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 –08-01-2019

Jute exports have risen 24% in 5 years'	Business Line https://www.thehindubusinessline.com/todays-paper/tp-news/article25936942.ece

Jute exports have grown nearly 24 per cent since 2014, Union Textiles Minister Smriti Irani said here on Monday. There has been steady improvement in the health of the domestic jute industry, she added.

"Exports of diversified jute products have grown nearly 24 per cent since 2014," Irani told newspersons on the sidelines of 'Artisan Speak & Jute Expo', a textiles outreach initiative of her ministry. Irani has been suggeting to the jute industry to reduce its dependence on government orders and go for product diversification, which would in turn boost exports.

"I would request the jute industry to take into consideration the welfare of farmers and workers. Whenever the industry gets any packaging order from the Centre they should pay the farmers and workers first," she said.

As many as 3.7 lakh mill workers are directly employed by the jute industry apart from several lakh farmers who are a part of the sector.

Industry expo

The four-day Artisan Speak and Jute Expo will have delegates from 14 nations. More than 70 buyers are participating in the programme.

According to Textiles Secretary Raghvendra Singh, the Centre has been trying to find ways and means to enhance the income of weavers and to connect them to garments manufacturers to increase their margins.

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
20718	43300	78.81
Domestic Futures (Ex-Gin) November		
Rs/Bale	Rs/Candy	USD Cent/lb
20940	43765	79.66
International Futures		
NY ICE USD Cents/lb. (Mar 2019)		72.75
ZCE Cotton: Yuan/MT (May 2019)		14940
ZCE Cotton: USD Cents/lb.		98.92
Basis Difference (Domestic spot – ICE March)		6.06
Cotlook A Index - Physical		81.50(+1.80)
WTI Crude :USD/Barrel		48.52
B. Currency		
USD/INR	Close	Previous Close
Spot	70.00	69.68
USD Index	95.66	

Cotton Guide

Sentiments of market participants are slowly turning towards the bullish side. If we see a breach of 75 cents/lb today, then it would not be difficult for prices to thrust forward therefore taking a short term bullish stance. Yesterday ICE March futures skyrocketed to a high of 73.92 cents/lb, therefore settling at a figure of 72.75 cents/lb. The change noted was +23 points. Similarly, ICE May and ICE July skyrocketed to high figures of 75.23 and 76.45 therefore settling at 74.10 and 75.40 respectively. These positive figures were attributed to an expectation of optimistic trade talks between the two (US-China) super powers. The market now needs to see a concrete agreement on paper between the duo.

MCX January contract touch a high of 21,190 Rs/Bale but could not hold on with its momentum thus settling at 20,940 Rs Bale which is a decline of (-130) Rs. MCX February contract dropped with a similar figure of (-130) and settled at 21180, whereas MCX March settled at 21430 with a drop of (-140) Rs. The figures for MCX Cotton Bales Stock position as on 5th January 2019 is – Total Utilized capacity: 64,100 Bales and stocks eligible for exchange delivery is 47,500 bales.

The cotlook Index A has been adjusted to 81.50 cents/lb i.e a gain of +1.80. This was in tandem with the upward price movements at ICE. Arrival figures in India are estimated at around 168,000 lint equivalent bales (source cotlook). Whereas prices of Shankar 6 are still in the range of 43000 and 43500 Rs/Candy.

As predicted earlier, we are now witnessing a decline in crop production figures. The apex body for Cotton – Cotton Association of India has revised its production estimates to a lower figure of 335 lakh Bales (1 Bale =170 Kg) as compared to the first revision of 340 Lakh Bales i.e. a decline of 5 lakh bales. This lower revision was attributed to lesser yield which was mainly due to insufficient showers in the country. 2 lakh Bales were expected to be less from Maharashtra and Gujarat each. According to CAI, the Estimation of stocks available as on December 31, 2018 is around 15.50 lakh Bales in India. We expect prices to once again show a short upward movement today.

On the technical front ICE cotton prices made a bullish pattern (Morning star) accompanied with the RSI above 30 suggest a short term pullback in the price. Sustainable trades below 70.50 will only resume the downtrend while the immediate resistance is at around 74.50.From the above we expect prices to trade in the range of 71.50-74.60 with sideways to positive bias. In the domestic markets trading range for Jan future will be 20780-21240.

Currency Guide

Indian rupee may witness choppy trade amid mixed factors however general bias may be on the upside. Indian rupee remains supported by improvement in risk sentiment. Progress over US-China trade talks, upbeat US labour data, Fed's patient stance on interest rate hikes and China's move to cut reserve requirement rate helped global equity market stabilize. Commerce Secretary Wilbur Ross said there's a "very good chance" the US gets a reasonable deal with China. The US dollar is also pressurized by Fed’s patient stance on interest rate hikes. Fed Chairman Jerome Powell last week indicated that the central bank may alter monetary policy if needed and will be patient on interest rate hikes. Post it, Atlanta Fed President Raphael Bostic said the US central bank should only raise interest rates once this year. Rupee is also supported by upbeat GDP data. The statistics ministry said in its first official estimate published on Monday stated that GDP will grow 7.2% this fiscal year as against 6.7% in the previous year. However, weighing on rupee is recent recovery in crude oil price. Brent crude oil holds above $57 per barrel supported by decline in OPEC’s production and recovery in US equity market. While global risk sentiment has improved, concerns persists about US government shutdown, Brexit and Chinese economic slowdown. There is still skepticism that US-China will reach a major deal in trade talks. USDINR may trade in a range of 69.4-70.1 and bias may be on the downside.

Direct taxes collection up 14% in Apr-Dec	**Business Line** https://www.thehindubusinessline.com/todays-paper/tp-news/article25936945.ece

The Centre’s net direct taxes collections grew 13.6 per cent in April-December 2018 to Rs. 7.43 lakh crore, official data released on Monday showed.

The collections represent 64.7 per cent of the Rs. 11.50 lakh-crore total Budget estimates of direct taxes for FY19, said a Financial Ministry statement.

Gross collections up to end-December stood at Rs. 8.74 lakh crore, up 14.1 per cent year-on-year. Refunds amounting to Rs. 1.30 lakh-crore were issued during the period, 17 per cent higher YoY.

