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NEWS CLIPPINGS –09-11-2018

Textile industry welcomes MSME package	The Hindu https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/textile-industry-welcomes-msme-package/article25448731.ece

The MSME package announced by Prime Minister Narendra Modi recently will address the working capital needs of the garment industry, said Rahul Mehta, president of the Clothing Manufacturers' Association of India.

Mr. Mehta said in a press release that shortage of working capital was a major constraint for the garment industry, 75 % of which is in the MSME sector.

The 2 % interest subvention for new loans, 2 % additional subvention for export credits, and clearance of loan applications in 59 minutes will help the garment industry.

Regulation of visits by inspectors will also benefit the units, he said.

Ujwal Lahoti, chairman of the Cotton Textiles Export Promotion Council, said increase in interest subvention for pre and post shipment finance will provide the much-needed support and encouragement to the MSMEs.

The council presented 56 awards in 32 categories recently for best export performance during 2017-2018.

Speaking at the function, according to a press release, Union Textile Minister Smriti Irani urged the council to look at giving a boost to exports from the MSME sector. With the announcement of the MSME package, it is the first time that banking institutions were directed to give in-principle approvals to loans in 59 minutes.

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
22015	46050	80.46
Domestic Futures (Ex-Gin) July		
Rs/Bale	Rs/Candy	USD Cent/lb
22220	46479	81.21
International Futures		
NY ICE USD Cents/lb. (Dec 2018)		79.01
ZCE Cotton: Yuan/MT (Jan 2019)		14900
ZCE Cotton: USD Cents/lb.		83.02
Cotlook A Index - Physical		88.35
B. Currency		
USD/INR	Close	Previous Close
Spot	73.000	73.126

Cotton Guide:

December contract trades at ICE settled at 79.01, up 5 points from the previous close. It had a range of 180 points, from 7870 to 8050. The high passed the 7-week high of 8014. The next higher high is 8167 (Sep 19); so maybe today's action just stretched the sideways range. March settled at 80.54, down 3 points. March also had a 180 point range, from 8020 to 8200; and that high tied the previous high of 8200 set September 18th. Its next higher high was 8266 (Sep 19). The focal point was the USDA Report and it has turned out to be mostly positive for Cotton price therefore it is currently trading on the higher side of the price band. More on trading front, volume was 64,437 contracts. Cleared previous day were 70,158 contracts. However, the aggregate open interests maintained steady near 260+K contracts. Further on the technical front, on the bullish side, there was a higher high. On the bearish side, the market failed to hold its gains and closed near the low. Overall, the verdict is that the trading range still rules. However, as far as the longer-term outlook is concerned, the onus is on the bulls to chew through some pretty tough resistance from roughly 8000-to-8250. Minor support is 7800+/–. Key, long-term support is 7550+/–

The Weekly CFTC On-Call Cotton Report for the week ended November 2nd was released after the market close. For the 2nd week in a row active Dec liquidation resulted in reductions in the total on-call positions. The report had December on-call sales at 18,131 contracts, down 2,948 contracts. That almost matched December on-call sales a year ago at 18,373 contracts. December on-call purchases were 15,193 contracts, down 1,168 contracts. Dec on-call purchases a year ago were 11,962 contracts. Total on-call sales were 134,045, down 982 contracts. Total on-call sales a year ago were 141,468 contracts. Total on-call purchases were 44,099 contracts, down 398 contracts. Total on-call purchases a year ago were 36,370 contracts. For detailed report please get in touch with Kotak Commodities Services Pvt. Ltd.

FX Update:

Indian rupee has open higher by 0.5% to trade near 72.66 levels against the US dollar. Rupee has benefitted from sharp decline in crude oil price. Brent crude trades in a narrow range above $70 per barrel pressurized by near record high output by US, Saudi Arabia and Russia and seventh weekly rise in US crude oil stocks. However, weighing on price is Fed's rate hike stance and choppiness in equity market. The US dollar index rose 0.8% yesterday as Fed hinted towards December rate hike in line with expectations. Equity markets are choppy as market concerns persist about US-China trade conflict, Brexit, Italy budget crisis. Mixed Chinese economic data has also kept concerns high about health of the economy. Rupee has opened firmer but may not hold on to the gains given general positive outlook for US dollar and choppiness in equity market. USDINR may trade in a range of 72.5-73 and bias may be on the upside.

GST refunds of Rs. 82,775 cr. cleared	**The Hindu** https://www.thehindu.com/todays-paper/tp-business/gst-refunds-of-rs-82775-cr-cleared/article25448419.ece

The Finance Ministry said that GST refunds of Rs. 82,775 crore to exporters has been cleared as on October 31, which is 93.8% of the total such claims.

The Ministry said Rs. 5,400 crore worth GST refunds were still pending with the government and being "expeditiously processed."

"As on October 31, 2018, total GST refunds to the tune of Rs. 82,775 crore have been disposed by the Central Board of Indirect Taxes and Customs (CBIC) and the State authorities out of the total refund claims of Rs. 88,175 crore received so far," the Ministry said.

GST special helpdesks set up	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/gst-special-helpdesks-set-up/article25448723.ece

The GST and Central Excise Department has established GST Special Helpdesks in Tiruvallur and Vellore districts in Tamil Nadu to assist micro, small and medium enterprises (MSME) in all matters relating to Goods and Services Tax (GST).

