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NEWS CLIPPINGS –06-03-2019

Tariff hike to hit exports to U.S.	The Hindu https://www.thehindu.com/news/international/tariff-hike-to-hit-exports-to-us/article26441384.ece?homepage=true

Trump notifies U.S. Congress on ending GSP benefits, cites Indian trade barriers

U.S. President Donald Trump has announced that he intends to end preferential trade terms for India under the Generalized System of Preferences (GSP) programme. His intent was conveyed in a letter sent to the Speaker of the House of Representatives and the President of the Senate.

The GSP programme, which sets zero tariffs for certain goods from a set of 121 developing countries to foster their trade and economic development, accounts for some $5.6 billion of India's exports to the U.S., making India the largest GSP beneficiary. Chemicals, gems and jewellery, engineering and textiles are among the Indian industrial sectors that benefit from the GSP.

"I am taking this step because, after intensive engagement between the United States and the Government of India, I have determined that India has not assured the United States that it will provide equitable and reasonable access to the markets of India…," Mr. Trump's letter, which was shared with reporters, said.

From the U.S. perspective, a total of $21 billion in imports entered the U.S. duty-free under the GSP in 2017, of a total of $2.3 trillion in imports from all countries that year, according to the Congressional Research Service.

The United States Trade Representative (USTR) had said in October 2017 that it would review GSP eligibility based on the eligibility criteria, starting with a review of Asian and Pacific Island countries. A review of India's eligibility was launched last April.

"India has implemented a wide array of trade barriers that create serious negative effects on United States commerce. Despite intensive engagement, India has failed to take the necessary steps to meet the GSP criterion," the USTR said on its website.

One of the discretionary criteria the President must (as per the GSP statute) take into account while determining GSP eligibility is whether the beneficiary "will provide equitable and reasonable access to its markets and basic commodity resources and the extent to which it has assured the United States it will refrain from engaging in unreasonable export practices."

India's new e-commerce rules — which have impacted American companies like Amazon and Walmart (majority owner of Flipkart), price controls on medical devices (cardiac stents), tariffs on ICT products like smart watches and high-end mobile phones and lack of greater market access for the U.S. dairy industry are among the issues that have caused trade friction between the two countries.

Mr Trump has repeatedly taken shots at India's tariffs, which he views as unreasonable. He called India "tariff king" last October and as recently as last weekend, complained about Indian tariffs on Harley Davidson motorcycles, a long-standing pet-peeve of the U.S. President .

India and the U.S. have been in focused trade talks since Washington imposed tariffs on steel and aluminium early last year, ostensibly on grounds of national security. India had made a list of products for retaliatory tariffs but has withheld taxing these, given ongoing negotiations.

In diplomatic messaging in the U.S., Indian officials have been quick to bring up the declining trade surplus (over just over $21 billion) that India has with the U.S. Mr. Trump is known to look at bilateral trade balances the U.S. has with other countries as a proxy for the "fairness" of trade with those countries.

Oil purchases

Oil is one of the new measures to increase India's purchase of U.S. goods. Last month Indian Oil Corporation announced a $1.5 billion deal to purchase oil from the U.S. until March 2020. India had imported over $3 billion in U.S. oil in 2018, Indian government sources had told Business Line in December.

A mandatory 60 days must now pass after the notice has been given to the beneficiary countries and to Congress during which time there is, at least technically, the possibility of negotiation. After the 60 day notice period, a beneficiary country can be taken off of the GSP list by Presidential proclamation.

Notably, Mr. Trump's letter to the two Congressional leaders also says, 'I will continue to assess whether the Government of India is providing equitable and reasonable access to its markets, in accordance with the GSP eligibility criteria."

It is not likely though that it will be re-negotiation of India's place under the system, a source familiar with the process told The Hindu.

Reversals are however possible, including over the longer term. Argentina, which lost GSP benefits under the Obama administration in 2012 for failing to pay arbitration awards in two disputes involving U.S. investors, saw them being reinstated by Presidential proclamation — but not for all product categories — effective January 2018.

Turkey to Lose GSP Benefits

A separate letter was sent to Congressional leaders by Mr. Trump saying he intended to withdraw Turkey from the list of GSP beneficiaries. However, the reasons were different: Mr. Trump said Turkey was no longer at a level of economic development that warranted preferential treatment. " In particular, in the four and a half decades since Turkey's designation as a GSP beneficiary developing country, Turkey's economy has grown and diversified," the letter said.

