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INTERNATIONAL NEWS

US Chamber of Commerce drives for FTAs with Kenya, UK

The US Chamber of Commerce has come out in strong support of efforts to negotiate free trade agreements (FTAs) with the United Kingdom and Kenya. The one with Kenya may serve as a model for future trade and investment engagement with Africa, it said, urging the US administration to favorably explore these FTAs and continue halted negotiations.

US companies are falling behind in the Asia-Pacific: while US exports to the Asia-Pacific market have steadily increased in recent decades, their market share has been shrinking in relative terms.

One reason is that a number of countries maintain steep barriers against US exports. A typical Southeast Asian country imposes tariffs that are five times higher than the US average while its duties on agricultural products often soar into the triple digits. In addition, a web of non-tariff and regulatory barriers block market access in many countries.

However, Asia-Pacific nations are clinching preferential trade deals among themselves that have left the United States on the outside, looking in, the chamber noted in a press release. According to the Asia Regional Integration Centre of the Asian Development Bank, Asian countries have implemented 165 bilateral or regional trade agreements.

Against this backdrop, re-engaging with the 11 countries of the Trans-Pacific Partnership may be the best chance for the United States to secure a level playing field for trade in the Asia-Pacific region, the chamber feels. The United States should also seek out new trade agreement partners in other regions, the chamber suggested. The list of prospective partners includes emerging markets such as Turkey, Brazil, and a number of countries in Africa as well as Southeast Asia.

In a number of these prospective partner countries, diverse obstacles will have to be addressed before formal negotiations can be launched, but even in such cases, addressing even these initial obstacles brings benefits.

Source: fibre2fashion.com– Feb 08, 2021

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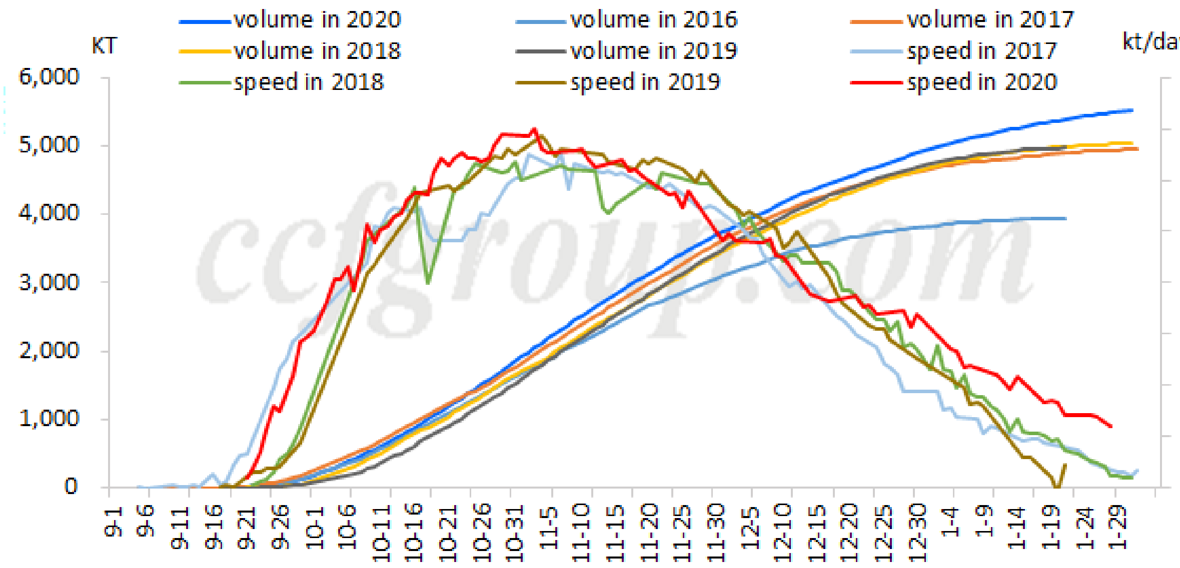
2020/21 Xinjiang cotton quality index analysis (January)

By January 31, inspection volumes of 2020/21 cotton reached 5.507 million tons in China, including 5.368 million tons of Xinjiang cotton, up 10% year on year. Arrivals of new cotton are basically drawing to a close, and quality fluctuations are quite stable. The below analysis is based on the data by end January.

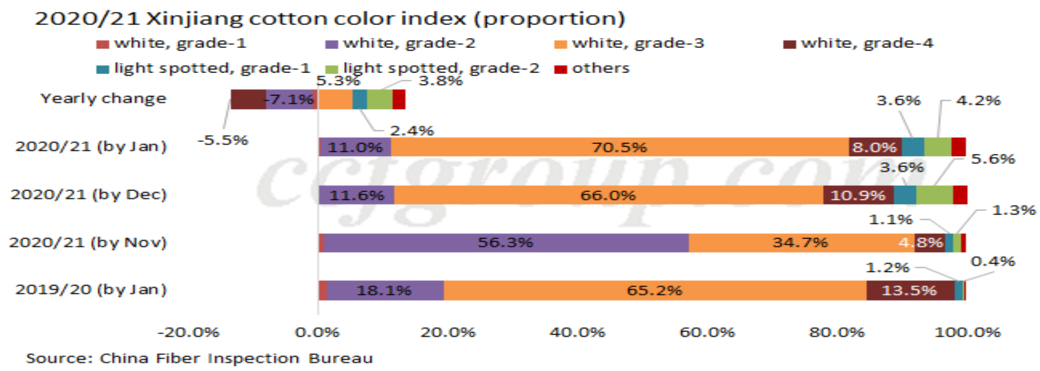
(The indicators only refer to the 2020/21 Xinjiang cotton, and the yearly change is based on the data by the end January.)

Ginning volumes and daily speed of Xinjiang cotton



1. Color index

For the color index, the proportion of white cotton, grade-2 cotton increased slightly, as the processed cotton was mainly from South Xinjiang in late period. In terms of quantity, the yearly decrement of white color, grade-2 cotton narrowed, while the yearly increment of white color, grade-3 cotton enlarged.

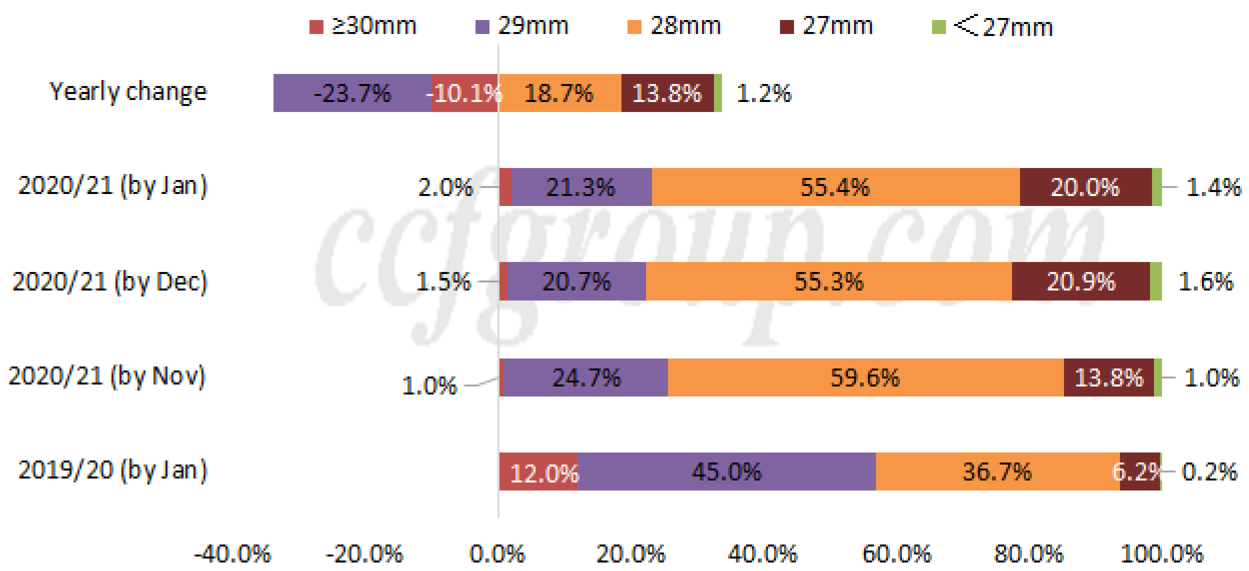


Color index	2019/20	2020/21	Yearly change	Change with end Dec
white, grade-1	85	38	-47	-45
white, grade-2	928	738	-189	-231
white, grade-3	3192	3825	633	402
white, grade-4	534	320	-213	-205
light spotted, grade-1	96	169	74	72
light spotted, grade-2	30	173	143	137
others	18	104	86	79
whilte, grade-3 and above	4204	4601	397	126
Total	4881	5368	486	209
Proportion in total	86.10%	85.70%	-0.40%	

2. Length

The improvement of length in late period of processing was not favorable as color index. The proportion of cotton with length of 29mm continued to edge lower, and the volumes kept decreasing. By end January, quantity of 2020/21 cotton with length at 29mm and above only reached 1.27 million tons, a fall of 1.42 million tons year on year. The proportion of cotton with length at 28mm and above reduced from 93.5% in 2019/20 season to 79.2%.

