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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

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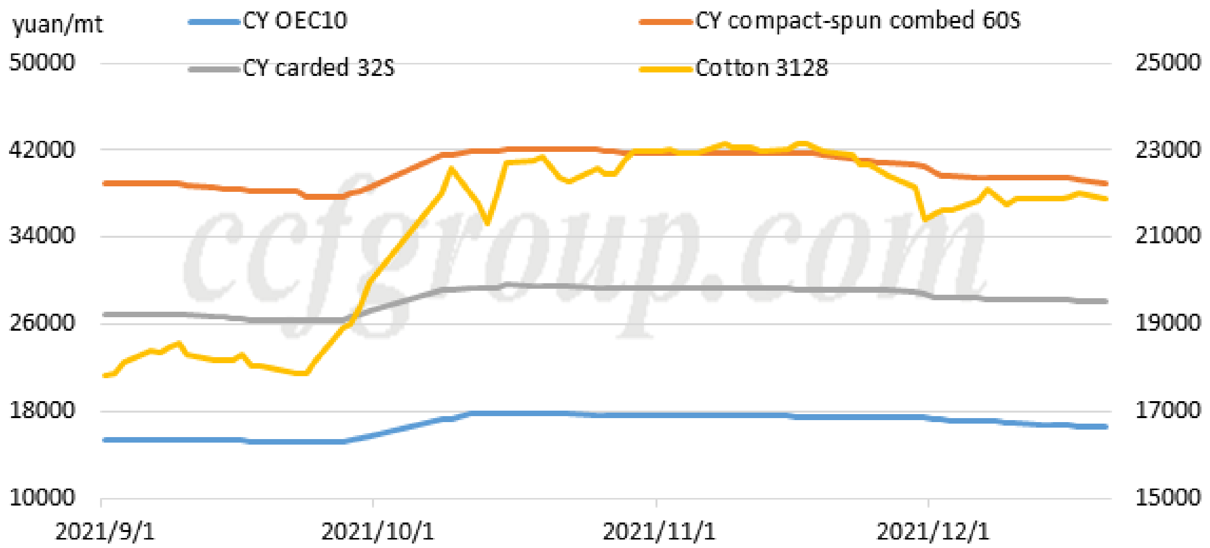
INTERNATIONAL NEWS

China: Cotton yarn moving into ice-cold territory

Closing to Chinese traditional New Year – Spring Festival (Feb 1), cotton yarn market gradually steps into ice-cold territory, seeing dipping price and paled transactions.

Since Nov, it has been highlighted that the significant time window is coming and it is suggested to focus on downstream orders. However, the supplement orders for autumn and winter, and those for spring and summer do not arrive as many as expected. On the contrary, due to the outbreak of COVID-19 pandemic in Dec, downstream demand got bloody-nosed and the market confidence was again depressed.

