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INTERNATIONAL NEWS

China in CPTPP will change regional balance

This will allow the country to engage in commerce-as-usual with Japan, Canada, etc, no matter how bad political relations get. Besides, it can also block Taiwan from joining the trade pact

As an APEC member, China is justified in wishing to join a deal comprising 11 other APEC members. (Representative image)

China has applied for joining the CPTPP (Comprehensive and Progressive Trans Pacific Partnership). The CPTPP is a major free trade agreement (FTA) between 11 Asia-Pacific countries that are all members of the APEC (Asia-Pacific Economic Cooperation). The agreement has been functional since December 30, 2018. Japan, Canada and Australia are the three largest economies of the group, followed by Singapore, Malaysia, Mexico, Peru, Chile, New Zealand, Brunei and Vietnam.

The CPTPP began as the TPP (TransPacific Partnership) led by the US. The signature trade policy initiative of the Barack Obama administration, the TPP tried to implement 21st century trade rules in the Asia-Pacific, to be written and run by the US and its strategic allies. Donald Trump withdrew the US from the TPP immediately after assuming office in January 2017. The move was a huge ‘let down’ for US allies in the Asia-Pacific as it was seen as a clear signal of US disengagement with the region. The TPP, however, survived, as Japan and other prominent middle powers in the group, notably Australia and Canada, worked together to salvage the deal. Some amendments followed and the deal was reborn as the CPTPP.

As an APEC member, China is justified in wishing to join a deal comprising 11 other APEC members. Technically, there can’t be any opposition to China’s joining the deal if it is willing to accept the terms and conditions for becoming a member. These conditions, ostensibly, would demand China’s commitment to change domestic policies for enabling CPTPP members to gain greater access to the mainland market, while aligning China’s policies closer to those of other CPTPP members. Indeed, the decision on China’s request, or for that matter, a request from any other country, would be determined by the conviction of CPTPP members in the applying member’s ability to uphold existing rules of the FTA.

What are the areas where some rules might be tricky for China? Conditions like investor-state dispute settlement, settling disputes between members, e-commerce rules, competition policy provisions impacting functioning of state-owned enterprises (SOEs), and intellectual property rights, are some. The history of China's international trade negotiations, particularly at the WTO, however, indicate China might be willing to 'concede' more than what many expect it to.

Concessions and China's willingness to abide by the terms of the CPTPP might be influenced by several factors. First, the CPTPP will give it deeper access in member economy markets than some of its existing FTAs, such as the RCEP (Regional Comprehensive Economic Partnership) and bilateral FTAs with the ASEAN, and Australia and New Zealand. The CPTPP's coverage of market access is much wider, both in terms of tariff cuts it entails, as well as the new generation trade issues it covers. Second, it is not just the existing CPTPP member markets that China will be eyeing. It would also be looking at prospective large markets of other new members, such as the UK, which has also applied for joining the CPTPP.

Entering the CPTPP helps China in scoring decisive political goals. By entering a deep and comprehensive FTA with 'sparring' countries like Canada, Australia, and Japan, it is able to create more institutional mechanisms ensuring 'business as usual' commercial relations, even if political relations dive south, as they have in the recent past. Entering CPTPP will also enable China to block future entry of Taiwan in the group.

Most importantly, after RCEP, joining CPTPP will enable China to firmly control trade governance in the Asia-Pacific and influence the rules of trade in the region. This is exactly what Obama had highlighted in his appeal to US lawmakers for supporting the TPP. With China in the driver's seat on trade in the region, efforts to construct economic rules-based arrangements in the Indo-Pacific will run into problems. The regional economic balance can change significantly. Certainly not great news for India, US and other movers and shakers of the Indo-Pacific!

Source: financialexpress.com– Sep 23, 2021

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'No Signs of a Sustained Easing' of Global Trade Gridlock

Global trade is at a standstill thanks to continued port congestions worldwide, and recurring bottlenecks exacerbated by the recent pandemic-related closures of major Chinese terminals including Ningbo-Zhoushan and Yantian.

World trade is expected to stagnate in September, according to The Kiel Trade Indicator, which estimates trade flows including imports and exports for 75 countries worldwide based on real-time maritime trade traffic. The indicator marked 0 percent on a month-over-month basis, indicating no percentage changes in the movement of ocean freight worldwide.

Last month, global trade increased 0.4 percent, per the indicator, which analyzes arriving and departing ships at 500 ports worldwide and in 100 maritime regions.

"The terminal closures in China are leaving their mark and dampening the exchange of goods. There are no signs of a sustained easing of the situation, which clouds the outlook for international trade. This is likely to be felt via rising prices and continuing shortages of certain goods, including in the Christmas trade," Vincent Stamer, head of Kiel Trade Indicator, said in a statement. "Christmas is not cancelled, but especially for products from China and Asia, missing deliveries or higher prices are to be expected."

Containerships waiting at the major weighing areas at the ports of Ningbo-Zhoushan and Los Angeles represent approximately 3 percent of global transport capacity, Kiel said. The Ports of Los Angeles and Long Beach recently expanded their hours of operation to help meet the growth in cargo volume and get more of these goods moving ahead of the holiday season.

The constraints are perhaps making some of their biggest impacts in the Red Sea, a main trade route between China and Europe. Cargo volumes in the sea are currently 14 percent lower than would be expected under normal circumstances, according to Kiel.

For the U.S., the Kiel Trade Indicator shows slightly negative signs in both trade directions, with the movement of exports dipping 0.5 percent and imports declining 0.7 percent due to the backlog, meaning that product is getting into the country more slowly and ships are still waiting out at sea.

Of course, the slowed pace only exacerbates the pile-up of imported goods. According to the Global Port Tracker from the National Retail Federation (NRF) and Hackett Associates, U.S. imports for September are slated to reach 2.21 million Twenty-Foot Equivalent container units (TEU), an increase of 5.1 percent year over year.

In the E.U., Kiel said that the movement of exports was expected to dip 0.1 percent, while imports coming into its ports are up 0.7 percent. Germany is pretty much on par with the global rate, with exports tailing up 0.1 percent while imports see a feeble 0.2 percent bump.

Despite the global issues this has created, China seems to have found a way to overcome the closures of its terminals at Ningbo-Zhoushan and Yantian. Despite congestion off the Chinese coast, more goods were shipped from these ports and Shenzhen in the past four weeks than in the prior month.

China has increased exports 6.2 percent in September compared to the previous month on a nominal, seasonally adjusted basis, according to the Kiel Trade Indicator. However, imports increased just 0.8 percent.

The Kiel Trade Indicator is based on the evaluation of ship movement data in real time. An algorithm programmed at the Kiel Institute for the World Economy uses artificial intelligence to analyze the data and translates the ship movements into nominal, seasonally adjusted growth figures compared with the previous month.

Source: sourcingjournal.com– Sep 21, 2021

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Global economic recovery continues but remains uneven: OECD

The global economy is growing far more strongly than anticipated a year ago but the recovery remains uneven, exposing both advanced and emerging markets to a range of risks, according to the Organisation for Economic Cooperation and Development's (OECD) latest Interim Economic Outlook. OECD projected a strong global growth of 5.7 per cent this year and 4.5 per cent in 2022.

The projection is little changed from its May 2021 outlook of 5.8 per cent and 4.4 per cent respectively.

Countries are emerging from the crisis with different challenges, often reflecting their pre-COVID 19 strengths and weaknesses, and their policy approaches during the pandemic. Even in the countries where output or employment have recovered to their pre-pandemic levels, the recovery is incomplete, with jobs and incomes still short of the levels expected before the pandemic, the OECD document said.

There is a marked variation in the outlook for inflation, which has risen sharply in the United States and some emerging market economies but remains relatively low in many other advanced economies, particularly in the euro area.

