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NEWS CLIPPINGS –25-09-2018

Rains cloud cotton prospects	Business Line https://www.thehindubusinessline.com/economy/agri-business/rains-cloud-cotton-prospects/article25030867.ece

Experts fear loss of crop and poor quality due to damage to bolls in North India

The heavy rains over the cotton growing regions of Punjab, Haryana and Rajasthan have cast a shadow over crop prospects. Experts see quality getting hampered due to the 'ill-timed' rains during the harvest period.

According to information from various sources in the trade in North India and the Cotton Association of India (CAI), the cotton belt of North India received heavy rains during the last three days, which could prove detrimental for the standing cotton crop, which was at the harvest stage.

"Due to the rains around this time, the crop is likely to get hampered to the extent of about 10 lakh bales in the North region. Earlier the crop expectations was at 60-65 lakh bales, which is feared to come down to around 50-55 lakh bales. There is greater concern over flower shedding because of rains joined by winds. Also, there is an increased risk of pest attack due to cloudy and wet weather," said a source privy to the condition.

The water-logged farms and increased moisture level in the bolls, which open around September, has increased the possibility of deterioration in quality and also in the crop.

"It is difficult to say at this juncture about the possible damage because rains continued till today. Only now has the sky has started to clear in the cotton belt. But rains at the time of picking will hurt crop prospects. There could be damage of about 5-10 per cent in some areas, while in some places this rain has benefited the crop. So, currently there is no clarity about the extent of loss," said Ashwani Jhamb, a cotton expert and director at Indian Cotton Association.

Cotton Association of India (CAI) is conducting its meeting on October 1 for estimation of the cotton crop.

The India Meteorological Department (IMD) reported that extremely heavy rains occurred over isolated places in Punjab and Himachal Pradesh, while Haryana, Gujarat and East Rajasthan saw heavy to very heavy rain during the past 24 hours. The IMD has predicted heavy to very heavy rains at isolated places in Haryana, and heavy rains in Punjab and East Rajasthan over the next 24 hours.

Per Agriculture Ministry data, as on September 20, cotton acreage stood at 120.64 lakh hectares, about 0.89 per cent down from 121.72 lakh hectares in the same period last year. The area in Punjab, Haryana and Rajasthan stood at

2.84 lakh hectares (3.85 lakh), 6.65 lakh hectares (6.56 lakh) and 4.96 lakh hectares (5.03 lakh).

According to farmer sources, heavy rains around September will adversely affect arrivals, as picking may be delayed by a week. Normally, farmers in North India pick up to November, post which they take off the cotton plants and switch to winter crops.

Cotton and Currency Markets	**Kotak Commodities Research Desk** **For more details contact :** Research@kotakcommodities.com **&** aurobinda.gayan@kotakcommodities.com

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
22182	46400	81.48
Domestic Futures (Ex-Gin) July		
Rs/Bale	Rs/Candy	USD Cent/lb
22340	46730	82.06
International Futures		
NY ICE USD Cents/lb. (Dec 2018)		78.58
ZCE Cotton: Yuan/MT (Jan 2019)		16080
ZCE Cotton: USD Cents/lb.		90.34
Cotlook A Index - Physical		91.30
B. Currency		
USD/INR	Close	Previous Close
Spot	72.636	72.205

Cotton Guide:

The start of the week market was quiet across contracts. Dec settled at 7858, down 55 points. That was almost Dec's lowest settlement in 5 months. Last week Dec had a 7852 settlement on Tuesday and 7847 on Thursday; otherwise it's back to April 24th for a lower settlement (7759). For contrast note the highest Dec settlement in the last 5 months was 9296 on June 14th. Market was mostly light given public holidays in various countries including China, Taiwan, Korea, Japan, and Australia. Other markets have not had much influence on cotton lately and that was probably the case on Monday. Both grains and the US equities ended mixed.

On the trading front the volume was 15,799 contracts. Cleared Friday were 21,435 contracts. The aggregate open interest held near 250,000 contracts. Meanwhile, the Chinese ZCE futures did not trade and there was no State Reserve cotton auction.

Technically, prices appear to be forming another flag, or perhaps a pennant. Either one is typically a continuation pattern; meaning odds are good for an eventual resumption of the primary (down) trend. The bulls would be advised

to disrupt this pattern by pushing the market higher. The daily modern work is nearly all 'down,' so this might not be easy. Support is 7800, 7750, and 7600 (all +/–). Resistance is 7950+ and roughly 8050 to 8250. Daily momentum is neutral.

USDA Crop progress report was published after the market close for the week ended September 23. Conditions overall had a slight improvement for the second week in a row. Texas and Oklahoma had another good week. Today's report showed cotton: 58 percent opening bolls versus the 5-year average of 57 percent; and 16 percent harvested, ahead of the 9 percent average.

On the domestic front, price for shankar-6 traded steady to lower near Rs. 45750 per candy ex-gin, 80.30 cents per pound. Rates for 2018/19-crop Punjab J-34 are marginally easy at Rs. 4,605 per maund (77.00 cents/lb). Likewise, the MCX cotton future for October ended the session at Rs. 22340 no major change from the previous close.

This morning ICE cotton is seen trading lower at 78.48 cents per pound for December future, ZCE cotton is trading steady while Indian rupee is close to new low. We think market will continue to see more volatile trading session on today's trading session. The trading range for October would be Rs. 22200 to Rs. 22500 per bale.

