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# INTERNATIONAL NEWS

## Trade in medical supplies, PPE surged in 2020: WTO

Despite the value of global merchandise trade shrinking by more than 8% in 2020, trade in medical supplies increased by 16%, and personal protective equipment (PPE) by 50%, said the World Trade Organisation (WTO) in a new report.

The 25th WTO Trade Monitoring Report on G20 trade measures comes as the world continues to battle the Covid-19 pandemic. The mid-October 2020 to mid-May 2021 review period covered in this report provides important insight into a number of areas as countries begin addressing the challenges of a post-pandemic economic recovery. In particular, the past several months saw international cooperation and coordination among nations and intergovernmental organizations increase and intensify.

The report also notes that the multilateral trading system has kept trade flowing, with the WTO playing a central role in ensuring that supply chains are kept open and restrictive trade policies are avoided.

“The multilateral trading system has again proven its value. As was the case during the global financial crisis more than a decade ago, the system has been a solid and effective bulwark against any acceleration of protectionism as we face the worst economic and health crisis in generations. As the world struggles to overcome the enormous human, economic and social impact of the pandemic, we must not be complacent. Trade recovery will not be sustainable unless vaccine equity is assured,” said WTO Director-General Ngozi Okonjo-Iweala.

“While the report's findings indicate trade-restrictive measures are coming down, G20 economies have more work to do to ensure the free flow of the medical inputs and supplies critical to saving lives. Trade restrictions hamper our efforts to ramp up production, particularly in the developing world, and ensure the equitable distribution of vaccines.

Vaccine policy is trade policy and we must do everything we can to prevent a resurgence of the pandemic, which would significantly jeopardize the global economic recovery. At this juncture, G20 leadership will be crucial in underpinning a return to strong, sustainable and inclusive growth.”

However, Covid-19 continues to pose a serious threat to the global economy and to public health. Production of vaccines has been slow and distribution uneven, contributing to significant disparities in access across countries, particularly for low-income developing economies, which are struggling to obtain enough doses to inoculate more than a small fraction of their populations.

In terms of numbers, G20 economies implemented 140 trade and trade-related measures in the area of goods since the outbreak of the pandemic - 101 (72%) of a trade-facilitating nature and 39 (28%) of a trade-restrictive nature. The reduction or elimination of import tariffs and import taxes made up 60% of trade-facilitating measures taken, and certain G20 economies reduced their tariffs on a variety of goods such as PPE, sanitizers, disinfectants, medical equipment and medicine/drugs.

G20 economies also continued to repeal measures implemented in response to the pandemic and, as at mid-May 2021, around 22% of Covid-19 trade-facilitating measures by G20 economies and 49% of the Covid-19 trade-restrictive measures had been terminated. The trade coverage of Covid-19-related trade-facilitating measures implemented since the beginning of the pandemic was estimated at $215.7 billion, while that of the Covid-19-related trade-restrictive measures stood at $135.7 billion.

For products unrelated to the pandemic, G20 economies implemented 35 new trade-facilitating measures and 26 new trade-restrictive measures. The monthly average of trade-facilitating measures was the third-lowest recorded since 2012 and that of trade-restrictive measures the second-lowest since 2012.

The estimated trade coverage of the import-facilitating measures introduced during the review period ($438 billion) significantly exceeded the trade coverage of import-restrictive measures ($123.89 billion), suggesting a return to the regular trend identified since the beginning of the trade monitoring exercise in 2009.

Source: tradearabia.com– June 29, 2021

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## World Bank raises China growth outlook to 8.5%

The World Bank raised its forecast of China's economic growth this year to 8.5 per cent from 8.1 per cent and said Tuesday that a full recovery requires progress in vaccinations against the coronavirus.

The report adds to positive signs for China, the first major economy to rebound from the pandemic. Factory and consumer activity are back above pre-outbreak levels, though authorities have re-imposed travel controls in some areas to counter outbreaks of new variants of the virus.

Chinese economic growth is likely to decline to 5.4 per cent next year as the rebound from last year's history-making global slump fades and activity returns to normal, the World Bank said.

Its forecast was an increase over a report in April that said China and Vietnam were the only East Asian economies to achieve a "v-shaped" recovery in 2020 with output back above pre-coronavirus levels.

China is on track to vaccinate 40 per cent of its population by early summer, but "a full recovery will also require continued progress toward achieving wide-spread immunization," the World Bank said.

Source: financialexpress.com– June 29, 2021

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# International trade pivotal for success of industry: UKFT report

As the industry emerges from the pandemic and Brexit, and starts to take advantage of new FTAs and adapts to new ways of working, international trade will be crucial to the success of the industry, according to a UK Fashion and Textile Association (UKFT) report. Whether one is an importer or an exporter, UKFT expects the industry to remain global.

"2021 is likely to be a year of many challenges for the UK fashion and textile industry, but also one for hope. Hope that life will get back to some form of normality. Hope that businesses can navigate the relaxing of lockdown and that commercial life in the UK can start to get back on its feet, as we find a way to work through the realities of Brexit," the association outlined in its Business Outlook Report for 2021.

The report was produced in collaboration between Smart Currency Business and UKFT who shared its valuable insights on what the year ahead looks like for UK fashion businesses, the implications of the Brexit deal, considerations for protecting the businesses against the pandemic and more.

"UK companies will have to remain vigilant with their existing wholesale customers and agents, as many of them have been substantially weakened in 2020. The same could also apply to some factories. Pricing will be especially sensitive in 2021 and 2022 as consumers can see the price of almost everything," according to the report.

"Credit Insurance is a tool that can protect your business against a loss incurred due to insolvency, protracted default or political event, and subsequent non-payment of an invoice. Insurer appetite for the fashion and textile sector has been low, given that clothing sales decreased by more than 25 per cent in 2020. However, insurers are now seeing a small bounce back, with March 2021 showing a 5.4 per cent increase on the previous month and a 1.6 per cent growth against February 2020," the report added.

"There is likely to be a lot of physical retail space available in 2021 and 2022, often in prime city centre sites. This could be a good opportunity for those looking for a central site or to run a pop-up. However, tourists may take a while to come back and the UK may become less attractive as a retail destination if the government does not reverse its decision to cancel the VAT refund scheme," UKFT mentioned.

Source: fibre2fashion.com– June 29, 2021

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# Why Hong Kong should resuscitate its garment industry

Sustainability, technology and innovation are key to building a smart city. While these buzzwords appeared in Hong Kong's latest policy address, the new initiatives were mostly concentrated in a limited number of areas, such as fintech, biotech and ecosystem integration in the Greater Bay Area.

There seems to be a lack of due consideration of their application in upgrading Hong Kong's traditional industries. One such industry is textiles and apparel. As we navigate out of the pandemic, we should rethink the future of this industry, which once epitomised the city's economic rise.

Hong Kong should leverage its role as a trendsetter of sustainable fashion, its research and development capabilities, and its networks in East Asia. While what was once the most important sector in Hong Kong's manufacturing industry now constitutes only a tiny percentage of the city's GDP, let's not forget it still has strong potential to become a brand builder in the region.

The city is known for both its high-quality products and high-end R&D capabilities. Hong Kong Polytechnic University's Institute of Textiles and Clothing, for example, is ranked at the top globally for its research performance and impact on industry.

And at the International Exhibition of Inventions of Geneva 2021, the Hong Kong Research Institute of Textiles and Apparel won seven medals, including a "gold medal with congratulations of the jury" and two gold medals for its environmentally sustainable inventions.

Hong Kong should continue to invest in R&D in the industry, to sharpen its competitive edge in the design and production of high-quality, environmentally sustainable textiles and apparel products. While it might be a tall – if not impossible – order for Hong Kong to build a clothing brand that can rival market giants such as Uniqlo, the city remains a major trendsetter in the region.

