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INTERNATIONAL NEWS

Cheap masks carry a high cost for US manufacturing

In a speech last week about America's trade relationship with China, the US trade representative, Katherine Tai, said "this bilateral relationship is complex and competitive". That's the understatement of the decade. Let me share an illustrative example.

Before Covid-19 began, Donald Trump imposed tariffs on more than $350bn worth of Chinese goods, including supplies of personal protective equipment (PPE) that were subsequently in short supply. Both Trump and current US President Joe Biden later gave tariff extensions for items such as textile face masks, in part because the world's largest producer, China, hoarded them.

Back in 2019, China supplied over 70 per cent of US mask imports, sold at a fraction of the cost of American ones, which mostly stopped being made after the Chinese accession into the WTO decimated large parts of the US textile industry. Yet in the early months of the crisis, many US textile makers, particularly in the Carolinas, began ramping up their own mask production.

Before the pandemic began, US-made masks cost about 50 cents apiece, according to Luis Arguello Jr, the president of a Florida-based medical equipment company and a member of the American Mask Manufacturer's Association. During the pandemic, he says, prices dropped to between 15 and 25 cents as raw material costs fell and US producers became more efficient.

That's no surprise. Manufacturing is an iterative process. Makers get better and more efficient when they do more together in hubs, as several academics have shown, including Dan Breznitz in his recent book Innovation in Real Places.

Incremental innovation has made countries like China and Germany rich. But the US largely gave up on this model in the last half century, and embraced a more fragmented global production system. This is good for multinationals and Asian workers but less good for much of Middle America, which is the starting point of both Trump and Biden's trade policy.

All of this presents a very tricky challenge for an administration that is, in the words of Tai, trying to create a "worker-centred trade policy" in a country that still operates on University of Chicago school economic principles, in which only share and consumer prices matter.

In a post-neoliberal world, that has led to some rich ironies. While federal government agencies are bound by Covid-19 procurement rules supporting domestic producers, states can — and do — solicit bids from companies charging a penny or two for a mask. Given that the raw materials in each mask cost roughly 4 cents on the open market, I'm left wondering whether such products are woven by tiny hands in Xinjiang, the region where China has been accused of running labour camps with imprisoned Uyghur Muslims, or backed by huge state subsidies. Maybe both.

Either way, a bunch of small American businesses that answered the call to produce more masks in the middle of a pandemic are now in danger of going bust. The AMMA says its members have lost 5000 jobs since federal mask purchasing slowed in recent months, after being undercut by non-US producers.

None of this is China's problem. It's America's. Whether or not you are in favour of "Buy America" on things like masks (I am — although I'd be happy for it to morph into "Buy America and Its Allies"), US legislators failed to force states to source domestically, thanks to a loophole in the American Recovery Plan.

Meanwhile, America's for-profit hospital system, rapacious in the best of times, is now seeking to save every penny, since they've gone without the usual glut of expensive elective procedures amid Covid. The administration delayed plans to raise tariffs on Chinese medical goods till mid-November, because the American Hospital Association lobbied against it, saying that it would raise costs for them.

Whatever the cost, the absurdly distorted system of privatised healthcare in the US means that hospitals will inevitably charge insurance companies or unlucky patients multiples of it. All of which makes me feel a lot more sympathetic towards the textile makers, who just want government to set a price floor under PPE, as promised.

These will be future topics for Tai and others who support the rebuilding of America's industrial ecosystem. But changing the paradigm isn't something that the trade department can do alone. "Buy America" makes no sense if you can't support demand. Demand can't be supported without government incentives, or a real shift from shareholder to stakeholder capitalism.

The fact that so much supply is controlled by a strategic adversary that doesn't play by WTO rules makes it especially complicated to transition from an economy based on rewarding consumers in the form of lower prices to one that is trying to grow incomes and create more resilience in crucial industries — including medical equipment, pharmaceuticals, semiconductors and rare earth minerals.

If the US is serious about rebuilding manufacturing, it's going to need a much bigger, broader public sector commitment that moves beyond "just in time", and towards "just in case". It is also going to need to look closely at how one-cent masks get made, and whether they're really worth the price.

Source: ft.com– Oct 10, 2021

HOME

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Xinjiang harvests first China-standard cotton

At an endless cotton field located at the southern hills of the Tianshan Mountains in Northwest China's Xinjiang Uygur Autonomous Region, workers from China's cotton industry association were busily inspecting the field, screening quality for fresh picked cotton and processing product certification.

The 70,000-mu (4,666 hectares) of cotton field marks the first batch of cotton that was planted and managed under China's homegrown independent sustainable cotton standard as Xinjiang, which accounts for more than 85 percent of China's cotton output, is embracing another bumper harvest season.

The field is owned by Xinjiang Guoxin Seed Co, one of the first six Xinjiang cotton producers that signed contracts with the China Cotton Association (CCA) in April in the launch and promotion of the "Cotton China Sustainable Development Program" - deemed as a critical mechanism to counter Western dominance.

"In Xinjiang, we have felt a sense of urgency to speed up setting up our own standard and building homegrown cotton brand. China is the world's largest cotton producer and consumer, yet we face constraints and have been bullied by Western forces partly due to the lack of a unified and globally influential standard," Liu Wenming, a local agricultural official in southern Xinjiang's Shaya county, told the Global Times over the weekend. Shaya represents 90 percent of China's long-staple cotton yield.

The global cotton rule-making system is currently monopolized by the Better Cotton Initiative (BCI), a Western-led industry body that has apparently been manipulated by anti-China forces.

Several months ago, BCI suspended cotton license for Xinjiang companies over claimed "forced labor," based upon which some BCI's members joined the boycotts, leading to an almost standstill of Xinjiang's cotton and textile exports. The targeted attack faced a tsunami of anger and an ensuing backlash among the Chinese and international community, and was harshly criticized for not only attempting to damage Xinjiang but also jeopardizing the legitimate development rights of Xinjiang people.

The Western-led boycotts against Xinjiang cotton also fueled calls from industry insiders to establish a Chinese standard that is more inclusive and lives to the highest industry standard to counter BCI's slandering and advocate fair treatment of Xinjiang farmers.

The Cotton China Sustainable Development Program was created in response, and the first six producers signed were all large-scale Xinjiang agricultural companies. A spokesperson from CCA also told the Global Times that in late October, more Chinese textile-makers and clothing brands will sign contracts to join the standard-setting.

Cotton standards

Li Lin, the vice secretary of CCA, told the Global Times over the weekend that the Cotton China Sustainable Development Program has specific management standards for reducing pollution, energy conservation and emission reduction, respect for labor and quality improvement.

"Farmers are all required to make up a sustainable planting and management plan at the beginning of the year, and are required to do an on-field log on every farming procedure, from seeding, fertilizing, spraying pesticide to applying agricultural technique," Li explained, while showing a detailed and traceable cotton farming plan submitted by Xinjiang Guoxin Seed Co.

Under the plan, farmers will test soil for fertilization levels, vowing to cut the amount of fertilizers used in cotton production. In terms of seeding, farmland will be planted with new high-quality crop seed that guarantees both high yield and disease resistance. And individual farm will be planted with a single crop seed to ensure varietal purity.

Meanwhile, the plan explicitly pledged to promote intelligent management of cotton fields, including multi-purposed seeders, plantation drones and cotton pick machines, to improve quality and yield for the long-term sustainable development of the industry.

Discussing the program, Liu said that one of Shaya county's focal agricultural works since the start of this year is to unify the plantation of a single cotton seed and expand massive farming.

"The coverage rate of the main cotton seed in Shaya has reached 92 percent this year, effectively reversing the issue of inconsistency of raw cotton that dragged down the overall cotton quality," Liu said.

"In the past, we were pursuing higher yield, which inevitably led to our reputation being inferior to some other global competitors such as cotton sourced from the US. But now our focus has shifted to promoting quality, and the transformation will accelerate the internalization of Xinjiang cotton and improve its global competitiveness," he added.

The harvested cotton from Guoxin's field, whose farming was strictly drawing upon the new standard, has delivered "good performance in multiple dimensions including length, strength and micronaire," according to Lu Huaiyu, the head of Guoxin's rural technological service bureau. Micronaire is a measure of the air permeability of compressed cotton fibers.

If these cotton passes certification, it will enter the textile manufacturing procedure as the first batch of "China Sustainable Cotton" and being delivered to consumers through retailers.

"This is just a start. We will continue promoting the standard to downstream enterprises and consumers, to build a complete industrial chain and form a virtuous circle," Li told the Global Times.

Cotton output is expected to hit 5.2 million tons in Xinjiang this year, slightly up from the 5.16 million tons recorded last year.

Source: globaltimes.cn– Oct 18, 2021

HOME

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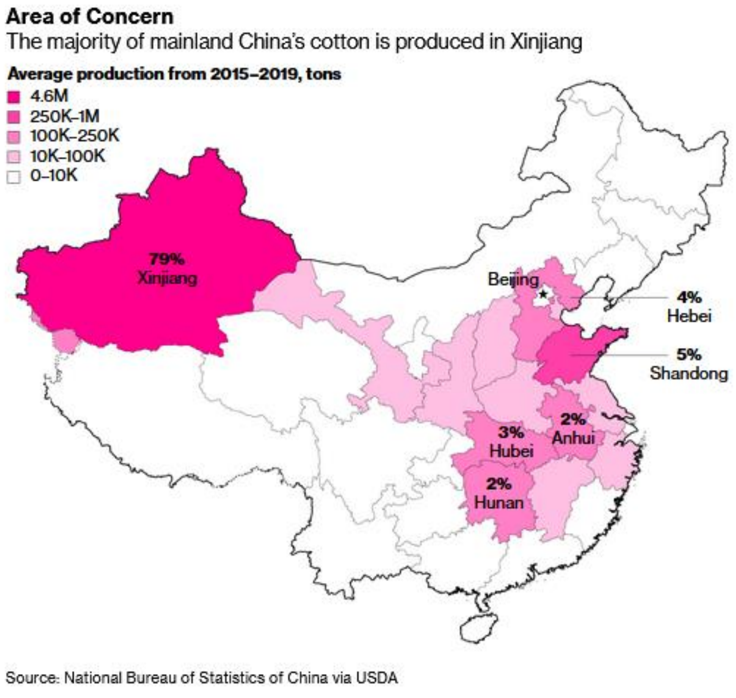
China Is Forcing Fashion to Mute Itself Over Dirty Cotton

Brands suffered when they spoke out over labor concerns. Now China is launching a rival cotton certification program.

When a fashion industry sustainability group called out China over its treatment of Uyghur Muslims, the idea was to nudge Beijing toward human-rights reforms while cleaning up a troubled corner of the $60 billion global cotton business. Western brands have learned the hard way that things don't work that way in China.

In the 12 months since the Better Cotton Initiative, whose members range from Uniqlo owner Fast Retailing Co. to Nike Inc. to Walmart Inc., published a statement on allegations of forced labor in the cotton-growing Xinjiang region, several brands have suffered major setbacks in China, one of the world's biggest producers and consumers of the fabric.



The organization missed production targets last year and companies including Levi Strauss & Co. and Chinese sneaker maker Anta Sports Products Ltd. have scaled back their involvement. Others have gone quiet, pulling statements of concern about the situation in Xinjiang from their websites. Hennes & Mauritz AB's revenue in China, once its fourth-largest market, fell 40% in the most recent quarter.

Although the BCI statement has long vanished from the group's website, there's little sign of a truce. Instead, China, which says claims of human-rights violations are unfounded, is escalating its response. In late September it launched a recruitment drive for a sustainability certification program that would undercut the BCI, with the first applications to join due by Friday.

The escalating conflict shows how difficult it can be for brands to satisfy demands from western consumers and human-rights groups for greater sustainability without risking open war with China, which has become more willing to wield its clout to defend its policies. It's also a potential setback for the broader ESG movement that's rallying institutional investors around the banner of improved environmental, social and governance targets.

"It's really terrible if companies start feeling they can't speak out against atrocities because of a fear of backlash," said Therese Kieve, stewardship analyst at Sarasin & Partners, which holds shares of Asos Plc and Associated British Foods Plc, owner of the Primark chain. "Then nothing's going to change."

The Geneva-based BCI declined to comment on China for this article.

Comfort, convenience and relatively low cost have made cotton the world's most widely used textile fiber. More than 26 million tons is plucked from shrubs annually and spun into yarn. That's enough to provide at least two dozen T-shirts for everyone on the planet. Prices of the commodity have been rising sharply, hovering near the highest levels in a decade this month, amid surging demand from China and poor prospects for the U.S. harvest now underway.

