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INTERNATIONAL NEWS

Global economy projected to grow at 6% in 2021, 4.9% in 2022: IMF

The International Monetary Fund (IMF) recently projected the global economy to grow at 6 per cent this year. For 2022, it raised the global growth forecast to 4.9 per cent from the earlier 4.4 per cent. Prospects for emerging market and developing economies have been marked down for 2021, especially for emerging Asia, by the IMF in an update to its World Economic Outlook (WEO).

By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support.

The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

“Vaccine access has emerged as the principal fault line along which the global recovery splits into two blocs: those that can look forward to further normalisation of activity later this year (almost all advanced economies) and those that will still face resurgent infections and rising COVID death tolls,” it said.

Countries lagging in vaccination, such as India and Indonesia, would suffer the most among G20 economies, it said.

The cuts in economic growth forecasts for this year were high in case of India, Asean members and Saudi Arabia, while the projections for the UK, Italy and the US have been raised by 170 bps, 70 bps and 60 bps, respectively.

The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere, the multilateral institution said.

IMF also revised up its predictions of global trade volume growth by a sharp 130 basis points (bps) for 2021 to 9.7 per cent and 50 bps for 2022 to 7 per cent.

"Inflation is expected to return to its pre-pandemic ranges in most countries in 2022 once these disturbances work their way through prices, though uncertainty remains high," it said.

However, IMF expected elevated inflation in some emerging market and developing economies, related in part to high food prices. Nevertheless, central banks "should generally look through transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics," it added.

Source: fibre2fashion.com– July 28, 2021

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Textile Industry Lauds White House Buy America Rule Change

The National Council of Textile Organizations (NCTO) came out in favor of the Biden administration's proposal to increase domestic content rules for federal government purchases.

The administration said Wednesday that its Buy America Rule will boost U.S.-made content requirements in federal purchases and bolster critical supply chains. Calling it "the most robust changes to the implementation of the Buy American Act in almost 70 years," the White House said President Biden's proposal would increase U.S. content in the products the federal government buys and support the domestic production of products critical to national and economic security.

"With $600 billion in annual procurement spending, almost half of which is in manufactured products, from helicopter blades to trucks to office furniture, the federal government is a major buyer in a number of markets for goods and services, including the single largest purchaser of consumer goods in the world," the White House said. "Leveraging that purchasing power to shape markets and accelerate innovation is a key part of the Biden industrial strategy to grow the industries of the future to support U.S. workers, communities, and firms."

The administration said the pandemic demonstrated that federal procurement can strengthen the resiliency of domestic supply chains and reduce the risk of Americans being adversely impacted by the actions of competitor nations during a time of crisis.

"The U.S. textile industry, employing nearly 530,000 workers, greatly appreciates President Biden's commitment to close Buy American loopholes and immediately increase domestic content requirements on purchases," NCTO president and CEO Kim Glas said. "For far too long, Buy American policies have contained loopholes that have undermined our U.S. domestic industrial base and its workforce. Today is a positive step forward and we look forward to working with the administration on this critical issue moving ahead."

The rule immediately increases domestic procurement rules to 60 percent from 55, with the content threshold increasing to 75 percent over phases by 2029. It would also strengthen domestic supply chains for critical goods. "Increasing the domestic procurement threshold for domestic goods under the current Buy American law will bolster domestic production and stimulate

more investment in U.S. manufacturing, including textiles. We believe it is critical that taxpayer dollars are used to invest in American manufacturing and our workforce," Glas said. "It is essential that we close loopholes in our Buy America laws, expand application and produce coverage of domestic content rules, and close unnecessary waivers that undermine American manufacturing and its workforce."

As part of its efforts to buy American, the White House highlighted a purchase made by the Departments of Defense and Health and Human Services for more than 22 million American-made cloth face masks for communities hit hard by the pandemic. Glas noted that production of these 100 percent U.S.-made masks has involved an extensive supply chain comprising 25 domestic companies and 5,000 American workers, and "we must continue to build on this success and reshore momentum by continuing to award future contracts using a similar process." The value of shipments for U.S. textiles and apparel was $64.4 billion in 2020.

"COVID-19 revealed the fragility in key aspects of our supply chain and we believe strengthening our Buy American laws, coupled with other strong policies, will help onshore these and other critical supply chains," said Glas, whose Washington, D.C.-based trade association represents domestic textile manufacturers. "Fully maximizing purchasing of Berry-compliant products moving forward is critical to sustaining and furthering the incredible progress made to date and should be considered as part of the administration's onshoring and industrial expansion efforts."

The Berry Amendment is a longstanding domestic procurement law that ensures that all apparel and other goods made of textiles purchased by the U.S. military be required to contain 100 percent U.S. fibers, yarns and fabrics. Additionally, the textile and apparel goods must be cut and assembled in the U.S. NCTO also urged the administration to continue purchasing Berry-compliant products.

Glas also called for fostering investment in the capital-intensive raw material production processes upstream and downstream production in the supply chain. These upstream production processes are not only essential from an overall domestic capacity standpoint, she said, but they are also the implementation point for a range of advanced technologies such as anti-viral, anti-bacterial, and other functional fiber, yarns, fabrics and finishes.

Source: sourcingjournal.com– July 28, 2021

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Why Sourcing from China? A Case Study on VF Corporation's Textile and Apparel Sourcing and Supply Chain Strategy

The prospect of China as a textile and apparel sourcing base for US fashion companies is becoming ever more intriguing. While China remains the top textile and apparel supplier to the US market, US fashion companies have been actively seeking China's alternatives due to concerns ranging from rising wages, trade wars to perceived supply chain risks.

Recently, VF Corporation, one of the most historical and largest US apparel corporations, released the entire supply chain of its 20 popular apparel items, such as Authentic Chino Stretch, Men's Merino Long Sleeve Crewe, and Women's Down Sierra Parka.

VF Corporation used 326 factories worldwide to make these apparel items and related textile raw materials. We conducted a statistical analysis of these factories, focusing on exploring their geographic locations, production features, and related factors. The results help us gain new insights into VF Corporation's supply chain strategy and offer a unique firm-level perspective to understand China's outlook as a textile and apparel sourcing base for US fashion companies. Specifically:

First, China remains the single largest sourcing base across VF Corporation's entire textile and apparel supply chain. Specifically, as many as 113 (or 35%) of the total 326 factories used by VF Corporation are China-based, far exceeding any other country or region. Besides China, VF Corporation sourced products from the US (42), Taiwan (31), South Korea (16), Mexico (13), Honduras (12), Vietnam (11), Indonesia (8), as well as a few EU countries, such as Germany, Czech Republic, and France.

Notably, thanks to its unparalleled production capacity, China also offered the most variety of textiles and apparel among all suppliers. Chinese factories supplied products ranging from chemicals, yarns, fibers, trims, threads, labels, packing materials to finished garments.

In comparison, most other countries or regions serve a narrower role in VF Corporation's supply chain. For example, 65% of US-based factories supplied yarns, threads, trims, and fabrics; 80% of Taiwan-based factories supplied trims, fabrics, and zippers; and VF Corporation used most factories

from Vietnam, Mexico, Honduras, and Indonesia to cut and sew garments only.