Support for MSMEs

This is part of the Government of India's initiative to support and reach out to MSMEs in 80 districts.

The helpdesks will be at the Tiruvallur GST and Central Excise Range Office (Smisha.Rajan @icegate@gov.in) , Poonamallee GST and Central Excise, division office (pmle-divnouter-tn@gov.in), Vellore GST and Central Excise

Division Office (supdt-vlrdtech@nic.in) and Ranipet GST and Central Excise Division Office (Rpt-div-tn@gov.in).

For all Goods and Services Tax (GST) related queries, the Goods and Services Tax (GST) Helpdesk of the GST and Central Excise Department located at its Anna Nagar Headquarters office can be contacted at 26142850, 26142851, 26142852 and 26142853 or by writing to sevakendra-outer-tn@gov.in

Can India capitalise on US-China trade war?	**Business Line** https://www.thehindubusinessline.com/opinion/can-india-capitalise-on-us-china-trade-war/article25446070.ece?homepage=true

While China's cost advantage is formidable, there are select sectors where India can be an alternative supply source for US firms

The US-China trade war has reached unprecedented levels. After having levied tariffs on imports worth $250 billion, US President Donald Trump has not toned down his rhetoric. He has threatened to impose tariffs on another $267 billion worth of imports, which should pretty much cover all of China's exports to US. Either side is determined not to blink first. Trump wants China to capitulate while Beijing has made it clear that it does not intend to do so. The global economy is consequently feeling the chill. Amidst this development, is there a real opportunity for India to warm up to?

To answer this question, one needs to understand the evolving US-China relationship. Over the last few decades, the nature of their relationship was one of 'nether friends nor foes' and all they wanted was a 'win-win economic engagement'. In other words, they were 'co-operating rivals'. But that changed post the 2008 global financial crisis, which narrowed the gap between their economies.

In 2007, the US economy was four times that of China but by 2012, thanks to the great recession, it reduced to two-times. There is growing anxiety in the US about China's growth. The Chinese, on their part, believe that the US is actively working to prevent their country from taking the rightful place in the world order. It is not just economic growth that has sowed seeds of discontent. China has been flexing its muscle militarily by spending heavily. China's military, vexed at the US control over trade routes, has been trying to test its strength in the South China Sea. The two nations have had their share of skirmishes there. Also, President Xi Jinping's Belt and Road initiative has unnerved the US which sees it as an attempt by China to play a larger role in the world. It is clear that China does not like the idea of a uni-polar world but the US wants to keep it that way.

That apart, the two nations do not see eye to eye when it comes to political values nor do they have common security interests. So this trade war is not just about trade. Going forward, their relationship would at best remain frosty.

De-risking operations

This puts US companies in a piquant position. Over the years, taking advantage of low costs, they have increased their dependence on China for their supply chain needs and manufacturing. Such is the depth of the arrangement that over 50 per cent of the products HP, IBM, Dell, Cisco, Microsoft and Intel or their suppliers use come from China. It is the second largest exporter of auto parts to the US auto giants (after Mexico). The list of sectors heavily dependent on China is long and US companies are realising the need to de-risk their operations — supply chain as well as manufacturing.

The US is already pushing ICT players to reduce their dependence on China. Investors are also beginning to question US companies on their fall-back plan if US-China relationship goes into a spiral.

This situation presents a clear opportunity for Indian companies. After all, the US and India see each other as natural allies. Former US President Barack Obama even described the relationship as 'one of the most defining partnership of the 21st century'. Trump too wants a close relationship with India, a democracy with shared values. Not surprising that US companies have already started making enquiries about sourcing from Indian players, especially in the auto-component space.

But taking a share of China's supply chain or manufacturing is easier said than done. Over decades China has invested a lot in upgrading its infrastructure. Also, the scale of manufacturing is such that it will be difficult for India to match in terms of cost. But the silver-lining is that the recent imposition of tariff by the US has levelled the playing field, at least in select sectors.

Competitive enough

These sectors have certain common traits that help them to be as competitive as those in China. They have good scale thanks to a strong domestic market in India. They have also built a solid supply-chain network (this is critical as India cannot grab a share of the ICT exports from China as it lacks proper supply chain, especially in semi-conductors). They also export a fair share of their production and, consequently, their quality is tested and is as good as anywhere in the world. Auto components, leather and textiles are some sectors that top the list.

The government must direct its 'Make in India' initiative on these sectors with suitable incentives. However, low manufacturing cost alone is not enough. Logistics cost, to move the manufactured goods from the factory to the destination, is critical. China excels here. India has been building roads, improving port infrastructure/connectivity to the hinterland through Sagarmala and Bharatmala programmes.

It is also trying to enhance coastal shipping and boost transportation through inland waterways. To rival China on logistics costs, it has to redouble its efforts. In developed markets, companies outsource 70 per cent of their logistics operations that can be outsourced to lower costs. In India it is just 35 per cent. Even though India's steep climb in the recent 'ease of doing business' ranking is noteworthy, it still has a long way to go in reforming labour laws and the land-acquisition process which are essential for lowering costs further.

