An ISO 9001:2015 CERTIFIED COMPANY

TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL

TEXPROCIL NEWS CLIPPINGS

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 248 of 2021 December 20, 2021

US 76.05| EUR 85.55| GBP 101.57| JPY 0.67

NEWS CLIPPINGS

INTERNATIONAL NEWS

China to lower tariffs on 954 import items from next year

China will implement lower tariffs for a host of imported commodities in 2022. As per a circular issued by the Customs Tariff Commission of the State Council, the country will lower the tariffs on close to 954 products including baby clothing from January 1 onwards. The interim rates will be lower than Most Favoured Nation (MFN) tariff rates.

The country aims to support the new development pattern and promote high-quality opening by lowering tariffs provisionally.

Additionally, China will raise import and export tariffs on some commodities from January 1 due to the changes in supply-demand conditions and to drive development of domestic industries.

In order to open up at a higher level, the country will impose conventional tariff rates on some products from 29 nations and regions in accordance with preferential trade agreement and free trade agreements.

China will also be granting preferential tariff treatments in 2022 to LDCs that have established diplomatic relations with it, as per Chinese media reports.

Source: fibre2fashion.com– Dec 20, 2021

HOME

****

China: Year of lower tariffs, easier market access

RCEP takes effect on Jan 1 and will likely transform global economy against all odds

Jan 1 might bring glad tidings to people for a variety of reasons, but for business executives such as Wang Zhengbo, president of Guangxi TWT Supply Chain Management Co Ltd, the coming New Year's Day will unveil a happy breakthrough. On that day, the Regional Comprehensive Economic Partnership agreement will take effect in 10 signatory members out of the total 15, potentially transforming the global economy and fortunes of companies like TWT Supply Chain.

The company, based in Nanning, Guangxi Zhuang autonomous region, trades in agricultural products. It focuses on markets in the footprint of the Association of Southeast Asian Nations.

For TWT Supply Chain, closer ties between China and ASEAN under the RCEP framework would mean further reduction in trade costs and expansion of trade items. What's more, overall business prospects will likely get increasingly brighter.

The free trade agreement or FTA, signed by 15 Asia-Pacific economies including China, South Korea and Japan, and all 10 member states of ASEAN in November last year, has created the world's largest free trade bloc.

The 10 countries where the FTA will take effect on Jan 1 are Brunei, Cambodia, Laos, Singapore, Thailand, Vietnam, China, Japan, New Zealand and Australia.

The RCEP region has a population of around 2.27 billion, or about one-third of global population. Combined GDP of the 15 members was $26 trillion in 2019, and exports totaled $5.2 trillion, or 30 percent of global exports, according to China's Ministry of Commerce.

The RCEP agreement once in force is expected to further integrate the massive regional market, thanks to trade and investment facilitation and liberalization measures, analysts and business executives said.

That will not only lead to increased trade and investment activities in the region but usher in a new wave of growth impetus, which could aid the world economic recovery from the impact of the COVID-19 pandemic, and ward off ill-effects of rising protectionism and the anti-globalization sentiment, they said.

"The RCEP will spread the rule of trade law more deeply in the Asia-Pacific," said Stephen Jacobi, executive director of the New Zealand International Business Forum, in an email to China Daily.

"Enterprises and workers will benefit from better market access and better trade rules. Some economies will be linked by free trade arrangements they have not had before. Other provisions will ensure trade can be done more easily and less expensively," said Jacobi.

He is also serving as executive director of the Asia-Pacific Economic Cooperation Business Advisory Council for the period from December 2020 to this year-end, to coincide with New Zealand's chairmanship of Asia-Pacific Economic Cooperation or APEC.

"That will help ensure goods and services can flow more freely across supply chains in the region. In this way, increased trade can contribute to increased economic growth and assist the pandemic recovery," he said.

Da Hongfei, CEO of Onchain, a Shanghai-based blockchain technology startup, said the firm expects to increase its business presence by expanding to more RCEP members starting from Singapore, where the company has already located its first branch for the ASEAN region.

"As soon as our new business model in Singapore matures, we will extend it to more countries," Da said, adding the implementation of the RCEP agreement will bring enterprises more opportunities and resources.

"Thanks to reduced tariff levels, easier market access and improved regulatory environment, enterprises will have not only broader market access and cheaper raw materials but, more importantly, wider options for talent and technology," he said.

According to Wei Jianguo, vice-chairman of the Beijing-based China Center for International Economic Exchanges, the free trade bloc formed by the RCEP agreement will become the most diversified economic bloc in the world with its signatory members currently at different stages of development, following different political systems and having diverse social structures.

"The RCEP agreement, reached at a difficult time with challenges from COVID-19 and the anti-globalization sentiment, is expected to drive a new round of economic globalization by promoting free trade," Wei said.

"The implementation of the agreement will also accelerate the movement of global industrial technologies, capital and talents to Japan, South Korea, ASEAN, and most importantly, to China," he said.

According to the agreement, more than 90 percent of the trade in goods will be eventually tariff-free over 20 years once it comes into effect.

China has promised to completely open up 86 to 90 percent of goods. It has also promised zero-tariff treatment would make up about 90 percent of all tariffed items for the 10 ASEAN member states, as well as Australia and New Zealand.

Apart from Laos, Cambodia and Myanmar, other countries mentioned above have promised similar or easier access to zero-tariff treatment for China.

Besides, while FTAs among countries in the region mainly cover trade in goods, the RCEP agreement extends into trade in services, investment and the alignment of members' domestic rules with the agreement.

According to Wei, the cumulative rules of origin is a striking achievement of the RCEP, which uses accumulated regional value to determine the origin of a product in the region, and therefore makes it easier for products to enjoy zero tariffs.

"The RCEP is expected to further expand the regional industrial and supply chains, and help the members build mutually beneficial industrial and supply chain partnerships, as well as stabilize the chains," Wei said.

The RCEP members are expected to set high-level Customs rules, inspection and quarantine norms, as well as technical standards. Through these rules, the RCEP agreement can significantly lower the cost of trade in the region, enhance the competitiveness of products, create more business opportunities for enterprises, and provide more choices and benefits to consumers, he said.

Jacobi, executive director of the NZIBF, said although New Zealand already has high-quality FTAs with all the RCEP economies, including China, and the immediate trade gains are therefore unlikely to be big, the country will still benefit from market access improvements in some economies and the improvement in trade rules.

One thing of particular interest is that frozen goods from New Zealand will be cleared more quickly through Customs, which will help the exports of perishable food products, he said.

Sun Shunli, Party secretary and chairman of Beijing-based China Construction Second Bureau Installation Engineering Co Ltd, is also confident of the company's business prospects in the RCEP region.

The company entered the Southeast Asian market as early as 2008.Thanks to the fast-growing market demand, its accumulative contract value totaled 2.2 billion yuan ($345.6 million), with eight projects now under construction.

"There is great cooperation potential between China and Southeast Asian countries in the construction sector, considering the vigorous local market demand, and Chinese enterprises' advantages in technology and resources," Sun said.

Da of Onchain said he believes globalization will be furthered by the RCEP agreement, and applications of technologies like the internet of things, 5G, artificial intelligence and blockchain will also be accelerated to inject more growth impetus into regional and global economy.

Progress in blockchain technology applications, specifically, will significantly reduce trade and commerce costs related to information transmission and verification, as well as facilitate economic growth with such blockchain-powered digitalization of assets, he said.

According to a recent report by the Hainan province-based China Institute for Reform and Development, the RCEP agreement is expected to create additional growth for exports, foreign investment stock and GDP in member countries by 10.4 percent, 2.6 percent, and 1.8 percent, respectively, by 2025, compared with the baseline.

The report also said the RCEP agreement will boost the global GDP growth by an average annual increase of $186 billion.

Jacobi said the RCEP agreement also shows to the world that trade liberalization is possible even amid challenging times.

"Protectionism should never be the response to the pandemic or any other crisis. Economies need to work together, as they did most recently at APEC, to trade our way out of crisis and into recovery," he said.

Source: global.chinadaily.com.cn– Dec 19, 2021

HOME

****

China revises preliminary calculation of 2020 GDP

China's gross domestic product (GDP) in 2020 was revised to 101.36 trillion yuan (about $15.92 trillion), according to official data. The amount reflects a reduction of 241.9 billion yuan from the preliminary calculation, data from the final verification conducted by the National Bureau of Statistics (NBS) showed.