FX Guide:

Indian rupee has opened weaker by 0.4% to trade near 72.9 levels against the US dollar. Rupee remains pressurized by higher crude oil price, trade war concerns and Fed's rate hike expectations. Brent crude trades above $81 per barrel amid worries about tighter global market as Iran supplies are falling and OPEC has refrained from take any further action. Rising crude price have fuelled inflation and trade deficit concerns for India. Trade worries intensified as China called off talks with US while import tariffs announced last week became applicable. Market focus is now shifting to Fed decision later this week. Fed is largely expected to raise interest rate by 0.25%. Widening yield gap between US and India will increase concerns about investor outflows. Indian government measures to boost the currency have failed so far. Market players are now awaiting announcement relating to restriction in imports of non-essential goods. Rupee may remain under pressure amid trade worries and ahead of Fed decision. USDINR may trade in a range of 72.65-73.2 and bias may be on the upside.

Supply position will meet demand for cotton: ICF	**India.com** http://www.india.com/news/agencies/supply-position-will-meet-demand-for-cotton-icf-3342334/

Indian Cotton Federation (ICF) Sunday expressed hope that the supply position would be able to meet the demand for cotton at the current spindlage in mills and prices would remain steady as of now.

In view of normal monsoon, higher realisation compared to other cash crops, increase in Minimum Support Price, the farmers have shown more interest in cotton for the year 2018-2019.

However, due to pink boll worm and pest attacks the volume of crop could be around 360 to 380 lakh bales (of 170

KG), ICF President J Thulasidharan said at ICF's 39th Annual General Meeting held here.

"However, we need to leave a chance to other happenings in Agro climatic conditions," he noted.

Thulasidharan also highlighted the requirements of the cotton sector such as standardisation of packing and need for bar coding cotton bales, and to improve irrigation system by using better conservative method, among others.

Cotton being the seasonal crop, liberal finance at marginal interest should be made available through warehouse funding system by banking agencies, he said.

Thulasidharan was re-elected as president of the federation for 2018-19.

While P Nataraj and K N Vishwanathan were re-elected as vice presidents, Atul P Asher was re-elected as Secretary of the federation.

Indian economy feeling ripple effect of depreciating currency: GMR chairman G M Rao	**Zee Biz** http://www.zeebiz.com/india/news-indian-economy-feeling-ripple-effect-of-depreciating-currency-gmr-chairman-g-m-rao-64378

GMR Group chairman G M Rao fears that the corporate profits will fall in the near future. Explaining the rationale behind this, he said that the world is on an "increasing trend of volatility and unpredictability."

"We are witnessing US trade restrictions and sanctions for the other economies of the world. The US also started cutting wasteful expenditures and blocking aid to global bodies such as North Atlantic Treaty Organization (NATO). With its inward focus on boosting the economy, the US economy has really started strengthening, thus resulting in money flowing from emerging economies such as India to the US," he said while addressing the shareholders during the 22nd annual general meeting of the company.

These factors have resulted in the depreciation of the rupee and the Indian economy is feeling the ripple effect of depreciating currency. After US trade restrictions, China also started putting restrictions. As a result, commodity prices have increased; with oil sanctions put by the US, oil prices are also on an all-time high.

All this has resulted in the increase in inflation, thus increasing interest rates.

"First time in the last four years, RBI has raised benchmark lending rate. This increase in interest rates will eventually result in a decrease in corporate profits. Further, our banking sector is also going through a very challenging phase. With the banking stress, the liquidity from the market has virtually vanished," said Rao. He said it will be challenging to meet the increase in energy demand due to stress in the banking sector combined with a squeeze in liquidity. In fact, during this month, the spot power prices had considerably shot up. As per IEX data, the per unit price was Rs 10.12 as on September 17.

The 'Indian Flu', or Why the Crash of the Economy Is Imminent	The Wire https://thewire.in/economy/the-indian-flu-or-why-the-crash-of-the-economy-is-imminent

Fitch Ratings has raised its estimate of India's expected growth rate in 2018-9 to 7.8%. For anyone who has the least knowledge of business conditions in India today, this can only be a sick joke. For India's economy is heading for a meltdown – 78 of the largest companies in the country are facing dissolution under the Indian Bankruptcy Code. Of them, 20 have already been declared insolvent and sent to the National Company Law Tribunal for dissolution.

Another 30 companies, all in the power sector, are also facing the guillotine because the Allahabad high court has denied them more time to sort out their woes. The debt of these companies alone amounts to Rs 140,000 crore. Among them are three giant power plants, the 4,000 MW Coastal Gujarat Power of Tatas, Adani power, Mundra and Essar Power. They are bankrupt because they had the temerity to base their plants and have been denied the right to set tariffs that will cover the higher cost of imported coal, by the Supreme Court of India.

Yet another 92 companies are on the chopping block because they are more than 180 days behind on their loan repayments. And as if that were not enough bad news, loan defaults by small companies have also doubled in the past year, signalling an imminent crisis in that sector as well.

The sickness has spread to the private financial sector. Infrastructure Leasing and Financial Services (IL&FS), a financial giant, has just defaulted on its interest payments and sent the stock market into a tailspin. Foreign investors have been leaving the Indian money market in droves: the rupee plunged to 71.7 to the dollar on September 20, against 65 on March 31, less than six months earlier. The RBI has halted the slide by raising the repo rate by a full half percent.