Hong Kong's continuing significance as a market for high-end fashion, with a deep pool of international talent, was seen in the launch of Vogue Hong Kong in 2019.

Notwithstanding the criticism of the government's failure to foster a favourable environment for innovative, non-financial start-ups, local labels such as Harrison Wong and Sau Lee have been internationally recognised for their design and quality.

With a strong talent pool and R&D capacity, Hong Kong's textiles and apparel industry is in a better position than many of its competitors to navigate a changing regional and global economic order. Hong Kong remains an attractive business destination with extensive trade and production networks in East Asia.

Hong Kong's free trade and investment pact with the Association of Southeast Asian Nations took effect in 2019 and has created new opportunities and facilitated Hong Kong's commerce with a dynamic region of more than 600 million people.

Further, the signing and ratification of the 15-member Regional Comprehensive Economic Partnership (RCEP) presents a timely opportunity for Hong Kong to strengthen its role as a "super-connector" in East Asia.

Hong Kong is a leading international sourcing hub for textiles and apparel products. By removing trade and investment barriers between regional markets, the mega trade deal not only creates new market space for Hong Kong's textiles and apparel manufacturers when commerce with the US and the European Union has been badly hit by the pandemic and geopolitical uncertainty, but it also provides an opportunity for them to restructure their supply chains.

With Hong Kong's middleman role in hosting trade fairs and expos, the city could further innovate by, for example, developing new and upgrading existing e-commerce platforms to facilitate information exchange, verify buyers and suppliers, and provide transactional support.

Hong Kong is once again at a crossroads of change. While some want the city to cling to what has worked in the past, others want it to abandon whatever is deemed to belong to history.

However, change and continuity should never be seen as a binary opposition. Hong Kong should be confident in its human capital and research capability, while leveraging its existing and expanding international connections to reinvigorate its textiles and apparel industry. Such a move will help diversify the economy away from its reliance on finance and property development.

Source: scmp.com– June 30, 2021

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# Over 57% US consumers prefer online shopping: Report

Majority of consumers in the US are shopping online either via websites (41 per cent) or apps (16 per cent), and with the effects of the pandemic likely to stretch beyond the near future, this trend is unlikely to change, as per a recent report. In April 2021, a resurgence in consumer spending was witnessed due to vaccine rollout and reopening of businesses.

While consumers are opting for online shopping now (57 per cent) due to COVID-related concerns, a significant share who currently shop in-store intend to continue to do so when conditions are safer (79 per cent), as per Delighted by Qualtrics report The time is now for omnichannel retail: 2021 consumer trends. About 1,200 shoppers across the US were surveyed to learn more about their shopping habits and preferences.

Consumer spending plunged amidst lay-offs and shelter-in-place orders. Over a 100 retail chains pulled down their shutters temporarily in March and April 2020 and unemployment skyrocketed. However, this decrease in spending did not affect all retailers equally. Niche and boutique stores without an online presence suffered the most, as consumers migrated to big box stores and online shopping to satisfy all their shopping needs in fewer trips, according to Delighted, a customer experience measurement and rating company.

Shoppers also prioritised in-store spending, relying on online shopping only for non-essentials such as electronics and clothing or cutting them out entirely. And yet, age-old complaints about online shopping such as poor product quality and having to wait for delivery continue to persist, the report said.

The unprecedented conditions caused by the coronavirus pandemic threw the spotlight on a trend that has been around for over a decade: omnichannel. Omnichannel retail not only implies a brand's presence in multiple channels (e.g., e-commerce and brick-and-mortar stores), but the integration of inventory, customer service and sales to offer a seamless transition between channels based on what the consumer finds most convenient. Consumers now expect to hop back and forth across channels.

The year 2020 also saw an explosion in curbside and in-person pick-up as consumers sought new ways to shop.

With Americans spending more time on social media and the rapid rise of fashion and beauty influencers, the boundaries between entertainment and advertising are growing even more blurry. Astonishingly, 92 per cent of Instagram users stated that they clicked on an ad, followed a brand, or made a purchase based on an Instagram, the report stated.

Source: fibre2fashion.com– June 29, 2021

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## Global luxury market to return to pre-pandemic levels by 2022: Report

The global luxury market is estimated to return to pre-pandemic levels by 2022, as per a recent report. The push comes from US consumers, who started luxury purchases more quickly than expected, thanks to the strong government support, and from Chinese consumers, who confirm the trend towards the repatriation of purchases that began during COVID-19.

While Europeans are cautious about domestic spending and will be more pessimistic about foreign spending for the next 12 months, US and Chinese consumers stand out for their optimism, placing themselves as potential growth drivers of the personal luxury market in the near future, according to the True-Luxury Global Consumer Insight Report by Boston Consulting Group and the Altagamma Foundation. BCG surveyed over 12,000 luxury consumers for the survey.

Virtualisation of luxury can bring great opportunities of additional revenue streams for luxury brands through innovative digital engagement tools like gaming and livestreaming.

Millennials and Gen Z are the other growth drivers and will account for 60 per cent of total consumers by 2025, the report stated.

Among the major trends in consolidation are the increasing virtualisation of luxury (new digital tools for engaging the consumer), the polarisation of values between Western and Eastern styles, an omnichannel-centred distribution system and a growing attention towards the values of brands, in terms of environmental sustainability and inclusiveness.

In 2020, only the two highest luxury spender cluster grew. While the 'aspirational' segment (which was 90 per cent in terms of population and 62 per cent in terms of value, pre-COVID) suffered the most (-20 per cent in population and 55 per cent market share), the true-luxury category market share increased from 30 per cent to 40 per cent.

The report said that the desire for luxury will increase in the post-COVID world. It also found polarisation in brand values between western and eastern styles. European and US consumers expressed the intention to shift to a more sober style, while Chinese respondents substantially confirmed the intention to continue in the same direction as before the emergency.

Sustainability issues are increasingly being considered by consumers in their purchasing decisions, with more than 6 out of 10 respondents highlighting their influence over decision making. Additionally, compared to last year, a personalised touch remains key for consumers, confirming the need for brands to create a more 1-1 relationship with the customer across all touchpoints.

Source: fibre2fashion.com– June 29, 2021

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# Australian apparel exports surge amid pandemic: IBISWorld

Australia's manufacturing sector has been hammered by the COVID-19 pandemic, declining by 5.7 per cent over 2020-21, according to Los Angeles-based market research firm IBISWorld, which recently said the knitted product manufacturing industry, however, has bucked this trend to achieve a revenue of $90.6 million—a 13.2 per cent rise—over the same period.

Global supply shortages and tariff reductions have opened up new doors for clothing manufacturers in Australia, it said.

'Australian knitted product manufacturing has been in long-term decline, with revenue contracting at an annualised 5.6 per cent over the five years through 2020-21. However, export revenue has increased by 37.1 per cent during the COVID-19 pandemic, providing a lifeline to Australian businesses,' said IBISWorld senior industry analyst Ross Dean.

The country's apparel retail industry contracted by 8.5 per cent in 2019-20, amid a collapse in consumer sentiment. However, the outbreak also had an unexpected benefit for Australian clothing manufacturers. The pandemic disrupted supply across North Asia, which typically accounts for close to 40 per cent of the global apparel manufacturing industry.

"The loss of supply from Asia left the global economy looking for other sources of clothing, supporting demand for Australia's clothing manufacturers. For example, Australian exports of knitted apparel to Japan jumped by more than 320 per cent in 2019-20, and exports across the men's and boys' wear manufacturing industry increased by 33.9 per cent," said Dean in a company press release.

The drop in China's output was only temporary, but it has expanded export opportunities for Australia's clothing manufacturers, especially with recent tariff reductions on apparel exports to New Zealand.