2020/21 Xinjiang cotton length index (proportion)

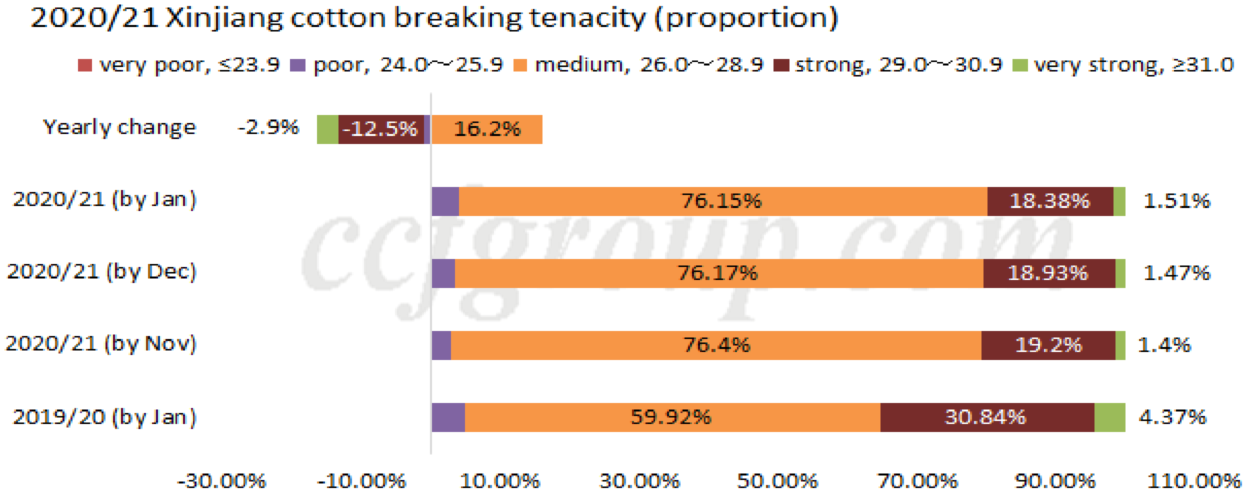


Source: China Fiber Inspection Bureau

2020/21 Xinjiang cotton length index (volume, by end Jan, KT)				
Length	2019/20	2020/21	Yearly change	Change with end Dec
≥30mm	544	122	-421	-403
29mm	2148	1148	-1000	-962
28mm	1873	2980	1106	902
27mm	307	1054	747	624
＜27mm	10	63	54	47
length 28mm and above	4565	4250	-315	-463
Total	4881	5368	486	209
Proportion in total	93.50%	79.20%	-14.30%	

3. Breaking tenacity

This index changed little overall this season. The strength focuses on S3 (26-28.9gpt). By end January, 2020/21 cotton with strength at 29gpt and above was only 1.068 million tons, a fall of 650kt year on year.



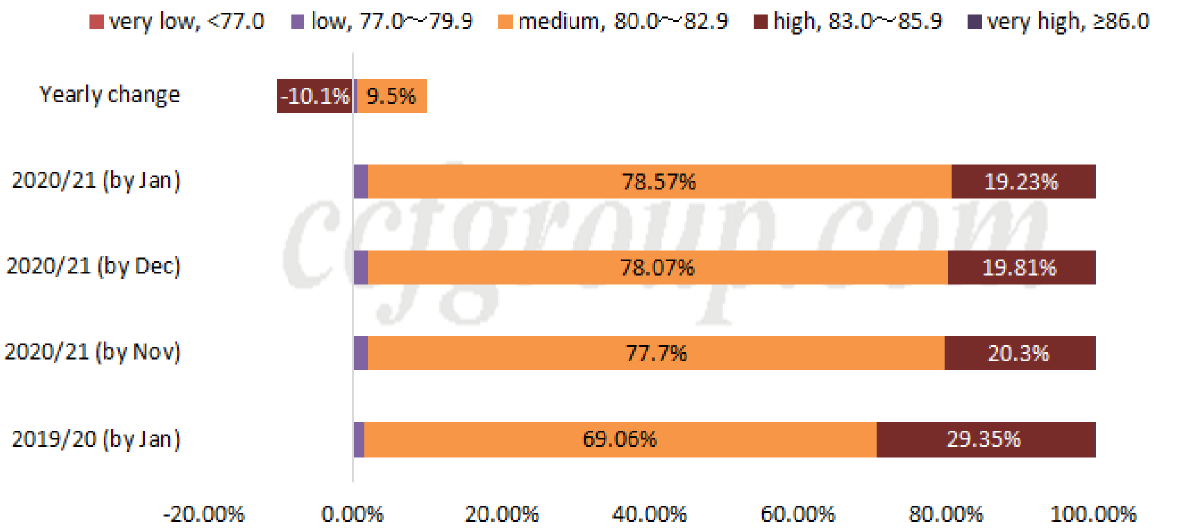
Source: China Fiber Inspection Bureau

2020/21 Xinjiang cotton breaking tenacity (volume, by end Jan, KT)				
	2019/20	2020/21	Yearly change	Change with end Dec
S1	213	81	-132	-131
S2	1505	987	-518	-521
S3	2925	4088	1163	902
S4	232	211	-22	-39
S5	6	2	-4	-3
S3 and above	4644	5155	512	251
Total	4881	5368	486	209
Proportion in total	95.10%	96.00%	0.92%	

4. Length uniformity

In 2020/21 season, the length uniformity inclines to concentrate on U3 (80-82.9).

2020/21 Xinjiang cotton length uniformity (proportion)



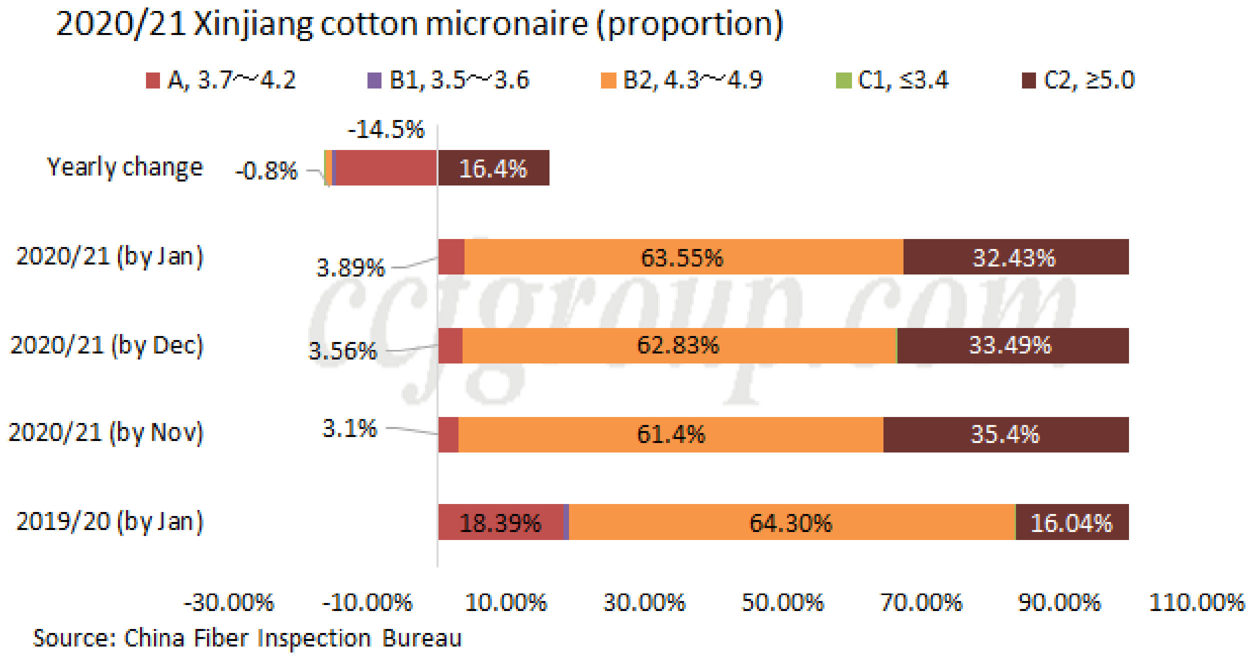
Source: China Fiber Inspection Bureau

2020/21 Xinjiang cotton length uniformity (volume, by end Jan, KT)				
	2019/20	2020/21	Yearly change	Change with end Dec
U1	0.7	0.3	-0.4	-0.4
U2	1432	1032	-400	-413
U3	3371	4217	846	590
U4	77	117	41	32
U5	0.3	0.3	0	0
U3 and above	4804	5250	446	176
Total	4881	5368	486	209
Proportion in total	98.40%	97.80%	-0.61%	