But how long will its finger keep the dyke from bursting?

Who, or what, is responsible?

In a note he submitted to the Estimates Committee of parliament earlier this month, former RBI governor Raghuram Rajan has identified two causes: an "irrational exuberance from 1994 till 1996" generated in promoters (of new projects) by the prolonged spell of rapid economic growth that began in 2003, and the government's failure to live up to its commitments to the investors.

"A large number of bad loans," he points out, "were originated in the period 2006-2008 when economic growth was strong, and previous infrastructure projects such as power plants had been completed on time and within budget. It is at such times that banks (and, needless to say, promoters) make mistakes".

Their chief mistake was to "extrapolate past growth and performance to the future" and accept projects with very little equity capital, that relied almost entirely upon loans. When the upswing ended with the onset of global recession in 2008 and demand slackened, many projects became unviable.

Fraud, in the shape of inflated capital costs, over-invoiced import bills and unacceptably low promoters' capital has

played a part, he wrote, but it is only a small one. Rajan placed the remainder of the blame upon "governance problems" – a euphemism for the Central and state governments' failure to provide promised inputs, such as land free of encumbrances, coal, power, water, and transport connections. Unable to generate revenues, the investors ate into their equity capital to meet the mounting burden of interest payments, till there was none left. Then they walked away from them. This is the reason why India is saddled with up to 1,160,000 crores of stalled, "zombie " projects and Rs 950,000 crore of largely irrecoverable debt.

Rajan's analysis is cogent, but incomplete. India has never been free of "governance problems". There was a spell of "irrational exuberance from 1994 till 1996, followed by a steep slump in 1997 that lasted till 2002. But there was no pile-up of abandoned projects and irrecoverable debt then.

His ascription of the current decline to the impact of global recession is also suspect. For the recession began at the end of 2008, but India's slide into industrial stagnation and insolvency began three years later in 2011. In between, it recorded two years of the highest industrial and GDP growth that the country has known. Why this delay? The answer is the crippling interest rates that the Reserve Bank imposed on the economy in 2010-11 and is persisting with, in the face of catastrophe, today.

A simple calculation is all that is needed to show what high interest rates do to infrastructure investment: If the promoters of power and highway projects, for instance, borrow money at 5% a year their capital cost, if not repaid, will doubled in 14 years. At 10% it will double in seven years. At 12% — the rate that even blue-chip companies were paying until 2015 – doubling takes place in 5.5 years.

Since the same high rates will simultaneously kill the demand for housing and make car and refrigerator loans unaffordable, investors will be hit from both sides. In addition to this the government reneges on its promises to provide the infrastructure needed for production, such as coal, power, water and transport, the only option left open to them will be to cut their losses and walk away. Rajan does not have a single word to say about this, because he is one of the high priests of the high interest rate regime that has bankrupted the country.

The evidence that this is indeed the cause of both the crisis in industry and in banking, comes from the pattern of bankruptcies. All but a few of the companies that are on the chopping block had dared to invest in infrastructure projects. The reason they had done so was that the public sector, which used to invest in infrastructure in the past, was no longer doing it. Public sector investment had been even more prone to delays because of the government's failure to meet its commitments, but there were no stalled projects because it had the dual advantage of being loaned money by the banks at paltry rates of interest, and never having to fear bankruptcy.

To justify their suicidal commitment to price stability, three RBI governors in succession – Y.V. Shetty, D. Subbarao and Raghuram Rajan – have argued that price stability will automatically lead to growth. They have been buttressed by a much touted finding of IMF and other neo-classical economists that, contrary to the previously unquestioned belief, high rates of inflation do not automatically raise the rate of economic growth, but actually lower it.

"Inflation targeting" was born out of his flaky belief. The RBI made this its Bible despite the fact that none of these

studies had been able to establish a causal link from high inflation to low growth. And it did so in the face of compelling theoretical and empirical evidence that the causal chain runs in the opposite direction, i.e from economic growth to inflation.

Some inflation has to accompany industrialisation because it requires the diversion of a part of current investment from producing consumer goods to capital goods. Every government of a rapidly industrialising country has had to face this problem and has resorted to price and distribution controls, such as rationing, fair price shops and food coupons. South Korea had an average inflation rate of 21% during the three decades in which it became an industrial powerhouse, and China has become one only with the help of stringent price controls on essentials, and negative real rates of interest on bank loans. In India, by allowing the RBI to make price stability the sole goal of policy the elected government sacrificed growth at the altar of stability.

What has made the RBI impose this suicidal policy on the country, and why have two governments capitulated? The first reason, the suicidal adoption of "inflation targeting" by the RBI without realising that the rich nations have entirely different goals for adopting it than the poor, has been described at length in these columns on an earlier occasion.

But the second, more pressing, reason is the imperative need to keep not prices, but the exchange rate stable. This has gained in importance with every year of high interest rates, because these have forced investors to borrow abroad, where loans have been available at rates as low as one to three percent, to keep their interest burden down.

Between 2008 and March 2015 around 300 of India's largest companies borrowed Rs 4.5 lakh crores ($680 billion) abroad, mostly with maturity periods ranging from 3 to 20 years. Between March 2014 and March 2015, after Modi's victory became certain, borrowings increased by $ 181.9 billion. This raised India's outstanding external debt by 38% to $580 billion.

In India, by allowing the RBI to make price stability the sole goal of policy the elected government sacrificed growth at the altar of stability.