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

A. Cotton		
Spot price- Shankar-6 (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
20191	42200	76.18
Domestic Futures price (Ex-Warehouse Rajkot) March		
Rs/Bale	Rs/Candy	USD Cent/lb
20810	43493	78.52
International Futures		
NY ICE USD Cents/lb. (May 2019)		74.61
ZCE Cotton: Yuan/MT (May 2019)		15285
ZCE Cotton: USD Cents/lb.		103.37
Basis difference (ICE March -Domestic Spot)		1.57
Cotlook A Index - Physical		81.15
WTI Crude USD / Barrel		56.56
B. Currency		
USD/INR	Close	Previous Close
Spot	70.58	70.49
USD Dollar Index	96.89	

Cotton Guide

The bulls took over the ICE future contracts yesterday as was depicted by huge gains of about 2 percent. The bulls took victory yesterday based on investors covering their short positions based on US China Trade Talks. The most active contract ICE May settled at 74.61 cents/lb with a positive increase of +148 points. The high and the low figure that was seen for ICE May contract was 74.70 cents/lb and 73.09 cents/lb respectively where the contract settled towards the high figure. We need to see a close/volume based trade above 75 to confirm a fresh up move towards 76+ levels. For now 73 is the support level.

The total volume seen at ICE was 32,628 contract as compared to the previous 28,753 contracts. Total open interest increased by 1,139 contracts to 224,385. The May 2019 and July 2019 interest increased by 163 and 1,142 contracts, respectively, to 121,584 and 44,672.

The MCX contracts on the other hand remained almost unchanged apart from what was seen in MCX May contract. The MCX March contract settled slightly lower by (-20) Rs at 20,810 Rs/Bale which is expected to trade today in the range of 20,700 Rs/bale to 21,000 Rs/Bale, whereas the MCX May contract settled +120 Rs higher at 21,320 Rs/Bale taking cues from the international markets. The MCX April contract did not show any change. The total volume seen on MCX was 3065 lots as compared to the previous figure of 2532 lots. The open interest was recorded at 16,209 lots as compared to the previous 15,894 lots which is an increase of 315 lots.

The arrivals of cotton in India is estimated to be around 120,000 lint equivalent bales (private estimates). The average price of Shankar 6 is at 42,200 Rs/Candy. Cotlook Index A has been adjusted lower to 81.15 cents/lb with a negative decline of (-0.75) cents/lb.

Based on certain news from the market, there are a lot of inquiries for Indian cotton from China. Indian trades have contracted around 5 lakh bales for export to China says one trader who did not want to reveal his name. We expect the bulls to take the prices slightly higher today.

Currency Guide

Indian rupee may note some gains against the US dollar but upside is limited. Indian rupee has benefited from gains in domestic equity market and easing geopolitical risks amid no fresh flare up in tensions between India and Pakistan. Investor inflows has also lent support to rupee. Reports noted that foreigners have bought a net $2.4 billion of stocks in February, the most since Nov. 2017. Emerging market currencies also got a boost from China's promise of tax cuts and infrastructure spending to support the economy. Correction in crude oil price has also eased trade deficit concerns. Brent crude has weakened to trade near $65 per barrel amid bigger than expected increase in US crude oil stocks. However, weighing on rupee is general strength in US dollar amid some better than expected economic data and Fed's less dovish stance. Equity markets are also choppy as market players eye trade related development. Reports earlier this week noted that US-China are close to signing a deal however US Secretary of State Mike Pompeo said President Donald Trump is ready to walk away from a trade deal with China unless he secures a "perfect deal." Rupee has recovered from recent lows amid easing geopolitical risks but the gains are unlikely to sustain as general outlook for crude remains positive. USDINR may trade in a range of 70.2-70.65 and downside is limited.

Govt policies have shrunk Mahyco's ag-biotech research spending by 70%: Usha Barwale Zehr	**Financial Express** https://www.financialexpress.com/opinion/govt-policies-have-shrunk-mahycos-ag-biotech-research-spending-by-70-usha-barwale-zehr/1506279/

Our goal is to develop products that farmers can plant. We have doubled up on research in molecular markers (that help select plants with desirable traits). We have also made significant investments in microbial seed treatments.

The Maharastra Hybrid Seeds Company (Mahyco) is the pioneer of organised private seed production in India. An unlisted company, it was founded by Badrinarayan Ramulal Barwale at Jalna in Maharashtra in 1964. From its breeding efforts came hybrids in bajra (1981), jowar (1982) and cotton (1985). In 1995, it began research in transgenic crops and, in 2002, obtained approval for cultivation of India's first and only genetically-modified (GM) crop, Bt cotton, with technology from the American MNC Monsanto. In 2006, it got approval for an improved version of the insect-resistant cotton. Since then, India has not approved any GM crop for cultivation. In an interview with Vivian Fernandes, who blogs at www.smartindianagriculture.in, Mahyco's chief technology officer Usha Barwale Zehr, herself a geneticist and PhD in agronomy, explains why government policies have had a chilling effect on ag-biotech research. Excerpts:

While participating in a discussion on 'Regulation of GMOs and genome-edited products', at the XIV Agricultural Science Congress 2019 in Delhi recently, you said Mahyco's research on GM crops has suffered by 70%. Is that in terms of investment or headcount?