"While domestic demand is projected to continue declining, exports of knitted garments are forecast to grow by an annualised 1.8 per cent over the five years through 2025-26," he said.

A vital driver of this growth is expected to be recent changes to tariffs on knitted apparel and other clothing items to New Zealand. Under free trade

agreements with the Association of Southeast Asian Nations (ASEAN) and New Zealand, the tariff on knitted items like jerseys and pullovers dropped from 10 per cent in January 2019 to nil in January 2020. Further tariff reductions through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership are expected by January 2024.

"The temporary disruption of Asian clothing manufacturers provided Australian firms with a short window to expand their foothold in export markets. Australian firms may be able to leverage greater brand awareness and declining tariffs to drive growth in export revenue,' explained Dean.

New Zealand is the primary export market for Australia, with an estimated 34.7 per cent of knitted product exports going across the Tasman in 2020-21. For an industry in long-term decline, this market is providing a rare and much needed opportunity for Australian clothing manufacturers.

"Australian clothing manufacturers will likely place greater focus on the New Zealand market in the future. However, the rapid pace of export growth seen in 2020 will not likely be sustainable," added Dean.

One factor that will likely work against Australian clothing manufacturers is the forecast appreciation in the Australian dollar.

The number of apparel manufacturers in Australia has fallen by more than half over the past decade, as firms have either moved operations offshore to countries with cheaper labour costs or simply exited the industry. Those that remain have survived by focusing on supplying premium products to niche or overseas markets.

"These clothing producers face a difficult balancing act as they try to keep production costs in check while also making premium products. However, operators that can successfully capitalise on the opportunities created during the pandemic may be able to buck declining trends across Australia's manufacturing sector,' concluded Dean.

Source: fibre2fashion.com– June 29, 2021

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# Bangladesh: Projecting robust export growth

The overall performance of the export sector so far has defied pessimistic predictions made both by the local and international experts. So has that of the remittance sector. Obviously, such predictions were made before and immediately after the pandemic struck Bangladesh in early March last year. True, after pandemic control measures were imposed under various names, there was an initial backslide between March and June of 2020.

For example, during first nine months of the current fiscal, FY (20-21), the exports earned USD28.93 billion. Of course, the lion's share of the export earning was borne by the garment sector at USD23.48 billion. Considering the overall export performance, it was, no doubt, a negative growth of 0.12 per cent compared to that of the previous fiscal. For the garment export, the growth shrank by 2.55 per cent. Even so, it was not that much to call it a big pandemic-induced downslide.

In fact, after the initial shock, the export started to look up from July 2020.Though garment was rather slow to pick up, knitwear and home textile, except woven garment, recorded a significant growth of 5.85 and 41.5 per cent respectively during July-March period of FY21 compared to their performance over the same period in the previous fiscal. Though the overall export performance over the months in question cannot be said to have been great, it was also not so bad as the doomsayers were wont to portray it.

In sharp contrast to it, in their bid to highlight the hurdles the sector is passing through, industry leaders would rather like to point to the areas it (the sector) has failed to meet expectations. But one needs to also acknowledge the fact that the export sector as a whole could avoid the dreaded worst-case scenario as forecast by experts!

At this point, consider the draft growth projection for top 10 exportable items in the next fiscal (FY 2021-22) as made by the commerce ministry. It is hardly surprising that the items include readymade garment (RMG), jute and leather.

According the draft projection, the export of these items is expected to grow between 10 and 12 per cent in FY 22. Based on the total estimated export earning at USD38.39 billion in FY21, which marks a growth of 14 per cent,

the projected export growth in FY (2021-22) is calculated to be 11 per cent against a total export earning of USD43 billion.

Add to this the earning from services export, which is projected to grow by 14 per cent in FY22 over FY21's projected export proceeds at USD6.62 billion. That brings the total targeted export earning in FY 22 between USD50 and USD51billion, so goes the draft estimate.

Clearly, such growth of the entire export sector as projected by the government depends on positive contributions made by each component industry. Thankfully, all the sectors, as indicated in the draft projection, namely, RMG, knitwear, home textile, jute and jute goods, leather and leather goods, pharma, agriculture and engineering, have each recorded growth ranging from 8.0 to 20 per cent.

All this may be about the targeted growth of the export sector. But the targets have also a basis and that is provided by the hard facts of what each of the 10 selected sectors achieved in the fiscal year 2021-22. As such, the projection that the export sector will record a robust growth in FY 22 rests on a firm factual footing.

Source: thefinancialexpress.com.bd– June 29, 2021

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## Garment Makers Operating Through 'Hard' Bangladesh Lockdown

Most of Bangladesh's population will be confined to their homes for a week from Thursday as the South Asian country returns to a national "hard" lockdown amid a crushing wave of Covid-19 infections that brought on Monday its highest-ever death toll from the pandemic.

All non-essential services, barring the nation's export-oriented factories, have been ordered to curtail or limit operations. Already, the government has halted nearly all public transport, prompting a mass exodus of migrant workers from the capital of Dhaka as they scramble to flee to their hometowns or risk getting stranded when the directive goes into effect.

Al Jazeera reporter Tanvir Chowdhury said he saw thousands of Dhaka residents, most of them working people and daily wage earners, "walking, taking scooters and even renting ambulances because there is no public transportation."

Officials have blamed the highly contagious Delta variant, which first emerged in neighboring India and has since been identified in 85 countries, for the "dangerous and alarming" spike in cases following a decline in May. Authorities, which reported 119 deaths Monday, have officially logged nearly 900,000 positive cases and more than 14,000 deaths to date, although experts say the actual numbers could be higher.

The army will assist the police and border guard in enforcing the lockdown, State Minister for Public Administration Farhad Hossain told the media on Friday.

Because of a shortage of supplies, less than 3 percent of Bangladesh's 163-million-strong population is fully vaccinated. The number is lower for the country's 4.1 million garment workers, who are responsible for 80 percent of the nation's exports.

A survey of 1,280 garment workers, conducted by the South Asian Network on Economic Modeling and Microfinance Opportunities at the end of April, found that a mere 2 percent of those employed in the industrial areas of Chittagong, Dhaka City, Gazipur, Narayanganj and Savar have been vaccinated.

The government has been prioritizing frontline workers, vulnerable groups and adults aged 40 years or older, which means that garment workers, who average between 22 and 25 years old do not qualify, said Miran Ali, managing director of Bitopi Group and Tarasima Apparels and vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

But cases among garment workers are low, according to the BGMEA, one of Bangladesh's largest trade organizations.

"The government has informed the BGMEA that factories may continue to work maintaining the excellent Covid prevention practices that we have developed in conjunction with the Ministry of Health and the International Labour Organization," Ali told Sourcing Journal.

Faruque Hassan, president of the BGMEA, told the Dhaka Tribune that shuttering garment factories would jeopardize the sector's recovery, especially since it was starting to see an increase in work orders after a bruising year of cancelations and suspensions.

"It is beneficial to keep factories open rather than keeping them closed," he said, calling the garment industry the "lifeline" of Bangladesh's economy. "Moreover, the buyers may refuse to take half-finished orders if shipment is delayed," he said. "In this case, if the buyers move to our competitive countries, it will be a serious blow to our sector."

The BGMEA estimates that apparel exports will hit roughly $33.7 billion in the 2021-22 financial year, up 18.7 percent from $24.8 billion the year before, as the economies of the United States and European Union rebound from faster vaccine deployment.

Union leaders were more ambivalent about the sector's reprieve from restrictions, with Nazma Akter, president of the Sammilito Garment Sramik Federation, questioning why factories weren't following the lead of the rest of the country, particularly when workers struggled to get to work the last time ferries, trains and buses ground to a halt.

Worker concerns have been continually subsumed by business interests, she told the Dhaka Tribune, noting that the "demands of the workers did not get priority during the lockdown [and] the factory owners did not manage safe workplaces and safe transportation," contrary to government orders.