While corporate income-tax (CIT) grew 14.8 per cent, personal income-tax (PIT) including securities transaction tax grew 17.2 per cent. After adjustment of refunds, the net growth in CIT and PIT collections is 16 per cent and 14.8 per cent respectively.

Collections in the corresponding period of FY18 had included extraordinary collections under the Income Declaration Scheme (IDS), 2016, amounting to Rs. 10,844 crore (third and last instalment of IDS), which do not form part of the current year's collections.

At Rs. 3.6 lakh crore, the advance tax collection in the period was 14.5% higher YoY. The growth rate of corporate advance tax was 12.5 per cent and that of personal advance tax was 23.8 per cent.

RCEP: India must stop being a naysayer	**Business Line** https://www.thehindubusinessline.com/todays-paper/tp-opinion/article25936994.ece

Though India has its share of concerns, the long-term benefits of joining the bloc far outweigh the short-run costs

The Regional Comprehensive Economic Partnership (RCEP) recently held its 24th round of negotiations. Much has changed on the international trade scene since this 16-member grouping led by the ASEAN and China started bargaining to get past their differences.

The negotiations on crucial issues at the WTO have been slow and unable to keep up with the ebbs and flows of international trade and investment — shifting the focus to mega-trade deals.

Trade protectionism has been are on the rise. The US and China are currently engaged in a bitter trade war. And, the UK voted for BrexitTrade conflicts are also mounting between India and the US, US and European Union. But while the CPTPP (the renamed TPP) has risen from the ashes and is ready for take-off, the RCEP is far from realising its aim with only five out of 18 chapters having being concluded so far.

The RCEP initiative linking ASEAN and the group's FTA partners is the largest FTA negotiation in Asia, and the biggest FTA negotiation that India has ever participated in. If negotiated successfully, it would create the world's largest trading bloc.

The grouping accounts for 45 per cent of world population, over a quarter of world exports, and has a combined GDP of $17 trillion. The RCEP aims at lowering trade barriers and securing improved market access for businesses in the region through recognition to ASEAN+6 in the emerging regional economic architecture.

It recognises the importance of being inclusive, especially to enable SMEs leverage on the agreement and cope with challenges arising from globalisation and trade liberalisation.

SMEs (including micro-enterprises) make up more than 90 per cent of business establishments across all RCEP participating countries and are important to every member's endogenous development of their respective economy. The negotiations, so far, have achieved steady progress in the market entry permits of goods and service trade and rule-making.

Slow progress

However, significant challenges remain after five years and 24 rounds of talks. To begin with, the unique element about RCEP that it includes developed as well as the less developed countries has resulted in slower progress in talks due to a combination of technical hurdles, domestic politics, and rising protectionism in the Asia-Pacific region.

While the members are keen on quick conclusion of the deal, limiting their ambitions to a common schedule promising more tariff cuts, a hurried deal for safeguarding strategic insurance might be difficult to sell to domestic constituencies of the grouping's two largest democracies — India and Australia — which go to polls next year.

India, in particular, has been unwilling to yield ground on tariffs and greater market access sought by other members till it is granted equally meaningful reciprocal access elsewhere.

This is where India's demand for greater mobility for its service professionals assumes significance. India's contention is significant considering that services exports — driven by IT and transportation — are not only a greater component of the Indian economy as compared to the manufacturing sector, but are critical for propelling the manufacturing sector too.

India's share in global service exports stands at 3.4 per cent in 2016, which is double that of its share in global merchandise exports at 1.65 per cent.

India bases its demand on AANZFTA (ASEAN-Australia-New Zealand FTA) which has transparent rules on tackling barriers to trade in services and procedures for liberalised movement of business persons engaged in trade and investment activities.

Some of India's FTAs with the region, such as the services agreement with ASEAN and the bilateral FTAs with Singapore and Malaysia, have provisions for movement of professionals. But these have not produced the mobility that India expected. Most member-countries remain circumspect on India's demand.

Priorities diverge

Indeed, this is where India's foreign and trade policy priorities sharply diverge. The Indian resistance can further be traced to the disappointing outcomes of earlier FTAs with Singapore, Malaysia, Japan and Korea. These FTAs were motivated by India's geo-strategic ambitions in the Asia-Pacific, complemented by the expectations of several Southeast Asian countries for India to play a balancing role in the region vis-a-vis China.

However, Indian industry accuses these FTAs of largely increasing imports into India from regional markets. India runs a trade deficit with 10 of the 16 RCEP countries at a whopping $104 billion — 64 per cent of India's total trade deficit in 2017-18. This deficit has reportedly been growing in the past few years.

India has offered to relax tariffs on 86 per cent of traded goods to ASEAN, South Korea and Japan under the respective FTAs it has signed with them, and up to 74 per cent of traded goods with China, New Zealand and Australia — as against the demanded 92 per cent of traded goods. But this too has been rejected by the participating countries as being ‘too little, too late’.

The Indian sensitivities could be partly true, given that large cross-border businesses like automobiles have set up assembly bases in India and are extensively importing parts and components from the region.

At the same time, the fears could be exaggerated as studies point to limited use of most FTAs given the lack of greater knowledge about them. India also faces a problem in liberalising its labour-intensive agriculture sector which, like the pharmaceutical sector, risks monopolisation. New Zealand’s exported dairy products may rule the Indian dairy market which will demolish the growth of the domestic sector.

The counter argument remains, however, that if India wants its ‘Make in India’ to become a global success it must participate positively to become a part of the Asian Value and Supply chain which either begins or ends in India. It is imperative to understand that the benefits of RCEP in the long run far outweigh the costs in the short run.

Apart from making the Indian economy competitive in the long run, the RCEP can substantially increase investment in India from countries like Japan, South Korea. India reportedly saw a cumulative FDI inflow of $18.9 from Japan and $1.67 billion from South Korea in 2017.

In an interconnected world, it is impractical to take an isolationist approach and spurn multilateral and regional trade pacts without risking trade diversion and loss of competitiveness in exports. An RCEP without India will still go ahead, but not without locking India out from Asia and spelling disaster for the economy expecting to grow at 8 per cent per annum.