In terms of rupees; I was asked by my board for how long are you going to keep putting money in a hole where there is no end in sight? Over the last three years, we have drastically reduced staff, investment and activities.

(Its annual expenditure on GM crop research has declined from `80 crore to `30 crore, the company said. VF)

How much staff have you reduced?

We reduced 50-plus staff who were working on GM crop-related matters. We have cut our funding by 70%. Whatever we had at BRL (Biosafety Research Level)-I or BRL-II, stages we have put on the shelf.

(Mahyco was doing research in transgenic rice for insect resistance; herbicide and salinity tolerance; and nitrogen- and water-use efficiency. Bt okra was in advanced trials for resistance to the fruit borer.)

There is extensive illegal cultivation of BG-II RRF cotton, given there is no approved version. In August 2016, Mahyco withdrew its application from GEAC for approval of BG-II RRF, saying the government pressing for sharing of technology with seed companies "raised serious concerns about the protection of IPR." Last April, a division bench of the Delhi High Court overturned a ruling of the court's single judge that GM traits, being artificial gene constructs, were patentable. In January, the Supreme Court said the division bench was wrong and referred the matter back to the single judge. Does this not give Mahyco the confidence to reapply for approval of BG-II RRF?

On the legal front, I am not the best person. My understanding is that the Supreme Court set aside the judgment of the two-judge bench and sent it back to the single-judge bench for sorting it out. That is in process.

But hasn't the single judge upheld the patentability of GM traits? While doing that he said the government had the right to fix prices and trait fees.

To my understanding, the single judge said that Section 3(j) of the Patents Act (that plants and seeds cannot be patented) does not apply to Monsanto's patent for man-made gene. Also, the PPV&FRA (Protection of Plant Varieties & Farmers' Rights Act) does not extinguish or impact patent rights. But he only gave an interim order. The Supreme

Court order was a good start and we now await the completion of the matter before taking a final call. (Monsanto, which has been taken over by Bayer, holds the patents for herbicide tolerance and insect resistance genes in BG-II RRF. The PPV&FRA is meant to recognise the rights of farmers or farming communities to varieties with unique traits they have conserved, and reward them.)

At Science Congress, you said Mahyco was deterred by the restrictions on a GM trait owner's right to charge fees for proprietary traits. But the government withdrew, within a few days, its May 2016 notification denying pricing and licensing freedom to GM trait owners…

The notification was withdrawn, but every year we have the same discussion. Unless we have assurance that if you bring innovative products to the market, there will be some mechanism by which the developer is protected … otherwise, not only do I have to take all the risk, but I am not even allowed to capture value. (In 2016, the government slashed trait fee payable by seed companies on BG-II cottonseed from `163 per pack of 450gm to `49. Subsequently, it reduced it to `39.)

What is Mahyco's research focus now?

Our goal is to develop products that farmers can plant. We have doubled up on research in molecular markers (that help select plants with desirable traits). We have also made significant investments in microbial seed treatments, which enhance farmers' income by increasing productivity as well as soil health. The sad part is we have a lot of products that are ready to go. Bt brinjal is a case in point, where nothing is needed; it just needs a green light. When you don’t have that, it is really demoralising.

(Bt brinjal got regulator’s approval for commercial cultivation in 2010, but environment minister Jairam Ramesh vetoed the approval. Bangladesh approved it on the basis of Indian biosafety data in 2013. From 20 in 2014, a little over 27,000 Bangladeshi farmers are growing it.)

The CEO of the Food Safety and Standards Authority of India (FSSAI) is in favour of labelling of GM food products. Would you go along?

My first preference would be not to label, for two reasons. One, after the product undergoes full biosafety clearance, what is the need for labelling? If the government mandates that we label, I don’t have an issue, but the challenge is the practicality of it. In the case of cotton, we could possibly label.

Even Bt cottonseed oil…

It’s a no-brainer; 95% of the cotton area is GM so only the non-GM cotton oil will have to be segregated.

Do you mean non-GM cottonseed oil should be labelled as such?

It wouldn’t be a bad idea considering how much pesticide might have been on it. In Bangladesh, farmers name Bt brinjal varieties, but as the acreage increases, we are not sure how this will continue.

(The Bangladesh Agricultural Research Institute (BARI) has four approved Bt brinjal varieties: Uttara, Nayantara, Kazla and ISD006. Farmers are required to label their baskets, say, ‘BARI Bt Begun 1-Uttara—Fruit and Shoot Borer Resistant Bt Brinjal’. Mahyco has supplied the technology but does not get paid for it.)

