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INTERNATIONAL NEWS

BCI's 'Continued Silence' on Xinjiang Hurts All Brands Using 'Better' Cotton

An alliance of more than 180 human-rights groups has criticized the Better Cotton Initiative (BCI) for scrubbing all public references to its decision to withdraw from the Xinjiang Uyghur Autonomous Region in northwestern China, where allegations of forced labor and other human-rights abuses are rampant.

As the world's largest cotton sustainability program, BCI's "continued silence" runs counter to its mission statement to "make global cotton production better for the people who produce it," the End Uyghur Forced Labor coalition, whose members include Anti-Slavery International, the Clean Clothes Campaign, the Uyghur Human Rights Project and the Worker Rights Consortium, said this week.

BCI's relationship with Xinjiang cotton, which accounts for 85 percent of Chinese cotton, has been the source of much controversy.

When China's mass internment of Uyghurs, Kazakhs and other Turkic Muslim minorities first made mainstream headlines in 2019, BCI released a statement saying that it found "no direct evidence" of forced labor at BCI-licensed farms in the region.

The organization also defended Huafu Fashion, a BCI partner that once held a seat on its council, pointing out that the world's largest mixed-color cotton yarn mill had commissioned an "independent social compliance audit" at its Asku subsidiary and "did not identify any instances of forced labor."

In March 2020, however, BCI announced it was suspending all licensing and assurance activities in the contentious cotton-growing region, where experts believe up to half a million Uyghur workers are being forced to pick cotton by hand through a state-sponsored labor transfer and "poverty alleviation" scheme.

That October, the organization, which counts fashion and home nameplates such as Adidas, Burberry, H&M, Ralph Lauren and Ikea among its members, made the decision to throttle all field-level activities, including capacity building and data monitoring and reporting, noting that "sustained allegations of forced labor and other human-rights abuses" in Xinjiang have contributed to an "increasingly untenable operating environment." The timing was apt; U.S. Customs and Border Protection would block all Xinjiang cotton and cotton products from crossing American borders just a few months later.

Those statements have since disappeared from BCI's website, in a move reminiscent of what brands like Zara owner Inditex and Calvin Klein operator PVH Corp. did at the height of the Chinese netizen backlash in March. The same month, BCI's China branch said it had not found signs of forced labor related to cotton production in Xinjiang. None of this, however, has protected the group from China's nationalist rage, a vicious torrent of which has forced BCI to lock down its Twitter account and shut down comments on its Instagram page. (It hasn't updated any of its social media in half a year.) A domestic version of the BCI based on Chinese standards is also brewing.

Meanwhile, the organization's continued refusal to comment on the situation or explain its actions isn't doing it any favors with human-rights advocates.

"In failing to be transparent and public on BCI's rationale for exiting the Uyghur region, BCI is putting at risk any credibility it could have in its commitment to ensure that decent work is embedded across its global cotton sustainability program," the End Uyghur Forced Labor coalition said. "BCI's own website states that 'BCI does not operate in countries where forced labor is orchestrated by the government.'

By continuing to operate in China without clarity on its "zero tolerance" for forced labor or its reasons for retreating from Xinjiang, BCI is "allowing itself to be used by the Chinese government to claim that business can go on as usual and to deny the ongoing crimes against humanity, including widespread and systematic forced labor, in the Uyghur region," the coalition added.

The alliance is urging BCI to republish "without delay" all previous statements and issue a new one that makes clear that it left Xinjiang because of "ongoing and credible evidence" that systematic forced labor is taking place.

Its refusal to speak out, the coalition said, “taints all brands and retailers that use BCI cotton as an ethical alternative in an industry widely tainted by forced labor, as well as the farmers who trust BCI to take a stand for ‘better cotton’ production everywhere.”

BCI did not respond to a request for comment.

Source: sourcingjournal.com – May 21, 2021

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More Japanese brands will lose out in China due to Xinjiang cotton ban: analyst

While major well-known multinationals face mounting boycott calls in China due to their Xinjiang cotton bans, more Japanese apparel brands are found to have also followed suit in banning Xinjiang cotton.

Analysts said that this unreasonable action of politically siding with the US will make them lose out in the huge Chinese market, where local brands are gaining popularity.

Major Japanese apparel companies, including Mizuno and World, have decided to stop using Xinjiang cotton due to allegations of human rights abuses in the region, the Nikkei reported on Friday.

Mizuno and World Co couldn't be reached for a comment on Sunday.

However, these companies' unreasonable behavior angered Chinese netizens, with some saying on Twitter-like microblog Sina Weibo that brands are criticizing China while making profits from the market.

"Bowing down to the US will result in a loss of the large Chinese market," a net user posted.

As a huge apparel market, China is becoming one of the most strategically important targets for major multinationals.

While refusing Xinjiang cotton, a Mizuno flagship store on Chinese e-commerce platform JD.com - with over 1 million followers - is still carrying out promotions for the annual "618" shopping festival that lasts until June 20.

In addition, it reached cooperation with a Chinese sports company in March 2019, aiming to establish 500 stores in China within three years.

The decisions by Japanese companies to ban Xinjiang cotton have undoubtedly been affected by political factors, as they are forced to take sides under growing pressure from the US, Yan Qiang, a partner with Beijing-based Hejun Consulting, told the Global Times on Sunday.

In January, the US Customs and Border Protection Agency blocked a shipment of Uniqlo's shirts by alleging that they were suspected of having been produced by "forced labor" in Xinjiang.

However, after Uniqlo disputed this claim and provided proof that the cotton didn't come from Xinjiang, the US agency still declined to release the shirts while asking for more proof, according to a document from the agency on May 10.

With discrimination against Xinjiang cotton, multinational companies like Uniqlo, Adidas, Nike and H&M are paying a price in the Chinese market.

Bloomberg reported on May 6 that Uniqlo's sales on Chinese e-commerce platform Alibaba's Tmall dropped more than 20 percent year-on-year in April, Adidas' sales plunged 78 percent, and Nike's dropped 59 percent, citing data from Morningstar Inc.

In addition to a short-term sales slump, these foreign brands' unwise decisions to ban Xinjiang cotton will deal them a fatal blow because the incident would give fast-rising domestic brands time to grab market share, Zhang Yi, CEO of iiMedia Research Institute, told the Global Times on Sunday.

He said that Chinese consumers' national self-consciousness has more than doubled compared with five or 10 years ago, and therefore they may boycott these foreign brands.

Chinese Foreign Ministry spokesperson Hua Chunying reiterate at ed at a regular press briefing on May 12 that the allegation of "forced labor" in Xinjiang is an outrageous lie, and those in the US and the West who hype the issue in order to harm Chinese companies and industries are following a malicious agenda to mess up Xinjiang and contain China.

Source: globaltimes.cn – May 23, 2021

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US-China relations: is there still a trade war under Joe Biden's presidency?

How did the trade war start?

During his 2016 presidential campaign, Donald Trump promised to reduce the trade deficit with China. He claimed it was based in large part on unfair Chinese trading practices, including intellectual property theft, forced technology transfers, a lack of market access for American companies in China, and an uneven playing field caused by Beijing's subsidies for favoured Chinese companies.

China, meanwhile, believed that the United States was trying to restrict its rise as a global economic power.

The US and China are the two largest economies in the world, and Chinese foreign trade grew rapidly after its ascension to the World Trade Organization in 2001, with bilateral trade between the US and China totalling almost US$559 billion in 2019.

However, that trade was lopsided, with the US running a large and growing trade deficit with China.

This became a major political issue during the 2016 US presidential campaign. The US trade shortfall rose to US$375.6 billion in 2017 before the start of the trade war, up from US$103.1 billion in 2002. The deficit rose further to US$378 billion in 2018.

When did the US-China trade war start?

The US-China trade war started on July 6, 2018, when the US imposed a 25 per cent tariff on US$34 billion worth of Chinese imports, marking the first in a series of tariffs imposed during 2018 and 2019.

It continued to escalate, with the US and China imposing various import tariffs on each other's products until an agreement in principle on a phase-one trade deal was reached in mid-December 2019.

At its peak at the end of 2019, the US had imposed tariffs on more than US$360 billion worth of Chinese goods, while China had retaliated with import duties of its own worth around US$110 billion on US products.

What is the phase-one trade deal?

The phase-one trade deal was formally signed on January 15, 2020, with its provisions taking effect one month later.

Trump and China's chief negotiator, Vice-Premier Liu He, signed the agreement at the White House. As part of the deal, China agreed to buy an additional US$200 billion worth of American goods and services over the following two years, compared with 2017 levels.

Those additional purchases would be made up of around US$77 billion in manufacturing, US$52 billion in energy, US$32 billion in agricultural goods and US$38 billion in services. The latter includes tourism, financial services and cloud services.

China also pledged to remove barriers to a long list of US exports, including beef, pork, poultry, seafood, dairy, rice, infant formula, animal feed and biotechnology, according to Trump.

The deal also resulted in the US suspending a planned 15 per cent tariff on around US$162 billion of Chinese goods, with an existing 15 per cent duty on imports worth around US$110 billion halved to 7.5 per cent. China also suspended retaliatory tariffs.

What is the status of the phase-one trade deal?

According to a report by the Peterson Institute for International Economics in February 2021, US exports of phase-one goods in 2020 fell more than 40 per cent short of the target.

