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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

COVID-hit global economy projected to grow at 5.5 per cent in 2021: IMF

The global economy, ravaged by the COVID-19 pandemic, is projected to grow at 5.5 per cent in 2021 and 4.2 per cent in 2022, the IMF said on Tuesday, reflecting the expectations of a vaccine-powered strengthening of business activities later in the year and additional policy support in a few large economies.

“In our latest World Economic Outlook forecast, we project global growth for 2021 at 5.5 per cent, 0.3 percentage point higher than our October forecast, moderating to 4.2 per cent in 2022, said Gita Gopinath, Chief Economist of the IMF. The global economy contracted by an estimated 3.5 per cent in 2020 amidst the unprecedented health crisis. The 2021 forecast is revised up by 0.3 percentage point relative to the previous forecast (5.2 per cent) in October last year, reflecting expectations of a vaccine-powered strengthening of business activities later in the year and additional policy support in a few large economies, the IMF said.

According to Gopinath, the upgrade for 2021 reflects the positive effects of the onset of vaccinations in some countries, additional policy support at the end of 2020 in economies such as the United States and Japan and an expected increase in contact intensive activities as the health crisis wanes.

However, the positive effects are partially offset by a somewhat worse outlook for the ‘very near-term’ as measures to contain the spread of the virus dampen activity, she said. Noting that there is a great deal of uncertainty around this forecast, Gopinath said that greater success with vaccinations and therapeutics and additional policy support could improve outcomes, while slow vaccine rollout, virus mutations, and premature withdrawal of policy support could worsen the outcomes.

If downside risks were to materialise, a tightening of financial conditions could amplify the downturn at a time when public and corporate debt are at record highs worldwide, she added.

Source: financialexpress.com– Jan 26, 2021

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Importers Feel the Heat of Skyrocketing Shipping Container Costs

As the worldwide demand for Chinese goods continues to rapidly increase amid the Covid-driven growth in e-commerce spending, it's creating a shortage of shipping containers, and unfortunately for actors throughout the supply chain, whether it's the exporters, the manufacturers, the retailers or their consumers, they will all continue to bear the burden of higher costs.

Earlier this month, The Wall Street Journal spoke to Chen Yang, who runs a textile trading unit at a state-owned enterprise in China's southern city of Hefei. Yang said that the business, which mostly exports to the U.S., expected to lose money in 2020 in part because of the sharp rise in shipping costs.

A 40-foot shipping container arriving at the port of Charleston, S.C., in December cost Yang approximately $7,500, up from $2,700 in April, he said. The textile trading operator said he also has to book space on the vessel at least 20 days in advance, which would be more than double the usual time.

And Johnny Tseng, the owner and director of Hong Kong-based J&B Clothing Company Ltd., which manufactures garments for top U.K. fashion sites including Boohoo and Pretty Little Thing, said the inflated shipping rates could come at an even bigger cost—his own business.

"To be honest I don't even know how we can survive if we carry on shipping things at this kind of cost," Tseng told the BBC.

While Tseng said the usual price to ship a container to the U.K. is $2,500, the clothing company is now being quoted $14,000. Congestion at U.K. ports due to the high demand even caused some of his stock to miss the busy Christmas season. With the delays, some retailer customers are holding orders for their autumn-winter collections until next year.

The shipping container price increases have been universal, well beyond the scope of the textiles and apparel space. Helen White, the founder of U.K.-based online contemporary home lighting seller Houseof.com, told the BBC that her company was paying 1,600 pounds ($2,175) per container in November, but was quoted for over 10,000 pounds ($13,656) in January, forcing the company to take a loss on what they sell.

Don’t just take their word for it—numerous shipping container trackers are backing up what many business operators like Yang, Tseng and White have to say about the fallout from surging demand.

The Freightos Baltic Global Container Index (FBX) climbed 38 percent month-over-month in December alone to a new high of $3,377 per 40-foot container or equivalent unit (FEU), marking a 143 percent increase annually over December 2019 averages. These numbers have only continued to increase even further to $4,071 per FEU as of Jan. 22, marking a 163 percent year-over-year jump.

Drewry’s composite World Container Index increased 2 percent month over month to $5,340.30 per average FEU as of Thursday, marking its highest level since 2011. The longer-term expenses have been incredibly expensive, with the index indicating that the cost of shipping an FEU from Shanghai to Los Angeles has almost doubled from early June to around $4,200. That same container shipped to the Port of Rotterdam in the Netherlands jumped a whopping four times during that span to costs of nearly $9,000.

U.K. ports snubbed in favor of other European destinations

In the U.K., problems persist as freight lines have been trying to drive down demand from British importers by charging a premium for deliveries to the country, or even bypassing British ports altogether. The heightened freight rates in the U.K. are causing more of these lines to prefer Rotterdam, Germany’s Port of Hamburg, or Belgium’s Port of Antwerp.

“Most of the carriers just don’t want U.K. cargo because of the issues when the vessels dock, so mainly they’re favoring European ports and we are having to truck containers over,” Craig Poole, managing director at freight forwarder Cardinal Maritime, told the BBC.

Poole said that adds a cost of up to 2,000 pounds ($2,735) per container, and takes an extra seven to 10 days to reach the delivery point in the U.K.

Global ports overcrowded

Pandemic-related safety measures have lowered efficiency at ports throughout the globe, leading to delivery delays and containers getting stuck all over the world. In November, only half of global carriers managed to stay on schedule, compared with 80 percent a year ago, according to a service-reliability index from Sea-Intelligence.

This increase in inbound shipping containers is apparent in the U.S., where they have been significant congestions and delays throughout the pandemic. U.S. ports have been no stranger to the flurry of containers, particularly throughout the holiday season, with inbound shipping containers jumping 23.4 percent year over year in December, according to The McCown Report, which tracks shipping containers both inbound and outbound from the top 10 ports in the U.S. This comes in above the midpoint of the large increases of November (25.1 percent) and October (18.1 percent).

The report noted that it had been more than 10 years since the recovery of the 2008 financial crisis that any month had the level of year-over-year gains in inbound containers that has occurred in the past three months.

