TEXPROCIL NEWS CLIPPINGS

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INTERNATIONAL NEWS

EURATEX Announces New EU Strategy Vision for Textiles and Clothing

The European Union of Apparel and Textiles (EURATEX) has announced a vision for a new EU strategy on textiles and garments. EU policy makers are focusing on the textile sector, and the EU's Sustainable Textile Strategy will be announced by the European Commission this year, developing a transition path for this sector.

The current situation provides an opportunity to form a new European framework for the crossroads T & C industry. EURATEX hopes to actively contribute to this process, develop a positive business model and lay the foundation for a competitive and sustainable European textile industry, the alliance said in a media release.

In line with the EURATEX Charter, EURATEX strives to recognize the textile and garment (T & C) sector as an integral and strategic part of the European economy. We strongly believe in innovation, quality and sustainability as a source of competitiveness. Incorporate new green and digital skills to emphasize the value of a skilled workforce. And we maintain support for open markets based on free but fair competition.

The European Union of Apparel and Textiles (EURATEX) has announced a vision for a new EU strategy on textiles and garments. EU policy makers are focusing on the textile sector, and the EU's Sustainable Textile Strategy will be announced by the European Commission this year, developing a transition path for this sector.

In addition, EURATEX wants the European textile industry to be the world leader in sustainable textiles, to be more efficient and to gain a larger share of the global market.

In order to implement the strategy successfully, EURATEX calls on the European Union to pay attention to certain points. When developing this strategy, you need to ensure policy consistency. The EU Green Deal provides an important foundation, but this textile strategy includes other relevant EUs such as EU Industrial Strategy, New EU Trade Strategy, EU Skills Agreement, Sustainable Chemicals Strategy, Sustainable Product Initiatives, etc. It needs to be aligned with the policy.

Strategies need to lead to harmonious European action and eliminate contradictions between EU policies.

To make it meaningful, the strategies are so tightly interconnected that you need to consider the entire industry value chain and direct links to other sectors (agriculture, chemistry, plastics, etc.). I have. It is also important to focus on funding and investment to support and extend innovations such as advanced bio-based and recycled materials, technology, green production technology and advanced multifunction products.

To avoid frustration with lack of implementation and follow-up, the strategy should also suggest proper governance settings. A (virtual) structure that brings together legitimate industry representatives, policy makers, and other key stakeholders. EURATEX proposes to evaluate the impact of policies on textiles and create textile alliances that avoid conflicting actions that arise from different policy areas.

Source: eminetra.com– Sep 15, 2021

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Australian Cotton growers cut water use per bale by half: Study

Cotton growers have almost halved the water needed to grow one bale of cotton in Australia in the last 25 years, as per a new study. The water usage has fallen from 1.43 megalitres per bale (ML/bale) in 1995 to 0.74 ML/bale in 2020, driven by improvements in irrigation infrastructure and management efficiencies, underpinned by research and development.

The research has been conducted by the NSW Department of Primary Industries (DPI) and supported by the Cotton Research and Development Corporation (CRDC). The current benchmarking research project has been led by NSW DPI since 2006 with in-depth water productivity benchmarking occurring in 2007, 2009, 2013 and 2018. The research combined the in-depth benchmarking with all other available water use data going back to 1992, revealing the impressive findings.

Cotton growers now have even greater results in sight, looking to reach a benchmark target of 0.71 megalitres per bale by 2024.

Cotton Australia CEO Adam Kay said the goal is part of the cotton industry's current sustainability framework 'PLANET. PEOPLE. PADDOCK.'

"We recognise sustainability is integral to the industry's future and this framework identifies the key environmental, economic and social sustainability areas for further improvement, investment and commitment. Cotton is often misrepresented when it comes to water use. These findings, validated by an independent third-party research organisation, provide the most up-to-date assessment of the performance of cotton over the last 25 years," Kay said in a statement.

CRDC, in partnership with the Commonwealth government and cotton growers, has funded research and development to improve and monitor water use efficiency for decades.

"CRDC's role is to invest in world-leading research and development, delivering tangible outcomes for cotton growers and the wider community. These latest findings demonstrate Australian cotton growers are committed to being leaders in environmental sustainability, and continuously improving their water use efficiency," said CRDC executive director Dr Ian Taylor.

When calculating water use and improvements over time, researchers considered all the water used on the farm to produce the crop. This included all water coming onto the farm from rivers and bores, all rain falling directly on the crop as well as harvested rainfall runoff, plus all soil moisture used by the crop. It also considered all water lost through evaporation and seepage during storage in dams and delivery to the field.

“Considering all the water used to grow a bale is the gold standard for determining water productivity in the cotton industry, you can’t just look at the water applied to the field. You also need to include the rainfall to put in context, especially when looking at changes over time. Including evaporation is also important as it shows the real cost (in terms of water) to grow the crop,” said NSW DPI agriculture research officer and project lead Dr David Perovic

“It has been very pleasing to see just how well the industry is performing. Even after the significant improvements in water use efficiency that were achieved between the mid-1990s and the mid-2000s, growers keep getting better and better production out of finite water resources,” added Dr Perovic.

Levels of water withdrawals for irrigation in Australia are regulated by governments to deliver sustainable water use from healthy river systems. There are clear limits on the volume of water that can be used, and this changes each year based on seasonal conditions. Within this regulatory framework that limits water use, Australian farmers work to increase the efficiency of water allocated to them, and part of that is choosing which crop to grow each year with available water.

Source: fibre2fashion.com– Sep 16, 2021

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Consumers still prefer in-store shopping over online: Study

Ninety per cent of transactions for public retailers were completed in-store and not online (even during a pandemic), according to a recent report 'Retailers and Shoppers Turn Attention (and Investments) to Stores: A Financial Analysis'. Moreover, 90 per cent of consumers anticipate doing more in-store shopping this year (or already have), the study mentioned.

MerchLogix, a leading provider of space planning and merchandise operations software, and DM Buck Advisory, a research and financial consultancy, together published the report based on six years of SEC filings by public retailers and an online survey of shoppers in April 2021.

MerchLogix commissioned the in-depth study to learn how retailers respond to growing omnichannel demands, the evolving role of the store, and how retail segments, including grocery, hardlines, and apparel, are investing in their future. The study points towards a renewed focus by retail management teams on store efficiencies as consumers, including millennials, return to in-person shopping.

During the pandemic, online sales spiked when stores closed, but the report found that both consumers and retailers were hungry for the sales and ambiance that stores provide. The study also said that a Physical Retail Composite Index showed the same-store sales trended solidly positive in the past three years with stable profitability.

