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INTERNATIONAL NEWS

Record high freight prices make Turkish exports advantageous

The supply-demand imbalance caused by COVID-19 trade restrictions sent freight prices soaring to record highs as exporters around the globe faced bottlenecks in finding empty containers. On the China-Europe route, freight prices have increased significantly, which gives Turkey a competitive advantage and has brought record highs to the country's export totals.

The Baltic Dry Index, which includes freight for Capesize, Panamax, Supramax and Handysize vessels, reached its highest level in 10 years with the largest jump seen on the China-Europe route during this period. For example, a record high price of $20,000 was set for 40-foot (12.1-meter) containers for transport between the United States and China. The increase in freight prices between China-Europe and China-U.S. by five to 10 times has benefited Turkey.

While $2,000 is the going price for freight from Turkey to Italy, it was up to $10,000 for freight from China to Italy. Increasing logistics costs have had less of an impact on the Turkey-European Union route than the China-EU route.

Experts say they have not seen such an increase in transportation in more than 30 years. These high figures are expected to last until the Chinese New Year in 2022. According to Freightos' data, there are regions that have experienced an up to a 500% rise year-on-year. The cost of a container, which was $11,000 at the end of July just a month ago, has recently increased to $20,804.

Tahsin Öztiryaki, head of the Istanbul Ferrous and Non-Ferrous Metals Exporters' Association, stated that Turkey sent goods to Frankfurt for 6,000 euros ($7,018) while Chinese companies paid $14,000.

"Our sales to the EU are increasing. Another advantage of Turkey is road and rail transport options ... Investments to be made in railways will increase this advantage even more," he said.

Officials from shipping companies that are most active in Asia cargoes in Turkey said, "The effects of these increases on Turkey-Europe exports are positive. Because of these high freight rates, shipowners used to pile up their equipment in Asia empty. This was a problem for Turkey. Now there is equipment in Turkey as well," he said.

Turkish exporters in the last month managed to achieve their best July sales to date, while the nation's 12-month rolling foreign sales also exceeded a threshold of $200 billion (TL 1.68 trillion) for the first time.

The supply shortage for empty containers began in the third quarter of last year when the end of the first wave of the pandemic created a demand boom in the U.S.

China, which dominates the world container trade, cut production, triggering a hike in container prices and leaving exporters scrambling to find empty containers to maintain maritime trade.

Turkey's Industry and Technology Ministry and Trade Ministry announced back in January that to solve the container problem they had commenced negotiations with local manufacturers to produce freight containers. Local firms Dorçe and Karmod, which have been producing containers for years and are leaders in the field, hope to produce these containers. The Trade Ministry also said at the time that they would support domestic container manufacturers.

Source: dailysabah.com– Aug 22, 2021

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ASEAN Economies Are Starting to Falter Because of COVID

COVID-19 is raging across the five ASEAN countries, and the reliance on mobility suppression to control the virus is taking a toll on economic activities, from manufacturing to services. The sharp contraction and under-performance of the region's July manufacturing activity highlights the severity of the disruption, which is likely to last longer as Vietnam, the Philippines, Indonesia and Thailand in particular lag on vaccination rates.

We expect a sharp downward movement of private consumption with inadequate fiscal and monetary support. There are a few reasons for this: Firstly, monetary conditions are already loose, and domestic currencies are weaker, limiting room for central banks to deliver more easing. Secondly, their fiscal positions are deteriorating on the revenue side, and policymakers need to avoid further credit rating agencies downgrades.

We have downgraded our expectations of 2021 GDP growth for the region from an average 5.2% to 3.8% in 2021.

Vietnam Seeing Biggest Decline

Vietnam faces the sharpest reduction — 3% of GDP — to grow at 5.2%. This is because Vietnam stands out as the country with both a reduction in domestic demand and external disruption from having the largest share of manufacturing exports to GDP of any of the countries, nearly 90%. Thailand and Malaysia's downgrades are less severe, as they have more fiscal capacity and will likely see faster normalization, especially Malaysia with its high vaccination rates.

The sharp underperformance of ASEAN countries' manufacturing in July highlights the difficulty of the region in both controlling the virus and sustaining economic growth at the same time.

The question is whether there is monetary and fiscal support to mitigate the fallout. With a weaker foreign exchange from a divergence in performance with the U.S. and North Asia, Southeast Asian central banks, particularly those with high external debt liability such as Indonesia, have limited appetite to lower rates.

Even the Philippines, which had previously stated that it would cut its reserve requirement ratio, had to backtrack on that, as the peso weakened sharply recently.

No Fiscal Stimulus Likely

Facing an outlook downgrade and estimates of wider deficits, it is very unlikely that Indonesia's expenditure in the region will rise enough to make up for the shortfall. This is why the government is trying to raise revenue via tax reforms, which would have a tightening impact on consumption.

The Philippines, too, is likely to offer meager support, as it resists pressures on credit rating agencies on further downgrades. In other words, these current account deficit economies are likely to keep expenditure on the "prudent" side, given the revenue shortfall from weaker economic output due to suppression.

Even places that announced cash handout measures such as Malaysia, Thailand and Singapore have not been able to offset the relative decline in their economic activity. Malaysia, for example, is disbursing 10 billion in Malaysian ringgit ($2.3 billion) in cash handouts to people, and Thailand approved an additional $4.5 billion or 0.9% of its GDP in the form of cash handouts and rebates to mitigate suppression measures. In Vietnam, the government is mulling a $1 billion support package in discretionary measures (reducing tax and fees for businesses).

With domestic demand weakened because of reduced mobility and limited policy support, exports are even more key. So far in the first half (H1) of 2021, shipments have done well thanks to a resurgence of demand in the U.S., Europe and China. The rise of exports is also reflected in higher investment growth of the region in H1 2021.

