port, they are able to get imported cotton cheaper by about Rs 1,500/candy at mill gate.

Source: economictimes.com- May 29, 2019

HOME

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Trade tantrums

India needs to respond creatively to China's 'ASEAN plus three' gambit

Perhaps exasperated by the slow progress over RCEP talks, China has once again floated its 'ASEAN plus 3' idea (ASEAN, Japan, China and South Korea). The move, which leaves out India, Australia and New Zealand, is a clear message to India, which has resisted RCEP demands on tariff reduction, to 'like it or lump it'.

India apprehends that, given its $60-billion trade deficit with China, the RCEP demand to reduce tariffs on 90 per cent of the traded goods to zero will have a disastrous effect on its already struggling MSME sector. India's FTA experience with ASEAN, Japan and South Korea has been a mixed one. The Economic Survey 2015-16 notes: "We find that the average effect of an FTA is to increase overall trade by about 50 per cent over roughly four years.

We also find that the ASEAN FTA has had the greatest impact, possibly because tariff reduction by India has been greater under it. The results also suggest a bigger impact on metals on the importing side and textiles on the exporting side."

Apart from being reluctant to slash tariffs for political economy reasons, India has expressed its reservations over inclusion of e-commerce in the RCEP talks.

The RCEP draft is opposed to data localisation, while India fears the monopoly power of digital giants which includes the likes of Tencent and Alibaba. With no easy solution in sight to these issues and China threatening to pull the plug on India by junking RCEP, it would seem that India is in a tight spot.

However, the bright side of this story is that there are a number of Japanese, Korean and Chinese companies invested in the domestic market, who would, in fact, prefer a tariff wall for finished goods. Moreover, China is turning into a high cost producer, and needs lower tariffs and a softer currency in days to come.

To that extent, India's export markets in the ASEAN may not recede in a hurry. The Centre must adopt a considered approach, keeping its domestic interests in mind, while at the same time being flexible in certain areas. For instance, India can offer to liberalise foreign participation in education, accountancy and legal services. Its e-commerce rules are restrictive.

The ASEAN plus three grouping (provided Japan plays ball) is not without strategic significance. It raises China's heft in the East. If this grouping pushes for an FTA with the EU, now facing issues with the Trump administration, it could further China's global influence.

China's Belt and Road Initiative as well as its strides in digitisation could be leveraged here. India's trade diplomacy needs to be reviewed, with both the US and China applying pressure to secure access to its markets. The earlier multilateral consensus has collapsed. In its place, tariff wars and arm-twisting have assumed centrestage. India must support exporters through WTO-compatible means in these uncertain times.

Source: thehindubusinessline.com- May 29, 2019

HOME

****

Budget 2019 by Modi government to eye 5-point agenda; from income tax, GST to industrial policy, check details

Budget 2019: The newly elected Modi government has begun preparations for the India Budget 2019. Union Finance Ministry's Department of Economic Affairs has held its first Union Budget 2019 meetings pertaining to the Budget 2019 India, which is likely to be presented by the first half of July. During the meeting, discussions were held on key issues like expenditure, Income Tax, Goods and Services Tax (GST) and others, according to an IE report. The initial key priorities have been set with the Central government focussing on big push for the infrastructure sector as well as reforms in the financial sector, the report said.

Here is a list of issues on which the Modi government is likely to focus on in the Union Budget 2019.

1. Boost for infrastructure sector: The Finance Ministry was mulling to draft an expenditure plan. The plan would look into creating a fiscal space so that a staggering amount of Rs 25 lakh crore could be invested to bring further growth in the infrastructure sector. The push for the infrastructure sector includes setting up of more regional airports, national gas grid project, national highways and bringing in amenities scheme in Budget 2019, the report said.

2. New industrial policy: Since assuming the prime ministerial role in 2014, Narendra Modi has emphasized on industrialization, including startups. Now the central government is eyeing a new industrial policy. The new industrial policy is likely to focus on technology. In Budget 2019, the focus will also be on Micro, Small and Medium Enterprises (MSMEs).

3. Direct taxes, income tax: The central government extended relief for the middle class in Interim Budget 2019. Budget 2019 in July is unlikely to throw up any major direct tax reforms. However, there may be some more relief even as the Budget target for direct tax might be lowered, the report said. Interim Budget 2019, which was presented on February 1, revealed that direct tax revenues were estimated to grow 15 per cent to Rs 13.80 lakh crore. The revenues from indirect taxes are expected to rise 11.8 per cent in indirect taxes to Rs 11.66 lakh crore.