5. Micronaire

Though the proportion of cotton with micronaire A+B increased slightly compared with end December, but the yearly decrement of cotton with micronaire

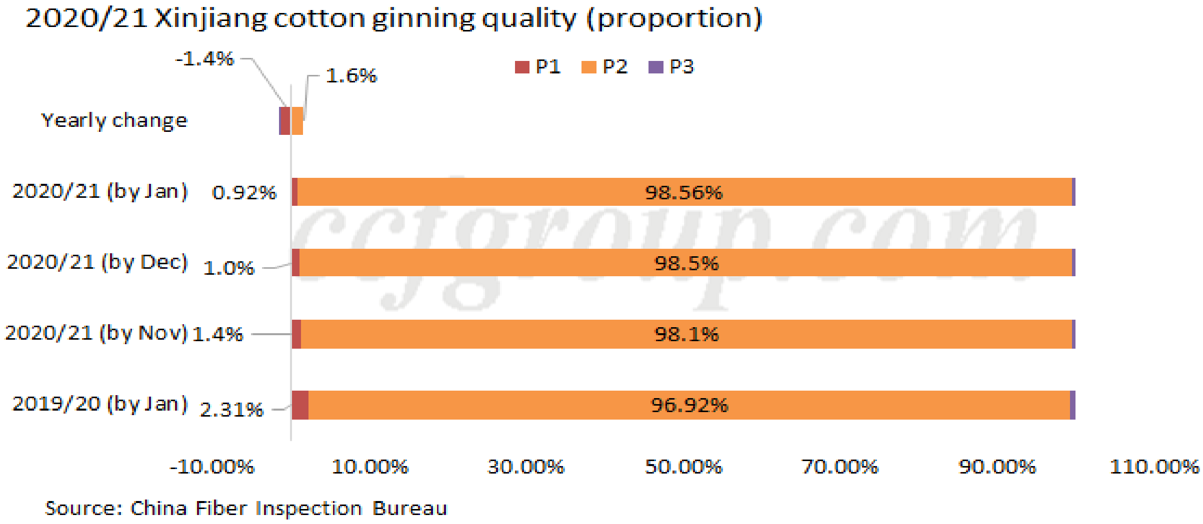
A continued to enlarge. By end January, 2020/21 cotton with micronaire A+B declined by 450kt year on year, and the proportion in total inspection volumes reduced from 83.5% in 2019/20 season to 67.5%, down by 16% year on year.



2020/21 Xinjiang cotton micronaire (volume, by end Jan, KT)				
	2019/20	2020/21	Yearly change	Change with end Dec
A, 3.7～4.2	897	209	-689	-629
B1, 3.5～3.6	41	6	-36	-29
B2, 4.3～4.9	3139	3411	272	59
C1, ≤3.4	21	2	-19	-14
C2, ≥5.0	783	1741	958	821
A+B	4078	3625	-453	-599
Total	4881	5367	486	209
Proportion in total	83.50%	67.50%	-16.00%	

6. Ginning quality

There was little overall change in terms of ginning quality.



2020/21 Xinjiang cotton ginning quality (volume, by end Jan, KT)				
	2019/20	2020/21	Yearly change	Change with end Dec
P1	113	49	-63	-60
P2	4731	5290	559	278
P3	38	28	-10	-9
P1+P2	4844	5340	496	218
Total	4881	5367	486	209
Proportion in total	99.20%	99.50%	0.25%	

Conclusion

By January 31, inspection volumes of 2020/21 Xinjiang cotton totaled 5.368 million tons, up 10% year on year. In the later period of cotton ginning, quality has no big change. Color index improves slightly compared with end December, but no improvement is seen on length, strength, and micronaire.

By end January, 2020/21 cotton with length at 29mm and above is only 1.27 million tons, down 1.42 million tons year on year and 2020/21 cotton with strength at 29gpt and above is only 1.068 million tons, a fall of 650kt year on year. 2020/21 cotton with length at 29mm and above and strength at 29gpt and above only reaches 1.068 million tons, which was 1.718 million tons in 2019/20 season.

According to the standard of Zhengzhou Commodity Exchange, the quality of micronaire reduces much this season. The proportion of cotton with micronaire A+B declined from 83.5% in 2019/20 to 67.5% by end January, down 16% year on year.

Source: ccfgroup.com– Feb 06, 2021

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Iran: Spinning Mills Operating at Full Capacity Because of High Demand

Iran's spinning factories are operating at full capacity, as the capacity of cotton mills increased by 47,000-48,000 tons last fiscal year (March 2019-20), the director general of the Ministry of Industries, Mining and Trade's Textile and Clothing Department said.

Noting that demand for locally-made clothing has increased by 20%, Afsaneh Mehrabi added, "As of last year, the country needed 120,000 tons of cotton. Last year, cotton imports stood at 98,000 tons as 60,000 tons of locally-made cotton were consumed," Mehr News Agency reported.

"Prices of imported cotton have increased due to the depreciation of local currency. So, efforts made by Agriculture Ministry to increase import tariffs seem unjustifiable. Furthermore, sanctions have made imports even more challenging," Mehrabi said.

Source: financialtribune.com– Feb 07, 2021

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Indonesia, Mexico businesses ink cooperation pact

The Indonesian Embassy and the Indonesian Trade Promotion Center (ITPC) in Mexico City have facilitated business cooperation between Indonesian and Mexican companies for export of furniture, home decor items, and textiles.

The cooperation is part of efforts taken since early this year to increase Indonesia's exports to Mexico, the Indonesian Embassy in Mexico City said in a written statement issued on Saturday.

The agreement includes cooperation to export Indonesian furniture to Mexico and market Balinese clothes and textiles to the country.

Indonesia exported a container load of furniture and home decor items to Monterrey City, Mexico, via the Tanjung Priok Port in North Jakarta on February 1, 2021.

The products, which mostly came from West Java, will be displayed and sold at a gallery in Monterrey, which has so far sold home decor products from the United States.

On February 3, 2021, PT. Asia Garmen Internasional of Indonesia and Pareos Del Mar of Mexico inked a memorandum of understanding (MoU) online on business cooperation.

Indonesian Ambassador to Mexico Cheppy T. Wartono and Director of Promotion and Image Development at the Indonesian Trade Ministry Tuti Prahastuti witnessed the signing of the MoU, the embassy informed.

Under the cooperation agreement, Pareos Del Mar will serve as a representative agent for PT. Asia Garmen Internasional’s products in Mexico.

Source: en.antaranews.com– Feb 07, 2021

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Philippine garment exporters to petition EU over possible scrapping of tariff privileges

The Philippine garment industry is preparing to petition the European Commission, asking it not to consider calls for the country to lose its Generalized Scheme of Preferences Plus (GSP+) access to European Union (EU) markets.

The call follows a resolution adopted by the European Parliament in late September calling on the European Commission to temporarily withdraw the Philippines' access from the scheme because of human rights abuses.

Members of the European Parliament acted over what it regards as "the seriousness of the human rights violations" committed by the administration of President Rodrigo Duterte, who infamously encouraged extra-judicial killings of suspected drug dealers.

Access to GSP+ can be suspended if a country breaches a wide range of human rights conventions – such concerns, for instance, led to Sri Lanka losing this status in 2010 (it was restored in 2017).