Second, VF Corporation is more likely to source from China when a higher percentage of the production processes across the apparel supply chain happens in Asia. For example, VF did not use any Chinese textile and apparel factory for its Williamson Dickies's Original 874® Work Pant. Instead, Williamson Dickies's supply chain was primarily based in the Western Hemisphere, involving the US (yarns, trims, and fabric suppliers), Mexico (fabric suppliers and garment manufacturers), Honduras (garment manufacturers), and Nicaragua (garment manufacturers).

In comparison, VF used China-made textiles for Napapijri's Parka Coat Celsius. Nearly 83% of this product's production processes also happened in the Asia region, such as Taiwan (fabrics, zippers, plastic suppliers), Hong Kong (trim suppliers), and Vietnam (garment manufacturers). This pattern reflects China's deep involvement and central role in the Asia-based regional textile and apparel production network. We may also expect such an Asia-based regional supply chain to become more economically integrated and efficient after implementing the Regional Comprehensive and Economic Partnership (RCEP) and other regional trade facilitation initiatives in the next few years.

Third, reflecting the evolving nature of China's textile and apparel industry, the result shows that VF Corporation is more likely to use China as a supplier of textile intermediaries than the finished garment. Due to various reasons, from the US Section 301 tariffs to the wage increases, China already plays a less significant role as a garment supplier for VF Corporation, accounting for just around 10% of the company's tier 1 suppliers. This result is highly consistent with the official trade statistics—measured by value, only 23.7% of US apparel imports came from China in 2020, a new record low over the past decade.

Fourth, interesting enough, the results indicate that when an apparel item involves more production stages or needs a greater variety of inputs, it will reduce VF Corporation's likelihood of sourcing from China. For example, the supply chain of Icebreaker's Men's Merino 200 Oasis Long Sleeve Crewe included five different processes (e.g., wool fiber, wool yarn, and finished garments). VF Corporation used around 21 various factories and facilities across the supply chain, of which 57.1% were China-based.

In comparison, North Face's Women's Denali 2 Jacket included around 21 different processes (e.g., polyester yarn, nylon yarn, tape, zipper, trim, polyester interlining, thread, eyelet, label, and finished products). The supply chain included around 24 various factories and facilities, of which only 16.7% were China-based. One possible contributing factor behind this phenomenon is the cost of moving intermediaries across China's borders. Sourcing from China seems to be disadvantaged by the relatively high trade barriers and a lack of free trade agreements with key trading partners, especially when some components in the supply chain need to come from outside the Asia region, such as the Western Hemisphere and the EU.

Additionally, NO clear evidence suggests that pricing and environmental and social compliance significantly affect VF Corporation's decision to source from China. For example, the apparel items using eitherChina-made textile raw material or cut and sew in China had a wide price range in the retail market, from as little as $26 to as much as $740. The retail price of those apparel cut and sew in China ranged from $56 to $86, which was neither exceptionally high nor low (i.e., no particular pattern).

Meanwhile, according to VF Corporation, around 61.9% of its China-based factories across the apparel supply chain had received at least one type of "environmental & chemical management certification." This record was on par with non-Chinese factories (64.8%). Likewise, around 29.0% of China-based tier 1 & tier 2 factories had received one type of "Health, Safety and Social Responsibility Certification(s)," similar to 22.5% of non-Chinese factories. Overall, how US fashion companies like VF Corporation factored in pricing, environmental, and social compliance in their sourcing decisions need to be explored further.

Source: shenglufashion.com– July 28, 2021

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China cotton lint imports up 146 per cent

China's imports of cotton linter in the first half of 2021 were up 146 per cent year on year. As per a CCF Group report imports in the first and second quarter of 2021 were up 56 per cent and 262 per cent year on year. In the first half of 2021, imports from India, Turkey and the US were up 550 per cent, 548 per cent and 34 per cent.

In the first half of 2021, cotton linter import price fell to a 15-year low. The price of Indian linter is 3.5 per cent lower than the average while that of US linter is 33 per cent higher than the average. The cotton linter import price in June 2021 was up two per cent year on year. The price of Turkish linter is 11 per cent lower than the average while that of Indian and US linter is 12.8 per cent and 27 per cent higher than the average.

China's consumption of cotton linter for staple-grade CLP has increased substantially this year, so have cotton linter imports from India, Turkey and Brazil in the first half of the year. Adding the US, imports from these four countries account for about 95 per cent of total Chinese imports.

Source: fashionatingworld.com– July 28, 2021

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Delay expected as deadline looms for AfCFTA rules of origin talks

Talks aimed at finalising key aspects of the new African Continental Free Trade Area (AfCFTA) are facing delays, as member countries work to reach an overarching agreement on rules of origin and tariff reduction schedules.

When countries officially started trading under the AfCFTA in January this year, officials said that phase 1 negotiations covering trade in goods and services would be fully wrapped up by July. As reported by Reuters at the start of the year, Silver Ojakol, chief of staff at the AfCFTA secretariat, said nearly 90% of the rules of origin had been agreed by that stage and that the remaining 10% would be completed by this month.

Rules of origin are crucial, and will have a material impact on how African companies trade with counterparts across the continent. There are thousands of tariff lines, and these rules will specify for each whether a product can be categorised as “Africa made” and eligible for tariff concessions. However, the deadline for finalising the criteria is fast approaching and analysts say will likely be missed with countries still at odds over rules of origin on dozens of goods.

Stefano Inama, a trade and customs expert at the United Nations Conference on Trade and Development (UNCTAD), tells GTR that there is some disagreement between governments over rules of origin for products in a few “sensitive sectors”. Pointing to countries such as Egypt and South Africa, Inama says that certain governments harbour concerns that lax rules of origin could ravage their domestic manufacturing sectors, including textiles, clothing and automotives.

One fear is that companies will undercut their domestic industries by importing cheap parts or materials from abroad. “With less stringent rules of origin, they are afraid that other countries will buy inputs from third countries such as China, carry out some manufacturing, then export to South Africa and Egypt, creating problems for their industries,” he notes.

Overly stringent?

With tariffs expected to be reduced or slashed altogether on 90% of goods traded in Africa by 2030, the African FTA is expected to drive up historically low levels of intra-African trade.

According to the World Bank, if successfully implemented, the deal could boost regional income by 7% or US$450bn by 2035.

Experts suggest that overly stringent rules of origin requirements may also be a hindrance to countries and their companies and lessen the impact of the FTA.

Although UNCTAD is yet to carry out full analysis on rules of origin under the AfCFTA, Inama says that the rules of origin agreed so far appear to be stricter than those used by countries through their regional economic agreements, or in economic partnership agreements with the European Union.

As such, in terms of preferential tariffs and rules of origin, African companies may in fact find it cheaper and easier to export to third markets such as the EU.

Companies in Zimbabwe or Madagascar could well prefer to trade with counterparts in Europe over other firms in Africa, for instance, given their access to the EU market through a trade deal struck between the Eastern and Southern Africa bloc and Brussels.

Inama suggests that too-stringent rules of origin may also deter local and foreign direct investment, which in turn could limit the expected growth of Africa's manufacturing and agri-processing under the AfCFTA.

"The big gain to be borne from the FTA is that foreign companies may invest in local industries and export into Africa. But if you have a more stringent rules of origin based in Africa, and you have a free trade agreement with a regional bloc on the continent, you'd likely remain in Europe and export from there."

According to the United Nations Economic Commission for Africa, negotiations on the second and third phases of the AfCFTA, which focus on investment, intellectual property, competition and e-commerce, are expected to commence later this year.