The Port of Los Angeles executive director Gene Seroka disclosed that during the week before Christmas, the port handled 94 percent more traffic relative to the same week in 2019. Looking to manage the bottlenecks at its docks that has caused import and export delays, the port is launching a new incentive program to move trucks faster and more efficiently through its terminals.

The “Truck Turn-Time and Dual-Transaction Incentive Programs” offer terminal operators two ways to earn financial rewards–one for shortening the time it takes to process trucks dropping off or picking up cargo, and the other for trucks handling both transactions in the same trip.

Not helping the high prices on imported Chinese goods is that since there are so many shipping containers out at sea, there is an unbalance in the number of containers that China is importing back into the country.

The average turnaround time for containers returning to China was up to 100 days in December from the more typical 60 days, according to the China Container Industry Association.

Two recent incidents exacerbate some of the problems that ocean freight shipping continues to face. Earlier this month, AP Moller-Maersk, one of the world’s biggest integrated container logistics companies, confirmed that one of its container ships from China to the U.S. lost several hundred containers with 750 20-foot equivalent units (TEUs) in the Pacific Ocean. The incident came after the One Apus container vessel lost 1,816 containers in November last year en route from Yantian Port in Shenzhen to the Port of Long Beach.

Based on the limited capacity, congestion in highly trafficked areas such as the Port of Los Angeles and the U.K.'s Port of Felixstowe, and unpredictability in inventory forecasting and replenishment, container shipping rates and service are unlikely to improve until much later this year, according to a December report from CBX Software.

Initial expectations were that backlogs could begin to be cleared during the Chinese New Year holiday in February, when all factories in the country would typically shutter for two weeks. This pause in production would ideally give ports a chance to clear the backlog of ships waiting to dock, and encourage shipping lines to move more empty containers back to China.

But with the continued surge in coronavirus cases, Chinese authorities are staggering factory closing dates so that not all workers are traveling to their home regions at the same time. Additionally, a worsening outbreak could lead to travel restrictions, in which case some factories may not stop manufacturing at all and instead giving workers financial incentives to continue manning the production lines through the Lunar New Year holiday.

And of course, uncertainties related to tariff policies amid a new U.S. presidential administration all will continue to play a role in shipping container pricing and overall prices on Chinese goods.

Source: sourcingjournal.com– Jan 26, 2021

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Peru Hit Hard By Loss of Italian Business

Peru's garment producers are widely known and recognized by our customers for high-quality apparel and service. Ultimately, our dream is to lead in another aspect: sustainability.

With the goal of becoming the most sustainable textile industry in the world, the Peru Textiles Exporters Association (PREVEX) is focusing on the triple bottom line: people, planet and profit. We will deliver traceability and accountability, ensuring that all member companies adhere to quality and responsibility standards to be able to gain recognition as a Peru Textiles brand.

Peru's sustainability strategy aims to make a positive impact on the economy, equity and the environment by focusing on the following five pillars.

Clean energy

At PREVEX, we are encouraging Peru-based manufacturers to use renewable energy. Supporting this agenda, our association is investing in solar panel parks. Our goal is to have all factories receive energy efficiency certifications, such as Leadership in Energy & Environmental Design (LEED) and Renewable Energy Resources (RER).

Water

We will certify the efficient and responsible use of water in our value chains, aiming for local and international certifications; for example, the Blue Certificate in collaboration with the Peruvian Government and the Alliance for Water Stewardship.

Carbon neutrality

Peru's textile sector aims to become a carbon neutral industry in the medium term with a 20 percent reduction in greenhouse gas emissions by 2030, in line with Peru's commitment. We also plan to support protected natural areas with carbon credits in alliance with the Government's Servicio Nacional de Áreas Naturales Protegidas por el Estado (SERNANP). We aim to be carbon-neutral certified by 2021 and have the Verified Carbon Standard (VCS) certificate.

Clean production

PREVEX will sign a Clean Production Agreement (APL) with the government to work together in reducing or eliminating residues and accelerate our move towards a circular economy model. On this front, we will apply for the Global Recycled Standard (GRS) certificate.

Decent labor

The textile industry employs around 1 million people in Peru. Sixty percent of workers are women, and many of them represent the most important income in the household. Within this pillar, we aim to be Fair Trade Certified in cotton, sewing and factories.

Peru is positioned to succeed in this sustainable revolution due to our heritage in textile production. All members of PREVEX have been in the business for 30 years or more, with the oldest founded 120 years ago. Throughout this time and multiple generations of leadership, they have faced and overcome numerous crises including hyperinflation, terrorism, earthquakes, military coups and global financial collapses.

These financially solid companies have joined forces with the government to work together for the sustainable development of the industry, with the aim for the Peru Textiles brand to stand for quality with sustainability. The Peru Textiles brand is part of the government's push to double garment production and exports by 2025 to $2.1 billion.

Source: sourcingjournal.com – Jan 26, 2021

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Biden Takes Action Boosting Made in America Manufacturing

While many American businesses are on the brink of having to close their doors due to the economic fallout from Covid-19, President Biden issued an executive order on Monday to support manufacturers, businesses and workers.

With the order, the 46th president is ensuring that when the federal government spends taxpayer dollars they are spent on American made goods by American workers and with American-made component parts. This order fulfills his promise to make Buy American real and close loopholes that allow companies to offshore production and jobs while still qualifying for domestic preferences.

These investments will support the manufacturing capabilities and technology needed to build a clean energy future and strengthen national security, and give American workers and companies the tools they need to compete globally in the future.

"We commend President Biden for taking action in his first days in office to strengthen our domestic supply chain and manufacturing base with a 'Made in America' executive order directing the federal government to spend taxpayer dollars on American-made goods produced by American workers using American-made components," National Council of Textile Organizations (NCTO) president and CEO Kim Glas said.

"Increasing the domestic procurement threshold and the price preferences for domestic goods under the current Buy American law will bolster domestic production and stimulate more investment in U.S. manufacturing," Glas said. "We believe it is critical that taxpayer dollars are used to invest in American manufacturing and our workforce. It is essential that we close loopholes in our Buy America laws, expand application and product coverage of domestic content rules, and close unnecessary contract waivers that undermine American manufacturing and its workforce."

