



# 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 –13-12-2018

**Heres what govt said on subsidy of Cotton plucking Machines**

**Clipper 28**

<https://www.clipper28.com/en/heres-what-govt-said-on-subsidy-of-cotton-plucking-machines/>

It had distributed 300 hand operated Kapas Plucker Machines to the cotton farmers in three major cotton growing states of Andhra Pradesh, Karnataka and Maharashtra. Cotton Corporation of India (CCI) provides 100 per cent subsidy on 300 plucking machines.

It had distributed 300 hand operated Kapas Plucker Machines to the cotton farmers in three major cotton growing states of Telangana, Gujarat and Maharashtra and is promoting the usage of these machines among cotton farmers through awareness meetings and print media for helping them in reducing the cost of cultivation of cotton.

The beneficiary farmers were selected through baseline surveys by officials of Agricultural Produce Market Committee (APMC), Directorate of Agriculture,

State Agricultural Universities and village panchayats for identification of the area, village and cluster of villages.

This information was given by the Minister of State of Textiles, Ajay Tamta, in a written reply in the Rajya Sabha today.

**Cotton and Currency Markets**

**Kotak Commodities Research Desk**

**For more details contact : [Research@kotakcommodities.com](mailto:Research@kotakcommodities.com) & [aurobinda.gayan@kotakcommodities.com](mailto:aurobinda.gayan@kotakcommodities.com)**

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
21322	44600	80.34
Domestic Futures (Ex-Gin) November		
Rs/Bale	Rs/Candy	USD Cent/lb
22220	46479	83.72
International Futures		
NY ICE USD Cents/lb. ( Dec 2018)		80.02
ZCE Cotton: Yuan/MT (Jan 2019)		14685
ZCE Cotton: USD Cents/lb.		81.92

Cotlook A Index - Physical		85.55
B. Currency		
USD/INR	Close	Previous Close
Spot	70.811	70.904

### Cotton Guide:

Cotton futures settled slightly higher across the board. That was considered a small victory for the bulls following larger USDA US production estimate. March settled at 80.02, up 14 points. The other months settled from 19 to 26 points higher. Volume was 25,030 contracts. Cleared yesterday were 19,884 contracts. USDA Monthly Supply-Demand report was highlighted with a surprise 300,000 bale increase in Texas. Expectations called for a decrease. With other minor changes, US production was increased by 180,000 bales.

USDA changes on the world balance sheet were taken in stride. The report was only the 2nd time ending stocks have increased this season. There were some concerns that World consumption had its 3rd consecutive reduction, report is the heftiest, down 1.25 million bales. Among the biggest changes in the report came in Brazil, production up 1 million bales and exports up 300,000 bales; China, consumption down 1 million bales and production down 500,000 bales; Pakistan, production down 600,000 bales and consumption down 200,000 bales; and India, production down 500,000 bales.

The reaction to the data was initially bearish therefore market quickly slipped to 79.11 cent but later it rebounded to end the session higher at 80.02. As indicated in our previous day's report and we have been stating for the past few weeks that despite any event or data cotton continues to trade in the range of 76.50 to 82 cents. This has been accurately 13 consecutive weeks that market is trading in the band.

On the technical front not major changed happened the 13-week range of 7650 to 8200 continues to hold prices. Current levels are in the upper half of that range. The daily modern work is mixed, but the short-term items are positive. We continue to see 81, 82 and then 83 as key resistance levels while 77 and 76.50 as support zone.

This morning while writing the report at 9 AM IST the market is trading steady at 80 cents and it is expected to maintain the same tone. The ZCE future is also hovering near the previous close. No major action on the other markets that Asian markets are mixed, USD index is steady. Two events that are scheduled this week: USDA Weekly export sales report on Thursday and CFTC Cotton On-call Report on Friday.