Source: gtreview.com– July 28, 2021

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Chittagong Port Authority urged to allow BGMEA help desk at port

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) recently called for setting up an internal help desk to facilitate export of readymade garments (RMG) through the Chittagong port. BGMEA leaders said this at a meeting with Chittagong Port Authority (CPA) chairman Commodore M Anwarul Islam, who assured to set up such a desk at the CPA building.

The BGMEA representatives also urged the CPA chairman to take steps to give full container load (FCL) container delivery the next day after indent submission, remove complications in imported less than container load (LCL) goods delivery, continue the container terminal management system (CTMS) by relaxing cut-off time for export containers and check theft of goods from imported FCL/LCL containers inside the restricted area of the port, the association said.

Source: fibre2fashion.com– July 28, 2021

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Vietnam garment units under severe stress due to pandemic lockdowns

The apparel, textile, footwear, and electronics industries in Vietnam have been most harshly affected by COVID-19-related shutdown. There are more than 6,000 factories in Vietnam, which employ more than three million workers.

Production shutdowns at footwear manufacturers have already caused supply chain disruptions for major brands, some of whom have begun using airfreight to get their products out of Vietnam as quickly as possible amid a shipping crunch.

Also at risk of interruption are supply chains of other large companies that have their products manufactured in factories in Vietnam. The situation is likely to worsen in the coming weeks as the flow of cargo through Vietnamese ports increases. Should logistical operations deteriorate while production continues, there is a risk of warehouse space becoming scarce.

As many companies run operations at their manufacturing facilities amid stringent COVID-19 measures, thousands of workers have been locked down at the factories with sleep facilities and food provided by the company.

Should the situation continue, exhaustion of workforce might occur, as not all workers are able or willing to spend a few months at the workplace. For a factory that has more than 500 workers it is not quite worth it in terms of organizing the food and living conditions in these makeshift conditions.

Source: fashionatingworld.com– July 28, 2021

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Bangladesh, Vietnam benefit most from RMG, footwear shift from China

Bangladesh and Vietnam have benefited most due to the shifting of apparel and footwear exports from China, according to the latest analysis.

It also found that in 2019, both the countries' combined share of apparel and footwear exports to the US and the European Union (EU) equalledhalf of China's share.

The analysis paper - 'Repeat, Repair or Renegotiate? The Post-CovidFuture of the Apparel Industry' - also showed that the US apparel and footwear imports from China declined to 37.9 per cent in 2019, which was 50.7 per cent in 2010.

Similarly, the EU's imports from China declined to 36.1 per cent in 2019, from 47.6 per cent in 2010, according to the study report published on July 21.

Cornell University researchers worked with the International Labour Organisation (ILO) to produce the analysis paper that outlined possible scenarios for a post-COVID future of the global apparel industry, with special attention to the likely impacts for workers, employers and governments in the Asia-Pacific region.

Bangladesh's apparel and footwear exports share to the US increased to 4.3 per cent in 2019, which was 3.5 per cent in 2010. The country's exportshare to the EU stood at 13.2 per cent in 2019, up from 6.6 per cent in 2010, according to the findings.

On the other hand, Vietnam's export share to the US and the EU roseto14.9 per cent and 6.7 per cent respectively in 2019. Vietnam's shares to thesetwo traditional markets were 6.6 per cent and 4.0 per cent respectively in 2010.

The study, along with its desk literature review to map existing academic, industry, and financial research related to the apparel industry, interviewed 29 apparel industry experts - regulators, apparel brands and retailers, employers and their organisations, unions and labour rights organisations, and journalists - working in Asia and globally, between August 2020 and March 2021.

Explaining data, the paper noted that as in the US, China remained the EU's largest source of textile, apparel and footwear imports from 2000 to 2019.

It also showed that imports from Vietnam and Bangladesh climbed consistently since 2000, while Turkey's share fluctuated between 9.0 and 14 per cent.

The gradual movement away from the Chinese apparel production was underway before the recent US-China trade battles and 2021 forced labour sanctions. But these developments and supply disruptions in the COVID pandemic revived talk of 'near-shoring' of some apparel production, it added.

Another joint study by the United States Fashion Industry Association (USFIA) and the University of Delaware also revealed that the surging sourcing costs are a significant concern to the US fashion companies in 2021.

It added that the US-China tariff war exacerbates the sourcing cost pressures and financial challenges that the US fashion companies are facing during the pandemic.

Though Vietnam remains a major sourcing destination, the US buyers turn more conservative this year about Vietnam's growth potential due to rising cost concerns and trade uncertainties.

It revealed that Bangladesh is still a lucrative destination for the US buyers because of its price competitiveness.

The USFIA study identified Bangladesh's concentration on basic items as competitive disadvantage.

It predicted that diversifying the export product structure as well as improving production flexibility and agility will be critical for Bangladesh to play a more significant role as an apparel sourcing base for the US fashion companies in the post-COVID world.

When asked, Fazlul Hoque, former president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), agreed that a number of work orders from China were shifted to the country, but Vietnam is in more advantageous position compared to Bangladesh.

Regarding the US market, he said Vietnam is more focused on the US, while Bangladesh focuses more on the EU for a number of reasons.

Besides, China has investments in Vietnam, thus it can grab major portion of the shifted orders, compared to others including Bangladesh, Mr Hoque explained.

Echoing him, Md Shahidullah Azim, vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said Vietnam produces more value added items, which receive comparatively higher prices.

"In contrast, Bangladesh exports large quantity, but gets low prices," he noted, adding that the government should provide policy supports, including incentives, to encourage entrepreneurs to go for producing man-made and other artificial fibres for diversification of local apparel items.

Mr Hoque, however, opined that Bangladesh should look into product diversification and more value added items to grab the larger share of not only China's shifted orders but also overall orders.

Partially deferring with the USFIS findings, he said, "We should give more attention to diversified products, but should not quit manufacturing basic items."

Source: thefinancialexpress.com.bd– July 28, 2021

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Bangladesh: Govt forms working committee on int'l trade disputes

The commerce ministry has formed a high-powered working committee on trade remedy to work on international trade-related disputes, including anti-dumping duty, and make Bangladesh's participation fruitful in negotiations at the World Trade Organisation and with trade partners on the issues.

The commerce ministry has recently formed an 18-member committee comprising of representatives of public and private sectors and headed by director general of the ministry's WTO Cell.

The committee will mainly place recommendations to the government on Bangladesh's position in the negotiations at the WTO on anti-dumping, subsidies and countervailing measures and safeguard measures and regional trade agreements.

It will prepare its recommendations after collecting updated data and analysing the issues, according to an office order of the ministry.

The committee will prepare the recommendations and participate in the consultations with countries who will initiate steps to impose antidumping duty, countervailing and safeguard duties on import of products from Bangladesh.

The ministry included in the committee representatives from the Finance Division, the National Board of Revenue, ministries of foreign affairs, agriculture, industries, fisheries and livestock, textiles and jute, the Bangladesh Trade and Tariff Commission, the Bangladesh Bank, the Federation of Bangladesh Chambers of Commerce and Industry, the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association.

According to the order, the committee will hold a meeting at least once every month to prepare the recommendations for the government committee related to the WTO.

Officials said that the ministry had formed the committee to ensure effective and efficient participation in negotiations on trade remedy issues as the

number of cases of imposition of anti-dumping and other duties against Bangladesh's export has been rising.