At constant prices, the 2020 GDP increased 2.2 percent year on year, down 0.1 percentage point from the preliminary calculation, official Chinese media reported citing NBS data.

China's annual GDP goes through two sets of accounting in accordance with the current national economic accounting system. The first is the preliminary calculation of GDP, which will be revised in a final verification based on the annual statistical data, fiscal final accounts and departmental administrative records.

Source: fibre2fashion.com– Dec 20, 2021

HOME

****

Economic stability to be top priority of Chinese policymakers in 2022

China's policymakers will give top priority to economic stability next year as they are expected to roll out support measures ahead of schedule to shore up growth against strong headwinds and may set 5 per cent as the bottom line for gross domestic product (GDP) growth for 2022, say experts. China's top leadership acknowledged pressure from contraction of demand, supply shocks and weaker expectations.

Policymakers said they will intensify fiscal spending to boost domestic demand, raise infrastructure investment and are likely to fine-tune regulatory measures in the energy sector to stabilise production and growth.

Top policymakers, who met at the annual Central Economic Work Conference last week, decided that supportive policies should be implemented ahead of schedule, and all regions and departments should actively roll out policies conducive to economic stability, according to a statement released after the meeting.

Experts said that the emphasis on economic stability signals that China will pursue a more pro-growth policy to avoid deep economic slowdown, as the world's second-largest economy is likely to face strong downward pressure in the first half of next year before rebounding in the second half, official Chinese media reported.

Most economists agreed that setting a reasonable growth target for next year is important for the government to better anchor the weakened market expectations.

Policy support needs to be further intensified, because the Chinese economy may continue to be threatened by weaker growth of consumption and investment, disruptions of the supply chain, resurgence of the COVID-19 pandemic and the negative spillover effect of developed economies exiting their ultra-loose policies, they said.

Source: fibre2fashion.com– Dec 17, 2021

HOME

****

US' Cotton Incorporated & SAS launch analytics for sustainability

Analytics leader SAS and US' research and promotion company Cotton Incorporated have launched advanced analytics for sustainability. With the new alliance, the latest data analysis on crop production and ginning processing will help produce higher yields and reduced downtime for cotton processing machinery, supporting a stronger ecological mindset.

Agriculture has evolved over the years to drive efficiency, yield and profits, and the rise of digital agriculture has the potential to be the most transformative and disruptive evolution of all. Experts at EY say investors are pouring billions of dollars into agriculture technology like software because the agriculture industry has begun harnessing the power of data and analytics.

The introduction of precision farming – an approach that uses data sensors, connected devices, remote-control tools and other technologies – has enabled farmers to accurately measure, map and manage variations in their fields to increase yields and lower production costs, SAS said in a press release.

A cotton gin separates cotton seeds from cotton fibre. It takes about 90 seconds for a 480-pound cotton bale to go through that process. The faster the gins run, the better. By analysing the data flowing off multiple gins over several years, SAS identified key factors that affect the rate of processing – gin function, cotton condition and variety, fibre strength – to determine ideal gin speeds that improve machine uptime to get cotton products to market more quickly.

SAS and Cotton Incorporated used this project as a method to demonstrate the value of such analytics to industry leaders.

"SAS began in 1976 as a company that analysed agricultural data. SAS established an AgTech business unit in 2019 that forms partnerships with emerging companies. SAS' roots are in agriculture, and we're eager to make a difference in the cotton industry with support from Cotton Incorporated. Together we'll use the latest analytics and artificial intelligence technologies – like computer vision and streaming analytics – to help companies supply food and fibre to the world," Paula Henderson, SAS executive vice president and chief sales officer for the Americas said in a statement.

“SAS, our North Carolina neighbour, will help the cotton industry further modernise/ I have no doubt our work in ginning, textiles and retail will make a meaningful difference in the ways our industry grows in more fruitful and sustainable ways,” J. Berrye Worsham, president and CEO of Cotton Incorporated said.

Source: fibre2fashion.com– Dec 18, 2021

HOME

****

Cambodia's GDP growth for 2021 projected at 3%: PM Hun Sen

Prime Minister Hun Sen has expressed optimism that Cambodia will see around 3 per cent gross domestic product (GDP) growth this year, more than the 2.2 per cent rate mentioned in the Budget Bill 2022. Inaugurating the Hyatt Regency hotel at Phnom Penh, he said the restarting of economic and social activities and the service sector are the main factors boosting the growth.

Ministry of economy and finance secretary of state Phan Phalla said economic activities have started recovering since the government reopened the country.

"Because of the vaccination campaign, herd immunity has been made. This has led to the reopening of economic and social activities and the projection of GDP growth of 2.4 percent may be not right," he told a press conference.

The exports of main products in the eleven months this year were on the strong path, Phalla said. The main drivers of GDP growth in 2021 are the garment sector, non-garment sector, agriculture sector, and real estate sector.

In the eleven months of 2021, garment export increased by 13.6 per cent compared to 10 per cent during the same period last year; non-garment products export increased by 53 per cent, while agriculture products export increased remarkably, he was quoted as saying by Cambodian media reports.

Cambodia's growth is projected to reach 4.5 per cent in 2022, but any renewed spread of the virus could put recovery at risk.

Source: fibre2fashion.com– Dec 18, 2021

HOME

****

China: Pilot free trade zones inspire nation's higher level opening-up

Pilot free trade zones, a test field for deepening reforms and furthering opening-up, are expected to have higher-level opening-up and more breakthroughs in institutional innovations in the coming years, government officials and experts said.

The development of FTZs will be better aligned with the national agenda such as stabilizing industrial and supply chains and further supply-side structural reforms to contribute to high-quality development, they said.

With a total of 21 pilot free trade zones across China from coastal areas to inner regions, increased experiments in a growing number of FTZs are widely seen as among the pacesetters of China's all-around opening-up.

Items on the FTZ negative list for foreign investment have been reduced to 30 in the latest version released late last year, down from 190 items in 2013, the year when China established its first FTZ in Shanghai. A negative list refers to special administrative measures for access of foreign investors to specific fields of business.

The FTZs have also been playing an increasingly important role in the Chinese economy since 2013. During the first three quarters, the share of pilot FTZs in China's foreign trade and foreign investment inflows hit 16.5 percent and 18.1 percent, respectively. This was the case even if they account for less than 0.4 percent of the national territory, the Ministry of Commerce said.

"China will increase stress tests in FTZs on the premise of manageable risk-taking, reduce items on the FTZ negative list for foreign investment, and formulate an FTZ negative list for cross-border services trade to accumulate experiences for opening-up at a higher level, broader areas and more places," said Wang Shouwen, China's vice-minister of commerce.

FTZs will be delegated with increased autonomy over reforms to align with high-level international economic and trade rules and further unleash the potential of reform and opening-up, said Wang, who made the remarks in a video link at a recent forum on FTZ development held by the Beijing-based Chinese Academy of International Trade and Economic Cooperation in Hangzhou, Zhejiang province.

FTZs will also be encouraged to attract inflows of high-quality production factors at home and abroad based on each other's distinctive strength and positioning, and accelerate industries with comparative advantages.

In that way, the development of FTZs will become supportive to the realization of national agendas such as stabilizing industrial and supply chains, expanding the domestic market, deepening supply-side structural reform and coordinating regional development, Wang said.

Gu Xueming, head of CAITEC, said at the forum that as China is establishing dual-circulation development pattern, FTZs are expected to step up trials and accumulate experiences on institutional innovations to contribute to the formulation of the new development pattern.

Dual-circulation development takes the domestic market as the mainstay while letting domestic and foreign markets reinforce each other. Institutional innovations regarding the enhancement of domestic circulation, interplay of domestic and foreign markets and opening-up risk control should be the focus of such trials, Gu said.

A report on FTZ development in 2020 by CAITEC said FTZs have conducted bold trials to make breakthroughs in deepening reform and furthering opening-up last year and have made progress in further aligning with high-level international economic and trade rules to promote the development of the industrial economy.

Centering on trade and investment facilitation and liberalization, FTZs have made significant progress in institutional innovations regarding foreign investment management, efficiency of customs clearance and financial opening-up, the report said.

Gu suggested FTZs vigorously promote the development of high-end and emerging industries by fueling digital economic growth and enhancing financial and technological support, while improving online and offline infrastructure for logistics and connectivity at the same time.

He also suggested FTZs establish platforms for international cooperation on supply chains and better support foreign enterprises to get listed on domestic stock exchanges.