The report said China's imports of goods covered by the phase-one deal were 13 per cent higher in 2020 than in 2019, although this was partly the result of a low base from one year earlier, due to China's retaliatory trade war tariffs on US goods.

Click here for more details

Source: scmp.com– May 23, 2021

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H&M and Primark resume Myanmar orders for first time since coup

International clothing companies including Primark and H&M say they have resumed placing orders with suppliers in Myanmar for the first time following February's coup.

The UK and Swedish chains, alongside Denmark's Bestseller, were among the companies that froze orders from the south-east Asian country because of human rights concerns and civil unrest. They now say they are resuming them. H&M, which says it has more than 50,000 people relying on jobs at its textile suppliers in Myanmar, said it was "now gradually starting to place new orders again".

"With our decision we want to avoid the imminent risk of our suppliers having to close their factories which would inevitably result in unemployment for tens of thousands of garment workers," the Swedish company said. Primark said it was committed to honouring its existing orders from its Myanmar suppliers, "however long they take to fulfil". It added that it had "recommenced placing some orders with our key strategic suppliers in the country".

However, European retailer C&A has taken a different stance, telling its suppliers that "we are at this point — unless we see significant improvements within the country — not placing any new orders". It said some previously placed orders were still being produced in the country, adding that it was not penalising suppliers for delayed orders.

Myanmar has been a chaotic place to do business and posed an ethical challenge for foreign companies since the coup. Telenor, the Norwegian telecoms company, this month wrote off the full $782m value of its Myanmar business, but said it had no plans to quit the country.

Fashion brands have faced global scrutiny for their responses to issues such as the sourcing of cotton from China's Xinjiang region, which has been the subject of widespread reports of forced labour.

In Myanmar, areas of Yangon where much of the garment industry is based were the scene of violent unrest after the coup. In March, several Chinese-run apparel factories that sell to global brands were set ablaze after protesters accused Beijing of backing the military takeover.

Some union leaders and human rights groups have urged clothing chains to stop buying from suppliers in Myanmar to intensify economic pressure on Min Aung Hlaing's junta.

However, others highlighted risks to a sector that before the Covid-19 pandemic generated $5bn of annual exports and employed about 700,000 people, many of them female migrant workers, in one of Asia's poorest countries.

"The brands feel they have a commitment to the country, and just cutting and running won't solve anybody's problems," said Vicky Bowman, director of the Myanmar Centre for Responsible Business.

The European Chamber of Commerce in Myanmar said this week that many of the garment workers who fled violence in Yangon had returned to work.

However, a survey by the group showed that about a quarter of the sector's workers had lost their jobs and "the situation is likely to significantly worsen by the end of June".

Proceeds from the garment industry for the most part do not directly benefit the country's military, unlike industries such as gemstones, timber, and oil and gas.

However, Bestseller commissioned an independent investigation into its business in the country to look at investigate the status of three of its factories in an industrial zone linked to Myanmar Economic Holdings, a military-controlled conglomerate that has been placed under sanctions by the US, EU and UK since the coup.

Bestseller, which describes itself as a champion of sustainable development and whose Myanmar suppliers have about 48,000 workers, concluded that the three factories were not on military-owned land and it had not violated EU sanctions. The Danish group also said that it had "started to resume business in Myanmar again".

Source: ft.com– May 21, 2021

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Rising clothing prices double UK inflation in April 2021: ONS

The rate of inflation in the UK doubled in April 2021 owing to a sharp increase in clothing prices after non-retail stores opened on April 12. The Consumer Price Index (CPI) rose from 0.7 per cent in March to 1.5 per cent in April, highest since March 2020, as per official data. Clothing and footwear prices rose by 2.4 per cent between March and April 2021.

Throughout 2020, clothing and footwear prices followed a different pattern compared with previous years. Clothing prices fell between December 2020 and January 2021 and, unusually, fell by a further 1.5 per cent into February, the Office for National Statistics (ONS) said in its recent report.

“The 2.4 per cent rise in clothing and footwear prices between March and April 2021, compounded with the 1.6 per cent rise in March, unwound February’s uncharacteristic fall and takes the index value to be similar to its typical, pre-pandemic April level. This is despite the different seasonal pattern experienced so far this year,” ONS said.

The Retail Sales Index figures by ONS showed a 35.7 per cent year-on-year increase in overall sales (non-seasonally adjusted retail sales excluding fuel) in April 2021.

“The ongoing easing of coronavirus restrictions has meant a second month of sales growth, offering a welcome boost for thousands of retailers in England and Wales. Pent-up demand built up during lockdown continues to be released as the reopening of ‘non-essential’ retail offered the public a welcomed opportunity to visit many of their favourite shops.

Improved weather during April meant greater sales of fashion, particularly in outerwear and knitwear, as the public renewed their wardrobe and made plans to meet friends and family outdoors.

Online sales also continued to perform strongly, rewarding those retailers who had invested in their online and delivery operations during the pandemic,” said Helen Dickinson, chief executive of the British Retail Consortium, responding to the latest ONS Retail Sales Index figures.

"While the figures are a step in the right direction after many months of retail closure, demand remains fragile. Footfall is still down by 40 per cent on the pre-pandemic period, and there are still 530,000 people who work in retail still on furlough. The end of the full business rates relief in England poses a significant threat to retailers who have spent well over a billion pounds on COVID-secure measures aimed at protecting staff and customers," she added.

The government must deliver on its promise to reform the broken business rates system in the ongoing review. By doing so, the industry will be able to make essential investment in improving their digital offering and breathing new life into the high streets and town centres, Dickinson said.

Source: fibre2fashion.com– May 22, 2021

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Pakistan: Weekly Cotton Review: Cotton price remains stable in local market

The rate of cotton in local market remained stable with trading at Rs 12,200 per maund. The Phutti trading of new season started in the local cotton market as the market opened after two weeks Eid holidays. The partial trading of Phutti started and the trading on Rate of Promise (Waday Ka Bhao) of Phutti has started.

The rate of Phutti opened at Rs 5000 to Rs 5500 per 40 kg. Ginners were also showing interest in buying of Phutti. Moreover, ginning factory of Burewala had sold 200 bales of cotton of Sindhi at the rate of Rs 12500 per maund on the condition of delivery in between June 10 to 20. Around 600 bales of Tandoo Adam were sold at Rs 12,200 per maund While 200 bales of Sanghar were sold at Rs 12200 per maund on the condition of delivery in between June 10 to June 20.

During the Eid holidays, the rate of cotton in international cotton market especially the rate of New York Cotton which was 86 cent per pound, after decreasing reached at 82 cents per pound. In the meantime, some mills have made new deals. Private importers told that during the Eid holidays deals have been made for the import of 150,000 to 200,000 bales. The rate of imported cotton is high so it is being considered that deal will be made between Rs 11,000 to 11,500 per maund.

In Sindh, cotton was available in very limited amount and no trading was reported. However, according to estimates its rate was in between Rs 10500 to Rs 11000 per maund. Moreover, good quality cotton was available with some ginners in Punjab demanding more than Rs 12500 per maund.

The Spot Rate Committee of the Karachi Cotton Association has stabled the rate of cotton at Rs 11,300 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that according to the information the sowing of cotton is good in cotton growing areas of lower Sindh and Punjab. If weather conditions remain favourable, it is expected that cotton production will be good.

The biggest problem faced by farmers is low quality cotton seed and attack of White fly when crop is ready. It must be treated immediately otherwise the cotton crop will be severely damaged again.

India has overcome the white fly then why we are unable to control it in Pakistan. Government should take positive steps to control the white fly attack and pink ball worm in order to save the cotton crop.

The new crop of cotton has arrived but so far contrary to the claims that the support price of cotton will be fixed. It has not been fixed yet.

Patron in chief All Pakistan Textile Mills Association Gohar Ijaz urges government that without reducing energy prices textile exports will not be increased. Gohar Ijaz who was nominated as chairman of Cotton Task Force by Prime Minister Imran Khan five months back . Now after five months it is very unfortunate that question were raised on its existence that whether it exists or not. No implementation was seen on the positive announcements made by the government regarding increasing the production of cotton in the country.

The cotton crop from lower areas of Sindh is almost ready to arrive but in some areas there is a problem of water shortage due to which cotton production may be effected.

Central Cotton Institute Multan has introduced a low cost and environment friendly cotton producing technology. According to the director Central Cotton Institute Multan Dr Zahid Mahmood this technology has been named as Low Expenditure and Environment Friendly Tech (LEEF TECH). Zahid said it will be helpful in reducing the cost as well as increasing the production of cotton in the country.

More over, secretary agriculture South Punjab Saqib Ali said government is very serious to promote agriculture and in this regard government has announced policies. The process of research in introducing new varieties of seeds of cotton has been escalated. Government is aware of the importance of cotton and is trying its level best to increase the production of cotton but private sector should play its role in this regard.

While expressing his views convener of the regional committee of FPCCI on cotton and textile Malik Talat Sohail said FPCCI is running awareness campaign for the last two months to motivate the farmers.