Price trends of cotton and cotton yarn

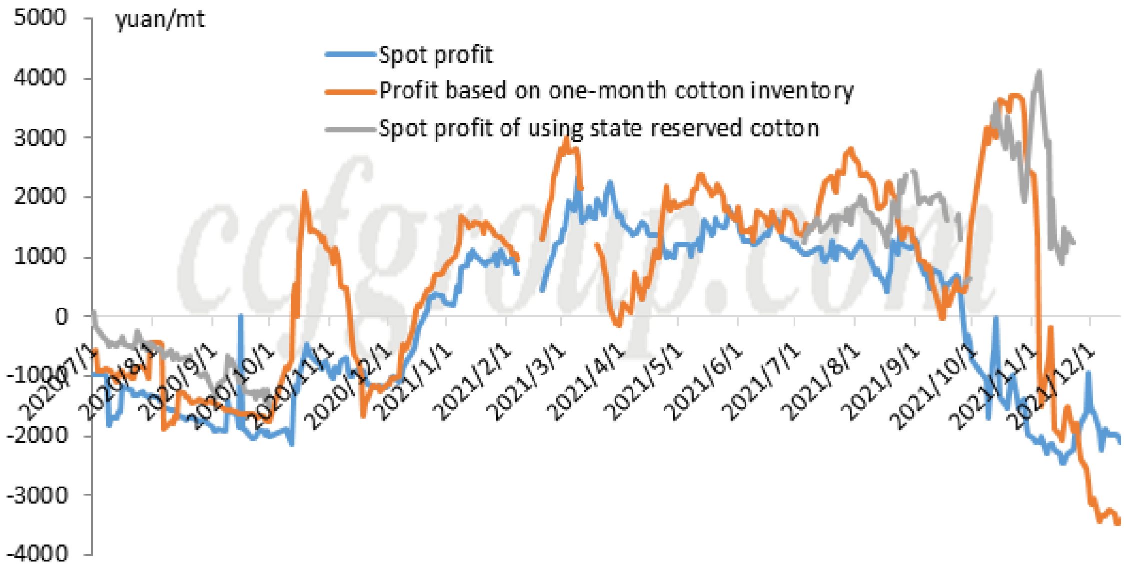


Cotton yarn prices have dropped quickly since late Nov, with a general decrease over 1,000yuan/mt. At present, open-end 10S was priced at about 16,500yuan/mt, carded 32S at 28,000yuan/mt and compact-spun combed 60S down over 2,000yuan/mt at about 39,000yuan/mt.

In the meantime, the processing profit of cotton yarn mills declined further to the bad with losses up to 2,000-3,000yuan/mt.

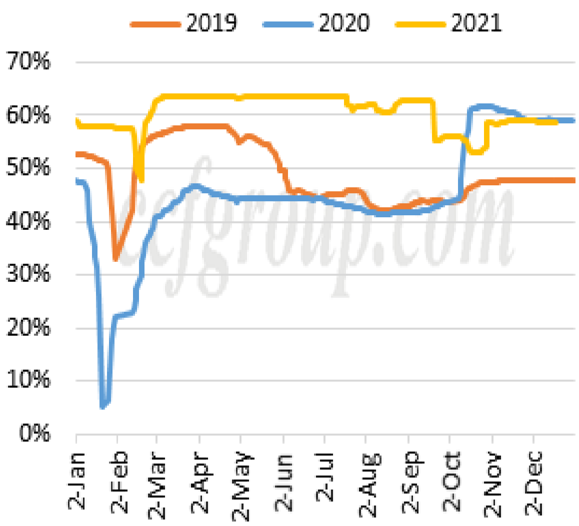
Cotton yarn mills and weavers recently lowered run rate. Some weavers even suspended production and took holiday in advance. And more plants are planning advanced holiday.

Theoretical profit of carded 32S

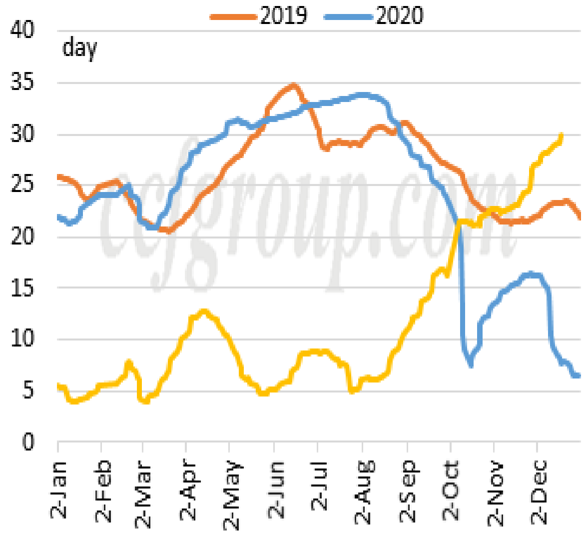


Despite high inventory pressure, cotton yarn mills still operated at a relatively high rate compared with quickly-dropped run rate of weavers. Amid reduced procurement of weavers and underselling of traders, the sales of cotton yarn mills moved slowly and the inventory continued to rise.