Indian entrepreneurs, for their part, must take advantage of the situation and invest aggressively. De-risking from China will remain a long-term strategy for the US and European companies. Higher exports will also help in neutralising domestic cycles that plague some sectors such as auto components.

It will be a difficult call for Indian entrepreneurs to make as many of them have been investing abroad to de-risk their investments in India. It is a leap of faith.

If they take it, India will not miss the manufacturing bus, as it did in the 1980s and 1990s that saw emergence of East Asian Tigers and China as manufacturing hubs for the world, yet again.

How dollar became king of global finance	Business Line https://www.thehindubusinessline.com/opinion/columns/ajay-srivastav/how-dollar-became-king-of-global-finance/article25446348.ece?homepage=true

The Fed has virtually become the world's central bank. Now nations, including India, are looking to rely less on the dollar

India and Japan have agreed to raise the value of currency swap from the $50 billion (agreed in 2013) to $75 billion during Prime Minister Narendra Modi's two-day visit to Japan on October 28-29. This means India can now readily borrow up to $75 billion from Japan in exchange for rupees. This was the latest measure taken by the government to dampen the rupee's slide against the dollar.

But India is not the only country taking measures to reduce dependence on the dollar. Many countries have started settling trade transactions in local currencies.

Germany and France are setting up a Euro based trading system to continue trading with Iran in the wake of the US call to punish countries having any trade relation with Iran.

Every few years local currencies across the world face intense pressure in the forex market. This pressure has a direct link to the US-controlled global financial system. As if connected through an umbilical cord, countries prosper and decline in sync with the US Federal Reserve's actions. But how did the dollar become the centre of global finance? And, what does it mean for India and the world?

The roots

Since the early 19th century, countries struggled to find the best way to settle trade balance. It was not easy as each had its currency with no check on more printing. Finally, most countries agreed to settle trade deficits through the exchange of gold. This system continued up to Word War I.

Then many countries stopped their currencies' convertibility to gold so they could print more money to finance the war effort. Disappearance of gold as a common anchor led to the collapse of the global financial system and became one of the reasons leading to great depression in the early 1930s.

Bretton Woods

Realising the importance of an anchor like gold for promoting stable trade and finance, countries on the winning side of Word War II agreed to establish a robust global financial system. They considered many options.

John Maynard Keynes on behalf of Britain proposed creating an International Clearing Union (ICU) to keep account of countries' exports and imports. The unit of account for such transactions would be Bancor (French for Bank Gold).

Exports would add Bancors while imports would subtract these in a country's ICU account. Limits were proposed on the amount of deficit, and if it exceeded, the country's currency was allowed to depreciate. It was a currency neutral system.

But the US rejected Keynes' proposal and proposed that the new system should rest on both gold and the US dollar.

No one liked this idea as this would make the dollar the supreme currency of the world. But the US, the principal financier of the victorious side of the war prevailed. And except for the Soviet Union, all 44 participating nations signed the Bretton Woods agreement in 1944 at Bretton Woods, New Hampshire, US.

The member-countries agreed to maintain a fixed exchange rate which could be adjusted if deficits or surpluses persisted. The International Monetary Fund (IMF) was created to lend to member-countries in need of foreign exchange.

The price of gold was fixed at $35 per ounce. The US agreed to supply gold at this price in the exchange with dollars held by other countries.

De-linking of gold and dollar

The gold for dollar system worked during 1950-70. But it came under strain as the US started printing and spending a large value of dollars on post-war reconstruction efforts. When countries holding these dollars went for exchange with gold, the US gold reserves started vanishing.

Gold supply was finite, but the dollar printing knew no limits. The story came to an end in August 1971 when the US reneged from its commitment to convert the US dollar to gold.

De-linking gold with dollar made the US the linchpin of global finance. Other countries need to earn foreign exchange by exporting; the US Fed has just to hit the print button. Fed has almost become the central bank of the world. Central banks all over the world must calibrate their policies to be in sync with the Fed's.

It could print dollars without bothering about domestic inflation or balance-of-payments as over two-thirds of all dollars in circulation are held outside the US. It could carry out massive expenditures on military activities and foreign aid to achieve its political objectives.

The Soviet Union was the only major country opposing the dollar's status, and that was the main reason for the Cold War. Europe and Japan reluctantly joined the US political and military umbrella, and accepted dollar as the de facto world currency.

Impact of $-centric system

A country's economy is ransom to Fed's actions. If Fed increases the interest rate, dollars flow back to the US, and if it lowers rates, dollars move to the world to take advantage of growth stories or interest rate arbitrage of individual countries.

Trillions of dollars loaned to corporates at near zero interest rate transfer wealth from the people to corporates, a key reason for the concentration of wealth in the top one per cent of the population.

US actions are being emulated by China and other countries which have also printed and offloaded large volume of money in the past 10 years. Awash with cheap loans, Chinese firms export subsidised goods with no relation between cost and price. This has distorted the world trading pattern.

India's options

The key to managing the rupee are: One, avoid the lure of hot money that comes for investment in debt market and shares. It leaves the economy devastated while leaving.

Two, reduce our $90-billion annual crude oil import bill. This is possible through transparent regulation, investment in domestic oil exploration and switching to green energy options. Many countries, including the US, have turned from energy importers to net energy exporters using these strategies.