Source: brecorder.com– May 24, 2021

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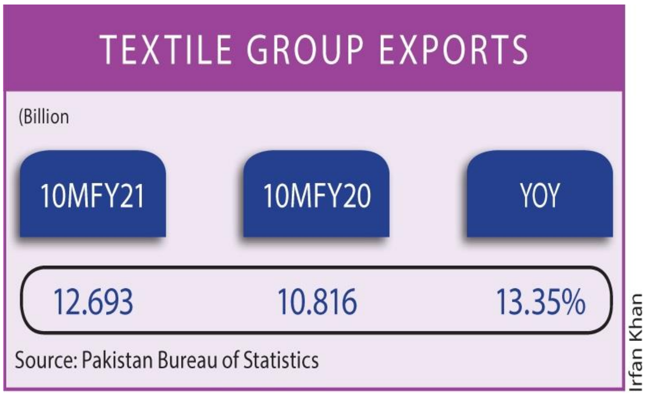
Pakistan: Textile, clothing exports post impressive growth in April

Pakistan's exports of textile and clothing rebounded in April mainly due to value-added sectors and posted a robust growth of 231.17 per cent from a year ago, data compiled by the Pakistan Bureau of Statistics (PBS) showed.



The export value of these sectors edged up to $1.337 billion in April from $403.833 million over the corresponding month of last year. Growth in exports of value-added sectors contributed to an increase in overall exports from the sectors.

The highest growth in exports in April is due to low-base of last year when export-oriented industries remained closed due to the Covid-19 lockdown and cancellation of orders from international buyers. As a result of this low base, growth was reflected in value-added and non-value added textile products.

The July-April (10MFY21) figures showed that growth in textile and clothing exports came from the value-added sector. The value of exports reached $12.692bn in 10MFY21 as against $10.816bn over the corresponding months of last year, showing a growth of 17.35pc.

To address the issue of shortage of cotton yarn for the value-added sector, the Economic Coordination Committee in its last meeting allowed duty-free import of cotton yarn until June 30, 2021. It will be difficult for the value-added sector to retain the orders in case government does not facilitate timely availability of cotton yarn in the domestic market.

Product-wise details reveal exports of ready-made garments up by 12.56pc in value, followed by knitwear 30.69pc, bedwear 24.66pc and towels 27.18pc during 10MFY21.

Pakistan and China's apparel exports posted a substantial growth to United States compared to regional countries during the past few months.

The government has already abolished duty and taxes on industrial raw materials and is paying off pending refunds to exporters. The devaluation of the rupee and lower interest rate accelerated industrial growth, especially in the export-oriented industries.

According to the PBS data, the export of cotton yarn posted growth of 164pc in April from a year ago. However, export of cotton yarn posted a negative growth 4.03pc in 10MFY21.

The exports of cotton cloth revived and posted a growth of 200.44pc in April from a year ago. In 10MFY21, growth is still in negative of 1.24pc. The export of cotton carded posted a growth of 3.17pc in 10MFY21. The export of yarn other than cotton yarn also recorded a growth of 22.42pc during the months under review.

In the non-value-added sectors, exports of tents and canvas were up 21.86pc followed by art and silk which increased by 10.52pc, made-up articles excluding towels and bedwear were up 22.22pc and other textile products saw an increase of 39.24pc during the 10-months under review.

Between July and April, the overall exports reached $20.905bn as against $18.398bn over the corresponding months of last year, indicating a growth of 13.63pc.

In the 10 months of this fiscal year, the import of textile machinery posts a growth of 13.9pc. This indicates that the industry has started importing textile machinery as part of modernisation or expansion in the sector.

To bridge the shortfall in the domestic sector, industry imported 709,020 tonnes of raw cotton between July to April against 409,306 tonnes last year, showing an increase of 73.22pc. Similarly, the import of synthetic fibre posted growth of 49.80pc as industry imported 381,928 tonnes this year as against 254,951 tonnes a year ago.

The import of synthetic and artificial silk yarn stood at 351,884 tonnes this year as against 224,197 tonnes last year, showing an increase of 56.95pc. The import of worn clothing recorded a growth of 61.52pc to 551,621 tonnes this year as against 341,522 tonnes last year.

Source: dawn.com– May 23, 2021

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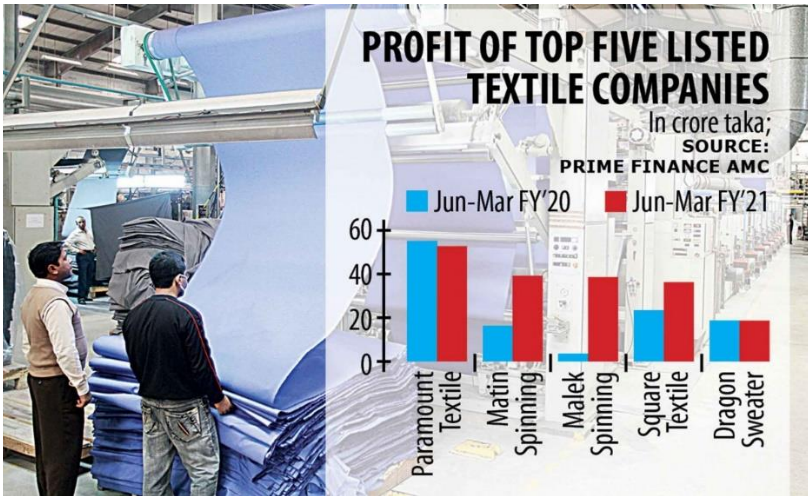
Bangladesh: Textile firms stare at falling profits

Listed textile and garment makers are still suffering from falling profits, impacted by lower sales of clothing in the markets abroad amid the ongoing coronavirus pandemic.



However, this scenario of the sector has one exception: spinners. Yarn makers listed at Dhaka Stock Exchange (DSE) logged higher profits in the July-March period of the current year from that of a year ago thanks to a price hike of yarn.

Data from the DSE showed that of the 26 listed RMG, textile and spinning companies, 16 underwent a drop in earnings. Some 10 manufactures reported a fall in profits.

The pandemic had an adverse impact on the textile and RMG sector, so their profits fell, said Robiul Islam, company secretary of Paramount Textile.

Due to the pandemic, worldwide consumption reduced, so export was hit, he said.

Between July and March of the current fiscal year, Bangladesh earned $23.48 billion from apparel shipments, which was 2.55 per cent lower than that in the corresponding period last fiscal year, according to data from the Export Promotion Bureau.

Only those companies which have a lot of reputation abroad were able to attract some orders of exports, Islam said, adding that his company was able to generate profits for the high quality of its goods and reputation.

Paramount Textile booked higher profits during the period than all the other companies, whose profit fell over 5 per cent to Tk 52 crore compared to the same period of the previous year. The RMG and textile sector has also been adversely impacted for the higher price of yarn, Islam added.

While textile and RMG were struggling, spinning mills availed the advantage of the price hike of yarn which turned out to be a big influencer of their higher profits. Among six listed spinners, four witnessed higher profits and two were able to make a profit on incurring losses previously.

Malek Spinning logged the highest profit growth among all the 26 listed textile companies. Its profit rose more than eight times year-on-year to Tk 39 crore in the first nine months of the current fiscal year.

"Our profits rose as in the period our sales were higher along with the prevalence of a higher price of yarn," said Syed Saiful Haque, company secretary of Malek Spinning Mills.

"Still the year's prices were good so we are generating better business," he said. Cotton was being traded at $0.60 to $0.85 per kg on an average during the June-December period last year, which later on ranged between $0.95 and $1.7 in March, according to data of Bangladesh Textiles Mills Association (BTMA).

According to a market insider, Bangladesh is mainly dependent on China and India for cotton and other raw materials. But China's market was kept shut for the pandemic and then the price of cotton rose. Then India increased the price alongside Bangladesh's local spinners.

The spinning mills attributed the hike in cotton prices to rising demand for the item globally and its supply crunch, and upward costs of other related logistics following the emergence of the pandemic.

Due to the pandemic, cotton price rose in the world market which enhanced yarn prices. It ultimately had an impact on the local yarn market, said Mir Ariful Islam, head of research of Prime Finance Asset Management Company.

So companies which had stocks of cotton booked a huge amount of profits during the period, he said.

So spinning mills generated higher profits this year, Islam added.

Source: thedailystar.net– May 23, 2021

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Pakistan: Towards growth a' la Bangladesh?

Going by his pre- and post-entry utterances, it is abundantly clear that the new steward of the economic team is trying to build a narrative of growth in an economy that has gone astray. The positive numbers he has to work with are the upsurge in textile production and exports, and workers' remittances. Remittances are breaking all records, with an annualised rise of 56% in April and 29% in the 10 months of 2020-21. Textiles, with the largest weight of 20.9% in the large-scale manufacturing, grew by 40.4% in March and 5.9% in the nine months.

These highs, it must be remembered, are due to negative growth in the comparable periods. Textile exports in March rose by 29% and in nine months by 2%. Export of readymade garments increased by 10.9% in March, but declined by 1.6% in nine months. A hybrid regime and prospects of Chinese relocations are seen to provide the desired mix for a take-off.

These very drivers — remittances and readymade garments exports — spearheaded growth in Bangladesh that many of us have come to marvel at. Palgrave Macmillan has recently published a book, Numbers and Narratives in Bangladesh's Economic Development, by friend Rashed Al Mahmud Titumir, a professor at Dhaka University. His analysis of the country's transition from a proverbial basket case to a high growth achiever presents insights that late comers can only ignore at their peril. According to him, greater utilisation of labour and the resulting increase in consumption spurred growth.

