The Southern India Mills' Association
Post Box No. 3783, 41 Race Course, Coimbatore - 641 018
Phone: 0422 4225333 | Fax: 0422 4225366
E-mail: info@simamills.org | Web: www.simamills.org

NEWS CLIPPINGS –26-12-2018

Despite global trade war, India managed to grow its exports in 2018	Business Standard https://www.business-standard.com/article/economy-policy/despite-global-trade-war-india-managed-to-grow-its-exports-in-2018-118122500639_1.html

The year started with monthly trade deficit soaring to a 56-month high

Despite a global trade war, India managed to grow its exports in 2018 but high crude prices and rising domestic demand continued to inflate the trade deficit at a faster rate.

The year started with monthly trade deficit soaring to a 56-month high. By October, it had risen to more than $153 billion.

Despite reports of crippling capital inadequacy in the wake of the new Goods and Services Tax regime, double-digit export growth continued for half of the year.

On the other hand, imports also shot up as volatile crude prices made a comeback to haunt policymakers after a year of relative ease. India's current account deficit (CAD) is expected to triple to $19-21 billion in Q2 of FY19, or about 3 per cent of the GDP, from the modest $7 billion in Q2 last fiscal year, economists predict.

As a result, the government placed import restrictions and raised inbound duties on six separate occasions for hundreds of products including textile inputs, steel, mobile phones and solar panels, among others. The move was strongly criticised for raising protectionist barriers at a time when economic growth was tepid

But India managed to navigate through a field of tariff landmines as a trade war between the United States and China heated up throughout the year. New Delhi countered threats by the Donald Trump administration to cut market access for Indian goods by entering protracted negotiations with the US, that continue at the time of writing.

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
20574	43000	78.38
Domestic Futures (Ex-Gin) November		
Rs/Bale	Rs/Candy	USD Cent/lb
21060	44015	80.23
International Futures		
NY ICE USD Cents/lb. (Mar 2019)		72.55(-0.63)
ZCE Cotton: Yuan/MT (May 2019)		14840
ZCE Cotton: USD Cents/lb.		97.84
Basis Difference (Domestic spot – ICE March)		5.83
Cotlook A Index - Physical		81.65(-1.75)
B. Currency		
USD/INR	Close	Previous Close
Spot	69.90	70.15
USD Index	96.51	

Cotton Guide

March ICE plummeted to a low of 72.40 (lowest since Nov 2017) with a high of 74 cents/lb therefore settling at 72.55 cents/lb i.e a negative change of (-63). May 2019 contract also settled at 73.80 with a negative figure of (-82) basis points. July 2019 contract was down by (-92) at 75.04 cents/lb.

At MCX – January contract was down by (-110) settling at 21,060 Rs/Bale displaying a volume figures of 5008 lots and an open interest of 6506 lots. The February contract was also down by (-160) settling at 21,300 Rs/Bale. March contract saw a settling figure of 21,650 Rs/Bale down by (-140).

Daily Seed cotton arrivals are estimated to be 170,000 Lint equivalent bales (source cotlook). Shankar 6 has been spiraling downwards and is available at 42,800 Rs/Candy (average price). Punjab J-34 was able to exchange hands at a price of Rs 4,350 per maund. Cotlook Index A was readjusted to 81.65 which is a (-1.75) decline.

Today ICE is scheduled to resume late at 6:30 pm IST for an abbreviated session. The day before Christmas - Monday followed the same course as it did last week i.e. the bears being victorious with a continuous winning streak. The trading bracket from 17th December 2018 to 24th December 2018 has been from a high of 79.80 to a low of 72.40

cents/lb. That amounts to a massive loss of 7.4 cents/lb. From here it does not seem difficult for cotton prices to break the current support levels and accumulate at 70 cents/lb. All eyes are now on WTI/ crude prices which is hovering around 42 $/barrel, the USD Index which is at 96 and the US equity indices which are almost down by 2 percent. On the geopolitical front - Concrete News of Easing trade tensions between Washington and Beijing is still awaited which in turn serves as a bearish indicator for cotton.

On the Technical front, ICE March futures continued its downside on Monday after breaching strong support at 74 level. As shown in the charts , the next support levels exists at 71.90 zone (76.4% Fibonacci level), only decline below could bring further selling towards 70 followed by 69 levels. However RSI in the daily charts is in the oversold zone, but still there is no confirmation of reversal in trend by the indicator. From the above it is expected that price could trade in the range of 74 to 71.90 with bearish bias. On the higher side above 74.00, 75.50 is the crucial resistance zone followed by 76.20. So in the near term price is expected to trade in the range of 74.00-71.90 with sideways to downside bias. In the domestic markets trading range for Jan future will be 20450-21100.

Currency Guide

Indian rupee has opened higher by 0.4% to trade near 69.86 levels against the US dollar. Rupee has benefitted from weakness in crude oil price and general weaker outlook for US dollar. Brent crude has slipped below $50 per barrel amid persisting oversupply and demand uncertainty. Concerns about US economy are high amid ongoing partial government shutdown, US President's criticism of Fed Chairman, mixed economic data and sell-off in US equity market. US President Donald Trump expressed confidence in the Treasury secretary, Federal Reserve and US economy on Tuesday to calm financial markets. Rupee has also benefitted from reports that RBI is to purchase six government securities under open market operations for an aggregate amount of 150 billion rupees on Dec. 27. However, weighing on rupee and other emerging market currencies is weaker risk sentiment. Also reports noted that India is considering measures to support farmers including doubling collateral-free loans. This will add to worries about fiscal deficit. Rupee may trade with a firm bias unless we see recovery in crude price. USDINR may trade in a range of 69.6-70.1 and bias may be on the downside.