Genome editing is more acceptable technology than genetic engineering because genes from other species are not introduced; only undesirable ones are silenced or excised.

Should gene-edited crops be subject to the same rigorous testing for biosafety as GM crops?

I don’t think same rules should apply because you can produce gene-edited products by conventional processes. If you can’t distinguish between gene-edited products and those that have been mutated through conventional processes (radiation or chemicals), then some might disclose and some might not, and those that disclose will be at a disadvantage. Regulation should be based on the appropriateness of the technology.

What could trigger a government rethink on GM crops?

The fall armyworm could be a trigger. About 15 million hectares of maize in India is under threat.

Centre keen to continue talks as it still has 60 days before the rule takes effect	**The Hindu** https://www.thehindu.com/business/india-downplays-impact-of-us-gsp-withdrawal/article26440599.ece

The Indian government on Tuesday downplayed the effect of the U.S. decision to withdraw trade concessions granted to India under the Generalised System of Preferences (GSP), with Commerce Secretary Anup Wadhawan saying that the impact would amount to only $190 million on the value of $5.6 billion in exports to the U.S. that fall under the GSP category.

Sources in the Ministry of External Affairs, however, said that the government would continue to talk to the U.S. during the 60-day period after which the GSP withdrawal would come into effect, in an effort to work out a deal.

The U.S. Trade Representative office on Tuesday morning (Indian Standard Time) said that it had decided to withdraw the GSP status for India and Turkey at the direction of U.S. President Donald Trump following India's "failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors."

"The withdrawal of GSP benefits to India will have a minimal and moderate impact," Mr. Wadhawan said at a press conference.

"The total GSP benefits amount to about $190 million on exports of $5.6 billion [that fall under the GSP category]."

'Unacceptable' requests

"We had worked out a meaningful package that covered the U.S. concerns but they made additional requests which were not acceptable at this time," he added. "The GSP system is envisaged as a non-reciprocal benefit to developing countries."

"Ours is not a systemic problem," the Ministry of External Affairs official said. "Our efforts were to find a reasonable package and a balance between the two sides. There were a number of areas [in which] we were willing to bring U.S. products into the Indian market. In some cases, there were genuine cultural concerns like dairy products, where too we were trying to see how we could work with them."

"Evidently, all the flexibility we showed did not meet their requirements," the official added. "We are still in discussion and will continue to talk to them. There is agreement on a very substantial package, but some issues where for domestic reasons on both sides flexibility was not possible. While they have initiated this, there are still 60 days left." Mr. Wadhawan added that India was still in talks with the U.S. on the higher import duties that the country charges on steel and aluminium, and said that India was still reviewing whether it would impose retaliatory tariffs or not.

Deadline postponed

The government had, in the middle of last year, decided the list of items on which it would impose retaliatory tariffs but has since then postponed the deadline of implementation six times. The latest deadline is April 1, 2019.

"The U.S. needs to keep in mind that for the second consecutive year, their exports to India have climbed by 30% in the past year," the MEA official said.

"Surely that counts for something, particularly in a depressed global scenario. By kicking in the GSP review, the trade package has been shelved, but if they would like to pick up the conversation on that, we are ready," the official said.

By U.S. statute, the changes to the GSP status cannot take effect until at least 60 days after the notifications to the U.S. Congress and the Government of India, and will be enacted by a Presidential Proclamation.

Life without GSP	**The Hindu** https://www.thehindu.com/todays-paper/tp-opinion/life-without-gsp/article26442424.ece

India must not underestimate the impactof the U.S. withdrawal of trade privileges

The U.S. has ultimately acted on its threat to withdraw concessions granted to Indian imports under the Generalised System of Preferences. With President Trump indicating as much in a letter to the House of Representatives and Senate, Washington became the first to pull the trigger in a long trade stand-off between the two countries. India-U.S. trade tensions escalated last year when the U.S. took two consecutive decisions to increase import tariffs on steel and aluminium, and place India's eligibility for GSP benefits under review. Shortly after, India said it would impose retaliatory tariffs on imports from the U.S. and even notified the list of items on which these would apply. Meanwhile, the U.S. stood fast on not exempting India from its tariff hikes, with Mr. Trump complaining about India's high import tariffs several times. The GSP review, however, stretched on, with the two countries holding frequent talks to address the concerns. India, for its part, postponed the deadline for the imposition of the retaliatory tariffs six times; the latest deadline is on April 1. Washington's decision to review India's GSP status stemmed from complaints from American medical and dairy industries, both of which said India was not providing "equitable and reasonable access to its market". India has said it had tried hard to cater to most of the U.S. demands and reach an understanding, but key points of difference, especially regarding India's cultural concerns to do with dairy products, could not be accommodated. Given this, and the fact that the U.S. has been expressing discontent over India's policies to do with data localisation and FDI rules in e-commerce, the decision to withdraw the GSP status should not come as a surprise. The question is, how will New Delhi react?