India, thus, needs to have a clear strategy with respect to its free-trade agreements which would benefit its external sector, as India’s exports have been falling for more than two years now. To make RCEP a success, what is most required is de-emphasising the political element to make it more about economic integration.

The writers are Professor of Economics, Indian Institute of Public Administration , New Delhi, and Researcher in International trade and Investment Law, respectively.

Water woes: Cotton crop to be lowest in 8 years	**Business Line** https://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/article25936874.ece

CAI predicts crop size of 335 lakh balesfor 2018-19

Water shortage in the growing regions of Gujarat, Maharashtra and Telangana is likely to bring down India’s cotton crop to the lowest in the past eight years.

The latest crop estimate put out by the Cotton Association of India (CAI) has predicted cotton crop in the country for 2018-19 at 335 lakh bales (each of 170 kg), 8 per cent down from the 365 lakh bales reported in the previous year and the lowest since 2011-12, when the crop was estimated at 373.25 lakh bales.

In its December crop estimate released on Monday, CAI has reduced the crop estimate for Gujarat, Maharashtra and Telangana by 1.50 lakh bales, 2 lakh bales and 2 lakh bales, respectively.

According to Atul Ganatra, President, CAI, due to water shortages following deficient rainfall in growing regions, farmers in about 70-80 per cent of the cotton crop area have uprooted plants.

“As a result, there is no scope for a third and fourth picking,” said Ganatra in a statement. For a normal cotton crop, the picking continues for four rounds. However, after the first two pickings in water-scarce regions, the cotton plants have started drying up, leaving no possibility of further flowering and boll development. The crop estimate is reduced from CAI’s earlier estimate of 340.25 lakh bales.

According to the CAI, total cotton supply till the end of the season in September 2019, will be around 385 lakh bales consisting of the opening stock of 23 lakh bales at the beginning of the season, the crop of 335 lakh bales and imports at around 27 lakh bales — 12 lakh bales higher than the previous year’s import, estimated at 15 lakh bales.

Export impact

Domestic consumption of the fibre is estimated at 320 lakh bales and estimated exports for the season 2018-19 at 51 lakh bales, about 18 lakh bales lower than the export of 69 lakh bales estimated during the last year.

The carry-over stock at the end of the 2018-19 season is estimated at 14 lakh bales.

As per CAI data, so far in the current season, between October to December 2018, cotton supply stands at 142.50 lakh bales. This includes 115.97 lakh bales up to December 31, 2018, imports of 3.53 lakh bales up to December 31 2018, and the opening stock at the beginning of the season, estimated by the Committee at 23 lakh bales.

During the months under review, the CAI has estimated cotton consumption at 80 lakh bales while the export shipment of cotton up to December 31, 2018 has been estimated at 17 lakh bales.

MSMEs demand a time period for loan sanctions and relaxed norms	**Business Standard** https://www.business-standard.com/article/economy-policy/msmes-demand-a-time-period-for-loan-sanctions-and-relaxed-norms-119010800064_1.html

The MSME bodies have demanded that central ministries clear all dues of MSMEs within a stipulated date

Officials of micro, small and medium enterprises (MSMEs) who met Reserve Bank of India (RBI) Governor Shaktikanta Das on Monday demanded a time period for loan sanctions, limited collateral by banks, and a green light for buyer’s credit.

MSMEs continue to complain of a chronic lack in working capital that has hampered work flows and led to layoffs. “The turnaround time for requests for sanction/enhancement of limits for working capital or term loans should be on a fixed basis — based on the product and the amount of loans up to a specified amount,” said Shreekant Somany, chairman of the Confederation of Indian Industry (CII) National MSME Council.

“For sanctions/enhancement of limits for working capital/term loans, the time limit for sanction may be fixed at 15 days from the date of application and for disbursement, the time limit may be fixed as 15 days from the date of sanction,” he added. Also, collateral sought by banks should be limited to 133 per cent of the exposure rather than the current norm of unlimited collateral, Somany said.

The CII has also suggested that personal guarantees be taken only in the case of collateral shortfall and not where sufficient collateral is available from the firm’s resources. It has said such guarantees should not be taken from external directors, who have no role to play in day-to-day operations.

For bank guarantees, MSMEs said the requirement to return such guarantees to close claim period needs to be removed, while charges for bank guarantees for over two years should be debited on an annual basis. Further, annual bank guarantee charges for longer period validity should be lower for subsequent years. Banning of Letters of Undertaking (LoUs) for buyer’s credit is having a liquidity impact on industry, Das was told. The CII recommends that LoUs must be permitted in cases where the company is to incur capital expenditure.

“While issuing circular for MSMEs, we have pointed out that banks have been asked to look at the viability of individual MSMEs before restructuring,” Das told the media later in the day. “So banks have been asked to place the matter before the board and come out with guidelines to examine the viability of individual proposals and also monitoring of performance of such restructured assets and units,” Das added.

Last week, the RBI had allowed lenders to recast loans of stressed MSMEs, provided the total fund and non-fund based exposure to such a borrower does not exceed Rs 25 crore. Such a debt restructuring, the central bank said, would not lead to a downgrade in asset classification.

It also recently allowed merchant exporters — most of whom are small players — to avail pre- and post-shipment credit at lower rates through the Interest Equalisation Scheme.

The bodies have also demanded that central ministries clear all dues of MSMEs within a stipulated date, saying a mechanism can be devised for immediate release of all such dues. All claims should be called/invited by the Ministry of MSME with a one-month public notice, the CII said.

Govt pegs FY19 GDP growth at 7.2%; estimate lower than RBI prediction	Business Standard https://www.business-standard.com/article/economy-policy/govt-pegs-fy19-gdp-growth-at-7-2-estimate-lower-than-rbi-prediction-119010701093_1.html

Nominal GDP though is expected to grow at a healthy 12.3 per cent in FY19, against the Union Budget's assumption of 11.5 per cent

The economy is likely to grow at a slower pace in the current financial year (2018-19, or FY19) than what was previously expected despite a significant rise in investment and manufacturing activities, showed the latest data released by the Central Statistics Office (CSO) on Monday.