Robert Young, trustee for the textiles, yarns and fabrics sector of the Philippine Exporters Confederation Inc. (Philexport) and the president of the Foreign Buyers Association of the Philippines (Fobap) said the clothing sector would resist a loss of GSP+ status.

It was planning an official communication to the European Commission, which would have to propose such a move. Fobap will also request an easing of origin rules that have prevented the Philippine clothing sector from making the most of this trade status, Young added.

The industry lacks local backward linkages, preventing it from purchasing enough fabrics and yarns locally that will help qualify it for GSP+ privileges.

"It is heartbreaking to see that garment-makers have no way of replacing imported inputs with locally made inputs and we are thus preparing a petition for the EU Commission," said Young.

The GSP+ program grants the Philippines the benefit of exporting more than 6,000 products to any of the 27-EU member countries at zero tariff.

Products on the list include textiles, garments, headwear, footwear, furniture and chemicals.

Young said the Philippines only exported apparel worth EUR100 million to the EU market in a 2019, a performance that it needs to improve to better cope with the Covid- 19 pandemic.

Latest data by the Philippine Statistics Authority painted a bleak picture, with industrial output of the country's apparel and footwear sector and apparel volume-wise dropping by 35.7 percent year-on-year in August, much deeper than overall industrial output's contraction of 13.8 percent.

Textile output declined by 25.1 percent- which would impede the clothing sector's ability to meet local input rules associated with GSP+.

Source: ph.news.yahoo.com– Feb 07, 2021

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Bangladesh: Apparel exports to US drop about 12pc in 2020

The country's apparel exports to the United States fell by 11.73 per cent to US$ 5.22 billion in 2020 year on year mainly due to the adverse impact of Covid-19 pandemic.

Bangladesh fetched $ 5.92 billion in 2019 through exporting readymade garments (RMG) to the single-largest export destination, according to data of the Office of Textiles and Apparel (OTEXA) affiliated with the US Department of Commerce.

The country shipped 1.88 billion square metres of apparel items in 2020 which was 2.0 billion square metres in 2019.

Experts and exporters have attributed sluggish demand followed by higher Covid infection rate, changing pattern of sales and election related uncertainties for the poor performance there.

The OTEXA data also showed that the total apparel imports by the US declined by 23.46 per cent to $64.07 billion last year which was $83.70 billion in 2019.

China, the largest exporter to the US, also witnessed a 39.16 per cent negative growth with earnings of $15.15 billion in 2020. The country shipped apparel items worth $24.91 billion in 2019.

Vietnam's RMG exports to the market declined by 7.25 per cent to $12.57 billion last year, down from $13.55 billion in the previous year. The US RMG imports from Cambodia, however, increased by 5.45 per cent to $2.82 billion.

The US apparel imports from India fell by 25.58 per cent to $3.02 billion in 2020.

Indonesian exports to the US also decreased by 20.09 per cent to $ 3.51 billion, data showed.

When asked, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Dr Rubana Huq said that when the outbreak of Covid-19 shattered the whole world, the lockdown and restrictions were immediately imposed to curb the spread of the deadly virus.

"As a result, the retail sales and demand in the western world led towards the worst-ever Christmas sales the world has ever seen," she noted.

Cambodia surprisingly did better with a positive growth and Bangladesh is holding a very shaky position compared to its fellow opponents.

Citing data of July-December period of 2020, Ms Huq said the US apparel imports from Bangladesh declined by 3.19 per cent y-o-y whereas their global apparel imports dropped by 17.25 per cent, and their imports from Cambodia and Pakistan puffed-up with positive growth of 6.89 per cent and 8.16 per cent respectively.

The growth in the last half of 2020 indicated the possible impact of the second wave of Covid-19, she said, adding that Bangladesh's performance looked more challenging.

Talking to the FE, Fazlee Shamim Ehsan, director of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said the overall RMG exports to the major destinations in 2020 witnessed a negative growth, and the US market was not an exception, mainly because of the pandemic.

The demands were also slow due to the shutdown of retail shops amid lockdown in the US, he added.

Moreover, the Covid-19 has changed the sales pattern that resulted in placing small-quantity orders instead of bulk ones, he said, adding Bangladesh could not take the advantage of or cope with such changes.

Regarding Vietnam, he said the country did better as compared to Bangladesh due to their Covid management that lured more US buyers placing orders there.

The exporters, however, said that better export performance in the days ahead largely depends on successful implementation of the vaccination programmes in the apparel importing countries, especially the European Union and the USA.

Explaining the better performance of knitwear items, they said Bangladesh is in a good position for quick delivery of knit items thanks to its backward linkage industry.

And the USA, a large market for woven items, has been hit hard by the pandemic, they said, adding that for woven items, the buyers prefer countries having strong backward linkage industries.

Bangladesh is largely depended on imported woven fabrics as local suppliers can meet only 30-35 per cent of the demand.

According to the Export Promotion Bureau (EPB) data, the export of woven items to the US decreased by over 22 per cent to US$ 3.49 billion in 2020 which was $4.49 billion in 2019.

Knitwear items fetched $1.56 billion last year, up from $1.52 billion in 2019, the EPB data showed.

Source: thefinancialexpress.com.bd– Feb 07, 2021

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Pakistan: Let's focus on big industries

The large-scale manufacturing (LSM) output showed a huge expansion of about 14.5% in November 2020 and the cumulative LSM growth for July-November 2020 came in at 7.4%.

This gave the Pakistan Tehreek-e-Insaf (PTI) government a valid reason to claim that its policies fo®r industrial revival are working. And, this cannot be denied.

During Jul-Nov 2020, 10 out of 15 sub-sectors of LSM recorded an increase in output in comparison to the year-ago period. These included textile; food, beverages and tobacco; coke and petroleum products; pharmaceutical; chemical; non-metallic mineral products; automobile; fertiliser; paper & board and rubber products.

Five sub-sectors experienced a decline in the year-on-year production. These were iron and steel products, electronics, leather products, engineering goods and wood products.

What is heartening to note is that on top of the list of 10 sub-sectors whose production went up are textile and food industries that are not only massive job creators but are also the first and second biggest export sub-sectors.

The depressing aspect, however, is that the iron and steel sector – that too is a big employer and has the potential to create indirect jobs in allied industries – recorded a decline in output.

Going forward, the production of iron and steel industry can be expected to grow as the government is pushing forward its housing programme for the ordinary people and banks have already started offering Naya Pakistan housing loans.

But banks are currently offering loans to those people who are interested in purchasing already constructed housing units, particularly in large cities like Karachi, whose builders were not able to sell them in the last fiscal year when economic growth decelerated 0.4%.

This means that the revival of housing sector cannot give the required boost to the output of iron and steel products in the near future. For that to happen, we will have to wait for the next fiscal year.

Construction of roads and other civil infrastructure can pick up pace if public representatives immediately get Rs500 million per parliamentarian, as recently announced by the government.

Similarly, if China-Pakistan Economic Corridor (CPEC)-related construction and civil work projects are accelerated immediately, they too can push up output of iron and steel. But in both of these cases, there are many ifs and buts that will determine the actual outcome.

Textile sector's output has shown an impressive growth thanks to a myriad of cash-and-kind incentives offered by the PTI government, which is facing political challenges and is trying to create political capital in the elite business class. This increase has led to a handsome growth in textile sector's export earnings barring a few sub-sectors for obvious reasons.

During Jul-Dec 2020, textile sector's export earnings grew about 8% year-on-year to $7.442 billion. Key sub-sectors like knitwear, bed wear, towels, readymade garments, canvas, tents and tarpaulin posted a substantial increase in export earnings.

Exports of cotton, cotton yarn and cotton cloth, however, showed a decline in earnings because of the reason that the country's last cotton harvest had crashed.

With prospects of improvement in cotton crop and with incentive packages for textiles still effective, one can hope that textile output and exports will continue to grow by the end of current fiscal year in June 2021.

In LSM, food and pharmaceutical sectors are producing more but while increased output of pharmaceuticals is reflecting in exports, the large production of food and beverages is not bringing additional export earnings.

During Jul-Dec 2020, Pakistan's food exports fell to $2 billion from $2.2 billion in Jul-Dec 2019, according to the Pakistan Bureau of Statistics. On the other hand, exports of pharmaceutical products shot up to $139 million from $112 million.

Efficiency ratio

A faster recovery and sustained growth of LSM can surely help export growth as well. But the government and private sector will have to ensure that not only industrial output but productivity levels also rise.