Consumer price inflation in the G20 countries is projected to peak towards the end of 2021 and slow throughout 2022. Wage growth remains broadly moderate and medium-term inflation expectations remain contained.

The report warns that to keep the recovery on track stronger international efforts are needed to provide low-income countries with the resources to vaccinate their populations, both for their own and global benefits.

Macro-economic policy support is still needed as long as the outlook is uncertain and employment has not yet recovered fully, but clear guidance is called upon from policymakers to minimise risks looking forward.

Central banks should communicate clearly about the likely sequencing of moves towards eventual policy normalisation and the extent to which any overshooting of inflation targets will be tolerated.

The report says fiscal policies should remain flexible and avoid a premature withdrawal of support, operating within credible and transparent medium-term fiscal frameworks that provide space for stronger public infrastructure investment.

Source: fibre2fashion.com– Sep 23, 2021

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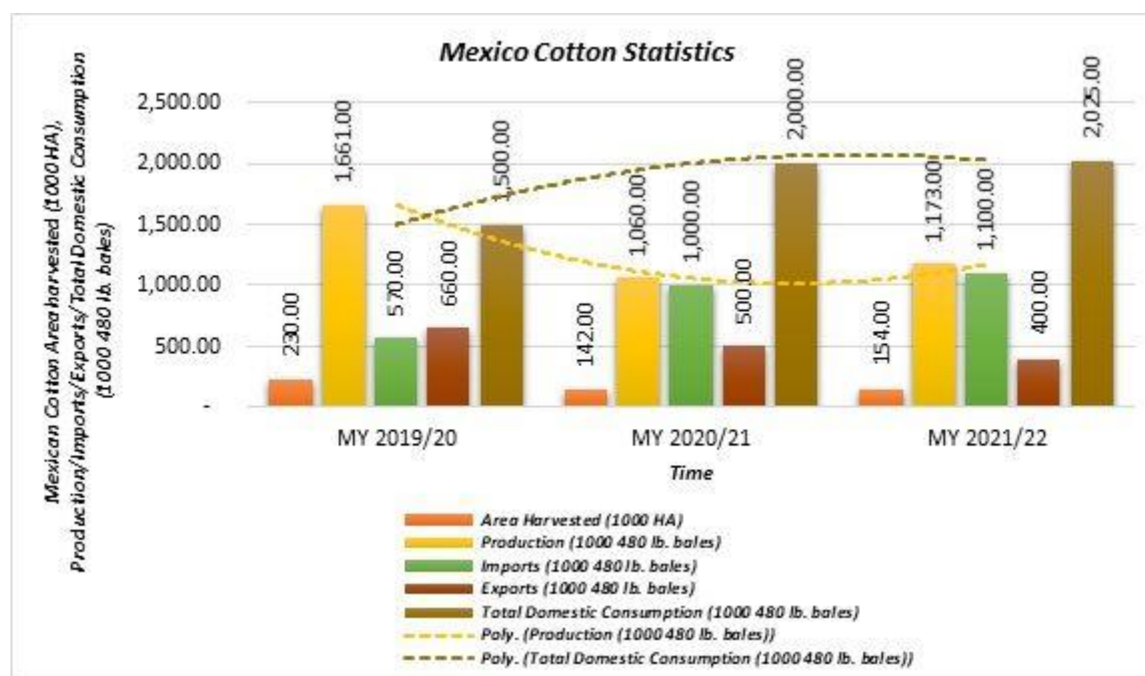
Mexican cotton outlook seems promising in MY 2021-22: TexPro

Mexican cotton outlook has been improving gradually due to consistently rising cotton demand across the world and assurance of logistical transport advantage for trade through the US-Mexico-Canada Agreement (USMCA).

Increasing freight costs have also discouraged garment imports from Asian countries, causing Mexico's textiles and clothing production to rise.



Imports of US cotton has also increased to fulfil the rising cotton demand from domestic mills as Mexico's cotton production is not sufficient. However, cotton production is expected to move up in the upcoming period to meet the demands of the domestic mills. The expected increase in the cotton area harvested will help boost cotton production in the country.

Cotton area harvested in market year (MY) 2019-20 was 230,000 hectares, which dropped by 38.26 per cent to 142,000 hectares in MY 2020-21, according to Fibre2Fashion's market analysis tool TexPro. Now, it is expected to go up by 8.45 per cent to 154,000 hectares in MY 2021-22.

The country's cotton production went down from 1.661 million 480 lb bales in MY 2019-20 to 1.060 million 480 lb bales in MY 2020-21. However, it is expected to surge by 10.66 per cent to 1.173 million 480 lb bales in MY 2021-22.

As for the cotton imports of Mexico, they were 570,000 480 lb bales in MY 2019-20, 1 million 480 lb bales in MY 2020-21 and is expected to record a rise of 10 per cent over MY 2020-21 to reach 1.1 million 480 lb bales in MY 2021-22.

Mexico consumed close to 1.5 million 480 lb bales of cotton in MY 2019-20, as per TexPro. The consumption increased by 33.33 per cent to 2 million 480 lb bales in MY 2020-21 and is further expected to surge to 2.025 million 480 lb bales in MY 2021-22.

Source: fibre2fashion.com– Sep 22, 2021

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Innovations to help China's luxe brands retain sheen despite official crackdown

Innovations to help China's luxe brands retain sheen despite official crackdown

New rules by China's State Administration of Market Regulation for technology firms have halted the bull run of Chinese luxury e-commerce players, who enjoyed uninterrupted growth over the past 18 months. Jing Daily reports, the new rules direct government to fine luxury players for anti-competitive practices.

While these are unlikely to have any serious impact on China's luxury giants, they will definitely compel players to work harder for future growth. To maintain competiveness, Alibaba, Tencent, Meituan, Pinduoduo, and JD.com plan to increase upgrade their platforms in coming year.

Regulations hurt new technology investments Beijing's tech crackdown may also lead to increased regulation of sectors in which luxury brands have made heavy investments such as livestreaming and gaming. This may curtail their creative freedom and force them to fashion their marketing initiatives according to official demands.

Online influencers and celebrities play a big role in influencing Chinese consumers to make purchase decisions. However, with the new rules in force, international brands would henceforth have to choose their social media partners more wisely.

The government has also banned telecast of abnormal aesthetics on TV. The ban covers idol competition shows sponsored by noted global brands. Such shows have a strong influence China's millennials and Gen Z audiences, and government crackdown indicates an attempt to stifle China's rising fan culture.

Recently, 14 of China's biggest e-commerce platforms — including Weibo, Douyin, Bilibili, Kuaishou, Xiaohongshu, iQiyi, Tencent Video, and Youku —issued a joint declaration to promote a healthy online culture. This declaration threatens to derail brands' growth plans leading to popular brand ambassadors Kris Wu, Zqhang Zhehan and Lucan Huang losing their annual contracts.

Augmented reality to the rescue

Luxury brands currently active in China have also expressed concerns over the crackdown on displays of luxury lifestyles. Designed to address problems like wealth flaunting and celebrity worship, these rules are likely to put high end brands in a sticky situation.

Toronto-based brand Canada Goose was recently fined RMB 450,000 (approximately $70,000) for allegedly misleading consumers about the materials it uses in popular down jackets. The move indicates the need for luxury brands to henceforth rephrase their marketing jargon as per official norms. Luxury brands can deal with this situation by investing more in virtual or augmented reality and brand films. Although this might make their marketing campaigns monotonous.

Source: fashionatingworld.com– Sep 21, 2021

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Japanese apparel firms in dilemma over Xinjiang cotton

Major Japanese apparel makers and other companies are in a dilemma over Xinjiang cotton, considered one of the best cottons in the world.

In addition to its high global esteem, Xinjiang cotton is seen as symbolizing China's repression of ethnic minority Uyghurs, mostly Muslim, in the Xinjiang Uyghur autonomous region. Users of the cotton increasingly face a backlash from the international community.