4. Goods and Services Tax (GST): In Budget 2019, the central government is unlikely to tweak target for Goods and Services Tax (GST) collections even as meeting the existing target is seen as a stiff challenge. According to an official, the newly elected central government may not keen to reduce revenue targets in a major manner as this would lead to a reduction on the expenditure side, the report added.

5. Fixing mess in the financial sector: The central government has reportedly set its priorities on fixing the irregularities in the financial sector. A panel headed by former Reserve Bank of India (RBI) governor Bimal Jalan would submit a report within next 15 days. The panel would review the RBI's economic capital framework and also estimate how much excess capital was with the central bank. The central government's aim to sort out the mess

includes access to the funds. All scheduled commercial banks (SCBs) had a closing balance of Non-performing assets (NPAs) of Rs 8 lakh crore.

Source: financialexpress.com- May 29, 2019

HOME

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FDI policy review begins as inflows drop despite auto route

The exercise comes after FDI equity inflows into India fell in 2018-19, for the first time in six years, with a steep decline in telecom, pharmaceuticals and power.

The government is examining India's foreign direct investment policy to look for new areas that can be opened to overseas investors and sectors that face hurdles despite being on the automatic route.

"We have started a review and have asked all stakeholders to check for areas that can be opened up and if the automatic route is actually being used in existing sectors," said an official aware of the development.

The exercise comes after FDI equity inflows into India fell in 2018-19, for the first time in six years, with a steep decline in telecom, pharmaceuticals and power.

FDI equity inflows into India declined 1% to $44.4 billion in 2018-19 from a record $44.8 billion in the previous year, data released by the Department for Promotion of Industry and Internal Trade on Tuesday showed.

Foreign investments fell 56% to $2.7 billion in telecommunications and 74% to $266 million in pharmaceuticals. In the power sector, FDI shrank 32% to $1.1billion. The declines came even though foreign investors can own up to 100% stake in telecom and pharma companies.

In telecom services, 100% FDI is allowed, with up to 49% permitted automatically. In pharmaceuticals, 100% FDI is allowed under the automatic route in greenfield projects and up to 74% in existing businesses.

"We want stakeholders to tell us what problems they face and if any of the regulators are creating issues," the official added.

Another official said the decline in inflows was marginal and should not be an issue of concern, although the department is analysing the reasons for the fall.

As per the official data, Singapore replaced Mauritius as the top source of foreign investment. FDI inflows from Singapore came in at $16.2 billion, double the amount of $8.1billion from Mauritius.

Sectors that recorded a growth in FDI were services ($9.15 billion), computer software and hardware ($6.41billion), trading ($4.46 billion) and automobiles ($2.62 billion).

Foreign inflows previously declined in 2012-13, when investments contracted 36% to $22.42 billion from $35.12 billion in 2011-12.

Source: economictimes.com- May 29, 2019

HOME

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India is 43rd most competitive economy

Singapore overtakes US to reach the top spot

India has moved up one place to rank as the world's 43rd most competitive economy on the back of its robust economic growth, a large labour force and its huge market size, while Singapore has toppled the US to grab the top position, a global study showed on Tuesday.

Singapore has moved up to the top, from the third position last year, while the US has slipped to the third place in the 2019 edition of the IMD World Competitiveness Rankings. Hong Kong SAR has held onto its second place, helped by a benign tax and business policy environment and access to business finance.

IMD World Competitiveness Rankings

Economists regard competitiveness as vital for the long-term health of a country's economy as it empowers businesses to achieve sustainable growth, generates jobs and, ultimately, enhance the welfare of citizens.

The IMD World Competitiveness Rankings, established in 1989, incorporate 235 indicators from each of the 63 ranked economies to evaluate their ability to foster an environment where enterprises can achieve sustainable growth, generate jobs and increase welfare for its citizens.

The IMD Business School said it takes into account a wide range of statistics such as unemployment, GDP and government spending on health and education, as well as data from an executive opinion survey covering topics such as social cohesion, globalisation and corruption.

The study said the Asia-Pacific region has emerged as a global beacon with 11 out of 14 economies either improving or holding their ground.

India's ranking has improved by one place in past one year, driven by a robust rate of growth in real GDP, improvements in business legislation and an increase in public expenditure on education. India was ranked 45th in 2017, but higher at 41st in 2016.