FTZs should also extend economic and trade cooperation with nearby economies such as Japan, South Korea and the Association of Southeast Asian Nations to strengthen alignment in trade rules, he said.

Lu Jing, deputy dean of the College of Economics at Zhejiang University, said China's FTZs have already achieved almost full opening-up in trade in goods. For the next step, they should conduct more trials regarding opening-up in the services sector, such as financial services, education, senior care and architectural design.

Source: ccfgroup.com – Dec 20, 2021

HOME

****

Vietnam looks to promote export to Brazil

Vietnamese businesses need to cooperate closer with partners in order to boost exports to Brazil in the last month of 2021 as the American market's import and export activities have recorded a stable growth, according to the Vietnam Trade Office in Brazil.

Two-way trade between Vietnam and Brazil hit 5.74 billion USD in the last 11 months, up nearly 36.8 percent year-on-year, with Vietnam's exports to Brazil valued at 2.04 billion USD, up 24.7 percent year-on-year.

Sharp increases were seen in the shipment to Brazil of items such as iron and steel, furniture products, computers, electronic products, bamboo and rattan products, sedge carpets, vehicles and spare parts, technical fabrics, rubber, textile fibers, aquatic products, textile raw materials, footwear, rubber products, and bags.

Vu Ba Phu, director of Vietnam Trade Promotion Agency of the Ministry of Industry and Trade (MoIT), said although the COVID-19 pandemic has had a negative impact on the economy, trade between Vietnam and Brazil has grown, so businesses of the two sides still have many opportunities to improve trade turnover in the coming time.

According to deputy head of the European-American Market Department of the MoIT Vo Hong Anh, the value of exports to Brazil has been improved with an increasingly diverse range of trade commodities such as mobile phones, electronic equipment, iron and steel, footwear, chemicals, agricultural products, and processed foods, and raw materials for livestock feeds and some other production industries.

Source: vietnamplus.vn– Dec 19, 2021

HOME

****

Pakistan: Energy ministry, APTMA at loggerheads over gas supply, pricing

A war of words between office bearers of All Pakistan Textile Mills Association and Minister of Energy has intensified over interrupted gas supply and hike in tariffs as both sides are blaming each other for dishonouring commitments.

Making his point in the Geo News program - "Naya Pakistan", Chairman APTMA Abdul Raheem Nasir claimed that the Prime Minister Imran Khan had given a commitment of uninterrupted supply of gas against $6.5 MMBtu in addition to 7.5 cents per unit electricity for five years to give the much-needed impetus to the textile industry. However, he claimed, policy change after every two months would badly hurt the industry and exports target.

The "government will have to focus on the long-term agreements of RLNG buying instead of indulging in spot-buying which can make things easier for all the stakeholders," asserted Chairman APTMA, adding, "textile industry is expected to generate $21 billion through exports this year. The government has hiked tariffs for IMF's one billion dollar loan instead of supporting the textile industry which has the potential to bring billions of dollars into country."

The Chairman APTMA, Abdul Raheem Nasir categorically denied making any commitments with the ministry of energy on withdrawal of subsidy and shifting plants to national grid. On the other hand, Minister for Energy Hammad Azhar said he did not breach any commitment, rather it was APTMA which has failed to honour its commitments time and again.

The "APTMA agreed to the withdrawal of subsidy being given on gas last year while committing to shifting its plants to national grid and approved energy audit of the sector, but now APTMA is not willing to abide by the commitments ," he added.

Source: thenews.com.pk– Dec 20, 2021

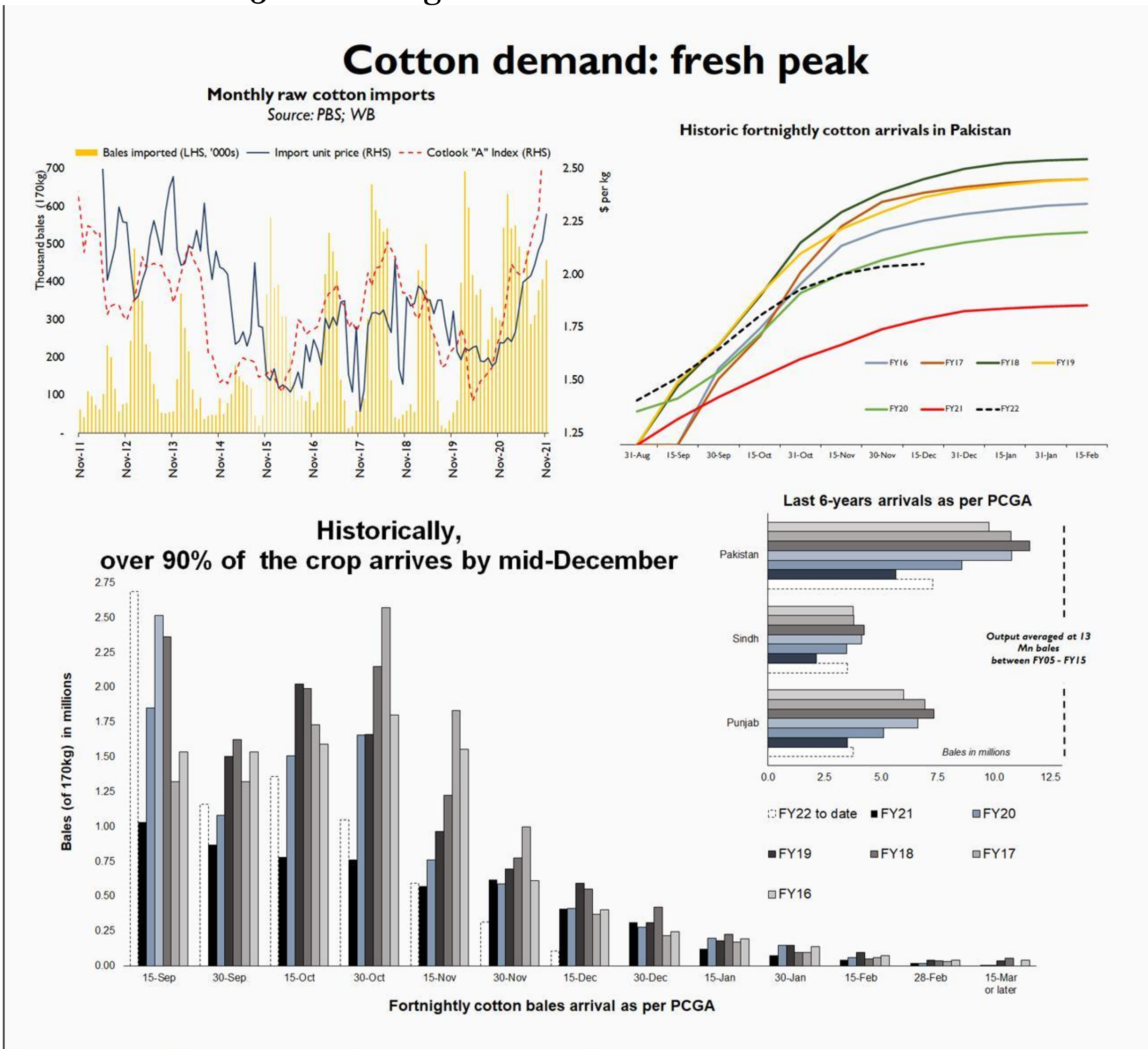
HOME

****

Pakistan: Cotton imports: fresh peak?

Over the weekend, Pakistan Bureau of Statistics released its monthly trade report card, noting an alarming increase in the cotton import bill. 5MFY22 raw cotton import bill has increased 78 percent over same period last year, even as quantity imported recorded much more tapered growth of a little less than 32 percent.

That Pakistan has had to open the floodgates for imported cotton in the aftermath of repeated crop failures has now become common refrain. However, the pace at which raw material import bill has risen in the ongoing fiscal year is primarily attributable to international market prices, which reached their 125-month high in November 2021.



Source: An effort by BR Research based on fortnightly cotton arrival statistics from Pakistan Cotton Ginners Association

But is the import bill showing any signs of easing? So far, imports of only 1.4 million bales have been made between July and November 2021, according to PBS data, at average unit price of $2.14 per kg. Although average price of imports during the five-month period is still well under 12-month forecast, month-on-month import price is steadily rising.