The euphoria was so intense that a very large part of the new debt was not hedged against the risk of a fall in the value of the rupee. As a result, in 2015, 59% of the $580 billion was vulnerable to devaluation.

For the borrowers, maintaining the exchange rate regardless of side effects therefore became a matter of life and death. The real, unspoken, goal of 'Inflation targeting' is to maintain not price but exchange rate stability at any cost. This quest has not only killed the real economy but created an imbalance between India's foreign exchange debt and its reserves that has brought international hedge funds into the Indian money market, circling like wolves scenting a killing. What India is experiencing, therefore, is a mild version of the "Asian Financial 'flu" that began in Thailand and spread to the whole of Southeast Asia in 1997 and 1998.

Unlike the Bank of Thailand in 1997, the RBI has had the sense to allow the rupee to depreciate in response the demand for dollars in recent weeks. But every few points drop in its value is increasing the risk of insolvency for

the companies that have borrowed abroad.

How to stem the collapse

The only way to stem a further collapse is to lower the interest rate on long and medium term loans drastically to 4% or less. This will allow the embattled infrastructure and heavy industries to refinance their loans and drastically reduce their debt burden. Since the lower rates will also revive the housing, real estate and consumer durables industries, these companies will have a far better chance of repaying their re-structured loans than they have had in the past seven years.

Why 4%? The short answer is that in no country in the 19th century did companies building infrastructure face real interest rates of more than one or two per cent. The US government provided much of the capital that American companies sank into 300,000 kms of railroads between 1870 and 1891 free of cost in the form of land and timber felling rights that they could sell in the market. In the 20th century, South Korea and China achieved their breakthroughs by raising capital at negative real rates of interest, in effect taxation of peoples' savings.

There is some risk that a sharp reduction of interest rates will cause an outflow of short term foreign investment . But this will get reversed when foreign portfolio investors see a sustained rise in share prices. More importantly, the availability of cheap capital that is free of exchange rate risk will end the long-term borrowing spree abroad by Indian investors that has precipitated the present crisis. The resulting reduction of demand for dollars will ease the pressure on the rupee.

But time is of the essence, for every day that the rupee continues to depreciate increases the repayment obligations of companies loaded with foreign debt and weakens their capacity to respond positively to measures designed to revive economic growth. One more attempt to avoid domestic collapse by propping up interest rates will bring on the foreign exchange crisis that the government is mistakenly trying to avert through monetary policy alone.

Textile trade hit by demonetisation, GST says Association Perla Bheema Rao	**The Hans India** http://www.thehansindia.com/posts/index/Andhra-Pradesh/2018-09-23/Textile-trade-hit-by-demonetisation-GST-says-Association-Perla-Bheema-Rao/413726

The Textile Merchants Welfare Association general body has elected new members of the association for the year 2018-19 at a private hotel here on Sunday. Addressing the gathering, the newly elected honorary president of the association Perla Bheema Rao said that he would strive to solve the problems faced by the businessmen.

He said that the textile business faced a big jolt since demonetisation and implementation of GST.

The members of the association can speak out their problems openly which will be addressed, he added.

Association president P Venkateswara Rao, vice-presidents V Nagabushanam and A Sunil Kumar, secretary Ch Srinivas Rao and others were present.

Tariffs will be devastating for retail, trade group executive says	Cnbc.com https://www.cnbc.com/2018/09/24/tariffs-will-be-devastating-for-retail-trade-group-executive-says.html

The new round of tariffs on Chinese goods will have devastating effects for retail and consumers, Rick Helfenbein says. "Prices are going to go up, they are going to stay up, and any downturn in the market will be harder to recover from," he says.

The new round of tariffs on Chinese goods will have devastating effects on retail and consumers, Rick Helfenbein, president and CEO of retail trade group American Apparel & Footwear Association, told CNBC on Monday.

"I'm surprised today the Dow reacted so modestly. People don't realize the impact that this is going to have at retail. This will be devastating," Helfenbein said on CNBC's "Power Lunch."

The latest round of tariffs targeting U.S. and Chinese goods went into effect Monday. The Trump administration levied tariffs of 10 percent on $200 billion of Chinese products, including furniture and appliances, with the rate set to increase to 25 percent by the end of the year. In response, Chinese President Xi Jinping's government said it would impose taxes on 5,207 U.S. imports worth about $60 billion.

The U.S. and China have already applied tariffs to $50 billion of each other's goods — moves that threaten to derail global supply chains. The Dow Jones Industrial Index dropped 151.29 points to 26,592.21 on Monday.

"This is not funny; it is not fun. We've got about half of the imports coming from China going to get hit with tariffs. They gave us six days notice for this," Helfenbein said.

The American Apparel & Footwear Association represents more than 1,000 retail brands, including Ralph Lauren, Under Armour, Macy's and Target, among others. Helfenbein said he anticipates retail to suffer and worries the tariffs will kick off a scramble by companies to get out of China and source alternative, cheaper production solutions.

About 41 percent of apparel, 72 percent of footwear, and 84 percent of travel goods imported into the U.S. come from China, Helfenbein said, and it will be difficult to account for that much production capacity elsewhere.

Once companies start leaving China, Helfenbein said, "demand and supply don't match, prices go up, sales go down, jobs get lost. This is a very difficult situation."

Furthermore, if the economy weakens, Helfenbein said, consumers will no longer have the option of purchasing cheap Chinese goods — which often helps draw the economy out of recession.