In recent years, India, Pakistan, Indonesia, Turkey and Argentina have imposed the duties on import of Bangladeshi products, including jute and jute products, hydrogen peroxide, fishing nets and apparel items.

India has also initiated an investigation to impose anti-dumping duty on the import of clear float glass from Bangladesh.

This is the eighth working committee the ministry has formed to assist the high-powered government committee on WTO affairs.

Earlier in January 2021, the ministry formed seven working committees to assist the committee, to prepare recommendations and make Bangladesh's participation in the WTO negotiations fruitful.

The committees include the working committee on non-agricultural market access and WTO rules, services sector, agriculture agreement and sanitary and phytosanitary measures, TRIPS and technical barriers to trade agreement, trade facilitation and customs valuation, trade and environment and working committee on trade related technical assistance.

Source: newagebd.net– July 28, 2021

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NATIONAL NEWS

Renegotiating FTAs: India and the European Union

After limited economic gains from its FTAs with Asian partners, India is reassessing its FTA options. While a good beginning has been made with the UK, India must also renegotiate with the EU—the bloc is very important for India as far as trade relations are concerned, and an FTA with the EU is, thus, based on sound reasoning. But economic theory tells us that FTAs are not always sure-win strategies because these create as well as divert trade. FTAs need to be designed in a manner that they enhance complementarities amongst partners and overcome regulatory hurdles that inhibit trade. A few examples will help explain this.

Textiles, leather and apparels are a dominant sector of exports from India to the EU, accounting for about one-fourth of our total exports in this sector. Although India benefits from the EU's Generalised System of Preferences (GSP), the current list of graduated products for India includes textiles. Through the FTA, we can aim to achieve a better or at least the same preferential treatment in key products of our export interests. Regulatory provisions regarding labour and environment that the EU has been demanding will need to be watched for, to realise this potential.

Turning to services, the Europa website indicates that the EU imports around 7.45% of its total telecommunication, computer and information services from India. Similarly, in 'other business services' (which include professional services and management consulting services), India accounts for 3.6% of the total EU imports, and almost half of the EU's services imports are from India. The FTA should deliver on enhancing India's market access in these key services. For this to happen, regulatory barriers in cross-border supply as well as provision of services through temporary movement of professionals will need to be addressed.

It has been reported that the FTA will be remodelled into three separate deals—trade, investment and geographical indications (GIs). While the investment deal is seen as a standalone agreement, the one on GIs could be integrated with the trade deal. Investment is often a prerequisite for trade in services, and is complementary to goods trade, and several comprehensive trade agreements include an investment chapter.

It appears the EU is keen on a standalone investment agreement due to the uncertainty regarding conclusion of a trade deal, which has been plagued with many issues in the past. Also, since India unilaterally terminated bilateral investment treaties (BIT), including those with the EU member states, the EU appears to be keen to conclude an ambitious investment deal that includes Investor-State Dispute Settlement (ISDS) provisions. We will need to see how this fits in our new model BIT architecture. It is also perplexing to see as to why GIs should be separated. FTAs usually contain a chapter on intellectual property issues. It may be in our interest to ensure that all the three negotiations move in parallel and feed into each other.

The FTA negotiations had earlier hit a roadblock in 2013. Issues such as a certain degree of tariff liberalisation in goods especially related to automobiles, wines and spirits, and dairy; services liberalisation; issues related to temporary movement of professionals; data adequacy status; public procurement and competition; intellectual property particularly pharmaceuticals; and sustainable development are understood to have been the major areas of concern for us then.

Clearly, we are in a better position today as we know the problem areas to work out the path ahead in terms of realistic and pragmatic landing zones on each of them. The FTAs concluded by the EU since 2013 (with Canada, Singapore and Vietnam) can also be a learning ground for us to understand the nuanced position of the EU in areas important to India.

The UK was a key market in the EU, and with the Brexit the gains from the FTA get reduced to that extent. There is no gainsaying that there is a significant untapped potential to expand this bilateral trade relation through an FTA. India and the EU will, however, need to see that the deal is a win-win for both. Preparing in advance is the stepping stone towards a favourable outcome.

Source: financialexpress.com– July 29, 2021

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India logs 85.88 % growth in merchandise exports in April-June 2021, as compared to same period last year

The Government has taken a number of steps, including strengthening of domestic manufacturing and promoting trade ties, with a number of trading partners, so as to ensure reliable and adequate supply chains. This is an ongoing process, based on the changing requirements in a dynamic world.

The existing Trade Agreements also ensure seamless supplies for the domestic manufacturing sector on preferential terms. Further, a review of some of the existing Agreements has been initiated.

In addition, bilateral trade negotiations with a number of countries have been initiated. We have entered into a Supply Chain Resilience Initiative (SCRI) with Japan and Australia to enhance the resilience of supply chains in the Indo-Pacific Region.

There has been substantial growth in India's Merchandise exports in April-June 2021 which was USD 95.39 Billion, exhibiting a positive growth of 85.88 per cent over the same period last year and a positive growth of 17.90 per cent over April-June 2019, across commodity groups such as Engineering goods, Petroleum products, Gems &Jewellery, Organic & Inorganic Chemicals, Textile & Garments, Electronic goods, Plastic & Linoleum etc from across the country, including from Gujarat.

This information was given by the Minister of State in the Ministry of Commerce and Industry, Smt. Anupriya Patel, in a written reply in the Lok Sabha today.

Source: pib.gov.in– July 28, 2021

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Pre-packs for MSMEs: Lok Sabha passes insolvency bill

Bill to replace ordinance issued in April this year

The Lok Sabha on Wednesday passed the Insolvency and Bankruptcy Code (amendment) Bill 2021, giving statutory backing to the pre-packaged insolvency resolution process (pre-pack) regime for companies classified as micro, small and medium enterprises (MSMEs).

This Bill, once passed by Parliament, would replace the ordinance the Centre had promulgated in April this year to introduce pre-packaged insolvency for MSMEs. Rao Inderjit Singh, Minister of State for Corporate Affairs, moved the Bill for passage in the lower house, saying it would support MSMEs, which were the worst-hit due to the coronavirus-induced lockdown since March last year.

India currently has 6-7 lakh companies classified as MSMEs and they could potentially benefit from the pre-packaged insolvency framework, which is intended as a cost-effective and speedier alternative to the prevailing corporate insolvency process.

A pre-packaged insolvency — in the Indian framework context— is an arrangement where the resolution of a company's business is negotiated with a buyer before the appointment of an insolvency professional. It is a blend of informal and formal mechanisms, with the informal part stretching up to NCLT admission, followed by the existing NCLT-supervised process for resolution under IBC.

The government chose to introduce pre-packs for MSMEs first, as this critical sector contributes significantly to the country's gross domestic product besides providing sizeable employment. Moreover, since the threshold of debt default is ₹1 crore under IBC, most MSMEs become ineligible for it.

The Centre has notified ₹10 lakh as the debt default threshold for MSMEs in the pre-packaged insolvency resolution process. The ordinance specifies a maximum of 120 days from the commencement date for the completion of the pre-pack process.

Source: thehindubusinessline.com – July 28, 2021

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Covid 2.0 relaxations lead to sharp bounce back in credit demand by MSMEs, says report

Covid unlocks in June post the second wave of the pandemic have led to a sharp bounce back in credit demand by MSMEs that was dampened after a strong Q4 in FY21. According to SIDBI-TransUnion Cibil's quarterly report on the credit scenario of the MSME sector – MSME Pulse — after the initial drop in commercial credit inquiries by 76 per cent due to the first wave, the volume recovered fast with the government's ECLGS scheme and have since sustained close to pre-Covid levels. Inquiry volume in March was 32 per cent over the pre-Covid level that was hit due to the second wave.

