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INTERNATIONAL NEWS

High freight rates cast a shadow over economic recovery

The recovery of the global economy is threatened by high freight rates, which are likely to continue in the coming months, according to UNCTAD's Review of Maritime Transport 2021 published on 18 November.

UNCTAD's analysis shows that the current surge in container freight rates, if sustained, could increase global import price levels by 11% and consumer price levels by 1.5% between now and 2023.

"The current surge in freight rates will have a profound impact on trade and undermine socioeconomic recovery, especially in developing countries, until maritime shipping operations return to normal," said UNCTAD Secretary General Rebeca Grynspan.

"Returning to normal would entail investing in new solutions, including infrastructure, freight technology and digitalization, and trade facilitation measures," she said.

What triggered the spike in freight rates and costs?

Demand for goods surged in the second half of 2020 and into 2021, as consumers spent their money on goods rather than services during pandemic lockdowns and restrictions, according to the report. Working from home, online shopping and increased computers sales all placed unprecedented demand on supply chains.

This large swing in containerized trade flows was met with supply-side capacity constraints, including container ship carrying capacity, container shortages, labour shortages, continued on and off COVID-19 restrictions across port regions and congestion at ports.

This mismatch between surging demand and de facto reduced supply capacity then led to record container freight rates on practically all container trade routes.

For example, the Shanghai Containerized Freight Index (SCFI) spot rate on the Shanghai-Europe route was less than $1,000 per TEU in June 2020, jumped to about $4,000 per TEU by the end of 2020, and rose to $7,395 by the end of July 2021. On top of this, cargo owners faced delays, surcharges and other costs, and still encountered difficulties to ensure their containers were moved promptly.

Everyone is affected, but not equally

The impact of the high freight charges will be greater in small island developing states (SIDS), which could see import prices increase by 24% and consumer prices by 7.5%. In least developed countries (LDCs), consumer price levels could increase by 2.2%.

Supply chains will be affected by higher maritime trade costs. Low-value-added items produced in smaller economies, in particular, could face serious erosion of their comparative advantages.

In addition, concerns abound that the sustained higher shipping costs will not only weigh on exports and imports but could also undermine a recovery in global manufacturing.

The report says sustained high rates are already affecting global supply chains, noting that Europe, for example, has been facing shortages of consumer goods imported from Asia such as home furnishings, bicycles, sports goods and toys.

According to the report, a surge in container freight rates will add to production costs, which can raise consumer prices and slow national economies, particularly in SIDS and LDCs, where consumption and production highly depend on trade.

The high rates will also impact on low-value-added items such as furniture, textiles, clothing and leather products, whose production is often fragmented across low-wage economies well away from major consumer markets; the UNCTAD predicts consumer price increases of 10.2% on these.

The analysis further predicts a 9.4% increase in rubber and plastic products, a 7.5% increase for pharmaceutical products and electrical equipment, 6.9% for motor vehicles and 6.4% for machinery and equipment.

The impact of the high freight rates will not be evenly spread, even within Europe, and will be generally greater in smaller economies.

It is suggested that prices would rise by 3.7% in Estonia and 3.9% in Lithuania, compared with 1.2% in the United States and 1.4% in China. This differential also reflects a greater “import openness”, the ratio of imports to GDP, which is typically higher in smaller economies.

Manufacturers in the United States rely mainly on industrial supplies from China and other East Asian economies, so continued cost pressures, disruption and delays in containerized shipping will hinder production, according to the report.

A 10% increase in container freight rates, together with supply chain disruptions, is expected to decrease industrial production in the United States and the euro area by more than 1%, while in China production is expected to decrease by 0.2%.

UNCTAD emphasizes that transport costs are also influenced by structural factors, including port infrastructure quality, the trade facilitation environment and shipping connectivity, and there is potential for significant improvements.

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Source: fibre2fashion.com– Nov 18, 2021

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Buy American waiver process to incentivise domestic production: NCTO

The Biden administration has launched a new database and waiver process for government contract solicitations made under the Buy American Act to effectively allow US companies competing for government contracts to review submissions for waivers under the Buy American law.

National Council of Textile Organizations (NCTO) has hailed the decision and expects it to help incentivise domestic textile production while stimulating more investment in US manufacturing.

This new process will require federal agencies to enter proposed non-availability waivers into a digital portal for review by the Made in America Office (housed within the Office of Management and Budget), before an agency can grant a waiver to foreign entities bidding for a government contract.

It will be a helpful tool that will provide transparency to the solicitation process and give US textile companies and the larger public the ability to provide feedback on proposed waivers, as well as completed waivers.

“The US textile industry has been a staunch, long-term supporter of buy American rules for federal procurement. From the standpoint of US national security, it is essential that America have vibrant manufacturing supply chains that can rapidly and effectively respond to critical demands in times of crisis.

Whether it is from a military defence perspective or in relation to a healthcare emergency, such as the current COVID pandemic, the US should never be reliant on offshore sources for vital materials needed to keep our citizens and nation safe,” said NCTO president and CEO Kim Glas in a statement.

The current law has a waiver mechanism that allows the federal government to purchase goods made by major global competitors in the textile and apparel sector when a mission-critical product is not made in the United States or available at a reasonable cost.

“Now, the administration’s new waiver process and database will provide more transparency in the US government procurement process, which will only stand to benefit US textile companies, who can use the information to better understand potential business opportunities and work to provide American-made products,” Glas added.

“We believe it is critical that taxpayer dollars are used to invest in American manufacturing and our workforce. This new process is a positive step in supporting our industries and workers,” Glas concluded.

Source: fibre2fashion.com– Nov 19, 2021

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US-Vietnam trade likely to hit $100 bn in 2021

US-Vietnam trade turnover this year is expected to reach $100 billion, increasing by more than 200 times compared to 1995, a recent forum on bilateral trade promotion was told. Bilateral trade has increased from just $451 million in 1995, when Vietnam and the United States normalised diplomatic ties, to $90.8 billion in 2020, said Hoang Quang Phong, vice chairman of the Vietnam Chamber of Commerce and Industry (VCCI).

The first eight months of this year saw bilateral trade gross $73 billion, said Phong.

Despite the global supply disruption caused by COVID-19, many US businesses have stepped up negotiations to invest in Vietnam's manufacturing and processing, clean energy, aviation, healthcare, pharmaceuticals among other areas, according to a report in a Vietnamese newspaper.

Vietnam is the 10th largest trading partner of the United States, with its exports increasing by 230 per cent over the past five years. Meanwhile, the United States is the largest trading partner of Vietnam, with its exports also soaring by more than 175 per cent in the said period.

However, experts at the forum warned that the United States is tending to increase protection through new regulations and standards on food safety, product origin and quality, barring Vietnamese exports. In addition, most of Vietnamese exports to the United States are raw items.

The experts suggested that businesses increase deep processing and meet requirements on origin of production materials, to avoid trade defense lawsuits.

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China-Africa trade up by 38.2% YoY to $185.2 bn in Jan-Sep 2021

China-Africa trade rose by 38.2 per cent year on year (YoY) to $185.2 billion between January and September this year, reaching the highest level in history for the same period, according to Chinese vice commerce minister Qian Keming, who recently said China's direct investment in Africa hit $2.59 billion in the period, up by 9.9 per cent YoY.

The growth rate is 3 percentage points higher than China's overall outbound investment, Qian said, adding that the growth rate outperformed the pre-pandemic level in the same period of 2019.

Chinese enterprises signed $53.5 billion in new contracts in Africa in the period, up by 22.2 per cent YoY, with a turnover of $26.9 billion, up by 11.6 per cent YoY, official Chinese media reported. The Eighth Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) will take place in Senegal in November end.

Against the backdrop of COVID-19, the 55 FOCAC members will gather again, which shows the strong willingness of China and Africa to deepen cooperation, Qian said. Qian believes the conference will boost the China-Africa comprehensive strategic and cooperative partnership and chart the course for sustainable and high-quality development of China-Africa cooperation. He also said it would play a positive role in building a China-Africa community with a shared future in the new era.

China has maintained its position as Africa's largest trade partner for 12 years straight. The bilateral trade was worth $187 billion in 2020.