Productivity, as we know, is an efficiency ratio. It means what output we get by using a certain amount of inputs? Sadly, in Pakistan a fair amount of working hours and other inputs like utilities go to waste during industrial production.

The reasons include lack of most modern machinery and the required skills to operate them optimally, lack of best management skills and absence of a proper corporate culture in most industries. These result in an increase in the cost of final products.

On the other hand, the lack of modern global marketing continues to keep per unit export prices lower than in other countries. As a result, the increase in industrial output does not push export earnings as much as it can.

This has to change. And, for this change to happen, innovation is the key. Industries will have to find innovative ways of purchasing quality raw material at right prices; they will have to find innovative ways of mass-training workers; and they will have to innovate production processes in addition to be more innovative in marketing their products.

If that is done – and that can be done once the private sector understands the importance of being competitive - then not only industrial output will grow, but even a modest rise in output will boost export earnings.

Otherwise, for exports to take a quantum leap, we will have to wait for a meteoric, miraculous rise in the overall industrial production – and that will not be possible after this fiscal year when the low base effect vanishes.

Source: tribune.com.pk– Feb 08, 2021

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Pakistan: Cotton crisis

Quietly and under the radar of the government, a crisis in the cotton sector is brewing that increasingly calls for urgent attention from policymakers. The cotton crop this year has plummeted, due to various factors. The expectation was production of slightly more than 10m bales this year, down from the norm of 12m bales.

But now that the harvest is done, less than 6m bales have come through. This means Pakistan's imports of cotton are rising sharply, coming in above $1bn in the first half of this ongoing fiscal year, up from $543m in the same period last year, and among stakeholders the expectation seems to be that this figure could climb to $3bn by June.

This does not seem to be a one-off event. The country's cotton harvest has suffered setbacks in the previous two years at least, but the scale of the declines is accelerating. Importing cotton is one stopgap solution, but if the diminishing harvests become the new normal, it will have a very damaging effect on the external account.

Pakistan's textile exports already use large amounts of imported raw materials, as evidenced by the rising import bill along with rising exports. If cotton is also added to the list of imported raw materials, it will mean even greater loss of competitiveness by the textile sector, which is already struggling to compete with its counterparts in Bangladesh and Vietnam.

There are two problems that need to be tackled simultaneously. First the immediate situation that has arisen from the collapse of the cotton harvest, that is leading to rising prices, which could prompt exporters to demand even greater concessions from the government to maintain the momentum behind exports.

The second is the longer-term stagnation and erosion of the country's cotton output. The latter will require a deeper look, more coordination with provincial authorities and industry players. The government would be well advised to take the emerging situation more seriously than it is at present.

Source: dawn.com– Feb 07, 2021

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With high-end, value addition products, Challenge Fashion propels Pakistan's textile industry to do better

In Pakistan, one of the answers to the country's persistent economic problems that many have touted as game changing are Special Economic Zones (SEZs). SEZs are designated areas in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include increased trade balance, employment, increased investment, job creation and effective administration.

Again, this is the textbook definition of SEZs. In Pakistan, the reason they are even more important are because they are at the center of the China Pakistan Economic Corridor (CPEC). The SEZs along CPEC routes and at crucial points, particularly in the North, not only have different laws, but have been massive undertakings in setting up infrastructure, housing, power, markets, communication systems, and anything else that might be needed to turn these SEZs into juggernauts of economic growth.

These SEZs are supposed to give Pakistan a new industrial identity, in which the country is supposed to stand side by side with Chinese companies to embark on exciting new economic activities in these zones. There are a number of opportunities available for Pakistan to capitalize on with these zones, especially in partnership with China.

For this article, we want to look at a new business venture that is hoping to capitalize on the SEZ model. While the company in question has a definite Chinese connection, it is by no means a part of CPEC and is a private undertaking. Challenge is a Chinese company operating in different parts of the world and has a number of umbrella organizations working underneath it.

The interesting thing about Challenge is its customers. Already, even though it is new to Pakistan, thanks to their Chinese affiliation Challenge Textile has among its customers global clothing and accessories brands Adidas, Icebreaker, Polartec, The North Face, Smartwool, Uniqlo, Primaloft and very recently, Reebok.

With these companies as their customers, Challenge has already made contributions to Pakistan's export friendly outlook, by exporting textile products worth $45 million each year since it started operations in Pakistan.

Now, they want to get permission to set up their operations into an SEZ, which may result in another boost to Pakistan's export goals.

Even more importantly, Challenge brings to Pakistan a different kind of company. You see, all industries in Pakistan have a horrible habit – demanding things of the government as if they are their God given rights. This tradition of whining in all Pakistani industries makes for painful copy when you interview a CEO or an association chairman.

But Challenge is different because they are not asking for anything, but only showing what they have managed to do up until now. Instead of demanding favours, they try to focus on what they can bring to the table in Pakistan. What they claim to bring now, especially if they get their SEZ, is $1 billion in exports. Here is what they are all about.

The company in question

How has the Challenge Group managed to attract high profile customers like Adidas and The North Face? Well, before operating in Pakistan, the group has been one of the most acclaimed, well recognized and lauded apparel producing companies in China. Essentially, the business is that they produce quality apparel that big name brands like Adidas would be happy slapping their name on and selling.

The group deals mostly in outdoor and sports apparel, and has been in the technical circular knit business for two decades, starting out in 2001. Circular knit is made with a machine that knits the fabric in a continuous circle (tube); the weight is "light." The fabric is thin. T-shirt fabric is the best example of circular knit fabric. All of these qualities make circular knit products ideal for sportswear. They are capable of producing the lightest and finest items that are required in the market.

In China, they have been declared one of top three most innovative companies in the textile industry because of their creative product lines. China's ministry of industry and information technology has also declared them one of the four most sustainable companies in the textile industry.

In coming to Pakistan, the company has shown great trust in the market, and has seen the potential that Pakistan has as a textile exporter. Their investment through Challenge Fashion has been significant, but what is even more heartening is that the investment seems to be a long term one.

Currently, the group's plan is to invest $150 million into Pakistan over the course of the next three years. This injection of investment would mean the creation of nearly 20,000 jobs in Pakistan, and exports worth $1 billion over the next five years that would help Pakistan's balance of payments significantly.

The company's argument, as it has been communicated to Profit, is that they are exactly the kind of company the Pakistan government wants to foster, because it will be good for business and good for the country's economy. It is a simple two way equation – the government gets an improved economy, jobs, and a company of recognition working peacefully in Pakistan, and the Challenge Group continues to churn out profits.

Currently, Pakistan's economy needs a kick start with abundant foreign investment, and this has been the strategy of the federal government as well. This is exactly what the group brings to the table. The investment will not only improve Pakistan's standing as a location for foreign investment and encourage others to join the fray, but it will also be a major asset for the government to have a company working with it that sees eye to eye on its vision of how to improve the economy in Pakistan.

That is why the company now wishes to build a Special Economic Zone. Now, a single company getting one and for something like apparel would be interesting, especially since they are asking for one very close to Lahore. However, this is exactly the kind of innovation that was the hallmark of the group in China as well, and what won them all of their major clients.

By making an SEZ in the vicinity of Lahore, according to the company, they will be encouraging other national and multinational business groups to expand in Pakistan. Other than the growth of foreign investments and a better balance of payments, the forming of this SEZ, as with most SEZs, hopes to bring about modernization in the industry in Pakistan because of increased competition.

It will also quickly develop and urbanize areas surrounding the 80 acres of land on which the group is planning to build their SEZ.

Click here for more details

Source: profit.pakistantoday.com.pk– Feb 07, 2021

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NATIONAL NEWS

India, EU hold high-level dialogue, discuss ways to promote trade

India and the European Union (EU) have held the first high level dialogue (HLD) and discussed ways to promote bilateral trade and investments, the commerce ministry said on Saturday.

The meeting was co-chaired by Minister of Commerce and Industry Piyush Goyal and the European Union Executive Vice-President and Trade Commissioner Valdis Dombrovskis. It was held on Friday.

During the discussions, the ministers "agreed for further deepening of bilateral trade and investment relationship through a series of regular engagements, aiming at quick deliverable for the businesses in these tough times", it said.

The ministers also agreed to meet within the next three months, with an objective for reaching consensus on a host of bilateral trade and investment cooperation issues including a bilateral Regulatory Dialogue.