"E-commerce grew significantly in recent years, so it's been easy to underestimate the vital role that physical stores continue to play in generating enterprise-wide revenue," David Magee, ASA, CFA, of DM Buck, said in a press release. "As a result, it's critical for retailers to step up store investment to ensure brand relevance and customer connectivity. At the same time, the greater price transparency in this omnichannel world means that retailers must offset that investment through initiatives that drive labour productivity and reduce wastage. The research shows that incremental changes to in-store efficiency can have a multiplicative effect on overall profitability."

"Improved control and compliance of store space have a dramatic impact on a retailer or grocer's bottom line," Nick Downey, CEO of MerchLogix said. "As our retail customers improve in-store execution, planogram compliance, and overall space planning with MerchLogix solutions, we've continually seen their financial health improve. MerchLogix commissioned this third-party study to quantify what retailers should expect from their investments. The store drives of the vast majority of retail sales, and this report points to where, and in which segments, modest in-store space improvements can boost profits and attract shoppers."

Source: fibre2fashion.com– Sep 15, 2021

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Bangladesh seeks 12-year duty-free access to EU after LDC graduation

Bangladesh commerce minister Tipu Munshi is hopeful that the European Union (EU) will continue its trade benefit for Bangladesh for 12 years after the country's graduation from the grouping of the least-developed countries (LDCs) in 2026. The country is negotiating with the EU for that, he said after recently meeting Rensje Teerink, the outgoing EU ambassador to Bangladesh.

The group of LDCs is also separately lobbying for duty-free EU market access for 12 years after graduation of individual group members. Other LDCs have assured that they would work with the EU in helping Bangladesh obtain the duty benefit, the minister said in a press release.

The efforts to increase trade with the EU will continue from the Bangladesh side," the minister said.

Munshi described Bangladesh's position in the global apparel market as strong, saying the garment industry performed well with assistance from the government during the coronavirus pandemic.

Teerink assured the minister of the EU's continued support to Bangladesh in trade, according to Bangla media reports.

Source: fibre2fashion.com– Sep 16, 2021

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Bangladesh signs trade, investment framework with Australia

Bangladesh and Australia today signed the Trade and Investment Framework Arrangement (TIFA) to attract investment and remove trade barriers between the two countries through discussion.

This is the second such bilateral trade related platform for Bangladesh as the country also signed the Trade and Investment Cooperation Forum Agreement (TICFA) with the USA in November 2013.

"We need foreign investment in Bangladesh. Australia is a very potential country for us for investment and it is an important export destination also," Commerce Minister Tipu Munshi told The Daily Star by phone after signing the agreement. "The trade with Australia is growing every year. We are ready to approve Australian investment in any sector here."

A big investment team from Australia is scheduled to visit Bangladesh in the first part of next year, the minister also said. Munshi also said both the sides will hold meetings soon to decide the guidelines of the TIFA on how and when they will hold dialogues under the platform.

The signing of the TIFA is not related to the duty preference but mainly to the investment issues between the two countries.Currently, as a least developed country (LDC) Bangladesh enjoys preferential duty benefit on export to Australia. Munshi and his counterpart Australian Minister for Trade, Tourism and Investment Dan Tehan signed a framework on trade and investment between Bangladesh and Australia at a virtual signing ceremony.

The TIFA, the first of this kind between Australia and Bangladesh in the last five decades, is expected to provide a platform for institutionalised economic interactions and to open newer opportunities for trade and investment between the two countries. A Joint Working Group (JWG) will be formed under TIFA, with due representations from relevant sectors and sub-sectors, according to a statement from the Bangladeshi high commission in Australia.

Source: thedailystar.net– Sep 15, 2021

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Bangladesh Snatches Back No. 2 Garment Exporter Title

Bangladesh has come out ahead in the race for the world's No. 2 clothing exporter after China—at least for the moment.

After ceding ground to Vietnam in 2020, the South Asian nation clawed back its lead in the first seven months of 2021, dispatching $18.8 billion worth of apparel exports versus its rival's $16.9 billion, according to trade data from the two countries. The Covid-19 pandemic continues to weigh heavily on their bottom lines, however.

Compared with the same period in 2019, Bangladesh and Vietnam underperformed by 7.7 percent and 7.3 percent respectively. The numbers are liable to be worse following the onslaught of the delta variant of the virus, which has disrupted shipments from South and Southeast Asia due to widespread lockdowns.

The situation is especially fraught in Vietnam, where daily positive cases continue to average at 12,000 and more than half of its 98 million population is under stay-at-home orders. Investment firm BTIG predicted this week that Nike has already sacrificed 40 million pairs of shoes to two months of "virtually no unit production." Another four months or so of 50 percent production capacity could cost the sportswear juggernaut 160 million pairs in total. Retailers from Chicos to Dicks to J.Jill to Lululemon are also wrestling with sourcing headwinds from Vietnam's production woes.

On Monday, the Vietnamese government said it was accelerating its vaccination program in a bid to ease restrictions by the end of September. While some cities are better at getting shots in arms than others—roughly 80 percent of Hanoi's 5.7 million adults have received at least one dose, for instance—the country's overall vaccination rate remains low, with 28 percent of its 98 million-strong population receiving one jab and just 5.2 percent getting both.

To cope with supply shortages, which have stymied progress, Vietnam's health ministry has approved combinations of different two-dose coronavirus vaccines. Prime Minister Pham Minh Chinh has also urged Covax, the vaccine-distribution program directed by the World Health Organization, to deliver shipments of the vaccine "in the fastest manner and with the largest volume possible."

The transformation has been a sudden and dramatic one for a country that until April was praised for maintaining one of the world's best containment records. Among the top five garment exporters, it was the only one not to have scuppered production last year.

It was also only last month that the World Trade Organisation's World Trade Statistical Review declared Vietnam the David to Bangladesh's Goliath for amassing $29 billion in apparel exports in 2020, or 6.4 percent of the global market, up from 6.2 percent in 2019. Bangladesh, on the other hand, racked up $28 billion and a 6.3 percent slice, down from 6.8 percent the previous year.

Vietnam has since logged more than 610,000 positive cases and 15,000 deaths, most of them since May. Ho Chi Minh City, a business hub and the country's outbreak epicenter, has accounted for half of those infections and 80 percent of deaths. As a result, one-third of the country's apparel and footwear factories has been forced to suspend operations.

State media reported this week that Vietnam's economy will rally between 3.5 percent and 4 percent this year, well below the government target of 6.5 percent, as a result of pandemic-induced pressures. The country had finished 2020 with 2.92 percent growth.