Challenges ahead

The IMD study said the challenges before India remain maintaining high growth with employment generation, digital literacy and internet bandwidth in rural areas, managing fiscal discipline, as also issues related to the implementation of Goods and Services Tax and resource mobilisation for infrastructure development.

In the 2019 rankings, India has scored well on several economic parameters and tax policies but has lagged in terms of public finance, societal framework, education infrastructure, health and environment.

In the top-five, Switzerland has climbed to fourth place from fifth, helped by economic growth, the stability of the Swiss franc and high-quality infrastructure.

The Alpine economy ranked top for university and management education, health services and quality of life. The United Arab Emirates — ranked 15th as recently as 2016 — entered the top five for the first time.

The effects of rising fuel prices influenced the ranking, with inflation reducing competitiveness in some countries. Stronger trade revenues helped oil and gas producers such as this year's biggest climber Saudi Arabia, which jumped 13 places to 26th, and Qatar, which entered the top 10 for the first time since 2013. Venezuela remained anchored to the bottom of the ranking, hit by inflation, poor access to credit and a weak economy.

"In a year of high uncertainty in global markets due to rapid changes in the international political landscape as well as trade relations, the quality of institutions seem to be the unifying element for increasing prosperity," said Arturo Bris, IMD Professor and Director of IMD World Competitiveness Center, which compiles the ranking. "A strong institutional framework provides the stability for business to invest and innovate, ensuring a higher quality of life for citizens," Bris said.

About the US slipping from the top position, the study said the initial boost to confidence from President Donald Trump's first wave of tax policies appears to have faded in the United States.

"While still setting the pace globally for levels of infrastructure and economic performance, the competitiveness of the world's biggest economy was hit by higher fuel prices, weaker hi-tech exports and fluctuations in the value of the dollar," it added.

Source: thehindubusinessline.com- May 29, 2019

HOME

****

DPIIT proposes to formulate national retail policy as part of 100-day action plan for new government

The demand for the policy from domestic traders came after multi-national retail firms entered the Indian markets and started providing huge discounts of goods

The Department for Promotion of Industry and Internal Trade (DPIIT) has proposed to formulate a national retail policy to support growth of domestic trade, an official said.

This proposal is part of the 100-day action plan prepared by the department, under the commerce and industry ministry, for the new government.

“A national retail policy will be formulated to support development of the sector that would benefit 65 million small traders,” the official said.

In February, the subject of domestic or internal trade was shifted to DPIIT from the consumer affairs ministry, which was earlier the nodal agency for regulating the fast-growing sector.

The department is already in the process of formulating guidelines on e-commerce and, hence, it would be appropriate for the ministry to come out with norms for retail trade, the official added.

Views of all stakeholders, including state governments, would be taken while framing the policy as retail trade is also governed by the Shops and Establishment Act, which is implemented by states.

Domestic traders’ body Confederation of All India Traders (CAIT) has time and again requested the government for the policy.

It has said these steps will not only strengthen the domestic trade but also improve export performance of the country.

According to CAIT, over 6.5 crore small businesses are engaged in the sector across the country.

The demand for the policy from domestic traders came after multi-national retail firms entered the Indian markets and started providing huge discounts of goods.

According to the action plan, large-scale programme for capacity building of managers of small businesses would be undertaken to improve productivity.

Source: thehindubusinessline.com- May 29, 2019

HOME

****

Maharashtra cabinet extends power duty relief to Marathwada, Vidarbha till 2024

The exemption is expected to boost industries and create employment in the region, senior energy department officials said.

The Maharashtra cabinet on Tuesday cleared a proposal to extend the exemption from electricity duty for industries in Vidarbha and Marathwada till 2024. The exemption is expected to boost industries and create employment in the region, senior energy department officials said. Ahead of the Assembly polls slated in October, this is also one of the first sops for these backward regions

According to officials, the exemption was first introduced on March 21, 2013 by the erstwhile Congress-Nationalist Congress Party (NCP) government for five years, which ended on March 20, 2019. The new exemption would be in force till March 31, 2024.

Currently, for industries where electricity duty is levied, industrial units pay 9.30% of the consumption charges as electricity duty. Industries including micro, small, medium in C, D and D+ category industrial areas and Maoist-affected areas will benefit from the decision. The exemption is expected to add a burden of Rs 600 crore annually on the state government. Power-intensive industries in the region will benefit tremendously from the decision, officials said.