Moreover, the report indicated that loans worth Rs 9.5 lakh crores in FY21 were disbursed to MSMEs, up from loans worth Rs 6.8 lakh crores disbursed in FY20. "Government interventions like ECLGS under the Atmanirbhar Bharat programme were the major factors in driving this significant surge in credit disbursement to MSMEs," the report said. The total on-balance sheet commercial lending exposure in India was Rs 74.36 lakh crores in March, up 0.6 per cent year-on-year (YoY) while MSME segment's credit exposure was Rs 20.21 lakh crores as of March, with a YoY growth rate of 6.6 per cent.

"I believe the increase in credit demand is likely to meet the working capital needs as during the pandemic most MSMEs didn't get their receivables either from corporates or public sector. Also, there are fixed expenses to be paid that might be overdue. I don't think demand would be for expanding the business in the current situation," Avinash K Dalal, Founder, All India MSME Association told Financial Express Online.

"The MSME credit data speaks volumes of the success of the ECLGS scheme. The scheme has played a major role in 40 per cent YoY growth in disbursements to the sector, thereby reviving the business sentiments among the MSMEs. The key highlight which signals the revival is a credit to new-to-bank (NTB) which has returned back to pre-COVID levels, while credit to existing-to-bank (ETB) remains buoyant," said Sivasubramanian Ramann, Chairman and Managing Director of SIDBI in a statement.

Credit disbursals to NTB MSMEs had dropped by 90 per cent in April'20 compared to pre-Covid levels but have gradually returned to 5 per cent higher than pre-Covid levels in March'21. On the other hand, the report noted that credit disbursals to ETB MSMEs jumped to 75 per cent over pre-

Covid levels in June'20 due to ECLGS, and since then has sustained at pre-Covid levels.

The NPA rates, the reported showed, for MSMEs were "controlled" at 12.5 per cent for March'21 vis-a-vis 12.6 per cent for March'20 even as the rates for March'21 were higher than 12 per cent in December'20 coupled with credit downgrades.

Importantly, the Reserve Bank of India (RBI) in its Financial Stability Report earlier this month had noted that while PSBs have actively resorted to restructuring under all the schemes, participation by private banks (PVBs) was significant only in the Covid restructuring scheme offered in August 2020.

The aggregate restructured portfolio of PSBs stood at Rs 26,190 crore under January 2019 scheme before it dropped to Rs 5,860 crore in February 2020 scheme. However, post-Covid, there was a sharp increase to Rs 24,816 crore during the August 2020 scheme. In contrast, PVBs' stood at Rs 1,364 in February last year but increased to Rs 11,027 during the August 2020 scheme.

The RBI had also asked banks in its report for close monitoring of asset quality of MSME and retail portfolios. "This calls for banks to shore up capital positions while favourable market conditions prevail. The banking sector will be required to specifically guard against adverse selection bias while being alive to the credit demand from productive and viable sectors."

Source: financialexpress.com – July 28, 2021

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India's GDP growth expected to be 8.8-9% in FY22: Care Ratings

India’s gross domestic product (GDP) growth is likely to be 8.8 to 9 per cent in this fiscal, driven by agriculture and industry sectors, according to a report by Care Ratings, which recently said the outlook for the economy on almost all counts in fiscal 2021-22 would look seemingly better than the last on account of the negative base effect.

The country's economy had contracted by 7.3 per cent in the last fiscal.

"GDP growth for the year (FY22) is expected to be 8.8-9 per cent with GVA (gross value added) growth of 7.8 per cent. The main drivers of the economy would be agriculture and industry," the ratings agency said in its Economic Outlook for 2021-22.

Services sector will not be able to reach its potential even at 8.2 per cent growth as the second lockdown has affected sectors like hotels and restaurants, tourism, retail malls and entertainment in particular, the organisation was quoted as saying by a news agency.

While a lot has been done on the supply side by both the Reserve Bank of India and the government, the malaise is on the demand side which has been a problem even before the pandemic, Care Ratings pointed out.

A critical factor this time will be the spending pattern of the rural households, the report said, adding that the monsoon forecast is good and ideally a stable Kharif harvest should bode well for rural incomes.

There could be some pent up demand which surfaces this time too from urban India, but it may just about maintain the level of last year and not really be a breakthrough.

"Higher consumption should stimulate investments. The crux will be an investment which has a multiplier effect on demand and investment," it said.

The report also said the fiscal deficit for fiscal 2021-22 is projected between ₹17.38 lakh crore to ₹17.68 lakh crore.

"For a nominal GDP of ₹222.9 lakh crore, the increase in quantum of fiscal deficit would potentially push up the fiscal deficit ratio to 7.8-7.9 per cent of GDP," the report said.

"Given the high inflation numbers witnessed so far and our expectation of CPI inflation to remain elevated, it does not look likely that there can be any rate cut at least in the 2021 calendar year," the organisation said.

It also expects the non-performing assets (NPAs) of banks to be at 10-10.5 per cent for March 2022. The current account will turn into a deficit this year with a higher trade deficit and stable invisible flows, it said.

It estimates the country's foreign exchange reserves to be around USD620-630 billion by March-end.

Source: fibre2fashion.com – July 28, 2021

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Why has the world not warmed up to Make in India?

The government launched its 'Make in India' initiative in September 2014 as part of India's renewed focus on manufacturing. The singular objective behind this was to promote India as the preferred destination for global manufacturing, and a slew of reforms were taken to boost manufacturing, design, innovation, and startups in India. The 'Atmanirbhar Bharat" campaign announced last year was intended to further boost local manufacturing under its stated goal of making India economically self-sufficient.

How far has Indian manufacturing progressed under these initiatives? Many types of evaluation criteria – including incremental changes in India's exports – have been applied to gauge the impact of these initiatives. In my opinion, perhaps the most appropriate appraisal criteria is to answer the question: how seriously does rest of the world consider India as a global sourcing market?

A scattered success story

There are certainly a handful of domains where India has carved a position of manufacturing leadership over the years. Apparel and accessories, textiles, drugs and pharmaceuticals, petroleum products and motor vehicles are on top of this list. However, we still have a long way to go before our manufacturing can match the success of our services exports, and one of the biggest issues is around certification.

Corporations around the world increasingly prefer to source goods from factories that are ISO or BSI certified. In China, across most product categories, a huge majority of factories are ISO or BSI certified, but finding similar operations in India can prove to be an uphill task. We faced this challenge firsthand while looking for mask manufacturers last year. In India, CE and FDA certified manufacturers can perhaps be counted on one hand. Majority of them do not even meet any basic inspection standards. In comparison, China had hundreds of mask factories with CE and FDA certification.

In most cases, practical issues like these are enough to discourage serious international buyers from considering India as a sourcing destination. Still, this is a problem that can and must be addressed at the manufacturers' end.

On the other hand, there is no end to the systemic issues plaguing Indian manufacturing.

While we explore some of the critical issues below, we also find it saddening that our country is missing out on yet another global opportunity offered by the pandemic, as global corporations seek alternate manufacturing or sourcing bases to hedge their dependence on China. Why cannot India be their preferred choice?