GST continues to pose problems even after 18 months of its roll out	**Business Standard** https://www.business-standard.com/article/economy-policy/gst-continues-to-pose-problems-even-after-18-months-of-its-roll-out-118122500632_1.html

Even a year and a half after its launch, the goods and service tax (GST) regime continues to pose grave problems for the central government's fiscal maths.

While monthly collections have crossed the Rs 1 trillion mark twice in the current year, they remain well below the desired monthly run rate. This is despite the number of returns filed rising to 6.96 million in October, up from 6.75 million in September

On its part, the government had hoped that compliance under the new indirect tax regime would improve with the introduction of the e-way bill. However, data on Integrated GST (IGST) domestic collections does not suggest a sustained increase in tax collections. For the government to meet the budgeted indirect tax target, collections would have to rise to Rs 1.33 trillion per month for the rest of the current financial year, says a report by Kotak Institutional

Equities. Part of the shortfall could be plugged by distributing the unallocated portion of the GST compensation cess between the central and state governments. Or, the Centre could hold onto IGST collections. Despite this, the Centre is staring at a huge gap in indirect tax collections, which the report pegs at Rs 800-900 billion.

Year ender 2018: The release of GDP back series was long overdue	**Business Standard** https://www.business-standard.com/article/economy-policy/year-ender-2018-the-release-of-gdp-back-series-was-long-overdue-118122500605_1.html

A back series by definition, looks back. But the back series of GDP data released by the Central Statistics Office (CSO) in November has created a controversy that raises doubts about the credibility of Indian statistics. The release of the GDP back series was long overdue — since January 2015 when the national accounts data was released with the new base year of 2011-12. It was known that the series would need to post the GDP data for some years before 2011-12 on the new base to make those comparable with the new series. Since there has been a change of government, the numbers were also political fodder. In July, an expert committee set up by the National Statistical Commission released a series to show that GDP grew even faster than was estimated for some years under the United Progressive Alliance (UPA). This inconvenient truth caused the government a rethink. In November, a reassessment under the aegis of the NITI Aayog lowered the estimates for some of the same years. The GDP growth rate during UPA's ten-year term averaged 6.7 per cent annually compared with the National Democratic Alliance average of 7.35 per cent. As a *Business Standard* edit noted: "The data does not align with that from the real economy". The comparison problem emerges in the back series when prices held constant. Statisticians calculate GDP on current prices and then re-estimate those using what they call deflators. These deflators are a mix of consumer and wholesale prices but can introduce an element of subjectivity. Independent experts have this gripe with the back series. It would be resolved only when the CSO releases data on how those deflators were calculated. India could have well done without this controversy.

Year ender 2018: NPAs of Indian banks surged past Rs 10 trillion	**Business Standard** https://www.business-standard.com/article/economy-policy/year-ender-2018-npas-of-indian-banks-surged-past-rs-10-trillion-118122500654_1.html

In the March 2018 quarter, the gross non-performing assets (NPAs) of Indian banks surged past Rs 10 trillion. This surprised many observers, if not the bankers, as the true extent of bad debt was not evident before the Reserve Bank of India (RBI) arm-twisted lenders to disclose whatever was hidden under the carpet. There are many economic reasons for this NPA pile-up, but the numbers ballooned after the central bank's February 12 circular. The circular said if a loan is not serviced for 90 days, it is in default and recovery proceedings can be started against it.

Not surprisingly, the gross NPA of all listed banks jumped to Rs 10.25 trillion in the March quarter, from Rs 8.86 trillion in the December 2017 quarter.

The March level was roughly 11.5 per cent of the total loan book. Adding restructured, and loans suspected to be falling into NPA, the share could be 13-14 per cent of the loan book.

RBI's financial stability report says the gross NPA ratios of the banking system could reach 12.2 per cent of the loan book by March 2019. The good news is that the gross NPAs showed a downward trend in June and then in September quarter . This is largely because of the strict Insolvency and Bankruptcy Code, or the fear of it. Bankers now believe the recognition part of NPA is over, and the recovery needs to begin.

MSME Ministry for setting up governing Council to boost exports	**Times of India** https://timesofindia.indiatimes.com/business/india-business/msme-ministry-for-setting-up-governing-council-to-boost-exports/articleshow/67240894.cms

The MSME MInistry has proposed to establish a governing council to ensure efficient delivery of all export-related interventions as part of its action plan to boost shipments from micro, small and medium enterprises.

The ministry has recommended a detailed analysis of various trade agreements, including FTAs and bilateral and multilateral trade agreements, to identify areas of concern for MSMEs in the strategic action plan titled Unlocking the potential of MSME Exports.

It said a study will be conducted of special economic zones and export promotion zones in the country to reassess their role and objectives as these are an essential constituent of Foreign Trade Policy and it is important to harness their potential.

Moreover, a tech-enabled online portal shall be developed featuring country-wise list of global products and services in demand and information on how to enter specific foreign markets. It will also have details on loans and credit offered by various financial institutions.

A formal platform may also be created by the ministry to ensure that it is involved in all bilateral and multilateral trade negotiations which have an impact on the enterprises.

The governing council shall be chaired by Secretary, MSME and co-chaired by Development Commissioner in MSME Ministry. It shall comprise senior officials and members from MSME Ministry, Commerce Ministry, MSME Export Promotion Councils, Export Development Authorities, Commodity Boards, etc., the MSME Ministry said.

As part of the action plan, National Resource Centre for MSME Exporters will engage with various internatioanl agencies including UN Orgainsations to promote procurement from Indian MSMEs and further enhance their capabilities.