"The proposal for extending the exemption for industrial units was put forward with the intention to boost industrial development in the region. More power-oriented units could come and take advantage of the exemption. With new industrial units, it will also generate employment in Marathwada and Vidarbha," state energy minister Chandrashekhar Bawankule said after the decision. Textile, plastic and automobile industries dominate the region.

Bawankule added that the decision is an addition to other key decisions to boost industrial development in Vidarbha and Marathwada, which are considered as economically backward regions in the state. In 2016, the state government decided to subsidise power tariffs in the two regions for new industries. A senior energy department official added that power tariffs in the region have been lowered to plug the exodus of power-intensive industries to Chhattisgarh.

Prashant Mohota, executive committee member of the Nagpur-based Vidarbha Industries Association, welcomed the decision. "(After) the mandate they have got (in the Lok Sabha polls) such a decision will definitely call for more investments in Vidarbha as well as Marathwada. The region has few industries; due to the ecosystem here, manufacturing is costly and industry owners cannot pay the (power) bill. Therefore, such incentives by the government help us," Mohota, who heads the energy forum of the association, said.

Source: hindustantimes.com- May 29, 2019

HOME

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India's partnership with Africa is free of conditionalities

India-Africa trade has multiplied and diversified in the last 15 years.

India on Friday in a subtle message for China asserted that it's partnership with Africa is free of conditionalities and totally demand driven.

"India's partnership with Africa is based on a model of cooperation which is responsive to the needs of African countries. It is demand-driven and free of conditionalities. It is based on our history of friendship, historical ties, and a sense of deep solidarity. As Prime Minister has underlined, African priorities are our priorities," pointed out T S Tirumurti, Secretary (Economic Relations) MEA in his speech on the occasion of Africa Day at the Institute of Defence Studies and Analyses. He is charge of India's ties with Africa.

"There has been unprecedented intensification of our political engagement with Africa with 29 visits to African countries at the level of President, Vice President and Prime Minister apart from several Ministerial visits.The visits have been in both directions.

Subsequent to the visit of 41 Heads of State/Heads of Government who attended IAFS-III, we have hosted over 35 leaders from Africa for various events in the last nearly five years. India has already opened 6 of the 18 additional Missions in Africa," Tirumurti recalled.

"Our engagement is not limited only to the bilateral political level. Today, India and Africa have comprehensive diplomatic mechanisms at all three levels - continental, regional and bilateral and through multilateral fora. In addition to Summits (IAFS I, II, III), we have had three meetings with the Regional Economic Communities (RECs) of Africa. We are looking at ways to enhance cooperation," he noted.

India-Africa trade has multiplied and diversified in the last 15 years. India is ranked as the third largest export destination in Africa. India sources nearly 18% of its crude oil and also its LNG requirement, mostly from the West African region.

"Our bilateral trade stood at US $ 62.16 billion for 2017-18 which reflects an increase of 21.56 % over the previous year."

"With the African continent, our investments are steadily growing in a range of sectors and India has become the fifth largest investor in Africa with cumulative investments at over USD 54 billion. Sizeable investments have been made in Oil and Gas, mining, banking, pharma, textiles and other sectors in African countries.

Several Indian companies have entered into Joint ventures in Africa. They have the experience, technology and capital to unlock these African resources and create value for host governments. Many important firms from Africa also have established their presence in India," Tirumurti noted referring to Indo-African economic partnership

"The Duty Free Tariff Preference Scheme announced by India for Least Developed Countries (LDCs) benefitted African nations and has contributed towards steady increase in our trade figures by extending duty-free access to 98.2 % of India's total tariff lines. 38 African countries enjoy the benefits of our DFTP Scheme."

African Continental Free Trade Area Agreement (AfCFTA), which is expected to boost intra-African trade by elimination of import duties and non-tariff barriers providing opportunities for expansion of trade ties, will make Africa the largest free trade area in the world. India views this development as yet another opportunity to boost trade and economic ties with Africa, he told audience comprising African envoys to India.

“Africa is a continent which receives nearly 20% of our pharmaceuticals. We hosted the first India-Africa Health Sciences Meet in 2015. Many of our Pharma companies have established units in various parts of Africa, including Ethiopia, Uganda, DRC, Zambia and Ghana. Our medicines and medical equipment such as Bhabhatrons and phototherapy machines are saving lives in Africa. Many of our hospitals have entered into joint ventures for establishing health care facilities.”