Ever since the establishment of FOCAC in 2000, trade between China and Africa and China's direct investment in Africa have increased 20 and 100 times respectively, said Xu Bu, president of the China Institute of International Studies, at a forum in October.

Since 2000, China has imported 1.2 trillion U.S. dollars of goods from Africa and exported $1.27 trillion of goods to Africa, Qian added.

Source: fibre2fashion.com– Nov 20, 2021

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FDI worth $142.01 bn in China's non-financial sectors in Jan-Oct 2021

With rising foreign direct investment (FDI) expectations and confidence in China, global companies invested 943.15 billion yuan ($142.01 billion) in the country's non-financial sectors between January and October, soaring 17.8 per cent on a yearly basis, according to the country's ministry of commerce. China's green development and dual-circulation growth paradigm is expected to attract more FDI this year.

Under the dual-circulation model, the domestic market is the mainstay while the domestic and foreign markets reinforce each other. Platforms like the China International Import Expo, Hainan Free Trade Port and the Regional Comprehensive Economic Partnership will also help attract more FDI this year, according to experts and business leaders in China.

Because China experienced shorter lockdowns compared with other countries and its economy reopened swiftly after gaining control of COVID-19, the nation-effectively backed by its complete industrial and supply chain-became a more attractive destination for global capital, said Zhou Zhicheng, a researcher at the Beijing-based China Federation of Logistics and Purchasing.

China will encourage multinationals to actively participate in its dual-circulation development pattern, and add investment especially in sectors such as low-carbon fields and digital economy in the coming years, Zhang Yongjun, deputy chief economist at the China Center for International Economic Exchanges, was quoted as saying by a state-controlled newspaper.

FDI into the services sector increased by 20.3 per cent year on year in the first 10 months, while high-tech industries saw the inflow of global capital jump by 23.7 per cent from the same period last year.

China saw investment from countries and regions involved in the Belt and Road Initiative and the Association of Southeast Asian Nations surge by 30.7 per cent and 29.5 per cent year on year respectively from January to October, added the ministry.

Source: fibre2fashion.com– Nov 19, 2021

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Recycled PFY & PSF prices to drop in China market in coming weeks

Prices of recycled polyester filament yarns (PFY) and recycled polyester staple fibre (PSF) in the Chinese market are expected to drop in the coming weeks and rise again slightly towards the end of 2021. In the first half of October 2021, the prices of recycled PSF remained high due to tight energy supply and electricity restrictions in the country. But towards the end of October, prices dropped owing to a decrease in the prices of steam coal and chemicals in China.

Before mid-October 2021, plant operating rates declined due to dual control policy and higher virgin PSF prices. Downstream buyers showed higher buying interests, which led to a plunge in the inventory. But in late October, plant operating rates rose due to easing of regulations on power rationing and slipping downstream demand.

Similarly, prices of recycled PFY were high in the 1st half of October 2021 due to increasing feedstock prices and moderate speculative demand. In the 2nd half of October, prices of recycled PSF dropped as Chinese government reduced the prices of coal. During the 4 weeks in October, the price of recycled POY 150D in China increased by 11.60 per cent from 7,500 yuan per metric ton to 8,370 yuan per metric ton. It then declined by 12.78 per cent to 7,300 yuan per metric ton in the 2nd week of November, according to Fibre2Fashion's market analysis tool TexPro.

Now the price of recycled POY 150D is expected to further decrease by 3.94 per cent to 7,012.35 yuan per metric ton in the 2nd week of December. It may rise slightly by 3.03 per cent in the remaining weeks of December to reach 7,224.83 yuan per metric ton.

The price of recycled close virgin PSF in China also increased by 14.26 per cent from 5,850 yuan per metric ton to 6,684 yuan per metric ton in the four weeks in October.

It declined by 7.65 per cent to 6,172.50 yuan per metric ton in the 2nd week of November and is expected to plunge further by 5.87 per cent to 5,810.40 yuan per metric ton in the 2nd week of December. It may show slight rise of 1.51 per cent in the remaining weeks of December 2021 and may reach to 6,897.99 yuan per metric ton.

Source: fibre2fashion.com– Nov 19, 2021

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Brazilian cotton fetches more price in export market

The prices paid for Brazilian cotton in export markets – represented by export parity – remained more attractive than prices in the domestic spot market in the first fortnight of November. As a result, sellers were unwilling to lower their asking prices while buyers agreed to pay more, resulting in prices going up, majorly for higher-quality cotton.

On November 8, the CEPEA/ESALQ Index for cotton set a nominal record in the series of CEPEA – which began in July 1996 – closing at BRL 6.0642/pound. On November 16, this Index closed at BRL 6.0330/pound, 1.43 per cent up in the fortnight.

"The average in the first half of November, which closed at BRL 6.0251/pound, is the highest in the series, but still 1.6 per cent lower than the export parity. It is important to mention that this Index remained higher than the export parity for 12 consecutive months," the Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton m market.

Although the US dollar dropped by 2.7 per cent against the real between October 29 and November 16, to BRL 5.492 on the 16th, the Cotlook A Index rose by 5.8 per cent, to USD 1.2695/pound. Thus, the export parity increased by 2.95 per cent, to BRL 6.1046/pound (USD 1.1115/pound) at the port of Santos (SP) and BRL 6.1151/pound (USD 1.1135/pound) at the port of Paranaguá (PR).

Meanwhile, according to data from the Secex, the secretariat of foreign trade, Brazil exported 203,090 tons of cotton in October 2021, the highest volume since March 2021 when it exported 222,130 tons. The figure for October is 44.8 per cent more compared to the previous month and 15.8 per cent down from that in October 2020.

The average price per pound closed at $0.7783, 1.22 per cent higher in the monthly comparison and 13.65 per cent higher in the annual comparison. Considering the average of the US dollar in October, of BRL 5.535, in real, the price of the cotton exported closed at BRL 4.3081/pound, 27.1 per cent lower than the Brazilian cotton Index (BRL 5.9088/pound) and 23.86 per cent below the export parity last month (BRL 5.6583/pound).

Source: fibre2fashion.com– Nov 19, 2021

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Textile Exchange Taking Control of Google's Global Fiber Impact Explorer

Google and WWF announced the results of a first case study on a digital tool being built to help fashion brands understand the environmental risk and impact of their fiber sourcing.

Developed with luxury fashion house Stella McCartney, the digital tool informs the brand's sustainable sourcing strategy on the ground in Turkey through previously opaque and inaccessible data. To assure widespread industry access and continued development, the tool is now being transitioned to Textile Exchange, a global NGO focused on raw materials in the textile industry.

The aim is to provide global fashion brands and sourcing teams access to the platform in 2022. Global brands, including Bestseller, H&M Group, Inditex, Tentree and VF Corp., will pilot the innovative traceability system for Textile Exchange's Global Recycle Standard (GRS) and Recycled Claim Standard (RCS)-certified materials across their supply chains.

"Climate action starts at the source of the materials we choose," Claire Bergkamp, chief operating officer of Textile Exchange, said. "The Global Fiber Impact Explorer has the potential to influence a brand's sourcing decisions positively.

The tool complements the work already underway at Textile Exchange to support and accelerate the adoption of lower impact fibers and materials. Meaningful change cannot happen in isolation. A holistic view is required to shift away from the current system that leads to pollution and poverty and toward a system that supports prosperity and regeneration."

Participating certification bodies include Control Union, USB Certification, IDFL, Intertek and Bureau Veritas. After these pilots, scaling programs will be designed to facilitate a rollout on a commercial level. The traceability system will be further expanded to cover the animal fiber standards, followed by the Organic Cotton Standard (OCS) in 2022.

Google and WWF's new digital tool will help inform the fashion industry's sustainable sourcing strategy from the ground up through previously inaccessible data insights, incorporating climate risk and impact, according to a first case study released Wednesday at the 2021 Textile Sustainability

Conference. The Global Fiber Impact Explorer (GFIE), a Google Cloud-based solution, is an intuitive environmental data platform built to enable more responsible sourcing decisions at the raw materials stage of the fashion and textiles supply chain, where significant damage is done, data is most opaque and there is substantial opportunity for positive impact.