The order states that federal law requires government agencies to give preferences to American firms, however, these preferences have not always been implemented consistently or effectively. And, some of these requirements, which shape how the government preferences domestic goods and services in what it buys, “have not been substantially updated since 1954, during the Eisenhower Administration.”

“It is long overdue that the U.S. government utilizes the full force of current domestic preferences to support America’s workers and businesses, strengthening our economy, workers and communities across the country,” Biden’s order said.

The president’s order establishes the goals and standards necessary to use federal purchasing, and other forms of federal assistance with domestic preference requirements, as a way to proactively invest in American industry “so it can continue to lead in the global marketplace.”

The order directs agencies to close current loopholes in how domestic content is measured and increase domestic content requirements. Existing Buy American rules establish a domestic content threshold–the amount of a product that must be made in the U.S. for a purchase to qualify under Buy American law. This order directs an increase in the threshold and the price preferences for domestic goods–the difference in price over which government can by a product from a non-US supplier. It also updates how government decides if a product was sufficiently made in America, building a stronger foundation for the enforcement of Buy American laws.

The order appoints a new senior leader in the executive office of the president in charge of the government’s Made-in-America policy approach. The new director of Made-in-America at the Office of Management and Budget (OMB) will oversee the implementation of the executive order,

Among its other provisions, it also connects new businesses to contracting opportunities by requiring active use of supplier scouting by agencies and directs agencies to utilize the Manufacturing Extension Partnership–a national network in all 50 states and Puerto Rico that supports small and medium-size manufacturers–to help agencies connect with new domestic suppliers who can make the products they need while employing America’s workers.

In addition, the order reiterates the president’s strong support for the Jones Act and its mandate that only U.S.-flag vessels carry cargo between U.S. ports, which supports American production and America’s workers. With the signing of the 2021 National Defense Authorization Act, the Jones Act has also been affirmed as an opportunity to invest in America’s workers as the country builds offshore renewable energy, in line with the president's goals to build the future of clean energy in America.

NCTO launched a new industry video campaign Monday that outlines steps the Biden administration and Congress should take to re-shore the production of personal protective equipment (PPE) and the entire supply chain for critical products.

"We look forward to working with the Biden administration and Congress on immediately strengthening our domestic procurement laws," Glas said. "The COVID-19 crisis was exacerbated when foreign supply chains broke down, leaving our frontline workers vulnerable, underscoring the vital need for America to manufacture essential medical products at home."

Source: sourcingjournal.com – Jan 25, 2021

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China's textile & garment exports rise 9.6% in 2020

Despite the COVID-19 pandemic and global economic slowdown, textile and garment exports from China increased by 9.6 per cent year-on-year to $291.22 billion in 2020, data released by the ministry of industry and information technology showed.

Category-wise, textile exports jumped 29.2 per cent year-on-year to $153.84 billion during the year. On the other hand, garment exports declined by 6.4 per cent to $137.38 billion, according to the data.

In December 2020 alone, textile exports from China increased by 12.6 per cent year-on-year to $12.29 billion. Apparel exports too rose by 2.8 per cent during the month to $13.91 billion.

Source: fibre2fashion.com– Jan 26, 2021

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Vietnam, Israel to sign labour cooperation pact this year

Israel and Vietnam recently initiated negotiations over a labour cooperation agreement. At the virtual meeting, both sides discussed technical issues to clarify their labour policies and regulations as well as issues of priority and concern. They agreed to sign the pact this year to bring more Vietnamese labourers to work in Israel's agriculture sector.

Israel has a high demand for migrant workers, particularly in agriculture, healthcare, construction and restaurants, among others, while Vietnam has an abundant supply of hardworking and educated workforce, according to Vietnamese media reports.

Vietnamese exports to Israel dipped slightly last year due to the pandemic. However, Vietnam witnessed a strong surge in its key exports like coffee, footwear, cashew nut, telephones and spare parts, seafood, and garment and textile.

Source: fibre2fashion.com– Jan 26, 2021

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Turkey keen to invest in SEZs in Bangladesh: envoy

Turkish investors are eager to invest in special economic zones in Bangladesh because of attractive incentives, according to Turkish ambassador to Bangladesh Mustafa Osman Turan, who recently said told a meeting that his country wants to raise investment in Bangladesh and increase the bilateral trade volume through product diversification.

The Turkish envoy was meeting senior officials of Eastern Bank Ltd. (EBL) in Dhaka. EBL managing director and chief executive officer Ali Reza Iftekhar briefed the ambassador on EBL's banking operation, its role in overall economic development of the country, COVID-19 response, and role in facilitating foreign trade and investment.

“EBL has established trade business in the area of import and export with Turkey. We have correspondent banking relationship with Turkish banks. We have ad-confirmation and financing against letter of credit by Turkish banks. Turkish banks are our partners in guarantee business. We issue local guarantee against counter guarantee of Turkish Banks” Iftekhar was quoted as saying in an EBL press release.

The envoy informed that Turkey is keen to diversify trade relations with Bangladesh and looking for cooperation in sectors like pharmaceutical industry, information technology, agro industries, light engineering, the service sector, tourism and health.

Present bilateral trade volume between Turkey and Bangladesh is around $1billion and Bangladesh’s yearly jute export to Turkey is worth $300 million.

“There will soon be a MoU signed between FBCCI [Federation of Bangladesh Chambers of Commerce & Industries] and Foreign Economic Relations Board of Turkey (DEIK),” the envoy informed.

He revealed a plan to initiate a Turkey-Bangladesh Business Platform soon to bring business leaders of both the countries together for better business understanding and cooperation.

Source: fibre2fashion.com– Jan 25, 2021

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Bangladesh Garment Job Losses 6 Times Higher Than Estimates: Report

Unemployment within Bangladesh's garment industry may be more dire than previously estimated.

As many as 357,000 of Bangladesh's 4.1 million garment workers may have lost their jobs due to the pandemic, or more than six times the official figure of 56,372, according to a recent survey of 610 factories in the major industrial clusters of Chittagong, Dhaka, Gazipur and Narayanganj.