But Sirajul Islam Rony, a representative of garment workers at the last minimum wage board, said many workers commuted to work on foot and on small vehicles such as "easy bikes" in the absence of public transportation. With Eid-al-Adha, a major Islamic holiday, fast approaching, he told the Dhaka Tribune, workers will need both wages and festival allowances, which factory owners would be hard-pressed to provide if they couldn't produce goods on time.

Mostafiz Uddin, managing director of Denim Expert, also pointed to wages and Eid bonuses as a reason factories should stay open. "Moreover, factory owners have also to pay their local suppliers' dues," he told Sourcing Journal. "So, at this moment the factories could not absorb any lockdown."

Pausing production lines could also increase the risk of infections countrywide by giving migrants from outside Dhaka little incentive to stay behind, "whereas this situation can be avoided by keeping the factories open [and] maintaining health and safety protocols," Uddin said.

Certainly, there are no easy answers to how drastic measures should be. The Consumers Association of Bangladesh reported on Sunday that the incomes of 77 percent of Bangladeshis have declined during the pandemic, even as the prices of basic commodities and the cost of some public services have risen. In April, the Bangladesh Institute of Labour Studies and Centre for Policy Dialogue estimated that the health crisis wiped out 3 percent of jobs in the nation, creating 16.38 million "new poor."

Of the aid that European Union governments extended to Bangladesh last year, just $640,476 has been doled out to 6,031 beneficiaries—each of whom received three payments of roughly $36—as of mid-April, according to a recent International Labour Organization Call to Action update.

"So I think the government took a prudent decision to balance between lives versus livelihoods," Uddin said. "Who will support [the garment workers] if the factories are shut down? Remember poverty is a killer too and many people may die from poverty than Covid-19 if the factories fail to operate."

Source: sourcingjournal.com– June 29, 2021

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## Pakistan: Minimum support price on cotton, but for whom?

The Economic Coordination Committee of the federal cabinet in its meeting on Monday reportedly considered fixing an intervention price for cotton to improve falling area under its cultivation. This decision follows other recent developments, beginning with a statement by the new finance minister that 'price control regime on agricultural commodities needs to be reinstated to improve agricultural output'.

That Pakistan's cotton output has fallen precipitously off a cliff needs no demonstration. According to official statistics, between FY16 and FY21, output fell by exactly half, barely retaining country's slot among top five global producers. Although area under cultivation also fell by a quarter during this six-year period, it is a common mistake to blame the falling output on acreage.

According to estimates released by Punjab government, per hectare cost of production for cotton is at par with other competing kharif crops. Yet, lost cotton acres in the province have been the gain of competing crops such as basmati rice and maize. Over the last decade, cotton has lost 1 million hectares in the province alone, while cultivated area under both basmati and maize in the province has doubled. Interestingly, neither basmati nor maize enjoy any intervention or support price from federal or provincial government.

It is not hard to understand why. Competing crops have made impressive gains in productivity during the intervening period, while cotton yield has been on a downward spiral. Yes, competing crops offer higher per acre profitability, but not by virtue of higher prices, rather, because cotton farmers have faced crop failures, year after year.

If the farmer crop never makes it to the market, does it make any difference whether price is set by the government, or by market forces?

Cotton and other crops compete from the same land; have similar access to irrigation and groundwater; are tilled by the same farm hands; and use fertilizers manufactured by same corporations. Unlike sugar mills, cotton ginners are not accused to have exploited cotton growers. In fact, as per news reports, half of over 1,200 cotton ginning factories in the country have closed during past two years due to falling output.

So, what plays the decisive role in the diverging trends between cotton and competing crop yields in the country? Briefly: poor seed quality.

While maize has grown in popularity due to impressive yields unlocked by imported hybrids seeds, yield improvements for basmati have also been made through quality seed and extension services offered by private sector rice processors. In contrast, cotton seed supplied locally is of dubious quality, a result of poor administration by seed control authorities that has allowed illegal seeds to flourish in the local market.

Anecdotal evidence suggests that samples of Bt. – or seed with genetically modified attributes - imported through grey channels during early 2000s were multiplied and marketed by local seed companies. The first and second Bt, generation seeds - crossed with local varieties - gave remarkable results upon commercialization, allowing their murky origins to escape administrative scrutiny.

Soon after, because the seed had not received stewardship and support by patent owning biotech companies, pink boll worm and other pests began exhibiting resistance to its charms. In less than 10 years, the use of pirated biotechnology resulted in tragic consequences, relegating cotton to its ongoing unpopular status.

In the past two years, the current administration has made flurry of attempts to revive cotton, with zero result. Not only is the crop fast losing its popularity, yield refuses to inch ahead. Common sense demands that dramatic reduction in area of any crop must lead to improvement in average yield, as only those farmers able to achieve competitive productivity may show resilience and stick to the crop. Yet, counter-intuitive results shown by cotton yield indicates that the quality and vigor of the seed is fast deteriorating, and may not improve unless the quality of available seed changes radically.

Does that mean Pakistan should import cotton seeds in use in other countries such as China, Brazil, and USA where average yield is double that of ours?

That mistake has already been made once, and must not be repeated. Foreign seed – whether Bt., organic, or hybrid, - may show wonderful results overnight, but unless regional, and national levels trials are run for the requisite 5 to 7 years (or as mandated by the prevailing seed regime globally), threats to its suitability to local environment may remain

unmasked in the short term. Once any seed variety is commercialized, it is very hard to purge it from a country with over 5 million small farmers.

So, how can Pakistan provide feedstock for its export-oriented textile sector if its cotton output continues to decline at an exponential rate? To answer that question, a different question must first be asked. Is the textile sector worse off due to non-availability of local cotton?

Over the last two decades, global fibre industry has undergone a fast-paced evolution. Not only has the share of man-made fibres increased from 30-70 to 40-60, quality of cotton fibre used has also improved drastically. Commercialization of third and fourth generation Bt. cotton seeds mean that average staple length of cotton filaments has graduated from 24" to 28" and even 32" inches in many places. Mechanized crop picking in several countries has allowed production of cotton that has very low adulterated percentage, and is not contaminated during the picking process. Fibre produced as a result allows easier production of higher and finer count cottons, while price of cotton has been on a secular decline globally due to advances in productivity that have reduced production cost.

Meanwhile, according to Textile Commissioner's Organization - a division of Commerce ministry - while local cotton production may have very well declined, domestic cotton consumption has not. TCO reports that annual cotton consumption by spinning mills continues to average between 13 to 15 million bales annually. Thus, Pakistan is increasingly fulfilling its cotton requirements through imported raw cotton, but is it worse off as a result?

A comparison of unit prices of imported cotton over the past decade shows that as Pakistan's appetite for imported varieties has increased, average unit price of imports has declined. Moreover, average unit price of import is no longer higher than the prevailing international prices during the corresponding as had been the case in the past. As Pakistan becomes a bigger player in global cotton import, is its bargaining power as a buyer improving?

While it is hard to make any conclusive remarks in absence of more evidence – a comparable analysis with other importing nations for the same period may be useful – it is equally hard to miss other obvious trends. Predictably, because most of Pakistan's cotton imports originate from Brazil and USA, the imported cotton is of better quality and higher staple count than locally available varieties. Another indirect way to measure the effect of cotton

imports, is to look at industry's value-added output and analyse whether it has suffered due to higher reliance on imported feedstock.

Although total output of domestic textile value-adding industry is unavailable, exports serve as a useful proxy. Barring the exchange rate anomaly during FY14 – FY17, not only has Pakistan's value-adding export volume remained resilient through the years, the unit price of value-added goods has improved not only in absolute terms, but also when measured as a multiple of unit price of imported cotton during the corresponding period.

