**NEWS CLIPPINGS –08-12-2017**

|  |  |
| --- | --- |
| **Mid-Term Foreign Trade Policy Review: Why it fell short of real export promotion** | **Financial Express**  <http://www.financialexpress.com/opinion/mid-term-foreign-trade-policy-review-why-it-fell-short-of-real-export-promotion/965454/> |
| Even within the smaller segment, India secures less than 5% in world textile exports, and 2% in clothing (against China’s 33% and 38%, respectively)  India’s five-year [Foreign Trade Policy](http://www.financialexpress.com/tag/foreign-trade-policy/) (FTP), announced on April 1, 2015, stated, “Change has been a constant in the global economy, not least in the international trading landscape.” But the framework—the endorsement of which was reaffirmed, after a mid-term review, by the government—is no precursor to any paradigm shift. The FTP laid an annual export target of $900 billion of goods and services by 2020, and talked about increasing India’s share in global exports to 3.5% from the current 2%. Going by the trends since, it seems the country may not even retain the paltry 2% share.  Since 2012, global trade has grown by only 3.1% annually, or at half the rate in the three preceding decade. However, India’s continued under-performance cannot be ascribed to the global slowdown. Its share in world merchandise exports fell in 2015 and 2016, while that of China, Vietnam and Bangladesh edged up. China commands a share in excess of 11%. India’s merchandise exports, at $274.6 billion, had grown an anaemic 4.7% in FY17—over FY16’s $262.2 billion. As [RBI](http://www.financialexpress.com/tag/rbi/) data revealed, India’s merchandise exports, having peaked at 17% of the GDP in FY14, dropped to around 12% in FY17, the lowest since FY06. Diversification of the export markets saw no traction. At the FTP review, the government announced a slew of incentives, aggregating `8,450 crore It enhanced incentives under the Merchandise and Services Exports from India scheme, covering labour-intensive sectors such as leather and footwear (sops amounting to `749 crore), hand-made carpets (`971 crore), agriculture (`1,354 crore), marine products (`759 crore), besides telecom and electronics sector (`369 crore), among others, and services (`1,140 crore). Similar incentives doled out earlier for readymade garments amount to `2,743 crore.  Constraints before industry are deeply structural. The Indian enterprise’s future has hinged on state benedictions, even manipulations, from the days of the permit-quota raj. As commerce and industry minister Suresh Prabhu pointed out, “Export is a strategic part of economic policy and should be part of the foreign policy.” Policymakers may as well scan eminent global success stories for lessons—for instance, China.  As government forges regional trade agreements and free trade agreements, industry must gear itself for new standards and norms. Although external factors like sluggish global demand and falling commodity prices impact foreign trade, the crux of export promotion remains the supply-side. The economy needs to encourage optimisation of productivity, reliability and consistency in product development, manufacture, and delivery. Today, scale is important to be cost-effective. Much of India’s resources are currently trapped in small, low-productivity firms that neither grow nor exit. Cost-cutting is a constant quest worldwide. Transaction costs thus assume a critical importance. Expeditious transit of goods itself helps reduce inventories viewed as NPAs.  World exports could broadly be put in five categories: energy and resource-intensive goods such as fuels and mining products, iron and steel, paper, etc (about 30% of the $17.3 trillion total global exports in 2012); sun-rise industrial goods, e.g., electronics and telecom goods, accounting for about 25%; automotive products, machinery, chemicals, pharmaceuticles, etc, (another 25%); agricultural products (10%); and labour-intensive tradeables (another 10%). India’s exports remain confined to sectors which account for less than one-fourth of global exports. Its top five export sectors—petroleum products, cut and polished gem stones, gold jewellery, drug formulations and biologics, and ready-made garments largely bring in only value addition, dependent as they are, for example, on imports of crude oil, uncut gem stones, and gold. The country has remained only a peripheral player in sectors that command a lion’s share in global trade.  Even within the smaller segment, India secures less than 5% in world textile exports, and 2% in clothing (against China’s 33% and 38%, respectively), For garments, too, with exports of about $13 billion in overall global garment exports of around $450 billion, India trails far behind China, Bangladesh and Vietnam.  India will also need to ceaselessly focus on a few items amenable to country’s comparative advantage in terms of cost, quality, scale, supply lines and logistics. A strategic onslaught on value-added agricultural and horticultural exports will entail quality and scale in production, cold chain, and efficient supply chain. While India is ill-equipped to aspire for a meaningful share in the $220 billion, global top-100 luxury goods trade, it may well recreate the romance of heritage craft, integrating country’s legacy of exquisite craftsmanship with newer skills for labelling, packaging and presentation.  