Following the U.S. announcement, the Commerce Ministry was quick to downplay the impact, saying the GSP benefits amounted to only $190 million while India's total exports under GSP to the U.S. stood at $5.6 billion. Indian officials have stressed that talks on the issue would still continue during the 60-day period after which the GSP decision would come into effect. The other option the government can exercise is to impose retaliatory tariffs on U.S. goods. The government's efforts to downplay the impact of the withdrawal of GSP status and express readiness for more talks, however, suggest it is not keen to take a decisively strong stance. It bears emphasis that while the actual amounts at stake are relatively small, with even India's proposed tariffs on the U.S. amounting to just $900 million, the impact on small industries in the country could nevertheless be significant. Export bodies have already said that such industries would lose their market share in the U.S. without fiscal support to help them maintain their edge. In its absence, orders meant for India could go to other GSP countries, signs of which are already evident.

Taking away GSP may not hit exports much’	The Hindu https://www.thehindu.com/todays-paper/tp-business/taking-away-gsp-may-not-hit-exports-much/article26442403.ece

Overall impact less than 0.4%: FIEO

The Trump administration’s decision to withdraw trade concessions to India under the Generalised System of Preferences (GSP) could have significant impact on individual sectors, even though the overall impact will amount to less than 0.4% of India’s exports to the U.S., Federation of Indian Export Organisations (FIEO) has said.

“India’s exports to the U.S. stood at $50.57 billion in 2017 with a GSP tariff advantage of only $190 million, which was less than 0.4% of our exports,” Ajay Sahai, director general and CEO of FIEO told The Hindu . “So, the withdrawal will have marginal impact.”

The export body said India was getting a tariff preference on 5,111 tariff lines out of a total 18,770 tariff lines, in the U.S. Within this, the tariff advantage was more than 4% in 2,165 tariff lines.

Absorbing duty loss

“While exporters should be able to absorb the duty loss where it is 2-3%, the government should look into providing fiscal support to those products where GSP tariff advantage was significant, particularly in the labour-intensive sectors,” Mr. Sahai added. “This will allow them to maintain their landed prices at more or less the same level as under the GSP regime.” According to FIEO, the sectors that will likely be significantly impacted will include processed foods, leather products other than footwear and engineering goods such as spark ignition, turbines and pipes.

The export body also pointed out that the withdrawal of GSP benefits to Indian exporters will also impact the downstream industries in the U.S. that were using the cheaper inputs from India.

The U.S.’ move would have significant impact on leather travel goods, said P.R. Aqeel Ahmed, chairman, Council for Leather Exports. The $800-million travel goods sector till now enjoyed 0% duty.

Asked how they would face it, he said it would not take effect for at least two months after notification to the Congress and the Indian Government. “We will take it up with the Centre to request the U.S. not to withdraw the GSP,” he said. The textiles sector may not see significant impact as only a few products are covered under the GSP.

A. Sakthivel, vice-chairman, Apparel Export Promotion Council, said there are 15 ready-made garment products under the GSP that account for $17 million of annual imports by the U.S. from India.

“We are taking up the issue with Ministry of Commerce to continue to provide the GSP benefit to India. This will raise the product cost for buyers by almost 7%. China is the main competitor in these categories and India will not be able to match the cost.”

Manmade textile industry on a cusp of turnaround with a revival in demand	Business Standard https://www.business-standard.com/article/companies/manmade-textile-industry-on-a-cusp-of-turnaround-with-a-revival-in-demand-119030500908_1.html

Stabilising crude oil prices help companies fix their product prices for long term contracts

Manmade textile industry is on the cusp of turnaround with a revival in its demand in the last few weeks following producers' ability to fix prices of their products in the wake of stabilizing crude oil prices.

Trading at $85.10 a barrel in the world market, crude oil price gradually slipped to the level of $49.79 a barrel towards the end of December and gradually picked up again to trade currently at $65.05 a barrel. Most importantly, crude oil price is holding above $60 a barrel since February 1 which allowed synthetic yarn, fabric and textile manufacturers to fix their product prices for long term. Prices of synthetic yarn and fabric moved in tandem with crude oil prices, being the latter the sole raw material of the former.

Stabilizing crude oil prices have come as a major relief for manmade fibre and yarn manufacturers that were reeling under pressure since demonetizing of high value currency notes of Rs 500 and Rs 1000 denominations in November 2016 followed by implementation of the goods and services tax (GST) in July 2017. Before these two revolutionary steps, a large portion of manmade yarn and fabric business used to get transacted in cash which disappeared on their implementations

With the revival in demand, manmade fibre and yarn business is on a turnaround path. December quarter was highly volatile due to huge volatility in crude oil prices. After that, crude oil prices stabilized which brought stability to manmade fibre and yarn business as well," said Madhu Sudhan Bhageria, Chairman and Managing Director, Filatex India Ltd, one of the country's largest manufacturers of manmade fibre and yarn.