A guide or handbook shall also be developed to help the export community to understand the processes involved in export business, access the potential markets etc. The guide shall consists of practical information which will be useful for exporters.

India to hold bilateral meetings with some RCEP members, next round of talks in Feb	Live Mint https://www.livemint.com/Politics/cgKRR1BmWqfjsMCDA97ezM/India-to-hold-bilateral-meetings-with-some-RCEP-members-nex.html

New Delhi: Indian officials will hold bilateral meetings with a few countries, including China and some ASEAN members, in the coming days to iron out issues hindering negotiations of RCEP mega trade deal, an official said.

The Regional Comprehensive Economic Partnership (RCEP) is a mega free trade agreement, which aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

After the bilateral meetings, the RCEP members will meet for the 25th round of negotiations in mid-February in Indonesia, the official added.

RCEP bloc comprises 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners - India, China, Japan, South Korea, Australiaand New Zealand.

The main issues that needs resolution include number of goods on which import duties should be completely eliminated and norms to relax services trade.

RCEP members want India to eliminate or significantly reduce customs duties on maximum number of goods it traded globally. India's huge domestic market provides immense opportunity of exports for the member countries.

However, lower level of ambitions in services and investments, a key area of interest for India, does not augur well for the agreement that seeks to be comprehensive in nature.

Under services, India wants greater market access for its professionals in the proposed agreement.

Trade experts have warned that India should negotiate the agreement carefully, as it has trade deficit with as many as 10 RCEP members, including China, South Korea and Australia, among others.

"India should not try to negotiate trade offs between goods and services as it may prove counter-productive in the long run. Trade off should be negotiated either between goods or between services," an expert, who did not wish to be named, said.

India wants to have a balanced RECP trade agreement as it would cover 40% of the global GDP and over 42% of the world's population.

India already has a free trade pact with Association of South East Asian Nations (ASEAN), Japan and South Korea. It is also negotiating a similar agreement with Australia and New Zealand but has no such plans for China.

‘El Salvador Looking at India to partner for growth’	Egov.Eletsonline.com https://egov.eletsonline.com/2018/12/el-salvador-looking-at-india-to-partner-for-growth/

Pharmaceuticals is among the top exports from India to El Salvador, where local population has almost similar disease profile as Indians and has made a huge impact in making healthcare more affordable in his country, says Ariel Andrade Galindo, El Salvador’s Ambassador to India, in conversation with Vivek Ratnakar of Elets News Network (ENN).

The relationship between India and El Salvador is much deeper than what meets the eye, says Ariel Andrade Galindo, El Salvador’s Ambassador to India. “In fact, India played a crucial role in ensuring our freedom from colonial Spain. Indigo was the main agricultural produce of El Salvador during the colonial period but the rise of India as the world’s largest producer of indigo made production of indigo economically unfeasible as we could not produce enough indigo to pay taxes to the colonial masters that gave a push to our Independence movement.”

The Ambassador, who arrived in India this summer to join the Embassy of El Salvador in New Delhi, remembers one more connect with India from his childhood days. He remembers an Indian elephant, named Manjula, which was the main attraction at the Parque Zoologico Nacional de San Salvador—the national zoo in San Salvador—where he would often go as a child. The elephant was purchased by El Salvador in 1955. Reports suggest that upon the death of Manjula in January 2011, her body was kept for night for velacion, a benediction ceremony in El Salvador in which friends and relatives gather around the deceased and sing. She became the first animal to receive the honour of her own velacion.

Now a statue stands in her memory next to the zoo. This story bears the testimony of the impact soft power can have in opening a vast number of possibilities in warming up bilateral ties with countries half way across the world–making distances inconsequential. The Ambassador’s eyes sparkle with hope and excitement when he talks about exploring new possibilities to take India-El Salvador relations to a new height. The three major areas where he looks forward to garner support from India are power, healthcare and education sectors. To put things in perspective, he says: “There is a huge cost difference between common drugs produced in India and those that are available in El Salvador. Pharmaceuticals is among the top exports from India to El Salvador, where local population has almost similar disease profile as Indians.

“The medicines imported from India have brought down the healthcare costs considerably in El Salvador. But we are now looking to further reduce the cost to make medicines more affordable in our country.” Ambassador Galindo, who recently joined the International Solar Alliance (ISA), an alliance of 121 solar resource-rich countries lying fully or partially between the Tropics of Cancer and Capricorn. ISA was jointly launched by Prime Minister Narendra Modi and the then President of France, François Hollande, on November 30, 2015 in Paris, on the side-lines of the 21st Conference of Parties (CoP 21) to the United Nations Framework Convention on Climate Change.

The first assembly of ISA was organised in October this year at India Expo and Mart in Greater Noida. Besides scouting for Indian companies to invest in El Salvador’s power sector, especially solar, one area that has really impressed Galindo is India’s progress in energy efficient electric appliances. “India-made LED bulbs have higher lumens while costing far less than other bulbs,” says the Ambassador, who has been visiting cities like Bengaluru and

Kolkata to find the right partner to set up a manufacturing base in El Salvador.

According to the Migration Policy Institute, there were 1.1 million El Salvadorians residing in the United States in 2008. This means that about one of every five Salvadorans resides in the US. “Most El Salvadorians head to the US for education and jobs which gives a unique advantage to El Salvador in terms of availability of skilled manpower, provided there are enough opportunities available back home.” Back in 2008, India and El Salvador signed an MoU on setting up an IT training centre in San Salvador. Accordingly, the IT Centre was established through NIIT and has now been handed over to Salvadoran authorities in June 2011. In 2013, an Indian delegation from the Department of Electronics and IT visited El Salvador and took part in an IT workshop organised by Agency for Science & Technology of Ministry of Education of El Salvador.