Based on analysis of Stella McCartney's raw materials portfolio, the tool has identified cotton sources in Turkey facing increased water and climate risks. This affirms the need for investment in local farming communities focused on regenerative practices such as water management and soil regeneration to support climate mitigation and adaptation.

The GFIE assesses risk by fiber and region, drawing together data and analysis across a multitude of environmental impact factors, including air pollution, biodiversity, climate and greenhouse gases, forestry and water use and water quality. Through an intuitive interface, brands will be able to understand and more accurately identify risks across more than 20 fiber types, including natural, cellulosic and synthetics, at a granular level thanks to a combination of high-caliber national data and near real-time sub national data insights, according to Textile Exchange.

Results in the tool will provide brands with recommendations for targeted and regionally specific risk reduction activities, such as opportunities for positive interventions with farmers, producers, communities and those in the surrounding landscape to drive improvements.

The Stella McCartney team has been working with Google on conceptualizing and testing the platform since its inception in 2019, as a complement to its existing efforts along different stages of the supply chain. Stella McCartney has already been working with farmers and communities in the region on supporting the transition to regenerative agricultural practices and can use the insights from the tool to further develop its regenerative strategy.

"More and more, consumers are insisting that they understand where their clothing is coming from," Stella McCartney, founder and creative director of her namesake company, said. "But often, the very people producing the product don't have the information they need, and they're desperate for it. This tool is a great answer for us at Stella McCartney and for the broader industry to really understand the impact of where they're sourcing from."

The GFIE was born out of a partnership between Google and WWF, bringing together similar projects from each organization and drawing on their strengths. It is built to complement existing tools in the industry focused on impact and risk analysis.

The GFIE provides insights into various environmental risk and impact data categories, including air pollution, forest, biodiversity, climate, and water usage and quality. It can help, for example, to predict the water risk of agricultural fibers pre-spin or the potential for air pollution impacts from synthetic fibers. The team also plans to add additional impact factors in the next phase of development.

Source: sourcingjournal.com– Nov 19, 2021

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EU's GSP plus trade benefit won't be 'a picnic' for Bangladesh: Envoy

The European Union's (EU) generalised scheme of preferences plus (GSP +), a trade privilege that Bangladesh can access once the country graduates from the least developed country (LDC) status, will be a challenging task, according to Charles Whiteley, EU ambassador to Bangladesh. "This will not be a picnic," he said while exchanging views with journalists recently.

Whiteley, while interacting with Diplomatic Correspondents' Association, Bangladesh (DCAB), said Bangladesh's aspiration for the GSP plus benefits involves a number of difficult tasks that include complying with regulations on human, environmental and labour rights.

Getting GSP plus benefits will require the ratification of 32 UN conventions. Bangladesh is good in ratifying the conventions, but what is needed is the implementation, he was quoted as saying by Bangla media reports.

Bangladesh annually exports nearly $19 billion to the EU—the largest amount to a single bloc—and has benefited under the GSP over the years. The privilege will end by 2029, but the country can access the GSP plus scheme.

Source: fibre2fashion.com– Nov 19, 2021

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Posco International Textile to build Uzbek cotton textile cluster

To support the initiative of Uzbek President Shavkat Miromonovich Mirziyoyev's to implement cotton textile clusters and develop agriculture, Posco International Textile has expressed its readiness to set up such a cluster. This was discussed during a recent meeting of the company management with the Uztekstilprom Association chairman Ilkhom Khaydarov.

The company will start work on the project by next year, according to a report in an Uzbek daily. The company requested the Uztekstilprom Association for assistance in the implementation of the cluster.

South Korean-owned Posco International Textile is one of the largest textile companies in Uzbekistan, employing 4,000 and manufacturing and exporting high-quality yarns and fabrics.

President Mirziyoyev signed a decree, which, starting from the harvest season of 2022, introduces the procedure for financing the cultivation of raw cotton and cotton picking at the expense of the Fund for State Support of Agriculture.

Source: fibre2fashion.com– Nov 20, 2021

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Bangladesh should export more to Vietnam to reduce trade gap: Envoy

Ambassador of Vietnam to Bangladesh Pham Viet Chien recently said his government wants the latter to export more to Vietnam to reduce trade gap. Several Vietnamese companies are operating in Bangladesh and are doing well, he said when a delegation led by him visited the Dhaka Chamber of Commerce and Industry (DCCI) to participate in a meeting.

For bilateral trade to flourish, Bangladesh needs to develop its logistic sector, he was quoted as saying by a news agency.

The ambassador also requested the business community of Bangladesh to send trade delegations to Vietnam for more interaction.

Members of the visiting Vietnamese delegation said Vietnam can export construction stones, clinker, food items and spices and import jute, jute goods and pharmaceutical products from Bangladesh.

Vietnam is the 18th largest import partner and 44th largest export market of Bangladesh.

Source: fibre2fashion.com– Nov 20, 2021

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E-com to boost Vietnam's domestic market, exports: Deputy minister

Vietnam's national plan for e-commerce development between 2021 and 2025 aims at turning e-commerce into one of the pioneering area of the digital economy, helping enhance the competitiveness of businesses and promoting the growth of both domestic market and export, according to the country's deputy minister of industry and trade Nguyen Sinh Nhat Tan.

Speaking at a seminar in Hanoi recently on market development for e-commerce firms in the digital transformation era, Tan said digital transformation will help Vietnamese businesses, especially small and medium enterprises (SMEs), seek a more flexible business model, save cost and optimise resources to overcome difficulties, according to a report in a Vietnamese newspaper.

Over the years, Vietnam has continuously recorded strong growth in the ratio of Internet users as well as the number of online shoppers, he said, noting that the value of online shopping through e-commerce platforms has risen sharply in the past five years. The figure increased from $5 billion in 2016 to over $10 billion in 2019 and $11.8 billion in 2020.

From the beginning of the pandemic to mid-2021, Vietnam had seen additional 8 million digital technology consumers, 55 per cent of whom were not from big cities. Ninety nine per cent of Vietnamese digital technology consumers said they will continue to use online services in the future, showing the close ties between Vietnamese consumers and digital services and products.

Source: fibre2fashion.com– Nov 19, 2021

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Vietnam's retail revenue likely up 3-4% by year end compared to 2020

Vietnam's total retail revenue for 2021 is expected to have grown by 3-4 per cent over the previous year's figure, according to the ministry of industry and trade (MoIT), which recently said growth, however, is expected to be lower than the targeted 8 per cent by the industry. Retail of goods has seen positive growth over the first 10 months this year.

Trading has resumed and travelling and circulation of goods have become easier.

The demand for winter apparel has increased after the social distancing period, pushing up the October retail of goods and service revenues by 18.5 per cent month on month.

On the structure of retail of goods and service revenues so far in 2021, retail sales accounted for the largest share with 82.8 per cent, accommodation and catering services had 8.3 per cent; tourism just 0.1 per cent and other services accounted for 8.8 per cent, according to a report in a Vietnamese newspaper.

To further boost domestic consumption in the remaining months of this year, MoIT would concentrate on addressing concerns in business and production activities, especially those of major enterprises in industrial parks or economic zones.

"The aim is to ensure a speedy resumption of economic activities and keeping value chains intact, especially at a time when demands for goods and products would rise during the year-end period," the ministry said.

Meanwhile, the MoIT will closely monitor the demand-supply balance and market prices of goods to intervene if necessary, along with effective distribution of goods across localities, including the pandemic epicentres, to ensure the smooth movements of goods.

In line with these efforts, the ministry will supervise the market during the year-end period to address trade fraud activities and ensure a healthy development environment for Vietnamese products.

The ministry also plans to reopen in phases wholesale markets, supermarkets, convenience stores on the condition of complying with anti-pandemic measures to boost production and consumption, while trade promotion activities are expected to shift to online platforms to boost sales in late 2021 and early 2022.

Source: fibre2fashion.com– Nov 20, 2021

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Czech Republic-Vietnam trade rises by 28% YoY in 2021 H1 to $936 mn

Two-way trade between the Czech Republic and Vietnam rose by 28 per cent year on year (YoY) in the first half of 2021 to around $936 million. It was worth $1.5 billion last year, up by 22 per cent from the year prior to that. The Czech Republic-Vietnam Business Roundtable was held recently by the Vietnamese embassy and the Czech Management Association in Prague.