But there's an ugly side to that success. Growing cotton can often require vast amounts of water and pesticides. Labor practices are hard to police in the remote fields where much of it is grown.

The Better Cotton Initiative was created in 2009, pooling industry efforts to clean up the supply chain. The group tries to help farmers transition to greener methods, while making sure cotton remains affordably priced. The organization also says it refuses to operate in regions where forced labor is "orchestrated by the government."

The confrontation that erupted last October followed the U.S. government's decision to ban some imports from Xinjiang, where it says Chinese authorities are detaining more than 1 million Uyghurs and other ethnic and religious minorities in "re-education" camps in what constitutes an ongoing genocide. China has repeatedly denied these claims.

While the BCI didn't withdraw altogether from China, it said it would focus on other regions of the country. Beijing responded with fierce criticism of western fashion brands, prompting calls for boycotts. Landlords closed some H&M stores in retaliation for an undated statement on its website that expressed concern about reports of forced labor in Xinjiang.

Nike Shares Lose Out to China Rivals After Xinjiang Accusations

Dozens of Chinese celebrities ended their contracts with BCI member firms including H&M, Adidas AG and Nike, with former Burberry Group Plc brand ambassador and actress Zhou Dongyu saying the trenchcoat maker had not “clearly and publicly” stated its stance on cotton
The flap highlighted a quandary for the foreign labels, said Veronica Bates Kassatly, independent analyst of sustainability claims in the global apparel sector and a former World Bank economist.

“They cannot afford to upset Chinese consumers and they cannot afford to upset Chinese manufacturers, either,” she said.

The BCI has expanded so quickly — it now has more than 2,100 members — and become so prevalent that its production represents almost a quarter of global cotton output. 2.4 million farmers are licensed to sell cotton certified by the organization, which is funded through membership dues and a levy on sales.

There’s also an incentive to becoming a member, as BCI-certified cotton helps fashion giants burnish their sustainability credentials. New members continue to join -- nearly 190 in the first half. Among them is Boohoo Group Plc, the British online fast-fashion retailer seeking to clean up its own supply chain.

Few big brands will talk openly about their discussions with the BCI on how to police Xinjiang cotton. Burberry, for example, scrubbed references to the group in its annual report published in June, after citing the organization a year earlier. BCI lists Burberry as a member on its website. The company declined to comment for this story.

“Companies are doing everything they can to avoid these types of public conversations,” Bertille Knuckey, co-head of ESG Research at Sycomore Asset Management. “Now they are just avoiding really engaging on the topic.” Once the BCI published the statement on alleged human-rights violations, some members expressed frustration that it had gone beyond its primary mission of environmental sustainability and strayed into areas where it did not have adequate knowledge or expertise, people familiar with the situation said.

Levi Strauss's new chief sustainability officer, Jeff Hogue, who joined last year, decided not to take up a seat on the BCI council even though the retailer, which backed the formation of the program, was due to hold that position until 2022. Levi's, which remains a member of the BCI, said Hogue is currently focused on the upcoming release of the company's first sustainability report and ESG disclosure.

At the height of the boycott crisis, BCI said the decision to suspend licensing would prevent almost 500,000 tons of Xinjiang cotton from entering the global supply chain.

The provenance of cotton is hard to trace because of the many stages in the production process. It starts with raw cotton produced in remote villages in countries such as China, India or Mozambique. Seeds are extracted, bolls are removed and the fiber is spun into yards. They're transported to mills that produce and dye the fabric — often with toxic products and little environmental oversight. The textiles are sold to clothing manufacturers, which ship finished products to stores worldwide.

The fashion and apparel industry was shaken to its core in 2013 when a garment factory collapsed in Bangladesh. The tragedy resulted in more than 1,000 deaths, putting the spotlight on an industry that long pushed profit at the expense of the wellbeing of those at the bottom of the production chain. Following the incident, brands vowed to improve labor standards, including an increase in the number of labels and certifications meant to show that the industry is tackling abusive working practices.

Several French campaign groups lodged a legal complaint in April against two BCI members: Japan's Uniqlo and Spain's Inditex SA, the parent of Zara. Also named were French fashion group SMCP SA, which owns brands like Maje and Sandro, as well as Skechers USA Inc. The complaint accused the four companies of profiting from forced labor of China's Uyghur minority as well as crimes against humanity. French prosecutors started an investigation in June.

SMCP and Inditex both strongly denied the accusations and said they will fully cooperate with the probe. Inditex said traceability controls are carried out "rigorously" on its clothing. Fast Retailing said there's no forced labor in its supply chain and it intends to cooperate with authorities if contacted. Skechers declined to comment on pending litigation, but said previous supplier audits found no use of forced labor.

A criminal complaint was filed last month against the C&A fashion chain and other retailers by the European Center for Constitutional and Human Rights, accusing them of “directly or indirectly abetting and profiting from alleged forced labor of the Uyghurs in Xinjiang,” and being “involved in crimes against humanity.” C&A, a BCI member, says it doesn’t have supplier contracts in the region and doesn’t tolerate forced labor or unauthorized subcontracting in its supply chain.

The association uses so-called “mass balance,” a widely employed volume tracking system, that allows farmers and manufacturers to mix Better Cotton with conventionally grown fabric while benefiting from the label. The system has allowed the BCI to dramatically increase the volume of Better Cotton sold worldwide. But the lack of transparency and full traceability has raised concerns.

“Due to the mass balance approach, there is a potential risk that cotton from the Xinjiang region may be included within BCI cotton,” a spokesperson for British apparel chain Next Plc said. To try to avoid that, the company has explicitly banned the use of cotton from the area. The BCI has said it’s moving toward a better traceability program in the coming months. C&A is calling for changes in the program.

“It is also time to open up the debate about what are the steps needed to increase the traceability of cotton and what are the opportunities that will arise from it,” said Betty Kiess, a spokeswoman. C&A will continue to collaborate with the organization, she said.

Incremental progress on environmental goals is better than nothing, some brand owners say. Tendam, the Spanish owner of the Women’secret lingerie label, joined the BCI this summer. The initiative is encouraging growers to adopt “better behaviors,” including reduced water usage, said Ignacio Sierra, corporate general manager at Tendam.

Whether global brands embrace China’s own sustainable cotton certification program is an open question. They may need to if they wish to keep selling in that market, and some clothes could even be manufactured solely for the Chinese market based on this label, according to a person familiar with the BCI’s work.

“The standards of BCI are too general and may not be suitable for cotton grown in China,” Wang Wenkui, an executive at the China Cotton Industry Alliance, told the Global Times. The Chinese guidelines will set out specific growing practices, including temperature and regulation of pesticides.

“I’m quite confident that our cotton growing standards will replace the BCI standards in the future,” Wang said.

Source: bloomberg.com– Oct 14, 2021

HOME

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Cotton prices are surging. Here's why it matters

The last time cotton cost this much, Barack Obama was still president, "Rolling in the Deep" was Adele's only hit, and Pinterest was a year old.

A little background: The week before last, cotton prices rose to a 10-year high, surging to $1.16 per pound. That's a big leap—over much of the last decade, that cost has oscillated between 50 cents and a dollar. The last time prices were this high, it was a result of the rebound from the Great Recession, and the per-pound cost spiked above $2. This time, things are a little different.

For one, the surge in cost now is more complicated. While the COVID-related snarls in the global supply chain are having an impact, politics is also a factor. Before he left office, Donald Trump imposed a ban on products originating from China's Xinjiang province, citing strong evidence of the forced labor of Uyghur Muslims.

President Joe Biden has upheld the ban, leading to a complex international swap arrangement, whereby Chinese companies purchase American cotton and import it to China, only to process it and sell it back as finished goods to American consumers. The result is more friction and higher prices.

At the same time, climate change is playing a role. Reduced monsoon rains in India have affected its cotton output, while droughts and heat waves have diminished cotton crops in the U.S. (The three largest global exporters of cotton are China, India and the United States.) As a result of political factors, climate forces and the Gordian knot of the global supply chain, cotton is topping at prices not seen in a decade.

Is this going to hurt home brands? It's too soon to say, but if fashion is any indication, the answer is: a little, not a lot. According to industry analysts, a huge difference between now and 2011 is price control. Because of heightened demand for consumer goods and an increasing acceptance of supply chain complications, sellers seem to be able to raise prices without facing pushback from buyers.

"We think inventory will remain rational, margins will remain strong, and retailers will be able to push bigger and more consistent price increases than they've been able to for over a decade," Credit Suisse analyst Michael Binetti told CNBC.

If retailers can raise prices in fashion, it stands to reason that home can roll with the increased cost of cotton as well, at least for the time being. The question is whether price hikes can be absorbed long-term—and what impact they will have on the industry. In Forbes last week, BOH columnist and podcast host Warren Shoulberg wrote: "Looking back a decade, the massive spike in cotton prices had a profound impact on the kinds of products Americans bought and used. On the apparel side, sales of jeans—which had been in decline even before all of this—slowed even further, and the rise of athleisurewear, which uses more synthetic fabrics, really began to accelerate. In home textiles, cotton's share of market declined, replaced by sheets and towels labeled as 'micro-fiber,' which were essentially 100 percent polyester with a clever marketing hook."

In other words, at the moment, the hike in cotton prices may be nothing more than a blip. But if the surge keeps surging, expect to see alternatives gain ground—in fashion and home alike.

Source: businessofhome.com– Oct 18, 2021

HOME

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Ikea, Amazon, Inditex Commit to Zero-Carbon Ocean Shipping That Ignores 'Port Pollution Crisis'

Through a new cargo owner-led network facilitated by the Aspen Institute, a group of corporate climate leaders announced a target to switch all of their ocean freight to vessels powered by zero-carbon fuels by 2040, though environmental groups say the commitment leaves much to be desired and questioned by some of the world's biggest retailers declined to step up.

Amazon, Brooks Running, Inditex, Ikea, Patagonia are among the first signatories to a 2040 ambition statement facilitated by Cargo Owners for Zero Emission Vessels (coZEV). This ambition statement, which Frog Bikes, Michelin, Tchibo and Unilever also signed, sends an important demand signal to the maritime value chain and bunker fuel producers that freight customers want zero-carbon shipping and they expect the industry to rapidly accelerate its decarbonization efforts in the years ahead, the network noted.

It also signals increased interest by consumer goods companies and retailers to work collaboratively, deploy their capacities for innovation and drive economies of scale to foster an economically viable marketplace for zero-carbon shipping.

"The coZEV network is changing the conversation about climate solutions in maritime shipping and beyond," said Dan Porterfield, president and CEO of the Aspen Institute. "Maritime shipping, like all sectors of the global economy, needs to decarbonize rapidly if we are to solve the climate crisis, and multinational companies will be key actors in catalyzing a clean energy transition in shipping. We applaud the coZEV 2040 Ambition Statement signatories for their leadership, and we urge other cargo owners, value chain actors and governments to join forces with us."

Ingrid Irigoyen, director of the Aspen Institute Shipping Decarbonization Initiative, which facilitates the coZEV effort, said it represents an historic step in the fight against climate change.

"Maritime shipping has long been a major producer of climate and air pollution, and attempts to transition away from fossil fuels have faced significant hurdles, including a perceived lack of freight customer demand that has stifled investment and scalability of potential solutions," Irigoyen said. "By setting an aggressive target today, a group of leaders is changing the conversation, and this is just the start. We expect this movement among climate leading companies to grow rapidly. This will allow us to drive economies of scale, innovation, and a surge of confidence among investors and value-chain actors that there is a business opportunity in doing the right thing.”

Edgar Blanco, director of Net-Zero Carbon at Amazon, said the initiative will help the company meet The Climate Pledge, a commitment to reach net-zero carbon by 2040.

“The time to act is now and we welcome other cargo owner companies who want to lead on addressing climate change to join us in collaboration,” Blanco said.

Elisabeth Munck af Rosenschöld, sustainability manager for supply chain operations at Ikea, called coZEV “an important stepping-stone to manifest the commitment to decarbonize ocean shipping.”

According to the Aspen Institute, maritime shipping powered by heavy fuel oil produces 1 billion tons of climate pollution each year. Maritime shipping currently accounts for 3 percent of all global emissions and could rise to 10 percent by 2050 if the industry continues to rely on carbon-intensive fuels.

Maritime shipping also produces 10 percent to 15 percent of the world’s manufactured sulfur oxide and nitrous oxide emissions. To mitigate these negative impacts and align with Paris Agreement goals, the maritime shipping industry must transition to zero-carbon fuels by the mid-2020s, use them at scale by 2030 and be fully decarbonized by 2050, at the latest, the group said.