Highest monthly quantum of imports so far landed during November, at average price of $2.28 per kg, up 30 cents since June. Meanwhile, 6-month moving average of global Cotlook “An” index climbed to $2.36 per kg, another decade high.

So what does rest of the year look for cotton imports? Local cotton output has finally hit a snag, with hopes of any reversal in fresh arrivals dashed as the country enters wheat cultivation season in full swing. According to Pakistan Cotton Ginners Association (PCGA), cotton arrivals at local ginning factories fell short of 7.3 million bales by mid-December, with little hopes of the final tally making beyond 7.5 million bales.

Given low carryover inventory from the previous year, Pakistan’s annual import requirement during FY22 is anywhere north of 5 million bales. In FY21, import of 5 million bales made at (pandemic-driven) decade-low prices had raked in an import bill of $1.5 billion. With international prices at their peak, import bill is all set to breach $2 billion in the ongoing year.

Cotton import bill forecast faces a lot of upside and very little downside during the second half of the ongoing fiscal year. And with the country placing all its bets on textile exports revival, these imports must remain welcome. H2FY22 may very well see cotton imports quantum witnessing fresh heights. Policymakers cannot claim to be taken by surprise this time.

Source: brecorder.com– Dec 20, 2021

HOME

****

NATIONAL NEWS

The goal is to make India the top trading partner of UAE: Commerce Minister Piyush Goyal

The Union Minister for Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles Shri Piyush Goyal chaired an interaction with the captains of Indian industry and heads of Export Promotion Councils in Mumbai today, to discuss certain opportunities for Indian businesses to expand their global footprint by leveraging the business platforms and infrastructure offered by UAE.

DP World, a leading smart logistics provider owned fully by the Government of UAE, presented the market expansion opportunities it offers to Indian businesses and exporters. The firm is setting up India Mart Traders Market, a dedicated market for Indian businesses which would enable traders and manufacturers to trade with the UAE local market and regional market.

The potential offered by Dubai's Jebel Ali Free Zone (Jafza), one of the world's leading free trade zones, was also presented to the Indian industry.

Speaking about the immediate UAE opportunity presented by DP World and the Government of UAE, Shri Goyal said "We are looking for this to become a $10 billion opportunity for India and to also showcase Brand India on the global stage."

Industry representatives welcomed the initiative and offered their ideas and suggestions to leverage its potential.

Shri Goyal added that our goal is to become the No. 1 Trading Partner of UAE. The Minister said, "UAE is a gateway to Gulf Cooperation Council and all of Africa".

The Minister welcomed Group Chairman & CEO, DP World, Sultan Ahmed Bin Sulayem for coming up with solutions such as provision of low-cost finance for Indian businesses.

Shri Goyal said that the goodwill built by Prime Minister Shri Narendra Modi and Crown Prince H.H. Sheikh Mohamed bin Zayed Al Nahyan are helping us have bigger ambitions.

The Minister thanked the exporters for participating in the deliberations to create a roadmap for expanding Indian exports not only to UAE but also using UAE as a springboard, to expand exports to GCC and other markets in Africa and elsewhere.

The Union Minister shared the highly favourable outcomes which can be expected from the India-UAE Free Trade Agreement, which is in the advanced stages of negotiation and finalization. “There is a lot of good news coming up, across several sectors, as we negotiate and finalize the FTA with the UAE.”

The Minister shared three examples reflecting India-UAE friendship. “For the first time ever, UAE allotted land for India to set up a temple. This is remarkable as UAE is celebrating 50th year of its formation and India is celebrating its 75th year of Independence. Secondly, UAE has committed $100 Billion for investment and infrastructure creation in India. And thirdly, the UAE-India FTA will be India’s fastest-negotiated FTA and the fastest-negotiated Comprehensive Economic Partnership Agreement (CEPA) ever between two nations, which also gives the maximum opportunity to India.”

Addressing the exporters and industry, Group Chairman & CEO DP World, Sultan Ahmed Bin Sulayem, spoke about the UAE market and the opportunities available there for Indian products.

“The Jebel Ali Economic Zone has hundreds of warehouses suitable for any trader who would like to see and feel the market. The time is right for India to seize the opportunity in the world market. There is a huge shortage everywhere, which India can fill.”

DP World official, Mr. Abdulla Al Hashmi presented to the industry the potential offered by the twin projects India Mart Traders Market and Jebel Ali Free Zone. “We want to support Made in India products, to enable them to be exported to the world."

During the discussions, Sharad Kumar Saraf, Immediate Past President opined that FIEO decision to open India Mart Traders Market is timely and very important.

Naresh Bhasin, Regional Chairman, Council of Leather Exports stated that besides touch-and-feel, speed-to-market is an important aspect which customers are looking at. Capital cost is cheaper in the UAE and setting up

India Mart Traders Market in Dubai will be very attractive for the leather industry, he added.

Amit Sarda, Member, Retailers Association of India (RAI) stated that the setting up of India Mart facility by DP World will further India's goals of Made in India and Made for the World. "As MSMEs and start-ups drive up business, we need to talk about providing access to India Mart to them as well." He said that in addition to providing warehousing facility, the Mart should also have a packaging facility.

B. Thiagarajan, Chairman, CII Western Region and Managing Director, Blue Star Ltd. said: "India-UAE bilateral relationship has led to tremendous growth in the past few years and led to creation of a framework for strategic partnerships. The interaction today is an example of the opportunities and relations that may emerge as a result of the strong bilateral relationship."

Representatives of The Plastic Export Promotion Council, Engineering Export Promotion Council India, Gem and Jewellery Export Promotion Council, Tea Board India, The Cotton Textile Export Promotion Council, Spices Board, Retailers Association of India, Apparel Export Promotion Council, The Clothing Manufacturers Association of India and others were present on the occasion. Apart from those present in person, more than 100 companies joined the conference virtually.

Source: pib.gov.in– Dec 18, 2021

HOME

****

With PLI schemes & global demand recovery, India exports likely to fly high in New Year

After staging a strong recovery from COVID-induced slowdown in 2021, India's exports are likely to extend the growth story to the New Year also on increased demand in the global markets, boost in domestic manufacturing due to production-linked incentive schemes and implementation of some interim trade pacts.

Expectations of positive growth in the country's exports are also backed up by the outlook of the World Trade Organisation (WTO) which predicts a 4.7 per cent expansion in the global merchandise trade volume in 2022.

Exporters believe that the outbound shipments would cross USD 400 billion mark in this fiscal going by the current momentum and may reach USD 475 billion in 2022-23.

However, the growth and global demand will also depend on whether the countries would be able to contain Covid-19 and the new variant Omicron through massive vaccination worldwide, they suggest.

According to a Reserve Bank of India survey, released in September, exports of software services, including services delivered by foreign affiliates of Indian companies, stood at USD 148.3 billion in the fiscal year to March 31, 2021. This is more than USD 145.3 billion the world's top oil exporter, Saudi Arabia expects from oil sales in 2021.

With the largest engineering population in the world, the software export story was seeded about four decades ago and has huge potential to go up further. But software exports are just a part of India's export-led growth story which is gaining momentum.

Commerce Secretary BVR Subrahmanyam said that the world respects India as a trusted global business partner now and the country's exports are growing in regions including the Middle East, Arica and South American nations, besides India's traditional destinations.

"An intense review and monitoring at macro and geographical levels are helping to find new areas of trading relationships. Various measures to improve ease of doing business, incentivisation schemes like PLIs, rationalisation of duties is facilitating the trade like never before," he told PTI.

To boost exports, the government has taken several measures such as notifying RoDTEP (Remissions of Duties and Taxes on Exported Products) rates, and releasing Rs 56,027 crore against pending tax refunds of exporters and steps to promote ease of doing business, the secretary added.

Subrahmanyam said that a series of measures by the central government and the resilience of Indian exporters have helped in registering record growth in exports so far.

According to another senior official, the Department of Commerce is working on the new Foreign Trade Policy (FTP) and aggressively negotiating Free Trade Agreements (FTAs) with key trading partners including the UAE, the UK and Australia and these measures would help in registering record growth in exports in "next year as well".

The centre has implemented a series of steps to promote exports of both goods and services and that includes the introduction of RoDTEP and Rebate of State and Central Levies and Taxes (RoSCTL) Schemes, the launch of Common Digital Platform for Certificate of Origin to facilitate trade and increase FTA utilization by exporters, promoting districts as export hubs by identifying products with export potential in each district and addressing bottlenecks, and promoting ease of doing business.