Gross domestic product (GDP) is pegged to grow at 7.2 per cent in FY19, lower than the Reserve Bank of India's (RBI's) estimate of 7.4 per cent and the finance ministry's projection of 7.5 per cent. However, it is higher than last year, when the economy grew at 6.7 per cent.

Based on the CSO's first Advance Estimates, GDP growth is expected to dip sharply to 6.8 per cent in the second half (H2) of FY19 from 7.6 per cent in the first half (H1). By comparison, the RBI had pegged economic growth to average 7.2 to 7.3 per cent in H2FY19.

The finance ministry did not seem perturbed by these figures. "Very healthy advance GDP growth numbers for 2018-19. India remains fastest-growing major economy globally," Economic Affairs Secretary Subhash Garg tweeted.

The International Monetary Fund (IMF) has projected China's economic growth at 6.6 per cent in the current calendar year. The Advance Estimates are lower than the IMF projection of 7.4 per cent.

Nominal GDP (at current prices) though is expected to grow at a healthy 12.3 per cent in FY19, against the Union Budget's assumption of 11.5 per cent. This implies that inflation is estimated to stand at 5.1 per cent. This rate is surprising since the consumer price index inflation has cooled to 2.3 per cent in November, with an average of 4 per cent in the first eight months of FY19.

Gross value added is projected to grow at 7 per cent in FY19, up from 6.5 per cent in 2017-18 (FY18).

Advance Estimates are released for the Budget-making exercise and are useful for calculating various ratios such as fiscal deficit and gross fixed capital formation (GCFC), among others. These are based on the actual data for six to eight months. The Budget is likely to be presented in the Lok Sabha on February 1.

Economists, however, advised caution with regard to these numbers.

SBI group chief economic advisor Soumya Kanti Ghosh termed advance estimates a conservative one. He said, "The estimate has a shelf-life of only two months."

The second advance estimates are slated to come on February 28.

Ranen Banerjee, partner, PwC India, said, "The estimates seem to be on the conservative side and the final numbers would depend on three factors — how the oil prices, thus inflation, pan out; government spending in the last quarter before elections; and the mood of the economy after the conclusion of the US-China trade negotiations."

On the production side, growth is expected to get a fillip from manufacturing and construction.

Manufacturing is expected to grow at 8.3 per cent in FY19, up from 5.7 per cent in FY18. Construction is projected to grow at 8.9 per cent this financial year, up from 5.7 per cent in the previous financial year.

However, manufacturing activity is expected to slow down sharply from 10.3 per cent in H1FY19 to 6.4 per cent in H2FY19. The construction sector is expected to grow at a faster pace, from 8.2 per cent in H1 to 9.5 per cent in H2.

In the services sector, the CSO expects trade, hotels, transport and communication services as well as public administration to grow at a slower pace in FY19, while financial, real estate, and professional services are expected to grow at a marginally faster pace.

Agriculture is projected to grow at 3.8 per cent in FY19, marginally higher than 3.4 per cent in FY18. However, this is susceptible to a downward shock, given that the rabi progress has not been very satisfactory, said Madan Sabnavis, chief economist at CARE Ratings. On the expenditure side, the first Advance Estimate suggests a moderation in both private and government consumption expenditure. Private final consumption expenditure is expected to slow marginally, from 6.6 per cent in FY18 to 6.4 per cent in FY19, while government consumption expenditure is expected to moderate to 9.2 per cent in FY19, down from 10.9 per cent in FY18.

However, investment activity is expected to pick up sharply. GFCF, which connotes investments, is expected to grow by a robust 12.2 per cent in FY19, up from 7.6 per cent in FY18. Investment activity is expected to pick up in H2, with growth projected at 13 per cent — up from 11.25 per cent in H1.

As a percentage of GDP, GFCF is expected to rise to 29.5 per cent (at current prices) in FY19, up from 28.5 per cent last year. "This is an interesting projection, as the same is not witnessed on the finance side or the new projects announced. The effort of the government must be the driving factor here. There could be a downward revision here and we expect the rate to be 29 per cent," said Sabnavis.

Weaving dhotis behind bars	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/weaving-dhotis-behind-bars/article25936524.ece

Power looms have been established inside Tiruchi jail

Production of dhotis involving a select group of convicts serving life term at the Tiruchi Central Prison has resumed after a gap of few years.

To begin with, about 300 dhotis have been made by the convicts at the power looms established inside the sprawling jail premises housing convicts, remand and undertrial prisoners.

The dhotis made under the brand name 'Freedom' has been put up on sale at the Prison Bazaar run by the convicts and situated at the entrance of the Tiruchi Jail. This is the first lot of dhotis to be made engaging a select group of 12 convicts after a gap of three to four years, say prison officials.

The yarn required for its making was purchased from Karur. The Prison authorities have offered discount for this product up to Pongal festival in an effort to woo customers.

The convicts engaged in this vocational trade activity would be paid wages according to their skills.

Prior to undertaking this task, the convicts were imparted hands-on training by a weaving instructor at the jail. Convicts were also being engaged in manufacture of cloth bags in the wake of the ban imposed on plastics by the State government. The cloth bags were also being sold through the Prison Bazaar, said the official.

As a rehabilitation measure for the convicts serving lengthy terms, the Prison Department has been engaging prisoners who have shown good conduct in various vocational trades for production of a host of products that includes file pads, soap and blankets.

Labour unions to demand hourly minimum wages	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-andhrapradesh/labour-unions-to-demand-hourly-minimum-wages/article25936191.ece

INTUC justifies general strike

Labour unions will pitch for hourly minimum wages in tune with changing times, said president of Indian National Trade Union Congress G. Sanjeeva Reddy.

“Minimum wages per hour will be the main demand of worker unions this year. In most developed countries, hourly wages are being given to employees and we want to implement similar policies in India too,” Mr. Sanjeev Reddy said in his address to members of the AP State Electricity Employees’ Union on Monday.

The 89-year-old union leader met union leaders a day before the commencement of the nationwide general strike.