Source: financialexpress.com– Feb 06, 2021

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Weeks after formal Brexit agreement, India restarts trade talks with EU and UK

The UK accounted for 16% of India's $53.7-billion exports to the EU in FY20. Apart from garments, India ships out gem and jewellery, pharma products, footwear and organic chemicals, among others, to the UK in large volumes.

Weeks after the formal Brexit agreement, India has revived dialogues with the EU and launched talks with the UK in a bid to expedite trade deals and aid economic growth in the post-Covid era.

In a virtual meeting with EU trade commissioner Valdis Dombrovskis on February 5, commerce and industry minister Piyush Goyal pitched for a quick "early-harvest deal" followed by a time-bound and balanced free trade agreement (FTA), formal negotiations for which have been stuck over differences since 2013. The EU, including the UK, was India's largest export destination last fiscal, with a 17% share in the country's overall outbound shipments.

Goyal also sought the EU's endorsement of a joint proposal moved by India and South Africa at the WTO, to get a temporary waiver of the restrictive TRIPS agreement to ensure adequate supply of Covid-19 vaccines in developing countries.

Separately, Goyal held talks with Britain's international trade secretary Liz Truss, who was on a visit to India last week, to boost trade.

The renewed thrust on trade talks after the Covid disruptions reinforces India's commitment towards greater integration with the global value chain, just as it maintains that its Atmanirbhar initiative is not inward-looking. Having pulled out of the China-dominated RCEP deal, India has been seeking to expedite trade talks with large markets.

Importantly, both India and the EU sides have now agreed to review the progress of discussions on the proposed bilateral trade and investment agreement on a monthly basis by senior officials. It will be followed by a quarterly review by both Goyal and Dombrovskis. Both have also decided to meet within the next three months before the India-EU Leaders' Summit (to be attended by Prime Minister Narendra Modi, among others) is held at Porto on May 8.

The dialogues come at a time when India's planned FTA with the EU has lost some of its sheen, thanks to Brexit. For instance, Britain made up for 26% of India's apparel exports in FY20 to the EU, which was the largest export destination for Indian apparel with a 37% share. Hence, trade deals with both the EU and the UK are crucial.

The UK accounted for 16% of India's $53.7-billion exports to the EU in FY20. Apart from garments, India ships out gem and jewellery, pharma products, footwear and organic chemicals, among others, to the UK in large volumes.

Importantly, Indian exporters have flagged that any India-UK trade talks won't have the same level of complication that exists between India and the EU, and a deal can be firmed up without much hiccups.

After 16 rounds of talks between 2007 and 2013, negotiations for an India-EU FTA were stuck due to differences, as the bloc insisted that India cut import duties on automobiles and wine (which would benefit mainly Germany and France), among others. The UK is unlikely to be much too rigid over these issues, analysts reckon.

As for the current talks with the EU, a senior government official said: "The objective is to take forward any of the possible deliverables in the upcoming Leaders' Summit."

The likely deliverables include launching an investment facilitation mechanism, working on regulatory cooperation, removing trade barriers, deepening research and promoting innovation, addressing multilateral issues of mutual interest, continuing dialogue on the intellectual property rights and building resilient value chains.

Source: financialexpress.com– Feb 08, 2021

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Exports from UK to EU down 68% since Brexit trade deal, say hauliers

Port cranes are seen at Cherbourg Harbour, France, January 20, 2021. Brexit delays and customs checks have led to a surge in demand to ship goods in and out of Ireland direct to European ports like Cherbourg in France.

Exports from Britain to the European Union fell by 68% in January as trade was disrupted after the end of a transition period following Britain's departure from the European Union, according to a trade body representing hauliers.

The government did not confirm the data and said disruption at the border had been minimal since Britain completed its journey out of the EU's orbit at the of 2020 following an agreement on trading arrangements.

Since the start of the year, businesses and hauliers have had to adapt to new trading arrangements, including new systems for companies and officials in the British province of Northern Ireland.

Some businesses have struggled with new customs declarations and health certificates as the coronavirus pandemic also hits firms. International members at the Road Haulage Association (RHA)reported a 68% fall in exports in January, the group said on Twitter.

"I find it deeply frustrating and annoying that ministers have chosen not to listen to the industry and experts," RHA Chief Executive Richard Burnett told The Observer newspaper.

The government said it engages with the sector and does "not recognise the figure provided on exports."

"Thanks to the hard work of hauliers and traders to prepare for change, disruption at the border has so far been minimal and freight movements are now close to normal levels, despite theCOVID-19 pandemic," it said in a statement.

Source: thehindubusinessline.com– Feb 07, 2021

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Garment exporters fear losing premium market

Duty on cotton hiked from nil to 10% and on raw silk, silk yarn from 10% to 15%

The Budget's announcement on increasing customs duty on cotton may cast a shadow on India's advantage in premium/ high-end garment exports to the world, according to cotton stakeholders.

This, according to the trade sources, is primarily due to the additional cost for imported cotton — mainly the extra-long-staple (ELS) — used in making high-value-added textiles and garments, which are exported globally under premium labels. ELS quality of Giza Cotton is imported from Egypt, while Pima Cotton is sourced from the US. The cotton stakeholders also expressed concerns about losing international market, especially US and Europe, to neighbouring competitors Bangladesh and Pakistan as well as Vietnam.

In her Budget speech, Finance Minister Nirmala Sitharaman said that in order to "benefit farmers, we are raising customs duty on cotton from nil to 10 per cent and on raw silk and silk yarn from 10 per cent to 15 per cent."

The Cotton Textiles Export Promotion Council has expressed its surprise over the government's decision. The Council said that it is concerned of a higher cost for value-added products including fabrics, made-ups and garments as a result of the hike in the customs duty.

The Southern India Mills' Association (SIMA) had also demanded a roll-back of the decision soon after the Budget.

Net imports

As per data by the Cotton Association of India (CAI), India's cotton imports for the year 2019-20 (October to September) were projected at 15.50 lakh bales, whereas for the year 2020-21 it is estimated to be around 14 lakh bales, of which 4.5 lakh bales of cotton was imported as on December 31, 2020.

India is the largest producer of cotton in the world with output for 2019-20 projected at 360 lakh bales and 358.50 lakh bales for the current year.

Surplus market

While the country is a cotton surplus market and a net exporter of cotton, the government's decision to impose an import duty on cotton has surprised the industry.

"This is not a healthy move. Every year we import about 14-15 lakh bales, which is about 5 per cent of our total production. It is imported for special end-use application - namely high value-added garments exports.

Indian goods already suffer the highest import duty in our destination markets like the US. With this import duty, all the high-value-added export orders will go to our competitors, Pakistan, Bangladesh and Vietnam," said J Thulasidharan, President, Indian Cotton Federation told BusinessLine.

As per the trade insiders, the cotton textiles/garments using 51 per cent or more Pima cotton can qualify for Supima lable, which commands higher price and premium in the US market as well as other prominent garment markets.

Source: thehindubusinessline.com– Feb 07, 2021

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Budget has created growth platform for coming years also, say experts

From improving the transparency of the Budget to increasing allocation for capex to setting aside fiscal consolidation plans to spur economic growth, the Budget 2021 has not just created a platform for growth in FY 2021-22 but even beyond, says young economists from credit rating agencies and next-gen leaders of leading industrial houses.

"The focus of the Budget is not just short-term but also medium-term in nature. There was a hope that something would be done for the medium-term and I think they (government) have surprised positively by announcing that," said Dipti Deshpande, Senior Economist at CRISIL.

She was speaking at a virtual panel discussion, 'Budget 2021 - Resetting the Indian Mindset' organised by the Chennai International Centre on Saturday. The discussion was moderated by V Anantha Nageswaran, Part-time Member, EAC-PM, Government of India.

"There is a conscious choice to tilt towards capital expenditure despite walking on a tight fiscal rope and that provides optimism and creates a platform for growth beyond FY22," Deshpande said.

However, she also added that since it is an investment-led push and not a consumption-led push to growth, the full impact will be seen over time and not just in FY22. "Transparency in the Budget has improved, which will not just appeal to the Indian investors but also to foreign investors, who are now actively investing in India."

Auto, textiles sectors

Speaking on the industry side, Harish Lakshman, Vice-Chairman of the auto component house Rane Group, said even before the pandemic struck, the automotive sector had a very bad phase with industry witnessing a significant de-growth in FY 2019-20.

He added that while the auto sector was disappointed for not getting any stimulus under the government's Aatma Nirbhar package announcements, the industry is today happy and smiling because of a sharp recovery. He hoped that the momentum would sustain.