In pursuance of trilateral cooperation with Africa, India is collaborating with Japan and Kenya to build a cancer hospital, and is collaborating with UAE and is in discussion with Ethiopia to set up a Centre for IT Excellence. Trilateral partnership has considerable potential. “This is also in line with the nascent Asia-Africa Growth Corridor and we hope to further this area of cooperation,” according to the senior diplomat.

India is also helping the African countries to bridge the digital divide. “We have launched 2nd phase of the Pan Africa e-Network project – e-VidhyaBharati and e-ArogyaBharati Network Project (E-VBAB), which aims to provide 5 years free tele-education to 4000 students, free medical education to 1000 doctors/nurses/paramedics and free medical consultancy.”

“Every year, thousands of bright minds from African Continent come on self-financing basis to our Universities and colleges. These young people show the world that Africa has the drive to forge a new future.”

As many as 13 current or former Presidents, Prime Ministers and Vice Presidents in Africa have attended educational or training institutions in India. The list includes current President of Nigeria, President of Mozambique and Vice President of Tanzania. Six current or former chiefs of armed forces in Africa trained in India’s military institutions.

Referring to Indias Line of Credit for Africa, Tirumurti said, “Our development cooperation is a key feature of our engagement with the continent. After South Asia, the African continent is the largest recipient of Indian overseasNSE 0.84 % assistance. 181 Lines of Credit have been extended to 41 countries for a total amount of USD 11 billion, which is 42% of the total amount under LoCs. We are working together with EXIM Bank to streamline our development assistance delivery to our African partners, especially after the adoption of 2015 IDEAS guidelines.”

During the last 4 years, 6 IT Centres were established in South Africa, Egypt, Morocco, Lesotho, Ghana, Namibia and Tanzania; a CGARD Technology Centre in Madagascar; 7 Vocational Training Centres in Ethiopia, Rwanda, Burundi, Burkina Faso, The Gambia, Zimbabwe, and Egypt. A Technology Centre was also established in Zimbabwe. Entrepreneurship Centres are being set up in some countries. Several similar projects are at various stages of execution.

During the Third India-Africa Forum Summit, India offered USD 10 billion for development projects over the next five years. "We also offered grant assistance of USD 600 million. You will be happy to know that we are well on course to achieve those targets. I hope to have a mid-term review with my African Union counterparts next month. Under our grant in aid programs, we provided food grains, vehicles, IT equipments, books and miscellaneous items to several countries in Africa."

The senior diplomat also referred to India's cooperation with Africa in the areas of defence and security has only strengthened over the years to reflect new threats and transnational crimes. "Maritime security links have been strengthened. We have just recently given two Naval vessels to Mozambique. Terrorism now comes in various shapes and we are determined to fight it together. We are one of the largest contributors to UN Peace Keeping Missions in Africa which have played an important role in bringing peace and stability to the African continent."

Source: economictimes.com- May 29, 2019

HOME

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Trade Imbalance

The new government will have to overhaul the trade framework if India is to play any meaningful role on the world stage.

As the government starts its second term, it will have to focus on one area where it did not deliver in the last term - boosting exports. In 2018/19, India's merchandise exports hit a record $331 billion, but did not cross the government's target of $350 billion.

More importantly, they were just 5.3 per cent over the $314.4 billion achieved in 2013/14. Also, the export to GDP ratio in 2018/19 was 12.2 per cent, almost half the 23 per cent achieved in 2013/14. What should the government do this time round?

It needs to overhaul the trade policy. The focus has to be on goods and services where India is competitive. There is a need to widen the portfolio of products in the export basket and enter newer markets. These products can be part of the global value chain-led trade. Doing that requires not just backward integration of export policies and agreements but also a fresh look at how new opportunities are approached.

Arvind Panagariya, former Vice Chairman of NITI Aayog, has suggested creation of a new entity that will negotiate trade agreements. This department should be placed with the Prime Minister's Office, quite like the Office of the United States Trade Representative.

The commerce ministry is contemplating setting up an autonomous body on the lines of Australia's National Productivity Commission, accountable to Parliament. The Australian authority not only vets bilateral and multilateral agreements but also monitors their implementation. These ideas have merit as they are outward looking and coordinate with stakeholder ministries. But implementing them requires a radical change in outlook.

New Territories, Newer Products

The first Narendra Modi government did some work in tapping new markets. This included getting trade infrastructure ready to reach out to Central Asia via Iran and Asean nations via road through the North East.