"Two events were particularly important in shifting the labour dynamics in the country. First, the readymade garments sector sprung up in the 1980s and was built upon the abundance of labour. The sector did not require high level of skills and hence tapped into the unskilled and semi-skilled labour force. Second, overseas employment opportunities in the Middle Eastern countries opened at the same time.

This sector also relied on unskilled and semi-skilled workers. This worked in favour of the large number of unskilled workers in the agricultural sector in rural areas who migrated to urban areas and abroad for employment. The structural transformation in the economy began at that stage and only accelerated in the following decades. Readymade garments sector also had a long-lasting impact on female employment.

This sector also caused migration of unemployed females from rural areas to cities. The shift from the low waged agricultural sector to the higher waged industries and the overseas employment resulted in an increase of private consumption. The outcome of this increased consumption was a sharp reduction in poverty, especially in rural parts of the country.” High economic growth has been accompanied by significant improvement in social indicators. Interestingly, the outcome is due more to out of pocket expenditure than public investment.

The country had its share of military and hybrid regimes during 1975-1990. Authoritarian clientelism bred a rentier class. This class exploited the relocation opportunities created by the international Multi Fibre Agreement. “To take advantage of the transferred technology alongside the abundance of labour, investors built new factories and invited or poached outside workers and managers with the expertise to operate them.”

Most of the owners were retired bureaucrats and military officers. Under the democratic regimes in 1990-2007, competitive clientelism replaced the authoritarian clientelism. As the government deregulated, subsidised and allowed tax holidays, the sector really took off to be next only to China. By 2017, exports touched $28 billion, absorbing four million workers, mostly women.

Are these conditions sufficient to reach Bangladesh’s vision of a developed economy by 2041? The author thinks not.

Source: tribune.com.pk– May 21, 2021

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Pakistan: RCET indispensable for export-led growth?

Textile exports reached $ 11.35 billion in the 9MFY21 from $ 10.41 billion over the corresponding months of last year, showing a growth of 9.06 percent. This year, a record textile exports of $ 16 billion plus is expected due to unprecedented Regionally Competitive Energy Tariffs (RCET) policy.

A report "Are Energy Subsidies Boosting Exports" based on some hypothetical assumptions was conducted by International Growth Centre (IGC). The report was factually incorrect and was based on simple regression of the dollar value of exports compared with energy prices. This report has misled the policymakers.

An economic analysis is only as good as the model it is based upon. Focus of the model is to optimize the multiple variables that are always present in real economic situations. The model must cater for multiple other variables impacting exports such as relative energy price in competing countries, other comparative incentives, cost structure, and long-term stability of policies etc.

For this purpose, a report by Pakistan Institute of Development Economics (PIDE) which is government institute working under Planning Commission of Pakistan. The report has been compiled and peer reviewed by noted economists Dr Hafiz A. Pasha, Shahid Hafeez Kardar and Dr Nadeem ul Haque. The key findings of the study "Regionally Competitive Energy Tariffs Textile Sector's Competitiveness" (https://www.pide.org.pk/Research/Regionally-Competitive-Energy-Tariffs.pdf) are;

Leading component in textiles is energy which accounts for 35-40 percent in conversion cost.

As a consequence of RCET both spinning and weaving subsectors recorded higher growth in exports than growth in local sales.

Spinning and Weaving sector will become uncompetitive due to withdrawal of RCET.

Downstream industry will lose international competitiveness and price rankings without RCET.

Energy tariffs in Pakistan are high due to governance issues, operational and commercial inefficiencies, lack of effective planning, flawed policies, distorted pricing strategy, irrational cross-subsidization, and most importantly sub-optimal energy mix.

Moreover, the study finds that an electricity tariff above 7.5 cents/kwh is regionally uncompetitive. Industrial demand of providing electricity at 7.5 cents/kwh and gas/RLNG at $ 6.5/mmbtu is unassailable. For Pakistan's economy to progress sustainably it is essential that export-led growth becomes the corner stone of Government Policy and for this to happen competitive energy costs are critical.

Click here for more details

Source: brecorder.com– May 23, 2021

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ILO lauds Bangladesh's progress in RMG sector

International Labour Organisation (ILO) Country Director in Bangladesh Tuomo Poutiainen has praised the development that the readymade garment (RMG) sector has made in the areas of workplace safety and social compliance.

A delegation of the ILO led by its Country Director held a meeting with Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruque Hassan at BGMEA office on Sunday.

They discussed the progress of the ongoing projects jointly implemented by ILO and BGMEA in the RMG sector.

The delegation also had discussion on the possible avenues of collaboration between ILO and BGMEA for further development of the industry, especially for workers' well-being, said a BGMEA media release.

BGMEA President Faruque Hassan expressed his thanks to the ILO for providing its support to Bangladesh garment industry in ensuring workers' rights and welfare.

The Bangladeshi garment trade organisation’s Vice President Miran Ali, Directors Barrister Shehrin Salam Oishee and Asif Ashraf were present.

Source: thefinancialexpress.com.bd– May 23, 2021

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NATIONAL NEWS

Incentives for R&D: New foreign trade policy to retain key schemes despite WTO trouble

The government will likely retain certain key export schemes, such as those relating to special economic zones (SEZs) and export-oriented units, in the next foreign trade policy as well, even though these programmes have been challenged at the World Trade Organization (WTO), sources told FE. However, any new scheme within the FTP will be designed in sync with WTO stipulations, one of the sources said.

The new FTP for the next five years is expected to be rolled out from October 1. Coming as it is in the wake of the unprecedented Covid-19 pandemic, the FTP would focus more on ways to ensure India's greater integration with the global supply chain, trimming elevated logistics costs, incentivising the much-needed research & development (R&D) and bolstering certain marketing support, one of the sources said.

The government's Aatmanirbhar initiative as well as ease of doing external trade will have a significant bearing on the next FTP, said the sources.

Key elements from a national logistics policy, which has been in the works for months, will likely feature in the FTP. This policy will aim to reduce logistics costs from 13% of GDP to 8% over five years and substantially improve India's trade competitiveness.

To boost innovation, the government could consider extending incentives, including duty-free imports of equipment by an actual user for undertaking R&D. As for marketing support, several countries offer assistance for diversification of markets and better promotion of their products, and India may step us such aid, too. Singapore, for instance, offers a 200% tax deduction on eligible expenses for international market expansion and investment development activities.

As for India's export schemes, the US had successfully challenged these at the dispute settlement panel of the WTO on ground of being inconsistent with global trade rules. Washington had also claimed that "thousands of Indian companies are receiving benefits totalling over $7 billion annually from these programmes".

India had appealed against the WTO dispute body's ruling in November 2019 and a verdict is still awaited, as the appellate mechanism remains crippled for well over a year, ironically due to the US' blocking of the appointment of judges to it.

New Delhi believes that it has a strong case and the verdict of the appellate body, when it comes, should go in its favour.

The programmes that were challenged included the Merchandise Exports from India Scheme (MEIS) and those relating to SEZs, EoUs, electronics hardware technology parks, capital goods and duty-free imports for re-exports.

While India has already replaced the MEIS, the biggest scheme accounting for most of the benefits meant for exporters, with a WTO-compliant tax refund programme from January 1, some others still continue. A restructuring of these schemes would warrant an exhaustive exercise, while any abrupt abolition could stoke fresh uncertainties in trade prospects, exporters have said.

SEZs are entitled to tax-free import/domestic procurement of goods. Among others, SEZ units get a 100% income-tax exemption on export income for first five years, 50% for the next 5 years thereafter and 50% of the ploughed-back export profit for the next 5 years (of course, a sunset clause has been made effective from July 1, 2020).

The EoU scheme typically complements the SEZ one. Export-oriented units, too, get concessions, including duty-free imports or procurement from bonded warehouse.

"The new FTP must focus on supporting exporters amidst the volatile environment, impacted not just by the Covid-19-induced stringent economic scenario, but also by rising protectionism.

We should also see the government smoothening the transition from MEIS to the WTO compliant export support scheme of RODETP, in facilitating and enhancing India's competitiveness in global trade," said Nilaya Varma, CEO & co-founder of Primus Partners, a consultancy firm.

After a roller-coaster ride last fiscal due to the pandemic, merchandise exports surged a record 196% year-on-year in April, driven mainly by a favourable base. However, even in absolute term, exports in April stood at

$30.6 billion, up almost 18% from the same month in 2019 (before the pandemic struck). The government has now set an ambitious target of $400 billion for FY22, against $291 billion last fiscal.

Ajay Sahai, director general and chief executive at exporters' body FIEO, said external demand looks promising and order flow remains good. However, lockdowns (even for manufacturing units) in certain states like Delhi, Karnataka and West Bengal could weigh on exports in May. Nevertheless, exports will bounce back strongly very soon, Sahai stressed.

The validity of the current FTP (2015-20) has been extended by a year and a half through September 2021. The move was aimed at maintaining policy stability and softening the blow to exporters in the aftermath of the pandemic.

Source: financialexpress.com– May 24, 2021

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'It's high time India creates systematic, periodic database of MSMEs, given latter's employment potential'

MSMEs in India account for a considerable proportion of national employment, national income, and national exports. Approximate estimates identify them as the second-largest employer (after agriculture), one-third GDP contributor, and almost half exporters.