Justifying the call for the general strike, Mr. Sanjeeva Reddy said all trade unions would be taking part in the strike to pressure Prime Minister Narendra Modi to roll back privatisation of public enterprises.

Texprocil seeks interest subvention from government for cotton yarn	**The Hindu** https://www.thehindu.com/business/texprocil-seeks-interest-subvention-from-government-for-cotton-yarn/article25920964.ece

'It is the only product not given benefit under foreign trade policy'

The Cotton Textiles Export Promotion Council (Texprocil) has appealed to the Union Government to include cotton yarn in the Interest Equalisation Scheme for pre- and post-shipment rupee export credit.

Council chairman K.V. Srinivasan has said in a statement that the Cabinet Committee on Economic Affairs (CCEA) recently approved the inclusion of merchant exporters in the scheme. Interest Equalisation Scheme at 5 % is available for pre and post-shipment credit on export of all products manufactured and exported by micro, small and medium-scale enterprises (MSMEs) and 3% on 416 specific tariff lines for non-MSMEs.

However, it had available only for manufacturer-exporters so far. In textiles, 35% to 40% of exports are through merchant exporters. The MSMEs constitute a significant part of the textile sector. But, they mostly depend on merchant exporters. The government had recently approved extending the scheme to merchant exporters and this would benefit the industry.

Further, the benefits are available for all types of fabrics, apparel, and made-ups. It should be made available for cotton yarn too. "Cotton yarn is the only product which has not been given any benefit under the foreign trade policy although it is a value added product," he said.

India, Norway to sign bilateral trade pact on Tuesday	**Business Line** https://www.thehindubusinessline.com/news/india-norway-to-sign-bilateral-trade-pact-on-tuesday/article25933942.ece

India and Norway will sign an agreement on Tuesday to improve bilateral trade, said a top official.

The agreement will look at issues such as trade barriers and areas of collaboration. Bilateral trade stands at $1.2 billion between the two countries.

Norwegian Prime Minister Erna Solberg, who began a three-day India visit on Monday, said her country sees great scope for partnerships with India in business, trade and investments. Norway recently launched a new strategy to strengthen its economic ties with India.

Addressing the India-Norway Business Summit here on Monday, Solberg said : "Private sector engagement, research and technical cooperation are the key components of the strategy. It focuses on the oceans, energy and the environment, and on increased cooperation between our countries at a political level."

Commerce Minister Suresh Prabhu said the Centre will sign an agreement to facilitate dialogue between India and Norway to increase bilateral trade substantially in the next few years.

Free trade talks

A free trade agreement is on the agenda. "We are doing what we can to ensure that the Trade and Economic Partnership Agreement between EFTA (European Free Trade Association) and India is finalised soon," said Solberg.

"This agreement will contribute to increased trade and a better environment for our businesses. We, therefore, welcome the Indian government's efforts to cut red tape and make it easier for foreign companies to invest in India."

India and EFTA countries Iceland, Liechtenstein, Norway and Switzerland have been working on a trade agreement for a while now.

Helge Tryti, Commercial Counsellor, Norwegian Embassy, said the countries are working to finalise it soon.

Cabinet allows inclusion of merchant exporters under IES	Fibre 2 Fashion https://www.fibre2fashion.com/news/textile-news/cabinet-allows-inclusion-of-merchant-exporters-under-ies-246595-newsdetails.htm

The Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, has recently given its approval to the proposal of the department of commerce for including merchant exporters under the Interest Equalisation Scheme (IES) for pre and post shipment rupee export credit by allowing them interest equalisation rate of 3 per cent.

The 3 per cent rate would be available on such credit for export of products covered under 416 tariff lines identified under the scheme. The products covered under the IES are largely in MSME/labour intensive sectors such as agriculture, textiles, leather, handicraft, machinery, etc.

"The proposal will entail benefits of around `600 crore to exporters on interest equalisation, for the remaining period of the scheme," an official statement said.

"Inclusion of merchant exporters in the scheme is expected to make them more competitive, encouraging them to export more products manufactured by MSMEs adding to the country's exports. Additional exports by them will increase production by MSME giving a fillip to employment generation as MSME are generally in the employment intensive sectors," the statement added.

The present scheme, which is in-force from April 1, 2015 for five years, provides interest equalisation rate of 3 per cent on pre and post shipment rupee credit to all manufacturing exporters exporting identified 416 four-digit tariff lines, and 5 per cent on all merchandise products manufactured and exported by MSMEs. Merchant exporters were hitherto not covered under the scheme.

Exporting community has been persistently demanding inclusion of the merchant exporters also in the ongoing scheme. Merchant exporters play an important role in finding overseas markets, getting export orders, communicating to MSME manufacturers the current preferences, trends and demand for products in international export markets.

Merchant exporters also play a pivotal role in exports of MSME manufacturers as MSME manufacturers export significant quantity of products through them. High cost of credit equally impacts their competitiveness as they factor the high interest costs in their export costing.

Bt cotton no aid to textiles sector but a trapdoor for unsafe food	The Nation.com https://www.nation.co.ke/oped/opinion/Bt-cotton-no-aid-to-textiles-but-trapdoor-for-unsafe-food/440808-4925068-jb67dvz/index.html

The push for the introduction of Bt cotton has intensified in Kenya in the past few months.

The GMO proponents are promoting Bt cotton as a crop for fibre and textiles only. However, as it has been done in other countries, only 40 per cent of the Bt cotton will be for textile production; the larger 60 per cent will be extracted as cottonseed oil, cotton seed cake and straw for animal feeds. From this, we can see a greater percentage of the Bt cotton ending up in the food chain — for human consumption.

The supporters argue that tests done on these crops have ascertained their safety on humans and the environment, a claim that is factually erroneous going by the inconclusive scientific findings of studies on GMO safety.

PROHIBITIVE

Studies in France have shown that, contrary to popular beliefs pushed by the giant multinationals promoting the genetically engineered Bacillus Thuringensis, the Bt does not integrate naturally in the environment but has been found in water and the environment as much as 30 years after use.