"Prices are going to go up, they are going to stay up, and any downturn in the market will be harder to recover from," Helfenbein said.

Telangana to open 400 cotton, 3,000 paddy procurement centres	Business Line https://www.thehindubusinessline.com/economy/agri-business/telangana-to-open-400-cotton-3000-paddy-procurement-centres/article25030917.ece

After record sowing in cotton and paddy this kharif, Telangana is gearing up for the procurement season, with the Government lining up about 400 cotton procurement centres and over 3,000 paddy procurement centres in different parts of the State.

Cotton farmers went for sowing on a record 46 lakh acres, against the normal area of 41 lakh acres, despite the productivity challenges they faced last year, expecting minimum guarantee returns from the fibre crop.

The farmers, however, faced challenges, both in terms of pink bollworm attack and in selling the produce last year as the number of procurement centres was very small.

Telangana Irrigation and Marketing Minister T Harish Rao asked the officials of Cotton Corporation of India (CCI) to open 25 procurement centres by October 10.

While the Marketing Yards would buy cotton at about 100 centres, private ginning mills would open 288 centres by October 20. But the domination of ginning mills in procurement is attracting criticism from farmers.

A team of scientists from Prof Jayashankar Telangana State Agriculture University (PJTSAU) found that the ginning mills proved to be home for dormant pink bollworms that come with the produce from farmers. They found advancement of pink bollworm attack by a couple of months in some areas surrounding the ginning mills, triggering concerns among scientists and farmers.

Paddy procurement

With the farmers going for paddy on 24 lakh acres this kharif, which is slightly more than the normal area, and two lakh acres more than in the previous year, the State expects an output of 57 lakh tonnes.

“As against 18 lakh tonnes the State agencies procured last year, we target to procure 34 lakh tonnes this year,” Finance Minister Eatala Rajender said.

The procurement price for Grade-A paddy has been pegged at ₹1,750 a quintal.

A Government official said that as many as 3,140 paddy procurement centres would be opened as produce begins to arrive. While Primary Agricultural Cooperatives (PACs) would buy paddy by opening 1,800 procurement centres, about 1,100 Indira Kranthi Patham (IKP) centres too would buy the commodity. This would require 8.59 crore gunny bags.

Rising imports from China hit MSMEs hard: House panel	Financial Express https://www.financialexpress.com/economy/rising-imports-from-china-hit-msmes-hard-house-panel/1325506/

Trade between the two countries has been lopsided, with India running a deficit of $63 billion with China.

Rising imports from China have taken a heavy toll on the employment-generation potential of the manufacturing sector, especially among the micro, small and medium enterprises (MSMEs), the parliamentary standing committee on commerce said.

The major impact of Chinese imports has been felt by labour-intensive sectors like textile, steel and power. "The stainless-steel industry is a case in point, where a number of MSMEs have had to close down, particularly manufacturers of stainless steel grades of the 200 series due to Chinese imports," the report, titled 'Impact of Chinese goods on Indian industry,' said.

The panel recommended that India take more stringent measures to completely protect local industries against illegitimate, protectionist and unfair trade practices used by trading partners.

However, the committee observed that imposition of anti-dumping duties against Chinese products have largely failed as these duties are relatively few compared with the amount of Chinese dumping that takes place.

"Nearly 75-80% of Chinese steel products are covered under anti-dumping duty, yet despite this, import of such steel products have increased by 8%. This clearly shows that anti-dumping measures have become completely ineffective," the committee noted in its report.

The report suggested further measures to curb dumping of Chinese goods. It said that quality standards and technical regulations are potent tools to check sub-standard Chinese imports. "However, the Quality Control Orders and Compulsory Registration Orders laying down technical standards of the products being imported need strengthening," the report said.

The committee said that the impact of Chinese imports was far reaching as downsizing and closing of industrial units would adversely impact the tax collection and Make in India program.

Further, the closure of industry will also stress the banking sector, which is already reeling under the burden of huge non-performing assets (NPAs), the report said.

The trade between the two countries has been lopsided, with India running a trade deficit of $63 billion with its neighbour. This accounts for 40% of India's total trade deficit.

During the period 2007-08 to 2017-18, India's exports to China increased by $2.5 billion; imports, however, increased by $50 billion during this period, the report said.

Making an observation on Chinese competitiveness, the report said that the Chinese industry has also been

benefited by opaque government interventions to boost low-cost production.

The effect of this legitimate and illegitimate support has helped China create a huge inventory of products and dump their products globally, the report said.

China is involved in anti-dumping investigations for 214 products. In comparison, there are 86 anti-dumping cases initiated against the EU, 64 cases against South Korea, 62 cases against Taiwan and 41 cases each against Japan and the US.

"China faces the major chunk of anti-dumping investigations which is a clear indication that Chinese goods are causing unfair trade disruption," the report said.

GST relief for MSMEs: Disappointing news – Sector may not get more benefits before 2019 polls	**Financial Express** https://www.financialexpress.com/economy/gst-relief-for-msmes-disappointing-news-sector-may-not-get-more-benefits-before-2019-polls/1325522/

A persistent shortfall in the goods and services tax (GST) collections has forced the GST Council to move slowly on the plans to give more sops to micro, small and medium enterprises (MSMEs)

A persistent shortfall in the goods and services tax (GST) collections has forced the GST Council to move slowly on the plans to give more sops to micro, small and medium enterprises (MSMEs). Till the next elections, the GST structure might not see any major change, sources said, adding that even the new return filing system may have to wait till the polls are concluded and the new government assumes office.