In May, it was learned that the United States had blocked imports of shirts for Fast Retailing Co.'s Uniqlo casual wear chain, alleging that they were made from Xinjiang cotton. The U.S. Customs and Border Protection took the action against Uniqlo in January on suspicion of violating a U.S. ban on the import of goods from the Chinese region, where forced labor is reportedly practiced.

Uniqlo denied the U.S. allegations, saying that the shirts were made from cotton produced outside China and sewn at its plant in the country. The clothing chain also said it had not confirmed any use of forced labor in the production process for the cotton it uses.

Under the new U.S. rules, however, it is not enough for importers to prove that cotton they use was not made in Xinjiang. They are required to provide evidence that there has been no trade whatsoever with the Xinjiang Production and Construction Corps, a Communist Party of China-affiliated economic and paramilitary organization in the region, at any stage of the marketing channel after production.

"Now that supply chains are spread across the world, it is almost impossible to prove the absolute absence of any deal with XPCC," said a Japanese trading house official handling textiles.

In April, a French nongovernmental organization supporting Uyghurs filed a complaint against Uniqlo's unit in France, Inditex, the Spanish owner of the Zara apparel retail chain, and two other global apparel makers, claiming that they were benefiting from forced labor in Xinjiang.

Tadashi Yanai, president and chairman of Fast Retailing, came under fire after he declined to comment on the complaint, in order to remain "politically neutral."

After French law-enforcement authorities then launched an inquiry into the four companies for alleged concealment of crimes against humanity, Fast Retailing changed its stance, saying that it would “fully cooperate with the investigation if requested.”

Ryohin Keikaku Co., the retailer and wholesaler of Muji-brand products, initially maintained a hands-off stance on the question of Xinjiang cotton, noting that it had confirmed “no serious legal or other violations.”

In mid-April, the company admitted to the use of the cotton. President Satoru Matsuzaki said, however, “We will continue using Xinjiang cotton with self-assurance as we have found no cases of serious violations.”

Mizuno Corp., a comprehensive producer of sporting goods, announced a decision in May to stop using Xinjiang cotton, while underwear maker Gunze Ltd. was found in June to be considering an end to the use of the cotton. Gunze will adopt an alternative cotton for certain types of socks, while maintaining that it had “discovered no violations such as forced labor” in the production process for the Xinjiang cotton it uses.

Users of Xinjiang cotton face a Catch-22 dilemma. They are criticized by U.S. and European NGOs and investors for low awareness of human rights if they continue using the cotton, but may be forced out of the Chinese market if they stop using it.

Actually, a boycott campaign targeting a well-known international apparel maker has spread in China. In April, sportswear maker Asics Corp. lost its sponsorship of a major marathon race in China after a long silence on the question of Xinjiang cotton.

Apparel and other companies concerned are under growing pressure to make delicate decisions and silence is not an option.

Source: japantimes.co.jp– Sep 23, 2021

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Bangladesh garment and textile machinery imports decline in

Bangladesh Textile Mills Association (BTMA) plans to expand capacity as the work orders flow is increasing and the global economies are opening. The association expects garment and textile machinery imports to rise in the current fiscal, says Mohammad Ali Khokhon, President.

Last fiscal, Bangladesh's garments and textile machinery imports declined by 15.80 percent.

According to Bangladesh Bank data, in the fiscal year 2020-21, Bangladesh imported garment and textile machinery of $609 million against $723.56 million in the previous year.

Imports of textile machinery recorded a 6.72 percent decline to $177.24 million, which was $190 million, reports Textile Today. Garment machinery imports fell by 19.02 percent to $432 million, which was $533 million in the same period a year ago.

However, the overall imports of capital machinery in the fiscal year 2020-21 plunged by 12.39 percent to $3.74 billion, which was $4.27 billion in the last fiscal year.

Exporters faced order cancellation and slower work order inflows. Production capacity remained unutilized. There was no new investment and expansion. As a result, imports of capital machinery declined.

Source: fashionatingworld.com– Sep 22, 2021

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Pakistani: EU extends GSP plus status with six new Conventions

The European Union (EU) on Wednesday extended General System of Preferences (GSP) plus status for Pakistan, with six new Conventions.

The EU has expressed its concerns about situation of human rights, press freedom, death penalty and child labour related issues.

The European Commission's (EC) new conventions pertain to greater accessibility for people with physical disability, the eradication of child labour and environmental safety.

Pakistan will continue to enjoy GSP plus status till 2022, after which the EU will announce new criterion to qualify for the scheme. The EU has raised issues like human rights, death penalty, restrictions on media etc.

The EU is Pakistan's second most important trading partner, accounting for 14.3% of Pakistan's total trade in 2020 and absorbing 28% of Pakistan's total exports.

In 2020, Pakistan was EU's 42nd largest trading partner in goods accounting for 0.3% of EU trade. Pakistani exports to the EU are dominated by textiles and clothing, accounting for 75.2% of Pakistan's total exports to the EU in 2020.

Pakistan's imports from the EU mainly comprise of machinery and transport equipment (33.5% in 2020) as well as chemicals (22.2% in 2020).

From 2010 to 2020, EU27 imports from Pakistan have almost doubled from €3 072 to €5 537 million - growth that was particularly fast since the award of GSP+ (€5 515 million in 2014).

The EU and Pakistan have set up a Sub-Group on Trade to promote the development of two-way trade. The Sub-Group on Trade set up under the auspices of the EU-Pakistan Joint Commission is the forum for discussions on trade policy developments more broadly and also aims to tackle individual market access issues which hamper trade between the two parties.

Textiles and clothing account for over 80% of Pakistan's exports to the EU. While the textiles and clothing industry are the backbone of Pakistani exports, relying so heavily on one product category carries risks for Pakistan.

Trade diversification would play an essential role in this respect. The granting of GSP+ preferences in 2014 should have stimulated Pakistan's efforts towards diversification.

Source: brecorder.com– Sep 23, 2021

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NATIONAL NEWS

Single window portal for investors launched with 9 States

System to serve as one-stop-shop for approvals, clearances

Commerce and Industry Minister Piyush Goyal launched the single window portal for investors and businesses on Wednesday, which is to become a one-stop-shop for investors for all approvals and clearances.

The National Single Window System (NSWS) would usher in Azadi from legacy of running to government offices and add to both ease of doing business and ease of living, Goyal said at the launch.

"The portal as of today hosts approvals across 18 Central Departments and nine States and another 14 Central Departments and five States will be added by December 2021," according to an official statement.

The NSWS will provide end-to-end facilitation and support to investors, facilitate clearances at Centre and State levels, provide pre-investment advisory to new businesses and share information related to land banks.

All solutions will be there for businesses at one click of the mouse through 'end to end' facilitation and all information will be available on a single dashboard, bringing transparency, accountability and responsiveness in the ecosystem, Goyal said.

The dashboard can be used to put in applications and also track and respond to queries. The services to be available include Know Your Approval (KYA), common registration and State registration forms, document repository and e-communication, the statement added.

Stressing on the positive aspects of the performance of the Indian economy, Goyal said that GDP had grown at over 20 per cent in Q1 of 2021-22, while exports had jumped 45.17 per cent in August 2021 compared to August 2020.

Record FDI investment of $81.72 billion had come into the country in 2020, while in the first three months of the on-going fiscal, FDI inflow was at $ 22.53 billion which was almost double the FDI that came into the country in the same period last year.

The Minister said that NSWS will provide strength to other schemes such as Make in India, Start-up India and the Performance Linked Investment (PLI) scheme.