Bt cotton is being presented as the panacea for the revival of the textile industry. But was poor quality seeds the reason for the collapse of the cotton sector in the 1980s? The answer is a big No. It was mismanagement of the ginneries, leading to farmers not getting paid for their cotton. It was never about the conventional cotton seeds that were in use then.

When Burkina Faso introduced Bt cotton in 2008, the cost of seeds was beyond the reach of a small-scale farmer. In practical terms, while the conventional variety is sold for Sh121, the Bt cotton seed equivalent would go for Sh4,500 for the same quantity. In other words, the new cost was a whopping 37 times more expensive!

When you lift the veil on the cost breakdown, you discover that the multinationals controlling the Bt cotton seed get 63 percent of its cost. In a country like ours, where more than 70 per cent of farmers' are small-scale, it goes without saying that the cost of the seed will be prohibitively high for them.

DRY AREAS

The Burkinabe also recently abandoned the GM varieties, which have, over the years, resulted in shorter fibres of low quality compared to the conventional cotton. Farmers reportedly got nearly Sh306 million ($3 million) in compensation due to the quality problems in two seasons.

In South Africa, the challenges that Bt cotton farmers of the Makhatini Flats have faced are well-documented despite the PR exercise that tries to paint a different picture. Further, it has been proven that pesticide use actually increases in a bid to curb the emergence of secondary pests.

I am reliably informed that, in the areas where the National Performance Trials are taking place, a lot of measures are being put in place to ensure the Bt cotton is a success, to the extent of water being drawn from rivers to irrigate the cotton field. If huge amounts of water are needed, will the Bt cotton do well in the dry areas?

MULTINATIONALS

Are we looking at a case like Galana-Kulalu, where millions of shillings were poured into a sinkhole? Has the government considered all these issues and, if so, how does it plan to deal with them?

Once Bt cotton is accepted, the next step will be the introduction of other food crops, such as Bt maize and GM Soya, into the food system. Whichever way you look at it, the main beneficiaries will be the multinationals, who will effectively take over the seed and food industry in Africa. If this happens, will we continue depending on subsidies.

Clearly, there are more questions to this issue than answers and we should, therefore, not rush to blindly adopt a technology that we have not fully understood, are not prepared for and one that has clearly failed and been rejected elsewhere. There are better, safer and sustainable solutions to food insecurity and revival of the textile industry.

Leather industry players lock horns over export of semi-finished product	Live Mint https://www.livemint.com/Industry/husBQwiUiprV5pDGOElqNM/Leather-industry-players-lock-horns-over-export-of-semifini.html

Leather garment and footwear manufacturers have asked the government not to treat semi-finished leather as finished product for export purpose as the move would impact availability of raw material, industry sources said.

The demand has come against the backdrop of semi-finished or crust leather makers approaching the commerce ministry to permit export of the product as finished leather with a view to increasing shipments.

“Allowing this will impact domestic manufacturing and availability of raw material for leather garment and footwear makers. It will also hit the government’s Make in India campaign,” sources said.

Investment and technology upgradation are required to make finished leather from semi-finished one. While exports of semi-finished leather attracts 60% export duty, there is no duty for shipment of finished leather.

“Exporters of semi-finished goods also want to avoid the export duty. Treating semi-finished as finished for exports will severely affect domestic as well as export of shoes and leather products,” the sources added.

About 10 lakh people are employed in the finished leather industry.

In 2017-18, India’s outbound shipments of finished leather stood at $874 million. The India’s share in global leather exports and imports is about 3 per cent.

Trade war 'certainly' hurting Chinese economy: US Commerce Secretary	Live Mint https://www.livemint.com/Politics/tOdZNDPiw0aX7AgkRryPRP/Trade-war-certainly-hurting-Chinese-economy-US-Commerce-S.html

China's economy is more vulnerable to the fallout in the current trade stand-off with Washington and already has been hurt by the dispute, US Commerce Secretary Wilbur Ross said Monday.

Ross's remarks emphasized President Donald Trump's confidence that the robust US economy means Washington can outlast Beijing in a test of wills over trade.

"It certainly has hurt the Chinese economy," Ross told CNBC. "What this whole trade thing is about is they export several times as much to us as we export to them."

"So what we have at risk is a very small amount both absolutely and because our economy is bigger than theirs," Ross added.

Senior US officials were in Beijing on Monday for the first face-to-face negotiations since Trump agreed to a 90-day cease fire with China's leader Xi Jinping on December 1.

The negotiations are aimed at resolving US allegations of unfair trade practices, including massive state subsidies and "theft" of American technological know-how.

Economic data show the Chinese economy has suffered since Trump last year slapped stinging tariffs on more than $250 billion in Chinese imports.

Ask if he was happy or concerned about the slowing in the world's second largest economy, Ross said, "Not happy nor guilty. We expected this would happen."

But he said "what has changed is China now understands how independent they are on us."

However, signs are emerging of an increasing toll on US industry as well. US manufacturing activity in December had its biggest drop since the global financial meltdown of 2008.

Without a resolution, punitive US duty rates on $200 billion in Chinese goods are due to rise to 25 percent from 10 percent on March 2.

Analysts say Washington's complaints imply far-reaching changes to Beijing's industrial policies, but Ross said there was a "very good chance" of reaching an agreement, although monitoring compliance would present a challenge.

Righting the yawning trade imbalance with China, possibly involving more US fuel exports, would be "easiest," he said, while structural reforms would be "much harder."

"That's about intellectual property rights. That's about market access. That's about all kinds of things in the list of 142 things we submitted to them many months ago."

The hardest would be a formal agreement, Ross said, "but the history here has not been so good on compliance," so enforcement mechanisms will require teeth.

Sri Lanka raises port charges to the dismay of trade	**News Asia.Com** https://newsin.asia/sri-lanka-raises-port-charges-to-the-dismay-of-trade/

The Sri Lanka Ports Authority (SLPA) has substantially raised its port charges and other related tariffs effective from January 1, 2019, a move that has taken importers, exporters and other key stakeholders by surprise, as it will drive up costs for manufacturers and consumers alike.

SLPA has more than doubled some of the tariffs and reduced the concessions available on demurrage among others in what could be termed as an overhaul in the tariff structure, Mirror Business reliably learns.For instance, ports wharfage tariff for export containers and import containers and handling of their LCL cargo or less than container loan cargo, has been exorbitantly increased.