While sending demand signals for zero-carbon shipping is essential to kick-start this transition, companies working with coZEV also recognize that market forces alone will not bring these solutions to scale. For this reason, signatories to the 2040 ambition statement are also calling on policymakers around the world to take swift and ambitious action to advance maritime shipping decarbonization in their domestic, regional and international leadership capacities.

Currently, the International Maritime Organization, shipping’s global regulator, is working under a draft greenhouse gas strategy for shipping that only requires the sector to reduce its absolute emissions by at least 50 percnt by 2050 compared to 2008. Given the long lifespan of maritime cargo vessels and the need to ramp up renewable energy production to support zero-carbon fuel supply chains around the world, the transition must accelerate rapidly, coZEV said.

To that end, coZEV plans to work with a network of action-oriented and climate-leading cargo owner companies, which includes but is not limited to signatories of this initial 2040 ambition statement. Through coZEV, companies will be able to come together to help establish the first zero-carbon maritime transportation corridors; give policymakers confidence to enact measures that will lower the cost of the zero-carbon transition; and harness the vast collective creativity, market power, bias for action, and investment capacity of some of the most innovative companies and organizations on Earth.

“Whether or not shipping will decarbonize is no longer a debate,” Irigoyen said. “The question is rather how quickly we can get our collective act together, and which supply chain actors and nations will be poised to harness the vast business opportunity this transition represents.”

Not everyone is fully celebrating this development, however.

Though Stand.Earth and Pacific Environment commended the coalition for taking important carbon-reducing steps, the environmental nonprofits, which lead the Ship It Zero coalition, believe stronger action is needed. The groups applauded the ambition statement’s positive points, including that companies will ensure that fossil-derived hydrogen and liquified natural gas do not meet their zero-carbon fuel criteria. Calling for mandatory government policy is also needed, they added.

Ship It Zero, a campaign urging 2030 zero-carbon commitments for major maritime shippers, takes issue with the lack of specific actions companies outlined to curb shipping pollution “today, tomorrow, or throughout our most decisive decade on climate action,” it said. What’s more, the coalition criticized the network for addressing climate pollution without stipulating “parallel commitments to ending air pollution from ocean shipping, including sulfur oxide, nitrous oxide, and particulate matter pollution.”

“Today’s pledge is an important guidepost for the future of maritime shipping, but 2040 is simply too distant a horizon for the retail sector to address the enormous health and climate impacts from its cargo ships,” Kendra Ulrich, shipping campaigns director for Stand.earth, said. “If major retail brands truly want to do their fair share on climate change, they need to be on a course correction now, not 19 years from now. Cleaner shipping solutions already exist, and major retail brands like Amazon and Ikea must champion them."

Though Madeline Rose is "thrilled" by the network's "historic commitment," the Pacific Environment's climate campaign director believes the roadmap "does not go far enough."

"We're asking Big Retail to be first movers in shipping's clean energy transition—not just float along—which means a 2040 target date is not sufficient," she said. "We're shocked to see that Walmart, the single-largest maritime importer to the United States, did not join today's commitment. Where are Walmart, Target, Home Depot, Lowes, and many leading maritime importers as documented in our Shady Ships report?"

For Dawny'all Heydari, a Ship It Zero campaign lead at Pacific Environment, the network's plan of attack fails to "address our current port pollution crisis."

"Right now, due to COVID-19 and holiday-related trends, an unprecedented number of fossil-fueled cargo container ships await entry into ports, harming frontline communities and our climate with deadly air pollution and greenhouse gases," Heydari said. "We need companies to take accountability now—by committing to 100 percent zero-emissions ocean cargo shipping this decade."

Source: sourcingjournal.com– Oct 19, 2021

HOME

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LA Port Blasts 'Lazy' Crane Operator Report as 'Inaccurate Characterization'

The supply chain backlogs that have dominated the past year stem from myriad factors, like unprecedented e-commerce demand, foreign factories' summer shutdown, tight shipping capacity and the global port congestion. These problems are keeping container shipments anchored at sea for days on end.

But now, there's a new source of blame: so-called lazy crane operators. And one major port under attack has already fired back at the work-ethic accusations.

A report from conservative political publication The Washington Examiner described the crane operators at the Ports of Los Angeles and Long Beach as "lazy, prone to long lunches and quick to retaliate against complaints," detailing conversations with six anonymous truck drivers near the Long Beach entry route who were unhappy with the slow pace of the teams working there.

One truck driver interviewed, referred to as "Antonio" said, "In 15 years of doing this job, I've never seen them work slower. The crane operators take their time, like three to four hours to get just one container."

The report indicated that truckers who specifically complain about waiting for shipping containers to be loaded onto their trucks are often kicked out of the ports by police or banned from returning altogether.

The drivers in the report levied accusations that crane operators would sometimes even skip them to work on someone else, or that entire crews would go to lunch at once. Both scenarios exacerbate wait times.

"They leave for two hours, and you are stuck with no one there," one trucker, identified as "Brian," said. None of the truckers interviewed for the story provided a last name out of fear of reprisal, the Examiner said.

The publication also interviewed labor consultant Jim Tessier, who represents dock workers in disputes against the International Longshore and International Warehouse Union (ILWU).

"What you are talking about is perfectly described behavior," Tessier said of the crane operators. "This is all a reflection of the management they have down there, the inmates run the asylum. The managers are all afraid to say anything because the operators are so powerful they get management fired if they don't like them."

Phillip Sanfield, director of media relations at The Port of Los Angeles, told Sourcing Journal that the Examiner report was "an inaccurate characterization," saying that the gateway "believes the women and men of the ILWU, which includes crane operators, are among the hardest-working people in the nation."

"They've been on the job, day in and day out, since the onset of the pandemic," Sanfield said. "The Port, largely due to the efforts of the dockworkers, have moved record amounts of cargo. In fact, this year, the Port of Los Angeles will move more cargo than any other Western Hemisphere port has ever done."

The Port of Long Beach didn't immediately respond to Sourcing Journal's request for comment.

"In addition to the work taking place at the Port of Los Angeles, the Ports of Long Beach, Oakland, and the Northwest Seaport have also broken records throughout the summer and continue today to move cargo as quickly as the off-port supply chain will allow," Jennifer Sargent Bokaie, communications director of ILWU Coast Longshore Division, said in a statement. "As you can imagine, ILWU dockworkers are extremely proud of these accomplishments and their contributions to keeping our economy strong and nation moving forward."

West Coast ports lag Asia's productivity

Whether these reports are accurate or exaggerated by disgruntled truck drivers, recent IHS Markit data did indicate that productivity issues have hampered top North American ports. In fact, major ports examined across Asia can load or unload a container more than twice as fast as their North American counterparts in Los Angeles, Long Beach and Vancouver, taking an average of 27 seconds compared to 76 seconds on large call sizes, IHS Markit said.

As a result, the average anchorage time in North America is 24 hours, compared to just two hours in Northeast Asia.

Due to the lagging productivity, more ships need to fully anchor at the ports, stalling the entire process altogether. More than 40 percent of ships at the three major North American West Coast ports must anchor before loading or unloading cargo. This compares to 26 percent of vessels in Southeast Asia, 23 percent in Northern Europe and only 12 percent in Northeast Asia.

Everstream Analytics also backed this up, reporting that on average in September, vessels waiting at the Ports of Los Angeles and Long Beach idled for 12-13 days. Meanwhile, China's Yantian and Ningbo, two ports that temporarily closed this summer amid coronavirus outbreaks, had an average wait time of only three days.

Of the 91 container ships in-port at the Ports of Los Angeles and Long Beach on Friday, 62 were stuck at anchor or in holding areas, according to the Marine Exchange of Southern California.

Beyond the allegations against the employees, the Examiner report pointed to a lack of available chassis at the ports where cargo containers could be loaded up before truckers haul them away. While the truck drivers say they are making the same number of trips as previous years, for some reason, chassis are in short supply for those that don't own one, and they wait for returns to come in.

Could slow working pace render 24/7 hours moot?

The sluggish pace at the ports captured the attention of the Biden administration, which established a task force in June to address the supply chain disruptions and named a port envoy two months later. The administration persuaded the Los Angeles-Long Beach ports to shift their operations to a 24/7 schedule so trucks can access the facilities around the clock and alleviate some of the congestion.

But despite the schedule expansion, one trucker quoted in the Washington Examiner report said that this won't make a serious impact since crane operators work even more slowly at night.

"Compared to all the other years, they are definitely [working] slower now. I wait at least three hours every single day," said the trucker, identified as "Oscar."

Oscar said he makes port trips twice a day to pick up shipping containers full of electronics, which are dropped off in the greater Los Angeles area in a 10-hour process. He also told the Examiner that each terminal has two cranes to load cargo, but he's never seen both operating at once.

"They have to hire extra men to work the cranes and don't want to do it," Tessier said. "There are a lot of things [terminal operators] could do but don't do because it costs extra money. Shows how concerned they are about their customers."

Source: sourcingjournal.com– Oct 18, 2021

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Is Eco-Labeling Scheme Guilty of Greenwashing?

The European Commission plans to slap a sustainability label on every garment and shoe by 2023. A new coalition of industry groups argues that the "incomplete" scheme could contribute to fashion's greenwashing problem.

While the Product Environmental Footprint (PEF) is meant to encourage consumers to make eco-friendlier choices at the point of purchase, the suggested methodology is narrowly drawn and doesn't account for critical environmental considerations, claims Make the Label Count, an initiative whose roster includes Australian Wool Innovation, the Campaign for Wool, Changing Markets Foundation, Cotton Australia, Fibershed, the International Sericultural Commission, the International Wool Textile Organisation and the Plastic Soup Foundation.

Because the framework doesn't account for the benefits of using renewable and biodegradable fibers or the effects of microplastic pollution, Make the Label Count said, fossil-fuel-derived synthetics such as polyester score as "greener" than their natural counterparts. Not only does this risk misleading customers about the impacts of their products, the campaign said, but it could also erode the system's credibility and undermine the European Union's overall sustainability goals.

"The EU's labeling initiative is likely to set a global standard and could deliver great environmental outcomes if the PEF methodology is amended. It's important to act now and get it right to help establish the system's credibility and ensure well-intentioned consumers are not misled," the group wrote in a report summing up concerns about the campaign. "We owe it to the planet to produce sustainable clothing, and we owe it to consumers to make sure they know how sustainable that clothing is—and the label on their products needs to reflect that."

The European Commission proposed the scheme in 2013 as a way to provide a standardized means of measuring and validating environmental claims, creating a "level playing field" for competition between products made in different member states. PEF, which uses life-cycle assessments to crunch its numbers, has to date identified 16 environmental categories in its methodology, including ozone depletion, human toxicity, land use and resource depletion. The idea is to translate this data into a consumer-facing label that uses red, yellow and green “traffic lights” or an A to E grading scale to present an at-a-glance measure of a product’s environmental burden.

But relying on LCAs already puts natural and petroleum-based fibers on uneven footing, Make the Label Count said. PEF’s analysis of synthetic fibers begins at extraction at the wellhead, rather than during raw material formation. In contrast, all the impacts of creating natural fibers are “fully taken into account,” including greenhouse-gas emissions and land and water use.

“Given that textile fibers often show the greatest lifecycle impacts during the fiber formation stage, this limitation of PEF magnifies the inequity between products made from natural and fossil fuel-based fibers,” the coalition said. “It’s impractical to capture and account for the ancient environmental impacts of forming crude oil, so methodology improvement is needed to enable equitable comparison of fiber types.”

Make the Label Count asserts that natural fibers, which are grown or raised on farms, are inherently circular, yet their scores don’t reflect this. Instead, non-biodegradable fibers are “not penalized for continually adding solid waste to the world’s landfills and further releasing microplastics to the soil, oceans and air,” it said.

A representative from the European Commission admitted there was “still a long way to go” before a final PEF framework is released into the wild. “We have identified room for improvement along all the phases for the circular economy for design,” Paola Migliorini said at a panel marking the launch of Make the Label Count on Wednesday. She added that the “landscape of challenges” is complex, as is the “landscape of solutions.” PEF also has to come together with the EU Strategy for Sustainable Textiles to “enhance the coherence of all the measures that we have” and provide greater clarity.