And, three, India is batting far below its potential in exports. Make export a national do-or-die priority.

The writer is from the Indian Trade Service. The views are personal.

India’s economic growth may slow down to 7.3 per cent in 2019: Moody’s	Business Line https://www.thehindubusinessline.com/economy/indias-economic-growth-to-slow-to-73-per-cent-in-2019-moodys/article25443110.ece?homepage=true

Higher global oil prices, sharp depreciation in rupee, and rising borrowing costs due to tightening monetary policy are among a host of factors that will limit the pace of the Indian economy's growth over the next few years, with the real GDP growth in 2019 and 2020 pegged at 7.3 per cent against around 7.4 per cent in 2018, said Moody's Investors Service.

The global credit rating agency has cautioned that the greatest downside risk to India’s growth prospects stem from concerns about its financial sector.

"The 7.9 per cent growth in India’s economic activity in the first half of 2018 in part reflects post-demonetisation base effects. Still, the economy remains one of the strongest performers, supported by robust domestic consumption and a pick-up in investment activity. The larger picture is, however, mixed," it said.

Moody's assessed that the impact of higher global oil prices compounded by a sharp rupee depreciation raises the cost of households' consumption basket, and will weigh on households’ capacity for other expenditures.

"Borrowing costs have already risen because of tightening monetary policy. We expect that the Reserve Bank of India (RBI) will continue to steadily raise the benchmark rate through 2019, further dampening domestic demand," the agency said.

Economy at the risk of a credit squeeze from NBFCs

While cautioning that the greatest downside risk to India’s growth prospects stem from concerns about its financial sector, Moody's observed that the RBI has taken steps toward recognising the extent of non-performing loans through extensive asset quality review and pushed banks to take large non-performing accounts to the bankruptcy court under the Insolvency and Bankruptcy Code.

"It (RBI) has placed the 11 weakest banks under the prompt corrective action framework, aimed at improving the financial health of banks. Stabilising the banking sector will likely be a long drawn-out process. But the economy is now at the risk of a credit squeeze from non-bank financial entities, following the Infrastructure Leasing & Financial Services Ltd default crisis.

"For now, wider systemic risk has been contained with assurances of liquidity support from the RBI, securities regulator and the Finance Ministry. In the short term, however, while measures to stabilise the financial sector are put in place, credit growth is likely to slow," the agency said.

Downside risks from a prolonged liquidity squeeze for non-bank financial institutions, which could lead to a sharper slowdown in their credit provision, remain, it added.

Global growth to slow in 2019 and 2020

Global economic growth will slow down in 2019 and 2020 to a little under 2.9 per cent, from an estimated 3.3 per cent in 2018 and 2017, Moody's said in a report.

In addition, a slowdown in global trade amid rising trade tensions will have an adverse impact not only on growth in the US and China, but also on growth in open economies such as Japan, Korea and Germany.

"Growth in advanced economies will slow but remain solid in 2019, while G20 emerging markets growth will remain weak," says Moody's Vice-President Madhavi Bokil, lead author of the report.

"In the US, waning fiscal stimulus, ongoing removal of monetary accommodation and more restrictive trade measures will lower growth. The euro area will also see cyclical moderation to trend growth. Among G-20 emerging market countries, Turkey and Argentina will experience contractions, while China will experience a slowing economy."

The agency opined that gradual removal of monetary policy accommodation by major central banks will continue to have large spillovers outside the currency areas.

"As major central banks start to rescind forward guidance and withdraw monetary accommodation, financial volatility, term premia and credit spreads will increase globally. Moody's baseline forecasts assume this will occur relatively smoothly, occasionally interrupted by stints of financial market volatility," the report said.

CBIC to daily monitor MSME grievance on GST, sets up help desks to resolve queries	**Times of India** https://timesofindia.indiatimes.com/business/india-business/cbic-to-daily-monitor-msme-grievance-on-gst-sets-up-help-desks-to-resolve-queries/articleshow/66512185.cms

The Central Board of Indirect Taxes and Customs (CBIC) will monitor on a daily basis the grievances of the MSMEs relating to the GST as part of efforts to resolve issues being faced by small businesses in the new indirect tax regime.

The move comes at a time when the government has initiated a major support and outreach programme for MSMEs to ensure growth and expansion of the sector.

The GST help desks have already been set up in all the 80 districts where a 100 day support and outreach programme for the micro, small and medium enterprises (MSMEs) have been launched by the government on November 2.

The CBIC has now decided to set up a Feedback and Action Room (FAR) under the Directorate General of Goods and Services Tax (GST) to record and process all grievances raised by MSMEs, an official said.

The GST help desks will have nodal officers for trade facilitation who would guide the small businesses on their queries surrounding the GST.

These nodal officers would report all the grievances on a real-time basis to the FAR, which would then provide the solution.

"The FAR would comprise of officers from Delhi and NCR. They would compile a master record of all grievances at various stages of resolution, and send a summary report to the Board on daily basis," an official told .

Prime Minister Narendra Modi had on November 2 launched a slew of measures for the MSME sector, including faster sanction of loans and easier compliance with environmental rules.