Source: thehindubusinessline.com– Sep 22, 2021

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India, UAE to hold talks on proposed bilateral FTA

India and the UAE are likely to discuss prospects for a bilateral free trade agreement (FTA) with the intention of getting into a larger pact with the group of Gulf Co-operation Council (GCC) countries subsequently.

Commerce and Industry Minister Piyush Goyal and UAE Minister of State for Foreign Trade Thani bin Ahmed Al Zeyoudi will meet in New Delhi on Wednesday to discuss bilateral trade and investment relations and the prospects of a bilateral FTA, an official tracking the matter told BusinessLine.

“Both the UAE and India are keen on an FTA as the proposed pact with the GCC countries is pending for a long time. The two countries are now keen to work out a deal amongst themselves,” the official explained.

The GCC includes the UAE, Saudi Arabia, Qatar, Oman, Kuwait and Bahrain. The India-GCC FTA talks, which started in 2004, were suspended in 2008, but with the active involvement of the UAE, they were revived again recently.

FTA talks

“Both sides have been holding discussions on the proposed India-UAE FTA on a virtual mode because of the Covid-19 pandemic. The in-person meeting between the two Ministers is likely to give a boost to the talks,” the official said. India-UAE trade was at $59 billion in 2019-20, making UAE, India’s third largest trading partner for the year after China and the US, per government figures.

UAE is the second largest export destination of India (after US) with nearly $29 billion. For UAE, India is the second largest trading partner for 2019. India’s major export items to the UAE are petroleum products, precious metals, stones, gems & jewellery, minerals, food items, textiles, engineering goods and chemicals. India’s major imports from the UAE include petroleum and petroleum products, precious metals, stones, gems & jewellery, minerals, chemicals, wood & wood products.

Source: thehindubusinessline.com– Sep 22, 2021

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India, UAE formally launch CEPA negotiations

Goyal, Al Zeyoudi aim to end negotiations by December, sign pact in March 2022

Our Bureau India and the UAE have formally launched negotiations on the India-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) on Wednesday.

The UAE Minister of State for Foreign Trade Thani bin Ahmed Al Zeyoudi and Commerce Minister Piyush Goyal, in a meeting in New Delhi, decided to hold the first round of CEPA negotiations on September 23-24.

"Both sides will aim to conclude negotiations by December 2021 and sign a formal agreement in March 2022 after the completion of internal legal procedures and ratification," according to an official release. The new strategic economic agreement is expected to increase bilateral trade in goods to $100 billion within five years of the signed agreement and increase trade in services to $15 billion.

Ahmed Al Zeyoudi travelled to New Delhi with a high-level UAE delegation to hold talks to improve bilateral economic relations, including expanding the existing trade and investment relationship.

'More opportunities'

The Ministers were optimistic that the CEPA will create new jobs, raise living standards, and provide wider social and economic opportunities in both nations.
The UAE is currently India's third-largest trading partner with bilateral trade valued at $59 billion in 2019-20 second-largest export destination after the US, with exports valued at $29 billion.

India was the UAE's second-largest trading partner in 2019, with bilateral non-oil trade valued at $41 billion.

The UAE is also the eighth-largest investor in India, having invested $11 billion between April 2000 and March 2021, while investment by Indian companies in the UAE is estimated at over $85 billion.

India's major exports to the UAE include petroleum products, precious metals, stones, gems and jewellery, minerals, food items , textiles, engineering and machinery products, and chemicals. India's top imports from the UAE include petroleum and petroleum products, precious metals, stones, gems and jewellery, minerals, chemicals and wood and wood products.

UAE is also a major supplier of crude oil to India will shipments valued at $10.9 billion in 2019-2020.

Goyal said India's participation in Expo 2020 Dubai, which begins on October 1, 2021, will help boost bilateral trade and investment. He confirmed that he will co-chair the ninth UAE-India High Level Joint Task Force on Investments with Sheikh Hamed bin Zayed Al Nahyan, Member of the Abu Dhabi Executive Council.

Source: thehindubusinessline.com– Sep 22, 2021

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Putting India's exports on a sustained growth path

The government needs to invest in transport and logistics rather than rely on ad hoc export promotion measures, which have failed to boost exports
The focus of the new Foreign Trade Policy should, therefore, be obvious—the government needs to invest and promote investments in transport and logistics, rather than rely on ad hoc export promotion measures, which have failed to promote India's exports.

Over the past few months, there has been a high degree of optimism regarding India's export prospects, with commerce minister Piyush Goyal setting a target of $400 billion for FY22. If realised, this target would exceed the highest level of exports that the country has ever achieved, of $330 billion in 2018-19, by over 21%.

There are good reasons for optimism; exports have exceeded $163 billion for the first five months (April-August) of the current fiscal, which is nearly 23% higher than the level achieved in the corresponding period in 2019-20, the 'normal' year before the Covid-19 pandemic. But, more importantly, April-August 2020-21 witnessed a level of exports that has never been seen in the past.

India's exports surged on the back of consistent recovery of the global economy, especially in the country's main export destinations. The US and China, the two largest export destinations, expanded by 6.6% and 8%, respectively, in the second quarter of 2021. But in the current quarter headwinds could develop, as China is expected to grow at 2.5%. India's exporters must override these uncertainties to maintain the exceptional growth in exports recorded in the first half of 2021.

The government has lent a helping hand to exporters by notifying the new export promotion scheme, the Remission of Duties and Taxes on Exported Products (RoDTEP). Announced over a year ago, the RoDTEP replaced the Merchandise Exports from India Scheme (MEIS)—discontinued in December 2020. The objective of the RoDTEP is to refund the yet non-refunded taxes and levies imposed on an exported product at the central, state and local levels, including prior stage cumulative indirect taxes on goods and services used in its production, as well as all taxes and levies imposed on its distribution.

As compared to the RoDTEP, the MEIS was a very ambitious scheme. Introduced in the Foreign Trade Policy 2015-2020, the MEIS was expected to “offset infrastructural inefficiencies and associated costs involved in export of goods … especially those having high export intensity, employment potential and thereby enhancing India’s export competitiveness.” Under the MEIS, incentives were issued as duty scrips to be used for payment of several duties by exporters. However, two sets of constraints led to the decision to discontinue the MEIS.

First, acting on a complaint made by the US against India’s export promotion schemes, including the MEIS, a dispute settlement panel of the WTO had given an adverse ruling in 2019. The panel ruled that these schemes violated WTO rules on subsidies since they were designed solely for the purposes of improving export performance.

The second problem regarding the MEIS was highlighted by the government and substantiated in CAG reports. The department of revenue, as also the NITI Aayog, opined the scheme was inefficient as it did not improve India’s export prospects. In the five years the MEIS was in place, the revenue foregone on account of it was almost `1,32,000 crore, but exports remained sluggish, except in 2018-19.

In its Performance Audit of the MEIS conducted for the year ended March 2019, the CAG raised several systemic issues related to its implementation. Among the more important issues raised were the discrepancies between MEIS scrip value and the actual entitlement as per shipping bills. The report pointed that delays in updating the system resulted in incorrect adoption of foreign exchange rates.

There were cases of excess grant of MEIS duty credit scrips on account of misclassification of goods leading to claim of higher rates and inclusion of ineligible products. The CAG had, therefore, provided evidence supporting the government’s view that the MEIS was inefficient in delivering results in the form of higher exports.

There is, however, a larger issue, which goes beyond the implementation of the MEIS, and this pertains to the efficacy of the export promotion schemes in general. Government data shows that the revenue foregone on account of export promotion concessions since 2014-15 was over `4,45,000 crore.

During this period, the average level of exports was below the psychological figure of `300 billion. The main reasons for this indifferent performance of exports, which was admitted by the government while announcing the MEIS, have been “infrastructural inefficiencies and associated costs.” If India’s exports are to be put on a sustained growth path, it is imperative that this area receives due attention of the government.