Clearly, then, average textile exporter is no way worse off due to higher use of imported cotton as raw material. In fact, an argument can be made that use of improved quality imported cotton may in fact help textile manufacturers break into newer value adding categories and attract buyers higher on the fashion and textiles ladder. Whether it has improved or hurt the profitability margins of value-added exporter is best left for textile analysts to comment on.

Thus, before government of Pakistan reinstates intervention price on cotton, it might help to contemplate few questions:

Domestically produced cotton is competitively priced and is pegged against global cotton price indices that are reset on daily basis. Cotton – both domestic and globally – is priced based on its staple length, quality, micronnaire, and other standardized technical attributes. Cotton growers are paid competitive prices, which are only lower in the domestic market due to lower quality of the product. Imposition of intervention price will in no way improve the quality of cotton, which is predicated on improvement of seed quality. Meanwhile, if the minimum support price - above market prices – is set for the crop, it will only lead to increase in price of raw material for domestic textile value-adding chain, rendering them uncompetitive in the global export markets.

Moreover, by its own admission, the government insists that Pakistan's farmers have been better off in 2020-2021, backed by remarkable successes of competing crops such as rice and maize. According to GoP's own claim, these competing crops – together with wheat – have recorded higher ever output in country's history. If farmers are already better off due to record profits thanks to their preference for competing crops, does it make sense to create interventions that skew them away from more profitable choices?

Minimum support prices, on the other hand, have a history of skewing the marketplace, as they offer abnormal returns (as price is set above market clearing rate). This has already been advised in the case of sugarcane. Meanwhile, it provides no guarantee on yield, which may or may not revive in absence of quality seed.

In case the government plans to procure through TCP at higher prices and supply to spinning mills at lower market prices – ala wheat – it must ask itself for how long does it have the fiscal space required to run this electoral gimmick?

Click here for more details

Source: brecorder.com– June 30, 2021

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# NATIONAL NEWS

## No conflict of interest in pushing FDI while promoting 'Atmanirbhar Bharat': CEA

*Multinationals should help create jobs, support MSMEs*

There is no conflict of interest in enhancing Foreign Direct Investment (FDI) flow into the country while promoting the policy of 'Atmanirbhar Bharat' as it is self-reliance that India wants to achieve and not self-sufficiency, Chief Economic Adviser K Subramanian has said.

Multinationals must focus on creating jobs and helping MSMEs to grow in order to create a symbiotic relationship that would allow FDI to prosper, Subramanian said at a policy roundtable discussion on 'Leveraging FDI Flows for Sustainable Recovery, World Investment Report 2021', organised by the Institute for Studies in Industrial Development (ISID) on Tuesday.

"Atmanirbhar is self reliance. Do not make the mistake of thinking of it as self sufficient. There is a big difference. It is to ensure that capabilities in essential areas are developed.....In fact, FDI norms have been relaxed as part of the Atmanirbhar Bharat policy," the CEA said, adding that in the last couple of years a number of FDI relaxations including in the insurance sector had taken place.

India received FDI worth $64 billion in 2020, the fifth largest recipient of inflows in the world, according to UNCTAD's World Investment Report, 2021, circulated earlier this month.

"In a country like India, with a large work force and young population, one key objective that multinationals must focus on is to ensure that capital and labour are complimenting each other," Subramanian said.
Maintaining balance

Multinationals must keep a balance between being privately optimal and socially optimal. If they are not seen as displacing jobs, then, in a democratic policy, there will be a greater backing for reforms, he added.

MNCs should also support MSMEs, who are their suppliers and customers, to help them grow and achieve economies of scale so that they are able to

compete better globally, Subramanian said. It will help them reduce costs and also ultimately benefit the multinationals, he added.

Large companies need to create a bigger pie so that there is more not only for them but for all stakeholders. “This vision is very important for MNCs to benefit in the long run,” Subramanian said.

Source: thehindubusinessline.com– June 29, 2021

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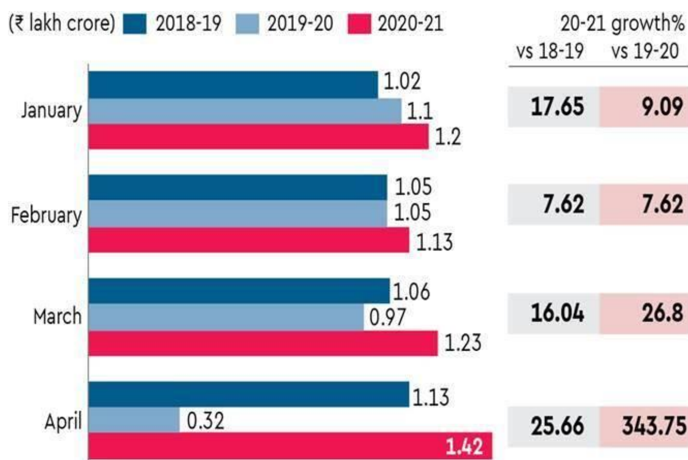
# Rationalise GST rate; reduce exemptions or hike rates

Indian policymakers are marsupials by design; they birth policy that needs nurturing on the ground. Waiting for perfection is not advisable. Launching a reform and then continuously improving or adapting it to the ground level realities is an integral part of its implementation. Goods and Services Tax (GST), when enacted in 2017, was admittedly a work-in-progress and its implementation is still ongoing. In the past four years, while the reform has achieved a fair bit of maturity is some aspects, the GST child needs more nurturing on several fronts and deal with several impending challenges.

The GST digital compliance and tax administration framework is unprecedented in its scale and ambit, and forms the backbone for the reform. Achievements on this front are exemplary and will be emulated globally. Last year, it was visionary of the revenue secretary to push ahead with the digital agenda through the pandemic, despite protests. E-invoicing for large taxpayers having turnover above Rs 100 crore was implemented. This, coupled with a proactive use of analytics, has enabled the administration to check evasion. The collection efficiency has significantly improved. The Q4FY21 collections indicate a 15-20% growth compared with FY 19 (see graphic). Stronger collections should provide flexibility to focus on the necessary structural reforms.




In FY21, approximately `7 lakh crore (based on Union Budget RE and all states BE) excise duties and state VAT collected on commodities excluded from the GST net account for 30% of all commodity taxes and duties. A lion's share of these collections relate to petroleum products. Further, budgeted collections of state electricity duty for FY21 is around Rs 46,184 crore (as per the RBI report on state finances—A study of Budgets 2020-21). Inclusion of these sectors within the GST net will reduce cascading impact of these taxes by tens of thousands of crores of rupees. However, the present political and economic scenario would not allow both the states and the Centre to agree over any dilution of fiscal independence, and this agenda is unlikely to be addressed.

States were guaranteed a 14% compounded annual growth of their revenues subsumed within GST for five years. Any shortfall was to be funded by the compensation cess. This year, the compensation is estimated to be around Rs 2.5 lakh crore. This guarantee ends in June 2022 and the states would want an extension of the compensation safety net for a few years more.

This revenue shortfall is primarily on account of the steep reduction of tax rates during GST implementation. Against a planned revenue neutral rate of 15.5%, the actual average GST rate is around 11.8%. Rate rationalisation, either by reducing the number of exemptions or by increasing GST rates, could be considered.

The recent integration and tightening of the compliance framework definitely reduced evasion. At present, non-filing of returns precludes a taxpayer from receiving or despatching goods, thereby forcing closure of business operations. This is too harsh. Decoupling payment of taxes from filing of returns is desirable as this will enhance the quality of compliance and enable businesses to revive and recover. Evasion concerns should be addressed by better use of analytics.