The revival in demand also percolated to the share price movement of manmade fibre and yarn manufacturers which rose upto 10 per cent in the last two weeks.

Indian manmade fibre and yarn manufacturers are betting big to grab the market share of the China, the world's largest producer of these products, due to rising labour cost. Industry sources said that the labour cost in China has risen to $1100 per month as compared to $200 per month in India.

Sensing this opportunity, however, leading manmade fibre and yarn players have chalked out massive investment plans to expand their capacity and grab large share in the world market. Filatex India, for example, has envisaged Rs 275 crore expansion plan to raise their production capacity of yarn and power to reduce its production cost and improve its EBIDTA margins for this year.

According to Sanjay Jain, Chairman of the Confederation of Indian Textile Industry (CITI) and managing director of TT brand garments, globally the fibre consumption is dominated by manmade fibres having 70 per cent of share in total fibre consumption while natural fibres constitute only 30 per cent. "Contrary to the global trend, fibre consumption in India is skewed towards natural fibres, especially cotton. The growth of cotton is limited owing to limited agricultural land availability and price volatility. Hence, in order to achieve the desired growth target of $300 billion market by 2025 it has become important for India to focus on manmade textiles along with cotton textiles," he added.

"The downstream industries in the manmade fibre textile value chain – spinning and weaving, which is the largest employment generator in the entire value chain are facing acute stress due to high prices of domestic staple fibre relative to what our competitors get in other countries. This affects the export competitiveness of the domestic downstream MMF textile industry and also makes the industry venerable to imports of value added MMF products," said Rakesh Mehra, a senior industry official.

Anti-dumping duties in the beginning of the textile manufacturing chain hurt the down-stream industry. Presently, anti-dumping duty on purified terephthalic (PTA) is Rs 4 - 6 per kg and on VSF (Viscose Staple Fibre) at Rs 12 per kg.

India has huge and efficient capacities in the manufacturing of polyester staple fibre and also viscose staple fibre. Rising import due to the free trade agreement (FTA) signed by the government, however, needs to be curbed, Jain said.

February services PMI shows uptick, overall inflation rate softens	**Business Standard** https://www.business-standard.com/article/economy-policy/february-services-pmi-shows-uptick-overall-inflation-rate-softens-119030501025_1.html

Upbeat demand conditions in the domestic demand fed through to the labour market, with services sector jobs expanding at the same solid rate that was registered at the start of 2019

The services sector, which is the dominating area of India's economy, gathered moderate pace in February due to new work orders, showed the Nikkei purchasing managers' index (PMI). This resulted in job creation gaining momentum.

PMI for services rose from 52.2 in January to 52.5 in February, showing acceleration in the growth rate. A print above 50 means expansion, while a score below that denotes contraction.

Despite rising cost burden, the overall inflation rate softened.

New business received by services companies rose to a great extent in February amid strengthening underlying demand, the PMI survey said, adding the upturn in new orders in the services sector was domestically driven since there was renewed contraction in external sales.

Upbeat demand conditions in the domestic demand fed through to the labour market, with services sector jobs expanding at the same solid rate that was registered at the start of 2019.

Pollyanna De Lima, the principal economist at IHS Markit, compiler of PMI and author of the report, said, "Faster increases in new work and business activity supporting one of the best upturns in jobs for eight years."

The earlier data had shown that PMI for manufacturing had grown to a 14-month high figure of 54.3 in February, up from 53.9 in January.

As such, composite PMI output index rose from 53.6 in January to 53.8 in February, indicating acceleration in private sector activity in the country.

“Indian economic growth strengthened halfway through the final quarter of 2017-18 to the second-fastest since last July. The acceleration was driven by a thriving manufacturing sector, where production growth hit a 14-month high,” Lima said.

Lima further noted that manufacturing new export orders rose at a sharp rate against a backdrop of weakening global demand and trade friction. When looking at other emerging markets, the PMI data showed that the Indian goods-producing industry outperformed those in Brazil, Russia, and China by a sizeable margin.

Meanwhile, price pressures waned as almost 97 per cent of panellists reported no change in their selling prices.

According to experts, the signs of easing inflationary pressures indicate that the Reserve Bank of India (RBI) is likely to adopt an accommodative monetary policy stance.

The next meeting of the RBI’s monetary policy committee is scheduled on April 2-4.

The country’s economic growth slipped to a five-quarter low of 6.6 per cent in October-December period of 2018-19, mainly due to poor performance of farm, mining, and manufacturing sectors, according to the official data.