Between December 2019 and September 2020, the average number of workers per factory fell from 886 to 790, researchers from the Centre for Policy Dialogue and Mapped in Bangladesh have found. Some 232 factories, accounting for 6.9 percent of all factories in Bangladesh, have shuttered due to the pandemic, according to the study, titled "Vulnerability, Resilience and Recovery in the RMG Sector in View of Covid Pandemic: Findings from the Enterprise Survey."

Researchers found that more than 59 percent of the factories they polled also drafted new workers during the outbreak, with the recruitment rate described as "high" at factories in Dhaka and Gazipur. As many as 37 percent of factories both retrenched and recruited workers amid the Covid-19 outbreak, with laid-off workers usually rehired with reduced pay, downgraded contracts and loss of benefits.

In addition, most garment factories did not adhere to labor laws and rules when laying off or terminating workers, researchers said. Just 3.6 percent of the facilities surveyed complied with the compensation principle, meaning they paid salaries, benefits and cleared dues, researchers said. Roughly 70 percent of the factories paid salaries only. Non-compliance, they said, was much higher in large-sized factories and factories located in Narayanganj.

Though the sector's overall gender composition did not noticeably shift, as many as 33 percent of factories employed a lower post-outbreak share of female workers, a finding that squares with the International Labour Organization's assessment that women are disproportionately affected by the fallout of the pandemic.

The study also found that most factories, including those belonging to large enterprises, did not have a plan or financial backup to help them cope with the immediate crisis. Only 44 percent of the factories polled said they were confident about the work orders coming in through April. More than half (56 percent) said they faced different levels of uncertainty and 11 percent reported experiencing high uncertainty.

While subsidized credit offered under the Bangladesh government's stimulus package, plus the slow uptick in production orders, are helping, recovery remains slow, especially for smaller factories or those not affiliated with either of the two big apparel trade groups, the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association, researchers found. Out of desperation, some 10 percent of factories said that 50 percent to 100 percent of the orders they accepted did not cover production costs. Most factories were operating their units at a loss of between 10 percent and 20 percent, according to the study.

"Risk is absorbed by the supplying country and suppliers but the buyers and brands are largely risk free," Rehman Sobhan, chairman of the Centre for Policy Dialogue, said at a virtual presentation on Saturday. "Workers' health risk is a big challenge for the industry."

Earlier this month, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association said that the garment sector will "collapse" without additional financial assistance or deferment of stimulus repayments. The perception that the industry is on the road to recovery and "getting all the favors from the government," she added, must "kindly be reassessed."

Source: sourcingjournal.com– Jan 26, 2021

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Pakistan: No gas for export-oriented textile industry

Feroze Alam Lari, chairman of the Towel Manufacturers' Association of Pakistan, has said that despite the availability of a huge quantity of value-added textile export orders with the exporters of this country, different issues from time to time pinch the balloon of growing exports of the textile sector.

The export sector is already facing a scarcity of cotton yarn in the domestic market due to reduction in the production of cotton bales and export of cotton yarn which is the basic raw material of textile. Now the proverbial last nail in the coffin of the textile exporters is the non–availability of gas in the coming days for the industry. Gas is the basic fuel for manufacturing and processing of textile goods.

Despite COVID-19 across the world, the textile exporters of this country engaged the international buyers and fetched valuable export orders from them due to the export-friendly initiatives and policies of the government.

The export-oriented industry is in a predicament nowadays, and it has expressed its severe concerns over the decision taken by the government to cut gas supply to the general industrial units from February 2021 and to the export-oriented industry from March 2021.

If we cast a glance on the past we see that due to the shortage of electricity in the country, the export sector had invested huge amounts in captive power to generate electricity for their own units on the instructions of the government. Non-availability of gas as well as scarcity of electricity in the country will be a major obstacle for the exporters.

Being an association of the export-oriented sector, we strongly believe that the cutting of supply of gas to the domestic industry will put a dent in the export supply chain. Therefore, the export sector will be disturbed, and the exporters will not perform manufacturing of goods smoothly.

In the second phase the government will cut down gas supply to the export industry from March 2021. It will be a huge shock for our export industry. The exporters of this beloved country will not be able to fulfill their commitment to the international buyers on time.

We are gripped by the fear of facing the prospect of cancelation of export orders due to failure to keep our promises of delivering the goods to the international buyers on time. This would result in our customers switching to our competitors which would be a huge loss to this country.

The export of textile goods is the backbone of our economy. The value-added textile export industry of this country contributes around 62% to total exports. The textile sector provides the highest number of urban employment, particularly to the female workforce, and it supports 40 allied industries in the country.

The textile industry also plays a vital role in generating employment and helping in reducing poverty in the country and earning valuable foreign exchange for the national kitty.

Source: brecorder.com– Jan 26, 2021

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Pakistan: 'Anti-export' bias

There is a dire need for transparency and rationalization in Pakistan's tariff policymaking. It has been oft emphasized by export-oriented industries that the import tariffs on industry inputs ultimately serve as a tax on exports. This policy is thereby hampering the profitability of the very sector that is positioned to enable economic growth for Pakistan. The anti-export bias that emerges also hinders investments and the productivity of the sector.

Pakistan cannot dream of higher economic growth without moving into value-addition, particularly in the highly productive textile sector, where the predominant focus is on cotton. Pakistan textile millers need to focus on specialized yarn and tap into the growing market for sportswear and athleisure. With a myopic focus on short staple fiber raw cotton, we are essentially relying on a shrinking market while neglecting the rapidly expanding market for MMF. The MMF tariff regime effectively prevents Pakistan from aligning its products in tandem with the rest of the world. More than 60% of world textile trade is in MMF materials, the demand for which has grown exponentially owing to the convenience it affords as a cheap material used in the production of the ever-relevant active-wear trend.

However, the duty protection given to obsolete plants in Pakistan is denying the Pakistani industry any chance to compete in this booming market, internationally or domestically. This brings us to the issue of polyester staple fiber, a raw material of the industry upon which it would be unreasonable to apply any duties. Alarmingly, at present there is a 7% customs duty on the import of polyester staple fiber. This racks up the total import duties, which subsequently fall in the range of 20% including antidumping duty. Despite the antidumping duty on cheap Chinese materials having expired, the duty has been extended for a further year.