On the domestic front, spot price that traded around Rs. 45100 per candy on Tuesday corrected a tad down on Wednesday to Rs. 44900 per candy ex-gin which translates to 79.60 cents per pound. Likewise, Punjab J-34 is quoted at Rs. 4460 per maund. All India daily seed cotton arrivals are estimated at 132,500 lint equivalent bales (170 kgs), including 44,000 from Maharashtra and 38,000 from Gujarat. Arrivals in Telangana, Rajasthan and Madhya Pradesh have been interrupted by today's election results. Lastly on the futures front the December contract ended the session at Rs. 22220 up by Rs. 40 but was very volatile during the day. It made both low and high price of Rs. 22070

and Rs. 22300 per bale respectively. We expect the same counter to trade in the range of Rs. 22100 to Rs. 22400 per bale.

### FX Guide:

Indian rupee has opened weaker by 0.3% to trade near 72.09 levels against the US dollar. Rupee remains pressurized by signs of waning support for ruling BJP government after state elections results. Also weighing on rupee are signs of interference of government in RBI. Shaktikanta Das, a former bureaucrat who oversaw Prime Minister Narendra Modi's controversial cash ban program, has been appointed as RBI's Governor. While the appointment eased uncertainty, it also shows increasing interference by government in central bank working. Gains in crude oil price has also pressurized rupee. Brent crude trades above \$60 per barrel amid bigger than expected decline in US crude oil stocks. The US dollar is also supported by increasing uncertainty about Brexit agreement and leadership of UK Prime Minister Theresa May. However, supporting rupee is some stability in equity markets amid hopes of US-China trade deal. US President Donald Trump said he would meet with China President Xi Jinping if needed to advance trade negotiations. Rupee may remain under pressure amid uncertainty about BJP's prospect in upcoming 2019 general elections. USDINR may trade in a range of 71.75-72.3 and bias may be on the upside.

### Cotton production estimates for FY19 slashed further; prices to go up

### Money Control

<https://www.moneycontrol.com/news/business/commodities/cotton-production-estimates-for-fy19-slashed-further-prices-to-go-up-3284001.html>

Unfavourable weather led to the CAI reducing crop estimates for Gujarat by three lakh bales, Maharashtra by one lakh bales and Telangana by 1.5 lakh bales

At the start of the cotton year 2018-19 (Oct-Sep) delay in harvesting and concerns about output amid scanty rains kept cotton prices higher. In November, cotton prices fell due to poor exports and increase in arrivals, post-Diwali.

However, prices should once again bounce considering the latest estimates of the Cotton Association of India (CAI) regarding the 2018-19 crop.

The major cotton belts of Gujarat and Maharashtra received poor rainfall in the 2018 monsoon, and yield has naturally been affected. Considering this, the Association's November estimates lowered India's 2018-19 cotton production from its earlier (October) estimates by three lakh bales to 340.25 lakh bales. The current estimates are almost 6.8 percent lower than the 2017-18 season production.

Unfavourable weather led to the CAI reducing crop estimates for Gujarat by three lakh bales, Maharashtra by one lakh and Telangana by 1.5 lakh, from previous estimates, though Haryana, Rajasthan and Punjab production estimates have been raised.

Estimated exports for 2018-19 have been slightly raised, to 53 lakh bales, but are still about 23 percent lower than in 2017-18. Imports, at 27 lakh bales, are substantially higher than last year's 15 lakh bales. Despite the upward revision

in the import figure, 2018-19 ending stocks are estimated at only 13.25 lakh bales, down 13 percent from October estimates and 42 percent from 2017-18. Thus, the long-term demand-supply situation for domestic cotton will be tight.

Global markets are no exception. There too, we see a deficit as consumption is likely to overtake production in the 2018-19 season. World cotton ending stocks are expected to decline for a third year in a row.

The latest World Agricultural Supply and Demand Estimates (WASDE) put world cotton production at 259 lakh tonnes, while consumption is estimated at 274 lakh tonnes for 2018-19 season.

On the price front, harvesting pressure in the US has kept ICE cotton futures depressed in the last couple of months. However, seasonal supply pressure will decline gradually and thus we may see global cotton prices recovering in the short to medium term.