Also, GST-registered MSMEs will get a 2 per cent subvention or subsidy on a new loan or incremental loan of up to Rs 1 crore.

The MSME sector constitutes a vast network of over 63 million units and employs 111 million people, contributing around 30 per cent to the GDP. It accounts for about 45 per cent of manufacturing output and around 40 per cent to total exports.

The GST Council, chaired by the Union Finance Minister and comprising state ministers as members, had in July allowed companies with turnover of up to Rs 5 crore to file GST returns quarterly, up from the Rs 1.5 crore threshold fixed earlier. The move benefited about 93 per cent of the GST registered taxpayers.

Steel, Commerce Ministries differ on challenging WTO panel ruling	**Business Line** https://www.thehindubusinessline.com/news/steel-commerce-ministries-differ-on-challenging-wto-panel-ruling/article25446535.ece

India is yet to decide whether to challenge the World Trade Organization’s recent ruling against safeguard duties imposed by the country on imports of hot-rolled steel flat products as the Steel and Commerce Ministries have adopted opposing views on the issue.

“While the Steel Ministry is in favour of contesting the WTO ruling, the Commerce Ministry believes that there is no need for such a move as the safeguard duties that have been found violative of existing rules do not exist any more,” an official told BusinessLine.

India imposed safeguard duties — penal duties to protect vulnerable domestic industry against a surge in imports — on hot-rolled steel products in March 2016 fixed at 20 per cent which were tapered off and totally removed in March 2018.

On Tuesday, a WTO dispute settlement panel, set up at the request of Japan, gave its ruling and mostly upheld Tokyo’s contention that the safeguard duties imposed by India did not adhere to the WTO norms. The WTO verdict, however, was not all against India. There were several claims made by Japan which were struck down as well. "The Steel Ministry believes that the decisions going against India could be challenged at the WTO with the country submitting more evidence to establish its case. It feels that getting the verdict changed could help India score a larger point," the official said.

But the Commerce Ministry is of the opinion that there is no point in doing so as the safeguard duties had already been rolled back in March and the challenge would lead to a waste of effort and resources, the official added.

New Delhi does not have to decide immediately on the issue. Members have 30 days to appeal against a panel decision once it is made public.

18% GST applicable to Job Work Service to Foreign Customer	**Taxscan** http://www.taxscan.in/gst-job-work-foreign-customer-aar/30561/

The Andhra Pradesh Authority of Advance Rulings in an application filed by M/s. Synthite Industries held that the process of providing job work service to foreign customer is taxable at 18% under the Andhra Pradesh GST Act.

HTH Hamburger Teehandel GmbH lm. & Export, Hamburg is a foreign company which entered into an agreement with the applicant job worker for the work of processing Tea, the other way round called removing Caffeine from Tea. The raw material/ packing material is supplied by the foreign Principal and after the process has been undertaken, the de-caffeinated tea will be exported to the Principal. The applicant sought for a ruling on whether the process of providing job work service to foreign customer is taxable under GST. The Authority referred to Section 2(68) of the Central Goods and Service Tax Act, 2017 (CGST) defining 'Job Work'. It is 'any treatment or process undertaken by a person on goods belonging to another registered person'. Further, the one who does the said job would be termed as a 'Job Worker'. Also, the ownership of the goods does not transfer to the Job Worker but it rests with the Principal. The Job Worker is required to carry out the process specified by the Principal, on the goods.

The bench constituting of Sri. J.V.M. Sarma and Sri. Amaresh Kumar as members held that the process of providing 'Job Work' service to the foreign customer as in the present case in the premises of the applicant as per the specifications of the recipient of services is taxable under the Andhra Pradesh GST Act at a rate of 18%.

Global trade war good for Indian textiles'	**Indian Express** http://www.newindianexpress.com/business/2018/nov/08/global-trade-war-good-for-indian-textiles-1895376.html

During April-September 2017-18, the country had exported cotton textiles (raw cotton, yarn, fabrics and made-ups) worth $4,917 million, the association said in a statement.

India will gain from the ongoing trade war between the US and China, according to the Cotton Textiles Export

Promotion Council (Texprocil). Exports of cotton textile grew 26 per cent at $6,235 million in the first six months of the fiscal and the on-going trade war could open up new export opportunities, Texprocil added. During April-September 2017-18, the country had exported cotton textiles (raw cotton, yarn, fabrics and made-ups) worth $4,917 million, the association said in a statement. According to Ujwal Lahoti, chairman, Texprocil, India should be ready to explore new opportunities that will open up because of the brewing tension between the US and China. Being the second largest textile exporter in the world, India holds a special place in global textile trade.

Cotton textile exports grew 26% in Apr-Sep; trade war to open new avenues	**Business Standard** https://www.business-standard.com/article/current-affairs/cotton-textile-exports-grew-26-in-apr-sep-trade-war-to-open-new-avenues-118110700433_1.html

India's cotton textile exports grew by 26 per cent at USD 6,235 million in the first six months ended September 2018 and the on-going trade war between US and China will open up new export opportunities, the Cotton Textiles Export Promotion Council (Texprocil) said here.

The country had exported cotton textiles (raw cotton, yarn, fabrics and made-ups) worth USD 4,917 million in April-September 2017-18, the association said in a statement.