In recent years, there has been widespread usage of antidumping policies, especially by developing countries, as well as the rapid expansion of Preferential Trade Agreements. Both antidumping and PTAs discriminate against trading partners. Until the 1990s, antidumping was primarily used by developed high-income countries; however, a significant number of developing countries have followed suit. Antidumping duties increase the level of protection on certain suppliers whereas PTAs decrease the level of protection between certain traders. Trade facilitation must be maintained for economic growth, whereby the simplification, modernization and harmonization of export and import processes can take place. It enhances border efficiency and reduces uncertainty (regulatory and arrival times), and is particularly important in the world of global value chains, where goods cross the border multiple times, and firms import intermediate inputs to produce and export. Reliable and timely delivery of inputs is essential.

Tariffs are typically used to protect domestic industries or as leverage in trade negotiations and disputes. It is useful to study the tariff structures and sector incentives of certain textile economies, notably Bangladesh, Cambodia, Ethiopia, Myanmar and Vietnam. Most of them benefit from the duty-free input of machinery and raw materials, particularly for the production of export commodities. Subsidized utility rates are also available in Bangladesh, Cambodia and Ethiopia. Furthermore, Bangladesh benefits from an exemption from value-added tax on utility services related to the production of goods. This has allowed these countries to maintain textile-led export growth and achieve impressive trade volumes.

It is vital to rectify Pakistan's dependency on the trade of traditional goods, and to diversify into value-added and service sectors. In order to protect itself from market volatility as well as high risk exposure associated with single-product dependency, it is important for the country to nurture and develop other industrial sectors which have high growth potential. This must be accompanied by introducing sector specific policies that benefit large and small firms alike, introducing a stable and declining tariff regime, creating efficient manufacturing clusters and reducing the cost disadvantage compared to other regional players. Pakistan needs to increase trade competitiveness and ease of doing business by removing obstacles such as delayed payments and slow processes for obtaining permits through improvements like e-governance at local levels.

Textiles in Pakistan are highly sensitive to developments in the energy sector, such that inefficiencies, issues of availability and uncompetitive pricing policies balloon into large-scale hindrances in exports. Pakistan's energy conundrum has resulted in increased cost of business, severe liquidity crises and reduced overall profitability for businesses. The textile industry of Pakistan, for instance–20.9% in QIM – bears the burden of the highest energy tariffs in the region. Electricity, despite being recently reduced from 13.3 cents/kWh to 9.0 cents/kWh, and gas at $6.5 / MMBTU – is still significantly higher than regional players like India and Bangladesh. Captive generation costs 7 cents, so the electricity tariff for export-oriented sectors must be rationalized at the regionally competitive rate of 7 cents, without which we are being deprived of the export market we have gained in the last year. It is also proving impossible to achieve much-needed revenue targets, leaving little room for crucial modernization or expansion.

In several of our past articles, we have alluded to a snake-and-ladder situation as a metaphor for the illogicalissues that arise each time a positive development is seen in the textile sector and in exports. Initially, the unavailability of energy proved to be a major hindrance in the textile sector's performance. The energy made available in the subsequent period was too costly to keep the industry competitive. After a long fight to finally obtain energy prices that are at least comparable to regional competitors, albeit still not at par with regional rates, the industry is now faced with the issue of discrimination in gas supply which is unacceptable. If the industry is to obtain gas, it has to take it directly for the machine and not for engine/steam, so the cost should be uniform across the country.

The proverbial snake has once again bitten, as in an effort to offset the electricity surplus, an abrupt decision has been taken by CCoE to suspend supply of gas/RLNG to users having Captive Generation. The industry is encouraged to shift from gas-based Captive Power Generation to the national Power Grid to save merely 485 MMCFD of gas (300 for South and 185 for North) which roughly translates into 1500 MW of electricity. Suspending gas supply to industry, at this stage where there has been an unprecedented growth in exports, will hurt Pakistan's economy severely. Apart from production losses that'll compromise industry's and eventually Pakistan's credibility in performing orders, there will be adverse consequences from reduced exports, unemployment and loss on already made investments. The negative impact of moratorium on supply of gas will be far greater than making 150 MMCFD natural gas available for utilization to the power sector.

The textile sector is the only sector of the country with an exportable surplus, and thus requires special attention and facilitation to double its exports in the next four years. Textiles are achieving higher export volumes and are set to capture additional market share in recent times.

Click here for more details

Source: brecorder.com– Jan 27, 2021

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NATIONAL NEWS

Indian economy estimated to contract by 9.6 per cent in 2020: UN report

India's economy is estimated to contract by 9.6 per cent in 2020, as lockdowns and other containment efforts to control COVID-19 slashed domestic consumption without halting the spread of the disease, and the growth is expected to recover and grow at 7.3 per cent in 2021, according to a UN report on Monday.

In 2020, the world economy shrank by 4.3 per cent, over two and half times more than during the global financial crisis of 2009. The modest recovery of 4.7 per cent expected in 2021 would barely offset the losses of 2020

In South Asia, the pandemic severely impacted most economies in the region, dragging down average GDP by -8.9 per cent in 2020. India, in particular, suffered its largest economic decline in history, with output falling by nearly 10 per cent in 2020.

"India's economic growth has fallen from 4.7 per cent in 2019 to -9.6 per cent in 2020, as lockdowns and other containment efforts slashed domestic consumption without halting the spread of the disease, despite drastic fiscal and monetary stimulus," the report said.

UN Secretary-General António Guterres said the world is "facing the worst health and economic crisis in 90 years. As we mourn the growing death toll, we must remember that the choices we make now will determine our collective future."

"Let's invest in an inclusive and sustainable future driven by smart policies, impactful investments, and a strong and effective multilateral system that places people at the heart of all socio-economic efforts," he said.

The Indian economy, which grew at 4.7 per cent in 2019, is estimated to contract by 9.6 per cent in calendar year 2020. The report said that the economy is forecast to recover and clock a 7.3 per cent growth in 2021 but slow down to 5.9 per cent in 2022.

The report said that the COVID-19 crisis has wreaked havoc on labour markets in the developing world.