Manufacturing Challenges Will Impact Exports

While demand is expected to hold up in the U.S. as well as China, albeit with a deceleration, a slowdown in exports in ASEAN, especially in manufacturing, is still expected due to onshore production challenges. As such, this time around, the economies with a higher share of labor-intensive manufacturing that requires in-person contact will be disproportionately affected by social distancing measures.

Additionally, for manufacturers, higher raw material prices are raising input price costs while domestic demand leaves limited space to pass on the costs to consumers.

Vietnam has the highest share of manufacturing as a share of GDP, followed by Malaysia and Thailand. The Philippines has the least manufacturing export exposure in value, and we are starting to see a slowdown of exports in Vietnam, as growth in July decelerated. We expect that to continue into August and beyond if Vietnam continues to rely on suppression measures to tame the virus and the vaccination rates remain low.

Click here for more details

Source: brinknews.com– Aug 22, 2021

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Vietnam: Garment exporters caught in turbulence

Garment exporters in Vietnam are likely to experience a turbulent in H2 with labor shortages, disrupted supply chains, and surging freight fares, market observers say.

According to securities firm VnDirect, because of the social distancing rule imposed in several southern localities, many garment and textile have been unable to transport materials and were also facing a shortage of workers.

The Vietnam Textile & Apparel Association said 30-50 percent of garment and textile factories, mostly small- and medium-size enterprises, have had to close down because they could not implement the stay-at-work mode.

Eventually, some firms have failed to fulfill orders, to deliver goods on time, or to have contracts canceled. Some of their clients have shifted orders to foreign countries, the association said.

The association predicted that garment and textile producers and exporters would face bigger difficulties in August and hurt their bottom lines.

Association vice chairman Truong Van Cam said if the pandemic was not contained soon, Vietnam could fall short of its annual export turnovers target of $39 billion. The export turnovers may reach only $33-34 billion this year.

Meanwhile, logistics costs, which account for some 9 percent of production costs of Vietnamese garment and textiles, have increased sharply. According to VnDirect, container rentals trebled within the first half of this year.

Even if Covid-19 is controlled late August, garment and textile enterprises will see the number of employees drop by 35-40 percent.

"The labor shortage will become very severe in the coming time," association chairman Vu Duc Giang said.

Many garment and textile firms have made plans to transport materials from the south to the north to prevent supply chains from breaking. But their plans are not very promising because they have to shoulder high transportation fees, Giang said. He said the most feasible solution now was

to speed up vaccination among garment and textile workers in industrial parks and industrial complexes.

However, there is still room for Vietnamese garment and textile firms to compete and increase their market share in the U.S. and South Korea, given that major competitors like India and Myanmar are also struggling in their Covid-19 fight, VnDirect said.

Vietnam's garment and textile posted an export turnover of nearly $23 billion in the first seven months of this year, up over 50 percent year-on-year, surpassing Bangladesh to become the world's second biggest garment and textile exporter after China, according to the Vietnam Textile & Apparel Association.

Source: e.vnexpress.net– Aug 23, 2021

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Bangladesh: High transport costs bear down on RMG exporters

Garment exporters are feeling the pinch of exorbitant transport fares as the rebound in the shipment of goods thanks to the reopening global economy has raised the demand for trucks and covered vans.

Truck and covered vans with a capacity to carry six to seven tonnes of goods are charging as much as Tk 20,000 and Tk 25,000 respectively to take apparel items from Dhaka and its adjacent areas to the Chattogram port.

The cost even went up to Tk 30,000 and Tk 40,000 before Eid festivals when there was a rush to ship goods.

In normal times, the fare ranges from Tk 10,000 to Tk 12,000.

Because of the abnormal hike in carrying costs, apparel exporters, especially small and medium enterprises, are in big trouble as it adds an additional financial burden.

Garment exporters say at a time when the cost of production has gone up, the excess transport fares have added further woes. But international retailers and brands are not paying increased prices for the goods exported.

"Over the last three months, the fare has been very unstable because of lockdowns, Eid vacation and shortage of containers in the port," said Ahmed Fazlur Rahman, chairman of Kappa Fashion Wear Ltd. As a result, the demand for trucks and covered vans was unusually high.

"For instance, I sent goods in a truck spending Tk 60,000 because of emergency shipment before Eid," Rahman said.

Before the Eid festival, the demand for covered vans went up, and the transport companies exploited the situation, Rahman said.
Bakhtiar Uddin Ahmed, chief operating officer of Fakir Apparels Ltd, said after the Eid vacation, he spent Tk 30,000 to Tk 35,000 to move goods from his Narayanganj-based factory to the port.

Usually, the fares vary between Tk 12,000 and Tk 15,000, he added.

Abdul Hannan, a manager of Edo Mia Transport Agency, admitted that the transport fares surged because of the increasing demand.

Moreover, there was a congestion of vessels in the port a few weeks ago. As a result, many covered vans and trucks were stuck in the port areas for some days.

"Sometimes, goods-laden trucks and covered vans remain stuck for four or five days due to the congestion."

Most of the increase in the fares occurred after Eid-ul-Fitr, said Hannan, adding that the fare reached Tk 30,000 per covered van from Tk 14,000.

He blamed the abnormal traffic congestion for the higher transport cost.

Sometimes, the fare declines when the unloading of goods at the port slows in line with a lower import of goods, he added.

AM Transport now charges between Tk 20,000 and Tk 25,000 per covered van for transporting goods from Dhaka to Chattogram port, up from Tk 13,500 to Tk 14,000 before the latest lockdowns, according to its owner Mohammad Jasim Uddin.

Some 70,000 cargo-carrying trucks and covered vans ply between Dhaka and Chattogram.

"When the demand rises, we charge a higher fare. The fares are mainly dependent on the volume of import and export of goods," said Mokbul Ahmed, president of the Bangladesh Truck Van Transport Agency Owners Association.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the cost of production had gone by up to 30 per cent over the last eight years for various reasons.