The Tiger and the Dragon

While India and China have historically been seen as prominent manufacturing bases in Asia, both countries have very different manufacturing capabilities today. They also have a hugely contrasting socio-economic and political environment.

At about $3 trillion, China's manufacturing sector is ten times bigger than India. It is also currently in the midst of a 10-year transformational campaign, named 'Made in China 2025', which aims to move the country beyond labour-intensive manufacturing and into cutting-edge sectors like robotics and aerospace.

India in contrast is still aiming to bring old-school, labour-intensive manufacturing to an economy that desperately needs to create millions of new jobs. Even this low-end goal has been hit by a faltering economy over the last two years.

Can India sell 'Make in India'

India's weak infrastructure continues to be a fatal flaw for the manufacturing sector. Our country uses only 3% of its GDP for infrastructure construction each year, as compared to China's 20% of its GDP. Even today, India's surface transportation systems simply cannot meet the expectations of modern high-speed logistics – the backbone of efficient manufacturing.

This point becomes clearer with the following illustrations. In China, it takes us just one hour by train to reach factories in Hangzhou, 200 km from Shanghai, with trains departing every 30 minutes from Shanghai. This journey used to take three hours until 2003. In comparison, the Mumbai-Pune journey with the same distance still takes 3.5 hours in the fastest train available.

Poor and erratic electricity supply is yet another drawback that puts the country's manufacturers at a distinct disadvantage. India's annual power gap is more than 10% and it has among the lowest per capita power consumption around the world. To summarise, if infrastructure development has been at the centre of China's manufacturing growth, India has completely missed this train.

What's next for Indian manufacturers

For Make in India to bear meaningful success, we ought to demarcate ad hoc protectionist actions taken amidst a raging pandemic from holistic and thoughtful decisions, policies and practices for the post-pandemic age. As another case in point, cutting-edge manufacturing facilities of the future will require a greater number of physicists and chemical engineers – can India's education policy incentivise enough students to take these specialisations so that we will not have talent shortages in future?

Until we start to think and act on these lines, our dream of building a Aatmanirbhar Bharat will be difficult to realise.

Source: thehindubusinessline.com– July 28, 2021

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Global shipping faces big shortfall of onboard officers by 2026

The world's top shipowners' body has warned that that the industry must significantly increase training and recruitment levels of seafarers if it is to avoid a serious shortage in the total supply of officers by 2026.

The 'Seafarer Workforce Report 2021', written by The Baltic and International Maritime Council (BIMCO) and the International Chamber of Shipping, predicts there will be a need for an additional 89,510 officers by 2026 to operate the world merchant fleet on the back of growing demand for STCW certified officers.

The International Convention on Standards of Training, Certification and Watchkeeping (STCW) for Seafarers, 1978, sets minimum qualification standards for masters, officers and watch personnel on seagoing merchant ships and large yachts. India is the fifth-largest supplier of seafarers to the global shipping industry after the Philippines, the Russian Federation, Indonesia and China, and the five main nationalities of STCW seafarers are Filipino, Indian, Chinese, Ukrainian and Russian.

Across the top five seafarer nationalities, India has the highest number of officers aged between 21 and 30 years old. In addition, almost 75 per cent of Indian ratings are aged between 21 and 40. An estimated 1.89 million seafarers currently serve the world merchant fleet, operating over 74,000 vessels around the globe, according to the report.

The report is published every five years and is trusted by ship operators, agencies and governments as an essential management tool for those tasked with developing crewing and training strategies, delivering the market intelligence that the industry needs to plan for the future.

Demand for officers outpaces supply

The new report also highlights a current shortfall of 26,240 STCW certified officers, indicating that the demand for seafarers in 2021 has outpaced supply. Although there has been a 10.8 per cent increase in the supply of officers since 2015, this shortfall could be due to a reported increase in officers needed on-board vessels, with an average of 1.4 officers required per berth.

In addition, some officer categories are in short supply such as those with technical experience, especially at the management level. In the tanker and offshore sectors, there is a reported shortage of management-level deck officers. On a positive note, the report said in the past five years, the industry has made good progress in reducing officer turnover rates from 8 per cent to 6 per cent, retaining qualified seafarers and increasing the number of years that they serve at sea. Compared with estimates from the 2015 report, the average age of officers serving at the management and operational level has increased.

"To meet the future demand for seafarers, it is vital that the industry actively promotes careers at sea and enhances maritime education and training worldwide, with a focus on the diverse skills needed for a greener and more digitally connected industry," said Guy Platten, Secretary-General of the International Chamber of Shipping. This, he said, is especially important as we recover from the effects of the pandemic, and we will need to address the real concerns that we could see seafarers turning away from careers in shipping.

"The insight and data contributions from shipping companies, national maritime administrations, and maritime education and training institutions to the new report is invaluable in gaining a picture of what our industry must prepare for in the future of seafarer recruitment and retention," said BIMCO Secretary-General and CEO, David Loosley.

The report also focuses on diversity within the seafarer workforce, analysing a range of demographic data, including age, nationality, and gender. The latest statistics show that there is a positive trend in gender balance, with an estimated 24,059 women serving as seafarers, a percentage increase of 45.8 per cent compared with the 2015 report.

The percentage of female STCW certified seafarers is estimated to be 1.28 per cent of the global seafarer workforce and it appears that there has been a significant rise in the number of female STCW certified ratings compared to STCW certified female officers, with female ratings found predominantly in the cruise ship and passenger ferry sectors. Female officer numbers are spread more evenly across the sectors, the report added.

Source: thehindubusinessline.com– July 28, 2021

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52,391 entities recognized as startups

Indian startup ecosystem is widely recognized as the 3rd largeststartup ecosystem. As of 14th , July 2021 total 52,391 entities are recognized as startups by Department for Promotion of Industry and Internal Trade (DPIIT) and as of 14th July 2021, more than 5.7 lakh jobs have been reported by more than 50,000 startups.

As per Industry estimates, there are 53 unicorns currently in India, with a tentative valuation of Rs. 1.4 lakh crore. Valuation of a company is a market driven exercise and the data of individual companies is not maintained by DPIIT.

The Startup India initiative is a flagship initiative of Government of India which aims to build a strong ecosystem for nurturing innovation and Startups in the country. A 19-point Startup India Action Plan was launched in January 2016 which paved the way for the introduction of a number of policy initiatives to build a strong, conducive, growth-oriented environment for Indian startups.

Hon'ble Prime Minister unveiled Startup India: The Way Ahead at 5 years celebration of Startup India on 16th January 2021 which includes actionable plans for promotion of ease of doing business for startups, greater role of technology in executing various reforms, building capacities of stakeholders and enabling a digital Aatmanirbhar Bharat.

This information was given by the Minister of State in the Ministry of Commerce and Industry, Shri SomParkash, in a written reply in the Lok Sabha today.

Source: pib.gov.in– July 28, 2021

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Telangana largest supplier of cotton in country

Telangana turned out to be the largest supplier of cotton and second largest supplier of paddy in the country. Union Agriculture Minister Narendra Singh Tomar informed the Lok Sabha on Tuesday that Telangana supplied about 178.55 lakh quintals of cotton and 94.48 lakh tonnes of paddy during the Kharif (Vaanakalam) Marketing Season of 2020-21.

Accordingly, the State's cotton procurement is almost double the cotton procured by Maharashtra which stood at second position with 91.98 lakh quintals. The cotton crop was sold to Cotton Corporation of India which is in addition to the crop purchased by private businessmen.