By mid-2020, unemployment rates had quickly escalated to record highs: 27 per cent in Nigeria, 23 per cent in India, 21 per cent in Colombia, 17 per cent in the Philippines and above 13 per cent in Argentina, Brazil, Chile, Saudi Arabia and Turkey.

Source: financialexpress.com – Jan 25, 2021

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Enhanced trade partnership first step towards UK-India FTA, says UK minister

Britain and India are committed to an enhanced trade partnership as the first step towards a positive free trade agreement in future and plans are expected to be further formalised during the visit of Prime Minister Boris Johnson to India in the coming months, the UK's Minister for South Asia has said.

Lord Tariq Ahmad, who is also Minister for the Commonwealth in the Foreign, Commonwealth and Development Office (FCDO), said the strong relationship between the two countries has been further intensified with the vaccine collaboration to help fight the common enemy in the form of COVID-19.

"We have been undertaking steps to remove barriers to trade and the hope is that an Enhanced Trade Partnership will lead to a positive free trade agreement (FTA) with India in future, said Ahmad, in an interaction to mark India's 72nd Republic Day celebrations on Tuesday.

"The ultimate goal is an FTA and the first steps in that direction are expected to form part of the initiatives that will be unveiled when the Prime Minister (Boris Johnson) visits India later this year, he said. The minister indicated that many practical steps in the shape of business-to-business relations, which fully utilise the under-leveraged Indian diaspora in the UK, are also in the works.

Alongside, a real professional partnership that takes on board the mobility of skilled professionals and students between the two countries will be at the heart of a further strengthened bilateral relationship for a post-Brexit Global Britain.

India, as the pharmacy of the world, is a key composite to both our countries' commitment to the equitable access to COVID-19 vaccines around the world, through the COVAX facility. This has been a key area of collaboration, including between AstraZeneca and the Serum Institute of India, said Ahmad, in reference to the vaccine collaboration.

The UK has committed 548 million pounds to the COVAX Advance Market Commitment ?(AMC), which aims to provide at least 1 billion doses of vaccines for high-risk populations in 80 low and lower-middle-income countries and 12 eligible upper-middle-income countries in 2021, including India.

The Serum Institute of India (SII) will be one of the main suppliers of COVAX AMC, besides providing a significant proportion of India's domestic supply. The current COVAX portfolio includes 170 million AstraZeneca doses and 200 million doses of AstraZeneca or Novavax from the SII, with an option of up to 900 million doses agreed.

Source: financialexpress.com – Jan 26, 2021

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Budget 2021: Govt may announce steps to promote e-commerce exports, imports

Indian Union Budget 2021-22: The government in the budget next week is expected to announce measures such as extending the facility of bulk clearance for e-commerce imports and exports with a view to promoting the growth of this fast-growing segment in the country, sources said.

They said that as there is a multi-fold increase in the e-commerce sector in the country, a significant volume of products is imported into and exported out of India through this platform and there is a need to find a balance between control and facilitation for the sector.

Currently, importers and exporters are required to submit individual/separate clearance documents for each package with the Indian customs department, which adds cost for traders to conduct business through e-commerce.

"With an aim to support the growth of the e-commerce sector in India, the facility for bulk clearance of import and export is required for e-commerce import and exports. Additionally, a simplified process in case of return of e-commerce shipments would also help in promoting the growth," one of the sources said.

Finance minister Nirmala Sitharaman will unveil the Budget for 2021-22 on February 1.

According to exporters, easing of processes for the sector would further help in boosting the country's outbound shipments.

"Extending the facility of bulk clearance is a good idea. Globally this facility is there. It will help in reducing transaction cost. if it is permitted, it would hugely benefit the e-commerce trade,' Federation of Indian Export Organisations Director General Ajay Sahai said.

A leather exporter said that the move if announced in the Budget would help promote exports through e-commerce medium.

Source: financialexpress.com– Jan 26, 2021

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Indian international trade badly affected by acute container shortage

The shortage of containers has hit trade globally and has been particularly acute at major Asian export ports.

Although the port of Nhava Sheva has seen 35% improvement in container availability in January 2021 over December last year according to Container xChange it will take time for the benefits of this to filter through to shippers.

Ex-India some sectors, freight rates have shot up by 200-400%. Adding to the woes of the trade is the cancellation of scheduled vessels, even as the rescheduling of regular calls has created a demand for container slot allotments. This is affecting exports and is also leading to escalating freight cost.

“The freight rate from Chennai to Hamburg has more than tripled to $1,800 per teu from $500 in April 2020,” said G Raghu Shankar of the ICSA Group, an integrated logistics service provider.

“The rate to New York has shot up from $2,200 to $4,800 per teu, while the rate to Felixstowe has quadrupled, from $450 per teu to $1,800. These are fluctuating rates based on demand and supply. We fear the bleak situation may continue beyond the present financial year (ending March 31, 2021).”

Echoing a similar view, Sanjay Lulla, managing partner at SM Lulla Industries Worldwide, a Chennai-based exporter of leather garments, said, “The situation was bad last year, and our shipments were delayed. We had to wait for containers for two to three weeks. Now it has improved slightly, but we need to pay premium rates to get containers almost immediately.”

The shortage of boxes is making it tough for Indian exporters to complete scheduled shipments despite sharp a rise in export orders, according to the Cotton Textiles Export Promotion Council (TEXPROCIL).

Exporters are facing shortage of containers not only at the gateway ports, but also at inland container depots,” said the council’s chairman, Manoj Patodia. “It takes more than two weeks for exporters to get containers for shipment of cargoes; and that is resulting in delays and non-fulfillment of terms and conditions as agreed with overseas buyers.”

One of the reasons being attributed to the shortage is the low volume of imports, especially from China. Fortunately, trade between the two countries is gradually getting stabilised, with import cargo from China into India increasing, and the container repositioning for exports to China improving considerably.

"After the initial six months of lockdown from late-March 2020, exports of textiles and clothing started picking up sharply," said Patodia. "Now many exporters are holding export orders for shipments till March 31, 2021. However, delay in shipments is leading to cancellation of orders in many cases. If the issue is not resolved on a priority basis, textile and clothing exporters may lose 20% business."