"Now the higher transport costs have added to the woes of the garment exporters."

Both import and export costs have risen as the sea freight rate remains elevated because of an acute shortage of empty containers and a rise in demand globally.

The freight charge between Chattogram port and Shanghai port has risen by 400 per cent. As a result, most freighters are charging between $4,000 and $4,200 for a 40-foot container, which was $1,000 and $1,200 previously, according to Syed Nurul Islam, a director of the Bangladesh Textile Mills Association.

"The cost of shipping has risen abnormally as demand has gone up because of the rebound of the global economy."

Mostofa Azad Chowdhury Babu, senior vice-president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said nobody had informed the apex trade body about the unusual transport fare hike.

"If anybody lodges complaints with the FBCCI, we will call a meeting to discuss the issue to resolve it," he said, adding that the fares were coming down gradually because of the withdrawal of the lockdown.

Source: thedailystar.net– Aug 22, 2021

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Bangladesh: Time to diversify exports to US

While touring Las Vegas recently, Commerce Minister Tipu Munshi expressed Bangladesh government's willingness to scale up trade with the United States. He was talking to attendees at the Men's Apparel Guild In California (MAGIC), the biggest fashion marketplace in the US, showcasing apparel, footwear and accessories and sourcing resources from all around the world.

The Export Promotion Bureau (EPB) of Bangladesh has been patronising local mid-sized apparel manufacturers to participate in this fair for long. That is one laudable but small step in the way of boosting trade between the two countries.

What big steps have we taken to foster the nine-billion-dollar trade further? How Vietnam, with zero export to the US in 1993, has nearly eighty-billion-dollar export earnings? Did we compete intelligently, make smart use of our resources but still fell behind or swayed, carried away and gave up? Could things be done differently?

A TALE OF TWO NATIONS

In the early nineties, Vietnam did not have anything to sell! Instead, it bought from the US. It took the country till 1994 to send the first shipment, whereas we were sitting on $1 billion export and $1.3 billion in total trade that year. Twenty-six years later, Vietnam has registered an 11-fold growth than us in total trade and 13-fold in export only.

Braving the pandemic, Vietnam lifted its trade with the US to $89.63 billion in 2020, covering 2.38 per cent of America's $3.76 trillion total trade volume. With China and Mexico retaining the top two positions, Vietnam made its way to the top 10. We were 46th with $7.92 billion, enjoying a not-so-significant 0.21 per cent market share.

The US Census Bureau has published data till the end of June, and it is apparent that total trade will exceed the $4-trillion mark. Among the top 10 players, China is down two spots, and Vietnam is up two notches!

Bangladesh continues to hold the 46th position with a $4.78 billion trade.

EXPORT BASKET

That we need to diversify our export basket is fashionably told by all quarters: government, business, and academia. Perhaps this is one of the rare areas where we have a national consensus!

Indeed, we have diversified. EPB statistics showed that in the fiscal year of 2020-21, our export to the US was $6.97 billion, composed of 68 kinds of products. Only two items – knitwear and woven garments – captured 85.26 per cent of the pie. If we add other textile products to that, it will go past 90 per cent.

In sharp contrast, Vietnam spearheads with cell phone-related equipment, furniture parts, seats (excluding barber and dental), and Portland, aluminous and slag cement. These were bigger than its $12.57-billion apparel export.

Vietnam carefully crafted its exportable for the US. We probably developed such market research neither at the public nor at the private level. The top five US imports consistently have been oil, passenger vehicles, computers, cell phone equipment, and medicines in individual dosages for many years. Vietnam struck two of them very well.

Back home, the recent focus on leather and non-leather shoes by both producers and regulators is visible. Our mainstream media emphatically covered that footwear export to the US from Bangladesh posted a 73.13 per cent growth in the fiscal year of 2020-21 to reach $230.2 million, up from $132.96 million in FY20.

Alongside, we can also put together all our power behind furniture, insulated wire, toys, children's bicycles, refrigerators, freezers, and air conditioning machines - all on America's rising demand list.

US BANGLADESH BUSINESS COUNCIL

After a series of talks between the Prime Minister's Office, the Ministry of Commerce, the United States Trade Representative, and the US Chamber of Commerce, a US Bangladesh Business Council was launched in Washington on April 6, 2021. During the launch, it was said the council would serve as a platform for American businesses to engage both governments to promote opportunities for businesses to drive mutually beneficial economic growth.

We would like to view this as a big leap forward. Heavyweights like Chevron, GE, Visa, MetLife, or Facebook are sitting on the board of the USBBC.

One can also keenly see the developments in May through July. Google, Amazon, Facebook, and Microsoft, the four American tech giants, obtained Business Identification Number (BIN) as nonresidents and have started submitting VAT returns.

LAST WORD

With $754 million in trade in June, Bangladesh has made its way to the top five of the US's "Fastest Growing Top 50 Trade Partners". One might argue that these rankings vary widely from month to month. But registering a spot in the top five out of 212 countries and territories with an astounding 82.43 per cent rise is worth cherishing.

This suggests that total trade will hit $10 billion this year. But, that is an altitude we are scaling after 50 years of independence with over 100 million working people.

It is time we changed our habits a bit! Let us not concentrate only on the cash cow RMG rather eye on other products that the US has a lasting need for. This will require policy and monetary support and adjustments in physical and financial infrastructure. Let us do it!

We might have lost the battle, but we can still win the war!

The author is member of the Pacific Council on International Policy, and a former commercial counsellor of the Los Angeles Consulate.

Source: thedailystar.net– Aug 23, 2021

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Pakistan: Exporters' concerns

Textile exporters have brought to the fore a couple of pertinent points needing government's attention. They basically pertain to elements obstructing exports from Pakistan, including low cotton output, non-availability of cotton yarn, inflated energy bills, and in-land transportation and shipping constraints.