The impending states' revenue crisis is likely to pressurise tax administrations to take on aggressive tax collection targets triggering combative and high-pitched assessments. Indian GST, being a new law with several complexities, exacerbates the problem. Unless pragmatic steps are taken to reduce disputes, the ensuing deluge of litigation will breed massive uncertainty for businesses and choke the already burdened judicial infrastructure for the foreseeable future. The steps could include issuing clarifications, rationalising legislation to address ambiguities in the law as also notifying schemes allowing people to resolve or compound disputes or non-compliances. Further, active focus should be given to decriminalisation of offences under the law.

As GST enters its fifth year, tremendous work has been done to get its physical bearings in place. Revenues and collection efficiencies have improved and stabilised. Next year, the agenda should ideally aim at building on this strong foundation and work on imbibing the right values in GST. This is the time to ensure that the law doesn't become troublesome but contributes to the economic well-being of the society and country at large.

Source: financialexpress.com– June 30, 2021

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# Exports to China: Raw inputs dominate supplies, limit growth prospects

China may have emerged as India's second-largest export destination in FY21 but sustaining the high growth rate in shipments would be a daunting task for New Delhi, given that Beijing's purchases comprise mostly low value-added products where growth prospects are typically limited.

In fact, the share of raw inputs in China's purchases from India rose at a brisk pace last fiscal, at the cost of more value-added consumer or capital goods, according to an FE analysis.

India's shipments to China jumped an impressive 28% last fiscal from a year before to $21 billion, even when overall merchandise exports shrank 7%. But as much as 81% of the supplies to Beijing, worth $17 billion, were just raw materials and intermediate goods, up from 74% five years ago (FY17), showed the commerce ministry data.

Raw materials, mainly iron ore, cotton and plastics, and intermediate goods such as low-grade iron & steel, chemicals and copper were shipped to China in large volumes last fiscal.

However, being the world's largest producer of capital and consumer goods, Beijing doesn't really import these products – where value addition can be substantial – from New Delhi. In fact, it dominates the global export market in these segments, and remains way ahead of India.

As such, New Delhi's ability to supply to Beijing at cheaper rates than the local producers there has long remained stunted due to inherent structural weaknesses, including high logistics costs. On top of that, China's stubborn denial of credible market access in goods segments where Indian producers are competitive, often through the employment of non-tariff barriers, have long tilted bilateral trade balance in Beijing's favour.

Relying on just raw materials and intermediate goods is unlikely to push up India's exports to China year after year. New Delhi has to capture markets there in high-value segments by sorting out legacy issues and removing structural obstacles. As such, growth in exports of raw materials and intermediate goods greatly hinges on global commodity prices and it tends to lose steam as the prices go down.

Importantly, while China has been vacating export space in labour-intensive sectors due to rising wage costs, India hasn't been able to capitalise on it, losing out to competitors like Vietnam. According to former chief economic advisor Arvind Subramanian, China has vacated close to $150 billion in exports in low-skilled labour-intensive sectors, including apparel, leather and footwear since the global financial crisis in 2008-09. But India has cornered at most 10-15% of the vacated market.

India has also not been able to quite cash in on a trade war between the US and China, partly due to the outbreak of the Covid-19 pandemic.

While trade deficit with China declined to $44 billion last fiscal from nearly $49 billion in FY20, the neighbour's share in India's total goods trade deficit still zoomed to 43% in FY21 from 30% a year before. This is because the country's imports from China were in excess of $65 billion last fiscal, almost the same as in FY20, even though its total inbound shipments faltered by 17% from a year earlier.

Source: financialexpress.com– June 30, 2021

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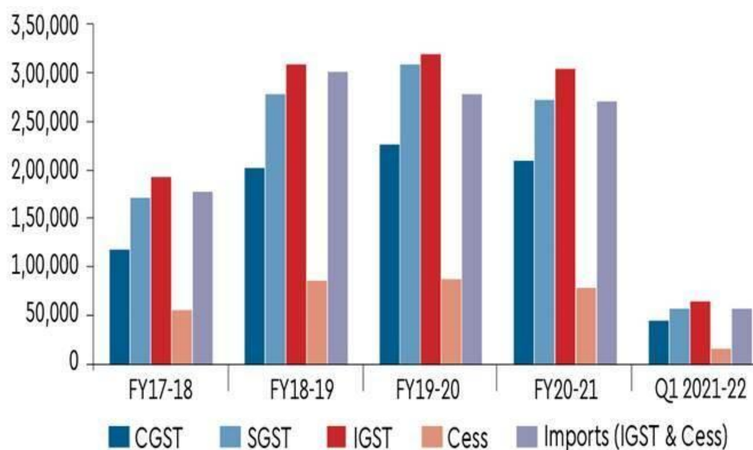
# Four years of GST: A continuing reform, in consultation with stakeholders

The completion of four years of the Goods and Services Tax (GST) is a good time to look at the benefits it has provided and challenges it has led to, the latter amplified by the once-in-century pandemic. GST needs to be judged in the right context. Major reforms are an ongoing process, and a new legislation that has combined several complex central and state legislations cannot be expected to work seamlessly from the word go. It may take a few years to achieve all of its objectives and realise its entire potential.

There has been considerable debate in recent times on whether GST has achieved its revenue objectives and whether the states are getting their fair share of revenues. While the GST collections were certainly hit by the pandemic-led economic contraction, recent months have seen an encouraging turnaround in collections, providing some relief in the fiscal space.




Several states have been experiencing difficulties in managing their fiscal position and have been requesting the Centre to step in to assist them. The Centre has also been finding it difficult to manage the assured compensation to states from the Compensation Cess Fund (CCF) collected from certain products and has borrowed to fund the deficit in the CCF.

It is also likely that the period of five years which was originally envisaged for the CCF, would be extended to assist in funding the shortfall and repaying the borrowings during the current period. This would impose an additional burden on those businesses whose products are subjected to compensation cess, such as automobiles, as these businesses were under the impression that the compensation cess would come to an end in June 2022 and they would be subjected only to the applicable GST thereafter.

Hence, the only long-term solution to the problems of the finances of the state and Centre appears to be a significant improvement in GST collections, driven by above-average economic growth and increased focus on improving GST compliance.

Several businesses have struggled to comply with GST and its increased requirements. While the focus of the GST authorities has been to expand the base of GST taxpayers and ensure that they pay the correct amount of taxes, this has unintentionally hit many organised and unorganised businesses. While larger businesses are able to handle some of these issues, smaller and mid-sized businesses have found it extremely difficult.

It is essential to note that GST is a business-transaction-driven tax and its compliance is integrally linked to fundamental business processes such as sales, procurement, logistics, etc. Hence, any measures taken to improve the compliance also impacts core business processes that are primarily driven by customer requirements, marketplace practices and commercial necessities.

For instance, permitting businesses to avail input tax credit (ITC) only in those cases where the vendor has fulfilled their GST payment and compliance requirements creates an additional level of workflow that every business now has to monitor. Further, many businesses are genuinely not able to monitor their vendor behaviour and feel that they should not be penalised for the tax compliance deficiencies of their vendors once they have paid the GST amounts to their vendors. Additionally, the requirement to reverse the ITC availed if the vendor is not paid within six months makes it difficult for business that operate in an elongated working capital cycle with agreed payments terms beyond six months that are linked to the final customer payments.

Service providers have been grappling with the increased compliance needs—registering and filing returns separately in each state where they have operations. They have not received any relief in the GST compliance framework as it does not make any distinction between suppliers of goods and providers of services. This has resulted in all service providers having to ramp up their internal teams handling GST, increase their interactions with tax consultants, expand usage of technology for tax compliance, etc, all of which has resulted in an increase in their costs of providing services to their customers.

Many of their customers are unwilling to absorb this, which results in service providers having to reduce their margins just to continue business. It has also been difficult for service providers engaged in exporting their services to obtain refunds of input taxes paid by them to their vendors because of the increased and automated scrutiny process that such refunds are now subjected to.