Therefore, their steady emergence, survival, and growth must be facilitated on a continuous basis. Indian policymakers define and refine the definitions of MSMEs periodically to exclusively support and promote them through varied policy measures at national and state levels.

However, a precise description of the size of the MSME sector has always remained a challenge, in the absence of a periodic data generation system in the country (similar to Index of Industrial Production (IIP) and Annual Survey of Industries (ASI) for the organized industrial sector).

Therefore, measuring the change in the size of the MSME sector from time to time is next to impossible. Periodic measurement of the size of the MSME sector in terms of the number of enterprises and employment (and even income) is of paramount importance to any growing economy. This assumes critical significance in times of crisis such as the current Covid-19 pandemic, afflicting the nation through a wave after a wave.

Till recently, we used to have annual estimates for the number of enterprises, employment, production, and exports of MSMEs (for the sector and nation as a whole) from the Ministry of MSME, which are barely sufficient to capture the magnitude of impact that an unforeseen and unexpected crisis would make on MSMEs. They are not available anymore.

The other statistical source for the sector is SSI/MSME Census. We had four Censuses for the sector so far: three Censuses for Small Scale Industries, prior to the MSMED Act 2006, and the fourth one was done for MSMEs as per the new definition of the sector in 2006. The Census, of course, covered only the registered sector and therefore, estimates were made for the unregistered sector.

The other official source is the National Sample Survey Organization (NSSO) which carries out a nationwide survey of unorganized enterprises twice a decade (but it excludes registered enterprises). Economic Census is another official source that covers all the enterprises across the country but classifies them under two broad groups: (i) Own-account enterprises, and (ii) Establishments.

The former employs only household labour and does not hire any external labour whereas the latter is run by employing at least, one hired labour. But the establishments are not identified or classified further into small, medium, and large ones. Further, none of these sources comprehensively identifies the MSME sector in totality, periodically. Finally, given the nature of the sector, not all of them need to be/are GST registered. This poses a major challenge for any meaningful assessment of the change in the size of the sector from time to time, particularly in times of crisis such as the current one.

This brings out the need for putting in place a reliable statistical data collection system by the policymakers. Given the significance of the sector from the employment perspective, it is imperative to gauge the size of the sector, in terms of enterprises and employment periodically. The system must cover the entire country and it must be periodically done. Obviously, a sector with a huge unorganized sub-sector within will pose serious data collection challenges. But this can be overcome by adopting the following strategy. As of 2021, there are 741 districts spread across 28 states and 8 union territories in the country.

Excluding the four metros – New Delhi, Mumbai, Kolkata, and Chennai – each district is supposed to have a District Industries Centre (DIC). DICs are supposed to provide a variety of support services for the promotion of entrepreneurship under a ‘single umbrella’ in each district. Some of them have developed and maintained District Industrial Directories comprising the addresses of MSMEs registered with them. It is this nationwide network of DICs that need to be revitalized for the purpose of periodic data collection of MSMEs in the country.

Each DIC must be staffed with well-trained field personnel who should gather field data on the number of MSMEs (by NIC codes) and the number of persons employed, once/twice a year. This may be appropriately supplemented with data on (i) Investment in plant & machinery, (ii) Annual turnover, (iii) Technological – product/process – innovations, (iv) Patent applications submitted and/or patents obtained, and (v) Quantum of exports. To begin with, this can be done on an experimental basis in key SME clusters across the country.

Large cities like Bangalore, Hyderabad, Ahmadabad, and Pune may be provided with multiple DICs, for the cause. Based on the lessons learned, the strategy can be revised and finalized for its nationwide application. Following the IIP and ASI of registered industries, an exclusive IIP and ASI can be planned for MSMEs. While IIP can be bi-annual, ASI of MSMEs can be an annual exercise. This will prove extremely beneficial for policymakers at the national and regional levels in policy planning as well as distress management, apart from empirical researchers, in the future.

Source: financialexpress.com– May 23, 2021

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Home textiles to grow on sustained demand, stable raw material prices: Report

India Ratings on Friday said that home textiles exporters are expected to witness growth in their topline and bottom-line on account of sustained demand and stable raw material prices. The home textile segment continued to exhibit demand resilience, led by the healthy demand, it added.

In home textiles, "a sustained demand and stable raw material prices will lead to growth in exporters' topline and bottomline", Ind-Ra said in a report.

While home textile players reported a healthy rise in topline during FY'21, operating margins were impacted during the fourth quarter of FY'21, on account of an import duty on cotton along with uncertainty over remission of duties and taxes on export products incentives, the report stated.

Meanwhile, cotton prices corrected during April 2021, led by lower demand from mills operating under lower capacities on account of micro lockdowns domestically.

Also, the report revealed that while the United States Department of Agriculture Foreign Agricultural Service (USDA-FAS) expects the domestic crop to increase by 2 per cent year-on-year in the next season commencing October 2021, consumption is slated to increase by 6-8 per cent Y-o-Y, leading to a reduction in ending stocks.

The marginal rise in production is despite an expected lower area under cultivation for the next season, albeit supported by a normal monsoon and increasing yield by 5 per cent to 497 kg per hectare, added the report.

Source: economictimes.com– May 21, 2021

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Apparel parks in India: A look at their current state

In its early years the Indian garment industry took shape mainly due to the demand of expats in the UK and other countries for traditional Punjabi suits. Recognising the export potential, the Government offered attractive incentives. The result was a thriving business in garment exports with small units mushrooming in different parts of the country close to slums and other semi urban settlements, especially in Delhi, Mumbai, Chennai and Bengaluru.

From such humble beginnings, apparel making advanced into large garment industry giving direct employment to millions of people. It also provides employment to support industries like textiles, processing, trims, and many more value addition services.

The Transformation

The tiny industry grew in space and capacities with investments in modern machines, large assembly lines with conveyor systems, machines with precision sewing capabilities. It uses management and planning software like FastReact, Gerber and Tukatech for designing, pattern drafting, and cutting.

The industry specialised in products like fashion wear, technical garments, sportswear and medical clothing etc. Fabrics made of cotton, silk, linen, wool, viscose, banana, bamboo, modal, tencel, polyester, nylon with a variety of finishes are used. Today India is a reliable trading partner of leading retail giants like GAP, ESPRIT, and JC Penney. It exports to Europe, USA, Canada, Japan and South American countries with a market share of 5% and a value of US $ 16.29 billion in 2018-19.

Human Capital and Location: The Critical Correlation

Despite the exponential growth over the years, the industry continues to rely on human capital as the main resource. Almost the entire industry works on CMT (cut-make-trim). It operates on high productivity to realise profitability and to achieve this goal, the industry invests considerable time and money in training its operators. Thus, the operator behind the machine is a vital resource.

GARMENT EXPORT PROCESS						
STYLE DEVELOPMENT RETAIL COMPANY	IDENTIFY GARMENT INDUSTRY	RAW MATERIAL SOURCING	***CUT*** *FABRIC*	***MAKE*** *OR SEW GARMENTS*	***TRIM*** *OR FINISH GARMENTS*	PACK AND SHIP TO RETAIL COMPANY

It is for this reason that the industry stayed close to locations high in manpower, specifically close to slums and other semi-urban settlements. New units and start-ups operate closer to the workforce. A reason for selection of such localities is cost of transport, low rentals and scale of operations. But over the years it moved to industrial areas requiring employees to travel from distant locations.

The Story of Apparel Parks

Government of India launched the Scheme for Integrated Textile Parks (SITPs) in 2005 to provide infrastructural facilities to promote industrial clusters that comply with environmental and social concerns of global business. The SITPs are planned to offer seamless value addition from yarn to garment. As per the 2016 report with the Ministry of Textiles, 74 SITPs are sanctioned, but only 30 are functioning.

Some parks are fully integrated like Jaipur Integrated Texcraft Park Pvt. Ltd., Lotus Integrated Texpark Limited, Ludhiana Integrated Textile Park Ltd., MAS Fabric Park (India) Pvt. Ltd., Pochampally Handloom Park Ltd. Others like Brandix India Apparel City are developed by single investors, while many are developed by the Government. Certain parks specialise in textiles while some produce both textiles and garments. Most parks have both domestic and export units.

Apparel Export Park at Gundlapochampally, Hyderabad and Doddaballapur Apparel Park, Bangalore were established two decades ago to develop the apparel industry and exports.

These parks are developed in areas over 170 acres each. But today they wear a deserted look. Barring a few units, many are either closed or rented out for warehousing and other activities as in Hyderabad Park. Similarly, the Bangalore Park has few units in operation.

Reasons for Failure

The parks are located outside the cities and towns. Their location impacts adversely their sustainability since women are the major workforce and the industry finds it difficult to mobilise them due to the long distances.

In addition, poor connectivity is a reason for their failure. Lack of public transport and poor roads are a drawback. Investors shy away as no ancillary units and services are available. Some parks are not connected to national highways or rail heads and sea ports hindering movement of raw materials and finished goods. Export units prefer inland container depots nearby to save time.

It is also said that land cost inside the parks is higher than outside. Although certain infrastructure is developed by the park authorities, many MSMEs feel that the pricing of the industrial plots is higher and not justified.