Many of the issues can be managed if there is a coherent approach on the part of the government and the private sector, while dealing with production and facilitating irritant-free exports. While Pakistan has done well in exports despite the pandemic, it is seen failing on many of the fronts where it could excel.

Exporters have pointed out that soaring energy prices make production uncompetitive on the global front. Same is the case with in-land transporters who demand an upscale logistics price owing to hike in fuel prices that raises the cost of doing business. Exporters also cry foul as they are denied availability of cotton yarn and other such raw materials imports from right across the border, and the same is shipped from faraway destinations. This makes the circle of in-bound imports, subsequent production and exports unconceivable.

While the government intends to boost exports, it has to cut down on energy tariffs. The policy should be to maximise production and liberalise trade. Until and unless, the government acts as a regulator-cum-trouble shooter, vested elements will keep on exploiting mechanisms to keep Pakistan out of international business, and at the same time make its produce untenable at home.

Despite obstacles, the textile sector bagged a staggering $15.4 billion during 2020-21, and this could increase manifold if raw material is available abundantly and the cost of production is curtailed. There is no harm in importing raw material from India, Iran or CARs, as Pakistan's thrust is now on geo-economics. A preferential trade agreement with Uzbekistan is pending, and it should be synchronised with normalisation in Afghanistan. The government should prioritise foreign trade and as a cushion plough loopholes at home.

Source: tribune.com.pk– Aug 22, 2021

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NATIONAL NEWS

Textile Ministry plans 5-year extension for funding scheme for clean tech

With the textiles sector identified as one of the most water-intensive sectors globally, there is pressure on industry to adopt environment-friendly practices

To help the textile industry gain greater global competitiveness by following environment-friendly processes and standards, the Centre has plans of extending by another five years an ambitious scheme for funding waste water management projects and R&D for cleaner technologies.

"A draft memorandum for the Expenditure Finance Committee for continuation of the Integrated Processing Development Scheme (IPDS) for next five years has been circulated recently to all Ministries and Departments seeking their comments," a person close to the development told BusinessLine.

The IPDS was launched during the 12th Five Year Plan (2012) with a total cost of ₹500 crore to address environmental issues faced by the textile processing units such as pollution caused by the discharge of untreated effluents. It has already been extended once for three years in December 2017.

"The government wants to help as many textile processing units as possible in meeting environmental standards by adopting suitable technology such as marine, riverine and Zero Liquid Discharge (ZLD)," the source said.

Eight proposals

Eight proposals have already been given an in-principle approval by the Ministry under the scheme and ₹88.82 crore has been released to the sanctioned projects, according to the Textiles Ministry Annual Report 2020-21. These include up-gradation of existing CETP to ZLD in four projects in Rajasthan and setting up of four new ZLD plants, one each in Rajasthan and Gujarat and two in Tamil Nadu. "The sanctioned projects will be continued during the five-year period of extension, between 2021 and 2026, and some new projects may also be approved," the source said.

It is important for the IPDS to continue as the textile industry is one of the most water-intensive sectors in the world, and, therefore, under growing pressure globally to adopt environment-friendly practices to lower pollution and water wastage.

Processing clusters

In India, the textile sector is one of the mainstays of the economy accounting for 11.8 per cent of total goods exports in 2019-20. The country has a share of 5 per cent of the global trade in textiles and apparel. The sector provides direct employment of over 45 million people and is a source of livelihood for over 100 million people indirectly, according to the Textiles Ministry.

The scheme seeks to support new CETPs in existing processing clusters and new processing parks specifically in the area of water and waste water management as also to promote research and development for cleaner technologies in the processing sector.

Once comments on the draft EFC note are received, the suggested changes may be incorporated and then the final note sent for EFC approval. On receipt of all requisite approvals, the extended scheme will be notified in the Gazette of India.

Per the funding pattern existing at present, the Centre bears 50 per cent of the project cost, the State bears 25 per cent, the beneficiary bears 15 per cent while the remaining 10 per cent is provided as bank loans. The government grant (50 per cent of the total project cost) is to be released in four instalments of 15:35:30:20.

Source: thehindubusinessline.com– Aug 21, 2021

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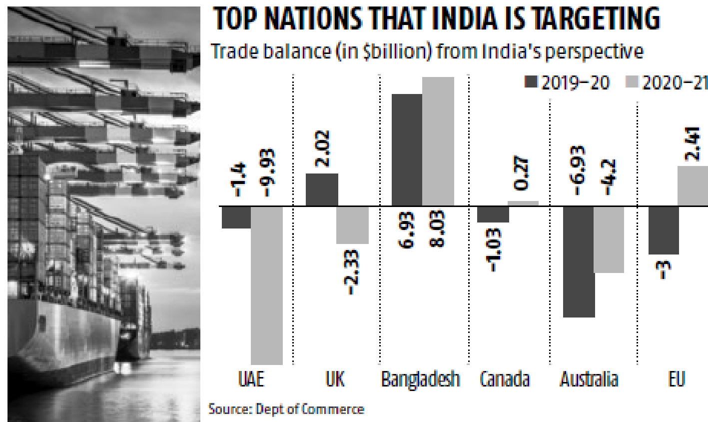
India must negotiate well on free trade pacts: Experts

Experts are of the opinion that resolving contentious issues

would be tricky even as India is revamping its strategy on freetrade agreements (FTAs) with top trading partners.



While negotiations on trade deals with the European Union (EU), Canada, Gulf Cooperation Council (GCC) nations and Israel are on, New Delhi is eyeing an 'early harvest' deal with countries such as Australia and the UK. Experts say that reduction in tariff is equally crucial while working towards any deal.

"If we need a trade agreement to be deeper and really beneficial for our industry, we need to be well prepared on what we want from our trading partners and what we are willing to give in return.