One solution could be to permit service providers to file consolidated returns for the states where they are registered together with aggregated tax payments, which can then be bifurcated amongst states by the backed IT processes.

Making ongoing improvements to the GST compliance and tax processes based on stakeholder consultations has been the hallmark of the GST reform in India, and this is expected to gather pace once the present situation improves.

Source: financialexpress.com– June 29, 2021

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# A first in UP: 150-acre textile park to come up in Noida

Paving the way for Uttar Pradesh's first textile park, the Yamuna Expressway Industrial Development Authority (YEIDA) has allotted 150 acres of land for the Apparel Export Cluster in Noida.

As many as 152 companies will set up their factories at the textile park with an estimated investment of `8,365.73 crore, in which about five lakh people are expected to get employment. In the first phase, construction of 91 textile and garment factories is in full swing and these are expected to start in January next year. On completion, these 91 textile and garment factories will provide employment to two lakh people.

According to the industry department sources, the state government's plan is to develop a global garment hub which can tap into the lucrative international textile supply chain, in which Bangladesh, Vietnam and Indonesia are currently major producers.

"The intention of the UP Government is to get ahead of these countries in textile production. There is a lot of potential for expansion in the textile and garment sector in the state, but the number of fully integrated textile parks in the state is negligible," said an official, adding that currently, Uttar Pradesh is the third largest textile producing state of the country.

"The share of Uttar Pradesh in textile production at the national level is 13.24% and the state ranks fifth in the country in terms of handlooms and silk production. There are 2.58 lakh handloom and 5.5 lakh powerloom weavers in the state. The state has 58 spinning mills and 74 textile mills in the non-small scale industrial sector and the state's share in carpet production in the country is 90%," he said.

According to sources, 66 major industrialists have submitted proposals to invest `8715.16 crore in the textile and garment sector in the last four years. Of these, 12 textile factories have already been set up, while construction of 18 others is in progress. The target is to start production in the 18 textile factories this year itself. In addition, production in 17 more textile units is expected to start from next year.

UP government is planning to develop more such integrated textile parks in major textile producing areas of the state, such as Meerut, Agra, Jhansi, Gorakhpur, Varanasi, Lucknow and Kanpur divisions.

Source: financialexpress.com– June 29, 2021

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# We need a national policy on ports

*A string of large, medium and small ports along the coast will create a competitive port services market*

India has a coastline of 7,517 km situated in the 10 maritime States and union territory. Article 246 of the Constitution confers exclusive powers to make laws with respect to the matters enumerated in the union list, contained in the seventh schedule thereof, on the Parliament. Entry 27 of the union list mentions ports declared by or under law made by Parliament or existing law to be major ports, including their delimitation and the Constitution and powers of the Port authorities therein a responsibility of the Centre.

All other ports fall within the jurisdiction of the authority of the State governments where the respective State Assemblies have powers to legislate. There are 12 major ports and 187 non-major ports and these ports are governed by the Major Port Trusts Act 1963 and the Indian Ports Act 1908.

## Major and non-major ports

The Union government under the provisions of the Indian Ports Act 1908 declares a port as a major port. But there is no mention in the Act on the qualifying conditions or criteria to declare a port as a major port. Deenadayal Port in Kandla, Gujarat — a major port handled 123 million tonnes of cargo in 2020 whereas the Mundra Port — a non major port in the same State handled the highest volume of cargo 137 million tonnes in the same period. The Centre cannot declare Mundra as a major port as that would bring the port under the Central jurisdiction.

Moreover, Mundra is managed by Adani ports in the private sector under a concession granted by Gujarat Maritime Board. The real distinction between a major port and a non-major port lies in ownership, control and management of that port — not related to cargo volumes, port facilities or connectivity. The Centre can declare a port a major port even before that port commences commercial operations.

For example New Mangalore port was declared 9th major port in India on May 4, 1974 before completion of the construction work. JN Port in New Mumbai was declared a major port on May 28, 1982 whereas the actual

commissioning of that port took place only on May 26, 1989. Kamarajar Port in Ennore was declared a major port on March 23, 1999 before commencement of commercial operations.

In the Indian context, declaration of a port as a major port would mean that the ownership, control and management of that port will fall exclusively under the jurisdiction of the Central government whereas maritime State governments have the power to develop non major ports either directly or by granting concession to private terminal operators.

In the US there is no categorisation of ports as major, non-major or minor ports. The US has a coastline of 19,924 km with 361 ports and their sea ports are under the state or other local jurisdiction and ownership.

In Canada, there are four types of ports — the corporation ports, ports Canada federal system, the commission ports with a strong degree of autonomy and a large number of public ports under the control of the department of transport.

In Australia seaports are a state matter. The port administrative systems vary from state to state and the Federal government has only very limited role in the administration of seaports. In Japan the seaports are grouped in their order of importance as specially designated major ports, minor ports, local ports and ports of refuge.

In France ports broadly come under the category of autonomous ports, non autonomous ports and local ports depending on their importance and the vital role they play in the national economy. The UK has a coastline of 12,429 km with about 300 ports out of which only about 44 are commercially significant ports. There is no categorisation of ports in the UK and port ownership patterns vary from Municipal, Private, Joint sector to public trust ports.

The policy of the British government has been one of encouraging free competition in the port sector where port managements under different ownership patterns are allowed to compete with one another without any monetary support from the national government or any subsidy explicit or implicit.

With the enactment of Major Port Authorities Act 2021, the Indian ports scenario will present different patterns. Eleven major port trusts will get transformed into Port Authorities. One major port namely Kamarajar Port

(Ennore) will continue to function as a major port under the Companies Act 2013 and all the other commercially significant non major ports under concession to the private sector will function under the Companies Act.

When Kamarajar Port (Ennore) was declared a major port in March 1999 it was incorporated as Ennore Port Ltd as a company under the Companies Act. The track record of the company for the last 22 years has been so impressive that it has emerged as an exemplary major port. In 2020 Kamarajar Port handled 31.7 million tonnes with a total strength of just 102 employees, an operating ratio of 27 per cent and a net profit of ₹249 crore.

All the 11 major ports will have a new institutional outfit as port authorities in the near future but should function as landlord ports — leaving all cargo handling operations to the terminal operators in the private sector as in the US and European ports. The next institutional transformation should be from port authorities to public limited companies to enable them to function efficiently as business enterprises.

As corporate entities such ports will have easy access to financial markets, take management decisions with speed and efficiency and will have greater commitment and flexibility in implementing development projects.

A string of large, medium and small ports working under the Companies Act along the Indian coast will create a highly competitive port services market. Such ports along the East and West coast of India will compete intensively in the port services market based on price, quality and performance. This will result in lower port charges and help promote Indian exports and reduce the landed cost of imports at Indian ports.

Source: thehindubusinessline.com– June 29, 2021

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## Increasing textile & apparel exports in troubled times?

As nations battle with COVID-19 pandemic and economic downturn, textile and apparel manufacturers the world over are trying to increase their exports. Favourable policies announced by the government has helped the Indian textile and apparel industry to some extent. But more is required for export promotion push and to overcome pandemic infused constraints.

The Indian government has targeted to increase the country's contribution in global textile and apparel market from 6 per cent at present to 15-20 per cent. It has removed anti-dumping duty on purified terephthalic acid (PTA), thereby drastically decreasing the cost of polyester.

In addition, the Cabinet has approved the scheme for the remission of duties and taxes on exported products under which a mechanism would be set up for reimbursement of taxes, duties and levies, at the Central, state and local levels. It has further approved the continuation of RoSCTL till it merges with RoDTEP.

Last year, at the peak of the pandemic, the Indian government allocated ₹20 lakh crore for the Aatmanirbhar Bharat package, which included benefits to the textile industry as well.