The two countries are seeking ways to make the most of the European Union-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVPIA) is in the process of domestic ratification, according to a press release from the Vietnamese ministry of industry and trade.

The Czech Republic has acted as a gateway for Vietnamese goods to enter the EU market.

The Czech side also showed interest in stepping up bilateral partnership in civil aviation, suggesting both governments should work together to train Vietnamese pilots and open more direct flights between the two countries.

Source: fibre2fashion.com– Nov 19, 2021

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Pakistan: Over 6.8mn bales of cotton reach ginneries, up 70 YoY: PCGA

Cotton arrival in Pakistan increased by 70% year-on-year, showed the latest fortnightly data released by the Pakistan Cotton Ginner's Association (PCGA) on Thursday.

As per the report released by PCGA, total cotton arrivals in Pakistan surged to 6.852 million bales as of November 15, 2021, compared to 4.027 million bales in the same period last year, a difference of 2.825 million bales and a growth of 70%.

Pakistan's textile group exports witnessed 26.55% growth during the first four months (July-October) of the current fiscal year and remained $6.021 billion compared to $4.758 billion during the same period of the last fiscal year, said the Pakistan Bureau of Statistics (PBS).

On a monthly basis, textile group exports witnessed 7.65% growth and remained $1.6 billion in October 2021 compared to $1.487 billion in September 2021.

Last month, the Ministry of National Food Security and Research said that the revised cotton production target of 9.3 million bales set for 2021-22 is expected to be met or even exceed, and with the latest figures the production target is likely to be achieved. Meanwhile, as per the PCGA data, cotton arrivals reported a substantial increase in both cotton producing provinces of Punjab and Sindh.

As of November 15, cotton arrival in Punjab was 3.413 million bales compared to 2.151 million bales in the same period last year, an increase of 1.262 million bales or 59%. On fortnightly basis, cotton arrivals recorded an increase of 16% as compared to 2.935 million bales arrived on November 1.

Similarly, cotton arrival in Sindh reached 3.439 million bales as compared to 1.875 million bales reported in the same period last year, an increase of 1.564 million bales or 83%. Whereas, on fortnightly basis, cotton arrivals recorded an increase of 4% as compared to 3.321 million bales arrived on November 1.

Source: brecorder.com– Nov 18, 2021

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NATIONAL NEWS

Resolve Cotton Pricing issue in the spirit of Collaboration rather than competition.- Shri Piyush Goyal speaks to Textile Industry players

"Resolve Cotton Pricing issue in the spirit of Collaboration rather than competition," said Shri Piyush Goyal, Union Minister of Textiles, Commerce & Industry, Consumer Affairs and Food & Public Distribution, while speaking to Textile Industry players in a meeting, here today. He asked the Textile Industry leaders not to push Government to intervene.

Shri Goyal cautioned the cotton bale traders from manipulation of prices or do hoarding to make unfair profits.The Minister further stated that manufacturing sectors should not depend on Government support for growth. Too much dependence of State support is not healthy for the robust growth of the sector. The Minister was intervening to resolve issues regarding cotton yarn prices between cotton yarn manufacturers and down stream Textile industry.

He said that Farmers interests is being taken care off for the first time as they are now getting better cotton prices supported by very good base MSP. Pricing issue of cotton bales and yarn for the Industry should not be allowed in any way to impact the better prices which farmers are getting, he added.

Shri Goyal said that idea of short term Super normal profits by a section of players in Textile value chain is not sustainable. “No one should force the Government to intervene. Let free and fair market forces play out .Super normal profits should not be booked for short term goals”, he said.

The Minister further mentioned that whole value chain gets adversely impacted even if one section gets weak. Aatma Nirbhar bharat applies to every one in value chain. All must get benefitted and all must grow. He said that Cotton bale and yarn prices need to be such that all get benefitted . He exhorted that all stake holders in Textile Value chain need to support each other for long term sustainable growth.

Shri Goyal cautioned the cotton bale traders from manipulation of prices or do any hoarding to make unfair profits. The Minister added that reasonable profits are good and acceptable but undue advantage can not be allowed to be taken by any one value chain. He also said that no one would be allowed to come in the way of better cotton prices to Farmers.

It may be noted that cotton production is estimated at 362.18 lakh bales. The cotton season 2021-22 commenced with an estimated carry over stock of 73.20 lakh bales (COCPC meeting dated 12.11.2021). Opening stock in the country is adequate to meet about two and half month's mills consumption.

Cotton prices are ruling above MSP level by about 40% i.e. Rs.8500 per quintal as against MSP rate of Rs.6,025/ -per quintal. Farmers are getting reasonably good prices for their produce which is in tandem with other agri-commodities as well.

World cotton acreage is expected to increase by 4% to 33.27 million hectare as against 31.97 million hectare of last year. Whereas world cotton production is projected to increase by 6% to 1512 lakh bales (25.72 MMT) as against 1426 Lakh bales (24.26 MMT) of last year and world cotton consumption is expected to increase by 2% to 1530 lakh bales (26.01 MMT) as against 1505 lakh bales (25.60 MMT) of last year.

Earlier also, Shri Goyal held a review meeting of Cotton Corporation of India (CCI) to discuss ways to strengthen procurement processes to further support livelihoods of our cotton farmers.

Minister of State for Textiles and Railways, Smt. Darshna Jardosh, Shri U.P. Singh, Secretary Textiles, Shri Pradeep Agarwal, CMD, CCI and senior officials of CCI, Textiles industry players and exporters participated in the meeting.

CCI is appointed as a Central Nodal Agency under Ministry of Textiles for undertaking Minimum Support Prices (MSP) operations for cotton. It safeguards the economic interest of cotton farmers, ensures the benefit of MSP to bonafide cotton farmers and undertakes MSP Operations in the event prices of Fair Average Quality (FAQ) grade kapas fall below the MSP level.

Source: pib.gov.in- Nov 18, 2021

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Time for banks to support wealth & job creators: PM Narendra Modi

While addressing bankers on Thursday, Prime Minister Narendra Modi said it is time for banks to support wealth and job creators, and improve theirs, as well as the country's balance sheet.

With a strong capital base and declining non-performing assets (NPAs), public sector banks have been strengthened to give the economy a push and play an important role in making India aatmanirbhar.

"I am seeing this as a new starting point for banks. It is time for you to support wealth creators and job creators. There is a need for banks to improve the country's balance sheet, along with their own balance sheet," Modi said at a conference on Creating Synergies for Seamless Credit Flow and Economic Growth.

He exhorted banks to fund corporates and start-ups. He said the scale at which corporates and start-ups are coming forward today is "unprecedented".

"In such a situation, what can be a better time to strengthen, fund, and invest in India's aspirations?" he asked.

The banking sector will have to understand that this is the time to invest in ideas and support start-ups, he said.

"Whether public or private banks, the amount they invest in citizens will help in creating jobs," he said.

He asked banks to get involved in the growth story proactively.

"Under the production-linked scheme, manufacturers have been incentivised to increase their capacity manifold and transform themselves into global companies. Banks can play a big role in making projects viable through their support and expertise," he said.

Modi also said the government has addressed the issue of NPAs, recapitalised banks, and strengthened them.

"We brought reforms like the Insolvency and Bankruptcy Code, reformed many laws, and empowered the debt recovery tribunal," he said.

Resolution and recovery are taking place, and banks have managed to recover more than Rs 5 trillion from defaulters.

The new National Asset Reconstruction Company will also help banks in resolving bad loans of Rs 2 trillion, he added.

He nudged bankers to come up with customised products by analysing the needs of customers. Banks need to adopt partnership models, set targets at the branch level, and customise solutions for customers, companies, and micro, small and medium enterprises.

"Banks have to do away with the feeling they are the approver and the customer an applicant, they are the giver and client receiver," he said, addressing bankers.

Modi also said by August 15, 2022, all bank branches should target to have at least 100 top clients who undertake all their transactions digitally.

At the two-day dialogue between government ministries, industry, and bankers, it has been decided to create a web-based project funding tracker, he said. He added his suggestion was to integrate this with the Gati Shakti portal.