Moreover, the small areas of the parks, is another reason for their failure. Internationally such parks are spread over 150 acres and more, in India only 5 sanctioned and approved parks are of this size. Majority of them are less than 75 acres.

Apparel and textile parks in Ethiopia, Italy, Kenya, Indonesia, Vietnam and Sri Lanka are larger in comparison.

SCHEME FOR INEGRATED TEXTILE PARKS - NUMBER OF PARKS & THEIR AREA	
No. OF PARKS	AREA (ACRES)
4	25
23	25 – 50
23	50 - 70
7	75 - 100
10	100 - 125
2	125 - 150
3	+ 150

Although the scheme suggests integrated parks, many are, however, dedicated to a single element in the value chain like weaving or garmenting. Thus most of the parks have failed to establish a complete value chain from fibre to garments like weaving, processing, finishing and garmenting.

Furthermore, the SITP implementation is plagued by financial problems. Parks are built on a Public-Private-Participation model, with central and state governments funding Special Purpose Vehicle (SPV) to develop infrastructure.

Planned common facilities like effluent treatment plants, living quarters, hospitals, restaurants and hotels are either not implemented or maintained. Industrial units built in the parks do not operate as the facilities are incomplete. Often, development outside the parks is the responsibility of state governments and is neglected.

Finally, parks are not marketed professionally. Both state and central governments do not consider marketing as an important factor for their promotion. If the parks are to succeed, the agencies must reach out to international buyers and brands like JC Penney, GAP, Esprit, Nike, ZARA, H&M etc., apart from domestic manufacturers.

Above all, the industry works on sharp CMTs. Given the challenges highlighted it finds operations in the parks not financially viable. The state and central governments must revisit the scheme and offer incentives to sustain the industry and make them viable.

Source: financialexpress.com– May 23, 2021

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India's Forex reserves near record high, jump $563 million to $590.028 billion, says RBI data

The country's foreign exchange reserves rose by USD 563 million to reach USD 590.028 billion in the week ended May 14, RBI data showed on Friday. The reserves had touched a lifetime high of USD 590.185 billion in the week ended January 29, 2021. In the previous week ended May 7, 2021, the reserves had increased by USD 1.444 billion to USD 589.465 billion.

During the reporting week ended May 14, 2021, the rise in the forex kitty was mainly on account of an increase in foreign currency assets (FCA), a major component of the overall reserves. FCAs jumped by USD 377 billion to USD 546.87 billion in the reporting week, as per weekly data by the Reserve Bank of India (RBI).

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves. Gold reserves rose by USD 174 million to USD 36.654 billion.

The special drawing rights (SDRs) with the International Monetary Fund (IMF) increased by USD 2 million to USD 1.506 billion. The country's reserve position with the IMF increased by USD 10 million to USD 4.999 billion in the reporting week, the data showed.

Source: financialexpress.com– May 23, 2021

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Apparel exporters from Noida face acute labour shortage amid Covid surge

Apparel exporters from Noida, Delhi's south-eastern neighbourhood that helps stock the shelves of Zara and Mango stores either side of the Atlantic, are facing an acute labour shortage with more than half a million mill-hands and artisans returning to their homes in rural Uttar Pradesh to escape the urban covid surge.

Some factory staff also left the city to vote in the local-body polls, which were held last month to choose officials that would run the grassroots-level elected offices in Uttar Pradesh, India's most populous state sending the majority of needle-workers and embroiderers to the textiles industry.

Given the labour shortage and its likely impact on output, buyers from the US and Europe are shifting a portion of their orders from India to alternative sources in the neighbourhood - Bangladesh and Vietnam.

"The units are currently operating at 40% capacity as there is an acute shortage of workers. Out of 10 lakh workers in the exports cluster, only 4 lakh workers are now engaged in daily operations," said Lalit Thukral, president, Noida Apparel Exporter Cluster. "The rest have left for their hometowns."

The Noida textile exports cluster houses 3,000 units, and the major importers are labels such as Zara and Mango, Thukral said. "The textile units in Tamil Nadu and Karnataka are closed due to the lockdown. Only garment export units in Uttar Pradesh and Haryana have remained open. So, this could have been a major opportunity for us, if the labour supply situation was normal," he said.

By next week, some more hands, perhaps up to 75,000 workers, might resume, he said.

The cluster exports apparels worth Rs 25,000 crore. Last year, due to the pandemic induced lockdown across the globe, exports had shrunk to Rs 20,000 crore.

"If the labour situation does not improve and vaccination does not pick up, then exports from Noida may come down by 35% this fiscal year," Thukral said. "We will lose out to countries like Bangladesh and Vietnam. Already, we are witnessing a portion of the order from the international market shifting to these countries,”

At the same time, input costs have risen. The steep rise in the prices of yarn and cotton could dent margins.

“Yarn prices increased more than 20 percent in the second half of the last fiscal. Exporters enter into a price agreement with buyers at least six months before supply,” Thukral said. “Now, while the mills are increasing the prices frequently and arbitrarily, the buyers or importers are not willing to increase the prices.”

To be sure, these units are getting domestic orders for PPE kits and masks.

Source: economictimes.com– May 23, 2021

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Make in India? Half of manufacturing jobs lost in five years

While the employment scenario in the country has turned bleaker of late due to the pandemic after a brief spell of moderate recovery from the fathoms hit in May 2020, manufacturing, which has ostensibly received a lot of policy attention, has been losing out to other sectors and the most to agriculture as job creator over the past few years.

According to an analysis by the Centre for Economic Data and Analysis (CEDA) based on the CMIE monthly time-series of employment by industry, manufacturing employment in 2020-21 was nearly half of what it was five years ago.

The decline was particularly sharper in 2020-21 owing to the pandemic – on a year-on-year basis, the sector employed 32% fewer people in 2020-21 over 2019-20. Real estate & construction also also saw big fall in its share in employment in 2020-21 (see chart) and a secular decline over the five-years to 2020-21.

While there has been a secular decline in manufacturing employment across all sub-sectors, except chemical industries, all sub-sectors registered a longer-term decline. From employing 51 million people in 2016-17, employment in manufacturing, which accounts for 17% of the country's gross domestic product (GDP), declined by 46% to reach 27.3 million in 2020-21, reflecting the severity of the employment crisis caused by the pandemic.

Similarly, the real estate and construction sector, which employed 69 million people in 2016-17, employed just 53.7 million in 2020-21, down by a quarter. While the pandemic indeed accentuated the decline, the sector had even earlier been hit hard by inventory pile-up, delivery delays and developer delinquencies. The real estate sector had witnessed a sharp increase in employment growth in the 2004-2011 period, thanks to a boom.

According to the CEDA-CMIE study which covered agriculture, mines, manufacturing, real estate and construction, financial services, non-financial services, and public administrative services, sectors that account for 99% of total employment in the country, agriculture now employs more people than five years ago. The agriculture sector that employed 145.6 million people in 2016-17, employed 151.8 million in 2020-21, allowing its share in employment to grow from 36% to 40% during the period.

Employment in agriculture has been on the rise over the last two years with year-on-year growth rates of 1.7% in 2019-20 and 4.1% in 2020-21, indicating a marginal shift away from manufacturing, non-financial services, mining and real estate sectors to the traditional resort for livelihood.

Among the service sectors, non-financial services, the largest component among service industries, the employment rose over the five-year horizon to 119.7 million to 127.7 million in 2020-21, but there was a sharp y-o-y decline in 2020-21, owing to the pandemic.

As reported by FE recently, like the one a year ago, the recent lockdown also has had an immediate, telling effect on the employment scenario in the country. The country's unemployment rate, that has remained elevated for a few weeks, soared to a near one-year-high of 14.45% in the week ended May 16. While an already-high urban joblessness has turned more acute, a near-100% week-on-week rise in rural unemployment pushed the overall joblessness rate to a level not witnessed since the the week ended June 7 last year, when it stood at 17.51%.

Source: financialexpress.com– May 22, 2021

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Lack of succession planning greatest long-term risk to Indian MSMEs, say experts

While the Indian government has instituted many initiatives to support the Indian MSME sector in the post-crisis world, one key factor for the longevity of any MSME is succession planning and sustainability even as a lack of it is the greatest long-term risk to such businesses, according to experts. India has a vast base of around 6.33 crore MSMEs, many of which are family-run enterprises with the second and third-generation entrepreneurs carrying forward their business legacy.

"India's MSMEs, employing more than 45 percent of the country's workforce, are working relentlessly to make an impression in the global market, with risk-taking being a part of their entrepreneurial DNA. However, the disconnect between passion and reality, the challenge in managing black swan and grey rhino events, and the lack of a structured framework to pass on the business legacy to the next generation are placing these MSMEs at risk of survival," said Hersh Shah, CEO, IRM India Affiliate at a webinar organised by the institute.

IRM had, in September last year, partnered with the government's premier MSME development body National Institute of Micro, Small and Medium Enterprise (NI-MSME) that trains MSMEs, individuals, and professionals for entrepreneurship development, capacity building, marketing, innovation, infrastructure development, quality management, and more.

Industry experts also echoed Shah's views on the challenge of succession planning among MSMEs. According to V Swaminathan, Head of Corporate Audit & Assurance, Godrej Industries Limited, as many as 35 per cent MSMEs feel succession planning is their biggest problem and that MSMEs largely have an owner or promoter-driven structure due to which the decision making is focused on them, unlike large businesses that have a clear organization structure.