However, exports of textiles and clothing declined by 3 per cent with exports of readymade garments registering a steep decline of 16 per cent during H1FY19. India held a special place in global textile trade as the second largest textile exporter in the world. Today, cotton yarn & fabric exports account for over 23 per cent of India's total textiles and apparel exports.

Ujwal Lahoti, chairman of Texprocil, stated that the ongoing trade war between the US and China would possibly open up new opportunities for cotton textile exports from India and we should be ready to explore them.

The government was also in the process of putting in place alternative schemes to promote exports which would improve competitiveness, he said. Lahoti welcomed the package for the MSME sector announced by the government. Interest subvention on pre-shipment and post-shipment finance for exports by MSMEs has been increased from 3 per cent to 5 per cent.

These measures would provide much needed support and encouragement to the MSME sector, which contributed significantly to the textiles exports. Under the package, GST- registered MSMEs would get 2 per cent interest rebate on incremental loan up to Rs 1 crore, he added.

He also noted that the jump in India's ranking in the World Bank's Ease of Doing Business will help boost exports.

Lahoti acknowledged that for textiles exporters, remarkable improvements are visible at the ports, customs and regional offices of DGFT EDI systems.

Will US-China trade war ruin Africa or offer new opportunities? National leaders must decide	The Conversation http://theconversation.com/will-us-china-trade-war-ruin-africa-or-offer-new-opportunities-national-leaders-must-decide-106499

As China and the US continue their trade war, what will be the outcome for Africa?

This trade war should not be seen in isolation, and the new year will bring a changed world. China and Russia will cooperate as the new Silk Road begins to join Asia and Europe with a transport and communications corridor Marco Polo could not even imagine.

Russia, Turkey and Iran – once unlikely partners in the Syrian conflict – will form a new Middle East axis to rival that of the US, Israel and Saudi Arabia, with none of the latent instabilities of the latter with its Zionist and Islamic ingredients.

And the US, under Donald Trump, is likely to continue to view Africa – in all but name – as that collection of "shit hole" countries derided by the American president at his undiplomatic, offensive and unthinking worst.

After two years without one, the US will have a permanent assistant secretary of state for Africa – the highest State Department official with an Africa portfolio. Tibor Nagy also comes with a sound reputation as a seasoned diplomat. But will he have any clout on Capitol Hill? And can any official be effective in a State Department that Trump and the former US secretary of state, Rex Tillerson, have slashed and burned?

May's dancing and used clothes

If the US doesn't care much for Africa, neither really does the UK. Theresa May's dismal efforts at dancing on her Africa tour summed up a clumsy view of what the continent needs.

The UK posture is summed up by the position of minister of state for Africa – now held by Harriet Baldwin – with responsibilities in two departments: the Foreign Office and International Development. These are two very different departments and the joint position is both a money-saving device – two ministers for the price of one – and also a confusion of policy as to how the UK should approach Africa. Indeed, perhaps the beleaguered minister's main responsibility is the search for new UK trading partners in the wake of Brexit.

The US approach to Africa, meanwhile, was summed up in measures launched between May and September 2018: basically, the suspension by the US of trade benefits to Rwanda because of Rwanda's refusal to import used clothes from the US. In continental terms, the sums are tiny, but the principle enunciated by Rwandan president, Paul Kagame, was stark.

If the volume of used clothes continues or increases, there can be no development of a Rwandan textile industry. In effect, the US is dumping textiles on Rwanda in much the same way as it once dumped grain so cheaply that African farmers could not even begin to compete and agriculture could not develop. For Trump, in his trade wars not just with China but with the world, blue collar manufacturing in his heartland is more important than good relations with anyone.

For a populist president this is dangerous but perhaps understandable. But who has drawn first blood in this US-China standoff? Chinese economic growth has slowed – but only to 6.5% a year, a growth figure for which most other countries would die. The value of the Chinese yuan against the dollar seems destined to fall, but Chinese reserves, divided almost equally between foreign and domestic reserves, of about US$60-$70 trillion, are more than enough to weather the storms to come. Added to what the Chinese did during the US financial crisis of 2007 to 2010 – buying up huge quantities of US toxic debt – China has far more leverage on the US economy than the US has on China's.

China and Africa

For Africa, it means business with China remains a reality. This relationship has, however, taken on two key new characteristics of late. The first is that China expects its loans to be repaid. Indeed, there is no doubt that a new fiscal propriety is now expected by the Chinese.

The second, very closely connected development – and one which curiously seems not to have been noticed or taken seriously by African leaders – is that increasingly Chinese liquidity is made available not on a state-to-state basis but on a Chinese bank to African state basis.

They may be Chinese state banks – but a bank is a bank, and a bank needs to ensure its loans are repaid and its lending to assets ratio is robust. The use of banks reflects a global Chinese turn to the creation of international and regional banks and funds, most noticeable in Asia-Pacific. The Chinese capitalise these regional funds to the tune of about US$50 billion a time. But this means the beginning of a new Chinese global financial infrastructure that seems deliberately designed to rival the IMF and the World Bank. It's not just a trade war but a war over who will control the world's financial flows in the long term.