Efficiencies of trade-related infrastructure in India continue to be relatively low, notwithstanding the improvements over the past decade. Consider, for example, the turnaround time of ships in ports, which is an indicator of how efficiently ports can handle cargoes. In 2020, the average turnaround time for Indian ports was 2.62 days, while the global average in 2019 was 0.97 days.

Further, the maximum size of ships that could enter Indian ports in 2019 was nearly 1,54,000 gross tonnes, as against the global average of nearly 2,19,000 gross tonnes, which points to the scale economies that are waiting to be harnessed. Thus, bridging the gap in port efficiencies can make considerable dent in the cost of doing business, thereby lending competitive edge to India’s exports.

The focus of the new Foreign Trade Policy should, therefore, be obvious—the government needs to invest and promote investments in transport and logistics, rather than rely on ad hoc export promotion measures, which have failed to promote India’s exports.

Source: financialexpress.com– Sep 22, 2021

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ADB cuts growth forecast during current fiscal to 10%

Raises estimate for next fiscal to 7.5 per cent

ADB (Asian Development Bank) has lowered its forecast for the current fiscal (ending March 2022) to 10 per cent from 11 per cent while raising the estimate to 7.5 per cent from 7 per cent for the next fiscal (ending March 2023).

This is second announcement lowering the growth forecast within 24 hours. On Tuesday, the Organisation for Economic Co-operation and Development (OECD) cut its projection of India's economic growth by 0.2 percentage points to 9.7 per cent for the current financial year. Still, this along with ADB's forecast is tad better than S&P's RBI's estimate of 9.5 per cent.

"The forecast, for the 12 months ending 31 March 2022 takes into account disruptions in economic activity caused by the second coronavirus disease pandemic wave, which adversely impacted services, domestic consumption, and the urban informal sector," ADB said in its latest Asian Development Outlook (ADO) 2021 Update.

Signs of recovery

The multilateral agency expects GDP growth to moderate to 7.5 per cent next fiscal. Further, it said that the forecast assumes a relatively limited economic impact from the pandemic going forward thanks to an accelerated vaccination campaign and better preparedness among businesses, households, and the health care sector.

"The Indian economy is showing encouraging signs of recovery as the effects of the second wave dissipate," said Takeo Konishi, ADB Country Director for India. He listed the vaccination drive, new fiscal stimulus package, and initiatives to free more resources for infrastructure development, along with measures to strengthen health-related interventions to boost recovery.

The economy is projected to rebound in the last 3 quarters of the current fiscal, as reflected in improvements in electronic waybills, mobility data, and the purchasing managers' index. First-quarter GDP rebounded 20.1 per cent from a year earlier even as the second wave of the pandemic curbed economic activity.

Limited inflation

The report felt that though easing of supply chain disruptions will moderate inflation to 5.5 per cent during current the fiscal and 4.8 per cent next fiscal, rising global prices for oil and other commodities, as well as domestic food prices, will continue to exert inflationary pressure.

The trade deficit this fiscal may widen due to rising imports amid higher domestic demand, before narrowing to 1 per cent next fiscal as economic growth moderates.

"India's central bank, the Reserve Bank of India, is expected to continue its accommodative policy stance," it added.

The report also said that private consumption and investment are projected to remain weak due to the pandemic's impact on household incomes, spending capacity, and lending.

However, the government's national monetisation plan is expected to drive public investment to boost infrastructure development. Growth in the agriculture sector will remain resilient, yet marginally lower with the pandemic's spread into rural areas and a delayed monsoon. Exports will rebound, supported by the recovery in global demand, it mentioned.

Source: thehindubusinessline.com– Sep 22, 2021

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TN Govt releases Export Promotion Strategy 2021

Aims to increase exports from State to $100 billion by 2030

The Tamil Nadu Export Promotion Strategy 2021 (EPS 2021) was released on Wednesday by Chief Minister MK Stalin with an aim to increase exports from the State to $100 billion by 2030 from the current $26 billion. This is in alignment with the State's target of becoming a $1 trillion economy by 2030. Its GDP was $300 billion in 2020-21.

EPS 2021 says that the State's strengths in exports and its established infrastructure for exports serve a 'bedrock' for attracting investors to the State. This, in turn, acts as a catalyst for trade. There is a need for an export promotion strategy to focus on export diversification and export dispersion - identifying districts as export hubs.

The State's export basket is highly diversified with the top ten products contributing 70 per cent of the export share. The State, according to studies, has an estimated untapped export potential of ₹1.6 lakh crore.

To encourage exporters, the State government's approach will be along the channels to promote dispersion of export hubs in the State and diversification of the State's export basket. It will be augmented by export promotion activities. The measures would include both soft and hard interventions such as marketing assistance, annual export awards, policy support and infrastructure development. The State has also identified textiles, automotive, leather, electronics & electrical equipment, general machinery and food processing as export champion sectors with interventions for each sector, says the EPS 2021 released at the Tamil Nadu Exports Conclave.

Economic employment enclaves

The government aims to undertake a balanced regional development in the State through a mix of infrastructure upgradation in existing export hubs and the development of new economic employment enclaves. The government in a coordinated effort with various departments, including highways and ports, transport, energy, housing and urban development, will provide common infrastructure and utilities in these enclaves and ensure they have 'excellent' infrastructure connectivity.

In the first phase, two such enclaves will be set up-at Manellore (6,000 acres) and Thoothukudi (5,000 acres)- by the State Industries Promotion Corporation of Tamil Nadu on the lines of globally recognised eco-industrial park frameworks. They will be designed to improve the socio, economic and environmental performance of the residential manufacturing units.

The enclaves will be demarcated regions with the nearest district boundaries at a distance of 60 km from the key export gateway. They will have industrial parks with an area of at least 5,000 acres with an annual export of ₹10,000 crore and employment potential of 1 lakh jobs.

Export hubs

The State will strengthen the export hubs in places like Chennai, Kanchipuram, Hosur, Tirupur, Karur, Madurai, Ambur, Thoothukudi and Pollachi, by supporting infrastructure development. Each hub will be eligible for reimbursement of 25 per cent of the cost of setting up export-related common infrastructure projects or infrastructure projects servicing export-oriented industrial clusters like industrial housing, skilling centres and testing centres with a ceiling of ₹10 crore per export hub.

Export diversification

Export organisations that achieve the threshold level of value-addition creating new/additional export capacities on or after January 1, 2021, will be eligible for value-added payroll assistance in the form of reimbursement of 5 per cent of annual payroll cost for employees for a period of three years in proportion to the value addition (ceiling of ₹1.8 crore per annum). A reimbursement of 50 per cent cost of quality certifications like ISO that are required specifically for exports up to a cost of ₹2 crore will be provided.

The State will set up an exports portal to provide a comprehensive solution for queries and grievances of exporters, the EPS 2021 said.

Stalin in his speech said that while Made in India products are already available across the world, it is time now that products under the brand Made in Tamil Nadu should also be available globally.

Source: thehindubusinessline.com– Sep 22, 2021

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From Cadbury to Cotton

Exploring the gender dimension in today's India

The recent Cadbury advertisement is a delight and leaves you with that warm feeling synonymous with chocolate melting in your mouth. The gender swap, with a man cheering the girl hitting the winning run and dancing madly to 'kya swaad hain zindagi mein' is an ode to the rise of the Indian women athletes. Deep somewhere, it also hints at subtle changes in gender roles in Indian society. But move from the cricket field to the actual fields in rural India, and the gender perspective changes crazily.

According to a recent Oxfam study, nearly 75 per cent of farm labour are women. 80 per cent of India's food is produced by women labourers, who are 'family labour', slogging their days at the farm when ownership of the farm rests with the men of the family. Thus, within the production process, women are often found at the bottom of the value chain.