Source: seatrade-maritime.com– Jan 26, 2021

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Receipt of exports from third party must be declared upfront: Expert

We had exported certain go-ods to a buyer abroad against an order placed by him and also raised an inv-oice for payment. How-ever, before the due date, the bu-yer said the payment will be made by a third party, and it was rece-ived from the third party. Our bankers say this is irregular. Are they correct? If so, how to regularise the matter?

Para B.8 of RBI FED Master Direction no. 16/2015-16 dated January 1, 2016 (as amended), says that realisation of export proceeds in respect of export of goods/software from third party should be duly declared by the exporter in the appropriate declaration form. This condition is not fulfilled in your case. Also, Para A.3(vi) of the same Master Direction lists more conditions to be fulfilled for permitting receipts of export proceeds from third party. These conditions are not fulfilled in your case. So, I think your bankers are quite right in pointing out the irregularity. You may approach Reserve Bank of India with a request to condone the lapse and regularise the matter.

We refer to JDGFT, New Delhi Trade Notice No. 36/2020-21 dated January 4, 2021, asking us to implement the security protocols such as Sender Policy Framework (SPF), Domain Keys Identified Mail (DKIM) and Domain-based Message Authenticated, Reporting and Conformance (DMARC). We do not use any of these protocols. Does it amount to violation of DGFT instructions?

No. The Trade Notice is only an advisory. The JDGFT has drawn attention to increased instances of email spoofing/ phishing cyber frauds that are causing trade disputes and loss of cargo as well as payment for the victims. So, the JDGFT has advised the trade to adopt SPF, DKIM and DM-ARC protocols for standard email signatures. In your own interest, it is desirable that you heed the advice of the JDGFT.

We exported certain goods last year and received full payment. The buyer rejected a part of the consignment. So, we shipped free replacement to him against a GR waiver from the bank. Thus, we need not remit any mo-ney to the buyer. Now, we are importing the rejected goods. Are we required to surrender the export incentives taken?

In my opinion, if you pay full duty under Section 20 of the Customs Act, 1962, you need not surrender any benefits taken at the time of exports.

However, if you opt for exemption under notification no.45/2017-Cus dated June 30, 2017, then you have to surrender the export incentives availed at the time of exports.

We obtained an advance authorisation and fulfilled the export obligation by exporting goods from our stocks, before making any imports. Now, if we import raw materials duty-free under advance authorisation, manufacture the finished goods and export them under drawback shipping bill, can we claim benefits under the RoDTEP scheme?

Yes. RoDTEP benefit is available for exports made under drawback or free shipping bills.

Source: business-standard.com– Jan 27, 2021

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Uncertainty looms over India-Nepal cross border trade

Under Indo-Nepal friendship treaty 1951, citizens of both the countries do not need visa to cross border. Thousands cross the open border daily to work, buy or sell.

Life has started getting back to its normalcy after 10 months long pandemic regulations. But a large portion of bilateral trade between India and Nepal is still under deep stress. While organized exim is on, the informal trade across the open border is badly suffocating due to covid restrictive protocols.

" Export import consignments are crossing border as usual. But controls are being maintained by both the countries to keep 'less important' travels across the border to minimum," said Shrikumar Bandopadhyay, IG SSB Siliguri Frontier that guards Indo-Nepal border.

But, "Proper Indo-Nepal border trade is impossible without free movement of people across the border," said Narendra Prasad, General Secretary, of the traders association of Naxalbari. One of the biggest Indian trade centres at Indo-Nepal border.

Under Indo-Nepal friendship treaty 1951, citizens of both the countries do not need visa to cross border. Thousands cross the open border daily to work, buy or sell.

"This free movement has developed a high volume bilateral trade. Less formal and local in nature, this keeps thousands alive in border towns on both sides including Kakarvita, Dharan, Dhulabari, Bhadrapur in Nepal or Siliguri, Kishangunj, Mirik in Indian side. This is closed since last 10 months," said G. S. Goyel, Siliguri Merchant's Association Secretary.

Nepal enjoys priority in India's external trade and commerce sector. With a free trade agreement in between, the two neighbours share an official yearly bilateral trade of over USD 7 billion which is highly tilted to India's favour with 13 times higher export than the import from Nepal. India contributes over 65% to Nepal's entire external trade.

Interestingly, India's trade volume is almost the same with another neighbour Bangladesh that is ten times bigger than Nepal in economy and five times in population.

" As estimated, the volume of unorganized border trade with Nepal is not less than 30% of the organized trade. The controls at the border were needed at the beginning of pandemic.

But now since everything is coming back to normalcy, the border also should be brought back to its usual shape where local traders can get air to breath and remain alive," said Prasad.

Source: economictimes.com– Jan 25, 2021

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Tax sops over subsidies: Why PLI scheme doesn't enthuse India Inc

India Inc is counting on tax sops to expand production rather than on subsidies from the government's ambitious production-linked incentive (PLI) scheme. Though the scheme has been rolled out with a budget of close to Rs 2 trillion, as of now, there is no surge of enthusiasm for it.

"No one is going to manufacture for a prize, unless there is a commercial sense to expand," said a top source at a consultancy firm, on the condition of anonymity.

However, ministries have begun to announce the PLI winners and the pace will accelerate over the next few weeks. Click here for more details

Source: business-standard.com– Jan 27, 2021

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New localisation plans can derail Modi's entire PLI scheme

There can be little doubt that the Rs 40,000-crore production-linked-incentive (PLI) that the government came up with for mobile phone assembly/manufacture – primarily for exports – is imaginatively designed and can go a long way in spurring output. In order not to violate WTO norms that prohibit subsidies for exports, the PLI is linked to domestic production, but since the scheme is meant for phones with an ex-factory value of at least $200, that effectively means most of the phones will be exported as the Indian market for expensive phones is limited.

Unlike schemes in the past where incentives were available for everyone, this one tried to focus on larger firms since they have a better chance of being able to export; Apple and Samsung, for instance, control the lion's share of the $300-bn global export market. The way the scheme was designed, to avail of the incentive, a firm has to increase its output in the 5th year by a fairly steep Rs 25,000 crore over that in the first year.