Usually, seasonal price patterns would led cotton prices to bottom in November-December and thereafter rise gradually. This season, due to the late start to harvesting in India, we may see arrival pressure of the first picking to continue till end-December.

Thus, the seasonality factor and the tight supply-side fundamentals should push cotton prices higher in the medium term.

**RMG exporters increasingly placing  
foothold in Indian market**

**The Independent**

[HTTP://WWW.THEINDEPENDENTBD.COM/POST/178604](http://www.theindependentbd.com/post/178604)

Garment exports to India have showed a very positive growth during the first five months (July-November) of the current fiscal year (2018-19), opening up an opportunity for the Bangladeshi apparel makers, said industry players.

Export earnings of the country from neighbouring India recorded an enormous growth of 165 per cent to USD232.39 million during the first five months (July-November) of the current fiscal year (2018-19) compared to the same period in the fiscal year 2017-18.

According to the official data of Export Promotion Bureau (EPB), the amount was USD87.43 million in the fiscal year 2017-18 (July-November).

Vice president (Finance) of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Mohammed Nasir pointed to a couple of reasons and told The Independent that giant Indian business groups such as Reliance and Tata had started apparel business and opened up retail chain shops across the country.

“It’s opened up an opportunity for Bangladesh to act as the prominent supplier to them. Famous international retail brands such as Zara and H&M have established their business in India and we are the biggest supplier for them,” he

said. “Another reason is that Indian domestic market has grown and the numbers of fashion conscious consumers have increased. We import ready-made garments (RMG) raw materials such as cotton, machinery from India, so their export is also increasing. It’s a win-win situation from both the countries,” he said.

It is a good indication that exports to major destinations turned around along with higher growth in the Indian market, said Nasir, who is also the managing director of Evergreen Sweaters Ltd.

“India and China are the biggest markets for us because both countries have shifted their manual industries to high-tech industries and their wages have been increasing, which eventually ended up increasing the production cost,” he said. “The Indian market is closer to us compared to European and the US market; so there’s a huge opportunity for us to penetrate the Indian market in future. The shipment time from Bangladesh to India is barely four hours,” he added.

The Centre for Policy Dialogue Research director Khondaker Golam Moazzem told The Independent: “India has exempted GST (goods and service tax) on imports from Bangladesh which eventually has a positive impact on our apparel export.”

It’s a good sign that the export growth in India is increasing as the quality of product has increased. However, there is still a huge opportunity to penetrate the market as India imports USD450-billion worth of goods from other countries, he added.

Remediation work of more than 95 per cent factory buildings have been completed and fulfilled the requirements of Accord and Alliance, the platform of two western buyers, said Nasir.

In the first five months of the current fiscal year, the earnings from two major export destinations —Germany and the UK — registered significant growth of 15.50 per cent with USD2.50 billion and 2.55 per cent in the UK. The earnings stood at USD1.59 billion.

The EPB data says Bangladesh has fetched USD1.05 billion in July-November of 2018-19 financial year from Spain, which is 12.81 per cent growth more than last year and USD417.39 million from Netherlands, which is 13.14 per cent more than last year. This shows that workplace safety has improved, which eventually builds up the confidence among the European buyers, Nasir added. Explaining the second reason, he said, as of now Bangladesh was the largest exporter of denim products to Europe with a 27 per cent market share topping China.

Citing another reason, he said, “Our currency has depreciated against US dollar and that could be another reason behind the continuous growth in European countries. “We are getting Generalised System of Preferences (GSP) facilities from the European countries and it helps us to grow export dependency in Europe.”

**Centre sanctions multi crore rupees apparel and garmenting centre in NE**

**Nenow.in**

<https://nenow.in/north-east-news/centre-sanctions-multi-crore-rupees-apparel-and-garmenting-centre-in-ne.html>

Construction and installation of machinery in 21 units in seven States (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) were completed

The Ministry of Textiles has sanctioned a project to set up one each apparel and garmenting centre consisting of three units in all of the northeastern states at a cost of Rs. 18.18 crore per centre.