The debate over PEF is reminiscent of the controversy over the Sustainable Apparel Coalition’s Higg Materials Sustainability Index, which Australian Wool Innovation, the International Sericultural Commission and others have criticized in the past for rating polyester, acrylic and polyurethane more highly than silk, wool and cowhide in terms of environmental impact. The SAC, which leads the technical secretariat facilitating industry alignment on PEF, responded by retiring the aggregated single score in favor of a more holistic consideration of a material’s use and end of life. The discussion also raised questions about the adoption of LCAs, which are often precise in scope, yet are frequently extrapolated to draw generalized conclusions.

Meanwhile, LCAs on textiles and clothing don't typically include the use phase of the value chain, which is "half of the problem," said Ingun Grimstad Klepp, a research professor at Consumption Research Norway, at the same panel. "If you have a labeling system, three things have to be there for it to be a functional system. First of all, it has to be known. Second, it has to be trusted. And third, it has to be fair, it has to do the job. It looks like PEF is failing on these three things, especially the last two ones. If PEF launches as it looks like today, it's going to be the greatest greenwashing system on Earth."

Livia Firth, creative director of sustainability consultancy Eco-Age, said that building a label on "misinformation and skewed science" at this point would be "unforgivable," particularly if it incentivizes fast fashion's model of quantity over quality and trendiness over longevity.

"It could potentially unleash billions more items made of non-biodegradable petrochemical plastic polymers onto a patchy global waste system that is already unable to cope," she said at the panel. "But it goes further than that. These decisions scale: they affect where investment goes. ESG funds so badly needed to help tackle the climate crisis could end up underpinning more pollution. These decisions also have a bearing on millions of lives in the cotton fields of the global south for example."

If the industry makes a mistake on the labels by not "following the science," Firth added, then it loses its "moral authority" to combat other forms of greenwashing.

"There is an epidemic of greenwash in our industry. Overclaims on sustainability will damage all of us because we will simply fail to deliver on cuts we need to ensure a livable planet," she said. "Making the label count is a wider issue than jostling for customer attention, or trying to latch onto an enthusiasm for sustainable fashion. It is about linking this garment to the science and protocols that will deliver us a livable planet. There is that much at stake."

Source: sourcingjournal.com– Oct 18, 2021

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Industrial units in Vietnam's HCM City hit by labour shortage

Several Vietnamese industries, especially labour-intensive ones like textile, garments and leather, are likely to face a labour shortage when they resume operations after the pandemic gets over. A survey covering 300 companies in early September found that only about 40 per cent of their workers wanted to return to work when the city reopened on October 1.

Many even planned to return after the Lunar New Year in early February next year, the survey by the Ho Chi Minh City Union of Business Associations (HUBA) found.

According to the city's department of labour, invalids and social affairs, more than half a million migrant workers left the city for their hometowns after the city eased lockdowns, a Vietnamese newspaper reported.

Before the pandemic, the city had nearly 4 million labourers at more than 286,000 businesses, including 320,000 in export processing zones, industrial parks and a high-tech park. Garment and textile workers have also shifted to other industries in recent years, leaving the sector with a shortage of at least 10 per cent, said Nguyen Thi Thuy, vice president of the Vietnam Textile and Apparel Union.

The shortage has increased to 30 per cent from October 1 as workers left the city, stayed at home to look after children since schools are closed or tested COVID positive or are in quarantine. Thuy hoped the industry would be able to hire workers from now since many service businesses are still closed and would not be competing for labour.

However, when the economy fully recovers, it is going to be difficult for the textile industry to attract workers. Companies that employed a few hundred workers without labor contracts and did not pay social insurance would have difficulty resuming production, Thuy said.

But foreign-owned enterprises would not have this problem since they have excellent HR policies that foster employee loyalty, he added.

Source: fibre2fashion.com– Oct 19, 2021

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BGMEA seeks duty benefits from EU for 12 years after LDC graduation

After Australia, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has urged the European Union (EU) to continue its trade benefit for Bangladesh for 12 years after the country's graduation from LDCs in 2026. The extension will help Bangladesh in making smooth transition from LDC and preparing to face post-graduation challenges, as per BGMEA.

In a recent meeting with the ambassador of the European Union to Bangladesh Charles Whiteley in Dhaka, BGMEA's president Faruque Hassan shared the achievements of Bangladesh's RMG industry in workplace safety, environmental sustainability and workers' wellbeing, the association said in a media release.

Hassan also thanked the EU for its move to remove 7.4 per cent import-share threshold from the GSP-plus vulnerability criteria, as the step will pave the way for Bangladesh to apply for GSP-plus benefit after its LDC graduation.

Additionally, the BGMEA president sought cooperation of the EU in developing capacity of the students of BGMEA University of Fashion and Technology (BUFT) in textile, apparel, fashion and business through collaboration with leading EU universities.

Source: fibre2fashion.com– Oct 20, 2021

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Pakistan: Value-added textile sector demands ban on cotton yarn export

The value-added textile sector has demanded an immediate ban on cotton yarn export and total elimination of the regulatory duty on import of raw material.

Addressing a press conference, Mian Kashif Zia, zonal chairman of Pakistan Hosiery Manufacturers and Exporters Association (PHMA), said that value-added textile sector was playing a key role in creating job opportunities and therefore the government must resolve its issues on priority basis.

Atif Munir Sheikh, president Faisalabad Chamber of Commerce and Industry (FCCI), said that despite 80pc extra production of cotton, we were facing a cotton shortage of 35-45pc and to fulfill this gap, we would have to import cotton. He demanded that the government must clamp a ban on export of cotton yarn and lower the regulatory duty on its import to zero. He said that we would have to depend on 70pc imports for our exports as we are playing at 30-70pc.

He said the sector was indebted to the government that had cleared Rs275 billion refunds of the last 11 years. However, it was a demand of the sector that the government should ensure availability of raw material at reasonable rates.

Shahzad Azam Khan, central chairman PHMA, said the real economic strength of Pakistan was its well-developed textile sector and the government must ban yarn export to provide cotton yarn to the domestic textile sector.

Waheed Khaliq Ramey, Chairman Power Looms Owners Association, Arif Ihsan Malik Central Chairman All Pakistan Bedsheets and Upholstery Manufactures Association (APBUMA), Chaudhry Muhammad Nawaz of All Pakistan Cotton Power Loom Association, Shakeel Ansari of Sizing Association, Shafiq Rafi of All Pakistan Textile Processing Mills Association and Syed Zia Alumdar Hussain also spoke on the occasion.

Source: dailytimes.com.pk- Oct 19, 2021

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India, Israel agree to resume negotiations on FTA from next month

Discussions around the FTA have been going on between the two sides for more than a decade

India and Israel on Monday agreed to resume negotiations on a Free Trade Agreement (FTA) from next month as the two sides are confident to conclude the long-pending deal by June next year. "Our officials have actually agreed on the resumption of the India-Israel free trade negotiations starting in November. They are very confident that we would be able to conclude the negotiations by next June," External Affairs Minister S Jaishankar announced after he met Alternate Prime Minister and Foreign Minister Yair Lapid.

Discussions around the FTA have been going on between the two sides for more than a decade but it is the first time that a definite deadline has been set, providing seriousness to the process. Several announcements on the issue have been made by the two sides over the years but the agreement has remained elusive. On his part, Lapid also stressed that the FTA will be "finalised as fast as we can" in the interest of both the countries and business communities.

"I am looking forward to deeply strengthening friendship between our countries," he said, describing India as "one of our most, not only a strategic partner but also a friend." "We see India as an important ally for many years," Lapid stated. "India also brings new opportunities for cooperation." The two ministers also discussed further cooperation in the areas of water and agriculture.

Israel has also joined the International Solar Alliance (ISA), a global initiative that India has spearheaded, with Jaishankar and Israel's Energy Minister Karine Elharrar signing on the agreement. "First of all let me say what a great pleasure it is to see Israel joining the international solar alliance. I think you bring a lot of value to the table and as we approach COP 26, it is very important in our growing agenda and green road, green economy," Jaishankar said.

“We understand that only a global action will succeed in addressing the climate crisis securing the future of our children and our loved ones,” Elharrar said after signing the MoU. “Joining the ISA, along with over 80 countries that are blessed with sunlight and are advancing solar energy, will allow Israel to contribute and gain from the global battle against climate change and promote solutions together for a greener future,” Elharrar said.

Israel’s former prime minister Benjamin Netanyahu in November last year had said that his country is a partner to India in its quest for less carbon and less pollution while attending a digital conference of the ISA at the personal invitation of Prime Minister Narendra Modi.

ISA, seeking to harness the power of the Sun to control pollution and lessen carbon footprint, is an initiative of Prime Minister Modi and is said to have already brought about 80 countries into its fold. In order to ease travel between the two countries amidst the COVID pandemic, India and Israel have also agreed to mutually recognise vaccination certificates.

Israel and India helped one another during the COVID-19 pandemic, Lapid said. “That is how friends and partners act.”

Jaishankar, who arrived here on Sunday on his maiden visit to the country, would also call on President Isaac Herzog and Prime Minister Naftali Bennett. He will also be holding talks with leading academics from all over Israel, business community leaders and interacting with the Indian Jewish community.

Jaishankar will also be visiting places of historical significance to India, demonstrating its long-term presence in the region and constructive role played in shaping the history of the region.

India and Israel elevated bilateral relations to a strategic partnership during the historic visit of Prime Minister Narendra Modi to Israel in July 2017.

Since then, the relationship between the two countries has focused on expanding knowledge-based partnership, which includes collaboration in innovation and research, including boosting the ‘Make in India’ initiative, the Ministry of External Affairs said in a statement ahead of his departure.

Source: financialexpress.com– Oct 18, 2021

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India's goods exports rise 40.5% to $15.3 billion during Oct 1-14

Imports during the half-month period grow 60.72% to $14.8 b

India's goods exports posted an increase of 40.5 per cent to $15.13 billion during October 1-14, 2021 (year-on-year) led by increase in outbound shipments across sectors, including petroleum products, according to preliminary data shared by the Commerce & Industry Ministry.

Imports during the period grew by 60.72 per cent to $14.82 billion, led by petroleum, as per the data released on Monday.

"Export excluding petroleum oil and lubricant (POL) has also increased in this period by 29.56 per cent over same period of 2020-21," according to the Ministry. This indicates that exports have increased in other sectors too, apart from POL. Imports excluding petroleum, too, increased 57.33 per cent over same period of 2020-21.

In line with target

Growth in India's goods exports in the first half of October is in line with the 57.33 per cent increase in exports posted in the April-September 2021 period to $197.89 billion. The exports carried out in the first six months of the fiscal is almost half of the ambitious export target of $400 billion set by the Commerce & Industry Ministry for 2021-22.

The target of $400 billion, though steep when compared to 2020-21 exports of $291 billion, may be reached if growth continues to stay on track, say experts. Last fiscal, exports took a hit and declined by about 7 per cent compared to 2019-20 as Covid-19 disruptions affected both production and orders.

Source: thehindubusinessline.com– Oct 18, 2021

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Textile Ministry proposes grading system to select entities for PLI benefits

The draft guidelines suggest a point-based system with criteria including employment generation, location, financial and technological soundness

The Textile Ministry has proposed a grading system to select entities for the ₹10,683 crore Production Linked Incentive scheme for man-made fibre (MMF) and technical textiles sectors giving preference to manufacturers who generate higher employment, locate in smaller cities, are financially sound, have relevant experience & technical capacity and are ready to invest in integrated production rather than in single segment.

In the draft guidelines for the scheme, that will be formalised after comments are received from all stakeholders, the Ministry has also assured that in case minimum threshold of turnover for incentive is not achieved in a particular year by participants, they will lose out on incentives in that particular year but will not be restricted from claiming incentive in the subsequent years, if they meet the eligibility criteria.

"The PLI scheme for the technical textiles and MMF (man made fibre) segment has been notified but the guidelines are important, as they map out all the nuts and bolts of the scheme that the industry needs to be aware of before applying. The grading system can play a crucial role in case the number of applicants is more than the allocated sum," a person tracking the matter told BusinessLine.

The Union Cabinet had cleared the much-awaited PLI scheme for the textile industry last month to promote the production of high-value MMF fabrics, garments, and technical textiles. The government hopes it will lead to fresh investment of more than ₹19,000 crore, a cumulative turnover of over ₹3 lakh crore, additional direct employment of 7.5 lakh and indirect employment of several lakhs more.

Grading system

Under the grading system, a maximum of 80 points can be scored by an aspirant. An applicant can score as much as 15 points for providing jobs to over 10,000 persons while points for employing 500-5,000 workers and between 5,000-10,000 workers is 5 and 10 respectively.