"The production-linked incentive (PLI) scheme, announced even before the Budget, is a good step in the right direction. We are very happy that the auto sector is getting the maximum allocation amongst various sectors under the scheme," Lakshman said, adding, "This is the right time for our industry to capitalise on that sentiment and utilise the scheme to take us to the next orbit."

Responding to Nageswaran, the Rane Group Vice Chairman also acknowledged that, in hindsight, the government was right in not buckling up to the auto industry's demand for GST rate reduction at a time when the demand had not picked up.

Hari Thiagarajan, Executive Director, Thiagarajar Mills said, the Budget has put the right kind of thrust in three economic growth engines such as private investment, consumption and exports.

On the textile industry announcements, Thiagarajan said, "The Budget has announced setting up of seven mega textile parks, out of which 2-3 might come to Tamil Nadu. While the announcement is good, the issue is that there are already textile parks in the country which need attention and care." "One dampener for the textile industry is the 10 per cent import duty levy on imported cotton," Thiagarajan said, adding, "There is huge and market for fabrics and garment made out of cotton which are grown in the US and Egypt so the 10 per cent import duty is going to affect some of the spinning mills which import cottons."

Positive aspects

Arjun G Nagarajan, Chief Economist at Sundaram Asset Management said that government's restrain during the Covid phase and spending during reconstruction phase, transparency in budgetary allocations and focus on growth over ratings are some of the positive takeaways from the Budget.

"The Budget, sort of, echoes a certain commentary in the Economic Survey. On the rating front, we have not been fairly rated, so let's not really be too concerned about rating and the priority is growth and let's push the accelerator on growth and that will take care of everything else and that has been the overarching theme of the entire budget," Nagarajan said.

Source: thehindubusinessline.com– Feb 07, 2021

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Steps sought to bring down yarn prices

The Tiruppur Exporters' Association (TEA) will appeal to the government to ban yarn exports to control prices in the domestic market.

This was decided at a meeting of the Association held recently to discuss the issue of increasing prices of yarn. The Association will also constitute a committee that will meet the textile mill associations and discuss the issue.

It will hold meetings with these associations on the ways to bring down yarn prices, ensure uninterrupted supply of yarn and have stability of yarn prices. The association will also appeal to job workers and other associations in the knitwear value addition sector to not hike prices.

The TEA will appeal to the international buyers to increase the sourcing price so that the garment exporters are able to meet the higher production cost.

Source: thehindu.com– Feb 08, 2021

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Mills association seeks rollback of duty on cotton imports

'Levy will lead to higher import of garments, escalate prices'

The Southern India Mills' Association has sought a rollback of the 10% customs duty on cotton imports announced in the Union Budget, as it would escalate the cost of garments and result in higher import of garments, especially from countries such as Bangladesh and Sri Lanka.

Ashwin Chandran, chairman of Southern India Mills' Association, said that India imports mainly extra-long staple (ELS) cotton, organic cotton, contamination-free cotton and sustainable cotton. The production of these varieties is either nil or meagre in India.

Indian mills consume about 15 lakh bales of ELS cotton annually as against the domestic production of about five lakh bales, Mr. Chandran said.

India is a major importer of Pima and Giza cotton varieties.

The country imports about 33% of total Pima exports from the U.S. and 45% of Giza cotton from Egypt.

Several garment exporters in the MSME segment do not have capacities to make yarn from such premium cotton varieties and buy yarn from the domestic mills.

Such exporters will not get Advance Authorisation Scheme benefits that the integrated mills that import cotton can avail of.

Thus, Indian products made of imported cotton will become expensive in the international market, which will give competitors an edge.

In the case of the domestic market, the cost of garments made of imported cotton will increase, leading to higher import of garments, he said.

Source: thehindu.com– Feb 06, 2021

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The big Budget push to ramp up domestic manufacturing and improve export competitiveness

The Economic Survey 2020-21 and the Union Budget 2021-22 are remarkably different from previous ones. While the survey provides the analytical backstop for the government's intent to borrow, build and grow, the budget itself is directionally clear and unambiguous about broad strategy. To build and support local industry — the AatmaNirbhar Bharat (ANB) programme — it is recalibrating the entire range of tariffs on imports and exports.

"Our customs duty policy should have the twin objectives of promoting domestic manufacturing and helping India get onto global value chain and export better," Finance Minister Nirmala Sitharaman said in her budget speech. "The thrust now has to be on easy access to raw materials and exports of value-added products."

Sitharaman said the government was overhauling the entire structure; it had already eliminated 80 outdated exemptions and was reviewing another 400. On October 1, 2021, a new customs duty regime "free of distortions" will be put in place.

The Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement in the budget says the customs duty rate structure was guided by a conscious policy of the government to incentivise local value addition under Make in India and ANB. That requires low duty on raw materials and high tax on imported products that compete with local goods.

"Since the 2000s, every government has been trying to find a way to raise the share of manufacturing in GDP, without reverting to the failed policies of 1950-80," says Arvind Virmani, former chief economic advisor (CEA) and chairman, Foundation for Economic Growth and Welfare. Virmani points to IMF estimates which show that average tariff rates rose by 1.3-1.5% during 2014-19 while the Make in India policy was in operation. The AatmaNirbhar Bharat policy brings the focus back on increasing competitiveness through domestic policy reforms.

Duties are now structured to incentivise investment in areas like petroleum exploration and electronics manufacturing. They have been raised on products that are already made in India or which domestic manufacturers aspire to make. Over the past six years, basic customs duty (BCD) on 4,000 tariff lines or about a third of the total has been raised. The BCD rates on components used in mobile phones, for instance, are set differently under what it calls a phased manufacturing plan.

“Domestic electronic manufacturing has grown rapidly,” said Sitharaman in her speech. “We are now exporting items like mobiles and chargers. For greater domestic value addition, we are withdrawing a few exemptions on parts of chargers and sub-parts of mobiles. Further, some parts of mobiles will move from ‘nil’ rate to a moderate 2.5% (customs duty).”

In a bid to encourage local manufacturing, the 2016 Budget removed BCD exemption for chargers, adapters, battery, wired headsets and speakers used in manufacturing mobile phones and inputs used to make these components duty free.

The 2021 Budget points out that free trade agreements and information technology agreements under the WTO have badly hit domestic manufacturing.

“In the absence of an industrial policy, India’s WTO-plus tariff liberalisation under these FTAs was carried out without any strategic coherence,” says Smitha Francis, economist and consultant at Institute for Studies in Industrial Development, in her paper “FTAs and Export Competitiveness: Policy Lessons from a Decade of WTO-Plus Tariff Liberalisation”.

Francis points out that a telling indicator of weak export competitiveness is that India’s exports rose in capital and technology-intensive sectors such as vehicles and parts, non-electrical machinery, organic chemicals, pharmaceuticals, electrical machinery, iron and steel and articles of iron and steel. But “the share of its manufactured exports going to the mature developed country markets has declined. It is in the case of developing country markets that India’s exports have been relatively strong”, she points out in the paper.

The Union budget says an analysis of import data of manufactured commodities showed that wherever import taxes were raised, the import volumes from FTA partner countries increased, indicating re-routing to take advantage of the treaty. It, however, remains to be seen whether moving customs duty up and down can raise competitiveness of domestic industry.

“Starting with corporate tax reforms in September 2019, there has been a series of economic reforms, including in the 2021-22 Budget, designed to improve the productivity and competitiveness of the Indian economy, including the manufacturing sector,” says Virmani.

Building a tariff wall may be counter-productive in the long run, says NR Bhanumurthy, vice-chancellor, Bengaluru Dr BR Ambedkar School of Economics University. “Segmented duty structures lead to ambiguity and micro-management of public policy by customs,” says Bhanumurthy. “If we continue to stay with it (high customs tariffs), it will have an adverse impact on domestic producers. There will be permanent damage to export competitiveness.”

Virmani says India needs a dualistic foreign trade policy, which reduces import dependence on a monopolistic manufactured goods producer like China, while attracting supply chains from the rest of the world, through lower, more uniform import tariffs.

“There are some hints of this in Part B of FM’s budget speech, relating to numerous customs duty exemptions and inverted tariff structure. Though the production-linked incentive scheme is a good start (for efficient import substitution in manufacturing), the government needs to go much further in reforming customs tariff structure, to achieve the goals of a dual trade policy,” he says.