Disclosing this in the Rajya Sabha on Wednesday Minister of State of Textiles Ajay Tamta said that the project was sanctioned under the North East Region Textile Promotion Scheme (NERTPS).

“Construction and installation of machinery in 21 units in seven States (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) were completed and the facilities have since been handed over to the Project Implementing Agencies of respective State Governments. Project Implementing Agencies are in the process of operationalizing the units through entrepreneurs,” he said.

Silk production in the country has been increasing during recent years and no manufacturing unit is losing the Indian silk market to China in recent times. As the consumption of silk is more than the domestic production, India is importing raw silk from China and other countries. India mainly imports Bivoltine raw silk from China.

“With the significant increase in the Bivoltine raw silk production in the country, the share of Bivoltine silk in the total silk production has gone up from 8.38 percent in 2012-13 to 18.41 percent in 2017-18.

As a result, the share of imported raw silk has reduced drastically from 17.32 percent in 2012-13 to 10.42 percent in 2017-18. There is thrust for increasing the Bivoltine and Vanya silk production in the country with a goal to become self-reliant in silk production by 2022.

**IIP rises to 11-month high in October**

**The Hindu**

<https://www.thehindu.com/todays-paper/tp-business/iip-rises-to-11-month-high-in-october/article25729455.ece>

Retail inflation in November slows to 17-month low of 2.33%

Industrial production activity rose at almost a one-year high in October led by strong growth in the manufacturing and mining sectors even as retail inflation for November slowed to a 17-month low on cooling food prices, according to official data released on Wednesday.

Growth in the Index of Industrial Production ((IIP) came in at 8.08% in October, up from 4.47% in the previous month, and 1.83% in October of last year. This was primarily led by the 7.04% growth in the mining sector and the 7.92%

growth in the manufacturing sector, both of which grew 0.11% and 4.62% in the previous month, respectively.

“Industrial production displayed a stellar performance in October, coming in at a multi-month high with most sectors showing a markedly better performance, albeit aided somewhat by a favourable base,” said B. Prasanna, head, global markets group at ICICI Bank. “This is welcome after manufacturing growth slowed notably in Q2 FY2019.”

“Electricity volume growth has re-entered double-digit territory after a gap of over two years and the consumer goods segment also gained from the favourable base, with both durables and non-durables on a healthy uptrend,” Mr. Prasanna further noted.

Growth in the electricity sector touched 10.8% in October, up from the 8.24% in September. The last time growth in the sector hit double-digits was in April 2016.

“The boost in IIP is from infrastructure which is primarily government-led spending,” said Ranen Banerjee, leader, public finance and economics, PwC India.

“We hope private sector investments will pick up soon, else the burden on the government and the risk of fiscal slippages will be higher,” he added.

#### Moderating inflation

Growth in the Consumer Price Index (CPI), the measure of retail inflation, slowed sharply to 2.33% in November from 3.38% in the previous month. It was 4.88% in November of last year.

“Macro data got a boost from a very benign CPI print aided by low food prices characterised by continued deflation in pulses and vegetables,” Mr. Prasanna said. “There is also substantial moderation in core inflation sequentially. We expect CPI to remain below 4% till Q1 FY2020.

“We also expect a change in monetary policy stance to “neutral” from “calibrated tightening” in the February policy and expectations of a rate cut will now start building,” added Mr. Prasanna.

**India aims to grow its manufacturing  
GVA to \$1 trillion by 2025-26**

**Financial Express**

<https://www.financialexpress.com/opinion/india-aims-to-grow-its-manufacturing-gva-to-1-trillion-by-2025-26/1412307/>

Achieving accelerated and sustainable growth in India’s manufacturing sector, driven by rising global and domestic demand, active policy support and a shift towards Industry 4.0 technologies.