"There is a functional implementation of roles and responsibilities. There is no concept of shared ownership, the external talent is only need-based, and loyalty is higher than just functional capability," Swaminathan added.

Moreover, amid changes in the overall business environment over the past few years in India such as demonetsation, GST implementation, Covid pandemic, economic downturn, etc., the need for succession planning is more critical than ever. Also, there is a challenge of finding employees who are as skilled as the outgoing ones in the organization. “Succession planning is one of the most critical factors for MSMEs especially in the current climate, where the business environment has undergone a transformation, and there is a lot of unpredictability.

The lack of skilled manpower is a major constraint for MSMEs, and when key employees retire from an organisation or leave for other opportunities, the inability to replace them with an adequately experienced successor can directly impact the wellbeing of the business,” said Sandeep Bhatnagar, Director – Marketing & Business Development, NI-MSME. The institute is looking to support such MSMEs into risk-ready enterprises over the next decade through IRM’s programmes in enterprise risk management.

Source: financialexpress.com– May 23, 2021

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Private terminal operators seek revival measures as policy changes clip cargo

Decline in volumes is also impacting the revenue share to the concessioning authority

A lobby group of India private terminal operators have sought the government's policy intervention for permitting single cargo handling terminals to handle multi commodities at major ports.

Some of the public-private-partnership (PPP) concessions at major ports allow the operators to handle only one commodity such as coal, iron ore etc. The PPP projects are structured whereby the traffic risk is borne by the concessionaire, whereas the concessioning authority secures revenue through minimum guaranteed cargo mechanism.

"Of late, there have been significant market disruptions hampering the functioning of these terminals. It is difficult to manage risk due to court orders banning the import/export of cargo, government policies discouraging imports and significant disruptions in market conditions," the Indian Private Ports and Terminals Association (IPPTA) wrote in a May 9 letter to the ministry of ports, shipping and waterways.

PPP terminals that have suffered from market disruptions include the Adani Vizag Coal Terminal Pvt Ltd and the Vedanta Group-run Vizag General Cargo Berth Pvt Ltd, both at Visakhapatnam Port Trust, among others.

Since last year, a slew of policy reforms introduced by coal, power, environment, forest and climate change ministries, as part of the 'Atmanirbhar Bharat' initiatives, to promote domestic coal availability and utilization, have led to lower import coal volumes, putting the survival of import coal handling terminals at stake.

Due to the policy changes along with the Covid-19 situation, the thermal/steam coal traffic in FY21 declined by 78% in Kolkata Port, 43% in Visakhapatnam Port, 30% in New Mangalore Port and 26% in Kamarajar Port. During FY21, the overall thermal/steam coal traffic declined by 15.4% in all the major ports.

The decline in import coal volumes will “further worsen in the future” and this was acknowledged in the Maritime India Vision 2030, a ten-year blue print for the country’s maritime sector, in the backdrop of the government initiatives on auction of coal mines and focus on renewable energy, alternative fuels.

The decline in volumes is also impacting the revenue share to the concessioning authority.

“These ongoing fundamental government policy changes were never envisaged by the concessionaries or the concessioning authorities during the bidding stage, rendering the terminals completely unutilized,” IPPTA said.

“If policy reforms in port sector do not match the pace of policy reforms in other sectors, they will generate non-performing assets and lead to a spate of disputes,” IPPTA said in the letter.

Policy intervention by the government for survival of single cargo handling terminals is essential to maximize the capacity utilisation of port assets and increase efficiencies which will also prevent public assets from becoming non-performing assets, IPPTA said, while emphasising the need to draw up revival plans for such terminals in the overall interests of the country.

Source: thehindubusinessline.com– May 23, 2021

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The Rise of the Organic Apparel Market in India

The awareness and demand for organic apparel have set new standards in recent years. The companies are now coming up with sustainable apparel products not only to push the market opportunities for themselves but to join the promising bandwagon and boost the organic apparel market in India.

This trend has been witnessed all the more in the cotton apparel sector. According to the Organic Trade Association, the organic cotton industry has witnessed 31 percent of growth within the past year and it is expected to rise by 10 percent by the end of 2021. The organic cotton industry has an important role to play in the Indian economy as India is one of the largest producers and exporters of cotton yarn across the globe.

A Remarkable Growth in the Organic Apparel Market in India

The flourishing organic apparel sector is boosting soil sustainability, air quality, water conservation besides improving the livelihood of farmers. Fortunately, it is helping the country fight against climate changes and ensures minimum damage to the environment. Manufacturers as well as retailers are now increasing the proportion of organic fiber used in their apparel, and simultaneously expanding an offer of 100 percent organic items to occupy the major part of the clothing sector.

Furthermore, the ever-growing interest and demand for organic apparel is a promoting factor and an outcome of customer interest. One could easily find fiber in everything from personal care items to home furnishings. Organic fiber is used in a wide range of things, such as sanitary products, make-up removal pads, cotton puffs, bathrobes, sheets, bedding, toys, diapers for kids, sportswear, stationery, and note cards, etc just to enlist a few.

India has observed substantial growth in the organic apparel industry due to many key factors contributing to it. Geographical conditions, land and soil, climatic factors, market trends, etc. have emerged as essential elements which have paved the way for the growth of the organic apparel industry and now it is garnering benefits and fortifying the industry’s landscape.

Organic apparel not only protects skin and health but the planet as well as it is anti-pesticide and free of chemical fertilizers, whereas the non-organic fiber has life-threatening chemicals and hazardous effects on health as well as the environment. Due to rising health and climate change awareness among people, organic apparel has reached new heights and is here to stay forever. As the Environment protection Agency quotes, using such damaging chemicals is one of the major factors in increasing cases of cancer. Opting for organic apparel makes sure that humans display kindness towards other living beings on the planet.

Let's take an example; Non-organic cotton is responsible for the consumption of 16 percent of the world's total production of insecticides and around 7 percent of it is pesticides, which is a disappointing fact.

Dominant Factors Behind the Rise in the Organic Apparel Market in India

The major factor behind the growing demands for organic apparel is its benefits, production rate in many states, employment opportunity, awareness among customers, etc.

Texture and Comfort - The populace of the 21st century is concerned about their comfort and health more than ever. With the wide range of varieties and levels of comfort stepping in, people are getting inclined towards the fabric, texture, comfort, and the impact it has on the environment. According to industry experts and designers, organic clothes help to detoxify the body and reduce stress. As it is a non-synthetic and breathable fiber, it conserves natural resources and treats farmers and nature fairly.

Creating Employment - The textile industry of India has always been predominantly organic cotton-based. As per Business Standard, the textile industry is considered to be the 2nd largest sector to produce employment and India has seen exponential growth in the cotton industry in the past consecutive four decades.

Cotton-Growing States - Ahmedabad (Gujarat) is known as Manchester of India, a cotton-growing area of the city that is famous for its cotton textile production. Mumbai is another one of the largest cotton-growing cities in India. The key factors which make these cities stand ahead of others in producing cotton textile are their humid climate, cheap labor, and the port facility. It is easier to do the production anywhere in India provided energy and proximity water supply is available for dyeing.

Summing up

The market trends and growing consciousness among people regarding health and the environment have exponentially influenced the development pace of organic apparel in India. It is a promising market which will gain more significance and popularity in the future years.

The spurt in the consumption of organic products in the textile industry is a catalyst behind the positive growth in the organic apparel market in India. Overall, an organic clothing market is a commitment to standing for the wellness of all living beings and nature as well.

Source: indianretailer.com– May 21, 2021

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Industries to remain shut for a week in Coimbatore

Almost all industries in Coimbatore and Tiruppur districts will remain shut for one week from Monday because of complete lockdown in the State to control the pandemic.

Just about 10 % of MSMEs in Coimbatore are in essential and healthcare sectors and only these will operate, said M.V. Ramesh Babu, president of Coimbatore District Small Industries Association. While the foundries in the MSME sector will not operate, the larger foundries are expected to decide individually.

Spinning mills will not function as the government had not given permission even to those units that house the workers on the premises. Garment exporting units will also remain closed.

“Lockdown for a short period is expected bring down the COVID cases. Coimbatore, Tiruppur, and Erode are industrial clusters and have a large number of COVID cases too.

Probably that is the reason why the units have not been given permission to operate. If the lockdown extends beyond a week, we may appeal to the government for exemptions,” said Prabhu Dhamodharan, covener of Indian Texpreneurs Association.
“What is different this year from last year’s lockdown is that last year, the entire world was under lockdown. Now, only India is affected. Hence, it is imperative to take swift action to bring down the cases. If not, the economy and exports will be hit,” said Raja M. Shanmugham, president of Tiruppur Exporters’ Association.

The Coimbatore and Tiruppur District Micro and Cottage Entrepreneurs Association said its members will extend full cooperation to the lockdown. However, the government should grant time to pay mandatory taxes and also extend interest-free loans to the micro units, it said.

Source: thehindu.com– May 23, 2021

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Punjab's cotton crop area claim last season holds no water

Punjab's cotton crop area claim last season holds no water

As cotton sowing is in full swing in Punjab, questions have been raised on the state agriculture department's previous claim that in 2020 more than one-lakh hectare area was diversified into cotton from water-guzzling paddy. Sources admit that the official claim that last year's area under cotton was enhanced from 3.9 lakh hectares in 2019 to 5.01 lakh hectares across the semi-arid region of southern Punjab does not hold water.