Providing comfort to bankers, Modi said he would stand beside them if honest decisions taken with true intentions go wrong.

Source: business-standard.com- Nov 18, 2021

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Don't force Centre to intervene in the textile industry, warns Piyush Goyal

Minister says returns to cotton farmers should not be hit by high lint, yarn rates

The Centre has told the textiles industry that the issue of high prices for cotton bales (lint) and yarn should not in any way impact the returns cotton farmers are currently getting in the domestic market.

Speaking to textile industry stakeholders at a meeting today, Piyush Goyal, Union Minister of Textiles and Commerce & Industry, said farmers interests were being taken care of for the first time as they are now getting better prices for cotton supported by a better minimum support price (MSP).

Urging the industry to resolve the issue over high cotton and yarn prices through a spirit of collaboration rather than competition, the minister asked the industry leaders to not force the Government to intervene.

Industry tussle

The meeting was held in view of downstream textile industries expressing concern over high cotton yarn prices. Yarn prices have increased in view of cotton prices skyrocketing to record highs.

Cotton (lint) prices for the benchmark Shankar-6 variety had zoomed to about ₹70,000 a candy (356) before dipping to ₹63,000 on Wednesday ahead of the stakeholders meeting on fears that the Centre may ban cotton exports or impose stock limits. After the meeting, prices were up and quoted at ₹64,000 this evening.

In agricultural markets, particularly Gujarat, modal prices or rates at which most trades take place of cotton shot up to as high as ₹9,000 a quintal before Diwali before dipping to near ₹8,000 this week. On Thursday, they gained ₹100 at ₹8,200.

Reflecting global trend

Indian cotton prices have gained in line with the global trend with prices rising to a 10-year high on low production, increasing demand and supply constraints. On the Intercontinental Exchange, December cotton futures are currently ruling at 118.85 cents a pound (₹69,900 a candy).

The Confederation of Indian Textiles Industry (CITI), the apex body for the industry in the country, told the Centre that only recently have yarn manufacturers began finding parity after 2014. But, with cotton prices making up 70 per cent of the production costs, spinning mills were finding the going tough.

It said while cotton prices have surged by 80 per cent to 120 per cent since October last year, yarn prices have increased between 38 per cent and 58 per cent only.

2011 intervention

CITI urged the government not to undertake any market intervention measure that would affect the spinning mills. Similar intervention in 2011 by the Centre had affected them badly, it said. The apex body said cotton imports should be allowed duty-free, which was in vogue until early this year.

Goyal cautioned cotton traders against price manipulation or hoarding to make unfair profits. He said the manufacturing sector should not depend on Government support for growth.

Too much dependence on State support is not healthy for the robust growth of the sector, Goyal said, adding that the idea of short-term high profits by a section of players in the textile value chain is not sustainable. “Let free and fair market forces play out”, he said.

The Minister said the whole value chain gets affected even if one section gets weak. He exhorted all stakeholders in the industry to support each other for long term sustainable growth.

Source: thehindubusinessline.com- Nov 19, 2021

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"WTO needs to reassess the way it has been conducting its affairs", says Shri Piyush Goyal

The Minister for Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal has saidthe WTO needs to reassess the way it has been conducting its affairs. Pointing out that certain countries don't give market access equitably and openly, and extend hidden subsidies, Shri Goyal said the developed countries should do more and meet their obligations such as providing clean and green technology to achieve the SDGs and achieve Climate goals and meet the needs of billions of people.

"It think it's so unfair! I can understand a discussion on which countries should be considered developing and which should now be considered developed, I think the world should be open to a discussion on that. But to deprive countries from certain differentiated treatment in their business practices when they are at levels of $600-3000 per capita income and putting them on the same benchmark as a country which makes $60,000 or $80,000 per capita is grossly unfair.

So, I think the developed world should look at their priorities,"said Shri Goyal, while interacting during a session on "Enhancing Global Footprint: India's Big Opportunity" at the CII Global Economic Policy Summit -2021 here today.

Pointing out that the world's second largest number of STEM Graduates are Indians or Persons of Indian Origin, Shri Goyal said, "the most powerful countries in the world today are concerned about the growing dominance of non-transparent and non-market economies and, therefore, are looking to engage with India because in their own ecosystem they are not preparing as many STEM graduates as a country like India does."

Stating that the world is looking at India's contribution to Innovation and Sustainability, Shri Goyal said, "India is a land of disruptive ideas and our industries will play a critical role in growing our global footprint as we undertake bold reforms for achieving aggressive targets."

Shri Goyal said the Government should have no role in running businesses, rather it should act as a facilitator.

"Boosting the role of the private sector and engaging both the Government and the private sector to work possibly through private-public partnerships, through greater engagement with the private sector and the government, but leaving the work of running businesses to business. So the Government's job to keep expanding our footprint or our engagement into businesses, our role should be more and more facilitating businesses. And Prime Minister Modi has over the last seven years focussed a lot on getting businesses to be run by business persons and government to act more as a facilitator. And we hope to be able to take that forward in a much bigger way."

Shri Goyal said the Prime Minister Shri Narendra Modi had assured at the G20 Summit that India will manufacture five billion vaccines during the next year to make the world a safer place.

"The world's first DNA vaccine is coming out of India, the world's first nasal vaccine, we will soon have a RNA vaccine which will match the best in the world, in fact be better than the best in the world, it won't need Minus 60-70 degrees temperature to store that vaccine, it can be done between Minus 2-10 degree. Look at the huge impact it will have in the logistics chain and the ability to deliver that worldwide at affordable prices in a very cost competitive manner," he said.

Shri Goyal said: "The contribution that India is proposing to make in the next few months completely overrides the contribution of any other country or any other region when it comes to truly making vaccines available to every nook and corner of the globe, particularly the Less Developed Countries and the developing countries."

Source: pib.gov.in- Nov 18, 2021

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Very positive Industry feedback about the various PLIs announced by the Centre - Shri Goyal

Union Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal has said a slew of Production Linked Incentives (PLI) schemes announced by the Government in various sectors have induced post-Covid industrial and economic recovery.

Chairing a review meeting of the Steering Committee on Advancing Local value-add & Exports (SCALE), Shri Goyal said there has been a very positive Industry feedback about the various PLIs announced by the Centre .It may be noted that some of these PLIs in Textile , Automotive and White Goods Sector are already beginning to encourage more growth.

Out of the global Auto Component trade of $1.3Trillion, India's share is $15 Billion. The Government aims to double its exports of Auto Components to $30 Bn by 2026.

Deliberating on ways to enhance competitiveness and leverage the untapped potential of Indian industries to fulfill the Prime Minister Shri Narendra Modi's vision of an Aatmanirbhar Bharat, Shri Goyal asked all stakeholders to have best quality products and world class labs for testing as India embarks on an unprecedented global trade engagement.

Underlining the need to reduce Logistics costs to make our factory products competitive in global markets, he asked the States to reduce state specific disabilities. The Commerce Minister also urged the States to undertake suitable amendments in Labour laws to take advantage of PLIs induced manufacturing growth. "Cost of doing business needs to be assessed State-wise," he remarked.

Shri Goyal asked Industry captains to take advantage of low labour costs and reap benefits of India's huge scale and demographic dividend. Pointing out that every country cannot be good in all sectors, Shri Goyal said India has to choose niche and specific areas and excel in it. "Take comparative cost advantage in key areas," he said.

Shri Goyal identified key focus areas for improvement to achieve robust growth of Manufacturing sector. These areas include Land, Skill Development , Government & Industry partnership and compliance of Model Labour Law.

Encouraging the Industry to go for technology transfer and indigenization of chip manufacturing, Shri Goyal said there are great possibilities emerging in new sectors. “Huge opportunities exist in Drones sector,” he said, while stressing on proper regulations to be worked out by the Ministry of Civil Aviation for the growth of this niche sector.

Calling upon the electronics industry to aim for local value addition in TV manufacturing from the current 28% to 43.7%, Shri Goyal said the Set Top Box (STB), CCTV, Mobile Handsets and Television manufacturers should come out with plans on how localization can be achieved.