Meanwhile, Bangladesh is seeing a light at the end of its long tunnel. It recorded 35 deaths from Covid-19 on Tuesday, its lowest in a single day in three months.

To date, the nation has seen 1.5 million infections and more than 27,000 deaths. Schools in Bangladesh have reopened after over a year and a half. Inoculations continue apace, though vaccine shortfalls are again causing a bottleneck. Some 8.2 percent of Bangladesh's population of 163 million people are now fully vaccinated, and more than twice that number has received at least one jab.

Source: sourcingjournal.com– Sep 15, 2021

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Bangladesh: Gas shortage affects textile production

Production in textile mills in some areas in Savar, Narayanganj, Dhamrai, Manikganj, Gazipur and Chattogram has been affected severely due to a shortage of gas supplies to the industrial units.

The millers are fearing that they will lose work orders if production cannot be continued. Many have been running at 50 per cent to 60 per cent capacity because of the low pressure of gas in the industrial plants.

The millers also said gas pressure was so low that sometimes it reached 1.5 pounds per square inch (psi) although they were approved 10 psi or more for operations.

Md Mosharaf Hossain, chairman of Mosharaf Group, a leading spinner, said with good pressure of gas he could produce 140 tonnes of yarn in a day but the production had been lowered to 100 tonnes of yarn in a day now.

"I have been facing the trouble of gas pressure over the last one month and my investment is in trouble now because of lower production of yarn," Hossain told The Daily Star over the phone.

Hossain's investment in his spinning mill at Bhabanipur in Gazipur is of Tk 2,000 crore, he said.

Echoing him, Khorshed Alam, chairman of Little Star Spinning Mills Ltd, said the production in his factory had been lowered to 13,000 pounds from 22,000s pound per day.

His daily production loss at his Ashulia-based spinning mill, which mainly produces 80 carded yarn, amounted to Tk 26 lakh because of the shortage of gas supply. His factory has been running at 60 per cent capacity for many months.

The Titas Gas Transmission and Distribution Company Limited (TGTDCL) only gave assurance to him of supplying gas at adequate pressure but the assurance is yet to materialise, he said.

Bangladesh Textile Mills Association (BTMA), a platform for the primary textile sector comprising spinning, weaving and dyeing, has sent a letter to Tawfiq-e-Elahi Chowdhury, energy adviser to the prime minister, yesterday, seeking a solution to be supplied higher pressure of gas to run their industrial units.

Ali Iqbal Md Nurullah, managing director of the TGTDCL, said the improvement of supply of gas was dependent on availability of gas in the pipelines.

"However, it is expected that the situation of gas supply will improve soon as we are working on the issue," he said.

The sufferers should also contact officials of Petrobangla so that the state-owned gas exploration and production company can also be aware about the gas crisis in the country.

Currently, some 450 spinning mills have been supplying 80 per cent of the demand for yarn of the local knitwear factories. They are the main consumers of the gas.

Mohammad Ali Khokon, president of the BTMA, in the letter said the local garment exporters may lose work orders from international retailers and brands if the spinners and weavers cannot supply yarn and fabrics on time.

Moreover, investments worth $10 billion in the primary textile sector will fall in trouble if the gas supply cannot be improved as soon as possible, said the industry people.

Source: thedailystar.net– Sep 15, 2021

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NATIONAL NEWS

PLI scheme for textiles aimed at creating huge employment opportunities, says official

The PLI Scheme for textiles was part of the overall announcement of PLI Schemes for 13 sectors made during the budget for FY 2021-22 with an outlay of Rs 1.97 lakh crore.

The idea of Production Linked Incentive (PLI) Scheme, announced for textiles by the government, was to create huge employment opportunities and extend support to companies that were interested in scaling up business in the sector, a senior government official said here. The advantage of PLI Scheme is to invest in those projects, which are covered under the scheme for the products, and create huge employment and achieve production turnover for companies, Textiles Ministry Additional Secretary Vijoy Kumar Singh said.

"As a government we are looking at the creation of employment, opportunities for people, our citizens. So, the creation of employment opportunities is liked by both the central and state governments. So jointly, we will work towards the success of this scheme. That is our objective," he told reporters.

Recently, the Centre approved the Production Linked Incentive Scheme for textiles that aims at making the country regain its dominance in the global textile trade.

The scheme was expected to have a positive impact on states like Gujarat, Uttar Pradesh, Maharashtra, Tamil Nadu, Punjab, Andhra Pradesh and Telangana, a PIB release said.

According to Singh, the scheme would help create additional employment of over 7.50 lakh people directly. The government would provide incentives worth Rs 10,683 crore to the industry over a period of five years, he added.

Stating that the government would extend support and enable a company to run business on its own, he said, "The idea is to support the industry in the initial period and once they become of some size and scale themselves, they will be competitive (enough) on their own strength."

The PLI Scheme for textiles was part of the overall announcement of PLI Schemes for 13 sectors made during the budget for FY 2021-22 with an outlay of Rs 1.97 lakh crore.

The minimum production in the country is expected to be around Rs 37.50 lakh crore and minimum employment generation to be one crore over a five-year period, the release said.

Source: economictimes.com– Sep 15, 2021

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India's textile exports rise over 50% in August 2021

Textiles and garments exports from India have shown a positive growth in the month of August 2021, the ministry of commerce & industry said based on estimates made by the Reserve Bank of India. While cotton and man-made textiles are estimated to have grown by over 50 per cent year-on-year, readymade garment exports have increased by nearly 15 per cent.

India's total merchandise exports in August 2021 were $33.28 billion, as compared to $22.83 billion in August 2020, exhibiting a positive growth of 45.76 per cent. In rupee terms, exports were ₹2,46,863.37 crore in August 2021, as compared to ₹1,70,470.61 crore in August 2020, registering a positive growth of 44.81 per cent. As compared to August 2019, exports in August 2021 exhibited a positive growth of 28.03 per cent in dollar terms and 33.50 per cent in rupee terms.

The commodities/commodity groups which have recorded positive growth during August 2021 vis-à-vis August 2020 include cotton yarn/fabrics/made-ups, handloom products etc (55.84 per cent), man-made yarn/fabrics/made-ups etc (51.71 per cent), jute manufacturing including floor covering (25.3 per cent), readymade garments of all textiles (14.15 per cent), leather & leather products (8.37 per cent) and carpet (6.93 per cent).