A business can score up to 10 points for both sound finances and relevant experience & technical capacity. Investing in ‘aspirational districts’ and Group C towns as designated by Housing Ministry can fetch up to 15 points. Single segment investment can earn an applicant 5 points whereas investing in integrated weaving and processing or fabrics and garmenting can double those points to 10.

“The idea is to promote those investments that generate the maximum employment and create economic activity in smaller towns while being financially and technologically sound,” the official explained. The selection committee will be chaired by Secretary Textiles and will have representatives from Niti Aayog and the DPIIT.

The Centre also wants to build in some flexibilities into the scheme to ensure that economies of scale don’t get lost. For instance, the plant, machinery and equipment of the project approved under the scheme can also be used for producing goods not notified under the scheme. Use of associated utilities is also permitted for an existing manufacturer, in case new investments are made. However, investment already made shall not be counted under the scheme.

Participant company can set up more than one unit for production of notified products provided they declare this along with their applications, per the draft guidelines.

The PLI scheme for textiles is part of the overall announcement of PLI schemes for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of ₹1.97 lakh crore.

Any entity willing to invest a minimum of ₹300 crore in plant, machinery, equipment and civil works (excluding land and administrative building cost) shall be eligible to apply for participation in first part of the scheme. The successful candidates will earn an incentive of 15 per cent of turnover the first year and thereafter, one per cent lower every year for the next four years provided incremental turnover is reached.

In the second part, the minimum investment limit is lower at ₹100 crore, while incentives, too, are lower, starting at 11 per cent in the first year.

Source: thehindubusinessline.com– Oct 18, 2021

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India, EU discuss steps to operationalise decision to resume negotiations for trade pact

India and the European Union on Tuesday discussed steps to operationalise the decision of their leaders to resume negotiations for a trade agreement and also launch talks for a stand-alone investment protection pact.

At a meeting of the third India-EU Strategic Partnership Review in Brussels, the two sides also discussed the launching of negotiations on a separate agreement on geographical indications, the Ministry of External Affairs said in a statement.

India and the EU also exchanged views concerning best ways to join forces in tackling the COVID-19 pandemic and its effects on economies, societies as well as individuals.

Following the India-EU Leaders' Meeting of May 8, 2021, which set a clear path for further deepening ties between India and the EU, the meeting allowed for a comprehensive review of the strategic India-EU partnership, guided by the 'India-EU Strategic Partnership: A Roadmap to 2025', the MEA said.

The discussions focused notably on cooperation in addressing the challenges of climate change, biodiversity loss and pollution, and contributing to the success of the upcoming Climate COP26, it said.

India and the EU also discussed next steps to operationalise the decision of Indian and EU Leaders to resume negotiations for a "balanced, ambitious, comprehensive and mutually beneficial trade agreement", the MEA said.

They discussed launching negotiations on a stand-alone investment protection agreement and on a separate agreement on geographical indications, it said.

The two sides also discussed the next steps on the implementation of the India-EU Connectivity Partnership which was agreed at the May 2021 Leaders' Meeting. India and the EU further discussed ways to further cooperate in the areas of research, technology and digital transformation, as well as continued implementation of the Common Agenda on Migration and Mobility, the statement said.

Recalling the successful 9th India-EU Human Rights Dialogue in April 2021, India and the EU looked forward to the next edition of the Dialogue in 2022, the MEA said.

The meeting was co-chaired by Reenat Sandhu, Secretary (West), Ministry of External Affairs and Helena König, Deputy Secretary General for Economic and Global Issues, European External Action Service.

Source: economictimes.com– Oct 19, 2021

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India, Israel, US and UAE agree to establish joint economic forum

External Affairs Minister S Jaishankar and his counterparts from Israel, the US and the UAE have agreed to establish a forum for economic cooperation at a quadrilateral meeting during which they discussed possibilities for joint infrastructure projects in the fields of transportation, technology, maritime security, and economics and trade.

Jaishankar, who is currently on a five-day visit to Israel, was accompanied by his Israeli counterpart Yair Lapid, during the virtual meeting on Monday. US Secretary of State Antony Blinken and United Arab Emirates Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan participated virtually as the four leaders also exchanged views on shared issues of concern in the region.

"The ministers decided to establish an international forum for economic cooperation, said a statement issued by the Israeli Foreign Ministry after the meeting.

It said the four ministers held a discussion on possibilities for joint infrastructure projects in the fields of transportation, technology, maritime security, and economics and trade, as well as for additional joint projects.

At the end of the conversation, it was decided that each minister will appoint senior-level professionals to a joint working group that will formulate options for cooperation in the areas identified by the ministers, the statement said.

The intention is to hold an in-person meeting of the ministers in the coming months at Expo 2020 in Dubai, the statement said.

"I think the word we're looking for here is synergy, because this is what we're going to try and create starting with this meeting. Synergy that will help us work together on infrastructure, digital infrastructure, transport, maritime security and other things that preoccupy us all, Israeli Foreign Minister, who initiated the meeting during his visit to Washington, said at the start of the meeting Monday evening.

"The key to success is how quickly can we move from government-to-government' to business-to-business'? Lapid said. How quickly can we turn this into a working process that will put boots on the ground, changing infrastructure around the world.

Jaishankar described the meeting as fruitful and said they discussed working together more closely on economic growth and global issues. Agreed on expeditious follow-up," he said in a tweet.

"I think it is very clear that on the big issues of our times we all think very similarly and what would be helpful would be if we could agree on some practical things to work upon," he said.

Meanwhile, an article in the Jerusalem Post newspaper pointed out that there are economic and defence industry advantages to the new ties and the ability to synergise the network of ties between Washington, Jerusalem, Abu Dhabi and New Delhi.

"That means that the whole can be more than the sum of its parts, it said.

Citing the growing power of near-peer rivals such as Russia and China, as well as regional states that oppose US policy, such as Iran and Turkey, the article said That may be where the US-UAE-Israel-India connection comes together most of all, in presenting a moderate alternative to the aggressive extremist and authoritarian countries.

Source: business-standard.com– Oct 19, 2021

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Nomura India Business Resumption Index rises to an all-time high

It hit 108.8 for the week-ending October 17 from 105 in the prior week

The Nomura India Business Resumption Index rose to an all-time high of 108.8 for the week ending October 17 from 105 in the prior week (pre-pandemic level=100), with a broad-based rise across most sub-components.

Mobility indices rose sharply ahead of the festive season. The Apple driving index jumped 14.1 percentage points (pp) over the week, while Google workplace and retail & recreation indices rose by 2.7 pp and 3.1 pp, respectively.

The labour participation rate rose to 41.6 per cent from 40.4 per cent, while power demand fell 1.7 per cent w-o-w (sa) after rising 0.3 per cent in the prior week.

Pace of vaccination falls

The pace of vaccination has fallen in October, but India will cross the milestone of administering one billion vaccine doses this week. About 20.5 per cent of the population is fully vaccinated and 50.4 per cent have received at least one dose, which is enabling reopening and has boosted mobility. With domestic flights allowed to operate at full capacity from today, the transportation sector should get a further boost.

“Even as demand is recovering, supply bottlenecks have emerged as a bigger constraint. Coal shortages are resulting in supply disruptions to non-power customers, while chip shortages have hurt passenger vehicle sales during the festive season. As supply struggles to tango with demand, we see higher inflation as a bigger risk,” Nomura said.

Source: thehindubusinessline.com– Oct 18, 2021

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Rising commodity prices to push CAD to 1.3% or $40 billion this fiscal, report says

Rising global commodity prices, led by crude, coal and metals, will shave a lot off the current account leading to higher imports and a rise in current account deficit, which is likely to print at 1.3 per cent of the GDP or USD 40 billion, up from 0.9 per cent surplus last fiscal, according to a brokerage report.

However, the report, by the Wall Street major Bank of America Securities, said the balance of payments (BoP) is strong enough to defend any US Federal Reserve taper impacts on the rupee and the bond yields even though the BoP peak is history now.

Given the sharp increase in global commodity prices, particularly oil, concerns about current account deficit (CAD) and its serviceability have resurfaced. Potential taper by the Fed has only added to these jitters. “But, we see FY22 CAD at 1.3 per cent of GDP or USD 40 billion, up from a 0.9 per cent surplus in FY21, but still well-contained under the threshold of 2.5 per cent of GDP,” BofA said on Tuesday.

On the other hand, capital account surplus is expected to rise despite moderating foreign inflows and a steady FDI on account of other sub-components faring better in FY22 than in FY21, it adds.

The June 2021 quarter current account balance was surprised with a larger-than-expected surplus of USD 6.5 billion or 0.9 per cent of GDP, led by a lower trade deficit, higher-than-expected private income transfers and lower-than-usual investment income outflows.

Capital account also saw robust inflows of USD 25.8 billion and accordingly, the BoP surplus for Q1 rose sharply to USD 31.9 billion, from a small USD 3.4 billion surplus in the March 2021 quarter.

“Despite this solid start to FY22, we believe the peak BoP surplus is behind us and going forward, trade deficit and, therefore, CAD to rise sharply as domestic demand continues to recover. Imports are also expected to rise due to higher global prices, particularly oil,” it added.

Supported strongly by other flows, the capital account is set to end the year with a surplus of USD 93 billion in FY22, up from USD 64 billion in FY21.

While FPI inflows are expected to moderate given already-rich equity market valuations and expectations of policy normalisation, FDI inflows are expected to stay robust.

Yet, BoP surplus will moderate to USD 53 billion in FY22 from USD 87 billion in FY21, while the basic balance (CAB and net FDI) is likely to come in close to zero as CAD gets largely offset by steady FDI inflows.

With forex reserves already up USD 60 billion this year so far, including the USD 17.9 billion special drawing rights (SDR) allocation in August, the full-year BoP surplus is seen at USD 53 billion.

Stating that they don't see any fundamental reason for the rupee to depreciate, the report said the external position is significantly in better shape than in 2013, the potential US Federal Reserve taper is unlikely to exert any serious and sustained pressure on the rupee.

Moreover, the USD 640 billion of forex reserves can cover 13 months of imports. At the current level, forex reserves stand at 22 per cent of the GDP now versus 15 per cent in 2013.

Source: financialexpress.com– Oct 19, 2021

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Reshaping supply chains: Vietnam takes the lead, but India positioned well for a larger role: Kearney's Viswanathan Rajendran

India can play a significant role in reshaping supply chains and could contribute more than $500 billion annually to the global economy by 2030, according to a report put out recently by global consulting firm Kearney, together with the World Economic Forum (WEF).

Observing that the pandemic had led to a colossal shift within the manufacturing and supply chain sector globally, the report said the situation has paved the way for India to potentially become a global manufacturing hub. The country has three key assets to capitalise on this unique opportunity: a significant domestic demand potential, the government's drive to encourage manufacturing, and a distinct demographic edge with a large working-age population. These factors will position India well for a larger role in global value chains (GVCs), it added.

The white paper aims to serve as a framework for deliberations and action in the manufacturing ecosystem. It presents five ways India can realise its manufacturing potential and build a thriving manufacturing sector.

These five solutions are coordinated action between the government and the private sector; shifting focus from cost advantage to building capabilities; reducing trade barriers and enabling competitive global market access; reducing the cost of compliances and ease of doing business, and environmental sustainability driving the transition in GVCs.

Releasing the report, Viswanathan Rajendran, Partner, Kearney, said: "A thriving manufacturing sector could potentially be the most critical building block for India's economic growth and prosperity in the coming decade. The Covid-19 pandemic prompted global corporations to rethink their supply chains. This rebalancing of global value chains presents India's government and business leaders with a unique opportunity to transform and accelerate the trajectory of the manufacturing sector and transform India into a global manufacturing hub."

In an interaction on the findings of the report, Viswanathan Rajendran spoke to ET Online about the key obstacles India needs to address soon. Edited excerpts:

Economic Times (ET): After Covid, as GVCs and global markets are increasingly showing interest in investing in the China-plus-1

strategy, do you think India's manufacturing ecosystem is geared up to rise to the occasion?

Viswanathan Rajendran (VR): The US-China trade wars led to a decline in China's manufacturing exports to the US. In 2018, China held a 65% share of US imports from Asian low-cost countries (LCCs). By Q4 2019, China's share had dropped to 56%–a significant drop within the course of a year. Of the $31 billion that shifted from China to other Asian LCCs in 2019, almost half (46%) was absorbed by Vietnam, a fourth (27%) by Malaysia, and only 10% moved to India.