The FTP review referred to pursuing an export promotion mission. The concerned central government departments as well as state governments need to move in tandem for new export capacities to be generated. There appears enormous scope to tap resources in various states. Maharashtra and Gujarat together accounted for half of country’s total exports in 2014—27% and 22% of the total merchandise export, respectively—while Tamil Nadu and Karnataka together contributed another 18%.  Investment in R&D has been low, in addition to under-investment in human capital. Touted changes in labour laws remain unrealised. It is not rare that economies of scale are stifled, thereby eroding price-competitiveness. Transport and logistics costs pose a barrier at least as large, and frequently larger than, tariffs. Although the government claims to have substantially reduced the number of mandatory trade documents, procedures and processes continue to be labyrinthine, costly and time-consuming. Despite the crackle of initiatives like Customs Electronic Commerce Gateway, Risk Management System, On-site Post-Clearance Audit, 24X7 operations, etc, the World Bank’s Doing Business highlights India’s Logistics Performance woes.  How can Doing Business get easier when the department of commerce, like the rest of the bureaucracy, keeps adding numbers on its rolls as also in its burgeoning number of attached and subordinate offices, PSUs and EPCs? The need, instead, has always been of shedding the flab and trimming the layers—closing down the DGFT, DGS&D, etc. Much was expected of the Modi government on creating a climate of confidence for entrepreneurs, rationalising the panoply of laws and rules, freeing the labour laws of known rigidities, and, in PM Modi’s own words, generating a fervour for “skill, scale and speed”. | |

|  |  |
| --- | --- |
| **Labour-intensive exports need a policy push** | **Live Mint**  <http://www.livemint.com/Opinion/tpMt6EATqlpXL29FtKvsgP/Labourintensive-exports-need-a-policy-push.html> |
| The government of India has taken several measures to boost exports in its midterm review of foreign trade policy 2015-20. Apart from incentives for specific sectors such as ready-made garments and footwear, it also allowed duty-free procurement of the inputs needed for exports on a self-assessment basis. Further, a new logistics division has been established in the department of commerce to coordinate development in the logistics space. These measures, along with recent changes in the goods and services tax, are likely to help the export sector. However, at a broader level, India needs structural changes to be able to attain higher and sustainable exports growth in the medium to long run, particularly in labour-intensive sectors. At a time when the global economy is witnessing a synchronized recovery, the latest gross domestic product data showed that India’s exports went up by just 1.2% in the second quarter of the current fiscal. According to the World Trade Organization (WTO), merchandise trade volume in 2017 is expected to grow by 3.6%, compared to 1.3% in 2016.  Exports are an important driver of economic growth and will also help create much needed jobs for India’s growing workforce. They played an important role in transforming countries such as South Korea and China in recent decades. Therefore, India will need to work on increasing competitiveness to expand its exports share in the world market.  It is often argued that India stands to gain as labour-intensive manufacturing is moving out of China due to rising wages and an ageing population. But this is not happening in a big way, and India is losing out to other Asian countries such as Bangladesh and Vietnam. In an article published in these pages earlier this week, economists at CRISIL [showed](http://www.livemint.com/Opinion/nESqyB7r1WbLi0aPHC4GCL/Exports-rebound-needs-structural-repairs.html) that India’s “revealed comparative advantage”, an indicator of competitiveness, in some of the labour-intensive sectors has actually declined over the past decade. Vietnam and Bangladesh are becoming more competitive and are capturing the low-end manufacturing space being vacated by China. India will need to swiftly take necessary measures in order to improve its position. The latest Economic Survey (2016-17) also highlighted how India is losing out in labour-intensive sectors like apparel and footwear, and why it is important to focus on these sectors. For instance, apparel is 80 times more labour-intensive than the auto sector. India will have to work on multiple levels to increase its competitiveness. First, it will need to improve logistics to increase efficiency, both in terms of the time and costs involved. The trade policy review shows that the government is addressing this issue. Second, the government will need to move forward with reforms in the factor market. India has a large number of small enterprises, which are not in a position to attain economies of scale and compete in international markets. As the Economic Survey highlighted, Indian firms in the apparel and leather sectors are smaller than those in China, Vietnam and Bangladesh. The reason for this is regressive labour laws. Firms in labour-intensive sectors will need more freedom to operate. Similarly, more flexibility in land acquisition will also help the manufacturing sector.  Third, while there is a threat of rising protectionism, India needs to be prepared to protect its interests without compromising on its open trade policy. India has always supported rule-based multilateral trade negotiations under the WTO. But as progress has been limited in recent years, it should also look for opportunities to reduce trade barriers at the regional and bilateral levels.  