Cumulative value of exports for the period April-August 2021 was $164.10 billion (₹12,14,442.50 crore) as against $98.06 billion (₹7,38,849.55 crore) during the period April-August 2020, registering a positive growth of 67.33 per cent in dollar terms (positive growth of 64.37 per cent in rupee terms). As compared to April-August 2019, exports in April-August 2021 exhibited a positive growth of 23.25 per cent in dollar terms and 30.83 per cent in rupee terms, an official release said.

Imports in August 2021 were $47.09 billion (₹3,49,301.90 crore), which is an increase of 51.72 per cent in dollar terms and 50.73 per cent in rupee terms over imports of $31.03 billion (₹2,31,736.82 crore) in August 2020. Imports in August 2021 have registered a positive growth of 18.15 per cent in dollar terms and 23.20 per cent in rupee terms in comparison to August 2019.

Cumulative value of imports for the period April-August 2021 was $219.63 billion (₹16,26,077.93 crore), as against $121.42 billion (₹9,14,778.03 crore) during the period April-August 2020, registering a positive growth of 80.89 per cent in dollar terms and a positive growth of 77.76 per cent in rupee terms.

Imports in April-August 2021 have registered a positive growth of 4.39 per cent in dollar terms and positive growth of 10.87 per cent in rupee terms in comparison to April-August 2019.

Source: fibre2fashion.com– Sep 15, 2021

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Indian economy may grow at 7.2 per cent constrained by Covid-19: UNCTAD

Growth may decelerate to 6.7 per cent in 2022 due to slow recovery of jobs, adverse policy environment

The Indian economy is expected to grow 7.2 per cent in 2021 with its recovery constrained by the ongoing human and economic cost of Covid-19, and the negative impact of food price inflation on private consumption, the UNCTAD said in its Trade & Development Report 2021.

Painting a dim picture for next year, the report, released on Wednesday, points out that a slow recovery of jobs, matched with a more adverse policy environment, and continuing pressure on trade balance, the economy is expected to decelerate to 6.7 per cent growth in 2022.

"Given the inherent fragilities in coping with the pandemic and restoring employment and incomes, growth in 2021 as a whole is estimated at 7.2 per cent, insufficient to regain the pre-Covid-19 income level," the report launched on Wednesday observed.

In India, consumer inflation was already at 6 per cent before the pandemic. The Covid-19 shock caused a temporary dip in prices, but as the economy recovered and food prices accelerated, the country returned to a 6 per cent inflation rate in mid-2021, it stated.

UNCTAD expects the global economy to bounce back in 2021 with growth of 5.3 per cent, the fastest in nearly 50 years. The rebound is, however, highly uneven along regional, sectoral and income lines.

"Growth deceleration next year could prove sharper than expected if policymakers lose their nerve or heed misguided calls for deregulation and austerity," the report pointed out.

Source: thehindubusinessline.com– Sep 15, 2021

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India's 'early harvest' trade deals could run into trouble

The rise in protectionism ensured that India shied away from signing FTAs in the last seven years despite the Economic Survey 2019-2020 concluding that FTAs have been beneficial for India.

India wishes to fast-track its free trade agreement (FTA) negotiations with several countries like the UK, Australia, the European Union, and Canada. As part of these negotiations, India is keen to conclude an "early harvest" trade deal with some of these countries, liberalising tariffs on select goods. Many commentators welcome India's rethink on FTA since it marks a departure from the trade protectionism that India has been practising over the past few years.

Arvind Subramanian and Shoumitro Chatterjee have argued that between 2014 and 2020, India increased tariff rates on a wide category of products. This reversed the tariff liberalisation policy that successive governments have followed since 1991. The rise in protectionism ensured that India shied away from signing FTAs in the last seven years despite the Economic Survey 2019-2020 concluding that FTAs have been beneficial for India.

But FTAs are not just about economics. They are also about international law — an aspect that rarely gets the requisite attention. While countries are free to enter into FTAs based on their mutual interests, this freedom is circumscribed by the international law rules contained in the General Agreements on Tariff and Trade (GATT) and the World Trade Organisation (WTO). Being WTO members, these rules invariably apply to India and its prospective FTA partner countries.

The WTO system is premised on the principle of most favoured nation (MFN), that is, countries are prohibited from discriminating between their trading partners. So, an FTA where countries give preferential access to each other's products at the cost of other countries is inconsistent with the MFN rule. Nevertheless, countries are allowed to sign FTAs subject to certain conditions.

One such condition, given Article XXIV.8(b) of GATT, is to eliminate customs duties and other trade barriers on "substantially all the trade" between the FTA member countries. Although the meaning of "substantially all the trade" is not given in the agreement, it is evident that the FTA should cover a very high proportion of trade between the FTA member countries.

The reason for this requirement is that since FTAs depart from the MFN principle, which is the foundational rule of the multilateral trading order, such departures should not be easily permitted.

It is here that India's "early harvest" trade deals that focus on selective tariff liberalisation could run into rough weather. For instance, the commerce minister, Piyush Goyal, recently said that the "early harvest" deal with Australia would cover half of the goods trade. This is well below the legal requirement of "substantially all the trade". Any trade deal between WTO member countries that does not cover substantive trade between them will be vulnerable to a legal challenge at the WTO's dispute settlement mechanism.

However, these "early harvest" trade deals can be saved from a possible indictment at the WTO if they are designed and presented as "interim agreements" leading to the formation of an FTA. Article XXIV of GATT allows countries to sign interim agreements subject to certain conditions. First, countries can enter into an interim agreement provided it is necessary for the formation of a free trade area.

In other words, for the interim agreement to be consistent with the GATT and WTO requirements, it will have to pass the necessity test. Thus, if India's measures (such as lowering the tariff rate on a product because it is part of an "early harvest" deal) is challenged on the grounds of violating the MFN principle, India will have to show that it will not be able to enter into an FTA without the measure at issue, that is, without the "early harvest" trade deal.

Second, the interim agreement should include a plan or a schedule for the formation of an FTA within a reasonable period of time. Third, as required by Article XXIV.7(a) of GATT, the interim agreement should be notified to WTO members, who, in turn, can make recommendations if they believe that the interim agreement is not likely to lead to the formation of an FTA. India should be mindful of all these legal requirements since it is pursuing the strategy of arriving at an "early harvest" trade deal before signing a full FTA.

Source: indianexpress.com– Sep 15, 2021

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DGS issues advisory on levying export rail freight and special priority charges for containers

The advisory follows representation from EXIM trade

The Directorate General of Shipping (DGS) has advised shipping lines, freight forwarders, non-vessel owning common carriers, multi-modal transport operators and custom house agents to allow the export-import (EXIM) trade to make direct payments to the railway authorities for export rail freight of containers.