They identified three broad areas of cooperation including capacity building, training of trainers, and upgradation of Government of India-established IT centre at ITCA. Ambassador Galindo is keenly looking for IT companies from India who can set up base in his country and help El Salvador develop as a major IT hub in that part of the world. The man power can be drawn from the huge number of expatriates. According to him, there are a number of advantages for investing in El Salvador. “El Salvador has a number of free trade agreements (FTAs) with a number of countries in Americas. Developing a base in El Salvador can give Indian companies access to a huge market,” he says. The trade between India-El Salvador has grown many folds since 2010.

However, the balance of trade is tilted in favour of India. Textiles is the main exporting commodity of this tiny Central American country with a population of around 6.4 million squeezed in a 21,041 sq km area, making it one of the densest populated countries in Americas. With efforts being made by Ambassador Galindo and his predecessors, no distance seems to be far enough to bring India and El Salvador close enough to transform their ties and become partners in growth and ensure prosperity for their people.

Govt must water down Angel Tax provision for start-ups: Experts	**Business Line** https://www.thehindubusinessline.com/economy/govt-must-water-down-angel-tax-provision-for-start-ups-experts/article25827692.ece

The Centre would do well to water down the ‘Angel Tax’ provision, and that too retrospectively,

in the upcoming Budget (Vote on Account) to alleviate the misery of thousands of start-ups that have come under the scrutiny of the taxman, say experts and economy watchers.

As an alternative, the Department of Industrial Policy and Promotion (DIPP) must tweak its criteria for recognising start-ups so that more number of them stand a chance for Angel Tax exemption, they said.

Although there are several reasons why fewer start-ups are getting the exemption from ‘Angel Tax’, tax experts feel that only the Revenue Department is now best suited to remedy the situation for start-ups on a permanent basis.

The main pain point for many start-ups is not that they are not getting recognised as ‘start-ups’ under DIPP norms, but the fact that their capital is getting treated as ‘income’ and brought under the tax net, a tax expert said.

Taxing new investments coming into a start-up by treating capital as income will kill entrepreneurship, the expert added.

Moreover, the DIPP's norms stipulating that start-ups would be eligible to claim exemption from 'Angel Tax' only for proposed issue of shares is a big pain point. Start-ups are ineligible to claim Angel Tax exemptions for shares issued in the past (prior to April 11, 2018), according to DIPP.

Post the DIPP's April 11 notification, only start-ups recognised by DIPP with a valid certificate of recognition will qualify to be examined (by the Income Tax Department) for Angel Tax exemption under the income tax law. Between April and now, only two start-ups have made the cut in obtaining such exemption.

"The angel tax provision (Section 56 of the income tax law) should get watered down in the upcoming Budget," Anish Thacker, Tax Partner, EY, told *BusinessLine*. This is even as the provision was introduced as an anti-money laundering provision.

Aseem Chawla, Managing Partner, ASC Legal, said the instructions of CBDT to its field officers do suggest that the provisions of the Income Tax Act were being applied in a fairly mechanical manner without considering the actual ground realities with such start-ups.

"It is well known that the exemption from Angel Tax levy was given to those start-ups which were recognised by DIPP. It is well known that DIPP criteria has been such that only a handful of start-ups have been able to make it," Chawla said.

Innovation factor

Another critical aspect for fulfilling the DIPP's criteria is the "innovation" point that start-ups aspiring for an IMB recognition must establish. Many start-ups are getting rejected on the "innovation" factor and inability to convince the board that the business is scalable in terms of employment generation or wealth creation. Some experts, however, contend that "innovation" is a subjective aspect.

Nakul Saxena, Director Public Policy at the Indian Software Products Industry Round Table (ISPIRT), a think tank that works with companies and government, said: "It is not possible for a third party, who does not have a stake and who does not know about the industry very well to decide if this is innovative enough and if this will survive or not."

According to Saxena, "When it comes to start-ups, an investor puts in money because he or she sees some value in the start-up where others might not. It could be because he or she has a background that helps in better understanding of the sector."

62% of SEZs are operational and have created 20 lakh jobs’	**Business Line** https://www.thehindubusinessline.com/economy/62-of-sezs-are-operational-and-have-created-20-lakh-jobs/article25827760.ece

‘TN, Kerala, M.P. ranked on top, according to data

The Ministry of Commerce and Industry data show that 230 out of the 373 Special Economic Zones (SEZs) in India are operational and have provided employment to as many as 20 lakh people.

In Chhattisgarh, Odisha, Punjab and Chandigarh all approved SEZs are operational while among four States which have more than 50 approved SEZs, Tamil Nadu tops the chart of operational SEZs with 75 per cent of its SEZs functioning without any hitch. Tamil Nadu has 52 SEZs of which 39 are operational.

In Telangana, which has 57 — the highest number of notified SEZs — only 29 are operational. Karnataka and Maharashtra have 51 SEZs each of which 31 and 30 respectively are operational.

Kerala, West Bengal, Gujarat and Madhya Pradesh are the States where more than 70 per cent SEZs are functioning. Not a single SEZ is operational in the four States of Goa, Nagaland, Jharkhand and Manipur while 71 per cent SEZs in Haryana and 60 per cent in Rajasthan are defunct.

As many as 239 (64 per cent) SEZs are located in five States including Telangana, Tamil Nadu, Maharashtra, Karnataka and Andhra Pradesh. Employment generation through all SEZs across India was 15,91,381 in 2015 -16. Calculated on a cumulative basis, employment through SEZs is 19,96,610 in 2018-2019. Exports in the manufacturing sector from SEZs during the last four years is over ₹8 lakh crore, the Ministry of Commerce and Industry told the Lok Sabha.