February services PMI shows uptick, overall inflation rate softens	**Economic Times** economy https://www.financialexpress.com/economy/february-peak-power-demand-rises-3-year-on-year/1506407/

The peak demand for power across the country in February 2019 rose 3% year-on-year to 162 GW as compared to 157 GW recorded a year ago, according to the data released by Indian Energy Exchange (IEX). Compared to January, the peak demand has remained unchanged.

On an all India basis, the energy supplied in February was higher by 3% year-on-year at 95 billion units (BU) against 92 BU supplied a year ago.

Trade at IEX, which includes the day ahead market (DAM) and term ahead market (TAM), fell 15% on year to 2,879 MU in February against 3,343 MU a year ago. Lower DAM volume of 2,794 MU in February was primarily on account of extended winters leading to subdued demand for power from northern and western states, IEX said.

“The day-ahead market experienced transmission congestion with volume loss of 62 MU which was 2% of the total traded volume. The congestion was mainly due to shutdown of Talcher Kolar Pole line leading to unavailability of transmission corridor, and thus increase in the market clearing price,” IEX said.

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These states giving cheaper electricity to consumers despite missing UDAY targets	Financial Express https://www.financialexpress.com/economy/these-states-giving-cheaper-electricity-to-consumers-despite-missing-uday-targets/1506402/

While the operational targets set under the UDAY scheme for the revival of electricity discoms are being missed and the efficacy of the scheme itself has come under a cloud, several state governments are putting further burden on these entities by unveiling various sops for different sections of consumers, including farmers and households and not compensating them adequately.

Bihar, Uttar Pradesh and Jharkhand have cut down on the budgetary allocations to their respective energy departments in FY20 by 25%, 18% and 4%, respectively from the levels in the previous year, a move that could hit the discoms’ ability to strengthen the network to cut pilferage and improve the efficiency of tariff collection. Chhattisgarh has announced a flat 50% discount on power bills to consumers who use below 400 units of electricity in a month. Maharshtra government that has been delaying payments to discoms — government departments’ dues to the state’s discoms rose 31% year-on-year in H1 FY19 to `6,084 crore — has continued with massive power subsidies and budgeted for another `5,210 crore to subsidise electricity to industry and agriculture in FY20, and the discoms are worried if the funds will reach them on time.

Punjab, where too delayed subsidy disbursal to the discoms was a major issue last fiscal, has allocated a massive `8,969 crore to subsidise agricultural electricity in FY20.

Delayed disbursal of such subsidies leads to discoms spending more on interest costs against borrowings done to compensate for their working capital shortfall.

As FE reported recently, financial losses of the state-owned discoms have increased by 36% year-on-year to `15,080 crore in H1FY19; in fact, these losses were as much as the losses incurred by them in the whole of the previous financial year. State-level electricity regulators are not sticking to the trajectory of tariff increases agreed on while signing up for UDAY; only 17 states have increased their tariffs for FY19 compared to 22 for FY18.

At the national level, cross-subsidies — additional tariffs paid by industrial and commercial consumers to subsidise households and farmers — too have been on the rise, comprising 9% of the total revenue in FY15 to 12% in FY17.

Also, AT&C losses of discoms in 26 states and UTs were at 19.7% at the end of December 2018, down only 0.7 percentage point from the level recorded a year earlier. The target to reduce these losses to 15% by the end of March 2019 is clearly going to be missed by a significant margin.

Uttar Pradesh has reduced its FY20 budget expenditure for the energy department by about 18% (from FY19 revised estiamate) to `26,503 crore even as its power purchase costs have gone up by 13% to `4.48/unit in H1FY19. The discoms' AT&C losses are rising with payment collection efficiency deteriorating with rising rural electrification. Their regulatory assets (the revenue shortfall resulting from inadequate tariff hikes) were a massive `33,000 crore at the FY18-end and the state government departments also owed them another `12,166 crore at the end of September, 2018, up 19% from a year ago

Bihar has reduced FY20 allocations to its energy department by 25% to `8,894 crore while Jharkhand has cut the same by about 4% to `5,323 crore.

China targets 6 to 6.5% growth in 2019	**The Hindu** https://www.thehindu.com/todays-paper/tp-international/china-targets-6-to-65-growth-in-2019/article26442438.ece

Estimate is lower than last year's 6.5% expansion; defence spending will rise 7.5% to $177.5 billion

China on Tuesday set an economic growth target of 6%-6.5% for 2019, after factoring in a slew of headwinds, including the trade war with the U.S., and financial bottlenecks for its private enterprises. The growth rate estimate, which was lower than last year's projection of "about 6.5%", was revealed in the government work report, which was delivered by Prime Minister Li Keqiang during the opening session of the National People's Congress (NPC) — China's Parliament.