The country's maritime regulator has also advised these entities not to levy special priority charges for according priority to containers.

The advisory follows representation from EXIM trade that some shipping lines were charging inland hauling charges (lHC) and 'special priority charges' (SPC) for providing out of turn containers to shippers for exports.

The DGS said that the levy of export rail freight without giving option to the shippers to make direct payment and levy of special priority charges violated an earlier advisory issued in 2016.

Source: thehindubusinessline.com– Sep 14, 2021

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How India's consumer demand growth lost momentum

Possibly the most fundamental policy debate around India's economy is about the nature of the economic slowdown. Correctly diagnosing the root cause for India's anaemic growth rate in the recent past is critical to finding the right policy solutions.

The key question is: Is India's growth rate being held back due to weak consumer demand or should we blame inadequate supply for being a drag? A quick, albeit incorrect, way would be to look at any one sector or the other and arrive at a conclusion.

For example, many who argue that India's economic slowdown is not because of weak demand, and rather due to supply bottlenecks while pointing to carmakers struggling to meet demand owing to a global chip shortage. Others could counter it by looking at some other variable, say the box office sales, and argue that consumer demand is still weak.

Instead of picking and choosing sectors and industries, a more robust way would be to look at the official data for Gross Domestic Product, which is the monetary measure of the country's total output.

The key variable to track within the GDP table is the Private Final Consumption Expenditure (PFCE). A look at how this variable has grown over the years should give us a decent understanding of whether India suffers from weak consumer demand.

What is PFCE and what is its significance?

The GDP is calculated by capturing the total expenditures of different components of the economy. So it adds up the expenditure by private individuals (PFCE), by the businesses investing money to ramp up production (Gross Fixed Capital Formation or GFCF), and all the spending by the government (Government Final Consumption Expenditure or GFCE).

In India, the PFCE accounts for 55%-56% of all national GDP in a year and is, quite obviously, the biggest driver of economic growth.

But apart from its direct influence of 55%, it also indirectly influences the next biggest driver of India's GDP — the Gross Fixed Capital Formation (GFCF). The GFCF is nothing but a measure of the money spent by businesses when they make investments, and it accounts for 33% of all GDP. It is crucial to understand the economic logic that links these two biggest drivers of economic growth which together account for 88% to 89% of all GDP in India.

If consumer demand slows down, it robs the businesses of any incentive to boost productive capacities by making fresh investments. More precisely, just boosting investments — without regard for demand — will not make sense.

The tremendously weighty role of private consumer demand in boosting India's GDP makes it the most important factor determining India's economic fortunes.

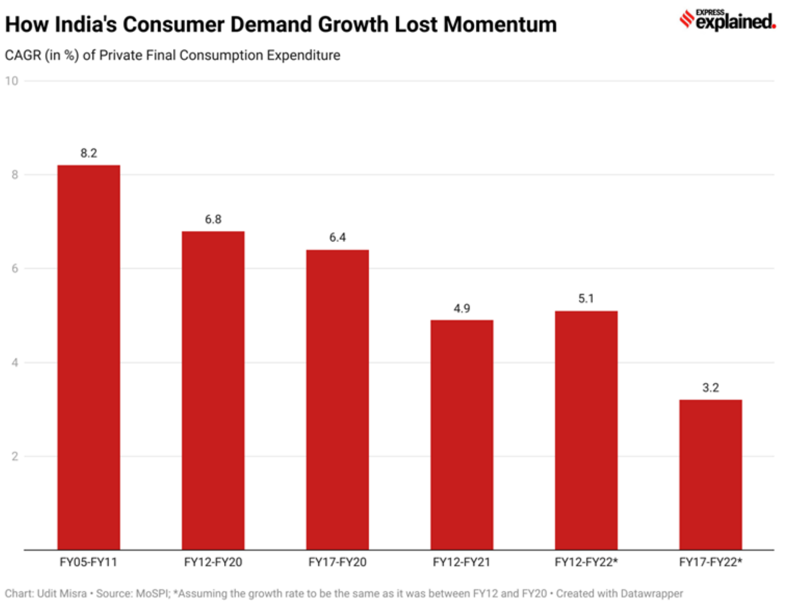
The third driver of GDP is government spending (GFCE), and it accounts for 10%-11% of all GDP. It should typically be counter-cyclical. In other words, when the rest of the economy is doing well — consumers are demanding lots of goods and businesses are investing in new capacities to furnish such demand — the government should try to limit its spending in such a manner that it does not hurt (or "crowd out") private sector firms from accessing credit and markets.

But when consumer demand is weak, and firms are holding back (justifiably) from making fresh investments, the government should ramp up its spending to jump-start the economy and, hopefully, "crowd in" the private sector in the growth process.

The fourth engine — net exports or the net effect of India's demand for imports and the Rest of the World's demand for our products (exports) — is quite small in India's case.

Source: MoSPI

How has consumer demand grown over the years?



Given the overwhelmingly dominant role of private consumption demand in determining India's economic growth in any year, it is instructive to look at how PFCE has grown in the recent past (see bar graph above).

The graph maps the last two GDP data series — one based on 2004-05 prices and the second based on 2011-12 prices.

As can be seen, private consumption expenditure grew at an annual rate of 8.2% between 2004-05 (Financial Year 2005 or FY05) and 2011-12.

Then, between FY12 and FY20 (that is, just before Covid hit India), its annual growth slowed down to 6.8%. In fact, if one further zooms into the years FY17 (after which India's GDP growth rate started decelerating sharply) and FY20, the PFCE annual growth rate had slowed to 6.4%.

Then came Covid-induced lockdowns in FY21 and they destroyed the already weakening demand. If we include FY21 as well, then the PFCE growth rate since FY12 falls to below 5% per annum.

What about the current year?

Of course, in FY22, the current financial year, the Indian economy is expected to register a recovery. Even if we assume that at the end of the current financial year, PFCE would grow at the same rate — 6.8% — that it had in the eight years before Covid, the FY12 to FY22 annual growth rate would barely rise above 5%.

But what is most revealing is if one forecasts the growth rate between FY17 and FY22 based on the same assumption; such a calculation throws up an annual growth rate of just 3.2%.

Comparing this 3.2% annual growth rate in private consumption expenditure in the past five years with the preceding years, especially the 8.2% annual growth rate during FY05 and FY11, which was the best phase of GDP growth in India's history, shows how India's consumer demand lost its growth momentum.

What is the implication?