The Indian government has introduced a contactless process that would boost the in-house testing capability of the customs. New modern testing equipment for faster imports and exports clearances.

Online B2B marketplaces are aiding the growth of global trade, in the post-COVID situation. Several manufacturers have registered their company on Fibre2Fashion's F2FMART to take their business to many buyers internationally.

Fibre2Fashion has 20 years of experience in textile and apparel industry, with more than 1.5 million monthly visitors across the globe.

Source: fibre2fashion.com– June 29, 2021

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## Finmin extends validity of anti-dumping duty on vitrified tiles from China till Dec 31

DGTR initiates anti-dumping probe on MEG imports from Kuwait, Saudi Arabia and US

The Finance Ministry has extended till December 31 the validity of an existing anti-dumping duty on vitrified tiles import from China. The earlier extension was to expire on Monday, but has now been extended till end of this year.

The latest extension comes in the wake of a request from the Directorate General of Trade Remedies (DGTR), which had in January this year initiated sunset review investigations on imports of glazed/unglazed porcelain/vitrified tiles with polished or unpolished finish from China. Gujarat Granito Manufacturers Association, Indian Council for Ceramic Tiles, Morbi Ceramic Association and Sabar-Kantha District Ceramics Association had jointly filed an application seeking initiation of sunset review.

It maybe recalled that government had in 2016 imposed definitive anti-dumping duty of $1.87 per square metre on Vitrified tiles from China for a period of five years. This duty was to lapse on March 28, 2021, but extended till June 28 and now till December 31.

### Mono Ethylene Glycol

Meanwhile, the DGTR in the Commerce Ministry has initiated anti-dumping investigations on Mono Ethylene Glycol (MEG) imports from Kuwait, Saudi Arabia and the US.

India Glycols Ltd and Reliance Industries Ltd — which account for more than 50 per cent of the total domestic production — had filed the petition seeking anti-dumping probe on MEG imports from Kuwait, Saudi Arabia and the US.

MEG, which is a clear, colourless and slightly viscous fluid, is mainly used as chemical intermediate in the production of polyester fibres, polyester films and resins such as polyethylene terephthalate (PET). PET is converted into plastic bottles which are used globally. Also, MEG is used in the fibre treatment of textiles, paper industry and in adhesives, inks and cellophane.

It is also used as a dehydration agent in natural gas pipelines where it inhibits the formation of natural gas clathrates before being recovered from the gas and reused.

India is currently the largest user of anti-dumping measures among the World Trade Organisation (WTO) members.

Source: thehindubusinessline.com– June 29, 2021

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## 'Govt. taking efforts to improve marketing opportunities for weavers'

Handlooms and Textiles Minister R. Gandhi said the State government is taking efforts to improve marketing opportunities for handloom and powerloom weavers.

Speaking at a review meeting here on Tuesday, he pointed out that Coimbatore has presence of different segments of the textile industry.

At a review meeting held in Tiruppur, the Minister said the demands and grievances presented by the weavers and textile industry in Tiruppur will be discussed by the State government at a meeting to be held next month.

The Minister visited some of the textile manufacturing facilities. He said the DMK government had always focused on weavers. The textile sector in the State is important because it provides employment to many.

The Chief Minister will chair a review meeting of the textile and handloom department next month. The issues faced by the sector will be discussed at the meeting and the sector will see a major development in another six months, the Minister said.

The Minister also said the garment export units were operating with 100 % workforce and the domestic units were functioning with 33 % workforce.

The spread of the pandemic had hit the garment sector in Tiruppur and the industry had submitted its demands. These will be studied, he said.

He visited a Common Effluent Treatment Plant and the Palladam Hi-Tech Weaving Park.

Source: thehindu.com– June 29, 2021

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# D P World to close deal to buy three Transworld units on July 1

Global port operator D P World Ltd will close the deal on July 1 to buy three units of Dubai-based Transworld Group promoted by Indian businessman Ramesh Ramakrishnan, ten months after it was announced in August last year.

The acquisition will help the Dubai government owned firm bolster its Indian and global logistics play as part of a strategy to transform from a pure play container terminal operator into an integrated supply chain solutions provider.

The transaction was cleared by the Competition Commission of India on June 7.

D P World's majority-owned subsidiary Unifeeder ISC FZCO has acquired 100 per cent of Avana Logistek Limited (including its subsidiary Avana Global FZCO) and Transworld Feeders Private Ltd (the containerized Indian coastal and EXIM feeder shipping operations of Mumbai-listed Shreyas Shipping & Logistics Ltd, excluding its container vessels and bulk ship operations).

The deal also includes the indirect acquisition of 100 per cent of Transworld Shipping Agencies Private Ltd (TSAPL) following Unifeeder's acquisition of Transworld Feeders FZCO which holds 100 per cent of Transworld Shipping Agencies.

Container feedering (short sea shipping) and inland logistics are at the heart of D P World's diversification strategy to provide end to end solutions to customers.
Transworld Feeders FZCO and Avana Global FZCO are independent feeder and NVOCC (Non-Vessel Owning Common Carriers) operators, offering container feedering services and regional trade solutions connecting a wide range of ports in the Middle East, Indian Subcontinent and the Far East.

The hub port at Jebel Ali (UAE) run by D P World plays a pivotal role for a large part of these services.

Transworld Feeders Pvt Ltd and Avana Logistek Limited have a comprehensive coverage of all main ports, terminals and inland

destinations in India. Avana Logistek also provides first mile and last mile delivery solutions within the Indian domestic market. Both are market leaders in providing logistic solutions to cargo owners, traders, forwarders and shipping lines.

As a feeder operator with a volume of as much as 1.2 million twenty-foot equivalent units (TEUs) a year, Transworld fits fell into D P World's strategy, said a shipping industry expert.

D P World has invested $1.2 billion in India since 1997 and is currently the only foreign port operator running six terminals at Mundra, Jawaharlal Nehru Port Trust (2 terminals), Chennai, Cochin and Vizag with a combined capacity of over 6 million TEUs accounting for a market share of about 30 per cent of India's annual container volumes shipped through its ports.

D P World has also set up Hindustan Infralog Private Limited (HIPL), a joint venture with India's National Investment and Infrastructure Fund Ltd (NIIF) to invest as much as US$ 3 billion of equity to acquire assets and develop projects in ports, terminals, logistics, transportation and related sectors.

In 2018, the JV acquired multi-modal logistics firm Continental Warehousing Corporation (Nhava Seva) Ltd (CWCNSL) and followed it up by acquiring KRIBCHO Infrastructure Limited (KRIL), an integrated multi-modal logistics operator in 2019.

Following the deal, Shreyas Shipping will be left with the container ship owning division and bulk cargo ship operations.

Shreyas Shipping, the Indian flagged vessel owning unit of Transworld Group, has struck a long-term container ship chartering arrangement with Transworld Feeders with a tenure significantly longer than the typical market standard.

This will also enable Shreyas to indirectly participate in the upside of the growth in the coastal trade market as its charter pay-outs will be performance linked to the earnings of Transworld Feeders. Given the significantly higher volumes handled by Unifeeder and its access to a global network through its parent DP World, it is expected that the businesses will benefit from revenue growth and cost synergies.

Shreyas will also have a 'Right of First Refusal' provision which will ensure it is "never unfairly disadvantaged". The framework chartering agreement with Unifeeder is also non-exclusive, which means that Shreyas reserves the right to charter vessels to third parties who can offer terms more beneficial to the fleet owner.

"Post-transaction, Shreyas will charter vessels to Unifeeder which is a bigger and more creditworthy customer for the long-term. Unifeeder's expertise and scale, combined with DP World's extensive network, will bring earnings stability to Shreyas while at the same time retaining the potential to share in the future growth of Indian coastal trade," V K Singh, Managing Director, Shreyas Shipping told BusinessLine last September.

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