Fourth, it will be important to keep the currency competitive. This is not to suggest that India needs an undervalued currency, but the Reserve Bank of India (RBI) should not allow the rupee to appreciate sharply. The RBI has done well in recent months to absorb a significant amount of the foreign exchange flow by building reserves to keep the rupee in check. However, the 36-currency exports-based real effective exchange rate is still showing significant overvaluation. As we have argued in these pages before, now that India has adequate reserves, policymakers should reassess the kind of funds it needs. This will not only assist in keeping the rupee competitive and stable but will also help in conducting the monetary policy.  To be sure, the government is working on increasing the ease of doing business, which should also help India’s exports. Policymakers would do well to increase the pace of reforms as challenges on the export front may increase owing to the growing threat of protectionism and rising automation. | |

|  |  |
| --- | --- |
| [**Import of cotton: government all set to withdraw ST, customs duty**](https://fp.brecorder.com/2017/12/20171207324908/) | **Business Recorder**  <https://fp.brecorder.com/2017/12/20171207324908/> |
| The government is all set to withdraw sales tax and customs duty on import of cotton, as was done last year, to encourage value addition, reduce cost of doing business and bridge the gap between production and consumption, sources in private sector told Business Recorder. Textile Division, source said, has submitted a summary to the Economic Co-ordination Committee (ECC) of the Cabinet, which is expected to be considered very soon.  Pakistan has been a net cotton importer since 2001. Domestic cotton is of short to medium staple length which implies that long and extra long staple cotton has to be imported for production of finer yarn counts for subsequent transformation into high value added finished products.  Import of cotton has remained duty free till the slab of 0% was abolished in 2014-15 and customs duty (CD) of 1% was imposed along with the 5% sales tax. Later on 1% slab was made 2% and then 3% along with the 1% additional duty to make it 4% ie cotton was subject to 4% CD and 5% sales tax till January 15th, 2017.  According to sources, the Prime Minister''''s package of incentives for exporters was announced on January 10, 2017, wherein textile sector was provided a number of facilitations including withdrawal of customs duty and sales tax on imported cotton from January 16, 2017. Provision of competitively priced quality cotton to textile industry is basic foundation on which export competitiveness is built.  The sources further stated that Finance Division moved a summary to the ECC to re-impose the customs duty and sales tax on imported cotton. The ECC constituted a committee and on the recommendation of the committee duties were re-imposed from July 15, 2017 in view of arrival of domestic cotton.  The textile industry of Pakistan consumes around 12 to 15 million bales of cotton per annum. Sustainability and viability of spinning industry is totally dependent on performance of the domestic crop. Textile industry has to meet this shortage from import of cotton from other countries. The impact of duties are induced in the price of domestic cotton, resulting in increase in cost of doing business for the entire textiles value chain, specially for export oriented sector in highly competitive international markets. It may also be noted that mills consumption have reduced and entire gap has not been bridged in last two year.  According to Cotton Crop Assessment Committee (CCAC), the cotton crop for the year 2017-18 is expected to be around 12.6 million bales of 170 kilogram, an increase of 16% compared to last year. Furthermore, 8.13 million bales have arrived in the ginning factories as of November 1, 2017 compared to 6.98 million bales in the same period last year, showing an increase of 17%. It is pertinent to mention here that bulk of the cotton will be lifted from farmers before January 1, 2018.  "To encourage value addition, reduce the cost of doing business and fill the gap between production and consumption as by January 1, more than 95% of the cotton will be lifted from the farmers and it is proposed that similar to last year decision, customs duty and sales tax on imported cotton may be withdrawn," the sources quoted Textile Ministry as saying in its summary to the ECC.  Textile Ministry has also claimed that the matter has been discussed with secretary Ministry of Commerce, who has endorsed the proposal. The issue was also discussed in a meeting of All Pakistan Textile Mills Association (APTMA) at Lahore, chaired by federal minister for national food security and research on November 13, 2017, who agreed when domestic cotton will be lifted from farmers, the duty may be removed.  However, Federal Board of Revenue (FBR) has no objection regarding exemption from sales tax on import of cotton but proposed that instead of exemption, grant of zero-rating on sales tax on import of cotton so as to restore the position existing prior to July 1, 2017 which can be done through further amendments in SRO 1125(1)2011.  The FBR is also of the view that it has no objection to withdrawal of customs duty on import of cotton. However, under the prevailing law, changes in the rate of customs duty prescribed under First Schedule to the Customs Act, 1969 can only be made through an Act of Parliament. | |

|  |  |
| --- | --- |
| **Centre rejects Maharashtra govt’s plea to de-notify Bt cotton** | **Indian Express**  <http://indianexpress.com/article/india/centre-rejects-maharashtra-govts-plea-to-de-notify-bt-cotton-4971587/> |