The most important implication of weak consumer demand is that investments by corporations are unlikely to pick up in a hurry. They are expected to remain subdued for the coming year or two as indeed they were in the years preceding the pandemic despite historic cuts in corporate tax rates in 2019. For instance, GFCF grew by just 3.9% every year between FY12 and FY20. It grew by 10.9% per annum between FY05 and FY11.

Still, does India have a supply problem?

A good measure of whether India has inadequate supply capacity or not is the rate of capacity utilisation. The data from repeated RBI's OBICUS (Order Books, Inventories and Capacity Utilisation Survey) show how capacity utilisation has struggled to breach the 75% mark. Clearly, firms have been working far below their full capacity for several years now.

Of course, Covid disruptions have created several bottlenecks or broken supply chains, say, due to shortage of labour etc., and this is reflected in delays and price inflation.

But, as the analysis above shows, the truly substantive issue holding back India's growth — and this holds true for the period before Covid as well — is the weak growth in consumer demand. Unless this variable improves sharply, India's GDP growth will fail to achieve its potential.

Source: indianexpress.com– Sep 14, 2021

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Finance Ministry asks IBA to play pivotal role in resurgence of economy

The Finance Ministry on Wednesday asked Indian Banks' Association (IBA) to play a pivotal role in the resurgence of the economy in the 75th year of India's independence.

"At this juncture I would urge the IBA Chairman to scout for good competent resources and technology adoption for capitalisation. IBA should not be merely an association that passes banking issues to the RBI, it must rather strive to integrate with economic reforms for boosting growth," Financial Services Secretary Debasish Panda said.

Inaugurating the Delhi office of IBA, the secretary suggested that the Association can also look at providing training and skilling to middle management banking professionals so as to unburden banks in the same task.

"IBA has a pivotal role to play in terms of research and key banking issues and a significant role to play in the resurgence of the economy in the 75th year of India's independence," he said.

During the occasion, IBA Chairman Rajkiran Rai said IBA's transformation started in 2018 and is now more closely involved in the business side operations than mere advocacy.

IBA is involved in finding new solutions for the customers especially during the pandemic and has come up with guidelines for the cohesive functioning of the entire banking system, IBA CEO Sunil Mehta said.

The Association has pushed reforms including the corporate lending system, dealing with issues like syndicate lending and multiple financing, he said.

Source: economictimes.com– Sep 15, 2021

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View: Why India must grab a bigger share of the global trade pie

India's consumption growth looks iffy and an investment revival looks some way off. India's growth bet over this year, and certainly some of 2022, is almost entirely on its export engine. That has certainly revved up, rising by 45%, on average, in the last three months. At the current pace, exports could rise to a total of $380 million this year, which is close to 1.5 times the pre-pandemic export levels in 2019.

Are we, then, transitioning to a new regime where we are shedding our avatar of a consumption-led economy to an export 'play' like our East Asian peers? Have we arrived as the 'plus one' in the 'China-plus one' diversification strategy in global supply chains?

Some quick fact checks. The export boom is not just in things like in gems and jewellery and petroleum products, the bulwark of India's exports that push the headline number up, but are low on value addition. The good news is that almost half of the export rise is being driven by sectors like engineering goods, textiles, pharma and organic chemicals that are higher up in the value chain.

That said, engineering goods exports is not just auto parts and machinery. Metal and metal products that suffer the same problem of low value addition also get lumped into this category.

To assess the sustainability of this export boom, and certainly before concluding that this is the dawn of a new regime, a couple of questions need to be answered. Perhaps the most critical one relates to the two key drivers of exports — the income and the substitution effect.

The income effect constitutes a rise in export demand for exports driven by a rebound in major buyer countries like the US and Europe, while a substitution effect implies a gain in market share by one country at the expense of others. A strong substitution effect would signal that we have 'arrived' on the export scene.

A comparison with our Asian peers shows that the 'income effect' has been the primary driver of this export pickup with lack of enough evidence of a 'substitution effect' in favour of India. Post-Covid, rebound in the US and the EU has propelled higher demand for exports in general, and India has been a beneficiary. The income rebound in the West has lifted all boats.

Opportunity Knocking

Export growth has risen in double digits for almost all our Asian peers, including Thailand (by 33% year-on-year), Malaysia (52%) and Indonesia (56%) during Q2 2021. This suggests that the substitution effect — in terms of gaining market share vis-à-vis our peers — is not the dominant driver.

However, there might be a window of opportunity to gain market share and sustain these gains. The rise in Delta cases in several Asian economies, coupled with a low-tolerance containment policy, is leading to supply and production disruptions that can work in India's favour. Early indicators of trade flows show that exports are likely to have slowed down in a number of our Asian neighbours in August.

For instance, the Institute for the World Economy's Kiel Trade Indicator — that translates real-time container ship movements into a proxy for export growth — showed a contraction of 5% month-on-month in Thailand, 1% in both Vietnam and Malaysia, while, at the same, India recorded a rise of 11% in August. The disruptions to manufacturing and logistics supply chain due to containment measures in these Asian economies could open a door for India. However, we need to stay in and grab as much space as we can.

This warrants quick and aggressive policy action. The immediate steps that can be taken include freeing up idle shipping containers (currently under disputes with customs or other departments) to help exporters deal with a global shortage of containers and soaring freight charges. The Federation of Indian Export Organisations (FIEO) reports that freight rates are up by 2-3 times of pre-Covid levels as of July-end.

The more substantive part of the policy response must include addressing structural supply-chain inefficiencies. Schemes like the Production-Linked Incentive (PLI) are financial stimulants that help to a degree in compensating for the relatively higher cost of production that Indian exports have. This, however, is not a cure for the ills on the supply side, particularly logistics.

As per the World Bank's global Logistics Performance Index (LPI), India ranks lower than its peers — 44th out of 166 countries in 2018, compared to China at 26th, Thailand at 32nd and Vietnam at 39th.

A Passport to Sell

The difference becomes stark when we look at the sub-indicator rankings for quality of trade and transport infrastructure (India ranked 52nd compared to China's 20th), ease of arranging competitively priced shipments (India at 44 against China at 18), and timeliness of shipments reaching destinations (India at 52, China at 27), among other indicators.

The income effect is unlikely to last forever, and as developed market central banks start to withdraw the current ultra-loose monetary stimulus, the post-Covid growth rebound is likely to moderate.

The International Monetary Fund (IMF) expects US growth to moderate to 4.9% in 2022 from 7% this year. Therefore, to sustain its export performance, India must grab a bigger share of the trade pie. For doing this, we need to start thinking beyond 'ease of doing business'. How about targeting 'ease of shipping' from India as well?