In addition to 7 Central Government SEZs and 11 State/Private Sector SEZs set-up prior to the enactment of the SEZs Act, 2005, approvals have been accorded to 420 proposals for setting up of SEZs, of which 355 have been notified.

SEZs being set up under the SEZs Act, 2005 and SEZs Rules, 2006 are primarily private investment driven. No funds are sanctioned by the Central Government for setting up of SEZ. However, the fiscal concessions and duty benefits have been allowed to developers/units as per the SEZs Act, 2005 and Rules thereunder.

The government had constituted a Group under the Chairmanship of Baba Kalyani, Chairman, Bharat Forge, to study the Special Economic Zone (SEZ) Policy of India. The Group, which submitted its report in November recommended a framework shift from export growth to broad-based Employment and Economic Growth (Employment and Economic Enclaves-3Es) and formulation of separate rules and procedures for manufacturing and service SEZs.

Foreign fund outflows highest since 2008	The Hindu https://www.thehindu.com/business/Industry/fpi-outflow/article25828495.ece

FPIs sold shares worth almost $4 billion in October alone

For the Indian equity markets, year 2018 will end as the worst in terms of foreign money outflows since 2008 when markets across the globe were reeling under the sub-prime crisis and Lehman Brothers filed for the largest bankruptcy in history.

In the Indian context, 2018 would also be only the third such year in the last decade when foreign portfolio investors (FPIs) would end a calendar year as net sellers of Indian shares.

Foreign investors, who have always been looked upon as the prime drivers of any bull run in the Indian equity market, have been net sellers at almost $4.8 billion or ₹33,344 crore during the current calendar year, till date.

Further, the year also saw overseas investors selling shares worth almost $4 billion or ₹28,921 crore in just one month — October — making it the worst-ever month in terms of FPI outflows. The previous high was seen in November 2016, when FPIs sold Indian shares worth ₹18,244 crore.

Market participants are of the view that such significant outflows were primarily on account of the weakness in the rupee and the volatility of the stock markets that saw the benchmark Sensex touching an all-time high of 38,989 in August only to lose more than 9% or more than 3,500 points since then.

"The one big factor that spooked everyone, especially foreign investors, was the fall in the rupee that moved from around 64 level to 74 against the dollar during the year," said Harendra Kumar, managing director, institutional equities, Elara Capital.

"There was also heightened volatility globally due to the concerns related to the trade war between U.S. and China that made investors stay away from the emerging market pack, including India. The bubble kind of situation in the mid-cap and small-cap segments at the start of the year also led to profit booking from such investors," added Mr. Kumar.

While the benchmark Sensex had gained a little more than 4% or 1,413 points in the current calendar year, it is insignificant compared with the previous year's rise of 7,430 points or almost 28% amidst robust FPI flows totalling ₹51,252 crore.

Incidentally, when foreign investors pulled out a record ₹52,987 crore in 2008, the 30-share Sensex had lost a whopping 10,639 points or 52.45%.

Neelkanth Mishra, co-head of equity strategy, Asia Pacific and India equity strategist, Credit Suisse, believes that even if volatility remains high in 2019, the impact on the Indian market would be moderate as foreign investors now have a lesser stake in the markets compared with some of the earlier years.

"... the impact should be somewhat moderated, given that foreign investors have not been meaningful buyers of Indian stocks for the past three years and are now accounting for less than a third of trading volumes," he said recently while presenting the global financial major's 2019 outlook for the Indian market.

Domestic support

Meanwhile, most market participants believe that the potential losses this year have been largely mitigated due to the strong buying support, especially in index constituents, from domestic institutional investors such as mutual funds and the Life Insurance Corporation (LIC).

Strong buying by domestic investors also helped the Indian stock markets overtake Germany for the first time ever in terms of market capitalisation. According to data from the World Federation of Exchanges (WFE), the market capitalisation of India was pegged at $2.06 trillion in December, slightly higher than Germany's $1.9 trillion.

India is Looking to Resolve Trade Dispute with U.S. Following Rate Hike	**Kerala News** http://www.keralanews247.com/india-is-looking-to-resolve-trade-dispute-with-u-s-following-rate-hike/

India, along with other Asian nations, have not escaped the trade demand levied by the United States. President Donald Trump is keen to reduce the trade deficit with nearly every nation making the process in his words "fair and reciprocal". Trump wants to the trade deficit eliminated as soon as possible and was embolden following his successful conversation with Europe. While there are verbal agreements in place with the EU to help reduce the trade deficit, this process has played out before with little success. The Trump administration is aggressively pushing New Delhi on the issues of medical devices, pharmaceuticals, dairy products and agriculture. Defense, aviation and energy as the three sectors which would play a key role in reducing the trade deficit over the long term. For example, US nuclear energy powerhouse Westinghouse is engaged in negotiations to build six AP1000 nuclear reactors in India as part of the landmark US-India civilian nuclear agreement. While the average tariff rate in the United States is approximately 3.5%, India's is over 13%.

The US has imposed tariffs on steel and aluminum claiming risks to national security. Several countries are challenging the US claim. Meanwhile, the US is claiming that since national security is a legitimate reason for the US tariffs, the retaliatory tariffs are illegal. According to different sources of market news, other countries, including India, have indicated they will retaliate.