Women are preferred labour when the harvesting job requires finger dexterity and tenacity. Think chillies, pomegranates, grapes and cotton. However, they often lack formal training in on-farm production processes (that's 75 per cent labour which goes untrained, folks!), and have almost no say in the decisions about sowing, selling or storing. Since they do not own land, they often lack access to institutional credit and/or benefits under government schemes.

Things become progressively regressive as one looks at post-harvest processes. Despite possessing time-tested skills and higher-pitched tones which can work wonders whilst haggling, one is hard pressed to find women farmers selling their produce in the auctions within the APMCs. The APMC is baritone, tenor and bass. Secretaries to APMCs are men, who report to Committees made up of men. There is women representation on the APMCs, and sometimes, one does meet the occasional lady Chairperson.

The pati phenomenon

Unfortunately, just as one finds the Sarpanch-Pati holding the reins over the Gram Panchayat, there are many of those APMC Chair-patis, dictating decisions related to the APMCs to their wives/daughters-in-law. Sometimes, the trader's license at the APMC might be in the name of the lady, as strongly recommended by the family astrologer. So, you have license

holder-patis, and proprietor-patis and Director of the processing industry-patis – it is a pretty petty pit-pat pati world. I was to discover the gender dimension the hard way, a couple of years ago, when I headed out to Ahmednagar district in Maharashtra with a small (interestingly, all-male) team to witness and conduct a Crop Cutting Experiment (CCE) in cotton. CCEs are a way of estimating the productivity of crops in India.

The State level Agriculture Department/Revenue Department chooses some villages wherein one has presence of the major crop for which the yield calculation is to be done. Within the chosen villages, CCE plots are chosen through random sampling to generate the yield estimates. One simply cordons off a specified area within the field using stakes and ribbons. The farmer harvests the crop in the staked-out area in the presence of a Gram Panchayat (GP) level committee and yield is calculated.

We reached the site just as the farmer and a couple of members of the GP level committee trudged into the farm. My team staked out the area carefully as per the manual; I was making sure we followed every instruction, ticking off every box and some more. That done, I looked around to the farmer expectantly. The farmer looked fascinated with the multicoloured ribbons and the machinery. ‘Where is the labour?’ I asked. ‘Eh?’ he said, examining our portable weighing scale with a lot of interest. ‘Where is the labour?’ I repeated loudly, thinking of how all the effort was going to go waste just because of this man’s inability to follow simple instructions. How difficult is it to understand ‘Bring 2-3 labour for picking cotton’ dished out on the phone the earlier evening?’

To my horror and the entire team’s amusement, he said simply, ‘Picking is only done by women. There is a puja in the village today, so no ladies were willing to come here for this experiment. But then I thought, Madamji is coming to the village. She can do the picking herself!’ I was apparently so good at it that the farmer actually made me a job offer. ‘Should you need any work’, he said, with my team sniggering in the background, ‘you can always pick cotton for us.’ he told me quite kindly. Hmmm, quite an idea, that. But I insist on the economist-pati doing a mad dance whilst I single-handedly finish picking cotton in one entire acre under the scorching sun. Kya swaad hain zindagi mein!

Source: thehindubusinessline.com– Sep 22, 2021

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Draft e-commerce rules: Piyush Goyal says strong feedback will help prepare robust policy

Earlier in the day, a government official said that there is "significant difference of opinion within the government" on the draft rules and flagged concerns that continuous change of the policy causes a great deal of uncertainty.

"We welcome all feedback because with strong feedback, we will be able to come up with a more robust and good policy that is helpful to all stakeholders," Consumer Affairs Minister Piyush Goyal said.

Consumer Affairs Minister Piyush Goyal on Wednesday said “strong feedback” will help in preparing a robust e-commerce policy even as he termed reports of differences within the government on the proposed policy as efforts to “sensationalise any feedback”.

Stating that it is elementary to get feedback on the draft rules, the minister said, “this speaks of the robust way of the working of the Modi government which is willing to engage with stakeholders and take different points of view on board and come up with a successful policy”.

Goyal was replying to a query on media reports on difference of opinion among various ministries and government think-tank Niti Aayog on the draft e-commerce rules.

Earlier in the day, a government official said that there is “significant difference of opinion within the government” on the draft rules and flagged concerns that continuous change of the policy causes a great deal of uncertainty.

Currently, the consumer affairs ministry is examining the public comments on ban on fraudulent flash sales and mis-selling, and appointment of chief compliance officer/grievance redressal officer which are among the key amendments proposed to the Consumer Protection (e-commerce) Rules, 2020.

“I am very amused with all that has been going in the newspapers... I am amazed by some of the reports — that I read — trying to sensationalise any feedback that you get,” Goyal told reporters after launching the National Single Window System portal here.

"We welcome all feedback because with strong feedback, we will be able to come up with a more robust and good policy that is helpful to all stakeholders," he said.

A draft policy is framed to get public feedback, which is a process of stakeholders' consultation, he said, adding that every section has to survive and grow.

The consumer affairs ministry, which has received wide and varied comments on the draft rules, is examining the comments seriously as maximum consumer complaints received at the government's National Consumer Helpline were related to the e-commerce sector.

As per the government data, 36 per cent of the 1,91,80 consumer complaints were related to e-commerce between April-July of this year, followed by banking (9 per cent) and electronic products (6 per cent).

Amid rise in consumer complaints related to e-commerce, the ministry is looking at addressing the problems surrounding e-commerce business in a holistic way in the best interest of consumers.

"There is a significant difference of opinion within the government on the draft Consumer Protection (e-commerce) Rules put out by the consumer affairs ministry… Continuous change of the policy causes a great deal of uncertainty," the government official said earlier in the day.

Recently, Consumer Affairs Secretary Leena Nandan said the government will take a "balanced" approach while finalising the amendments proposed to the rules as "wide and varied" comments have been received from stakeholders.

Replying to a query related to reports of Amazon initiating investigation against some of its legal representatives for allegedly bribing Indian government officials, Goyal said he does not want to comment on the issue. The minister also said that investigation does not come under the purview of his department.

Source: financialexpress.com– Sep 22, 2021

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India to be 3rd largest importer by 2050: UK Global Trade Outlook

India will turn the third largest importer by 2050 with a share of 5.9 per cent of global imports, right behind China and the United States, and with a share of 6.8 per cent in global gross domestic product (GDP), according to the latest Global Trade Outlook released by the UK department of international trade. The centre of economic gravity has been shifting eastward for decades due to the rapid growth in Indo-Pacific, causing trade patterns to shift as it moves, it said.

At present, India is ranked eighth among largest importing nations with a 2.8 per cent import share and is set to become the fourth largest importer by 2030. It is ranked fifth in size of world's economies with a share of 3.3 per cent. India's GDP is projected to cross Germany by 2030 to become the fourth largest economy.

"The US's and the EU's share of most import sectors is expected to decline out to 2030 as the growing purchasing power of Asia's middle-class accounts for a rising share of global import demand. This change is particularly marked in the food, travel and digital services sectors where larger and increasingly wealthy populations in the Indo Pacific are expected to consume more discretionary goods and services," the document said.

"Between 2019 and 2050, 56 per cent of global growth is expected to come from the Indo-Pacific, compared with a quarter from the EU and North America combined. Growth within the Indo Pacific is also expected to rebalance over time, with South Asia's contribution (driven by India) rising," it added.

China is a major driver of this eastward economic shift as it is expected to become the world's largest economy by 2030. China already displaced the US in purchasing power parity (PPP) terms (which account for differences in local prices) in the mid-2010s. But based on market exchange rates, which are more relevant for trade, the change is expected to happen around 2030. "At that point, both countries will account for around 22 per cent of global GDP," the report said.

"The role of emerging economies in the trading system will rise over time, consistent with their growing weight in the global economy," the report added.