The Covid-19 crisis is potentially a catalyst to further accelerate this trend. One outcome of the crisis has been an accelerated rebalancing of supply chains, with organisations looking to build a resilient and diversified manufacturing footprint. Japan has already earmarked $2.2 billion to help its manufacturers shift production out of China. Companies across the US, Europe and South Korea are looking to diversify their footprint as well.

It would be fair to say that India mostly missed the benefits of the 2018-2019 shift out of China–with Vietnam capturing most of those flows. However, from a long-term view, India has an excellent window of opportunity to better capitalise on the ongoing shift.

When analysed by sector, the Indian manufacturing ecosystem's competitiveness could be viewed in four distinct clusters: sectors where our manufacturing ecosystem is already globally competitive, and well geared up to rise to the occasion, such as pharma, specialty chemicals, agrochemicals, gems & jewellery; sectors where the PLI (production-linked incentive) schemes are now creating an advantageous position for Indian manufacturers, such as mobile phones, electronics, technical textiles; sectors where underlying structural issues (infrastructure, regulation, cost of compliance, etc.) will need to be resolved for our industry to emerge as globally competitive, such as apparel, defence, industrial equipment; and sunrise sectors where India can compete for an early mover advantage, such as green technologies, new mobility.

ET: In terms of reducing the cost of compliances and ease of doing business on the ground, do you think India is now doing a satisfactory job vis-à-vis its peers?

VR: In an absolute sense, we have improved considerably in recent years. Between 2016 and 2020, India jumped from 130th to 63rd position on the World Bank's Ease of Doing Business Index. The country has been one of the top 10 improvers for three consecutive years and has made notable progress in four of the index's 10 parameters: dealing with construction permits (from a ranking of 183 in 2016 to 27 in 2020), trading across borders (from 133 to 68), resolving insolvency (from 136 to 52) and getting electricity (from 70 to 22).

However, the journey is far from over. In some ways, the path forward is tougher than the journey of the past five years. A lot of the action in recent years has been top down and driven by a very well-coordinated set of actions by the central government.

However, for us to gain a meaningful competitive edge in the global marketplace, we need a continued push to further reduce the cost of compliance and improve ease of doing business. Recent estimates suggest that between central and state regulations, as many as 1,536 acts apply to companies, generating 69,233 compliances and around 6,000 filings. For labour alone, companies often maintain 42 different registers, with another five or six for wages.

A mid-sized company will potentially deal with between 5,000 and 10,000 compliances each year, while a small firm — with one factory and up to 500 employees - must have approximately 23 licences, must abide by over 750 compliances and must submit roughly 120 filings a year. This administrative maze comes with a heavy cost burden, with last-mile inspections being a significant source of unpredictability and disillusionment for businesses.

Along with the simplification of the compliance framework itself, India will also need a change in attitudes and mindsets at the ground level — especially regarding last-mile inspections and approvals by the on-ground bureaucracy.

ET: The Kearney-WEF study calls for formalising MSME firms. Among MSMEs, micro firms account for over 99% of the total, said the Annual Report of the Ministry of MSME 2018-19. Micro enterprises also generate 97% of the employment in the MSME sector. This means micro firms have failed to grow into smaller and medium firms over time. Do you think India is on solid footing now to change that?

VR: MSMEs are the backbone of the Indian economy. India has traditionally placed substantial emphasis on a strong and thriving micro, small and medium enterprise (MSME) sector. Given India's substantial population, MSMEs are a critical priority and should continue to be a focus for future policymaking.

However, India's next wave of manufacturing growth will increasingly need to be driven by large and mid-sized companies. To date, India has lacked global magnitude, indicated by its showing in the Fortune 500 list. Despite having the sixth largest manufacturing output in the world (at about 3%), India lags several other nations, including smaller countries such as the Netherlands and Switzerland, on the Fortune 500 listing, with only seven large global-scale companies. This is particularly true for private-sector manufacturing. Of the seven Fortune 500 companies in India, four are oil and gas enterprises, one is a public-sector bank and only two are manufacturers (Tata Motors and Rajesh Exports).

Large, global-scale corporations can help India compete better on the global stage, with a better ability to innovate, automate and maintain quality standards. Large corporations can be engines of economic growth and job creation and can provide an umbrella for the scaling of thousands of MSMEs. The auto industry in India is a classic example where select large OEMs have helped catalyse a vibrant MSME ecosystem.

With this context, India really needs dedicated policy attention to grow large companies. As an extreme example, China leads the Fortune 500 listing with 124 companies, with 82 of these being state-owned enterprises that enjoy considerable policy and administrative support. While the China model of state ownership is an outlier, the learning for India could potentially be that focused government support can help larger companies grow faster, gain competitive advantage, create jobs and kick-start a positive economic cycle.

In summary, the government should continue its current focus on helping the MSME sector formalise, scale and evolve. However, what we really need as a new pillar in Indian policymaking is a dedicated focus on supporting our large corporations. The PLI schemes mark a welcome step in this direction and are already delivering substantial results in sectors like mobile phone manufacturing. A continued portfolio of initiatives to further support our large corporations could definitely provide a direct — and, so far, under-explored — boost to the MSME sector.

Source: economictimes.com– Oct 18, 2021

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'It's time for businesses to relook at supply-chain operations to consider resultant risks arising from disruptions'

India can use its seasoned IT service providers to take up new and exciting roles to provide tech-led procurement services, according to Singapore-based business leader Girija Pande.

Improving logistics, sourcing and procurement are major focus areas of the Indian government and third-party logistics is expected to grow 8 per cent CAGR (compound annual growth rate) during 2021-25, Pande told PTI on Sunday.

Highlighting some trends in the sector, he said, "Resilience and sustainability of supply chains is a matter that is engaging urgent attention of political and business leaders in all major economies."

"The supply chain industry is transforming by diversifying supply sources, going beyond China, until now a clear choice of most as a manufacturing hub of the world," Pande said adding "this is an opportunity for India and other countries as the next potential source of supply."

Three major global trends impact global supply chains today, Pande, Chairman of Apex Avalon Consulting in Singapore, pointed out.

These include the impact of pandemic, impact of geopolitical rivalry playing out between China and the US and increasing impact of climate change, he explained.

The global push for all round sustainability is clearly enshrined under three popular ESG goals: environment, social and governance themes, he said.

These trends will force businesses to take a harder look as to how companies organise themselves to effectively source and procure their supplies, specifically, select suppliers who will survive this coming disruption to future proof their supply chain to become resilient and sustainable, he observed.

"This in turn requires a very different approach to organising a company's sourcing and procurement organisations," suggested Pande, who was earlier the President of Tata Communications Services for Asia Pacific.

Currently, he said, many global and regional companies tend to favour large, centralised procurement functions which can be better monitored as well as provide business with cost efficiencies involved in company-wide purchasing.

Many have regional procurement hubs that source from varied regional suppliers with whom they have built long-term relationships, observed Pande, noting that the major concern in the industry is around lowering costs while maintaining standards and reliability. "In the world of ‘just in time' inventory, this has worked well."

However, in the new world impacted by scourge of geopolitics, pandemic and sustainability, the procurement and logistics will become very difficult to manage. He said, "Instead of just in time, very often it may become just in case!”

Pande elaborated with questions. "Are the in-house procurement organisations ‘fit for purpose' in a future world with these triple supply chain challenges? Can we envisage specialised companies or vendors that are solely tasked with successfully navigating such changed environments? These specialised entities will then handle procurement functions for many organisations using specialised skills, scalable processes and state-of-the-art tech platforms to improve transparency in procurement: See better, buy better!"

The task of the procurement function within large organisations will then be of a much higher order of supervising these specialised buying entities, holding them to set metrics rather than handling both short-term procurement operations and trying to create a resilient and sustainable supplier base for their organisations. "In the new world, this may be the way forward," Pande pointed out.

The tasks that these specialised procurement vendors will focus on will be four-fold: using their preferred bulk buying position to drive price-effectiveness across multiple companies, leverage diversified supplier base, providing digitalisation platform as a service, embedding ESG framework as part of procurement services, the veteran business consultant said.

Increasingly, such specialised vendors are becoming more prominent. Some are being carved out of existing procurement organisations, for instance, said Pande, citing the example of Chain IQ in Zurich a spinoff of UBS Bank which decided to outsource its procurement and sourcing functions by creating a neutral entity.

In some cases, large IT/business process outsourcing (BPO) vendors such as IBM and Accenture have taken on this task in addition to their existing services; or, as in the case of Indian procurement vendors like GEP and WNS Holdings, tech-focused companies setup by procurement specialists, he said.

Indian tech giant WNS is among heavyweights with solutions in the global market. Many of these entities provide some or all the above tasks and many have, often, in-sourced procurement staff from customers in a BPO deal that benefit both, according to Pande's observation.

Pande suggested, "It's time for businesses to comprehensively re-look at their supply chain operations to consider resultant risks arising from triple disruptions that lie ahead. The winners will be those that take heed and restructure early."

Source: economictimes.com– Oct 17, 2021

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Stalin deputes Ministers to ensure development work in districts

They will monitor the implementation of welfare schemes

Chief Minister M.K. Stalin has named a few Ministers as in-charge to speed up development work, to monitor the implementation of welfare schemes and to coordinate relief measures during natural disasters in 16 districts across the State.

While Minister for Municipal Administration K.N. Nehru would be in-charge for Salem district, Cooperation Minister I. Periyasamy would be in-charge for Theni district.

Minister for Public Works E.V. Velu would look after Tirupattur and Kallakurichi districts, an official release said.

The other Ministers who have been named in-charge for various districts are: Agriculture Minister M.R.K. Panneerselvam (Dharmapuri), Revenue Minister K.K.S.S.R. Ramachandran (Tenkasi), Industries Minister Thangam Thennarasu (Ramanathapuram), Minister for Rural Industries T.M. Anbarasan (Kancheepuram), Transport Minister R.S. Rajakannappan (Tirunelveli), Food Minister R. Sakkarapani (Tiruvarur), Electricity Minister V.Senthilbalaji (Coimbatore), Minister for Handlooms and Textiles R. Gandhi (Krishnagiri), Minister for Backward Classes Welfare S.S. Sivasankar (Perambalur), School Education Minister Anbil Mahesh Poyyamozhi (Thanjavur) and Minister for Environment Siva.V. Meyyanathan (Mayiladuthurai and Nagapattinam).

Source: thehindu.com– Oct 20, 2021

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Cotton growers seek 50% more than MSP

Farmers fear prices may drop post-Diwali, want cover for low yield

Even as prices of raw cotton (kapas) are ruling far higher than the minimum support price (MSP) fixed by the Centre for this year, rates in different agricultural markets across the country are hovering over ₹7,500 a quintal. The rates are ruling high on demand for the natural fibre increasing in the global market.

Low output, supply

Against the MSP of ₹6,025 (long staple) and ₹5,726 (medium staple) a quintal, the modal price (rate at which most trades took place) of raw cotton was quoted at ₹7,400 at the Khammam (Telangana) marketyard on Monday with quality offerings fetching as high as ₹7,711. In other markets too, rates were higher than ₹7,300.

Fully pressed bales of quality cotton were traded at ₹63,600 a candy (356 kg) in Raichur, Karnataka, on Monday. The kapas or raw cotton prices were traded at ₹8,300 per quintal in the Raichur region, where there's good quality arrivals.

In Gujarat, the Shankar-6 variety, a benchmark for exports, ruled at ₹60,500-61,000 per candy. On Intercontinental Exchange, New York, cotton futures ruled at 105.76 cents a pound (₹63,025 a candy). Prices are at 10-year high on lower production, restricted supply and supply issues.

Despite these developments, farmers in Telangana and Gujarat are demanding 50 per cent more than MSP. "We demand ₹9,000 as per the recommendations of Prof. M S Swaminathan panel's recommendation. We have submitted a memorandum to the Cotton Corporation of India, demanding a higher price," Shobhan Mood, Joint Secretary, Telangana Rythu Sangham, told BusinessLine.

S Malla Reddy, a leader of All-India Kisan Sabha (AIKS), said high prices will not sustain after Diwali. "Currently, arrivals are very low at about 5,000 bags a day. When arrivals surpass 20-25,000 bags a day after two weeks, prices will drop," he said.

The area under cotton has dropped sharply in Telangana this year. From about 24.30 lakh hectares (lh) last year, the area has dipped to 18.60 lh, far lower than the State Government's target of 28.30 lh.