In an effort to reign in the risk taken at Indian banks, the RSI has been looking for more oversight powers, The RBI has been demanding more powers to regulate state-run banks, while the government has been maintaining that the powers available are adequate. This comes following a spat that the government and the central bank have had over the future direction of interest rates. The Reserve Bank of India hiked rates for the first time since 2014. However, it maintained a neutral stance, suggesting that the tightening cycle may be modest. Governor Patel said that the hike was not aimed at defending the rupee. Regardless of the motive, India has joined the list of EM countries that are tightening policy even as the Fed continues to hike rates. India's credit rating is now poised to climb higher, after facing a potential downgrade earlier in 2018.

The government has made it clear that the RBI has enough powers to deal with any situation arising in any bank. The finance ministry has listed the powers that the central bank enjoys under the Banking Regulation Act, 1949. It has also listed the powers that the RBI has with regard to nationalized lenders.

India's Industrial Policy Could Bring Down Power Costs

The new industrial policy is likely to provide subsidized electricity to farmers and listing of distribution companies to promote transparency. The power tariff for the industry in India is very high compared to that in developed countries and other emerging economies, and there is a need to bring it down with a view to promote making power within India.

Chabahar tidings: on Indian taking over port operations in Iran	**The Hindu** https://www.thehindu.com/opinion/editorial/chabahar-tidings/article25828606.ece

As India takes over operations in the Iranian port, the possibilities and challenges are huge

The opening of the first office of Indian Ports Global Limited at Iran's Chabahar and the takeover of operations of the Shahid Beheshti port is a milestone in India's regional connectivity and trade game plan. Chabahar port opens up a permanent alternative route for trade with Afghanistan and Central Asia, given the hurdles in the direct route through Pakistan. It facilitates India's role in Afghanistan's development through infrastructure and education projects. And it gives India's bilateral ties with Iran, a major oil supplier and potential trade market for India, a big fillip. India has helped develop the Shahid Beheshti port with these outcomes in mind, and has been given the contract to manage it for 18 months. It will be important to operationalise the port quickly and smoothen the route to Afghanistan. The decision by India, Afghanistan and Iran to hold an international event in February 2019 to promote Chabahar and to study ways to make the route more attractive and decrease logistic costs is timely. About 500 companies have registered with the Free Trade Zone authority there. While keeping timelines and delivery of New Delhi's commitments will be key to the port becoming a regional hub for transit trade, steel and petrochemicals, it will be necessary to encourage Afghan companies to use the route more, in line with President Ashraf Ghani's desire to have a commercial fleet under the Afghan flag setting sail from Chabahar.

Visions of Chabahar's immense potential as a game-changer for prosperity and stability in the region must, however, necessarily be tempered by the reality of geopolitical challenges. The Chabahar port has received a waiver from the U.S. sanctions on Iran for the moment, but these concessions could be withdrawn any time, given the constant upheaval in the administration. The possibility of the withdrawal of U.S. troops from Afghanistan, after the pullout from Syria, will add to security concerns for Afghanistan and impact on the Chabahar route as well. Meanwhile, the reconciliation process with the Afghan Taliban is likely to see the regional powers, the U.S. and Russia engaging Pakistan more. This could give Islamabad space to play spoiler in Chabahar, which is seen as a rival warm water port to Pakistan's Gwadar. That the Afghanistan government is hedging its bets on trade via Chabahar too is clear: in recent months, special cargo corridors have been opened with China, Kazakhstan, Turkey, Europe, Russia, the UAE, and Saudi Arabia, with more trade diverted through them than with traditional partners Pakistan and India. With Chabahar, India has done well to keep a place in the intricate connectivity network of the region. Given all the competing interests that criss-cross over Chabahar, it will require sustained and nuanced diplomacy to stay ahead in this game.

Opinion: The Walmartisation of the Indian mind: bigger is better	**Live Mint** https://www.livemint.com/Opinion/ruEuZKvVlg4r0aPkHDO91J/The-Walmartisation-of-the-Indian-mind-bigger-is-better.html

Just in case anyone hasn't noticed, India is ending its love affair with the small. Anything we do must be big now. Two months ago, Prime Minister Narendra Modi inaugurated the world's tallest statue, the 182-metre Statue of Unity, in a tribute to the "Iron Man of India". Costing nearly ₹3,000 crore, it drew its usual bunch of naysayers. Could the money not have been put to better use? India doesn't care. The early reports are that the statue is drawing huge crowds of up to 30,000 a day, and that brings its own positive economic activity. It does not matter what you build, for building anything brings jobs and livelihoods, whether it is a statue, a highway or a temple.

A nation that once idealised the small, the kirana shop, the roadside temple, is now thinking Walmart. Ideas of what to build may be coming from political motivations or religious ones, from the humble need to give back to society or personal hubris, but there is no doubting the emerging Indian hunger for scale and size. Forget the Sardar statue for a moment. Consider just a few recent projects in the realm of the religious and the spiritual. In Coimbatore, the Isha Foundation of Sadhguru Jaggi Vasudev built a 34.3m-high statue of the Adiyogi, or Lord Shiva. In Hyderabad, the world's second largest sitting statue is being built as the Statue of Equality, to commemorate the 1,000th birth anniversary of the Vaishnavite saint, Sri Ramanuja. The statue, which will be 65.8m in height, will use 120kg of gold. It will be two-thirds taller than Christ the Redeemer in Brazil. When finished, it could cost upwards of ₹700 crore. Clearly, the new state of Telangana is not unhappy that a spiritual destination to rival Andhra Pradesh's Tirupati is in the making. Whatever brings in the devotee brings business and revenue.

Iskcon, the International Society for Krishna Consciousness, wants to build the world's tallest temple soaring up to 213m near Mathura. It could cost upwards of ₹300 crore. The Uttar Pradesh chief minister has promised an even taller 221m-statue of Sri Ram on the banks of the Sarayu in Ayodhya. So, Ram Mandir or no Ram Mandir, the physical presence of Sri Ram will tower over the horizon, assuming soil conditions permit.