Source: economictimes.com– Feb 07, 2021

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Cotton witnessed big jump in procurement in January

Even as farmers' struggle against the three central farm laws continues, the raw cotton purchases witnessed a big jump in January in three northern states of Punjab, Haryana and Rajasthan. In January, 37.95 lakh bales (1 bale= 170 kilogram) were purchased from these three states, whereas in the previous combined three months of October, November and December only 15.90 lakh bales were purchased.

Out of the total purchases in the three months till January 2021, the Cotton Corporation of India (CCI) has made almost half the procurement, as per the data compiled by trading body Indian Cotton Association Limited (ICAL).

The ICAL has prepared the estimated target of the purchase of 62.10 lakh bales in these states and out of it 53.85 lakh bales have been purchased so far, 86.71% of the set target. Out of the purchase of 53.85 lakh bales, CCI has purchased 24.76 lakh bales.

Punjab witnessed highest procurement by CCI as it bought 5.10 lakh bales or 61.90% out of total 8.24 lakh bales bought in the state. In Haryana, CCI procured 10.52 lakh bales out of total purchase of 18.49 lakh bales. CCI has made relatively less purchases in Rajasthan at only 33.70% or 9.14 lakh bales out of total purchase of 27.12 lakh bales.

Till December 2020, only 2.24 lakh bales were purchased and in January, 6 lakh bales have been purchased in Punjab taking the figure of purchase to 8.24 lakh bales out of target of 10.20 lakh bales.

In Haryana, 6 lakh bales were purchased till December 2020 and 12.49 lakh bales in January, have been purchased taking the figure to 18.49 lakh bales out of the target of 21.05 lakh bales.

In Rajasthan, till December 2020, 7.67 lakh bales were purchased but in January 19.45 lakh bales have been purchased, taking the count to 27.12 lakh bales out of the target of 30.85 lakh bales.

Till January 31, the total of 53.85 lakh bales have been purchased both by CCI and private traders, whereas in the previous cotton purchasing season total 51.27 lakh bales were purchased till January 31.

ICAL president Mahesh Sharda said, “Cotton is being purchased on bigger scale by CCI, private traders and factory owners. Some of the cotton purchases have been made above the minimum support price (MSP) at nearly Rs 6,000 per quintal though initially the cotton was purchased at Rs 4,700- Rs 4,800 per quintal. The MSP of 27.5-28.5 MM long staple cotton is Rs 5,725 per quintal with 8% moisture content.”

An official of Punjab agriculture department said that the cotton purchases were satisfactory and faster than previous season. It is expected that the arrival and purchases may be completed by March.

Source: timesofindia.com– Feb 08, 2021

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Over 29 Lakh Visited 'Hunar Haat' In Lucknow From Jan 22-Feb 7: Naqvi

Over 29 lakh people visited the "Hunar Haat" organised at Avadh Shilpgram here from January 22 to February 7 and purchased handmade products of indigenous artisans and craftsmen worth crores of rupees, Union Minister Mukhtar Abbas Naqvi said on Sunday.

Talking to reporters here on Sunday on the concluding day of the Hunar Haat, Union Minister for Minority Affairs Naqvi said while on one hand exquisite handmade products of almost every region of the country were available under one roof at Hunar Haat, the visitors also enjoyed traditional delicacies of different parts of the country.

Naqvi also said artisans and craftsmen from 31 states and Union Territories participated in the Hunar Haat organised in Lucknow.

About 500 artisans, craftsmen and culinary experts from several states and UTs came at the Hunar Haat here to display and sell their exquisite handmade products, he said in a statement.

Indigenous products like Ajrakh, Applique, Art Metal Ware, Bagh Print, Batik, Banarsi Saree, Bandhej, Bastar Art & Herbal products, Block Print, Brass Metal Bangles, Cane & Bamboo products, Canvas Painting, Chikankari, Copper Bell, Dry Flowers, Handloom Textile, Kalamkari, Mangalgiri, Kota Silk, lac bangles, leather products, Pashmina Shawls, Rampuri Violin, wooden and iron toys, Kantha embroidery, brass products, crystal glass items, sandalwood products, wooden and cane furniture were available at the Hunar Haat.

Naqvi said the Hunar Haat at Lucknow was also available at virtual and online platform http://hunarhaat.org. "People of the country and abroad appreciated and bought Hunar Haat products digital and online also. Now, the Hunar Haat is also available on GeM (Government E Marketplace) portal," the minister said.

The Union minister also said that more than five lakh artisans, craftsmen and people associated with them have been provided employment and employment opportunities in the last six years through Minority Affairs Ministry's Hunar Haat platform.

Uttar Pradesh Chief Minister Yogi Adityanath had inaugurated Hunar Haat at Avadh Shilpgram. Renowned artists of the country performed various cultural programmes daily at Hunar Haat on the theme of 'Atmanirbhar Bharat'.

Naqvi in the statement also said that the 25th Hunar Haat is being organised at Maharaja College Ground, Chamarajapuram, Mysuru (Karnataka) from February 6 to February 14. In the coming days, Hunar Haat will be organised in New Delhi (February 20 to March 1), Kota (February 28 to March 7), Jaipur, Chandigarh, Indore, Mumbai, Hyderabad, Ranchi, Surat/Ahmedabad, Kochi, Puducherry and other places, according to the statement.

Source: republicworld.com– Feb 07, 2021

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Union minister for setting up textile park in Bihar

Union minister for law and justice Ravi Shankar Prasad said on Sunday that he would make sincere efforts to persuade the officials of the ministry concerned to set up a textile park in Bihar.

Addressing the workers of the BJP at a function here, Prasad said the Union Budget unveiled a scheme for setting up textile parks in the country.

“I will request the Bihar president of the party, Dr Sanjay Jaiswal, to make efforts for setting up a textile park in the state,” he told the participants at the ‘Budget par Charcha’ programme.

Spelling out the philosophy of the Budget, Prasad said the Narendra Modi government was committed to making ‘Swachh Bharat’, ‘Swastha Bharat’, ‘Surakshit Bharat’ and ‘Sankalpit Bharat’ with all-round development.

Pointing out a new initiative called production linked initiative (PLI), the Union minister said the central government would provide new incentives related to production to companies with the motto ‘the more you produce, the more you get’.

Without taking the name of China directly, Prasad said, “I will not name our big neighbouring country, but 10 companies from there have come to India amid the Covid-19 pandemic.”

He said the Budget also envisaged setting up critical care units in 602 districts and proper nutrition in 102 districts across the country. Prasad described the Budget as historic and said the Modi-led government at the Centre was committed to taking the development of the country to a new height.

Source: timesofindia.com– Feb 08, 2021

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With proposed Port Authorities law, major ports may be privatised

The new Public Sector Enterprise policy approved by the Cabinet has excluded the 11 major port trusts from its scope (read strategic disinvestment/privatisation), but a new law designed to convert these "port trusts" into "port authorities" may still facilitate this goal.

Once the Major Port Authorities Bill is passed by the Rajya Sabha (it has already got Lok Sabha nod), the government could attempt corporatisation of the 11 ports by invoking Section 50 of the proposed law, feel workers unions.

"Without prejudice to the foregoing provisions of this Chapter, the Board (of each Port Authority) shall in discharge of its functions under this Act, be bound by such directions on question of policy as the Central Government may give in writing from time to time: Provided that the Board shall be given an opportunity to express its views before any direction is given under this sub-section. The decision of the Central Government on whether a question is one of policy or not shall be final and binding on the Board".

Unless the ports are converted into companies, the government cannot list them on the stock exchanges and potentially disinvest or privatise them.

Reaping dividends

Corporatisation will also help the government receive dividends from these ports. In March 2020, Chennai Port Trust acquired the government's 67 per cent stake in Kamarajar Port Ltd — the only State-owned port that is run as a company — for ₹2,383 crore, making it a wholly-owned subsidiary.

The transition of 'port trusts' into 'port authorities' would also facilitate privatisation of cargo handling terminals operated by the State-owned port itself.

This is because the 'port authority' formed under the new law will play the role of a landlord – a model widely followed globally — while private firms carry out port operations, mainly cargo handling activities.

Seven operational projects in major ports worth more than ₹2,000 crores will be offered on PPP mode in FY22, Finance Minister Nirmala Sitharaman had said in her Budget speech.

With coastal States preferring the privatisation route to building new ports, privatising ports owned by the Centre could be considered once they are corporatised, said a port industry consultant.

Source: thehindubusinessline.com– Feb 07, 2021

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