Unless we can give more than what we had given in the past, we cannot sign deals," said Arpita Mukerjee, professor at Indian Council for Research on International Economic Relations (ICRIER).

Mukherjee added that if a trade agreement is to move forward, New Delhi should not restart discussions in areas where consensus has been reached. "Let's take the case of the EU. If India and the EU reached an agreement on over 70 per cent tariff lines in 2013, it would be better not to touch them.

On Thursday, commerce and industry minister Piyush Goyal had said that India is at a 'positive momentum' with respect to inking trade deals with the UK, Australia, Canada, Bangladesh, EU, GCC nations and Israel.

In the past, trade deals with Australia and the EU were put on hold as they were not able to reach a consensus due to differences on various issues. As far as the UK is concerned, government officials have said that preparatory work will be elaborate since negotiations are starting for the first time owing to the country's exit from the EU.

India's emphasis on fast tracking trade deals comes after its decision to walk away from the China-backed trade bloc Regional Comprehensive Economic Partnership (RCEP), which is also the world's biggest free trade grouping.

In this backdrop, and with a consistent surge in exports over the last few months, experts believe that it is even more important to sign such deals. "These markets are very important for India's exports, more so for employment intensive sectors. We should also look at FTAs as these will be effective in attracting investment, under the PLI (performance- linked incentive) scheme, as we want to develop India as a global hub," said Ajai Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO).On its part, the government has reiterated that it will accelerate trade talks with nations for fair and balanced pacts, and not repeat the 'same mistakes' of the past.

Recently, Goyal sent a strong message to the industry and urged it to become more competitive and not just keep seeking protection from the government. "We are engaging with the industry to ensure that FTAs are fairly and equitably crafted.

At the same time, FTAs cannot be one-way traffic. We also need to open our markets, if we want a larger share in foreign markets. So, we need to identify areas where we can withstand competition," Goyal told export promotion councils last week.

Earlier, certain sectors such as the dairy industry had expressed apprehensions over an India-EU FTA. "We have not yet heard from the government regarding the dairy sector (being reconsidered as part of the FTA).

So far, the EU has only been exporting dairy products to India and not importing. We had told the government that dairy should be kept out of the India-EU FTA purview," said R S Sodhi, managing director (MD) of Gujarat Cooperative Milk Marketing Federation (GCMMF), popularly known as Amul. According to sector experts, Indian dairy products are costlier than the EU. This could lead to increased competition for the domestic industry.

Source: businessstandard.com– Aug 23, 2021

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Commerce Ministry group to prepare strategy for growth of services exports

Will coordinate with States, industry to diversify export basket

Seeking to formulate a strategy for the growth and diversification of services exports from the country and also assess its true growth potential, the Commerce Ministry has set up a steering group to coordinate with various State governments and other Ministries and departments concerned on the matter.

"India's services exporters have done well mostly on their own without much attention from the government. But the fact that more than 60 per cent of services exports is from the IT and related sectors points to the tremendous growth potential that exists if the government focusses on diversification. The steering committee will hopefully come up with useful policy suggestions in that direction," an official told BusinessLine.

Main objective

The broad objective of the steering group formed recently, comprising senior officials focussing on trade with specific regions and countries, is to periodically review and suggest strategies to enhance service exports. This is also important in the backdrop of the informal target of achieving services exports worth $700 billion by 2027-28. In 2020-21, India's services exports were about $205 billion, while goods exports were valued at $290 billion

The group will try and build synergies in programmes and schemes undertaken for increasing services exports in nodal Ministries and Departments, such as pharmaceuticals, agriculture, textiles and heavy industries. It has also been tasked to examine State level initiatives on services and try to build convergence with Central policies.

"The group shall also review and suggest strategy on engagement with line Ministries/Departments for bringing in an export orientation in domestic sectoral polices and for pursuing necessary regulatory reforms," per an office memorandum on the constitution of the steering group. It will take inputs from export promotion councils and other industry bodies through regular engagement, the official added.

While software services exports, at $128 billion in 2019-20, account for a major chunk of India's services exports, sectors such as tourism, e-learning, and medical services, too, hold potential.

In FY20, 39 million jobs were created in the tourism sector in India, accounting for 8 per cent of total employment in the country, according to data shared by the Services Export Promotion Council (SEPC). The number is expected to reach 52.3 million jobs by 2028. India's tourism exports are to the tune of $30 billion, and an overall market share of over 2.1 per cent.

"There is a huge potential for growth in various services sector, including IT and software, and the government believes this can be achieved with proper focus and coordination between various agencies," the official said.

Source: thehindubusinessline.com– Aug 22, 2021

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Enabling exports

The government has announced a new scheme that aims to reduce the tax burden on exporters — the Remission of Duties and Taxes on Exported Products, or RoDTEP. This, together with the Rebate of State and Central Levies and Taxes (RoSCTL) scheme, which focuses on textiles, is the latest attempt to intervene in the export market and increase Indian exports' competitiveness.

While better structured than previous efforts, the schemes nevertheless may founder on flaws in both conception and implementation. Export competitiveness should be addressed through both improving the regulatory and business environment in India, as well as through further simplifying and unifying the tax system. The addition of greater complexity to the tax and rebate system is not a sustainable way forward.

The purpose of these schemes is to provide exporters with rebates on the local and other taxes and duties not included in goods and services tax (GST). Exporters are already able to seek refunds of their GST payments.

Under the RoDTEP and related schemes, each sector will also be allotted a fixed proportion of value — or a per unit sum — that they will be able to recover from the government as rebate. The idea is that the taxes exporters pay on the fuel required for freight, electricity consumption, or at agricultural mandis, should also be refunded. While this desire is obviously understandable, the fact remains that intervention of this granular nature — there are 8,555 products included in the RoDTEP scheme, with reimbursement rates that vary from 0.3 per cent to 4.3per cent, in addition to various per unit rebates as well — is difficult to manage and administer. It also opens the door to lobbying by export sectors, some of which is already in evidence as industry associations complain that RoDTEP rates work out to less compensation than they were receiving under the earlier Merchandise Exports from India Scheme (MEIS).