Shri Goyal lauded the Air Conditioner manufacturers for achieving a great degree of localization and also switching over to CFL-free cooling technology. On the switchover to clean energy in automobiles sector, the Minister stressed on ramping up indigenous production of magnets and electric motors.

Source: pib.gov.in- Nov 18, 2021

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Centre notifies GST rate changes for footwear, textiles to correct inverted duty structure

Uniform rate of 12 per cent to be applicable from January 1, 2022

The Finance Ministry has notified the various GST duty changes approved by the GST Council in September so as to correct the inverted duty structure in footwear and textiles sector from January 1 next year.

With this move, all footwear irrespective of their prices and most textile products including readymade garments will attract goods and services tax (GST) rate of 12 per cent from January 1.

An uniform rate of 12 per cent GST would mean that prices of footwear that were earlier subjected to 5 per cent GST for products priced below ₹1,000 would go up from January 1 next year .

However, a single uniform rate would help industry as regards getting refunds and will simplify the framework and resolve confusion in the sector, a footwear industry observer said.

An inverted duty structure is a situation where inputs attract a higher duty than the one applicable on finished goods. This most often results in cash flow problems for industry as the higher amount of duty paid on inputs remains unutilised or blocked.

Besides increase in GST tax rate on footwear and textile products with sale value not exceeding ₹1,000, the Finance Ministry has also rationalised the tax rate on various raw materials used in manufacture of textiles articles.

With effect from January 1 next year, such raw materials will be taxable at 12 per cent instead of multiple tax rates ranging from 5 per cent to 18 per cent.

Prior to the latest GST rate change, the duty rate that was applicable on footwear depended on the pricing of the item.

It was 5 per cent for products with value up to ₹1,000 per pair.

Footwear priced above ₹ 1,000 per pair attracted a GST of 18 per cent.

E-commerce operator

E-commerce operator would from January 1 next year be liable to pay GST on supply of restaurant services, if such services are supplied through its platform, except in case of restaurant services supplied from luxury hotels (having declared tariff of any unit of accommodation not less than ₹7,500 per day). The Finance Ministry has now issued a notification for this purpose.

Source: thehindubusinessline.com- Nov 19, 2021

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Make MSP mechanism WTO compatible, says India Exim Bank working paper

India will have to make its policies relating to the minimum support price (MSP) mechanism compatible with the World Trade Organisation (WTO) and also shift domestic subsidies to direct income support, according to a working paper brought out by India Exim Bank.

"The current MSP programme of the Government is argued to have breached this admissible limit. India's farm subsidy and export subsidy are increasingly being challenged at the WTO for violating multilateral trading rules. On May 9, 2020, the US alleged that India's MSP programme for wheat and rice has breached India's permissible levels of trade-distorting domestic support at the WTO," the study said.

The US claimed India's market price support for wheat is over 60 per cent of the value of production every year between 2010 and 2013 for which India has notified data. At the same time, direct payment to farmers will come under WTO's Green Box and should, therefore, be promoted.

Agri exports challenges

Discussing strategies to enhance India's agriculture exports, the bank said the country needs to develop a unified body to deal with market access requests for imports as well as exports. It should also handle all sanitary and phyto-sanitary issues pertaining to the agriculture sector. "Under any bilateral trade negotiation, India needs to adopt a degree of flexibility in order to leverage its huge market of 1.3 billion people to get the best bargain for itself," the study said. The bank said a robust infrastructure, including last-mile connectivity, is one of the important pillars of a successful agriculture export policy.

"Availability of cold storage, warehouse and processing facilities, good roads, post-harvest infrastructure and world-class exit point infrastructure at ports have proved to be crucial in expanding exports of a country. Infrastructure development should also include strengthening of backward linkages in the agriculture value chain," it said.

The study said a common information platform could be built, providing comprehensive information relating to trade opportunities and business environments in the different countries. Products need to be tweaked in a scientific and sustained manner to meet specific consumer tastes and requirements while looking at potential markets.

Tapping technology

Stressing the need for ensuring high quality standards and enhancing shelf life of the export goods, the India Exim Bank said technological intervention and R&D should encompass digitisation of land records, geo-mapping of lands, and registration of farmers and farm producer organisations (FPOs). The entire cold chain should be revamped with adaptation of high-end technologies, increased mechanisation of farms, and developing new products.

Marketing and promotion of “Brand India” could support exports further into new markets abroad and lead to higher value realisation. The focus should also be on promotion of value-added, indigenous and tribal products globally. Calling for adopting a public-private partnership, the study said it could transform the sector at multiple levels and the government will have to create an enabling environment for private investment.

Stating that development of value chain required skill development of the work force, it called for increased mechanisation, modernisation, upgradation, and adoption of technology in farm management and value chain development.

Investments

“This calls for a considerable and continuous investment in skill development and capacity building, with emphasis on industry and market-based requirements,” it said.

India Exim Bank called for promoting environment-friendly practices along with the efforts to increase production. “Incentives for promotion of organic farming, extending subsidy to the producers of green manure, biofertilisers and biopesticides and steps for promoting large-scale production of compost by utilisation of urban solid waste can be adopted,” it said. The bank also called for convergence of different government schemes into a unified scheme on a single platform.

Source: thehindubusinessline.com- Nov 19, 2021

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India's economic advisory council expects it to grow 7-7.5% in next fiscal

India's economic advisory council to Prime Minister Narendra Modi expects the country's growth to range between 7 per cent and 7.5 per cent in the next fiscal year and that the next budget should have a clear roadmap for privatising state-owned assets.

The government expects the economy to grow 10.5 per cent in the current fiscal year following a record contraction of 7.3 per cent last year. It is likely to announce next year's budget on February 1. India's fiscal year starts on April 1 and runs through March.

"The contact intensive sectors and construction should recover in 2022/23. Once capacity utilisation improves, private investments should also recover," the seven-member council said in a statement on Thursday after its first meeting following the addition of new members including Rakesh Mohan, a former deputy governor of Reserve Bank of India.

The other council member include JP Morgan's Chief India Economist Sajjid Chinoy, India Strategist for Credit Suisse Neelkanth Mishra, and managing director of Kotak Mahindra Asset Management Co Ltd, Nilesh Shah.

Positive outlook

Recent indicators such as tax collection, export growth, retail sales and power demand point towards a better than expected recovery, leading some economists to revise India's growth projection upwards. The council cautioned that India's 2022/23 budget should not have unrealistic revenue targets and that it should include plans to spend any extra revenue to build assets.

Last year, Finance Minister Nirmala Sitharaman announced a plan to privatise a slew of state-owned companies like refiner Bharat Petroleum Corp Ltd and Shipping Corp of India. Recently, "There should also be a clear road-map for privatization and the growth orientation of last year's budget should also be maintained," the council said.

Source: thehindubusinessline.com- Nov 19, 2021

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Shri Narayan Rane emphasizes on important role of MSME sector in job creation and expanding manufacturing base

Union Minister for MSME Shri Narayan Rane said that the MSME sector plays a significant role in terms of job creation and expanding manufacturing base. Speaking at the North East MSME Conclave in Guwahati today he saidcurrently the sector consists of over 6 crore units employing over 11 crore people and is a seminal contributor to the economic growth with over 30% of contribution to GDP and over 49% of overall exports from India.

Shri Rane said India can develop only when we develop the North-east and it is also the topmost priority of the Ministry of MSME.He also stated that the correlation between the Indian economy and the MSME sector's performance has never been more aligned. This would continue to grow even closer in the upcoming years.The Minister said given the impact of MSMEs on our economy, it is imperative that push is given to promote entrepreneurship amongst the youth and allow them to play an integral role in development of Indian economy thereby realizing the dream of 5 trillion economy.

Ministers from the State Governments of North Eastern States, who attended the Conclave, also emphasized that such conclaves will help the Region in its efforts towards encouraging entrepreneurship and enhancing competitiveness of the sector in the changed economic scenario. This would also help in developing understanding about the schemes implemented by the Ministry of MSME as well as initiate a dialogue with the State Governments and other stakeholders that would help in better planning and execution of policies for the sector.