The recently introduced PLI schemes will also support growth in the New Year, particularly in mobile, electronics and drugs and pharma sectors as incremental production will push additional exports as well.

According to Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai, much will depend on whether "we would be able to contain Covid-19 through massive vaccination across the globe and be able to create required capacity".

This will decide whether the country should look for 15-20 per cent growth or even more and looking into the emergence of new variants and supply-side challenges at this point of time, "we would like to be a little conservative and will aim for an export of USD 460-475 billion in 2022-23," he said.

Sahai added that while the demand side of exports should be taken care of by the industry, industry and the government should work together to address the supply side challenges.

"An increase in the prices of inputs, skyrocketing freight and delays in shipments and payments have resulted in the need for additional credit. Unfortunately, additional credit requires additional collateral as well by the banks. The government may consider giving a push to container manufacturing in the country as we require a large number of containers for inland coastal shipping," he suggested.

Since January this year, exports are mostly recording double-digit growth on account of a low base. In 2020, exports were hit hard by the impact of the Covid-19 pandemic.

Rising imports of gold and crude oil have pushed the country's imports and widened the trade deficit (difference between exports and imports). The trade deficit touched a record USD 23.27 billion in November.

Leading exporter and founder chairman of Technocraft Industries India Sharad Kumar Saraf said that as the Indian economy is reviving at a faster pace, imports are rising.

"Exports will do better in 2022 on account of health demand in global markets, Customers who have moved out from China are looking at India. Schemes like PLI will start yielding fruits from the new year," Saraf said.

Ludhiana-based Hand Tools Association President S C Ralhan also said that exports would do good in the new year, but the government should take immediate steps in containing rising shipping rates and raw material prices.

Promoting exports helps a country create jobs, boost manufacturing and earn more foreign exchange.

Source: economictimes.com- Dec 19, 2021

HOME

****

Economic Advisory Council to the PM calls for unified labour law

The Economic Advisory Council to the PM (EAC-PM) has backed a unified labour code, much on the lines of the Bangladesh Labour Act of 2006, saying that the labour reforms undertaken in form of four Codes did not take a comprehensive view of all labour laws and had only standardised and streamlined the existing statutes without addressing definitional inconsistencies.

The EAC-PM has called for further simplifying of the labour laws and called for other alternative policy efforts to boost employment generation and industrial growth.

The union labour ministry had amalgamated 29 central labour laws into four Codes. These include the Code on Wages, 2019, the Code on Social Security, 2020, the Industrial Relations Code, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020. These are yet to be notified.

"A 'single unified labour law' or reforms aimed at all sectors and nature of jobs would create a supportive business environment for the urban economy. This would allow the service sector and the new-age urban economy to truly take off," the EAC-PM said in its report on state-level labour reforms in India, submitted to the Prime Minister's Office earlier.

Wider consultations with all the stakeholders may also be sought in that direction, it added.

The report, prepared at the request of the PMO to examine the impact of state-level labour law reforms on employment and economic growth, has called for a need to focus on urban areas, given their significance from a national income as well as overall employment standpoint.

"The report comes out at a crucial time as the nation is coping with the Covid crisis and boosting employment has become more vital than ever before," Bibek Debroy, chairman of the EAC-PM, had said in the report.

The EAC-PM is of the view that labour law reforms, though important, are not a magic bullet to boost employment generation, address the high degree of informality or even boost industrial growth, and has questioned a need for spending political capital on some labour law reforms, which are not enough for employment generation.

Source: economictimes.com- Dec 19, 2021

HOME

****

4 labour codes likely to be implemented by FY23 as many states ready draft rules

The four labour codes on wages, social security, industrial relations and occupation safety, health and working conditions are likely to be implemented by the next fiscal year as at least 13 states have pre-published draft rules on these laws, a senior official said. The Centre has already finalised the rules under these codes and now states are required to frame regulations on their part as labour is a concurrent subject.

A senior official said that the four labour codes are likely to be implemented by the next fiscal year.

"The four labour codes are likely to be implemented in the next financial year of 2022-23 as a large number of states have finalised draft rules on these. The Centre has completed the process of finalising the draft rules on these codes in February 2021. But since labour is a concurrent subject, the Centre wants the states to implement these as well in one go," the official said.

Union Labour Minister Bhupender Yadav in a reply to the Rajya Sabha earlier this week had said that the Occupational Safety, Health and Working Conditions Code is the only code on which the least number of 13 states have pre-published the draft rules.

The highest number of draft notifications are pre-published on The Code on Wages by 24 states/UTs followed by The Industrial Relations Code (by 20 states) and The Code on Social Security (18) states.

In his reply to the Upper House, the minister explained that labour is in the Concurrent List of the Constitution and under the Labour Codes, rules are required to be framed by the central government as well as by the state governments.

The central government and some of the States/UTs have pre-published rules under the four labour codes. The central government is pursuing with the remaining state governments to frame the rules under all four Codes, he had said.

The central government has notified four labour codes, namely, the Code on Wages, 2019, on August 8, 2019, and the Industrial Relations Code, 2020, the Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020 on September 29, 2020.

However, the Centre as well as states are required to notify rules under the four codes to enforce these laws in respective jurisdictions. Under the Codes, the power to make rules has been entrusted to the Central Government, State Government and appropriate Government and there is a requirement of publication of Rules in their official Gazette for a period of 30 or 45 days for public consultation.

As per the minister's reply, draft rules are pre-published by 24 states on The Code on Wages.

These states are Madhya Pradesh, Bihar, Uttarakhand, Karnataka, Uttar Pradesh, Gujarat, Odisha, Punjab, Chhattisgarh, Tripura, Rajasthan, Jharkhand, Arunachal Pradesh, Himachal Pradesh, Haryana, Maharashtra, Goa, Mizoram, Telangana, Assam, Manipur, UTs of Jammu and Kashmir, Puducherry and GNCT of Delhi.

Similarly, the 20 states which have pre-published draft rules on The Industrial Relations Code are Madhya Pradesh, Bihar, Uttarakhand, Uttar Pradesh, Gujarat, Odisha, Punjab, Chhattisgarh, Tripura, Karnataka, Jharkhand, Arunachal Pradesh, Haryana, Himachal Pradesh, Telangana, Manipur, Assam, Goa, UTs of Jammu and Kashmir and Puducherry.

As many as 18 states have pre-published draft rules on The Code on Social Security. These states are Madhya Pradesh, Bihar, Uttarakhand, Uttar Pradesh, Punjab, Chhattisgarh, Odisha, Jharkhand, Arunachal Pradesh, Haryana, Maharashtra, Tripura, Himachal Pradesh, Manipur, Assam, Gujarat, Goa and UT of Jammu and Kashmir.

As many as 13 states have pre-published draft rules on The Occupational Safety, Health and Working Conditions Code. These are Uttarakhand, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Odisha, Arunachal Pradesh, Haryana, Jharkhand, Punjab, Manipur, Bihar, Himachal Pradesh and UT of Jammu and Kashmir.

Source: economictimes.com- Dec 19, 2021

HOME

****

MSP for all crops is fiscally unfeasible

Several countries around the world, especially the G-20, support their agriculture. Research tells us that the best way to support agriculture in a sustainable and competitive manner is to invest in agri-R&D, agricultural-extension systems, and connect farmers to lucrative markets, domestic and external, by building efficient value chains. Giving farmers their right to choose the best technologies and the best markets is fundamental to the robust functioning of agri-systems and augmenting farmers' incomes.

But in a democratic system, policies are not always framed on a scientific basis. They are often influenced by various lobbies, including politicians who at the time of elections offer freebies like free electricity, and farm loan waivers as "doles for votes". This short sightedness results in sub-optimal or even irrational policy choices, which, in due course, harm the economy, environment, and even farmers.

Let us discuss here the case of minimum support prices (MSP), which many political parties are demanding to make a legal instrument. The legality of MSP means that no one is allowed to buy a crop below its MSP. If this demand is accepted it will not only mess up the economy but will ultimately turn out to be anti-farmer. The reason is simple: It ignores the basic logic that prices are largely decided by the overall demand and supply.

In the case of surplus, which usually happens at harvest time, prices fall to clear the market. If MSP is above that market clearing price, no one from the private sector will be willing to buy. In that case, the government will have to become the buyer of last resort, else farmers will be left high and dry with no buyers for their produce, making farmers worse-off. The issue is how much the government can buy, of how many commodities, and what will be its cost.