The government reckons that the rolling out the proposed additional sops to MSMEs — one suggestion was to refund a portion of the taxes paid by these units to reduce their tax liability without upsetting the GST chain — closer to elections could create technical hassles. Such irritants during the poll season might offset whatever political benefit the NDA government could get through the tax sops for small businesses.

Besides, with the government being firm on sticking to the fiscal deficit target of 3.3% of GDP for the current fiscal, denting GST revenue further is something it can ill afford. The government's average monthly GST revenue for this fiscal now stands at a little over `94,700 crore compared with around `90,000 crore in FY18. That means a shortfall of 20% for the Centre.

GST collections for July came in at `93,960 crore, down 2.5% from the receipts in the previous month and reversing the recent trend of a gradual month-on-month increase in the mop-up. The rate cuts for 88 items and 24 services announced on July 21 to give relief to MSMEs and customers did have an impact on the collections. The impact of the rate cuts could be more pronounced for August.

Although the council set up a group of ministers (GoM) in its last meeting held on August 4 to formulate a plan for further relief to MSMEs, the panel hasn't met even once since. Three panels of tax officials — law, fitment and IT —

are tasked with assisting the GoM but even these have only met once each and that too without any major outcome.

As the council meets here on September 28 for its 30th session, it's unlikely to have an interim report from the GoM for consideration.

"Tax officials and the political dispensation are wary of implementing new measures close to general elections. Apart from revenue considerations, we also have to factor in the IT-related issues that may arise after implementation," a source said. As FE reported earlier, due to similar apprehensions, the government will likely defer the new return-filing system, crucial to check evasion, to after the general elections.

The plan to provide more relief to MSMEs was based on the fact that many small taxpayers were exempt from the excise duty in the pre-GST regime, but their tax liability now is equivalent to a combination of excise and VAT, which is believed to have deprived them of their competitive advantage. Excise duty had kicked in at a turnover threshold of Rs 1.5 crore.

Incentives for MSMEs will come with adverse revenue implications, but sources said even a small quantum of relief would cover a large part of the tax base, given that small taxpayers contribute only a small fraction of the GST revenue. According to official data, registered taxpayers up to turnover of Rs 1 crore constitute over 78% of the total base, but contribute less than 7% to the revenue collection. In absolute terms, assessees below `1 crore pay about `6,000 crore as GST every month while the total collection is over `90,000 crore. So, even if `1,000 crore of this is refunded to them, the tax liability of nearly 80 lakh taxpayers would reduce by 15%.

Belarus, India to sign agreement on investment	**English Belta** http://eng.belta.by/economics/view/belarus-india-to-sign-agreement-on-investment-115041-2018/

Belarus and India will sign an agreement on investment, Belarus' Industry Minister Pavel Utyupin said at the opening of the Belarusian-Indian business forum in Minsk on 24 September, BelTA has learned. "Belarus and India should go further in developing a favorable business environment for our companies. We are offering Indian partners a project of an Belarusian-Indian investment cluster in the special economic zone Bremino-Orsha.

"We hope that India will use this opportunity to build an industrial logistics hub for the production and promotion of products, including to the EU and the EAEU. Investment cooperation requires an appropriate regulatory framework. I am pleased to announce the forthcoming signing of the Belarusian-Indian agreement on investment during this business forum. It will make the environment for mutual investment even more beneficial," Pavel Utyupin said. The minister noted a significant revival of the Belarusian-Indian business contacts after the visit of the Belarusian president to New Delhi last September. "Economically, the potential of bilateral cooperation is obvious. But we would also like to develop production and investment cooperation," he said. Pavel Utyupin singled out engineering, textile industry, oil production, pharmacy, high technology, agriculture, scientific cooperation as the

most promising areas. Chairman of the Belarusian Chamber of Commerce and Industry Vladimir Ulakhovich emphasized that India has a vast domestic market.

"The Indian government is implementing a number of projects, including infrastructure ones. We can join them. We need partners who can both participate in projects financially and who can offer consumers. Here we have great prospects," he said. Attending the forum are representatives of over 50 Belarusian enterprises and 18 companies - members of the Confederation of Indian Industry. The companies have an opportunity to establish business contacts and discuss export of products and services.

India shows an interest in cooperation with Belarus in the production of pumps, mining equipment, tourism, consulting and energy industries. The forum has been organized by the Belarusian Chamber of Commerce and Industry together with the Confederation of Indian Industry.

Japanese apparel firm plans outsourcing from Pakistan	**The News** https://www.thenews.com.pk/print/372615-japanese-apparel-firm-plans-outsourcing-from-pakistan

A world famous apparel brand Uniqlo plans to outsource textile garments from three Pakistani companies for its more than 3,000 outlets worldwide, people familiar with the matter said on Monday.

Uniqlo Inc – a subsidiary of Japanese retail holding company Fast Retailing Inc. – has planned joint venture with three local companies, which would boost textile exports, an official told The News.

Uniqlo initially selected five textile companies in Lahore, Faisalabad, and Karachi and sent its two member team to meet their representatives and assess the potential.

“The initial visit of the Uniqlo team has been successful, which is a big breakthrough,” the official said, requesting anonymity. Uniqlo finally chose three companies for joint ventures in Pakistan. “They still requested for some more companies for shirt fabric and others for circular cutting and sewing,” the official added.