What is happening? And why is one writing about statue- and temple-building in a column that largely deals with economic topics? The answer is that the spiritual and the temporal converge into business opportunity and livelihoods at some point. The same thought process has made Baba Ramdev of Patanjali Yogpeeth a giant fast-moving consumer goods (FMCG) player that could, if he gets the business model right, rival the Hindustan Unilevers and Colgates of the world, with the Baba playing yoga guru, brand ambassador and entrepreneur. Sri Sri Ravi Shankar and Sadhguru Jaggi Vasudev are going upscale in their spiritual and business operations. Yoga, meditative techniques and philosophy—and everyday FMCG goods—are their “products”.

After centuries of thinking in terms of limitations rather than potential, an aspirational India is rediscovering its ancient mojo, where building big and beautiful was the way to prosperity. Narendra Modi and Yogi Adityanath may have politics at the back of their minds, but they realize instinctively that Indians are no longer content with “povertarian” thinking. This is the same thought that made Mukesh Ambani sink ₹2 trillion or more in Reliance Jio to make India one of the world’s largest consumers of data. The goods and services tax (GST) is, indirectly, a fiscal goad to small businesses to get growing or get out the way.

Today, big is aspirational. Ordinary Indians want the biggest and most powerful gadgets, the best-paying jobs, the biggest malls—and big statues and temples to gawk at. Even the relatively poor are unwilling to accept jobs that pay breadline wages, which is one reason for the fall in our labour force participation rates. With acute hunger and poverty now shrinking to a few pockets, the poor are no longer obliged to work for a pittance. They are mounting a million mutinies to demand more and better jobs. Outside the arena of personal growth, few Indians are willing to accept an also-ran status for their country, whether it is in sports or other fields. Scale and size are an important part of the emerging Indian statement, and this is reflected in the new cultural, religious and political projects. It is about projecting power and economic clout. We are tired of being losers.

Despite the hubris surrounding this newer, bigger, shinier, taller, richer mindset, these projects will bring us huge economic benefits as new jobs and opportunities are created around tourism, trade and related businesses. The Walmartisation of the Indian mind is going to gather pace as India modernises and becomes a middle-income country over the next decade. It is interesting that the temples of modern India will not just be the IITs and IIMs that Nehru dreamt of, but actual temples and projects that boggle the mind in terms of scale and vision. It is good economics and leads to better livelihoods. It will also bring us bigger problems, but that is something we need to deal with later. For now, India’s ambition deficit is over.

EU-Japan trade pact on track to enter into force in Feb	**Fibre 2 Fashion** https://www.fibre2fashion.com/news/apparel-news/eu-japan-trade-pact-on-track-to-enter-into-force-in-feb-246414-newsdetails.htm

The European Parliament recently approved the European Union (EU)-Japan Economic Partnership Agreement and the EU-Japan Strategic Partnership Agreement. The former, negotiated by the European Commission, is the first ever to include an explicit reference to the Paris climate agreement and the latter, the first ever bilateral framework pact between both sides.

The trade agreement will create an open trading zone covering 635 million people and almost one third of the world's total gross domestic product and remove tariffs on industrial products in sectors where the EU is very competitive, such as cosmetics, chemicals, textiles and clothing, according to an EU press release.

The trade agreement will deliver significant and tangible benefits for companies and citizens in Europe and Japan, said European Commission president Jean-Claude Juncker.

Today's vote follows a similar decision taken by Japan's National Diet, thus concluding the parliamentary ratification of the agreement by both partners. It paves the way for the agreement to enter into force on 1 February 2019.

The trade agreement will remove the vast majority of the €1 billion of duties paid annually by EU companies exporting to Japan, as well as a number of long-standing regulatory barriers, for example on car exports. It will also open up the Japanese market of 127 million consumers to key EU agricultural products and increase EU export opportunities in many other sectors.

The Strategic Partnership Agreement will lead to further deepening of EU-Japan relations, strengthened foreign and security policy dialogue, and engagement across a wide range of global, regional and bilateral thematic issues.

It will boost dialogue and cooperation between the European Union and Japan on topics of mutual interest such as foreign and security policy, connectivity, climate change, environment, energy, cyber issues, employment and social affairs, as well as people-to-people exchanges.

Industrial Hemp Legalized With 2018 Farm Bill	**Theepoch Times** https://www.theepochtimes.com/industrial-hemp-legalized-with-2018-farm-bill_2748321.html

National regulated production and marketing of industrial hemp became legal on Dec. 20, when President Donald Trump signed the Agriculture Improvement Act of 2018, removing hemp from the list of controlled substances.

The House of Representatives voted 369-47 for the legislation on Dec. 12, after the Senate approved it 87-13 on Dec. 11. President Trump called the bill a bipartisan success.

“Now to the farm bill,” said Trump. “We are proudly joined today by so many members of Congress, Republicans, Democrats, who worked very, very hard on this bill. This was really an effort of everybody. It was a bipartisan success.”

The 2018 Farm Bill allows farmers to cultivate hemp crops with less than 0.3 percent concentrations of the psychoactive compound delta-9-tetrahydrocannabinol (THC). The bill also allows farmers to get crop insurance, apply for loans and grants, and furthers research and development protection for industrial hemp.

“So good for the country, and I want to thank all of the people here including the many Democrats who have really worked hard on this bill,” said Trump.

Hemp vs. Marijuana

While hemp and marijuana are both a type of cannabis plant, they are also very different. Marijuana can contain up to 30 percent THC, an intoxicating substance. Conversely, hemp contains less than 0.3 percent THC and contains more Cannabidiol (CBD), a compound with medical benefits.