| THE Centre has rejected the Maharashtra government’s plea to de-notify Bt cotton in the wake of “large-scale” infestation of pink bollworm pest, and has instead advised the state to work with all stakeholders to put in place effective management strategies to check the menace. This has come out in the minutes of the “Review meeting for de-notification of Bt cotton hybrids for commercial cultivation in view of alleged breakdown of residence to pink bollworm” held under the chairmanship of Deputy Director General of Indian Council of Agricultural Research (ICAR) A K Singh in New Delhi on October 25. The minutes accessed by The Indian Express clearly states, “It was decided to continue the use of Bt cotton BGII as per existing guidelines.”  The decision was arrived at following elaborate discussions with representatives of all major cotton producing states, of which only Maharashtra had sought de-notification. Summerising the discussions, Singh said, “Proactive steps already taken by Central Institute of Cotton Research (CICR), Nagpur, for management of pink bollworm need to be implemented by all cotton growing states.” He advocated proper education, training of farmers and ginners about the Bt cotton technology. “He assured that ICAR would join hands with State government for providing technical assistance for the management of pink bollworm. There is need for collaborative efforts of all stakeholders to strengthen the transfer of technology to grassroots level,” read the minutes.  Singh’s assertion was based on experiences shared by other cotton growing states like Gujarat, Telangana, Madhya Pradesh, Andhra Pradesh, Punjab and Karnataka. At the centre of discussion was the Gujarat model of pink bollworm control as enunciated by Director of Research, Anand Agriculture University, Gujarat, K B Kathiriya who said: “Gujarat faced severe damage by pink bollworm during 2015-16. However, the state undertook mass campaigning with the help of state agricultural universities, private companies and undertook farmers’ field days and organised trainings for the ginners. As a result, this year, economic threshold level (ETL) has been crossed in very few locations.”  In integrated pest management, the economic threshold is the density of a pest at which a control treatment will provide an economic return. Kathiriya opined that there was no option to Bt cotton. I S Kategiri from Dharwad in Karnataka pitched for continuing Bt technology saying “it is effective against other bollworms (American and spotted)”. He, however, said farmers could be compensated by lowering the seed costs since “it is not effective against pink bollworm”.  Balu Naik, an official from Andhra Pradesh, said the state had laid out pink bollworm management strategies in association with the CICR. “AP has made village-level and mandal-wise plans for management. Pheromone trap (to check insect invasion) were given 100 pc subsidy,” he said. Director of Research, [Jawaharlal Nehru](http://indianexpress.com/about/jawaharlal-nehru) Krishi Vishwa Vidyalaya, Madhya Pradesh, said, “There was no issue of pink bollworm in Madhya Pradesh. Campaigning was done with the result that majority of the cotton area was below ETL.”  Telangana official T Pradeep noted that there was increased pink bollworm infestation this year but said he wa” “optimistic on managing it by cultivation of short duration hybrids, crop rotation and adoption of integrated pest management measures (IPM)”.  Himachal Pradesh official S P Singh attributed the infestation to lack of refugia (the mandatory crop to be grown around Bt cotton to thwart pest attack) cultivation.  Maharashtra’s Agriculture Commissioner S P Singh, however, said, “More than 700 villages have been affected pink bollworm this year in the state. Cotton crop termination by December as recommended by CICR was not feasible as farmers were not willing to do so. Refugia seeds supplied by seed industry also didn’t conform to standards.” He called for “immediate action and technical guidance” for management of pink bollworm.  The Maharashtra government has twice written to the Centre seeking to de-notify Bt cotton due to the pink bollworm issue. Even Chief Minister [Devendra Fadnavis](http://indianexpress.com/about/devendra-fadnavis)had flagged the decreasing efficacy of Bt technology in his speech at the Agrovsion expo at Nagpur last month.  **‘De-notification issue misunderstood’**  Maharashtra Principal Secretary (Agriculture) Vijay Kumar said, “The denotification point made by the state has been largely misunderstood. We are not demanding discontinuation of Bt cotton. We only mean that as the technology has ceased to provide protection against pink bollworm, it should be priced at a lower level to pass on the advantage to farmers. We also agree that Bt cotton will have to continue in the years to come.” Kumar dismissed the contention that pink bollworm infestation was due to lack of refugia plantation. Kumar said, “The companies pass on the blame to farmers but we have tested many refugia samples and found them to be substandard. Now the companies have got permission from the Centre to allow them to mix refugia seeds in the same packet as Bt seeds so that the farmers would have to use them anyway. Kumar added, “We will initiate a process under the Maharashtra Cotton Seeds (Regulation of Supply, Distribution, Sale and. Fixation of Sale Price) Act, 2009, to set up a committee to hear both farmers and the seed companies to decide about compensation to farmers by the companies, which they are liable to pay under the act.” | |