Pakistan’s textile exports rose around nine percent to $13.53 billion for the fiscal year ended June 30, which account for more than 60 percent of the country’s total exports. Yet, Pakistan has lost its textile export share in the world market to 1.7 percent from 2.2 percent over the last decade.

In February, Spanish Inditex Group, the world’s biggest clothes retailer and owner of an internationally-acclaimed fashion brand Zara, opened its maiden branch office in Pakistan to double its imports from the country. Other key foreign buying houses in the country include IKEA, Walmart Global Procurement, Li and Fung Pakistan, Target and JC Penny.

The official said Uniqlo’s team planned another trip to Pakistan by end of the current month to conclude agreements with the local factories made in August.

Uniqlo is a household name In Japan and known for very high quality products at low price. The brand is known for maintaining on-ground presence for quality control. “Therefore, any significant move by Uniqlo into Pakistan for investment and procurement will generate a ripple effect… it will boost textile export. From its factories, Uniqlo supplies apparels to its more than 3,000 sales outlets all across the world,” the official added.

Fast Retailing is considered as the world’s third largest apparel manufacturer-retailer company. The company has 236 manufacturing factories and all are in Asia. Several are located in China and Bangladesh. Uniqlo has 3,370 sales outlets across the world and its total annual turnover is almost equal to $17 billion.

Nigeria’s Textile Industry To Receive N610bn Investment	**Concisenews** https://www.concisenews.global/2018/09/24/nigerias-textile-industry-to-receive-n610bn-investment/

About $2bn (N610bn) has been pumped into the Nigerian cotton industry to create its first-ever cotton value chain sector. Concise News understands that the Ministry of Industry, Trade and Investment has signed a Memorandum of Understanding with the Shandong Ruyi International Fashion Industry. The pact is one of the 13 entered into by the Federal Government in China with the agreement set to create a cotton value chain industry from cotton growing to ginning, spinning, textile manufacture and garment production.

The factories would be created in Katsina, Kano, Abia and Lagos states. Also, this would involve the manufacturing of not less than 300 million metres of African print. The move will cover about 20 percent of West Africa’s demand for the sector and would lead to the production of cotton and denim garments for local consumption and export.

US-China trade war: India’s cotton exports to China may see a fivefold jump	**Financial Express** https://www.financialexpress.com/market/commodities/us-china-trade-war-indias-cotton-exports-to-china-may-see-a-fivefold-jump/1322342/

Indian traders have already entered into a forward contract with Chinese buyers to deliver about 1.2 million bales between November and January. India’s cotton exports to China may see a fivefold jump to 4 million bales in the marketing year starting October 1 (2018-19), after the neighbouring country slapped a 25% additional duty on imports of the fibre from the US on July 6, amid the trade standoff between the world’s two biggest economies, trade sources said.

Indian traders have already entered into a forward contract with Chinese buyers to deliver about 1.2 million bales between November and January, these sources added. Though some quantities have been contracted for exports to Bangladesh and Cambodia as well, maximum contracts have been with China. China is set to return as a major cotton importer, taking 10 million to 15 million bales each year by 2019-20, Reuters has reported recently, quoting an analyst at trading house Louis Dreyfus Company.

However, a likely decline in India’s cotton production in the next season, low closing stocks (2.2 million bales) and

higher minimum support prices announced recently might dent India's export prospects, analysts said.

India is slated to conclude cotton exports of 0.8 million tonnes to China in 2017-18 (October-September) season. In value term, the country's exports of the fibre peaked at $3.4 billion in the financial year 2011-12 and has since fallen sharply to $133 million in FY18; in April-July this fiscal, the exports were $119 million. "China's cotton stocks have reduced and it has been a net importer to meet its garment demand," said Atul Ganatra, president of the Mumbai-based Cotton Association of India. China has an annual output of 35 million bales against consumption of about 50 million bales. The country has not been able to increase cotton production in recent years since the focus shifted to food and feed crops. China's buffer cotton stocks began depleting since 2015.

The Gujarat government has come out with its first production estimate of 8.8 million bales for 2018-19 cotton year, down from 10.6 million bales produced last year, Ganatra said. Gujarat, the largest producer of cotton among Indian states, may further cut the estimate, he said. India's cotton output for the 2017-18 (October-September) season is pegged at 37 million bales, up 7% from the previous year; while traders say next season's output would be slightly less than this year's, the Cotton Advisory Board hasn't made any estimate so far.

Thanks to the new minimum support price, cotton prices will rise by a whopping 28%, from Rs 40,200 per tonne for kapas to Rs 51,500 per tonne. Given the conversion ratio of around 33%, this means the prices of finished cotton will rise to about Rs 156,400 per tonne, up 20% from the current global prices. At this price, India's cotton exports will be uncompetitive, though the rupee's fall would cushion the fall a bit, according to DK Nair, former secretary general of Confederation of Indian Textile Industry. India had pipped China to be the world's largest cotton producer a couple of years ago.

Interview: Ethiopia taps Chinese experience to fulfill its textile, apparel sector ambitions	**Xinhuanet** http://www.xinhuanet.com/english/2018-09/24/c_137489967.htm

Arkebe Equbay, special adviser to Ethiopian Prime Minister Abiy Ahmed, is a busy man, as the country of around 105 million people races to meet the economic needs of the estimated 70 percent of the population that is believed to be below 30 years old.