"In fact the tariff increase was so intense in US dollar terms; wharfage tariff has been more than doubled," a freight forwarder told Mirror Business on the condition of anonymity.

According to him, the demurrage-free times have been reduced too. The twenty-foot rate has been increased to US $ 35 from US $ 16, and forty-foot price to US $ 70 from US $ 32.

In addition, the LCL charges have been abolished and a box rate has been introduced— which is an increase with a new mechanism, making small exporters and importers indirectly vulnerable for a greater increase than stipulated.

The new Port and Shipping Minister Sagala Ratnayake is said to be unaware of the development as the plans to increase port charges were believed to have been hatched during the tenure of Ratnayake's predecessor, Mahinda Samarasinghe.

SLPA made headlines with the dawn of the New Year last week, for its handling of seven million containers— the largest volume it handled in its entire history, up from six million in 2017.

"What is the logic behind a tariff hike at a time when the SLPA is already making great strides in revenues through massive transshipment volumes and when it is relieved from the debt burden of the Hambantota port?", a trader questioned.

He also opined that what the SLPA has done is in contrary to the government's much touted trade facilitation programme. Last week, the Export Development Board (EDB) spelled out its plans to further uplift the country's exporter community. The minister in-charge of Development Strategies and International Trade, Malik Samarawickrama, said the country needs to bring down the barriers to trade and should be more outward-oriented.

An exporter Mirror Business talked to said, the SLPA as a trade facilitation institution, should have reduced the charges to boost exports and helped the government to reduce cost of living of the consumers, specially at a time where transshipments are growing exponentially.

He further pointed out that a hike in charges with volume increases is not good management, and what is required is a reduction in unnecessary costs and elimination of delays to become more efficient to increase SLPA's bottom-line performance.

Meanwhile, the hike in charges could be a double whammy for traders in the textile manufacturing sector, as they import a large volume of intermediary goods to be used in textile manufacturing.

One trader in the textile manufacturing industry claimed that the tariff revision is a clear violation of the freight payment gazette issued by the government.

He pointed out that as these tariffs are denominated in dollar terms, SLPA becomes the only beneficiary in the supply chain, which benefits from the currency depreciation.

Industry sources said that the new Ports and Shipping Minister Sagala Ratnayake and Prime Minister Ranil Wickremesinghe have been notified of the development.

"We expect a quick resolution from the minister, PM and the SLPA as it is an unjustified increase and a process change without understanding the repercussions and the country's interest at a crucial time. Whoever is responsible for this should be questioned for such unprofessional behavior," insisted a trader.

FTAs to open UP markets for Vietnam	**English Vietnam.com** https://english.vietnamnet.vn/fms/business/215347/ftas-to-open-up-markets-for-vietnam.html

Vietnam is making great strides to increase international integration for trade expansion and investment attraction. Nguyen Minh Cuong, principal economist at the Asian Development Bank in Vietnam, provides in-depth insight on the prospects of the country's economy in the context of the Fourth Industrial Revolution and new-generation free trade agreements such as the EU-Vietnam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The early stages of the Fourth Industrial Revolution are now taking place and it will at the same time bring immense opportunities as well as formidable challenges to Vietnam. Over the past two years, there have been various discussions on the impact to the economy and how the country can be prepared to catch up and reap the benefits.

Industry 4.0 by nature is aspirational and it reflects the advanced stage of Vietnam's transformation. It does not happen on purpose at the beginning. Rather, it evolved naturally from the digital era in the early 2000s and expanding to include Artificial Intelligence, the Internet of Things (IoT), 3D printing, Big Data, and cloud computing, with more technical innovations to come in the future.

This revolution is penetrating Vietnam incrementally and may fundamentally transform the economy. The country is enduring far-reaching economic restructuring, from labour and natural resources-driven growth to a technology and knowledge economy.

If fully maximised, these changes could help Vietnam acquire and apply the finest state-of-the art technology to promote economic growth and speed up the transition process to the knowledge economy. Industry and agriculture will have greater opportunities to improve productivity.

Efficiency gains can also be strengthened in services. The cost of trade, logistics, and transportation will fall leading to market expansion. Traditional comparative advantages would still play favourably to Vietnam at the early stage to capture the benefits, such as the demographic advantage of having more than 50 per cent of the population in working age, though this advantage will diminish rapidly in the years to come. Internet infrastructure is reasonably developed, and the country is ranked 13th among the top 20 countries for Internet usage. There are approximately 65 million Internet users in Vietnam, around 67 per cent of the population.

Challenges are, however, daunting. While some major IT corporations are fully aware of the imperatives to be prepared for Industry 4.0, by contrast, the level of engagement from most small- and medium-sized enterprises (SMEs) within Vietnam on this issue is almost insignificant.

A recent survey of 2,000 SMEs in Hanoi shows that 79 per cent are not prepared to embrace Industry 4.0. Of which, 67 per cent say it is not quite relevant to their businesses, 56 per cent are confident that they would not be affected much, and interestingly 54 per cent say it is not necessary to even pay attention to Industry 4.0.

To make it more challenging for SMEs to capture Industry 4.0 benefits, technology transfer is becoming more difficult and costlier due to stricter technological copyright and partnership. This makes it even harder for SMEs to absorb new technologies.

The labour force of Vietnam would bear the most impact if this revolution comes full force. More than 80 per cent has not received proper vocational and technical training. Skilled labour is in serious shortage.

This ongoing evolution will very soon make the abundant and low-wage labour of Vietnam the thing of the past. The sectors that may face the biggest risks are labour intensive sectors with low value addition such as agriculture, forestry, fishing, textiles and garments, and assembly.

Services sectors such as retail and wholesale, entertainment, health, and education may also be at risk due to inadequate infrastructure and shortage of skilled workers. What may happen could be a widening income disparity between skilled and unskilled workers, contributing to growing unemployment and social inequality.