For Africa, the choice is between growth with borrowed liquidity and growth without – the latter being very difficult. Investment doesn't come out of nothing, so wise spending of borrowed liquidity is key. It cannot be just for standby budgetary support without product and without exportable value – which is why the Chinese turned down Zimbabwe'sdesperate pleas for exactly that.

An uncertain future

The future will embroil Africa even more in the trade wars to come. What Africa needs to do is to industrialise – to add manufacturing to its raw materials. The long awaited oil refinery in Nigeria is the perfect example. How a significant oil-producing country could spend so many years exporting crude and then reimporting it as a refined product beggars description. The revenue streams would have always been greater if it had been exported refined.

Trouble is, African industry will create jobs in Africa but take away blue collar jobs elsewhere. And the West won't like that.

But what about China? African governments must navigate the attractions of the quick fix via Chinese loans, and seek the development of long term industrial capacity. Or will the next decade be another of missed opportunities – with trade wars steamrollering an Africa whose response will be to plunge again deeper and deeper into debt?

Why Ethiopia's Export Income Declines While Incentives Increase	**Business Ethiopia** https://newbusinessethiopia.com/why-ethiopias-export-income-declines-while-incentives-increase/

One of the main objectives of the government to provide incentives for both local and foreign companies is to boost export earnings of the country. Meanwhile the annual total export earning of Ethiopia has declined to $2.857 billion in 2015/16 from $3.152 billion in 2011/12, according to the date from the Ministry of Trade and Industry of Ethiopia.

There could be many reasons for the failure of Ethiopia's incentives to boost its foreign currency earrings. But in general these figures tell us that the incentives have been misused," says Melaku Kinfegebriel, Business Consultant at Noble Consulting.

"Either those engaged in the manufacturing sector and got those incentives are not exporting as they promised. They could be focusing in the local market. Or even if they are exporting they are maybe engaged in under-invoicing and contraband border trading, which reduce the amount of foreign currency coming to Ethiopia. Or the companies didn't go operational at all, which means some were fake established only targeting the incentives. In my opinion, the reasons could be the sum of all these and other factors," he says. Last Ethiopian calendar which is concluded July 7, 2018, Ethiopia's government plan was to generate $5.23 billion. Meanwhile the country exported only $2.84 billion worth products. Out of the annual planned earnings, the country's aim was to generate $998 million from manufactured goods export.

But the achievement for the year (2017/18) was only secured $458.65 million (45%). Some of the major export earing manufactured goods of the country includes, textiles, shoes and leather products, medicines,

Investors engaged or plan to be engaged in the manufacturing sector in Ethiopia have been enjoying incentives from the government. Those incentives include tax free machineries and related capital goods import as well as exemption from export tax when they began producing locally and export. Among others, they have also been enjoying 70% now increased to 85% banks loan from state banks without collateral.

"Though there are benefits in terms of job creating from those who are genuinely investing using the incentives such as job creation, providing $3.7 billion duty free per within one year for an industry that generates less than 345 million is not acceptable by any standard," Melaku says.

Around 80% of Ethiopia's export commodities are still raw agricultural products and minerals. The raw products

Ethiopia export ranges from tomatoes, fruits, garlic, milk, tea and coffee to live animals, equilaptus, wax and oil seeds, as well as several types of cereals and spices. The country has also been exporting raw minerals such as tantalum, gemstones and emerald, among others.

Though power outage is still a problem in the country including the capital Addis Ababa, Electricity is also the new export generating product of Ethiopia. Gas, which the country started production at small scale in Ogaden area Eastern part of Ethiopia in of Somali region is also expected to generate additional hard currency for the country.

Of the total $2.84 billion the country earned from export in 2017/18 fiscal year, 238,466 tons of coffee has generated $838.15 million.

The ministry of trade in its report stated that the decline of the price of coffee in the international market has reduced the income from coffee export. The report has also stated that the other reason for the decline of income from coffee export is because the regulators have failed to take punitive measures (beyond warning) against those who sell coffee for less than the global price.

During the same period, oil seeds, spices and Khat (addictive stimulant plant) have respectively generated $418.4 million, $268.12 million

Reports show that dependence on raw agricultural products, minerals and other primary goods export is making African countries vulnerable to global commodity price fluctuations. Experts' advice these countries to focus on value addition to their raw commodities, which will enable the countries to create more jobs at home and increase their export revenues.

In addition, others also suggest for the need of a dedicated export promotion agency and a strong well integrated regulatory agency that helps to boost export performance of these countries based on research as well as deal with issue such as under-invoicing and following on fake investors engaged in money laundering and contraband trade, among others.

China's exports are still soaring despite the trade war	**Edition.com** https://edition.cnn.com/2018/11/08/economy/trade-war-china-exports/index.html

China and the United States are locked in a trade war, but you wouldn't know it from looking at Chinese exports.

They leaped almost 16% in October compared with the same month a year earlier. That was significantly higher than analysts had forecast and even stronger than last month's growth.

The performance is surprising because October was the first full month during which new US tariffs on $200 billion of Chinese goods were in effect. Economists and Chinese government officials said recently that they expected export growth to slow in the final months of the year.

One reason for the surge is companies are eager to avoid even higher duties in a few months' time: The US tariffs on $200 billion of Chinese goods that kicked in on September 24 are set to rise from 10% to 25% at the end of the year.