There was an exercise to identify new products as well. For example, the UAE and Saudi Arabia negotiated to set up export-oriented food processing units in India. The talks couldn't fructify because of challenges of acquiring land, and the tedious Agriculture Produce Market Committee Act. Various companies are pushing for changes in laws governing agricultural produce. "The way the GST Council ironed out glitches in implementation, there is a case for having an APMC council or an agriculture council," says Ajay Shriram, Chairman and Senior Managing Director, DCM Shriram Group.

To test waters, the Exim Bank conducted a study for the commerce ministry to understand requirements in some African and Latin American countries. These were the first steps in shifting the ministry's approach towards the demand side, a senior official in the commerce ministry says. The report, however, was not accepted.

Another challenge for India has been the lack of trade agreements. The commerce ministry is negotiating with the African block on the Comprehensive Economic Cooperation Agreement. In the last fiscal, India's trade with Africa alone was $63 billion. In 2018, the countries that comprise the Africa block had free trade agreements among themselves, which makes the region a lucrative market.

Moreover, their concerns about falling in a debt trap with China works to India's advantage.

"The newer free trade agreements are back-loaded and a win-win for both India and Africa," Suresh Prabhu, Minister of Commerce & Industry in the first Modi government, told Business Today. "The plan is to make the manufacturing sector worth $1 trillion by 2025, and exports play a pivotal role in this strategy."

To achieve this, changes are needed in the way diplomats are trained. There is also a need to develop skillsets needed to identify opportunities. It is easier said than done. A senior official said this requires not only policy changes but alteration in the structures as well. The to-do list includes better trade negotiations, preparing domestic players to take advantage of opportunities and removing bottlenecks in policies.

Amid global trade wars, the biggest opportunity for India is the global value chain (GVC) led trade. This requires India to put in place its global integration strategy.

In the last decade, manufacturing centres in the European Union and North America were the traditional hubs of GVC-oriented production. But the EU is yet to recover from the shocks of the global crisis, and production has moved to China. However, with China's manufacturing slowing down, there are emerging opportunities for East Asian and South Asian countries.

Tightrope Walk

Can the new government prepare India to take advantage of this? Globally, the emphasis is now on domestic integration. But there will be a price to it. China is pushing India to join the Regional Comprehensive Economic Partnership (RCEP). India is reluctant, because there are 74 products on which it will have to reduce import tariff to zero; of these, 40 products are being dumped in India by Chinese companies.

India is seeking differential and lower levels of preferential market access for its non-FTA partners. Those who back RCEP say India must not view this group with the prism of bilateral trade deficit with China. Pradeep S. Mehta, Director General of think tank CUTS International, argues that the RCEP has to be seen as a mega-regional trade agreement which is a means to both trade liberalisation and integration with regional value chains. Those opposing it say this can be achieved via existing FTAs itself.

Many Chinese textile and apparel players are moving to Vietnam, the Philippines and Bangladesh. India will have to compete as well as integrate with them.

Economist Rathin Roy, a member of the PM's Economic Advisory Council, says, "India's demographic distribution can offer solutions. Relocation of labour intensive units to eastern India can cut labour costs. For this, the government will have to come forward."

India's contribution in global textile and apparel exports is a dismal 4-5 per cent, whereas Bangladesh's has risen from 4.5 per cent in 2001/02 to 8.1 per cent now. China leads the pack at 37 per cent. "The biggest threat is that China is working on robotics and artificial intelligence in this segment. If we don't move quickly, forget gains, it will be difficult to even compete for export markets," cautions another trade expert.

On his recent tour to New Delhi, US Commerce Secretary Wilbur Ross said, "India has overly restrictive market access barriers and the average applied tariff rate is the highest of any major world economy."

India is closing its markets with moves like the e-commerce policy, data localisation, and by raising tariffs on several manufactured products such as auto parts and mobile phones. In return, the US has withdrawn duty-free access to over 3,000 Indian products under the Generalized System of Preferences trade programme. India can't brush off America's concerns as it has to negotiate with it on H1B visas and sanctions on Iran, which is affecting crude oil imports.

The commerce ministry has come out with a strategic paper on methods to bring balance to India's trade with China. The plan includes increasing tariff to permissible rates and introduction of standards for products.

"Theres nothing against MNCs, but the law of the land should not be changed to accommodate them. They must change their ways to do business in India," says Ashwani Mahajan, National Co-convenor of the Swadeshi Jagran Manch, an RSS think tank.

India's new export policy is due in March 2020. The wish list is long, and the market expects the new government to bring changes quickly.

Source: businesstoday.in- May 29, 2019

HOME

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