Within the above context, if Vietnam is to embrace Industry 4.0 to promote economic growth and help the country breakthrough the middle-income trap, the country would need to create enabling policies and a well-defined roadmap for development of Industry 4.0; accelerate the development of ICT infrastructure; make resource allocation for research and development (R&D) and innovation compulsory; put utmost priority for building centres of excellence for technological innovation and application; top up greater resources for vocational and technical training for skills development of SMEs; redouble efforts to remove barriers to doing business; and deepen Vietnam's integration in global and regional value chains through multilateral and bilateral free trade agreements (FTAs) to facilitate technological and know-how transfer.

Industry 4.0 is occurring at a time when the global economy is experiencing unprecedented trade liberalisation where multilateral trade rules are at risk due to increasing protectionism.

Conflicting trends in global trade are complicating and disrupting trade and investment flows. Adding into the complexity, tightening global financial conditions may also alter capital flows. All of these trends may not only dampen economic growth, but also may exert negative impacts on technological transfer from developed to developing countries as global and regional value chains are disrupted.

In spite of temporary setbacks to the trading system, there have been encouraging and concerted efforts by developed and developing countries to sustain the rules-based trading system.

New generation of FTAs such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) not only help uphold principles and values of existing multilateral trading system, but they also facilitate the expansion of global trade rules to higher enforcement standards.

Under these FTAs, market access is guaranteed by strong political commitments and associated with sustained economic reform. All of these create an enabling environment for the infusion of Industry 4.0 from developed to developing economies through a global and regional network of productions and value chains.

Vietnam is very active in forging a fair multilateral trading system. The country is participating actively in the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation (APEC), the ASEAN, and recently ratifying the CPTPP.

Vietnam would gain substantially through improved market access for its manufacturing, textile and garments, agriculture, forestry, and fishery products. Penetration of foreign service providers into Vietnam in various services would also help transfer required skill sets and technical know-how to the services sector.

Historically, FTAs take effect in Vietnam in several stages. The ASEAN Free Trade Agreement (AFTA) was the first that Vietnam joined, in 1998. Vietnam's participation marked a historical stage of the country's opening up and in trade liberalisation. The second stage started with the US and Vietnam bilateral trade agreement in 2001 which was one of the most comprehensive bilateral trade pacts between the US and a developing country.

Among others, this advanced bilateral US-Vietnam trade pact paved the way for Vietnam to advance into a more challenging stage of trade openness by joining the WTO in 2007. The participation of Vietnam in these FTAs, and the country's WTO accession have radically transformed Vietnam from a closed and command economy into one of the most open economies in terms of trade. Vietnam achieved historically high records of foreign direct investment (FDI). Export also grew rapidly.

However, despite being classed as very liberal and open, the Vietnamese economy was not genuinely integrated. The next stage comes with Vietnam's recent ratification of the CPTPP. The new generation of FTAs enables not only market access, but also ensures that Vietnam will be part of global and regional value chains through which the country could benefit from technological transfer, and skills enhancement which are prerequisites to fully capture the benefits of Industry 4.0.

However, the flip side of the new generation of deals is that it is happening in a time when industrial evolution may radically change the structure of the global economy. Robotics would make it possible for developed markets to produce domestically more cheaply.

Flow of skilled labour, capital and technology from developed to developing countries could reverse if Industry 4.0 could knock down production costs in developed countries, which would eventually result in reconfiguration of global and regional production network and value chains. If this happens, market access for Vietnam to developed countries may become less significant.

Within this context and in addition to what is being suggested for Vietnam to embrace Industry 4.0, it is imperative for the country to speed up the economic transformation to improve economic resilience so that Vietnam is able to adjust if radical changes may happen. This transformation has to happen across sectors and within each of the sectors.

Vietnam must undergo several things. It must develop urban infrastructure to cope with rural-urban migration; build a fully-functioning multimodal transport system with railways, expressways, airports, and seaports; develop an effective logistics system that can enable efficient and quick mobility of labour, services and reducing costs to the economy; reform the labour, financial, land, and technological markets to unleash potential for economic growth; and last but not least, address the impacts of climate change.

The country's economic development has achieved encouraging results and economic growth is sustained and broad-based. Having the advantage of being a newcomer to Industry 4.0, Vietnam can shortcut the economic transformation by putting in place appropriate policies to encourage R&D, innovation, and nurture development of SMEs and the private sector.

The new generation of FTAs are opportune for Vietnam because they provide greater market access and more opportunities for greater integration in both global and regional value chains.

However, Vietnam would have to accelerate economic integration before any major changes can reverse the flow of trade, investment and services. Otherwise, the country will be left behind and remain in the middle-income trap.

Nigerian Prez to receive report on AfCFTA signing in Jan	**Fibre 2 Fashion** https://www.fibre2fashion.com/news/textile-news/nigerian-prez-to-receive-report-on-afcfta-signing-in-jan-246606-newsdetails.htm

The Presidential Steering Committee on the African Continental Free Trade Area (AfCFTA) Impact and Readiness Assessment will present its recommendations to Nigerian President Muhammadu Buhari this month. The committee held discussions over 12 weeks with industry groups and stakeholders, including the Manufacturers Association of Nigeria (MAN).

AfCFTA is a pan-African free trade area that will create a single market for goods and services. It also aims to liberalise and facilitate the movement of investment and business people across the continent.

On March 21 last year, 44 of the 55 African nations signed the AfCFTA agreement in Kigali, Rwanda. By December 2018, 49 countries had signed the agreement and 13 had ratified it. The agreement will become binding and implementation can start once 22 states ratify it.

Explaining the reasons for the delay in signing of AfCFTA agreement, presidential assistant on media and publicity Garba Shehu said as opinion is divided in the country on the merits and demerits of joining the AfCFTA, the committee has commissioned a study to shed more light on the public debate on the issue in the aftermath of a recent report published by MAN.

The MAN report noted that if Nigeria ratifies the agreement, import surges will range from 27.6 per cent for textile, apparel and footwear sub-sectors.

The MAN study also shows differing output, employment and investment effects across manufacturing sub-sectors and the need for huge investments in chemical and pharmaceutical products and textile, apparel and footwear sectors.

Therefore, another study was commissioned late last year to address the gaps in the MAN study, Shehu added.