Some of the other possible uses for industrial hemp include biodegradable plastics, paper, textiles, construction materials, health foods, cosmetics, animal feed, and fuel. FDA Commissioner Scott Gottlieb made it clear in a press release on Dec. 20, that the Food and Drug Administration is committed to protecting and promoting the public's health, and will continue to strictly regulate products, foods, and dietary supplements containing cannabis or cannabis-derived compounds.

In the statement, Gottlieb also said the FDA will provide pathways for those who seek to lawfully introduce these products into interstate commerce and continue to take steps to make pathways for the lawful marketing of these products more efficient.

Farm Bill Blessings

The 2018 Agricultural act also provides benefits for struggling dairy farmers, introduces a prohibition on the slaughter of dogs and cats for human consumption, has improved funding for pest and disease prevention, and delivers assets for broadband infrastructure loans and grants to connect rural communities to the global economy.

"Through fires, floods and freezing weather, we will always stand with the American farmers," said Trump. "The farm bill doubles the amount of farmers that they can borrow to expand and improve their farms … It opens new markets for American agriculture all over the world. In addition to signing this critical legislation today, I am directing my administration to take immediate action on welfare reform."

Trump used the opportunity at the press conference to address his views on the necessity for tighter work requirements for food stamp recipients and revision of the Supplemental Nutrition Assistance Program (SNAP.)

"Today's action will help Americans transition from welfare to gainful employment, strengthening families and uplifting communities and that was a difficult thing to get done but the farmers wanted it done," said Trump.

"We are ensuring that American agriculture will always feed our families, nourish our communities, power our commerce, and inspire our nation."

Vietnam is a hot spot for foreign investments, and has its women to thank	Business Standard https://www.business-standard.com/article/international/vietnam-is-a-hot-spot-for-foreign-investments-and-has-its-women-to-thank-118122600045_1.html

Women hold up half of the sky, or so Communist China's founding father Mao Zedong liked to say. These days, that's certainly the case in Vietnam.

Throughout the country, many well-known businesses are run by women. There's Mai Kieu Lien, who captured the rising middle class's thirst for protein-rich milk drinks and built Vietnam Dairy Products JSC into a $10 billion empire. Then there's Nguyen Thi Phuong Thao, founder of budget airline VietJet Aviation JSC, who became Vietnam's first female billionaire – and not just because of its bikini-clad flight attendants. Vietnam's hourglass Hanoi-to-Ho Chi Minh City geography makes flying an efficient option in a nation that's yet to build a high-speed rail line between the two megacities.

Riding the consumer-spending wave lifted Cao Thi Ngoc Dung's Phu Nhuan Jewelry JSC. And if you're seeking an industrialist, look no further than Nguyen Thi Mai Thanh of Refrigeration Electrical Engineering Corp.

At 73 per cent, Vietnam's female labor-participation rate is among the highest in the world. The country's women are also avid business pioneers: For every male early-stage entrepreneur, there are 1.4 female ones, estimates Global Entrepreneurship Monitor. Women contribute 40 per cent of the nation's wealth, nearly on par with China.

There's a historical reason for this. With so many men killed during the Vietnam War, women had to fill the void. In 1976, there were only 95 men for every 100 women between the ages of 25 and 64. By 1986, when Doi Moi reform launched, women still comprised the majority of society and got a nice ride out of the move toward capitalism. You might say the spirit behind Rosie the Riveter, the symbol of American women who worked in US factories during World War II, is very much alive in Vietnam.

Even as Vietnam recovers from a bruising war and its gender ratio converges back to parity, women aren't dropping out of the labor force. The government has working moms' backs: Maternity leave mandated by law is a generous six months.

This is all music to foreign investors' ears.

Consider why global investors prefer one developing country over another. With fresh memories of the billions of dollars in wealth created in China, many are looking for China 2.0. They're seeking countries with the right demographics – young, eager workers building manufacturing hubs, and in turn, using fatter pay checks to buy their first cars or designer handbags.

Looking at the overall population, Vietnam is only the world's 15th largest country, smaller than Indonesia, Pakistan, Bangladesh and the Philippines. But most of its rivals come with demographic dividend discounts. The women labor-force participation rate in Pakistan and Bangladesh, for instance, is a paltry 25 per cent and 33 per cent, respectively. Taking that into account, the real working age population (between 15 and 64) would be only 37 per cent and 45 per cent, instead of the official 61 percent and 67 per cent.

Rome wasn't built in a day. When a country starts replicating China's manufacturing model, it often has to export low value-added products first, such as apparel and shoes. While Vietnam is quickly moving up the ladder into smartphones and semiconductors, the biggest chunk of its exports to the US last year remained textiles. Who stitches clothes and sews shoes? Women.

The strong Rosie culture is one reason why Vietnam is the only emerging Asian nation outside of China that received net foreign portfolio inflows in this bear-market year. Many investors are betting Vietnam will be the big winner as the trade war between the US and China drags on. And even before the sparring started, Chinese companies, such as textile manufacturing giant Shenzhou International Group Holdings Ltd., had already opened factories there.

To be sure, it's not all blue skies. According to McKinsey Global Institute, the perceived wage gap for similar work is much higher in Vietnam than in neighboring Malaysia or the Philippines. Unfortunately, just like China and India, boys are seen as the better sex – the sex ratio at birth is a stubbornly high 1.10 as women abort female babies. As the middle class becomes wealthier, women may be discouraged by gender income inequality and prefer to stay at home.

For the time being, though, Vietnam is still the hot destination for foreign investments, and it has its strong, capable women to thank.