**By Rahul Jain, Bitan Datta and Vikas Gupta**

India aims to grow its manufacturing gross value added (GVA) by about 3 times to reach \$1 trillion by 2025-26. This implies a compounded annual growth rate of about 12%, which is a significant leap from the current growth rate of 7-8%. Achieving this target calls for a multipronged growth strategy for India’s manufacturing sectors—increasing their

share of global exports and growing the capability to actively substitute imports with local production while continuing to cater to rising domestic consumption. Due to the recent turn of events, several industry houses prefer the services sector for investment over the manufacturing sector. This is owing to the diminishing returns and relative risk profile in manufacturing. A concerted effort is required both from industry and government. On one hand, industry needs to step up its game by leveraging technology and driving productivity and, on the other hand, the government needs to enable competitiveness by reducing the cost of doing business and providing policy support till necessary scale is achieved.

Across key industry sectors, India's import dependence ranges between 30-40%. While in some selective cases, duty and tariff structures need review, one key aspect to focus on for the Indian manufacturing sector is technology depth and the ability to produce a range of products that cater to user industry requirements. Process and control equipment, such as power generation, steel and other metal production, high-precision machining stations, etc., represent a small sample of many such technology gaps. Bridging this technology gap is imperative for Indian manufacturers to be competitive and serve demand centres globally. Adherence to evolved quality and design standards and innovation are critical for success in some high-volume export markets. Additionally, a shift towards a more efficient, cost-competitive and sustainable manufacturing ecosystem is not attainable without parallel upskilling of the human resources involved.

Globally, and across the value chain, digital-induced disruption is imperative and early signs are visible. To maintain and improve global competitiveness, Indian manufacturing needs to accelerate the adoption of Industry 4.0. The business case for adoption will need to include improvement in quality and customer service level beyond cost optimisation. It is important to take into account specific nuances while we focus on Industry 4.0 adoption—brownfield acquisitions that have grown over time and become complex with respect to layout, material and process flow, the need for low-cost technology, etc. Leveraging the strength of India's IT services sector and tapping the effusive entrepreneurial spirit evident throughout the burgeoning start-up sector potentially presents opportunities to provide the much needed boost for Industry 4.0 in India.

Multiple initiatives have been conceptualised and developed over the last 4-5 years to attract investment, encourage innovation, enhance skill development and build infrastructure to transform the Indian manufacturing sector. 'Make in India', 'Skill India' and 'Digital India' are all directed towards developing the right enabling ecosystem and a start has been made.

While policy and regulatory support are a must to set the foundation, it is imperative that, in parallel, industry drives operating efficiency to become more competitive such as in resource consumption-related parameters like specific energy consumption and labour productivity. Further, factors such as low power quality, logistics and freight expenses and poor transportation infrastructure, that have remained a challenge, require long-term engagement focusing on modal mix for freight movement, investing in updated transmission systems, strengthening roadways and exploring inland waterways as alternative modes of transport. Global trade dynamics have had interesting developments over the last 3-4 years, actively and intricately linked with geopolitics. The rise of increased protectionism across key economies presents yet another challenge for Indian manufacturers looking to grow through the export route. India's corporate taxes, land acquisition policies, border compliance regulation and cost of capital also continue to be key challenges, which add to the cost of doing business or often inhibit the ease of doing business. With a large number of schemes launched to encourage the opening of



businesses and facilitation of their operations in India, it is important that the industry facilitates and aids the government through enhanced participation and ownership.

If Indian manufacturing is to achieve success on the final frontier, a concerted collaborative effort is required to be made by both the industry and government. This would include identifying specific, time-bound, actionable and measurable initiatives across the range of action areas that not only create the right enabling ecosystem but also ensure implementation and uptake by industry. Looking ahead, to meet the \$1-trillion manufacturing GVA target, industry and the government need to work in perfect synchronisation with each other to unleash the true potential of India's manufacturing sector.

**TEA upset over reduction in duty drawback rates on apparel**

**Fibre 2 Fashion**

<https://www.fibre2fashion.com/news/textiles-policy-news/tea-upset-over-reduction-in-duty-drawback-rates-on-apparel-246188-newsdetails.htm>

The Tiruppur Exporters' Association (TEA) is dismayed on the reduction of duty drawback rates on apparel items. In this revised list, government has reduced rates for value added readymade garments while improving rates for raw materials like cotton, yarn and fabrics. The rates have been lowered from 2 to 1.8 per cent for few and 1.9 per cent for others.