Source: economictimes.com– Sep 15, 2021

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Textile, apparel orders, especially from US, power India export surge

A sustained recovery in global trade and demand from key external markets like the US and the European Union in product categories such as textiles and garments have helped boost India's exports, which recorded the sixth consecutive month of growth in August.

India's textile and apparel exports to the United States, its single largest market, were up 55 per cent in the first seven months of 2021. This is the fastest pace of growth among the top five countries exporting textile and garments to the US.

A sustained recovery in global trade and demand from key external markets like the US and the European Union in product categories such as textiles and garments have helped boost India's exports, which recorded the sixth consecutive month of growth in August.

While India's cumulative merchandise shipments have been helped by a spike in petroleum exports, the textile and garments sector has been a major product category recording a surge in value terms, alongside the gems and jewellery sector, engineering goods and cereals.

In the high-margin global export market for clothing and apparel, India has been edged out by competitors such as Vietnam, Indonesia and Bangladesh consistently over the last 10 years, which have been growing much faster in supplies to key markets such as the US and the EU.

The trend so far in 2021 marks a reversal of this trend — India's exports to the US surged 55 per cent during January-July 2021, higher than Vietnam's 18 per cent, Bangladesh's 29 per cent, China's 28 per cent and Mexico's 31 per cent.

One of the reasons cited by trade analysts is the higher export order books being reported by Indian garment exporters, alongside buoyant orders in the home textile segment where India has traditionally been a strong player. Less severe lockdown restrictions in the country's export hubs, especially in southern states such as Tamil Nadu and Karnataka, during the second Covid-19 wave also ensured continuing operations of units, alongside some degree of diversion of products from the sluggish domestic market to exports.

While officials at the Ministry of Commerce and Industry have maintained that duty remission schemes such as RoDTEP (Remission of Duties and Taxes on Exported Products) and RoSCTL (Rebate of State and Central Taxes and Levies) have helped free the financial headroom available for exporters, players in the garments and textiles sector have flagged concerns over delayed operationalisation of tax rebate schemes and lower-than-expected benefits. Challenges on the availability of containers and high shipping costs have been cited by both exporters and analysts as areas of concern in the near term.

From a macroeconomic perspective, rising exports are a positive sign for India's economy as it recovers from the economic shock induced by the second wave of the Covid pandemic, which has differentially blunted three out of the four engines of GDP growth — private consumption, investments and government consumption.

Exports have been a silver lining, even as there are looming headwinds, including runaway freight rates and the growing shipping container shortage, alongside the possibility of global central banks putting a stop to their quantitative easing policy that could, in effect, progressively temper consumer demand in these markets.

India's goods exports had touched $33.14 billion in August, up 45 per cent on-year, according to provisional data released by the Commerce and Industry ministry Thursday.

The growth was, in part, attributed to a low base in August 2020 due to disruption caused by the first wave of Covid-19. The base effect is, however, tapering off, with the robust August 2021 export numbers coming in lower on a sequential basis as compared to the all-time high of $35.17 billion that outbound shipment hit in July — a drop of nearly $2 billion.

Source: dailynews.lk– Sep 15, 2021

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No input tax credit for CSR activities, says Gujarat AAR

However, there are contrary rulings by other AARs

Amidst increasing spends for Covid relief, input tax credit (ITC) on goods or services for corporate social responsibility (CSR) has got tangled in contrary rulings by Authority for Advance Rulings (AAR).

Recently, the Gujarat Authority for Advance Ruling (GAAR) said, "CSR activities, as per Companies (CSR Policy) Rules, 2014 are those activities excluded from normal course of business of the applicant and therefore, not eligible for ITC."

The applicant, Adama India, sought rulings on two questions — First, whether the inputs and input services procured by the applicant, in order to undertake mandatory CSR activities as required under the Companies Act, 2013, qualify as being in the course and furtherance of business, and therefore, be counted eligible for ITC.

Second question is whether inputs and input services for providing notebooks and course materials for schools, construction of cement bench at public places, public urinals, auditoriums etc. at educational institutions, procurement and installation of oxygen generating plant at hospitals, water filter plants, solar water heaters, masks, sanitisers, oxygen concentrator and chairs and tables in schools and hospitals be eligible for ITC.

Setback for corporates

Harpreet Singh, Partner, Indirect taxes at KPMG in India said that this ruling may come as a setback for lot of corporates who were keen on reducing their overall tax burden by claiming input GST credit on Covid initiatives as part of their CSR. "Lot of countries have provided for VAT exemptions/input tax benefits on Covid-related expenses (as part of CSR) in order to encourage participation by corporates. Evaluating some of these best practices, may augur well for our country as well," he said.

According to experts, the moot question which arises here is whether the CSR expenditure incurred by a company, can be construed as in the course or furtherance of business for being eligible to avail credit or will be barred in terms of specific provision (Section 17(5) - blocked credits on gifts/personal consumption) under the GST law.

GAAR's ruling on August 11 is contrary to the ruling by the Uttar Pradesh AAR which said, in the matter of Dwarikesh Sugar Industries, that ITC shall be available on expenses incurred to comply with the requirements of CSR under Companies Act, 2013. However, GAAR ruling is in line with the Kerala AAR's ruling in the matter of Polycab Wires which held that ITC shall not be available on free distribution of electrical items like, switches, fan, cables etc. to flood affected people under CSR expenditure.

Companies Act says every company having a net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more or a net profit of ₹5 crore or more will mandatorily incur corporate social responsibility (CSR) expenditure in every financial year, to the extent of minimum 2 per cent of the average net-profits of the company made during the three immediately preceding financial years, in pursuance of CSR policy.

Money can be spent on education, rural development, contribution to PM Cares Fund, events related to disaster management including relief activities, beside others. Spending of CSR funds on creating health infra, manufacturing and supplying oxygen etc. are also eligible CSR activities.

Source: thehindubusinessline.com– Sep 15, 2021

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What to expect from next GST Council meeting

Federal indirect tax body, the Goods and Services Tax (GST) Council will hold its 45th meeting in Lucknow, Uttar Pradesh, on Friday. Mint takes a look at the issues that are expected to come up for discussions at the meeting:

Federal indirect tax body, the Goods and Services Tax (GST) Council will hold its 45th meeting in Lucknow, Uttar Pradesh, on Friday. Mint takes a look at the issues that are expected to come up for discussions at the meeting:

How significant is the next GST Council meet?