Source: fibre2fashion.com– Sep 22, 2021

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The PLI principle – Progressive approach to providing incentives to industry.

For the government, giving conditional incentives seems clearly the way to make money work. A performance yardstick helps in sift through players. The first sense of such an approach was when conditional cash transfers were made to households in Latin American countries; these ensured that children went to school or had regular medical check-ups.

In India, the mid-day meal scheme is an example as the free meal ensures that parents send children to school. This worked well for girls, especially from the lower income groups, who otherwise would not be allowed to go to school.

The PLI is hence a very progressive approach to providing incentives to industry. How it is interpreted by the global community remains it to be seen, because it directly gives cash to companies that meet certain performance parameters.

It can be defended as not being a subsidy, such as those in agriculture where inputs are given virtually free to farmers. The PLI has been crafted to encourage domestic production, against importing the product from other countries. It doesn't distort prices but makes industry more competitive.

This should help to pass the barrier. This can be pursued in other areas too to make government expenditure more effective. The government had offered alternative corporate tax rate schemes to companies (22% against 30%), and the observation was that, while they did make use of the benefit, there was little evidence that it enhanced efficiency or led to higher investment. In this context, the government can make tax benefits conditional where companies that are able to generate investment of a certain minimum amount along with production and employment performance (PLI talks of the first two components) can get a tax refund.

This will ensure companies invest more instead of using the benefit of lower taxes for paying higher dividend or piling up reserves. Indeed, there was a time when the tax laws had the concept of investment reserve that could be deducted from profits before tax. The compensation through a refund will ensure that the companies contribute to capital formation, which is a challenge today.

A similar idea can be pursued on job creation where units, from SMEs to large corporates, can be given an employment-generation-based incentive with firm targets set. Employment is the critical factor that spurs economies because, in the absence of new jobs being created, demand can't be sustained. Jobs have been a problem even before the pandemic, where GDP growth didn't translate into commensurate job creation. With the greater reliance on technology post the pandemic, job creation is rarely on the radar of large corporates. Providing incentives will work well and ensure that the focus is on being fair to labour.

The important part of this story will be how well the PLI works out in the next 4-5 years, the average time framework that has been set for the 13 industries identified in November 2020. Overall, the government has targeted around `2 lakh crore of incentive spread over five years or so. There will be spillovers to the exports sector, especially in pharma, textiles, etc, though the initial focus was more on import substitution through higher domestic production.

As the idea catches on, the government could also use the PLI scheme to change the cropping pattern in India which is heavily skewed towards rice and wheat as they have MSP-based procurement. This can help farmers to migrate to crops like oilseeds and pulses where we are more vulnerable and help in conserving water. If this is accepted conceptually, the details can be worked with the panchayats for implementation.

Source: financialexpress.com– Sep 21, 2021

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Goods with NIL export duty eligible for refund of accumulated ITC, says CBIC

The clarification spells relief for exporters and will bring litigation to an end

The Central Board of Indirect Taxes and Customs (CBIC) has said that exports of goods having NIL rate of export duty will be eligible for refund of unutilised input tax credit (ITC). The move is seen as putting an end to litigation and also bringing relief to exporters.

This clarification is a follow-up to the decision taken by the GST Council on September 17. The clarification is in two parts — the first one states which exported goods will have restrictions for availment of refund of accumulated ITC and which will not. Goods that are actually subjected to export duty — on which some export duty has to be paid at the time of export — will have restrictions while goods that are not subject to any export duty and in respect of which either NIL rate is specified or are fully exempted from payment of export duty would not be covered by the restriction for unused ITC refund.

Contrary to legal position

This clarification has come at a time when Odisha High Court stayed the show cause notice denying the refund on export of iron ore chargeable to NIL rate of duty. GST provisions state that refund of unutilised input tax credits would not be available where the goods exported out of India are chargeable to export duty.

In the said matter, the petitioner is exporting iron ore which is chargeable to NIL rate of duty, for which the revenue contends that there is distinction amid NIL rate of duty and exempted from export duty. The Tax Department, in its notice, averred that such goods are to be treated as "chargeable to export duty" and therefore, denied the refund of unutilised ITC.

The petitioner had claimed that the impugned notices were without jurisdiction and the understanding that where the export duty payable is NIL, ITC should be denied was contrary to the legal position explained by the Supreme Court in Associated Cements Companies Ltd v. Commissioner of Customs. The matter is likely to be heard in the context of the latest clarification.

Pragmatic approach needed

Sandeep Sehgal, Director-Tax and Regulatory, AKM Global, a tax and consulting firm, said that the GST department ought to take a pragmatic approach.

Refund of ITC in case of export of items having NIL rate of export duty should be allowed as the existing circular anyway allows the same on items that are exempt from export duty. “This will put to rest a lot of litigation and will benefit exporters of such goods,” he said.

Source: thehindubusinessline.com– Sep 22, 2021

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FDI equity inflows up 112% to $20.42 billion in April-July period: Govt data

Total FDI inflow rose to $27.37 billion during the first four months of 2021-22. In the year-ago period, the same was at $16.92 billion.

Automobile industry has emerged as the top sector during the period under review, accounting for 23 per cent share of the total FDI equity inflows followed by computer software & hardware (18 per cent) and services sector (10 per cent), respectively.

Foreign direct investments into the country more than doubled to USD 20.42 billion during the April-July period of the current fiscal, the commerce and industry ministry said on Wednesday.

Total Foreign Direct Investment (FDI) inflow rose to USD 27.37 billion during the first four months of 2021-22. In the year-ago period, the same was at USD 16.92 billion.

Total FDI comprises equity inflows, reinvested earnings and other capital. "FDI equity inflows grew by 112 per cent in the first four months of 2021-22 (USD 20.42 billion) compared to the year ago period (USD 9.61 billion)," the ministry said in a release.

Automobile industry has emerged as the top sector during the period under review, accounting for 23 per cent share of the total FDI equity inflows followed by computer software & hardware (18 per cent) and services sector (10 per cent), respectively.

Karnataka is the top recipient state with 45 per cent share of the total FDI equity inflows followed by Maharashtra (23 per cent) and Delhi (12 per cent).

"Measures taken by the government on the fronts of FDI policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country," the ministry said.

Source: financialexpress.com– Sep 22, 2021

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With new arrivals, cotton rules above MSP

Trade estimates prices to fall by Nov as more bales hit the market

	2021-22	2020-21
Maharashtra	39.41	42.25
Gujarat	22.51	22.79
Telangana	20.69	24.13
Rajasthan	7.08	6.68
Haryana	6.88	7.37
Karnataka	6.36	6.88
Madhya Pradesh	6.15	6.44
Andhra Pradesh	4.86	5.64

The new cotton crop has begun arriving in northern markets, Karnataka and Telangala with prices of kapas (raw cotton) ruling at least 10 per cent higher than the minimum support price (MSP) levels fixed by the Centre for the new season starting October.

The trade estimates the daily market arrivals at over 10,000 bales, bulk of it mainly in the North. Modal prices (rates at which most trade in the natural fibre takes place) of raw cotton are hovering between ₹6,400 and ₹7,000 per quintal across various markets, depending on the quality and moisture content. Prices are higher than the MSP of ₹5,726 per quintal.

“Overall, the crop looks good in North India. The prices are in the ₹6,000-7,000 range, depending on moisture, which is 12-14 per cent,” said Sushil Phutela, Director, Indian Cotton Association Ltd in Bhatinda.

The trade expects the North India crop to be better than last year’s 65 lakh bales. “The crop won’t be less than last year. The rains are seen boosting yields, while in some areas there has been some impact. Overall, we expect the crop to be 1-2 lakh bales higher than last year,” Phutela said.