The new list has totally disappointed the knitwear garment sector in Tiruppur when they were expecting hike in the rates, said TEA in a representation made to the prime minister. The revision will not only affect the exports but will also strengthen the business of competing nations.

Highlighting the plight of the apparel industry, TEA has asked the prime minister to initiate a consultative process with all stakeholders in the apparel manufacturing segment and arrive at means to compensate the exporters by increasing the drawback and ROSL rates so as to arrest the further fall in exports.

It may be noted that the industry has been crying for an increase in the duty drawback rates because of the continuous negative growth being encountered post implementation of GST, said the letter urging the prime minister to look into the issue and help to revise the drawback rates upwards.

"When the raw material cotton and subsequent processed item cotton yarn drawback rates were enhanced, how can the value added garment sector and employment generator be neglected?" pointed out TEA president Raja M Shanmugham.

India is already at a disadvantage with all its competing nations like Bangladesh, Cambodia, Myanmar, Ethiopia and Vietnam that enjoy tariff benefits with the western countries. Till July 2017, a portion of this competitiveness gap was being offset by the cushion made available through duty drawback and ROSL benefits. The elimination of this additional cushion has immediately shown its result whereby there is an unprecedented month on month fall in apparel exports for the past one year.

"Your intervention in this regard will go a long way in not only preventing huge job losses in one of the biggest employing industry of the country but also realise its true potential of becoming the global leader in textile manufacturing," stated the letter

**India's FTAs with ASEAN, Japan and Korea have widened trade deficit: Study**

**Business Line**

<https://www.thehindubusinessline.com/news/world/indias-ftas-with-asean-japan-and-korea-have-widened-trade-deficit-study/article25719638.ece>

The three pacts resulted in rising imports and a progressive slowdown of exports

India's three free trade agreements with the ASEAN, Japan and South Korea have not turned out to be favourable for the country as these resulted in growing deficits in merchandise trade, according to a study published by think-tank Third World Network.

"When the analysis of the three existing Comprehensive Economic Partnership Agreements (CEPA) show that the balance sheet is heavily loaded against India, there is no reason to hope that the Regional Comprehensive Economic Partnership (RCEP), which includes 16 countries, will be any different for the country," said Biswajit Dhar, author of the report titled 'India's CEPAs with ASEAN, Japan and Korea', at a discussion on Tuesday.

The study is important as the government is at present focussed on how to make India's free trade agreements deliver more for all stakeholders and has also employed three think-tanks to analyse the on-going RCEP negotiations. India is especially anxious about RCEP as China, which is one of the bloc partners, holds the threat of flooding the domestic market with cheap Chinese goods.

**Rising trade imbalance**

Over the past decade, India's trade imbalance vis-à-vis its existing CEPA partners has steadily increased, the study observed. After the initial spurt in the middle of the previous decade, trade imbalances saw a sizeable increase immediately after the three CEPAs with the ASEAN, Japan and Korea came into effect. Trade deficit with the three countries, which stood at \$4.5 billion in 2004 and \$16.4 billion in 2010, shot up to \$29.7 billion in 2015 before cooling down a bit to \$26.6 billion in 2016.

"What is of additional concern is the fact that India's exports have lagged behind at a time when its CEPA partners have been providing additional market access," Dhar said.

The three CEPAs not only resulted in rising imports but also a progressive slowdown of exports. "These trends provide a clear indication that while India's FTA/CEPA partners were well positioned to taken advantage of an open Indian economy, Indian entities have been unable to exploit the market access opportunities offered by the partner countries," the study said.

Available trends in both exports and imports point to a hollowing out of the manufacturing base, which has prompted the present government to initiate measures for the revival of the manufacturing sector, the report added. The Society of Indian Automobile Manufacturers (SIAM), in its white paper on India's FTAs, has stated that the negative fallout of the pacts will seriously compromise investments, manufacturing value add and employment at no

obvious gain in trade or economic expansion.