Source: pib.gov.in- Nov 18, 2021

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DPIIT working on National Retail Policy: Union Minister Som Parkash

The commerce ministry has been holding consultations with the industry for a national retail policy to strengthen the overall ecosystem of the sector, Union Minister Som Parkash said on Thursday. The minister of state for commerce and industry said to create balanced growth in the ecosystem, it is imperative to focus on creating an overarching retail policy for the country.

"Although a few states have created their own retail policies, it is important to have an overarching policy at the central level. DPIIT has been in close consultation with the industry and have been working on a draft National Retail Policy to strengthen the overall ecosystem," he said at a CII webinar.

He said as retail encompasses a variety of formats across various categories, the creation of a policy that addresses all these segments is a complex exercise. However, he said, the government is striving to release a policy in the near future and there are three areas that need to be focused on while formulating that.

It should be a cohesive policy that addresses issues of licensing, approvals, labelling and safety, and it should also focus on modernisation and adoption of technology, the minister said. "We need to focus on helping traditional retail to modernise through the development of back-end infrastructure, payment mechanisms and in-store operations. From the government side, we would like to facilitate the above three areas and help retailers modernise," Parkash said.

The minister also informed that the Department for Promotion of Industry and Internal Trade (DPIIT) is working towards creating a regulatory compliance portal that will act as a bridge for industries and government to minimise burdensome compliances.

"The objective of the portal is to reduce the compliance burden that currently exists and further simplify government interface, while seeking to boost manufacturing, making Indian industry competitive in various areas such as textile and apparels," he added.

Source: economictimes.com- Nov 18, 2021

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Promise of 'one district, one product'

Apart from integrating districts with export markets, this scheme can fuse the economic realm with the social

India is home to several agricultural and non-agricultural (including manufacturing) products that are region-specific and every district has products that are unique and provide livelihoods and generate income. One District One Product (ODOP), spearheaded by the Uttar Pradesh government in 2018, is an important initiative that is being adopted all over India to realise the true potential of each district.

This is intended to accelerate economic growth, generate employment and promote rural entrepreneurship and is in tune with the Prime Minister's call to transform every district into an export hub and realise the goal of Atmanirbhar Bharat.

The main philosophy behind ODOP is to select, brand and promote one product from each district of India that has a specific characteristic feature or is native to that particular region/district and to enable profitable trade in that product and generate employment.

From across 35 States/Union Territories, 707 districts have been identified by the Ministry of Food Processing Industries under the Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme (PMFME). In the realm of implementation, ODOP is merged with the 'Districts as Export Hub' initiative implemented by the Director-General of Foreign Trade (DGFT), wherein a major stakeholder is the Department for Promotion of Industry and Internal Trade (DPIIT).

As of February 2021, the Department of Commerce, too, had identified 106 products from 103 districts across 27 States to promote the ODOP initiative. The idea of transforming districts into exports hub and bringing about a structural change in the lives of the rural population by linking the local production houses to the global supply chains is both a lofty and transformative idea.

India is not the first country to implement such a scheme and while going forward with ODOP, it should take into account the experiences of various countries in making the Indian version a success.

Experiences from around the world

In the late 1950s, Japanese villages experienced youth out-migration to high-income cities due to unprofitable rice cultivation and the absence of alternative of sources of income.

To contain this, the then Mayor of Oyama Town started a New Plum and Chestnut (NPC) strategy and later this movement was transformed into Neo Personality Combination in 1965 and New Paradise Community in 1969. It became "One Village One Product (OVOP)" in 1979 and was further expanded to other rural areas of Japan.

The core principles that guided OVOP were to think locally, act globally, to be self-reliant and creative through capacity building of human resources. This model was later emulated by a few other countries with different nomenclature.

One Commune One Product (Vietnam), One Tambon One Product (Thailand), One Town One Product (the Philippines), One Mahalla One Product (Uzbekistan), One Island One Product (Oceania) and Our Village Our Pride (Afghanistan) with varying levels of success.

While it started as a movement in Japan, in Thailand it was a policy initiative that focused on capacity building in human resources at grassroots levels through community development.

In the Philippines too, it was a government-led programme that supported micros, small and medium enterprises that focused on entrepreneurship, public-private partnerships through the rediscovery of indigenous products and regional pride. This also included services and hospitality that highlighted traditional history and culture.

Way forward for India

The important aspect which the policy initiatives in India should thus be mindful of are : First, ownership of the initiative should lie at the centre of implementation. The stakeholders irrespective of the sector along the value chain need to be identified and provided information and awareness.

Second, the identification of stakeholders assumes great significance in realising ownership potential. In this regard, it is important to streamline other initiatives such as registration of Geographical Indications (GI), formation and development of farmer producer organisations in the agricultural sector, cluster development approaches in handloom and handicrafts.

These initiatives have effective ways of strengthening capacity building and networking among horizontal and vertical stakeholders. The Ministry of Commerce has already undertaken the mapping of ODOP products across different Central and State government schemes, programmes and legal sources such as aspirational districts, national horticultural mission, national cluster development schemes, registration as GI, and so on.

It is, thus, extremely important to recognise the synergies between different initiatives and bring them under one umbrella to realise the ownership potential must lie with the primary producers.

A glance at ODOP products listed indicates that there are several registered Geographical Indications products covering foodgrains, handicrafts, handloom and foodstuff that overlap. While there have been concerted efforts to register several projects as GI, post-GI activities such as the creation of awareness among producers and consumers about the potential of GI, registration of authorised users (which has a broad definition and include stakeholders along the value chain), brand building through the use of the individual and national logos, facilitate market access through dedicated offline and online shopping channels have not been institutionalised and streamlined.

The struggle of producers and other stakeholders of registered GIs have also been to meet the costs of such activities and here, integrating these with ODOP could be an apt solution. In this context, it is also important to dovetail certifications such as organic, silk mark, handloom mark, GI to strengthen the market access of ODOP products.

There are online platforms that are already available such as gitagged.com and shoppingkart24.com which cater to sales of GI products with traceability linked to the producer to garner the trust of consumers. Such initiatives may be replicated under ODOP as well to realise ‘vocal for local’ and to ensure the self-reliance of producers and other stakeholders along the value chain of such regional products.

In this regard, it is important to categorise the products based on their potential for value addition. There are certain high-value products with export potential such as horticultural products. There are already traceability systems in place spearheaded by APEDA and ODOP-GI integration would augur well to augment the earnings of the farmers. For non-agricultural products too, especially handlooms, there is already a Geographic Information System (GIS) mapping of weavers under the Handloom Census.

It would be important and easier to link traceability through such use of technology. It should also be kept in mind that capacity building among producers — farmers, weavers, artisans — on the interface with technology is extremely important and should be prioritised. This would enable them to have easier market access and overcome asymmetries in information.

There also exist certain products which might not be highly profitable but play important social and environmental functions such as the protection of biodiversity and livelihoods. These products too need hand-holding and require different kinds of brand building. There is a need to highlight such characteristics among appropriate consumer segments thereby targeting those who are willing to pay additionally for such unique products.

For example, most of the registered GI rice varieties and certain agricultural products from the North-East are naturally organic which are also identified under ODOP. Thus, it is important to highlight the market potential of such qualities of these products not only for the export market but also the domestic market. Domestic market focus is equally important to protect producers from the volatility of export markets.

It is also important to comply with sanitary and phytosanitary conditions both for domestic and export markets such that there are no ambiguities regarding the quality and reputation of the product. Thus, ODOP offers a transformative opportunity to integrate, strengthen and streamline regional products which have great significance not only in the realm of the economy (in terms of employment, value generation and trade) but also in the socio-cultural realm.

Source: thehindubusinessline.com- Nov 18, 2021

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Industry expresses disappointment after Centre notifies higher GST rates for textiles, clothing

'Move will lead to higher prices for common man, spur inflation'

The Centre's notification of higher GST rates for several textile and apparel items from January 2022, has come as a blow to micro, small and medium-scale textile and clothing units, with industry groups asserting that the move will push up prices for consumers and spur inflation.

In an industry, where almost 80% of the units are in the MSME segment, fixing the rate at 12% for fabrics and garments will only lead to higher prices for the common man, said Sanjay K. Jain, Chairman of the Textiles Committee of the Indian Chamber of Commerce.