This "encourages exporters to rush through orders to the United States," Louis Kuijs, head of Asia economics at research firm Oxford Economics, wrote in a client note Thursday. But he added that it's "obviously not the whole story."

The downward slide in China's currency is also playing a role. The yuan has slumped almost 10% against the dollar since February as investors have become more concerned about the health of China's economy and the potential impact of the escalating trade war.

A weaker currency makes Chinese goods more competitive compared with those of rival exporters and offsets some of the impact of the US tariffs.

China was also helped in October by strong exports to big markets such as the European Union and Japan.

"Global demand may be holding up better than feared," Kuijs said.

Economists are still predicting that the good times for China's huge export industry won't last.

Investment bank ANZ said Thursday that it expects the real difficulties to start after the US tariffs on the $200 billion of Chinese goods rise to 25% at the end of the year.

US President Donald Trump has said he's prepared to expand the tariffs to effectively cover all Chinese exports to the United States, which topped $500 billion last year.

Trump is due to discuss trade with Chinese President Xi Jinping on the sidelines of the G20 summit in Buenos Aires later this month, but experts are doubtful the two leaders will be able to agree on a swift resolution to the conflict.

Japanese firms see U.S. trade talks boosting exports despite Trump rhetoric	**Reuters** https://www.reuters.com/article/us-japan-companies-trade/japanese-firms-see-u-s-trade-talks-boosting-exports-despite-trump-rhetoric-idUSKCN1ND3A4

Half of Japanese companies expect new trade talks with Washington to boost their U.S.-bound exports, a Reuters poll found, despite President Donald Trump’s intensifying drive to cut the trade gap between the two major economies. There are, however, concerns among more than half of the respondents that the talks, which Japan and the United States agreed to in September, will lead to higher U.S. tariffs and other restrictions on Japanese exports, the monthly poll showed.

Since taking office nearly two years ago, Trump has repeatedly blasted trading partners Japan and China for running big trade surpluses with his country.

After the U.S. midterm elections this week, Trump said trade was one area in which he hoped to work with Democrats, who won control of the House of Representatives. Trump also criticized Japan for not treating the United States fairly on trade.

“They send in millions of cars at a very low tax. They don’t take our cars,” he said Wednesday.

U.S. Trade Representative Robert Lighthizer has called for greater access for American beef and rice and targeted what he calls non-tariff barriers to the Japanese car market.

Despite the trade hostility, Japanese companies seem confident that Tokyo will resist U.S. pressure, the Oct. 24-Nov. 5 survey showed.

“Japan must firmly resist unfair demands from the U.S.,” a manager of an electric machinery maker wrote.

“We hope the trade talks will result in a way that serves the best interests of Japan,” wrote a manager of a transport equipment maker.

When asked to pick the expected outcome from the trade talks, 50 percent of companies polled chose “an expansion of exports.” Just 19 percent believe Japan will open up its domestic farm market, where products like rice and beef are protected by high tariffs, or remove supposed barriers to the car market, the survey showed.

Japanese authorities argue the country’s car market faces no barriers and that U.S. companies have done poorly in Japan because they haven’t invested in the market.

Asked about their biggest concern regarding the talks, 53 percent said they feared the United States would impose import restrictions or higher tariffs on Japanese products.

Twenty-two percent said they worry about the adoption of currency provisions in any trade pact and how that could impact monetary policy. Underlying such concerns are fears that Washington might link trade with foreign exchange policy and monetary easing and accuse Japan of keeping the yen artificially weak.

In January 2017, Trump alleged that Japan used its “money supply” to weaken the yen and give exporters an unfair trade advantage. Such criticism could create currency diplomacy problems for Tokyo if it responds to a spike in the yen with a devaluation.

“We’re watching what the two countries may settle for if currency provisions are introduced, and how that would affect the currency and stock markets,” a manager of a manufacturer wrote.

Companies responded anonymously to the survey, conducted for Reuters by Nikkei Research. It polled 482 large and mid-sized non-financial firms, about 240 of which responded to the questions about trade.

U.S.-CHINA FRICTION

Japanese businesses are pessimistic about the outlook for the U.S.-Sino trade war, which they worry will indirectly hurt export-reliant Japan, the survey showed.

Japan's role in the global supply chain makes it vulnerable to a decline in Chinese exports to the United States. Chinese manufacturers use parts and equipment from Japan, and Japanese companies also have factories in China that export to America

Already, the U.S.-China trade friction is prompting companies such as Yaskawa Electric Corp (6506.T), Fanuc Corp (6954.T) and Canon Inc (7751.T) to issue conservative earnings forecasts, reflecting their customers' cautious stance on capital expenditure plans.

Washington and Beijing have imposed tit-for-tat duties on each other's goods over recent months, with neither side backing down from an increasingly bitter trade dispute that has jolted financial markets and cast a pall over the global economy.

In the survey, about three quarters of Japanese firms expect the U.S.-China trade war to last until end-2019 or beyond, with a majority anticipating the trade dispute to become worse over the next one to two years.

"The impact won't be limited to the two countries," a manager of a construction company wrote in the survey. "They must become conscious as world leaders and mend their ways by taking account of harmful effects from prioritizing their own country."