Similarly, Telangana stood in second position in terms of paddy procurement with 94.48 lakh tonnes for Kharif Marketing Season 2020-21. With 135.89 lakh tonnes, Punjab secured the top slot. During the Rabi (Yasangi) Marketing Season 2020-21, Punjab and Telangana have procured an estimated 132.1 lakh tonnes and 92 lakh tonnes respectively.

The State had also purchased 6,743.84 tonnes of pulses during the ongoing procurement. All the crops were purchased from farmers at Minimum Support Price as part of the Centre's Price Support Scheme aimed at eliminating middlemen and support farmers. All the payments to the farmers for their produce are made directly into their bank accounts by the concerned procuring agencies.

Source: telanganatoday.com– July 28, 2021

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Textile cos rally as Street bets on gains from US-China tiff

Shares of textile makers extended their run-up in an otherwise subdued market as investors bet the local industry would be one of the top beneficiaries of the escalating tensions between Washington and Beijing. Indications of strong demand from the US and European countries also aided sentiment.

About 30 textiles stocks rallied between 5% and 20% Wednesday, with most of them locked in the upper circuit. KPR Mills, Welspun India, Vardhman Textiles, Arvind Fashion, and Siyaram Silk have gained between 30% and 50% in the last month. The Nifty index has declined 1% in this period.

“Indian textile industry is in the cusp of sharp revival with double-digit volume growth in subsequent years mainly in the backdrop of improving business ranking in ease of doing business in India, China plus one strategy globally, competitive labour cost and improving technology,” said Binod Modi, head strategy, Reliance Securities “Notably, India's textile export to the USA has grown significantly over 45% in 2021 so far aided by growing geopolitical tension between the US and China and this is likely be reflected in export to various countries,” he added.

Investors are also cheering the government’s efforts to revive growth in the domestic textile industry. To provide a level playing field to exporters and make products globally competitive, the government recently extended the Rebate of State and Central Taxes and Levies (RoSCTL) scheme on exports of garments and made-ups till March 31, 2024.

Some companies told analysts recently that they have been operating at a higher capacity. Capacity utilisation is expected to sustain at healthy levels in FY22, and yarn realisation would remain strong on account of the ban on Chinese cotton by the US, said analysts.

“Most textile companies received strong orders from regions such as the US and Europe due to pent-up demand for garment apparel and home textile products as retailers are building up the stock with gradual opening economies in most of these regions,” said Kaustubh Pawaskar, analyst, Sharekhan.

“The augmentation of capacity with value-added products, key export markets focusing on increasing supply from India, and government's support policies provide scope for textile companies to post robust growth in the long run,” he added.

In the wake of the tensions between the US and China — a big textile exporter— others like Bangladesh, Vietnam and India are vying for a pie of the shift in business from China.

“Availability of raw material in abundance, competitive labour cost and cheap power cost make India one of the strongest contenders to the Chinese dominance in global textiles space,” said Biplab Debbarma, analyst, Antique Stock Broking.

Source: economictimes.com– July 29, 2021

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E-commerce regulations, what entails for the logistics industry?

Along with the US, Japan, Australia and India make up the Quadrilateral Security Dialogue, or Quad, a loose grouping for national security consultation

There is a need to encourage more trade and build a resilient ecosystem for improving the supply chain infrastructure

The recent draft amendments to the Consumer Protection (E-Commerce) Rules, 2020, put out by the Department of Consumer Affairs are targeted to bring equal rights, restrict the flash sales by large players, and ensuring fair-trade practices. However, is the industry mature enough for these proposed restrictions?

We have made huge progress in this sector by defining different models more clearly namely, e-commerce, e-commerce marketplace model, e-commerce inventory-based model, and so on. The government has also allowed 100 per cent FDI for various models to leap forward. These progressive changes were welcomed by the industry players, and we are not yet ready for restrictive rules. It will not only impact the e-commerce segment, but will also affect the allied sectors like logistics and supply chain limiting their growth.

Internet penetration is still low in India and e-commerce is still picking up in Tier-II and Tier-III cities. The Indian e-commerce sector is likely to grow to $99 billion by 2024 from $30 billion in 2019, expanding at a 27 per cent CAGR.

As against this, the Indian e-commerce logistics market was at $2.9 billion at the end of 2019 and is likely to reach $11.48 billion by 2024, growing at a CAGR of 18.8 per cent.

Instead of looking at restrictive rules, we need to make the best use of the right set of circumstances. Positive intervention by the government will help to establish the right ecosystem and improve the logistics infrastructure.

Some immediate attention on the key aspects will certainly boost the logistics sector

Education and skilling

In India, online shopping is still evolving. While buyers are enjoying the wide variety at competitive prices, sellers are pampering them to build stickiness and pipeline. Immaculate customer experience is one of the core elements of this equation. Typically, a significant part of this responsibility lies with their logistics partners as we manage the last mile deliveries and end-customer interactions. Poor conduct of a delivery agent can completely kill the joy of receiving any parcel. Thus, courses on developing soft or rather essential skills should be one of the key areas of focus.

Similarly, there exists huge potential in conducting various functional courses like warehouse management, specialization in the supply chain, data entry and management. Basic training on documentation, rules, and regulations across borders and knowledge about maintaining the health of vehicles should be imparted to the truck drivers so that they are self-sufficient in trouble-shooting during the trips. Offering these courses under Pradhan Mantri Kaushal Vikas Yojana (PMKVY) will be beneficial to make people job-ready and enhance employment opportunities.

In the last 5 years, occupation in the warehouse industry has grown by 77 per cent, and the industry is expected to grow at a CAGR of ~15 per cent in the next 5 years. Similar is the story for freight forwarding & contract manufacturing too. This clearly indicates the need for more structured education and adding a skilled workforce to the cadre.

Ease in supply chain forMSMEs

Data suggests that small and medium enterprises (MSMEs) contribute ~30 per cent to India's overall GDP and 33 per cent to the country's total manufacturing GVO. During the pandemic, MSMEs suffered the highest, and hence the allied sectors, including the logistics, suffered too as manufacturing requires extensive logistics and supply chain support across all three delivery miles. While the government has extended many benefits and relaxations to them, there is a need for more.

The relaxations in the various legs of the supply chain can act as a breather. For instance, for manufacturing companies, there are two classic concepts of the supply chain: Make to Stock (MtS) and make to Order (MtO). Choosing one over the other always means a trade-off between cost, efficiency, and customer service, making it tough for MSMEs to decide.

Support in forms of incentives on technology adoption for better operations management or for overall competency in supply chain management can make the operations more efficient.

Learn and adopt the best practices

The Logistics Performance Index 2018 ranked India at 44th place, down from 35th rank in 2016 and were even behind Asian countries such as Vietnam, Thailand, Malaysia, and of course China. Similarly, India's supply chain and logistics costs currently account for 14 per cent of the country's GDP, compared to global average of ~8 per cent.

There is a huge scope of improvement for India in trade and transport, competence, and quality in logistics services, bringing process efficiencies and thus reducing the overall logistics cost. For other Asian countries, growth in logistics has typically emerged from economic expansion and a rise in e-commerce and manufacturing sectors. India should focus on scaling up mainstream sectors, including e-commerce, to ensure scale in the logistics industry.

While regulations and governing rules are essential, the need is to encourage more trade and build a resilient ecosystem today. Unless that is in place, creating more barriers and interfering will only restrict the growth of the logistics industry. .