Gujarat situation

Farmers in Gujarat are more concerned about the crop condition following the recent monsoon-related floods and water-logging. The crop condition in key-growing regions of Saurashtra and North Gujarat remains a cause of concern. "The yield has slipped from an average 100-120 kg per acre by more than half to around 40-50 kg. With such a reduced yield, we don't find even the current rates of around ₹7,500 a quintal as remunerative," said Vitthal Dudhatara, a farmer leader from Saurashtra.

Though cotton production will be hit due to recent rains, the output will increase in the long-term, trade sources said. The cotton industry expects cotton picking to increased to three or four from the earlier 2-3 pickings. "With recent rains in part of Maharashtra and Telangana, arrivals of quality kapas or raw cotton are yet to pick up from those regions, while the demand from mills is on the rise. As a result, most of the mills are buying from regions around Raichur," Ramanuj Das Boob, a sourcing agent for both domestic mills and multinationals, said.

Maharashtra procurement

Cotton procurement in Maharashtra will start on November 1. Even as farmers are expecting high prices for the produce, market observers said that the quality of cotton that will come to the market this season might not match the normal standards.

Agriculture analyst Sominath Gholwe said that cotton cultivation in Maharashtra has been hit by pink bollworm and red bugs. "Cotton cultivation this season has dipped in Maharashtra. More and more farmers have turned to soya cultivation. Also, chana cultivation has gone up," he said. According to the State government, cotton sowing in the current kharif season was done on 39.37 lakh hectares compared with 42.08 lakh hectares last season.

Source: thehindubusinessline.com– Oct 19, 2021

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Inverted duty correction: Synthetic textile prices will surge, says Gujarat body

With a unified goods and service tax (GST) rate on textile products set to kick in from January 1, 2022, Gujarat-based textile industry fears that synthetic textile prices would surge by nearly three times.

The GST Council, at its Lucknow meeting on September 17, has decided to impose 12% GST on all textile products except cotton to correct inverted duty structure in the sector. The new rates will be effective from January 1, 2022.

Currently, man-made fibre-based textile value chain is witnessing 5-18% GST rate at different levels. GST rate is 18% on mono-ethylene glycol (MEG) and purified terephthalic acid (PTA), 12% on polyester partially-oriented yarn (POY) and 5% on grey fabric, finished fabric and garments. This has led to a tax structure where the rate on inputs is higher than that on the outputs, leading to inverted duty structure.

Experts have pointed out that correction of inverted duty will lead to seamless input tax credits, making the impact benign on the entire value chain.

Biggest impact of the proposed change in tax structure would be on man-made fibre-based textile value chain, mainly developed in Surat and South Gujarat region, claimed Ashish Gujarati, president of South Gujarat Chamber of Commerce & Industry (SGCCI).

“We want the GST council to rethink its decision. The new slab suggested by the council would directly affect the prices of yarns as well as the weaving process. Besides, prices of other petroleum-based raw materials. Overall cascading impact would finally be on the end users,” Gujarati said.

Recently SGCCI delegation met Gujarat’s Chief Commissioner of GST who is also member of GST Council’s fitment committee. In the representation, SGCCI said that due to proposed uniform tax rates, the government’s GST revenue wouldn’t increase much but the end-users will end up paying more.

According to Bharat Gandhi, president, Federation of Indian Art Silk Weaving Industry (FIASWI), people working in the synthetic textile value chain could hardly understand the GST structure implemented from July

2017. Now the government is again coming up with further changes to the tax structure which is going to enhance production cost, Gandhi said.

Not only synthetic fabric segment, uniform tax rate would adversely affect hundreds of embroidery units also, apart from silk fabric makers. Already embroidery units are forced to increase job-work rates by 10% in view of inflated rates of petroleum products, coal and packaging materials, said Hitesh Bhikhadia, president of Embroidery job-work association in Surat.

With nearly 30 million metres of raw fabric and 25 million metres of processed fabric, Surat commands a 45% share in synthetic textile produced in India. Directly and indirectly, the synthetic textile value chain right from spinning, weaving, processing and garmenting provide job opportunities to more than two million people. Nearly 300 textile markets in the city provide employment opportunities to another half a million people.

Source: financialexpress.com– Oct 20, 2021

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India imposes definitive ADD on arylide imports from China

India's department of revenue under the finance ministry recently imposed definitive anti-dumping duty (ADD) on arylide imports from China. Laxmi Organics Industries—the sole producer of arylides in India—had filed a petition seeking an anti-dumping probe on such imports from the Asian giant. The Central Board of Indirect Taxes and Customs (CBIC) issued a gazette notification announcing the development.

The ADD on arylides—aceto acetyl derivatives of aromatic and heterocyclic compounds—will last for five years.

The revenue department imposed a definitive ADD of 24.79 per cent of cost, insurance and freight (CIF) value in the case of arylides produced by Qingdao Haiwan Speciality Chemicals and 26.64 per cent of CIF value in the case of arylides produced by Nantong Acetic Acid Chemical.

For all other producers and exporters from China, the definitive ADD has been pegged at 44.90 per cent of CIF value of imports.

Industries like paper, plastic and textiles use arylides in production of pigments, dyestuffs and printing inks. These intermediates are used primarily in manufacturing pigment yellow, acid yellow, pigment orange and pigment red for inks and dyes.

The period of investigation was from April 1, 2019, to March 31, 2020. The injury investigation period covered 2016–17, 2017–18, 2018–19 and the period of investigation.

Source: fibre2fashion.com– Oct 19, 2021

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SME Chatroom: 'IGST refund rules for exports by EOUs need to be reviewed'

Q. We are an EOU, exporting our goods through Chennai Customs. We pay IGST on all our imported inputs and do not claim GST refund on any goods procured from domestic sources. When we export on payment of IGST, the Customs are refusing the refund on the ground that we have imported our capital goods without IGST payment. Is their stand correct?

Rule 96(10)(b) of the CGST Rules, 2017 says that the person claiming IGST refund should not have availed the benefit of notification 78/2017-Cus dated October 13, 2017, that covers imports of capital goods and inputs by the EOU without IGST payment, and also the benefit of notification 79/2017-Cus dated October 13, 2017, that covers imports of inputs under advance authorisation and imports of capital goods under EPCG authorisations by DTA units without IGST payment. However, the said Rule 96(10)(b) has an exception, in the sense that the refund is not to be denied where the person claiming refund has imported capital goods without IGST payment under the EPCG scheme.

A similar dispensation should have been made available to the EOUs. I think it is a drafting flaw that the exception does not cover import of capital goods without IGST payment under the notification for the EOU scheme also. In my opinion, the Chennai Customs are reading the provisions strictly, taking undue advantage of the flawed wording of Rule 96(10)(b) of the CGST Rules, 2017, and seeking to deny refund. You should take up the matter with the CBIC through your Export Promotion Council and get Rule 96(10)(b) suitably amended. Since that may take time, a quick clarification from CBIC will help avoid unnecessary litigation.

Q. Our overseas buyer is proposing 20 per cent advance payment and the balance against shipping documents, but he wants a third party to pay the 80 per cent balance. Is this allowed?

Para A3(v) of the RBI Master Direction no.16/2015-16 dated January 1, 2016 (as amended), on Export of Goods and Services deals with payment from a third party against exports. It does not deal with a situation where part payment is to be received from a third party. In my opinion, that does not mean such an arrangement is not allowed, so long as the other conditions mentioned in Para A3(v) are fulfilled.

Q. Are we required to submit copies of our shipping bills or bills of export to banks after every shipment?

No. In case of exports through non-EDI Customs stations, one copy of the shipping bill marked “Exchange Control (EC) Copy”, duly endorsed by the customs, must be submitted to the AD bank within 21 days from the date of export. However, where the shipments are made through EDI Customs stations, the EC copy of the shipping bill is not printed in terms of CBEC’s Circular No. 55/2016-Customs dated November 23, 2016, and data of the shipping bill is integrated with EDPMS, there is no requirement of submission of the EC copy of the shipping bill with the AD bank.

Source: business-standard.com– Oct 19, 2021

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Cotton association lowers current season's crop estimate

The Cotton Association of India (CAI) has lowered its final estimate for the crop for the current season by 1.5 lakh bales to 353 lakh bales of 170 kg each. Its earlier figure was 354.50 lakh. CAI has maintained its crop assessment for the northern zone at the same level as the month before at 65.50 lakh bales. The estimate for the central zone has been reduced by 2.50 lakh bales to 191 lakh.

For Gujarat, there is a reduction of 2 lakh bales in the estimate while that for Maharashtra has been reduced, too, by 0.50 lakh bales compared to the previous estimates of these states. The estimate for southern zone has been increased by 1 lakh bales to 91.50 lakh. Karnataka and Tamil Nadu may see an increase in yield by 0.50 lakh bales each.

The total supply estimated by CAI for the entire cotton season, up to September 30, 2021, is 488 lakh bales. This consists of the opening stock of 125 lakh, cotton crop for the season estimated at 353 lakh and imports estimated at 10 lakh. Further, the CAI has estimated the domestic consumption for the entire crop year up to September 2021 to be 335 lakh bales, an increase by 5 lakh.

CAI has increased exports for the season by 1 lakh to 78 lakh bales from its previous estimate based on the feedback received from its exporter members. The cotton export figure arrived by the CAI is higher by 28 lakh bales from the previous year's cotton exports estimate of 50 lakh bales.

The carryover stock at the end of the season i.e as on September 30, 2021, is now estimated at 75 lakh bales.

Source: financialexpress.com– Oct 20, 2021

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E-way bill generation moderates; pick-up likely before Diwali

Daily e-way bill generation was at 24.2 lakh for the week ended October 10, 17.65% higher than the daily average for the week ended September 12. Between October 1 and 17, as many as 3.7 crore e-way bills were generated.

Daily e-way bill generation for goods transportation under the Goods and Services Tax (GST) system came in at 21.14 lakh for the week ended October 17, 12.6% lower than the daily average for the previous week, reflecting a reduction in dispatches due to Dussehra holidays.

However, the daily average for the first 17 days of October at 21.74 lakh was still 2.4% higher than the same for the first 19 days of September.

"Dispatches were more for the week ended October 10 keeping in mind the Dussehra holidays in the week ended October 17. With dispatches set to pick up now ahead of Diwali on November 4, I expect October e-way bill generation will be the highest monthly generation in 2021," All India Transporters Welfare Association (AITWA) joint secretary Abhishek Gupta told FE.

Daily e-way bill generation was at 24.2 lakh for the week ended October 10, 17.65% higher than the daily average for the week ended September 12. Between October 1 and 17, as many as 3.7 crore e-way bills were generated.
Thanks to the easing of lockdowns, e-way bill generation by businesses rose to 6.79 crore in September from 6.59 crore in August and from 6.42 crore in July. It was 7.12 crore for March, before the second wave of Covid-19 hit economic activities.

Higher e-way bills generation is reflected in higher GST revenues. GST collections came in at `1.17 lakh crore in September (largely August transactions), up 23% on-year and 4.5% on-month, signalling a sustained pick-up in trade and commerce.

Source: financialexpress.com– Oct 19, 2021

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Monetary policy enters difficult grounds

RBI must appropriately communicate its demand-condition readings; analysts are differing significantly with it

So, RBI has a difficult job at hand—try to convince markets and bring them around to its assessment of the output gap. It needs to clarify better than it has in the statement and post-policy conference.

Gauging the strength and durability of demand recovery from the pandemic depths is challenging central banks the world over. Even those with singular data on unemployment permitting multidimensional insights are prone to misgivings due to distortions induced by the pandemic, unsure of their protraction, and wary of unknown ones. Most worry about erring on the side of caution, preventing policy adjustment in line with evolving recoveries; others with lesser capacities are compelled by the lack of choice.

Unlike markets and analysts who tend to be surer, central banks are more persuaded to wait, watch and confirm the early rebounds will not dissipate. The understanding of macroeconomic conditions is tougher because of sudden shortages, bottlenecks, supply chain breakages and unstable new formations, geopolitical obstructions, jump in energy costs and other prices; such troublers increase apprehensions about more in the offing. Informed guesses on the clearing of supply issues are speculations at best. As result, no central bank is able to assess demand with sufficient confidence, usually possible for monetary policy in normal upswings.

Viewed in this light, Indian monetary policy is possibly at an inflection point in more ways than apparent from the start of liquidity normalisation announced by RBI on October 8. A quarter ago, the dominating apprehension was of igniting inflation from several sources within ultra-loose monetary conditions (bit.ly/2XpIVar). The anticipated pressures did not materialise however, creating doubt if demand was correctly assessed. In fact, the pendulum swung to the other side—either demand was deeply depressed or the output gap was more enlarged than believed before (bit.ly/2Z1iGrX).