Coupled with the sharp reduction in corporate tax rates, labour reforms that included fixed-term employment and a sharp reduction in the compliance burden – at least for central labour compliances – this was an attractive package to woo firms wanting to leave China. While the rush to leave China has reduced considerably now that President Joe Biden has replaced Donald Trump, a problem in the way the new PLI schemes are being planned – in November, the Cabinet cleared Rs 160,000 crore more worth of PLI for 10 other sectors – could see the entire PLI plan unravelling. It is also important to keep in mind that, for all the talk of investors leaving China, it continued to be the world's largest FDI destination and attracted $163-bn in FDI in 2020, beating even the US that pulled in $134 bn; so, the view that investors are dying to leave China is simply not true, India will have to do a lot of work to attract investment.

The Rs 7,500-cr PLI scheme that is being worked on for laptops and tablets also targets large production volumes – the 4th year production has to be $4bn vs the first year's $400-mn – but the scheme is planning to link incentives to localisation targets for PCBs, battery packs, etc. India has lost WTO cases where similar localisation targets have been fixed, so the new PLI scheme will almost certainly be challenged at the WTO; and under Biden, the WTO's dispute settlement board will get a fresh lease of life. It is true that, even in the case of mobile phones, the government wants firms to give data on their localisation plans, but asking for data can still be defended at the WTO as just being an academic exercise aimed at better policy-making in future. Indeed, as investors realize India's PLI policies can be struck down by WTO, even existing investment in phones can dry up with investors getting wary.

The reason for the policy presumably has to do with the revenue department not wanting to give money to firms without more local production or export. That is short-sighted since, if local assembly/production rises, even without more localisation, tax revenues from GST and corporate taxation will rise; so will jobs.

Two, once there are higher volumes being assembled, higher localisation will also follow as firms will prefer to have more local component suppliers as this reduces transport costs and shortens time-to-market. But this requires other changes such as lower tax rates, better labour laws, industry-friendly policies etc; merely linking localisation levels to a 1-4% incentive will not lead to either higher levels of assembly or even localisation. If that is the thinking, it makes sense to simply junk the new PLI plans.

Source: financialexpress.com– Jan 26, 2021

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Budget wish list from logistics sector: digitisation, fuel under GST, some tax tweaks

Demands come as government looks to improve the competitiveness of 'Made in India' products

Digitisation to bring in transparency while removing paper-based compliance requirements, bringing fuel under the purview of GST, accelerating infrastructure and tweaking recently introduced tax norms are some of the key demands from logistics players including Spoton Logistics, TCI, Pickrr and AIMTC ahead of the Budget. These demands come as Government looks to lower logistics costs to improve the competitiveness of 'Made in India' products.

Abhik Mitra, MD and CEO, Spoton Logistics, said that government should boost digitisation to drive transparency and bring in the required predictability in logistics. "Another step that the government must take is to bring fuel under the purview of GST. While goods are moved from one place to another, it is generally required for the transporter to carry a hard copy of the invoice, the government must also do away with this by way of e-way bill digitisation."

Paperwork

High degree of compliance and paperwork make it difficult for technology companies to serve the global audience, forcing companies to shift base outside the country, said Dhruvil Sanghvi, Chief Executive Officer, LogiNext, adding steps in this direction would help high-growth companies keep base in India, generate employment, and revive the national economy after the shock.

Rhitiman Majumder, Co-founder, Pickrr, also called for digitisation of documentation and seamless transfer of documents from one agency to another, lowering compliance burden on logistics players.

Having a common platform across various modes of transport and connecting various silos of data being generated is something that Vineet Agarwal, who is President, Assocham, and MD, TCI, had prioritised.

Clauses regarding TDS

Meanwhile, the All India Motor Transport Congress (AIMTC) has asked for a favourable consideration on two clauses regarding tax deduction at source (TDS) for transporters, according to Kultaran Singh Atwal, President, AIMTC. Transport is a cash-heavy business, and transporters have to pay 2 per cent TDS on transactions of over ₹1 crore. So, they would like to be exempted from this, like agriculture produce marketing companies.

Also, a lot of customers of transporters deduct 2 per cent tax at source and do not pass it on to government, which means transporters cannot even claim such refunds, explained Naveen Gupta, Secretary General. AIMTC, adding that refunds are received after almost three years, which blocks working capital. A relaxation on this issue of “kuchha (informal) bills” — that was introduced in 2015 — is supported by the Road Ministry as well, it is learnt.

AIMTC also represented against the government move to have presumptive tax based on gross vehicle tonnage of vehicle (introduced in 2018), pointing out that a shift from the norm a year before when tax was imposed on each truck has led to a manifold increase in outgo. This clause requires a rethink, more so with the income uncertainties in the pandemic year, pointed out AIMTC.

Ocean freight rates

Alok Sharma, CEO and Co-founder, NebulARC, was for government intervention to consider lowering ocean freight rates that are driven by the demand-supply scenario (as) this will reduce the shortage of containers that occurred due to port congestion and delays last year.

Source: thehindubusinessline.com– Jan 25, 2021

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Meeting on minimum wages for textile workers on Jan. 29

A meeting of stakeholders related to fixing minimum wages for workers involved in home textiles making will be held at the Office of the Assistant Commissioner of Labour (Enforcement) at 11 a.m. on January 29.

A release from the Labour Department said the State government had constituted a committee to fix the minimum wages for workers employed in home textiles as per the Minimum Wages Act, 1948.

The committee, headed by N. Govindan, Joint Commissioner of Labour, Dindigul, would provide advice to the government while a consultative committee, headed by V. Ramraj, Assistant Commissioner of Labour (Enforcement), Dindigul and P. Mayilsamy, Assistant Director, Department of Statistics, would meet the representatives and workers.

The committees would also inspect the industrial units and hold discussions with stakeholders. Workers and trade union representatives could participate in the meeting and express their opinion and also give it in writing.

The meeting would be held at the Office located near the Government ITI, Chennimalai Road, Erode 638 009. Contact 0424-220090 or 90259 24954, the release added.

Source: thehindu.com– Jan 26, 2021

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