The additional reason the government had to go in for the RoDTEP to replace the MEIS is that tax rebates are compliant with India's commitments to the World Trade Organization, while export incentives are not. This is yet another occasion when a problem that calls for simplification has instead been addressed by the government through greater intervention and new bureaucratic procedures.

Will each of these 8,555 products have its administered rebate rate altered when the respective industry's cost structure changes? Does the government have the capacity to make these changes swiftly, transparently, and justifiably? And, finally, is the ~12,454 crore set aside for the RoDTEP scheme enough, or will exporters find themselves unable to claim rebates because money has run out?

In the past, export incentive schemes and even the standard GST refund have run aground because the government has failed to pay back exporters on time. Speedier refunds themselves would go a long way towards repairing India's competitiveness deficit. But the most sensible approach to the question of exporting indirect taxes is simply to expand the scope of GST.

Fuel taxes, electricity duties, and so on that the RoDTEP is supposed to be compensating for also break the GST chain in general and lead to cascading inefficiencies in the system. If they were part of the larger indirect tax system, and exporters could claim swift refunds on them through the existing mechanisms, there would be no need for complex and expensive counter-productive efforts like the RoDTEP.

Source: businessstandard.com– Aug 23, 2021

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RoDTEP scheme is different from MEIS

Last Tuesday, the Commerce Ministry notified the rates and guidelines for the Remission of Duties and Taxes on Export Products (RoDTEP) scheme.

The scheme intends to refund currently un-refunded duties/taxes/levies, at the Central, State and local level, borne on the exported product, including prior stage cumulative indirect taxes on goods and services used in production of the exported product and also indirect duties/taxes/levies in respect of distribution of exported products.

The scheme now covers 8555 tariff lines leaving out about 2500 lines. RoDTEP is available to eligible exporters at the notified rate as a percentage of free on board (FOB) value, subject to value cap per unit of the exported product in some cases.

The rebate will be in the form of a transferable duty credit/electronic scrip (e-scrip) that will be maintained in an electronic ledger by the Customs, who will notify the mechanisms for grant of duty credits, transfers and utilization of such credits for payment of basic customs duties.

While most exporters are happy that they will get something besides duty drawback, some are unhappy that the RoDTEP rates are lower than what they expected or were getting under the Merchandise Exports from India Scheme (MEIS). They must appreciate that MEIS was a direct export subsidy whereas RoDTEP is a remission of taxes/duties/levied that are currently not refunded through other schemes.

So, the parameters for calculation of the rates under the two schemes are different. If they have data to show that the notified rates are less than the actual taxes/duties/levies incidence, they can submit necessary data and seek revision.

Exporters of chemicals, pharmaceuticals, steel etc. are unhappy that their products have been left out of the RoDTEP scheme although they also bear the incidence of electricity duty, excise duty and sales tax on transportation of their goods from/to the ports, stamp duty on delivery orders and so on.

They have already represented suitably to the government and some of them are contemplating moving the Courts on the grounds of discrimination.

RoDTEP is available for exports made from 1st January 2021 onward but for exports under advance authorisation scheme and by export oriented units and Special Economic Zones units, the scheme may be made available from a date to be notified later. Here again, the exporters feel that once a decision is made to refund the taxes/duties/levies that are not rebated through the present schemes, no discrimination should be made on the basis of the scheme opted for disburdening the duty incidence on the inputs used for export production.

The scheme seeks to rebate sales tax, excise duty, electricity duty, stamp duty etc. through RoDTEP credits that can be utilised only for payment of basic customs duties on imported goods.

That encourages imports and so, it is better to give the refund through cash, along with disbursement of duty drawback instead of elaborate mechanism of grant, transfer and utilization of credits for payment of customs duties.

Finally, the Finance Ministry will decide on the allocations for the RoDTEP scheme and the Commerce Ministry will have to decide how the allocations will be distributed to exporters.

The government will monitor whether the additional outlay of funds leads to desired outcome in terms of export growth in each sector/item. So, the rates may change depending on the availability of funds.

Source: businessstandard.com– Aug 23, 2021

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Finance minister launches 'Ubharte Sitaare' scheme for export oriented MSMEs

Sitharaman said though the scheme was announced in her FY21 budget but because of the pandemic, implementation got delayed Finance minister Nirmala Sitharaman on Saturday launched the “Ubharte Sitaare" scheme to help micro, small and medium enterprises (MSMEs) which could be future champions with good export potential.

Sitharaman said though the scheme was announced in her FY21 budget but because of the pandemic, implementation got delayed. “Some developed countries liked Germany have already tried this. They have identified champion sectors and tried to support them and handhold them, give them the necessary technology, and fund infusion through which it made a league of a difference for many of these champion sectors.

For Ubharte Sitaare, largely the same principle is being followed. In a state like Uttar Pradesh with highest number of MSMEs, a project which was tailor made for MSMEs to identify champions among them and to also support them, the state justifies the launch of the scheme," she added.

Under the scheme, an identified company is supported even if it is currently underperforming or may be unable to tap its latent potential to grow. The programme diagnoses such challenges and provides support through a mix of structured support covering equity, debt and technical assistance.

The objectives of the programme are to enhance India’s competitiveness in select sectors through finance and extensive handholding support; identify and nurture companies having differentiated technology, products or processes, and enhance their export business; assist units with export potential, which are unable to scale up their operations for want of finance; identify and mitigate challenges faced by successful companies which hinder their exports; and assist existing exporters in widening their basket of products and target new markets through a strategic and structured export market development initiative.