Cotton acreage this year is lower by 5.75 per cent at 119.66 lakh hectares, as per Agriculture Ministry’s latest data. “The overall crop condition is good as on date and, based on the feedback from the 10 growing States, the yield will be much higher this year and quality very good,” said Atul Ganatra,

President, Cotton Association of India (CAI), the apex trade body. CAI is expected to come out with crop projections by the month-end.

Sporadic arrivals

CAI had earlier estimated closing stocks for the crop year 2020-21 as on September 30 at 82.50 lakh bales of 170 kg each. Sporadic arrivals have also started from Karnataka, Andhra Pradesh, Telangana, Maharashtra and Gujarat. “Kapas prices are ₹6,900-7,500 per quintal, while cottonseed trades in the ₹3,700-4,000 range. Arrivals will increase after October 15 and there are chances of prices coming down, but unlikely to go below MSP till November-end. It all depends on the crop size and market arrivals,” said Ramanuj Das Boob, a sourcing agent for spinning mills and multinational companies in Raichur.

Acreage Shrinks

(Cotton area in lakh hectares as on September 16, 2021)

	2021-22	2020-21
Maharashtra	39.41	42.25
Gujarat	22.51	22.79
Telangana	20.69	24.13
Rajasthan	7.08	6.68
Haryana	6.88	7.37
Karnataka	6.36	6.88
Madhya Pradesh	6.15	6.44
Andhra Pradesh	4.86	5.64
Punjab	3.03	2.51
All India*	119.66	126.97

* includes other states

Phutela said the demand is slow as most of the spinning mills have covered their needs till December. If the moisture comes down, demand may improve over the next couple of weeks. “I think by mid-November, the Cotton Corporation of India (CCI) may enter the markets in half growing regions. Many feel that the CCI may not get a chance to enter the market as minimum prices are above MSP. However, with cottonseed prices coming pressure, raw cotton may also come down below MSP by mid-November,” Phutela said.

Source: thehindubusinessline.com– Sep 20, 2021

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Kitex Garments to invest Rs 2,406 cr in Telangana

Kitex Garments on Monday announced that the company has signed the Memorandum of Understanding (MoU) with Telangana State Government for investing Rs 2,406 crore in the state for two industrial projects.

The company said the proposed investment is planned at Kakatiya Mega Textile Park, Warangal and Industrial Park, Sitarampur, Rangareddy district. The Warangal project will start by October whereas the commercial productions will start by December and Kitex expects full capacity by December 2023.

The Rangareddy project is expected to start by April 2022 and the commercial production of the same will commence by June 2023 with the full capacity by June 2024. Kitex has an existing capacity of 4,32,000 units (infants garments) per day and proposes to increase to 18 lakh units per day.

Kitex Garments said the rationale behind investment is that the Telangana state has among the top 3 states for ease of doing business. The state is also the third largest cotton producer. The company also plans to utilize attractive incentive scheme in Telangana Textile Apparel Policy, better logistics, infrastructural facilities, reduced cost of labour and its availability and overall cost reduction. The garment is aiming for overall cost reduction and thereby increase in profitability in the long run.

Kitex Garments is engaged in the manufacture of fabric and readymade garments. The company operates through two business segments: garments and fabric. The firm also exports cotton garments principally infants wear. On a consolidated basis, the company posted a 62% rise in net profit to Rs 20.51 crore on a 71.6% rise in net sales to Rs 153.78 crore in Q1 FY22 over Q1 FY21.

Shares of Kitex Garments were trading 1% higher at Rs 171.45 on BSE. The scrip surged 4.86% to hit a day's high of Rs 178 on BSE.
Source: business-standard.com– Sep 21, 2021

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Bouncing back, garment inc faces tax needles

In a setback to the garment and textile manufacturers and consumers, from January 1, GST on the articles used by the industry, like yarn, fabric, cloth, will be increased to 12%.

According to taxation experts and businessmen, this move will lead to an increase in the prices of garments and textile articles for end consumers and also hike the cost of investment for the businessmen.

Presently, there are some input items on which 5% GST is applicable, but on the end products made out of these (like garments) the rate is 12% and businessmen have to claim the 7% difference of the GST as input tax credit (ITC) from the department.

But with this new decision they will now pay 12% GST on their purchases too and this, they say, will increase their cost of investment. However, the GST authorities decided the new rules to counter the problem of bogus billing, which is being executed by gangs to take advantage of the 7% GST difference.

Taxation expert NK Thamman says, “At present, GST on all types of fabrics is 5%. Similarly, GST rate is 5% on garments and made-up textile articles of sale value not exceeding Rs 1,000 per piece. The input material of some goods like yarn (other than natural yarns) attracts 12% GST, while most others have 5% GST. The units manufacturing these items are claiming refund of ITC due to this duty structure. This was leading to fraudulent refunds.”

“The GST council had discussed correcting this duty structure in an earlier meeting too, but deferred the decision for an appropriate time. Now, in its 45th meeting held recently, it proposed to increase GST on all textile articles to 12% so that there will be no refund due to unutilised ITC. However, this move will increase the prices of garments and made-up textile articles for end consumers,” Thamman adds.

Criticising the move, Harish Kairpal, finance secretary of the Knitwear Club, says, “We are with the government against its fight against bogus billing, but increasing GST by 7% on all the items that currently attract 5% tax will have serious repercussions on the garment and textile manufacturers.

Our cost of investment will rise steeply and retail consumers will also suffer as rates of garments and textile articles will be increased due to this tax difference. We urge the GST council to find some other way to check bogus billing problem."

According to Narinder Mittal, general secretary of Ludhiana Business Forums, "Increase in GST by 7% will prove to be a big setback for the industry as we are already facing severe fund crunch due to lockdowns. Just when the garment and textile manufacturers were hoping for some relief from the government for revival, we have been given a shock."

Source: timesofindia.indiatimes.com– Sep 22, 2021

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Exporters welcome T.N. export policy

Garment exporters in the State have welcomed the Tamilnadu Export Promotion policy announced by Chief Minister M.K. Stalin on Wednesday. Chairman of Apparel Export Promotion Council and Federation of Indian Exporters' Association A. Sakthivel said that setting up of warehouses for cotton in the State and constituting an export development committee would benefit exporters in the State.

Raja M. Shanmugham, president of Tiruppur Exporters' Association, said he was confident the policy would help the State achieve $ 100 billion by 2030 from the current $ 30.53 billion. Textile and related products currently contributed $ 7.38 billion to the total export earnings in the State. This included $ 4 billion from Tiruppur.

The schemes announced by the State government on Wednesday would benefit the knitwear units in Tiruppur. Strengthening of export related common infrastructure projects in the export hubs and reimbursement of 25% of the project cost, subject to a ceiling of ₹ 10 crore for each hub would also be beneficial to Tiruppur cluster, he said.

Source: thehindu.com– Sep 22, 2021

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Combine investments in textiles under PLI: official

This will boost output, says V. K. Singh

Textile entrepreneurs can consider undertaking joint investments to meet the Production Linked Incentive (PLI) Scheme's minimum investment criteria, said V. K. Singh, Additional Secretary, Ministry of Textiles, at an Indian Chamber of Commerce (ICC) meeting.

Noting that the minimum investment criterion of ₹100 crore under the PLI to make apparels and the condition that the products should have 85% manmade fibre content may be unviable for garment units, Sanjay Jain, chairman of the ICC expert committee on textiles and jute, earlier urged a reduction in the minimum investment criterion.

Mr. Jain also pointed out that raising GST rates for garments priced lower than ₹1,000 to 12% from 5% would lead to higher inflation. He appealed to the Ministry to recommend to the Finance Ministry to not raise the rates, for the benefit of MSMEs.

Mr. Singh said there were requests for a reduction in the investment criteria. However, two or three industries could collaborate to invest in a company to meet the criteria and achieve higher scales of production.

Source: thehindu.com– Sep 22, 2021

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