As of today, the government declares MSP for 23 crops: Seven cereals (paddy, wheat, maize, bajra, sorghum, ragi and barley), five pulses (tur, moong, chana, urad and masur), seven oilseeds (soybean, groundnut, rapeseed-mustard, sesamum, safflower, sunflower and nigerseed) and four commercial crops (sugarcane, cotton, jute and copra). The main procurement, however, happens largely for rice and wheat to feed the public distribution system (PDS).

The PDS issue prices of rice and wheat are subsidised by more than 90 per cent of their economic cost to the government. In 2020-21, the food subsidy bill was almost 30 per cent of the net tax revenue of the central government, reflecting clearly a huge consumer-bias in the system. Unless this PDS is reformed either by restricting this to say the bottom 30 per cent of the population, or raising the issue prices to say half the economic cost of rice and wheat, giving a better deal to farmers is likely to blow up the fiscal position of the central government.

It may also be remembered that the MSP regime had its genesis in 1965 when India was hugely short of basic staples and living in a “ship-to-mouth” situation. It was an indicative price (not a legal price) and procurement of rice and wheat was done to support farmers when they were adopting new seeds (HYV technology) and domestic procurement was to feed the PDS. But now with granaries overflowing with rice and wheat, there is a need to rethink and redesign the procurement policy. In the crop year 2020-21, about 60 million metric tonnes (MMTs) of rice and 43 MMTs of wheat were procured by the Food Corporation of India (FCI) and NAFED procured about 0.66 MMTs of pulses.

Even after procuring more than 50 per cent of the marketed surplus of rice and wheat, the market prices of rice and wheat remained below MSP in several states. For example, in November 2020, market prices of paddy in Chhattisgarh were below the MSP by more than Rs 300/quintal; in UP, the gap was about Rs 102/quintal. This situation prevailed widely in Bihar, Jharkhand, Assam and many eastern states. Similarly, in wheat, the crop sold below the MSP in UP and MP, the largest wheat producing states. Possibly, one of the reasons behind market prices hovering below MSP is the large leakage from the PDS suppressing market prices.

If this is the case of rice and wheat, where even after procuring more than 50 per cent of the marketed surplus prices stayed below MSP, extending the system to cover 23 crops under MSP will need much deeper thought.
According to our back-of-the-envelope calculations, assuming that only 10 per cent of the production of remaining crops (excluding sugarcane) is procured, it will cost the government about Rs 5.4 lakh crore annually to procure these other MSP crops. This cost is estimated on the basis of economic costs of operation that are usually about 30 per cent higher than the MSP (in case of rice and wheat it is 40 per cent). But it appears that despite this, market prices may stay below MSP, especially during the harvest time. It also raises the question why only these MSP crops, why not

other agri-produce, say milk, the value of which is more than the value of rice, wheat and sugarcane combined.

One argument that is floated is that instead of physical procurement, one may use price deficiency payments (PDP), implying that the government pays to farmers the gap between the market price and MSP, whenever market prices are below MSP.

We know very well that Madhya Pradesh adopted this scheme (Bhavantar Bhugtan Yojana) in kharif 2017 for eight crops (maize, tur, urad, moong, soybean, groundnut, sesamum, and nigerseed) but had to give up the very next season as traders gamed it, widening the gap between market prices and MSP, and benefited massively from this scheme, while the government incurred heavy expenditure.

What's the way out to give a better deal to farmers? It may be better to use an income policy on a per hectare basis to directly transfer money into farmers' accounts without distorting markets through higher MSPs or PDPs. This can be improvised by better identification of tenants and owners through transparency in land records. There is no easy substitute to "getting the markets right".

Source: indianexpress.com- Dec 20, 2021

HOME

****

Labour-intensive exports may gain as rupee hits 20-month low

Under pressure after continued selling by foreign investors in equities amid concerns over the Omicron variant of the Covid-19 virus, the rupee weakened to 76.32 to a dollar last week.

The rupee weakening to a 20-month low against the dollar has come as a mixed blessing for exporters.

While there is an improvement in realisations as they hasten to bring payments back into the country, some have begun to witness calls from buyers to cut prices for fresh orders. Exports dependent on imported inputs will see limited gains, but exporters in labour-intensive sectors such as textiles and leather could see an improvement in margins, traders say.

The rupee depreciation will support India's merchandise exports target of $400 billion in FY22 amid slowing growth of outbound shipments. "Almost 60% of our goods trade is in dollars. The depreciation will further help in increasing exports, especially of labour-intensive products such as sports goods, textiles and leather, and provide protection to the domestic industry," Federation of Indian Export Organisations director general Ajay Sahai said.

Under pressure after continued selling by foreign investors in equities amid concerns over the Omicron variant of the Covid-19 virus, the rupee weakened to 76.32 to a dollar last week.

"The recent rupee depreciation is leading to a gain for exporters as costs are mostly in rupee and it also enables Indian products to become more globally competitive," said Sanjay K Jain, managing director, TT Limited, adding that the firm with 50% export revenue would benefit from this depreciation.

An official with an export body said some exporters, who had parked dollars overseas, were also rushing to bring back payments fearing intervention by the central bank to support the rupee.

Mixed bag

As per a textile exporter, rupee depreciation will help in the short term but the effect on rising inputs due to inflation and energy costs will offset these gains in the long run. "The benefit of currency depreciation is limited to those exporters who are not hedged or haven't signed contracts in advance," said a Delhi-based agri goods exporter.

Buyers also have begun pushing for price revisions. "Buyers are already inquiring about a 5% cut in prices," said an exporter of light engineering goods.

Moreover, gains from rupee depreciation also might get neutralised as many emerging economy currencies - Turkish lira, Pakistani rupee, Malaysian ringgit, Thai baht and Iran's rial - have depreciated this year.

The Indian rupee depreciated the steepest - around 1.5%- in the last two weeks after the US Federal Reserve favoured faster rollback of quantitative easing and possibly raising interest rates, prompting outflows of overseas investment from emerging economies.

Costlier imports

A weaker currency makes US dollar-denominated imports such as raw materials including sulphur, ammonia and potash more expensive. In the pharma sector, large firms that are net exporters, tend to benefit from currency depreciation but small and mid-sized companies that rely on imported bulk drugs from China might get impacted adversely.

This assumes significance as exports from micro, small and medium enterprises fell 7.64% on-year in fiscal 2021 to $143.99 billion.

Traders say import-intensive products such as petroleum, fertiliser, chemicals and, gems and jewellery might witness limited benefit.

India's trade deficit hit a record high of $22.91 billion in November when petroleum, gold, silver and mineral imports drove up the overall inbound shipments by 56.5% to $52.9 billion, while exports hit a nine-month low at $30.04 billion. The trade deficit more than doubled from $10.19 billion in November 2020.

Source: economictimes.com- Dec 19, 2021

HOME

****

Withdraw plan to hike GST rate on textile, apparel items: Telangana Minister to Centre

Telangana Industries Minister KT Rama Rao on Sunday urged the Centre to withdraw its proposed plan to increase GST rates from 5 per cent to 12 per cent on garments and fabrics from January 1, 2022. In a letter to Union Textiles Minister Piyush Goyal, Rama Rao said for the past two years, the handlooms sector has been going through a difficult phase due to coronavirus pandemic, an official release said here.

"At this juncture, revising the GST (rates) from the current 5 per cent to 12 per cent would serve a death blow to the industry," said Rama Rao.

After agriculture sector, textiles and handlooms sector provide highest employment in the country. Considering the current scenario, the need of the hour was to extend additional advantages and incentives to the sector, he said adding the decision to increase GST rates on textiles and handlooms is not wise.

"The current decision to impose additional seven per cent GST on the handlooms would leave the sector crippled. Telangana produces world-class handlooms and weavers are worried due to the central government's decision to hike GST rates," the Telangana Minister said.

Rao further demanded rollback in GST hike on textile products, or atleast retain handlooms at the earlier GST of 5 per cent.

Source: economictimes.com- Dec 19, 2021

HOME

****

Government to set up export promotion wing

Commerce secretary BVR Subrahmanyam said on Saturday that the central government would soon create a dedicated body to promote exports from India which will have footprint in states and Indian missions.

Addressing the FICCI Annual Convention and 94th AGM, Subrahmanyam said the government is working on "future ready commerce". "This will work on multiple things. First and foremost, there will be a separate export promotion wing with a footprint in all Indian missions abroad and in every state of India," he said.