Eligible companies can be supported by both financial and advisory services by way of equity / equity-like instruments, term loans for modernisation, technology or capacity upgradation; and technical assistance for product adaptation, market development activities and viability studies.

Companies will be selected for support based on their unique value proposition in technology, products or processes that match global requirements; fundamentally strong companies with acceptable financials, and outward orientation; small and mid-sized companies with ability to penetrate global markets, with an annual turnover of up to approx. ₹500 crore; companies with a good business model, strong management capabilities, and focus on product quality.

Source: livemint.com– Aug 22, 2021

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Export credit: Key interest subsidy scheme to be extended

The government has budgeted Rs 1,900 crore for the scheme for FY22, compared with Rs 1,600 crore (revised estimate) for FY21.

The government is considering a proposal to extend the validity of the interest equalisation scheme for exporters by 2-3 years from the September 30 deadline, a senior official told FE.

Any such move will lend predictability to the policy regime and continue to support Covid-hit exporters with cheaper credit at a time when they are striving to reap benefits of a resurgence in global demand for merchandise.

Under the scheme, large manufacturing and merchant exporters get an interest subsidy of 3% on pre- and post-shipment rupee credit for the outbound shipment of 416 products (tariff lines). However, manufacturing MSMEs get a 5% subsidy on such credit to ship out any product.

The government has budgeted Rs 1,900 crore for the scheme for FY22, compared with Rs 1,600 crore (revised estimate) for FY21.

“The commerce ministry is in talks with the finance ministry on this issue. A Cabinet note will be floated very soon,” the official said.

However, the government may reduce the subvention rates to suit current realities, given that interest rates have declined substantially from the levels when the scheme was rolled out.

The scheme, introduced in 2015, was initially valid up to March 2020. Its validity was then extended periodically, along with that of the foreign trade policy, up to September 2021.

The scheme has been an effective instrument for exporters, especially the small ones, struggling to cope with a cash crunch in the aftermath of the Covid-19 outbreak. Having witnessed a 7% year-on-year drop in FY21, the country’s goods exports have staged a rebound this fiscal.

Exports in the first four months of this fiscal rose to $130.8 billion, recording a jump of 75% year on year and 22% from the pre-pandemic level (same period in 2019), as orders from key western markets poured in and global commodity prices remained elevated.

Of course, export growth was subdued even before the pandemic – outbound shipments rose about 9% in 2018-19 but again shrank by 5% in 2019-20. So only a sustained uptick over the next 2-3 years would help recapture the lost heights. Sustained credit push will help exporters benefit from a rise in external demand.

However, inadequate credit flow to exporters has been a nagging issue for the past three years before the recent pick-up. Export credit under the priority sector grew 18.3% as of June 19 from a year before, driven by a favourable base and growing demand in light of the latest surge in exports.

Ajay Sahai, director-general and chief executive at apex exporters' body FIEO, said the interest equalisation scheme has immensely benefited the exporters, especially the small ones, as it has made credit available at reasonable costs.

The International Monetary Fund last month revised up its predictions of global trade volume growth by a sharp 130 basis points for 2021 to 9.7% and 50 basis points for 2022 to 7%. India is set to benefit from the expected rise in global trade prospects once its supply side gains traction.

The government has already set an ambitious merchandise export target of $400 billion for FY22, against $291 billion last fiscal. Keeping up the flow of cheaper credit remains critical to materialising the target, exporters say.

Source: financialexpress.com– Aug 23, 2021

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Minister assures support to CII in trebling export turnover by 2030

The new business target foreseen by CII in textile sector is reachable, says Senthilbalaji

The State government will extend all possible support to the textile sector to increase the turnover of export from ₹8,000 crore to ₹25,000 crore by 2030 from Karur as projected by Confederation of Indian Industry (CII), said Minister for Electricity V. Senthilbalaji here on Sunday.

Speaking at an interactive session organised by CII-Karur Chapter, he said the district earned huge foreign exchange for the country. It had the potential to even up with Tiruppur in terms of overall business and foreign exchange earnings, thanks to the zeal and committed entrepreneurs and workforce. The new business target foreseen by CII was reachable and he would apprise Chief Minister M.K. Stalin about the CII projection and the requisite infrastructure requirement to achieve the target.

Mr. Senthilbalaji said steps would be taken to set up a SIPCOT complex in Karur. The process of approving plan for both residential and industrial buildings would be expedited. Steps had been taken to approve the building plan within a month. Stating that an airport in Karur was the need of the hour to facilitate entrepreneurs and business travelers to visit their destinations easily and quickly, he hoped that the Chief Minister would take steps to set up the facility in the district.

The State had an installed capacity of 17,980 MW power production. Many new power projects were on the pipeline to increase power generation and distribution. Steps had been taken to provide power supply to consumers on the day of submission of application in areas where there the need to erect new electric poles was absent. Four sub-stations would be installed in Karur to improve the efficiency of power supply and distribution, he added.

Collector T. Prabhu Shankar said he would closely follow the demands of the entrepreneurs and exporters so as to ensure speedy and effective steps. Karur had an excellent eco-system for industrial growth. The State government wou ld stand with them to accelerate the overall growth of all stakeholders.

Source: thehindu.com– Aug 22, 2021

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Container shortage, lockdowns spook Tirupur garment industry

Rising air freight, shortage of containers for sea freight and lockdown for six weeks due to Covid second wave has meant nearly Rs 2,500 crore worth garments stuck in Tirupur. Worse, these may never make it to the overseas markets, instead could end up at fourth the the price for Diwali in India.

Tirupur was shut down either partially or wholly for nearly 6 weeks in April-May, the peak production months. The consequential impact was such that there was no production and orders could not be completed. When the lockdown was relaxed, the pending orders were completed, and just around that time, the containers were not available for exports and air freight rose sharply.