This will be the first in-person meeting of political leaders at the federal tax body since the coronavirus outbreak. In the last few meetings, political differences between the Centre and some non-Bharatiya Janata Party (BJP) states had become more pronounced in the council over issues such as GST compensation, the Centre's reliance on various types of cess for revenue collection, the extent of tax relief on covid-related medical supplies and the rules issued by a panel of bureaucrats in the periods between two meetings of the Council. This meeting is seen as an opportunity to mend fences.

What are the key issues this time?

The GST council is expected to deliberate on the demands from state governments for extending GST compensation, which was constitutionally guaranteed for five years, beyond June 2022. Analysis of the GST revenue positions of the central and state governments, judicial pronouncements requiring policy action and possible extension of covid-related tax relief could figure in the meeting. Certain anomalies where tax outgo on raw materials exceeding that on finished products—known as inverted duty structure—are also likely to figure in the meeting.

What's the compensation issue all about?

The economic downturn and the pandemic have affected state revenues, reducing their ability to spend. GST compensation has been an important component in most state budgets. States are also burdened with the additional requirement of offering economic and welfare packages to vulnerable sections of society, make capital spending and rev up economic growth.

How will compensation after 2022 be decided?

The constitutional guarantee for GST compensation up to 2022 is based on a formula which calculates the state revenue to be protected by the Centre. The protected revenue goes up 14% a year over the base year of 2015-16. The gap between revenue collected by the state and the protected revenue is given as compensation. But with the realization within the Central government that a 14% annual increase in protected revenue may not be viable in current circum-stances, the formula is likely to be revised for the period beyond 2022.

Any other unfinished agenda items?

Many. Inclusion of petroleum products in GST is a long-pending issue. Petroleum products being a big source of revenue for both central and state governments, their inclusion will spark long debates. The inclusion of Jet fuel and natural gas could face less opposition. Experts said it is also necessary, in addition to a discussion on extending the tenure of the compensation cess, to focus on correcting the inverted duty structure on certain products. This tax anomaly is particularly evident in textiles, fertilizers, and footwear.

Source: livemint.com– Sep 15, 2021

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Textile park in Odisha to be functional in 2024, says Indian Oil Corporation

The proposed textile park of Indian Oil Corporation (IOC) at Bhadrak in Odisha will become functional in 2024. This was announced by Ranjan Kumar Mohapatra, director HR at

IOC at the CII webinar on Rebooting Textile and Apparel held on Wednesday He said that the 900-tonnes per day textile park will be set up with an investment of around Rs 1,971 crore.

Syed Shahnawaz Hussain, industry minister of Bihar, who attended the CII webinar said “The government is playing an active role in developing the textile sector which would pave the way for achieving the production capacities envisaged." he spoke about the locational advantage of Bihar which the state government is trying to capitalize upon. The Government is working towards supporting the migrant workers who have returned due to the havoc caused by the pandemic, he added. According to him, the essential prerequisites are readily available in the state and new avenues are being created in the textile sector based on the skill of the locals.

“Reviving traditional sectors like handloom, jute and others and developing the ecosystem for emerging sub-sectors like technical textiles is important”, said Pankaj Dixit, industry secretary of Bihar. He discussed the need for reviving traditional as well as focusing on emerging thrust areas in textile and apparel and emphasized that the ministry has undertaken a comprehensive consultation with all the concerned stakeholders before drafting the policy.

Speaking earlier at the session, U P Singh, Union textile secretary, discussed the PLI scheme and said that it is an attractive proposition for the industry to invest Rs. 100 crore or more and double the turnover by building capacities and improving productivity.

Jyotiprakash Das, director of textiles directorate of Odisha advocated that the textile of Odisha is a reflection of its cultural ethos. The intricate work and vibrant colours make them a style statement, he added. He pointed out that handloom weaving in the state is one of the ancient and largest industries in India supporting weavers and related craftsmen and artisans. He declared the need to preserve the rich heritage of the state and upgrade the skills of the artisans.

He said that the State Government was working towards the same and a stable governance is an added advantage towards it. A nodal agency for Apparel Park, Spinning Mills Federation Ltd. (SPINFED) has been set up for units with investment per unit up to Rs.50 crore. units with investment per unit above Rs 50 crore applications will be processed by IPICOL.

The webinar discussed the opportunities, investment, statutory compliance with the major issues and challenges faced by the industry today along with opinions and suggestions to address the same. This initiative facilitated the identification and addressing of major challenges and issues faced by the industry to ensure that the sector achieves its aspirational growth target. The stakeholders deliberated about the future of the textile sector in Eastern India. In addition, senior professionals discussed the possible transformation journey which can address the challenges and ensure the future growth of this sector.

Source: economictimes.com– Sep 15, 2021

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Cotton harvest likely to be delayed amid flooding in Saurashtra region in Gujarat

Heavy rains impact moong, urad, sesame and groundnut crops prospects

The latest spell of heavy rains in Gujarat may appear to have saved the State from sinking into a drought, but for the current kharif crops such as cotton, it has pushed back the harvest period by at least 15 days and also weakened the prospects of kharif groundnut due to waterlogging.

Incessant rains, which started on Sunday and lasted till Tuesday morning in most parts of the Saurashtra region, has left the rivers swollen and fields flooded.

“Early sown groundnut was ready for harvest. And in such water-logging, it will surely rot. Some of the late-sown groundnut won’t be much impacted,” said Ramesh Bhoraniya, a farmer from Rajkot.

about the rains pushing back the first picking for the cotton crop. “The cotton bolls didn’t get a chance to open up. So, we don’t see that happening unless we have enough heat and sunlight. So, there will be a delay in first picking,” he said.

Saurashtra has about 15.58 lakh hectares under cotton – about 70 per cent of the State’s total cotton area of 22.51 lakh hectares. For Groundnut too, Saurashtra has about 80 per cent or 15.34 lakh hectares of State’s total 19.09 lakh hectares.

According to farmer sources, short-duration crops such as moong and urad were ready for harvest and may have faced the monsoon fury. The two pulses have an area of about 16,000 hectares and 29,200 hectares respectively.

The two crops had seen encouraging sowing with urad cultivation up 50 per cent over last year and Moong area up by about 4 per cent.

Also, another concern is for the sesame-seed crop. Saurashtra commands largest area in the State for sesame-seed cultivation at 50,500 hectares. “Sesame seed were ready for harvest. And the flooding would spoil the crop,” said another farmer.

The Gujarat government will conduct a survey for the crop damage. Total kharif sowing in the State has reached 82.83 lakh hectares, which is about 3 per cent lower than last year's 85.11 lakh hectares.

Both the major kharif crops Groundnut and cotton area has dropped marginally as compared to last year owing to delayed monsoon.

Source: thehindubusinessline.com– Sep 15, 2021

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