Officials said it is surprising that no clarification has been issued by the agriculture department, the portfolio held by chief minister Captain Amarinder Singh on an overstretched claim of record cultivation of cotton last year. "It appeared to be a case of an exaggeration to claim drastic success in crop diversification. Cotton production data belies any such claim," says an official privy to the cotton production. Agriculture director Dr Sukhdev Singh Sidhu said last season, only 2.51 lakh hectare was covered under cotton.

"I cannot comment about the statements made before my joining the office in February this year. But as per official record, for this year, we have set the target to bring 3.25 lakh hectares under crop, an increase of 20% area than 2020. As per the weekly report till May 17, sowing was completed on a 1.80-lakh hectare area. It will be over in another one week," he said. In the 2020-21 season, an estimated 45-50 lakh quintal cotton was purchased by Cotton Corporation of India (CCI) and private players.

Agriculture experts say one hectare produces an average of 20 quintals of raw cotton and Punjab should have produced close to one-crore quintals if the cash crop was actually sown on 5 lakh hectares. "Last season was good, and the cotton-growing area did not witness any major pest attack. An average farmer produced between 8-12 quintals from one acre is on par with the past trend of a good yield. No protest by farmer unions, who are most active in Malwa districts, is an indicator that overall yield was good," say sources in agriculture and cotton industry.

Source: hindustantimes.com– May 24, 2021

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Exim bank eyes to raise $3 billion in FY22

Export-Import Bank of India may raise about $3 billion in FY22, as against $2 billion in FY21, to support Indian exports, as the global trade is gradually opening up.

David Rasquinha, MD & CEO of the bank, said that he sees demand for pharmaceuticals, chemicals, home textiles, among others, gaining traction as advanced economies are gradually coming out of the Covid-19 pandemic. "This opens up an opportunity for Indian exporters," said Rasquinha.

Exim Bank expects credit growth in the 7-12 per cent range in FY22 (against 7 per cent in FY21), depending on how quickly the economy revives and how the exchange rate moves.

Harsha Bangari, Deputy Managing Director, observed that the borrowings by Exim Bank will be cautiously calibrated to match credit growth in FY22. In January 2021, the bank had raised $1 billion for a 10-year tenor at a coupon rate of 2.25 per cent in the 144A/Reg-S format.

Meanwhile, Exim Bank, which is a wholly owned government of India subsidiary, reported a 105 per cent jump in net profit at ₹254 crore in FY21 as against ₹124 crore in the year ago period.

Loan portfolio edged up 4.43 per cent year-on-year to ₹1,03,851 crore as at March-end 2021 against ₹99,447 crore in FY20. Non-fund portfolio declined about 10 per cent year-on-year to ₹14,229 crore (₹15,869 crore).

Rasquinha emphasised that Exim Bank gives almost 80 per cent of its loans in foreign currency. So, when rupee appreciates against dollar, the loan portfolio in rupee terms comes down. However, in dollar terms, the loan growth was 7 per cent in FY21.

Source: thehindubusinessline.com– May 22, 2021

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Commodity exports stopped India's trade from falling further in FY21

The 7.2 percent fall in India's exports during the pandemic-ridden 2020-21 financial year may have been much worse had it not been for a steady outflow of across the board commodity exports such as chemicals, ores, plastic, cotton and pulses steadying the trade figures.

Despite continuous government push over the past 5-years to increase exports of high-value manufactured goods across major markets, India's export basket remains dominated by the commodities category.

Ironically, this comes even as the Commerce Department has been aggressively trying to raise the share of value added manufactured goods in the overall export basket.

"We have believed for some years now that long term dependence on raw materials would be inherently detrimental to the export sector. At the least, it would rob the industry the chance to transition to higher value products, up the value chain," a senior Commerce Department official, said.

Global prices soaring

One of the reasons for the government's hesitation in backing commodities is the high volatility in global prices, which have been on display in the last financial year. The sudden rise in global commodity prices over the past 3 months of key input materials such as steel, chemicals and plastics have helped India's exports recover.

The largest consumer of metals and other construction products on earth, China has seen prices of hot rolled steel coils, cement and copper all climb by more than 30 percent, according to Reuters.

Covering a broad basket of globally traded raw materials, the Bloomberg Commodity Spot Index, has risen more than 21 percent since the beginning of the year and has scaled a high not seen since 2016.

According to IHS Markit, the spiraling inflation began in January mainly due to a build-up of global supply chain issues due to the coronavirus pandemic and a lack of global freight containers. However, prices have continued to build on those levels as industries in many nations begin to fire up after and widespread input shortages become evident subsequently.

Agri commodities such as sugar and cotton have also seen prices shoot up. As a result, the government has reduced the central subsidy on sugar exports from Rs. 6,000 per tonne to Rs. 4,000 per tonne beginning immediately.

Meanwhile, while the trade in gold has suffered due to non-availability of duty free gold, diamonds have stabilised after the industry opened up after the lockdown, according to the Gems and Jewellery Export Promotion Council (GJEPC). "Improved international market demand in the third quarter owing to a robust holiday season, stimulated manufacturing across all product segments and overall gross exports," GJEPC Chairman Colin Shah said.

On the other hand, the sudden rise in commodity prices have raised the cost of manufacturing and hit exporters hard even as most are facing a liquidity crisis. In a series of meetings, exporters have asked the government to consider temporary price caps on input materials, restrictions on export of primary goods such as raw steel and financial assistance to the sector.

"There has been a substantial jump in export of primary steel in recent months while many value-added steel products shipped from the country have seen a 15-35 percent decline. We have therefore suggested the government to take non-tariff and tariff measures as part of the raw material export policy," said Engineering Exports Promotion Council India Chairman Mahesh Desai.

Policy framing

The latest shift in global flows is not expected to change trade policy soon, officials and industry insiders say.

"The government believes widening the export basket is crucial to diversify and increase foreign exchange earning potential and catch up with nations like Vietnam (electronics), Malaysia (components) and Bangladesh (textile) who have focused heavily on labor intensive manufactured exports," a senior Delhi-based government trade advisor, said.

Instead, India has decided to take things up a notch and take a leaf out of China's trade playbook and intensively specialise, produce and ship out a select category of 'network products' (NPs) such as computers, electronic and electrical equipment, and telecommunications goods.

A report by the Confederation of Indian Industry (CII) has pointed out that since 2012, China's exports have increasingly moved up the value chain, with accelerated growth in high-technology items, such as telecommunications equipment, automotive products, cellphones, etc.

India needs to take a leaf out of China's trade playbook and intensively specialise, produce and ship out a select category of 'network products' (NPs) such as computers, electronic and electrical equipment, and telecommunications goods.

Source: moneycontrol.com– May 21, 2021

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Anantapur: Textile park proposals yet to see light of day

The ongoing coronavirus pandemic has impacted all the industries including artisans and weavers, the third largest workforce in Anantapur district. The textile and apparel parks being developed by the State government to help weavers and artisans remains incomplete. No units were established in two textile parks as of date and the only unit started in Rayadurg of Anantapur district remains idle.

The establishment of textile and apparel parks was intended to increase employment and export of textiles/apparels. However, there were delays ranging from 23 to 180 months in establishment of parks due to improper selection of site, delay in transfer of lands to Department of Handlooms and Textiles, non-completion of infrastructure facilities and amenities.

According to CAG, it resulted in significant non-achievement of objectives of the parks as envisaged. There was 24 to 100 per cent shortfall in setting up of units in these parks while the shortfall in employment generation ranged from 74 to 100 per cent.

Thousands of workers particularly women are working in the garment industry and living in temporary camps at Bengaluru while the much-promised textile parks in Pamidi, Dharmavaram, Hindupur and Dharmavaram are yet to become a reality.

The textile park constructed at Pamidi, Rayadurg are in dilapidated state. The equipment and machinery is useless as there is no coating and painting.

The Apparel park in Pamidi is centrally located, it can be used as Covid Care Centre instead of investing money on temporary sheds and pandals it can be utilised efficiently. Both the State and Central governments are responsible for the negligence towards weavers and the handloom industry for decades.

Ex-Principal of Intel Engineering College and a Social activist told The Hans India that the district has a great potential for emerging as textile hub and brighter prospects for employment generation, if the present YSRCP government applied its mind on the development of textile parks it will be a good initiative.

Government should focus on expanding the skills of artisans and working on developing other less intricate products and keep weaving tradition alive.

From 2002-03, efforts were on to develop textile and apparel parks, some export-oriented and some integrated parks with domestic market in focus. Under different schemes, 11 such parks were taken up in the State.

CAG for its auditing had reviewed five parks, one developed by a private party with government support (Brandix India Apparel City Private Limited), two by APIIC Apparel Export Park (AEP), Proddatur and Vizag Apparel Export Park) and two by the Department of Handlooms and Textiles (Textile park in Mylavaram and textile park in Rayadurg).

BIACPL and VAEP had received Central government assistance under the Scheme for Integrated Textile Park (SITP) and Apparel Parks for Exports Scheme (APES) respectively.

Source: thehansindia.com– May 24, 2021

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