“We are unable to send the goods by flights. There is a huge backlog at various airports. Freight rates too have risen to Rs 300 a kilo from pre-Covid rates of Rs 100 a kilo. We are willing to pay, but there is a queue and the pile up at the airports is only increasing,” said Raja M Shanmugam, President of Tirupur Exporters Association (TEA). Ocean freight situation is worse.

Shipments to Europe now cost $5,000 a container from $1,500 pre Covid and to the US it has risen to $14,000 now from $3,000 pre Covid,” he said. “Nearly Rs 2,500 crore worth garments are lying at various points and exporters are negotiating with brands to ensure they don’t lose.

The sad part is some of these are seasonal items and if they miss that window for sale in the overseas markets, they get outdated. Either the brand has to offload it on “sale” at nearly a fourth the price or we have to cut the brand label and sell it in India which is not economically beneficial,” he said.

TEA has taken up the matter with the state and central governments to help ease the congestion at the airports. “We have approached the government, we are waiting for some response,” he added.

Source: timesofindia.indiatimes.com– Aug 21, 2021

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Cotton acreage to come down by 15%

The cotton acreage in the country is likely to see a decline of about 15 per cent, with farmers shifting to oilseeds and pulses cultivation in several parts of the country.

Though it had expected to top last year's area of 129 lakh hectares, the cottonseed industry now says it will be lower. "We are hoping to close the season with about 4.20-4.30 crore packets (of 450 gm each) this year as against the average sales of 5-5.5 crore packets," a seed industry executive has said.

M Prabhakara Rao, President of the National Seed Association of India (NSAI), told BusinessLine that the shift from cotton happened due to low yields and the damages caused due to pink bollworm attack. "These two factors had resulted in low prices discouraging farmers to move away from cotton," he said.

"Besides, alternative crops such as soyabean, chillies and groundnut have fetched higher prices," Prabhakara Rao, who is also the Managing Director of Nuziveedu Seeds, said.

"A good number of farmers got very low yields. Some of them got only 3-4 quintals. This might have forced the farmers to look at alternatives like maize and redgram," S Malla Reddy, Vice-President of All-India Kisan Sabha (AIKS), said.

The cotton acreage last year stood at about 130 lakh hectares last year as against 134 lakh hectares in the previous year.

Source: thehindubusinessline.com– Aug 22, 2021

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Arvind Fashions raises Rs 439 cr from investors, promoters

Arvind Fashions Ltd (AFL), India's leading casual and denim manufacturer, on Saturday said it has raised Rs 439 crore from various marquee investors including promoters by issuing equity shares of the company. This will "significantly strengthen" the balance sheet and allow the business to pursue its growth strategy while insulating it from any COVID related uncertainties, AFL said in a statement.

"The Board of Directors of AFL at its meeting held today (Saturday) approved the preferential allotment of equity shares aggregating to Rs 439 crore to various marquee investors including promoters at the price of Rs 218.50," it said.

The investors who participated in the fundraise are Akash Bhanshali, existing shareholders including ICICI Prudential Mutual Fund, various foreign institutional investors including University of Notre Dame Du Lac, GP Emerging Markets Strategies LP, The Ram Fund LP and other investors.

Aura Merchandise, a promoter entity also participated in the preferential issue for an amount of Rs 40 crore, it added. "With this fundraise, it completes the capital requirement needed for growth and navigating any uncertainties," it said adding "the company is unlikely to require any more funding in near to medium term."

AFL Non-Executive Director Kulin Lalbhai said this capital will go a long way in completely strengthening AFL's balance sheet and help counter any potential COVID related uncertainties. However, the company also said the completion of the transaction is subject to necessary shareholder & SEBI approvals.

Last month, AFL had sold its "unlimited" retail chain to value fashion retailer V-Mart Retail Ltd for an estimated Rs 150 crore in an all-cash transaction. AFL has a portfolio of both international and indigenous brands which includes US Polo Assn., Arrow, Tommy Hilfiger, Calvin Klein, Flying Machine, Aeropostale and Ed Hardy. It is also in the beauty retailing space in partnership with Sephora.

Source: economictimes.com– Aug 21, 2021

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Apparel, personal care are the festive flavour of 2021

After a tumultuous second wave, businesses are now pining hopes on the festive season to boost lost sales. With increase in vaccinations and states easing pandemic-led curbs, retailers expect rebound in consumer confidence to spike sales.

The ethnic wear to furniture retailer, Fabindia Overseas expects stronger 2021 festive season than last year. Ajay Kapoor, President Retail of Fabindia Overseas told ET Now, “If we take Onam as an example for setting the festive season trend, we are seeing a 10% growth over 2019.”

Though few states like Kerala witnessing more than 10,000 COVID-19 cases in a single day, the trajectory of rise in infection rate remains a concern. Kapoor says, “Despite an improvement in bill values and basket sizes, footfalls are trending low at 60%.”

Fabindia has 311 stores across 118 cities in India and 14 stores overseas. In order to minimize the pandemic-led lockdown blow, Fabindia shares bullish tone on store consolidation over the last year due to higher occupancy rates and lower delta. From ethnic fabrics to furniture, Fabindia emphasizes on handmade woven products from craftspeople across rural India.

On the products that are seeing hot demand, Kapoor says, “Apparel is seeing a smart comeback with 80-85% of 2019 levels whereas home and lifestyle continues to see decent growth.”

In the personal care segment, Fabindia plans to launch a sub-brand named ‘Fab Essentials’ by October running in-line with Forest Essentials, Biotique brands operating in the market.

Owing to high cotton and input prices, Fabindia asserts striking a balance to offset jolt to customers as well as business. Kapoor says, “We aim to pass down price benefits to customers judiciously by offering cashbacks with periodic credit card tie-ups. A right balance needs to be struck to neutralize the impact of price surge on customers as well as business.”

Source: timesnownews.com– Aug 22, 2021

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