Mr. Jain said that with the notification, the manmade fibre (MMF) sector would face a 12% rate from fibre to garments, while the cotton sector would have 5% tax on cotton and yarn and 12% for fabrics and garments.

“The industry and the market can absorb 3% to 4% hike. But 7% is too steep and sudden. It is the MSME units that make the low-cost garments mostly and these units may suffer from drop in demand. In the long run, many units in the unorganised sector may move out of the GST net,” he remarked.

While the notification, issued late on Thursday, was based on the recommendations of the GST Council and therefore not a complete surprise, industry groups were disappointed that their representations to the government to maintain status quo or bring the entire textile supply chain under 5% rate had not been heeded, Mr. Jain added.

Clothing Manufacturers Association of India Chief Mentor Rahul Mehta said the notification was both, 'disappointing and distressing'.

The move would lead to higher prices for the end consumer at a time when high raw material costs had already impacted prices. The industry had made several representations to the government in the last two months to not change the rates and would continue to do so, he added.

While the Southern India Mills’ Association chairman Ravi Sam and Confederation of Indian Textile Industry chairman T. Rajkumar welcomed the move to set right the inverted duty structure for the MMF sector, Mr.

Sam said the government should not have changed the rates for the cotton sector.

K.E. Raghunathan, convenor of the Consortium of Indian Associations, said the government appeared to have followed a carrot and stick approach. While it announced Production Linked Incentive scheme for the sector, it had increased the GST rates by 7%. “A master stroke to penalise both consumer and the manufacturer in one shot,” he remarked.

Industry sources observed that almost 90% of fabric production in the country was in the unorganised sector. Increasing the rate to 12% for fabrics would hit the power loom and handloom weavers. The textile sector was certain to require additional working capital now, they added.

Source: thehindu.com- Nov 19, 2021

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NITI Aayog to undertake study on relevance of export promotion bodies

To identify gaps in framework, invites proposals from research bodies

Government policy thinktank NITI Aayog proposes to undertake a study to analyse the role and significance of export promotion bodies in promoting international trade as it believes that there is a growing perception amongst exporters and other stakeholders on their lack of 'dynamism.'

"There has been a growing perception across the country regarding the lack of dynamism among Export Promotion Councils (EPCs) to effectively impact international trade of India.

Most of the exporters are of the view that the EPCs are lacking in international marketing strategies and measures to promote India's brand image across the globe. This has hurt India's export performance over the years," per the letter of invitations to research institutes for proposals to carry out the study on export promotion bodies.

Export target

The study is to analyse the role and relevance of export promotion bodies, especially the EPCs and the exporters' umbrella body Federation of Indian Export Organisations (FIEO) , the letter stated.

The Commerce Department has set an ambitious export target of $400 billion for 2021-22 against exports worth $292 billion attained in 2020-21. "A need is felt to reorganise and develop alternative institutional frameworks and strategies that can facilitate Indian exporters and therefore augment exports which can drive economic growth," it said.

The study would analyse the existing architecture of export promotion in India all levels, Central, State and district. It can examine the role and achievements of the existing export promotion institutional structures that exist at all levels.

Focus should also be on assessing the existing domestic best practices with respect to export promotion, the letter said. These can either be initiatives taken by the government or change sin policies with respect to export promotion with a view to make recommendations on how EPCs and the current institutional framework for export promotion in India can be strengthened, it added.

On the need to assess existing best practices at the global level, the letter stated that the focus should mainly be on institutional export promotion in economies that have a significant presence in international trade.

The study will then identify the gaps in the existing framework and make recommendations for the creation of an efficient and effective architecture for institutional promotion of exports from India, the letter said.

Source: thehindubusinessline.com- Nov 19, 2021

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CBIC clears the air on GST refund issues

The Central Board of Indirect Taxes & Custom (CBIC) has issued a circular clarifying the limitation period for excess cash lying in Electronic Cash Ledger (ECL). Experts feel this will have an impact on the number of litigations in numerous courts all over the country.

A GST assessee needs to file a refund application to the GST authorities within two years from the 'relevant date.' This date is defined according to various scenarios such as in the case of export by sea or air the relevant date is the date on which ship/aircraft leaves India. The residuary clause of this definition provides the relevant date as the 'date of payment of tax." This date is critical determine the time limit for claiming the refund.

Now, one of the issues was whether the provisions realting to period within which an application for refund can be filed, would be applicable in cases of refund of excess balance in ECL? CBIC has replied in the negative.

"The registered person is at full liberty to discharge his tax liability in respect of the supplies made by him during a tax period, either through debit in electronic credit ledger or through debit in electronic cash ledger, as per his choice and availability of balance in the said ledgers.

Any amount, which remains unutilised in electronic cash ledger, after discharge of tax dues and other dues payable under CGST Act and rules made thereunder, can be refunded to the registered person as excess balance in electronic cash ledger as per provision to sections under law," CBIC said.

According to experts, practically, one may notice that there exist cases where taxpayers have deposited excess amount in their ECL which could not be utilised against any tax liability. At times this amount may remain in ECL for more than two years.

Field formations were rejecting refund applications relating to such amount arguing that the two-year limit has lapsed. Now, there may not be problem as Sunil Kumar, DGM with Taxmann, said: "It would remove the ambiguities relating to applicability of limitation period of 2 years for refund of excess cash balance lying in ECL. "

Further he said that the CBIC view would also be beneficial for the ongoing litigations relating to excess payment of tax under various cases such as amount paid during investigation stages, amount wrongly paid by the taxpayers, levy which later held as unconstitutional by the Judiciary, etc. It can be argued that the limitation period will not be applicable in these cases also," Kumar explained

Another issue was whether refund of TDS/TCS deposited in electronic cash ledger can be refunded as excess balance in ECL? Here CBIC has said that collection through such provisions is equivalent to cash deposited in electronic cash ledger. It is not mandatory for the registered person to utilise the TDS/TCS amount credited to his electronic cash ledger only for the purpose for discharging tax liability.

Source: thehindubusinessline.com- Nov 18, 2021

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GST revised: Apparel to cost 20% more in Gujarat

As the Union government announced a revision in GST rates on all types of garments from 5% to 12%, a range of apparels and made-ups are set to get costlier by at least 20%. In the recent revision, a range of other textile goods including man-made fibre, man-made yarn, all types of fabrics, dyeing and printing job work, will now attract 12% GST.

“Consumers will now have to pay 7% extra for their clothing — adding fuel to the inflation fire for clothing. With cotton and yarn prices going up by an estimated 60% in the past one year, apparel have anyway become costlier,” said Sanjay Jain, chairman, textile committee, Indian Chamber of Commerce (ICC).

“This will have a dual effect on both consumers as well as micro small and medium enterprises (MSMEs). Demand will take a hit as consumers of low-end garments are more price elastic. This will have an adverse impact on MSME manufacturers whose working capital requirements will also increase,” Jain added.

At a time when raw material prices are already running high with cotton, yarn as well as MMF yarn being costlier, jacking up of GST rates on textile goods and garments will further make apparel expensive. Manufacturers have raised concerns over losing costcompetitiveness to manufacturers in Vietnam and Bangladesh for international orders.

“As raw materials are costlier, the finished product prices have already been increased. An increase in GST will further add to this cost and manufacturers will lose out on their cost-competitiveness to other counterparts, in the international market. Large retailers have already shifted sourcing to Vietnam and Bangladesh, who enjoy free trade agreements and therefore are able to offer lower prices,” said Chintan Thaker, chairman, Assocham Gujarat State Council.

The GST rates on man-made fibre and yarn have also been revised to 12%, making synthetic and rayon textile and apparel expensive.

However, industry players are rejoicing the normalising of tax structure. “The synthetic value chain had an inverted duty structure with fibre attracting 18%, yarn 12%, fabric 5%, garments below Rs 1,000 per piece 5%, and garments above Rs 1,000, 12% duty.

This used to result into accumulation of a huge amount of input tax, and obtaining refunds was a concern.

However, with uniform tax structure, these challenges will be ironed out," said Pramod Choudhary, past president, Synthetic and Rayon Textile Export Promotion Council (SRTEPC).

Source: timesofindia.com- Nov 20, 2021

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