China's GDP growth target will be tested when the full impact of the trade war with the U.S. is felt in the first half of this year. The Chinese government hopes to counter the downward pressure on the economy by shoring up domestic demand, using monetary and fiscal instruments at its command.

Beijing has targeted creation of 11 million new urban jobs this year, compared to the actual 13.6 million jobs that were generated last year. China has already stepped up lending to stimulate domestic growth. The work report called upon commercial banks to increase loans to small- and medium-sized companies by 30% this year — a potential high growth segment.

Urban unemployment

The work report targeted an urban unemployment rate of "about 5.5%", higher than the actual unemployment rate of 5.1% last year. The government also pledged to keep inflation under 3%.

A separate budget report released at the start of the NPC session said China's 2019 defence spending will rise 7.5% from 2018.

Last year, the defence spending had risen by 8.1%. The $177.55 billion defence budget meant that "…China's military development is decided by its defence needs... and that it will not join an arms race," the Hong Kong-based South China Morning Post (SCMP) quoted Lieutenant-General He Lei, former vice-president of the Academy of Military Science of the People's Liberation Army (PLA), as saying.

Compared to China's military spending, U.S. President Donald Trump has backed plans to request $750 billion from the Congress for defence spending in 2019.

Chinese state media has earlier reported that China has plans to build up to six aircraft carriers by 2035.

The SCMP quoted its military source as saying that, “It’s an open secret that the cost of the aircraft carriers’ development and construction would not be counted into the budget, but the Navy needs to deploy specific flotillas, manpower and training to support this, which should fall under the annual budget.”

‘Sovereignty issue’

During his work report, Mr. Li reinforced China’s rejection of Taiwan’s independence. “We resolutely oppose Taiwan independence and are determined to protect our national sovereignty and territorial integrity,” he said. In a speech in January, Chinese President Xi Jinping had reiterated Beijing’s call for a peaceful unification with Taiwan on the “one-country-two-systems” formulation — a template that had earlier led to the merger of Hong Kong and Macao to the mainland. But he also warned that China reserved the right to use force.

Mr. Li also said that relations with the U.S. were tense, and that there were maritime disputes with Southeast Asian countries. But “China is determined to protect its sovereignty, security and development interests,” he observed.

Indonesia, Australia sign long-awaited trade deal	**NST.com** https://www.nst.com.my/world/2019/03/465773/indonesia-australia-sign-long-awaited-trade-deal

: Indonesia and Australia on Monday signed a long-awaited trade deal after months of diplomatic tension over Canberra’s contentious plan to move its embassy to Jerusalem.

Indonesian trade minister Enggartiasto Lukita and his Australian counterpart Simon Birmingham wrapped up the multi-billion-dollar agreement in Jakarta, some nine years after negotiations first started.

The pact will include improved access for Australian cattle and sheep farmers to Indonesia’s 260 million people, while Australian universities, health providers and miners will also benefit from easier entry to Southeast Asia’s biggest economy.

Greater access to the Australian market is expected to spur Indonesia’s automotive and textile industries, and boost exports of timber, electronics and medicinal goods.

Bilateral trade was worth US$11.7 billion in 2017, but Indonesia is only Australia’s 13th-largest trading partner and the economic relationship has been viewed as underdone.

Both ministers touted the deal as indicative of deepening ties between the two countries, which have occasionally butted heads on foreign policy issues, including Australia’s hardline policy on asylum seekers.

Birmingham said the deal marked a “new chapter of cooperation” between the two neighbours.

“The signing of the Indonesia-Australia Comprehensive Economic Partnership Agreement brings our two nations closer together than ever before,” Birmingham told reporters.

Lukita said the signing had the potential to transform the economy of both countries.

“Today is definitely the brightest moment on of the Indonesia-Australia relationship,” he said.

The deal has been in negotiation since 2010 and was expected to be signed before the end of last year, but it stalled when Prime Minister Scott Morrison proposed the relocation of Australia’s embassy to Jerusalem.

Morrison first floated the shift in October, ahead of a critical by-election in a Sydney suburb with a sizeable Jewish population. Indonesia, the world’s most populous Muslim nation, was angered by the proposal.

Both Israel and the Palestinians claim Jerusalem as their capital. Most nations have avoided moving embassies there to prevent inflaming peace talks on the city’s final status – until President Donald Trump unilaterally moved the US embassy early last year.

In December, Morrison formally recognised west Jerusalem as the capital of Israel, but said the contentious embassy shift from Tel Aviv will not occur until a peace settlement is achieved.

The Australian PM stood by his decision despite outcry from neighbouring Muslim countries. Indonesia in response simply said it had noted the decision.

The trade deal also comes just ahead of national polls in which Indonesian President Joko Widodo is pushing his economic record in the battle for re-election.