According to Subrahmanyam, bilateral and multilateral engage departments will be constituted under the trade negotiation Wing.

"The flavour of today is bilateral trade, and the government is negotiating Free Trade Agreements with multiple countries such as UAE, Australia, United States, EU, which will be completed by next year. These will cover many other aspects such as public procurement, intellectual property, social development etc," he said.

He said market intelligence will also be set up across the states which will be a great boon for the industry in boosting their export. In addition, the ministry is working on a Brand India strategy under an overarching objective of trade promotion across the globe.

VR Sharma, co-chair, FICCI Steel Committee, and managing director, Jindal Steel & Power Ltd, shared various exports related issues on behalf of the industry. These include reduction of operating costs (like for utilities, transportation, processing costs), export credit, and guarantees in India that remain expensive.

Source: maritimegateway.com- Dec 19, 2021

HOME

****

Growth could stay weak as demand remains subdued

India's economic recovery so far while reasonably strong has been uneven. The organised corporate sector has bounced back as reflected in the strong tax collections even as the informal sector seems to be stuck in a rut. Sustainable and inclusive growth seems some time away given rising inflation, higher interest rates and weak purchasing power of lower-income households could hurt demand in the months ahead.

Indeed, even the conservative 7-7.5% consensus GDP growth projections for 2022-23 are looking a stretch.

Recent job data is worrying. Joblessness hit 8.53% in the week to December 12, for the first time in 17 weeks owing to a spike in urban unemployment to 10.09% and also elevated rural unemployment at 7.42%, data from the CMIE showed. An added obstacle could be the new Omicron wave and the inadequate pace of vaccinations.

Not surprisingly, capex isn't coming back in a big way. Capacity is no doubt being added by some steelmakers and equipment is being ordered in other sectors too but on the whole there's no real burst. To be sure the spends by the e-commerce and start-up space, while not in plant and machinery, are huge and this ecosystem is creating job opportunities. In contrast, the corporate sector isn't adding to workforce; an analysis by CARE shows that the headcount fell 1.3% in FY21 on the back of a 2.2% increase in FY21 and 4.1% in FY19.

Importantly, the data doesn't cover outsourced staff, which is becoming a sizeable component of the workforce. India Inc is leading the economic recovery.

The share of PAT to GDP, for listed companies, has risen from the two-decade low of 1.8% in FY20 to 3.7% of GDP in 1HFY22. Corporate sales have soared, helped by a favourable base and inflation. Critically, interest coverage ratio has seen a vast improvement. Much of the improvement has come from efficiencies, price and productivity increases and better cost management.

However, the growth in factory output has been relatively slow. In October, it grew 3.2% y-o-y compared with September's 3.3% y-o-y. Although there was a sequential pick-up, it was uneven.

While some of this could be attributed to supply-side bottlenecks, demand has clearly been subdued despite it being the festive season.

With supply-side bottlenecks easing out of key sectors such as automobiles should go up; only inflation could be a big dampener in the months ahead as high raw material costs get passed on the consumers. Exports continue to have a good run and could help push up capacity utilisation, currently below 70%.

Source: financialexpress.com- Dec 20, 2021

HOME

****

Government bans futures trading in seven commodities

The Finance Ministry has suspended trading in futures contracts of some agricultural commodities for one year to reign in inflation.

Trading in seven commodities - paddy (non-basmati), wheat, chana, mustard seeds and its derivatives, soya bean and its derivatives, crude palm oil and moong - has been suspended with immediate effect, according to a Finance Ministry notification.

Government is facing pressure from opposition due to increasing prices of essential commodities.

Consumer price inflation for November increased to a three-month high of 4.91% with food prices rising too. This was despite cuts in excise duty by the government and states which did not provide much relief in tempering inflation. Analysts say that weakening domestic currency may also add to the price pressure at the retail level.

Wholesale inflation for November accelerated 14.23% from 12.54% a month ago. This was the eight consecutive month in which it stayed at a double digit level.

“ No new contract shall be launched till further orders. In respect of running contracts, no new position will be allowed to be taken. Only squaring up of position will be allowed. These directions will be implemented with immediate effect. The above-mentioned directions are applicable, for a period of one year,” SEBI said in a notification.

Excessive and unseasonal rains in parts of the country during the past couple of months led to the destruction of standing crops of tomatoes and onions among others. In some areas, the rains came just as these crops were nearly ready to be harvested.

That led to supply shocks, which then created conditions for both wholesale and retail prices to climb. Prices of both vegetables have softened in the past few days as supply improved. Prices of tomatoes are usually more volatile than onions and potatoes, largely due to their shorter shelf life.

Rains had also affected several other crops. For instance, cauliflower prices stayed elevated all through November. The price index for cauliflower was about 16 percent higher than a year ago, CPI data show. Likewise for radish.

Source: moneycontrol.com- Dec 20, 2021

HOME

****

Developing an efficient logistics ecosystem

Exports allow developing countries to grow, create more jobs, become more sophisticated and competitive. However, growth in exports entails several pre-requisites such as an efficient logistics ecosystem and integration of domestic firms in global value chains. A supply chain system which ensures delivery of the right product, at the right place, at the right time in proper condition, all for a reasonable cost in turn fuels growth.

The World Bank publishes the Logistics Performance Index (LPI), a composite index and benchmarking tool to analyse how efficiently supply chains in an economy connect firms to international opportunities. India was ranked 44 out of 160 countries on the LPI in 2018. The Ministry of Commerce and Industry has also crafted the Logistics Ease Across Different States (LEADS) 2021 to analyse the business environment in all State/UTs pertaining to infrastructure, policy, and regulatory regime for improving logistics efficiency in India.

Under LPI, countries are ranked on a perception-based global survey of ground operators in the logistics sector such as freight forwarders and carriers. It allows countries to identify opportunities and challenges with respect to trade logistics and take steps for improving performance.

High costs

With logistics costs in India still high at around 14 per cent of GDP, the right policies and reforms can help boost LPI scores and make Indian exports more competitive. While LPI serves as one of the strongest tools to analyse country-level logistics, it has certain well-acknowledged limitations for diverse developing countries like India.

Firstly, the LPI is calculated by taking a weighted average of scores on core indicators with the weights for all indicators being almost identical. As per a paper published by Beysenbaev R and Dus Y in The Asian Journal of Shipping and Logistics, the index does not consider the relative criticality of factors like the quality of trade infrastructure and the border wait time over ability to trace consignments.

Secondly, a perception-based survey has serious flaws in terms of subjectivity and recency bias. The industry perception may not represent the wider intra-country logistics setup. This is especially true for poor countries, which often rely on traditional operators whose service levels are often not as high and broad as operators functioning in multiple regions.

Thus, the efficiency of internal supply chains in India is largely ignored by the international LPI rankings. Also, the perception of both domestic and international logistics operators is greatly influenced by Government policy which operates differently for goods moved domestically vis-à-vis those meant for export.Third, the LPI scores might also reflect access issues outside the country under assessment, such as transit difficulties, which cannot be eliminated through domestic reforms.

Fourth, factors like geography, terrain, resource base and economic activity act as natural deterrents for the development and management of a robust logistics infrastructure. Therefore, any comparison between countries differing in these parameters requires a more nuanced narrative.

In this respect, insights from LEADS 2021 along with the LPI can perhaps better identify the necessary reforms for improving logistics across India. LEADS 2021 focusses on both domestic and international trade and uses a combination of objective parameters along with perception-based indicators, data on which has been sourced from 1,405 respondents.

While the objective indicators assess the enabling initiatives implemented by State/UT(s) in the logistics sector, the Index employs secondary datasets to capture logistics infrastructure, services, and facilities. The LEADS's methodology can effectively complement LPI to not just capture perspective of logistics professionals but also account for local contextual variables such as capital outlays to build transport infrastructure, capacity of logistics services, regulatory environment, among others.

Factoring in India's diversity, LEADS distinctly ranks North-East, Himalayan States/UT(s) from the rest of India. This is followed by clustering of States based on their geographic proximity to analyse policy and investment decisions on logistics infrastructure in a symbiotic manner. While ranking of States/UT(s), LEADS lays down recommendations to fare better in subsequent versions and reviews actions against suggestions in the previous report. The LEADS also enlists best practices for States/UT(s) to learn from. This is expected to improve their logistics efficiency.