While the study could not throw much light on services trade in the absence of comparable bilateral data, it observed that none of the pacts resulted in significant liberalisation in the movement of skilled professionals.

**India-US-EU Combine Halts China's Belt and Road Initiative at the UN**

**The Wire**

<https://thewire.in/diplomacy/india-china-belt-and-road-united-nations>

In a significant expression of international will, references to China's Belt Road Initiative (BRI) have been deleted from all UN resolutions, bringing an end to Beijing's "wordplay diplomacy" and dealing a blow to its biggest strategic gambit.

The spread of "Xi Jinping thought" via subterfuge came to a complete halt, at least at the UN, thanks to some diplomatic due diligence by India, the US and the EU. China's little helper Pakistan could do nothing but watch.

The last vestige of BRI propaganda was deleted from a resolution on Afghanistan on December 6 in a final act of cleansing that started last year when India took a strong stand against BRI and rained on Xi's parade by raising questions about transparency, environmental standards, predatory economics and violations of sovereignty.

Just as last year, when the coalition of India, US and EU worked to remove references to BRI from two other resolutions, the three-pillar resistance was led by the young Indian diplomats at India's permanent mission who negotiated with other delegations and gathered widespread support.

The latest victory was achieved when references to BRI contained in the 2017 and 2016 resolutions on Afghanistan, which had the UN General Assembly welcoming "regional economic cooperation through regional initiatives, such as the Silk Road Economic Belt and the 21st-century Maritime Silk Road (the Belt and Road) Initiative and other regional projects," were deleted. The 2018 resolution on Afghanistan was rid of BRI baggage.

"BRI at the UN is going, going, gone..." a UN observer told this columnist. The belt had fallen and the road was blocked.

Interestingly, references to all other regional initiatives such as the Turkmenistan-Afghanistan-Pakistan-India or the TAPI gas pipeline project and the Chabahar agreement between India, Afghanistan and Iran were retained, making the deletion of BRI reference even more noticeable.

In fact, the resolution made a special mention of the delivery of the first consignment from India to Afghanistan from Chabahar Port and the establishment of the Afghanistan-India direct air freight corridor.

The last bit will especially irk Pakistan because its attempts to squeeze Afghanistan economically by denying India land transit rights for trade are failing. Last week, the UN recognised the importance of other routes devised by India to help Afghanistan.

The Chinese representative accepted defeat, registering mild unhappiness and noting only that the final text of the latest resolution had failed to mention the “consensus” reached in the past. He did not mention BRI, probably to avoid focus on the failure.

Diplomatic sources in New York said India, with support from the US and the EU, emphasised that all connectivity efforts in the region must be based on the principles of economic viability and financial responsibility – something that the BRI has spectacularly failed to do.

They argued that all transnational projects must follow “universally recognised international norms, rule of law, transparency and environmental standards” – basically the criticisms first made by India as Xi was showcasing BRI at a summit in Beijing in front of eager heads of state.

Those criticisms are now almost universally accepted and have become the backbone of the resistance. They have been used by the US, Japan, Australia in their Quadrilateral Security Dialogue to arrive at a counter-narrative of “sustainable infrastructure” (BRI promotes indebtedness) and “skill and technology transfer” (China brings its own workers for projects, giving no jobs to locals).

“Connectivity initiatives must respect the sovereignty and territorial integrity of nations,” a senior diplomatic source said. “They should promote trade, not tension.”

Countries from Sri Lanka to Pakistan, from Malaysia to Myanmar are already having second thoughts about BRI as the shadow of debt darkens their door and local populations gain almost nothing in terms of skills transfer or even basic employment.

This battle royale at the UN between China and the US-India-EU combine may seem esoteric but it is significant nonetheless. It was important to wage this war over words because the tradition of precedent allows countries to build on previous resolutions and augment their narrative.

Language buried in resolutions can be resurrected later at an opportune moment to one’s advantage and before you know it, bad ideas are being endorsed by the General Assembly.

But once something is deleted by consensual agreement, getting the same language back in the same resolution or others becomes difficult.