In particular, Equbay sees the textile and apparel sector and the experience of China in this sector as crucial to lifting his country from poverty and achieving an industrialized middle-income economy status by 2025.

Emphasizing that the textile and apparel sector is the largest employment generator globally, Equbay told Xinhua he foresees his country, with the help of China, achieving a 30 billion U.S. dollar revenue from the sector in 10 years' time.

"Ethiopia needs China's experience and knowledge in the textile and apparel sector to fill our skill gap and make Ethiopian textile products competitive in the global market," he said.

With Chinese firms already an integral part of the global textile and apparel value chain and a major part of its output, Ethiopia has decided it needs China's help for its own burgeoning industry.

With China announcing during the Forum on China-Africa Cooperation (FOCAC), held in Beijing earlier this month, plans to step up its efforts to help the industrialization ambitions of African countries, Ethiopia sees China as a strategic partner to achieve its manufacturing ambitions. Equbay said Ethiopia has learned from China's experience on the need first for skilled manpower and basic infrastructure, if the east African country's manufacturing ambitions are to be realized. "Ethiopia has an abundant trainable labor force, low energy cost... and almost free provision of land for those interested to invest in the textile and apparel sector," he said.

Ethiopia has also learned the need for an integrated supply chain in the textile and apparel sector and, for this purpose, is currently in negotiations with 12 large Chinese mills for them to set up plants in Ethiopia.

Having reconciled recently with its former bitter rival Eritrea and deciding to allow foreign investment in its logistics sector, landlocked Ethiopia is working to ease transportation bottlenecks for its exports and expand its port options now largely restricted to Djibouti. Equbay's optimism in Ethiopia's textile and apparel sector is shared by Liu Yu, economic and commercial counselor at the Chinese embassy in Ethiopia.

Speaking to Xinhua, Liu said the recent FOCAC summit concluded with China pledging to assist African countries in eight major initiatives, including industrial promotion, infrastructure connectivity, trade facilitation and green development, and that Ethiopia, the first African host of FOCAC back in 2003, is one of the key African countries expected to benefit from those initiatives.

"China in the next three years will provide 60 billion U.S. dollars in financing for African countries and Chinese companies will be encouraged to invest 10 billion dollars during the next three years, based on the principle of open and inclusive approach to African countries," Liu said. With China starting its successful industrialization process with the textile and apparel sector 40 years ago, Liu noted, Ethiopia, which is looking to emulate China's manufacturing success, will be given special attention.

"Chinese investment has covered well over half of increased investment to Ethiopia over the past two years, with an increasing trend, helping complement Ethiopia's manufacturing ambitions," Liu told Xinhua. nHe said China also hopes to help Ethiopia avoid the environmental cost China had to endure to achieve its four decades of rapid economic growth. "We advise Chinese investors to establish environmentally friendly manufacturing plants, in strict compliance with Chinese and Ethiopian environmental standards," said Liu.

Ethiopia, which hopes to create a carbon neutral economy by 2025, is already being supported environmentally by China, including in flagship projects like the 4 billion dollar Ethiopia-Djibouti electrified rail line and the eco-friendly Hawassa Industrial Park.

Garment industry has high expectations for South Korean market	English Vietnam https://english.vietnamnet.vn/fms/business/208635/garment-industry-has-high-expectations-for-south-korean-market.html

The advantages for Vietnam's textile and garment exports increased after multilateral and bilateral agreements took effect. According to the General Department of Customs (GDC), in the first seven months of the year, Vietnam's total export turnover to South Korea reached $10.2 billion, increasing by 32 percent compared with the same period last year.

Of these, textile and garment exports to South Korea reached $1.5 billion, an increase of 24.9 percent. In July alone, the figure was $270.7 million, up by 24.18 percent over June and 24.06 percent over July 2017.

Vietnam and China are the two biggest suppliers of textiles and garments in South Korea which hold 32.7 percent and 34.5 percent of market share, respectively, compared to 29.5 percent and 40.2 percent as seen three years ago. Vietnam has made a big leap in the South Korean market, narrowing the market share gap with China. Also according to GDC, South Korea has become the fourth largest export market of Vietnam, after Japan, with import turnover of $2.7 billion in 2017.

The EU-Vietnam FTA (EVFTA) applies cumulative rules of origin, allowing Vietnamese exporters to use fabric made by third countries which have FTAs with Vietnam or the EU. South Korea is one of the third countries.

Analysts commented that the principle will bring new opportunities to Vietnam to boost exports, because in the future, when more ASEAN countries sign FTAs with the EU, Vietnam will be able to expand material supply sources, while still enjoying preferential tariffs.

As such, Vietnam can import fabric from South Korea to make products domestically and then export finished products back to South Korea, and use South Korean materials to make products for exports to the EU.

This is a great advantage for Vietnam, which has been mostly importing materials from China.

Analysts predict that Vietnam's textile and garment exports to South Korea will increase by 20 percent this year.

They said becoming the biggest garment supplier to South Korea is within reach of Vietnamese enterprises as South Koreans favor Vietnam-made garment products.

As Vietnam's textile and garment exports have bounced back, the price of textile and garment companies' shares has increased by 20 percent. Thanh Cong Textile & Garment, Investment and Trade (TCM) reported that its profit in July alone was equal to 77 percent of the profit of the entire third quarter of 2017.