Source: thehindubusinessline.com– July 28, 2021

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JNPT readies global tender to privatise port-run container terminal

Jawaharlal Nehru Port Trust (JNPT), India's biggest state-run container port, will issue a global tender in the next few days to privatise the container terminal run by the port authority after it was approved by the Ministry of Ports, Shipping And Waterways last week.

The project is among the seven operational cargo berths run by government-owned major ports that will be privatised this fiscal through the public-private-partnership (PPP) route, as the ports move from a 'trustee' set-up to an 'authority' model of governance under a new law passed by Parliament in February.

The successful bidder can set rates at the terminal based on market forces, as envisaged by the new law. JNPT will only set the reference tariff for bidding purpose and the entity quoting the highest royalty per twenty-foot equivalent unit (TEU) will win the 30-year deal.

The privatisation plan was cleared by the port's board of trustees last December. "It was approved by the standing finance committee (SFC) in the ministry and signed off by the Minister last week," a ministry source said. "The global tender will be issued soon," a JNPT official added.

Interested parties

Adani Ports and Special Economic Zone Ltd (APSEZ), India's biggest private port operator, the Dubai government-owned global port operator DP World Ltd and APM Terminals Management BV are expected to participate in the tender.

DP World already runs two terminals in JNPT while APM Terminals operates one. For APSEZ, this could be an opportunity to gain a presence in JNPT after it lost out to Singapore's PSA International in a tender for a terminal earlier.

The project is estimated to cost ₹863.31 crore, including berth upgradation, and replacement and/or deployment of other equipment.

Tumbling volumes

JN Port Container Terminal (JNPCT), one of the five container terminals operating at JNPT, handled 544,027 TEUs in FY21 from 718,863 TEUs in FY20. The terminal can handle 1.35 million TEUs a year.

JNPCT is the only container handling facility operated by a government-owned port authority across the 12 state-owned major ports in India.

In four years, JNPCT's volumes have tumbled by 64.44 per cent from 1.53 million TEUs in FY17 to 1.48 million TEUs in FY18, 1.04 million TEUs in FY19, 718,863 TEUs in FY20 and 544,027 TEUs in FY21.

Its capacity utilisation has declined from over 100 per cent in FY17 to below 50 per cent mainly due to the opening of two new private terminals at the port, both having quay cranes with a rail span of 30.5 metres, lifting capacity of 70 tonnes and outreach of 22 rows across.

'Landlord model'

Privatisation of state-run cargo berths has become necessary as the 'port authority' formed for each of the 11 ports under the Major Port Authorities Act 2021 will play the role of a landlord — a model widely followed globally wherein the publicly governed port authority acts as a regulatory body and as landlord, while private firms carry out port operations, mainly cargo handling activities.

The landlord port, in return, gets a share of the revenue from the private entity.

Source: thehindubusinessline.com– July 28, 2021

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India's Production-Linked Incentive (PLI) Scheme Expected to Boost Textile Industry, says Beroe Inc

-- COVID-19 has made deep wounds across different industries. To mitigate its long-term impact and support their resurgence, the Indian government has taken several steps, including introducing the Production Linked Incentive (PLI) scheme for various sectors, including the textile sector. The scheme is expected to drive the production of textiles in India and find its way to the export markets. There will be incentives for manufacturing and exporting specific textile products made of man-made fiber.

"The government is considering including cotton-based products in the scheme as well, expecting to drive the demand for both natural and man-made fibers directly in the upcoming years," said Pakshaal S Shah, principal analyst at Beroe. "This scheme coupled with new agricultural laws could push up the prices of raw materials in the upcoming years."

The PLI scheme outlay is expected to be Rs. 10,683 crores, and it will be valid for five years. Depending on the size of investments and turnover, it could vary between 10 and 11 percent after meeting certain conditions. It will be trimmed by 1 percent each year after the first year and granted for five years starting FY22. This applies to 40 man-made fiber items and 10 technical textiles products. The government is also considering Cotton-based products.

India is the second-largest manufacturer of textiles and clothing globally. It also accounts for 5 percent of textiles and apparel in global trade. The production share is expected to go up with the scheme. In addition, the government has also proposed other initiatives, like a National Technical Textiles Mission, which will be at an estimated outlay of Rs. 1,480 crore (USD 211.76 million). Further, policies like the Amended Technology Up-gradation Fund Scheme (A-TUFS) are expected to enable investment worth Rs. 95,000 crore (USD 14.17 billion) by 2022.

The Production Linked Incentive (PLI) scheme aims to achieve several objectives.

- The scheme will incentivize companies for incremental sales from products manufactured in domestic units.
- It is expected to attract foreign investment in the sector and encourage domestic producers to expand their units.

- There will be an incentive that equals 11 percent of investments more than Rs. 500 crore to greenfield projects for big companies in technical textiles.
- Companies that clock annual sales of Rs. 100-500 crores will get a 9 percent incentive for brownfield projects.
- For firms with annual sales of Rs. 500 crore or more, an incentive of 7 percent will be granted in the first year if turnover is raised by 50 percent and by 25 percent in subsequent years.

To ensure that the scheme is a success, the government has planned to launch 7 mega textile parks in the next three years. The parks would be set up over 1,000 acres of land with world-class infrastructure and plug-and-play facilities. There is a prospect of adding integrated facilities that have a quick turnaround to reduce transportation time. Further, the facilities include uninterrupted water and power supply, common utilities, and research and development labs.

"The pandemic brought a lot of hardship for businesses in the textile industry. This scheme is a much-needed intervention of the government. It's ambitious and, if executed per plan, will not only support these businesses but even foster their growth," said Pakshaal S Shahof Beroe. "India's textile industry is quite resilient. And with PLI scheme and other initiatives in action, it will definitely bounce back very strongly."

Source: themountaineer.com– July 28, 2021

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97% of companies want to continue participating in trade fairs

Companies surveyed for Messe Frankfurt's Customer Care Campaign (CCC) expressed clear approval of the additional digital benefits offered by hybrid trade fair formats during the pandemic in particular. However, people want – and need – in-person trade fairs.

"This is a clear vote of confidence for in-person events," says Wolfgang Marzin, president and CEO of Messe Frankfurt. "Only 3% of respondents wanted to see events move entirely online. In fact, 67% of our customers would like events to take place solely in person, with another 30% expressing a preference for hybrid formats. In total, 97% of our customers remain convinced that in-person events are an essential component of trade fairs.

"We first conducted this survey back in 2020, and not only were our customers eager to share their views, but there was also a sharp rise in confidence been the first and second surveys. Many of our customers saw their financial situations improve markedly during this time. There has also been an increasing readiness to take part in trade fairs nationally and internationally, both today and in future. Both of these factors have made us very optimistic here at Messe Frankfurt. Our customers are still here."

Around 59,000 companies took part in the survey this year. They were asked not only to answer the questions posed by Messe's sales partners, but as part of the second survey this spring they were also called on to participate in a more in-depth market research survey.

Messe Frankfurt and its sales partners say they see further reasons for optimism in the findings. This is because very few of its customers have left the market during the pandemic. And its customers are ready for in-person trade fairs to return.

Messe Frankfurt India and MEX Exhibitions Pvt Ltd recently announced a partnership with the Confederation of Indian Textile Industry (CITI) for the maiden hybrid edition of Gartex Texprocess India.

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