The Chinese, in the great power tradition, see the UN as a vehicle to further their agenda. They have been working meticulously over the past few years to spread their word and thought through various UN organisations.

In their vision, BRI is the perfect expression of the “very purposes and principles of the UN Charter,” and pretty much an incarnation of the UN’s Sustainable Development Goals.

**EU parliament approves Japan trade deal in what is being called the world's biggest**

Japan Times

<https://www.japantimes.co.jp/news/2018/12/12/business/eu-parliament-approves-japan-trade-deal-called-worlds-biggest/#.XBH21NszblU>

The European Parliament on Wednesday approved an accord with Japan that has been dubbed the world's biggest trade deal, covering economies that represent a third of the world's GDP.

The agreement will go into effect in February and was celebrated as a victory for Europe as a free trade champion in the face of U.S. President Donald Trump's protectionism and Britain's decision to leave the EU.

"Our economic partnership with Japan — the biggest trade zone ever negotiated — is now very close to becoming a reality," EU Trade Commissioner Cecilia Malmstrom said.

Talking to AFP before lawmakers voted by 474 votes to 152 to back the deal, Malmstrom called it "a symbol, a signal" and added: "We're showing that for our part, we're in favor of open but regulated trade."

The deal was confirmed even as British Prime Minister Theresa May defended her faltering attempt to negotiate Britain's orderly departure from the European Union before a boisterous House of Commons.

But, ironically, some EU leaders see the wide-ranging deal they have agreed with far-off Japan as a possible model for future commercial relations with the United Kingdom, once it formally quits the bloc.

"Everything is uncertain with the United Kingdom for the moment, but one day or another we'll have to negotiate something," Malmstrom said, predicting a British deal would "go even further" than Japan's.

Covering more than 630 million people and economies that add up to around a third of global output, the EU-Japan Economic Partnership Agreement has been under discussion since 2013.

When it goes into effect it will regulate almost all commerce between the Asian giant and the 27 remaining EU economies and, according to Malmstrom, will benefit in particular European farmers.

The pro-business lobby welcomed the deal.

"Approving the EU-Japan EPA, the European Parliament delivers on what business and citizens need in a time of political and economic uncertainty," said BusinessEurope Director General Markus Beyrer.

"This agreement is projected to increase exports between the two economies by 34 percent for the EU and 29 percent for Japan, liberalizing up to 99 percent of bilateral trade," he argued.

"The elimination of tariffs will save consumers and importers 1 billion euro per year in the EU and will support a substantial increase of jobs, maximizing benefits for both companies and citizens."

Once the is fully implemented, some 85 percent of EU farm products will be eligible for tariff free export to Japan,

although in some cases this will come after a period of transition.

Customs duties on beef, for example, will be progressively reduced, and rice, a source of national pride in Japan, will be excluded from the deal.

Tokyo has also agreed to recognize more than 200 “geographic signifiers,” allowing iconic European products like Roquefort cheese, Tirolean speck and Polish “Wodka” to protect their brand value.

For their part, the Japanese will win free access to the European automobile market after a multiyear transition period.

In a nod to the environmental and anti-globalist groups who have lobbied against this and other EU trade agreements, it includes chapters on sustainable development and the Paris climate change accord.

This was not enough to appease at least three NGOs — the Foundation for Man and Nature (FNH) the Veblen Institute and Foodwatch — who denounced a deal they said was “negotiated in the shadows.”

“The European Parliament agreed to a trade agreement that damages European democracy,” Lena Blanken of Foodwatch said.

The deal “restricts the legislative authority of the EU and its member states, jeopardizes the European precautionary principle and establishes committees without sufficient democratic control.”

But Malmstrom was unrepentant.

“With or without a deal, we do trade with far off countries. That’s commerce,” she said.

“In the end, it’s consumers who decide,” she said, adding that, while many might prefer to buy locally, Europe would work with Japan to reduce the environmental impact of long-distance shipments.

With the deal, the EU is seeking access to one of the world’s richest markets, while Japan hopes to jump-start an economy that has struggled to find solid growth for more than a decade.