Source: thehindubusinessline.com- Dec 19, 2021

HOME

****

TRIPS waiver: India, South Africa, US, EU try for breakthrough

Even the looming threat of the Omicron variant has not broken the deadlock in the World Trade Organisation (WTO) on relaxing certain intellectual property (IP) rules for Covid-19 vaccines and medical products.

The TRIPS Council met this week to see if an agreement could be reached on the India-South Africa proposal for an IP waiver or any other appropriate pandemic response, but differences couldn't be bridged. This is largely because powerful players have refused to yield on the vexed issue.

"The India-South Africa TRIPS waiver proposal has the support of more than 100 members. Yet, if major players such as the EU and the US don't come on board fully, there is not much hope for it," an official told BusinessLine.

The EU is one of the key opposers to the TRIPS waiver proposal, which was first put forward by India and South Africa on October 2, 2020. The bloc has argued that IPs are not a barrier to scaling up manufacturing of vaccines or other health products needed for the Covid-19 response and a waiver will not lead to widespread manufacturing.

The EU has instead floated its own proposal underlining that the existing WTO provision of allowing governments to issue compulsory licences to non-patent holders for manufacture of patented medical products during public health emergencies be further simplified.

"India and South Africa have pointed out that there is no time to see if one could make the existing provisions on compulsory licences work better. They have argued that to ensure more equitable distribution of vaccines and medical products and check the spread of the Covid-19 virus, it is vital that IP norms are temporarily waived," the official added.

Omicron threat

The Omicron variant has been reported in 89 countries and the number of cases is doubling in 1.5 to 3 days in areas with community transmission, the World Health Organization has said.

If a common approach can be developed among member countries, “this could hopefully contribute to unlocking the situation in the Council and allow all members to take a step forward towards developing a consensus outcome,” the TRIPS Council Chair Ambassador Dagfinn Sørli of Norway.

Ambassador Sørli suggested as the best course of action for the immediate future to let these ongoing high-level engagements “continue and mature.”

WTO members were encouraged by the reports on virtual meetings held last week at the ministerial level between South Africa, India, the US and the EU to discuss a way forward and find common ground, as per a WTO release. The discussions were facilitated by WTO Director General Ngozi Okonjo-Iweala.

“Members welcomed this high-level dialogue and called for a transparent process involving the whole membership. Participants in the high-level engagement made clear that discussions are taking place with the goal of achieving a multilateral, consensus-based outcome,” a WTO release said.

Source: thehindubusinessline.com- Dec 19, 2021

HOME

****

Leverage WTO to reform the MSP regime

The macroeconomic impact of MSP has been neglected in the current debate. It worked, over the years, as a push keeping Indian inflation high. The short-term rise in farmer incomes it delivered was soon eroded, leading to another rise and so on.

In recent years it has led India to fall foul of the WTO. While the WTO is unfair and heavily biased in favour of advanced economies (AEs), perhaps India can use it to make feasible essential reform in its farmer support programmes. It is an issue worth debate in view of the upcoming WTO ministerial.

Multiple government interventions were designed to ensure food security as well as motivate farmers to increase production to feed the growing population. Procurement supported the public distribution scheme that provided subsidised foodgrains to the poor.

Farmers in the northern belt who shifted to these crops had the facility to sell to the state at the MSP, or a higher procurement price. Additional incentives came from subsidised inputs and total exemption from income taxes. Also, restrictions were placed on the movement and marketing of some agricultural goods to restrain speculative hoarding, and on exports to ensure domestic supply. Prices were set based on recommendations from an independent regulator, the Commission for Agricultural Costs and Prices (CACP).

The regional concentration of benefits made it easier for farmer unions to emerge. Higher prices were set in the 1970s as incentives to farmers to adopt new green revolution techniques. The distinction between the procurement and support price was lost after the 1970s. The MSP approached the market price. In the 1990s, it had overtaken the latter. As productivity growth slowed more rapid price increases were granted.

The early 1990s' double devaluation of the exchange rate contributed to upward pressures by widening the gap between domestic and border prices, which became a focal point for farmer lobbies especially as agricultural exports grew after liberalisation. When the gap between border prices and domestic prices rose, there was strong pressure to raise domestic procurement prices. This created a clear pattern in procurement price increases, changes in stock, and domestic inflation impulses.

Consider wheat. The average level of wheat stocks rose from 10.1 million tonnes (mt) in the 1970s to 13.8 mt in the 1980s and 17.4 mt in the 1990s. Higher domestic inflation meant real rupee appreciation. The MSP rose with an excess of export prices over the MSP. Wheat stocks would then rise. After sharp increase in MSP in the late 1990s, stocks peaked at 63 mt, in July 2002. MSP exceeded export prices over 2000-2004. Some stocks had to be exported at a loss. Minor MSP increase in the early 2000s contributed to a fall in domestic inflation.

The gap between export prices and MSP fell from a positive peak in 1998-99 to negative in 2002-03 then turned positive again. But export prices again exceeded MSP in the period 2006-07 after international food prices rose. MSP was increased again substantially. Once more stocks built up dramatically even as domestic food inflation continued in double digits. Steep depreciation followed over-appreciation and contributed to inflation and to raising export prices, so than MSP had to follow.

Since 2018 the CACP formula recommends FAR (fair and remunerative prices) more than 20 per cent above international prices. The MSP has degenerated into an income support programme.

Since now export prices are lower and cannot be used to lobby, farmers want parity with urban income growth. They are asking for a legal MSP with assured purchases at a 50 per cent mark-up over a broad measure of cost of production. But if prices that used to be below export prices are now above, it implies the limit of relative price adjustment compatible with markets is reached. Foodgrain stocks are large also since of diversification of consumption baskets and indicate prices are too high relative to demand.
If government sells at below market prices the commodity could be sold back to it. Exporting at heavily subsidised prices falls foul of global rules that restrict trade distortion.

WTO rules

The World Trade Organisation (WTO) permissible aggregate measure of support for developing countries under the Agreement on Agriculture (AoA) is 10 per cent of the value of the crop. India has exceeded this amount for rice twice. It had to invoke a temporary peace clause specially negotiated in Bali in 2013 — the only nation to do so. The peace clause prevents a country from being legally barred from food security programmes even if the subsidy breaches the WTO limit.

Sugar is the only crop with a legal MSP so any amount offered has to be purchased. With rising MSPs production is far in excess of domestic requirements. A WTO dispute settlement panel ruled that for five years over 2014-15 to 2018-19, price support to sugarcane producers was in excess of the permitted level. India is contesting the award, but how long can it continue to do so?

The excess production is used to make ethanol or exported at heavy and costly subsidies. Rice and sugar over-consume scarce water resources. Either we are exporting water or wasting it as stocks rot.

In addition to the AoA, the WTO's Agreement on Subsidies and Countervailing Measures specifies that when a member's per capita gross national income exceeds $1,000 per annum (at the 1990 exchange rate) for three consecutive years, it has to phase out its export subsidies. India crossed this threshold over 2013-2015. It has eight years, almost getting over, to phase out its trade-distorting export subsidies.

The WTO process is not fair. India gives only a fraction of the subsidies AEs give their farmers, making it difficult for our farmers to compete. But AE subsidies are mostly under the Green box, which is permitted. These include government services such as infrastructure, Direct Benefit Transfers (DBT) for restructuring and food security, which does not distort trade or involve price support.

Since Indian agriculture now accounts for about 16 per cent of GDP but employs over 40 per cent of the labour force, the attempt to give income support through prices will create large distortions.

Using global rules

India argues that it intervenes to support the livelihoods of poor farmers and not for export and in any case it has time to phase out export subsidies.

No country wants to let an unfair global system push it. But it is in India's own interest not to distort the allocation of resources and to shift more areas to pulses and oilseeds, and away from rice and sugar. This would save both foreign exchange and water. It has the capability for extensive DBT as required, which can reach the small farmer as well, unlike the present subsidies that large farmers capture.

If the WTO is used to resist farm lobbies and political populism by committing to a sequential restructuring, governments could spend more on productivity raising infrastructure, as East Asia did, and phase out free electricity and water. The MSP could again become a floor price that prevents collapse in prices.

It could rise at about the inflation target rate of 4 per cent helping anchor inflation expectations. The rupee would be more stable. Procurement prices may be higher as required to maintain adequate, not excessive, food security stocks, which would rise for pulses and oilseeds and fall for foodgrains in line with changing consumer preferences.

Source: thehindubusinessline.com- Dec 19, 2021

HOME

****