This evolution, reflective of similar challenges faced elsewhere, is now critically poised: Lurking in the background of gradual normalisation of surplus liquidity is the precise state of demand.

In its policy review, RBI made it clear that halting the GSAP did not mean a steep reduction in liquidity and assured a gradual, non-disruptive rowing to the ‘visible shore’. The central bank also retained its accommodative stance for as long as necessary to revive and sustain growth on a durable basis and mitigate the Covid-19 impact upon the economy, while ensuring inflation remains within target ahead.

There’s a noticeable segregation RBI has made between repatriation of excess liquidity and standard monetary policy or interest rate changes. Some might draw a parallel with the US Federal Reserve, which successfully delinked its asset purchase rollback from interest rate increases, with the latter still distant at this point. The similarity is irrelevant to the policy discourse, but the distinction is not. Central to this is the size of the output gap, and differing assessments of RBI and those of the markets and analysts. If there was a tussle between the two on inflation readings not so long ago, that is now about the demand gap and speed of its closure.

Markets and most analysts believe the output gap is closing very quickly, way beyond the expected speediness; therefore, inflation risks cannot be ignored and RBI would be falling behind the curve if it does not begin to normalise monetary policy along with liquidity, which has a long way to go given the size of surplus. Most think the policy rate should be raised sooner than presently communicated by RBI; else, the fast-recovering demand could override the gap. In other words, liquidity normalisation alone is not sufficient to dispel the inflationary risks.

Obviously, these beliefs are at variance with the central bank’s view, which it has communicated and acted upon through decoupling the excess liquidity removal from interest rate adjustments. RBI’s attempt is to remove the excess liquidity impact upon interest rates through normalising the former without any change in the policy rate. But the markets are driven by demand optimism. Therefore, their ‘policy’ expectations could push up interest rates beyond what the central bank desires or comfortable with.

Is RBI right or the markets are? There is ambivalence on the central bank’s part: its 9.5% GDP growth projection is unchanged with a steep, 40 basis point reduction in the annual inflation forecast, but the actions suggest either it is unsure of or not fully convinced the recovery is securely rooted after exit from the pandemic. When asked about this disparateness in the post-policy call, the RBI Governor noted there was unevenness; growth, he said, was nowhere near desired levels, the slack or the output gap persisted, and RBI was looking for signs of its resilience and entrenchment. In an earlier speech, Deputy Governor Patra had stated the output gap was bigger this year than the preceding one.

The output gap is very subjective; potential output, from which it is derived, is not directly observed. RBI never specifies this exactly. And analysts have their own respective estimates of potential output. The interpretation of the output gap therefore becomes very important at this stage, especially in times such as emergence from a pandemic-caused recess and even more so in countries like India that have no rigorous or timely data on unemployment. It is possible to logically say in the same breath that four-fifths of India's workforce is engaged in the informal sector and we know nothing about its condition!

So, RBI has a difficult job at hand—try to convince markets and bring them around to its assessment of the output gap. It needs to clarify better than it has in the statement and post-policy conference. Otherwise, the brimming demand optimism could overwhelm the liquidity withdrawal effect on interest rates prematurely and prevent the central bank from remaining accommodative for as long as it judges is necessary.

The idea of going gung-ho on growth optimism all around is leading to ebullient market expectations about strength of the recovery. It has repercussions in creating a conflict for the central bank, which too cannot easily hold its 9.5% real GDP forecast and at the same time say that growth is very fragile, requires support. Or that the output gap is very large. Settling this conflict is the inflection point for monetary policy. Not an easy task by any means. Ask any central bank.

Source: financialexpress.com– Oct 20, 2021

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Cotton windfall for farmers, sells at high of Rs 8K/quintal

The "white gold" is paying dividends to cotton growers in the state as private players have started purchasing the produce way above than the Minimum Support Price (MSP) fixed by the government this season.

Farmers are fetching around Rs 8,000 per quintal, which is an all-time high price for the crop and is much higher than the MSP of Rs 6,025.

Jatinder Singh, secretary, Indian Cotton Association Limited, Bathinda, said: "The price of cotton is continuously on the rise and the main reason is its huge demand and less supply."

Experts claim the private players are buying cotton due to a sizable increase in the demand at the international level. They are getting good rates internationally and are also learnt to be storing the stocks to sell later, expecting a rise in prices.

Agricultural expert Dr Paramjit Singh Brar said the depleting stocks and increasing demand for cotton not only in India but also in countries like China and Bangladesh, which are international hubs of the textile sector, had led to the encouraging situation. "The reopening of textile industries, which were closed for a long time due to the pandemic, enhanced the demand for cotton supply," he said. Competitive bidding among private players is another reason for its high price.

The global prices of cotton have shot up since September in view of the consumption being higher than the production. "There is good demand from spinning mills as yarn rates have also been leapfrogging. The gradual opening of markets in the US and Europe and increase in retail business has led to good demand for yarn exports from India," Dr Brar said.

He said projections of lower output in the next cotton crop in major cotton-producing nations, including the US and Brazil, as farmers were planning to shift to maize and soybeans, which had given better returns, had also supported domestic prices.

Source: tribuneindia.com– Oct 16, 2021

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India's coal crisis hits textile processing units in Surat

The coal crisis in the country has hit the textile processing units in Surat hard. Nearly 400 units in this southern Gujarat city, employing close to 500,000 people, plan to cut down production from next month because of rising coal prices.

Industry executives said an increase of nearly 50% in costs of colour and other chemicals in the past two months has added to the woes of textile processors.

The processors are importing coal from Indonesia, prices of which have shot up to Rs 18,800 per tonne from Rs 5,000 per tonne a few months ago. Lignite coal production in the country has been affected due to the monsoon, which is why the units are now depending on imported coal to meet 80-90% of their requirement.

The system involves the weavers selling grey cloth to textile wholesalers who then send it to the mills for dyeing, printing and finishing. The boilers in dyeing and printing units generate steam using coal.

"We will have to bring down our production if the cost escalates in a spiralling manner. To begin with, units will work five days a week, as against six days a week, from next month," Jitendra P Vakaharia, president, South Gujarat Textile Processing Association, told ET. "The processors will meet again on October 23 to take stock of the situation and decide future course of action."

The processing units in Surat are major suppliers of cotton and rayon textiles across India. They process the raw fabrics and send them to the textile wholesalers. In Surat alone, there are nearly 60,000 textile wholesalers.

Pramod Chaudhary, chairman of Pratibha Group of Industries, said the cost of production has gone up 25-30% following the increase in coal prices. Rising freight cost has added to the production cost.

"Prices are continuously moving up, with little respite. We do not see the situation normalising before February," said Choudhary.

Textile processors are also discussing the price rise with textile wholesalers. “The following five months is the peak period for demand. So we have to be cautious too while increasing prices so that it does not impact demand,” said Chaudhary.

The processors feel that if prices of coal do not cool off before Diwali then they will be forced to close down the units for a month. “We are in a spot now. If we keep the mills running, we will have to face huge losses daily. If we keep the mills closed, we will have to spend a huge amount to restart the machines. The migrant workers will also leave, creating a short supply in the workforce,” said Chaudhary.

Source: economictimes.com– Oct 19, 2021

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Kerala's growth prospects, a long-term view

The recent decision of Kerala's home-grown garment manufacturer Kitex Garments Ltd to shift investment from Kerala to Telangana gave raise to two divergent views on the economic development strategy suitable for the States. Since Kerala is endowed with rich environmental capital, the first view is that a heavy industrialisation strategy is not ideal for it. The second view is that Kerala needs to catch up with other industrialised States.

What does the long-term economic development trajectory of Kerala reveal about the approach it could follow towards economic development? To answer this question, we examined Kerala's long-term economic growth performance compared to comparable States — Andhra Pradesh (+Telangana), Gujarat, Karnataka, Maharashtra, Rajasthan, and Tamil Nadu — under three growth phases.

The first phase was from 1980-81 to 1986-87 when Kerala's economy was going through a phase of economic stagnation (Phase 1). The second phase starting from 1987-88 to 2001-02, is when the State economy grew moderately (Phase 2). This was followed by the third phase, when the State witnessed accelerated economic growth from 2002-03 onwards (Phase 3).

Growth performance

The growth rate of Kerala's Gross State Domestic Product (GSDP) increased consistently from 1.85 per cent in Phase 1 to 5.84 per cent in Phase 2 to 6.97 per cent in Phase 3. Though this development record is encouraging, a comparison of Kerala's economic growth performance with other States reveals two areas of concern.

First, in all three phases, Kerala's economic growth rate was the lowest or second-lowest among all the comparable States. Second, in Phase 3, Kerala experienced the lowest percentage points (pp) increase (1.13) in the growth rate compared to Phase 2 (3.99 pp), implying that a significant acceleration in economic growth has occurred in Kerala during Phase 2. Hence, Kerala needs to find new growth sources to overcome growth saturation and accelerate economic growth.

The agriculture sector seems to be one potential target area. Except farm sector, all the other sectors have contributed to the improved economic growth of Kerala over time. Barring Phase 2, the growth of the agriculture sector was negative in Kerala. Notably, the agriculture sector growth in Phase 3 was significantly lower than comparable States and the national average of 4.53 per cent.

Currently, Kerala's agriculture sector faces several challenges. They mainly include the predominance of smallholders, the declining area under cultivation, falling productivity, and low capital formation.

Kerala has tremendous potential in high-value-added crops such as fruits, plantation crops, organic products, and medicinal plants. To fully explore this potential, the State needs to adopt modern farming practices such as contract farming, electronic trading, and farmer producer companies need to be promoted. The State's current agricultural development strategy relies heavily on government support. The State's potential can be explored better if the private sector is provided adequate opportunity to develop the agriculture sector.

The services sector has been a major source of growth for Kerala. Kerala's economy has undergone a significant structural transformation over time, with the growing dominance of the services sector. Between Phase 1 and 3, a substantial portion of the decline in the agriculture share in Kerala's GSDP has been made up by an increase in the share of the services sector.

During the same period, the State has witnessed the second-largest increase in the share of the services sector in GSDP among the comparable States. In phase 3, Kerala had the highest services sector share (51.72 per cent) in GSDP, which is significantly higher than the all-State average (40.95 per cent) and comparable States.

However, one major area of concern is that the services sector growth in Kerala is fuelled by low value-adding and non-exportable services such as real estate, public administration, transport and communication. Importantly, despite being a leader in educational and health attainment, Kerala is yet to become an IT software powerhouse like her neighbours.

Therefore, the State needs to create an eco-system conducive to the growth of high-value-adding services such as IT software, financial services, and luxury tourism. Kerala's tourism potential remains underutilised. Within IT software, Kerala should strive to move up the value chain and become a leader in high-value-added services such as engineering and research and development and software products. With its high human development index and quality of life, Kerala is well placed to attract the best brains to pursue this ambitious goal.

Push investment

Contrary to popular perception, the industrial and manufacturing sectors have witnessed consistently higher growth of over 6 per cent in Kerala during Phase 2 and 3 compared to less than 1 per cent recorded during Phase 1. However, compared to other States and all-States average (ranging from 6-8 per cent), the growth of these sectors has been lower. This suggests that Kerala lags behind other States in industrial development but, on its own, performed reasonably well.

Though Kerala's industrial backwardness has been attributed to structural factors such as heavy labour unionisation, investment unfriendly image and hostile attitude of civil society towards private investment, the fact remains that promoting industrialisation through a large factory set up is not feasible in Kerala due to non-availability of a vast tract of land and concerns regarding environmental degradation. Therefore, the promotion of Micro, Small, and Medium Enterprises seems to be the best option for Kerala to industrialise.

Finally, for higher economic growth, Kerala needs a massive push in investment spending. Gross fixed capital formation (GFCF), an indicator of the level of investments in the economy, declined consistently from 2.06 per cent of state GSDP in Phase 1 to 1.52 per cent in Phase 2 to 1.09 per cent in Phase 3. Among the comparable States, investment in Kerala has been the lowest in all the phases of growth.

An analysis of CMIE data on investment projects reveals that during the 10 years from 2011 to 2021, Kerala received only 0.63 per cent of private investment projects completed in India, which is much lower than the top performing States — Gujarat (13.39 per cent) and Maharashtra (11.99 per cent).

The fact that all the comparable States have recorded higher economic growth rates than Kerala over time underlines the importance of investment in fuelling economic growth.

Source: thehindubusinessline.com – Oct 18, 2021

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