Operating rate of cotton yarn mills

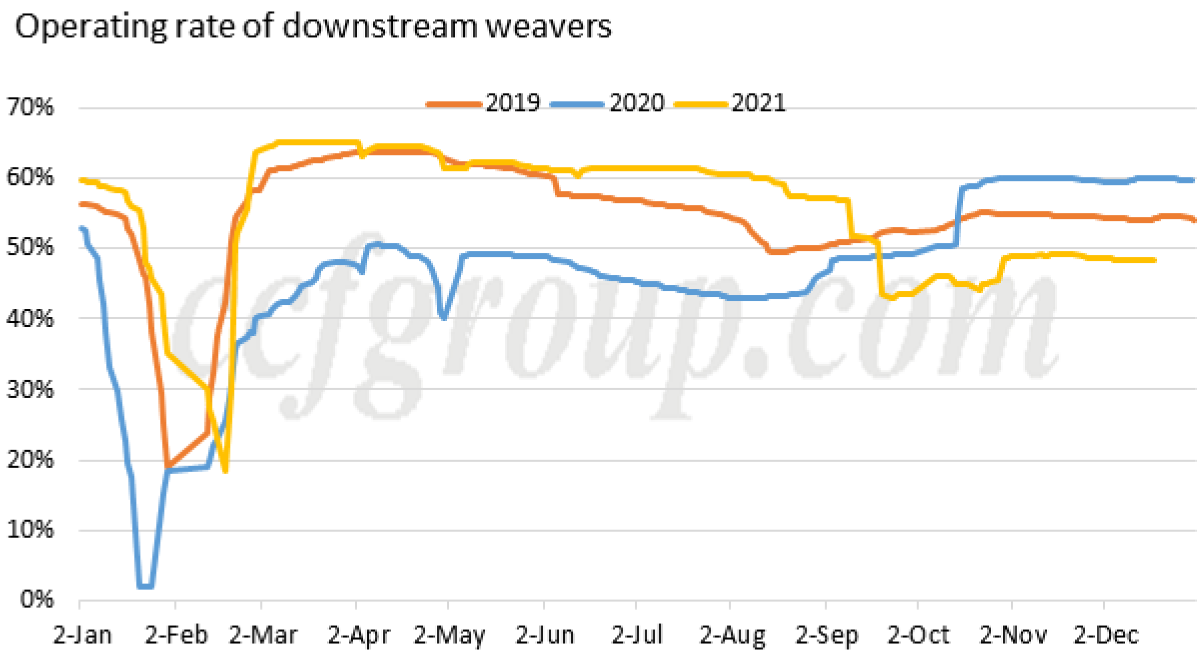


Cotton yarn inventory in cotton yarn mills



The largest pressure cotton yarn price to face later will come from the high inventory.

Although some weavers plan to replenish before Spring Festival, the volume will be limited amid lack of orders. The coming Jan will see more weavers on holidays, and the ice-cold cotton yarn market will last till Spring Festival.



Source: ccfgroup.com– Dec 21, 2021

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China to cultivate 1 mn innovative SMEs by 2025

China aims to nurture a million innovative small and medium enterprises (SMEs) by 2025, says a government guideline on development of SMEs during the 14th Five-Year Plan period (2021-2025). The country will also incubate 100,000 SMEs that feature specialisation, refinement, uniqueness and innovation, and 10,000 ‘little giant’ firms (high-end tech start-ups).

The guideline was jointly released by the ministry of industry and information technology and 19 other ministries and government departments.

The guideline said research and development expenditure of small industrial firms above designated size will maintain an annual growth of above 10 per cent by 2025, and the number of patent applications will also increase by 10 per cent annually, a government website said.

Related work during the 14th Five-Year Plan period will focus on mitigating difficulties faced by SMEs with financing, it said, underscoring efforts to support new business models, coordinate research and production, and increase the connectivity between large companies and SMEs in terms of innovation.

Efforts will also be made to improve the efficiency of services for SMEs and upgrade services with digital technologies, the guideline said.

Source: fibre2fashion.com– Dec 21, 2021

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USA: Omicron, Inflation Cloud Retail Outlook for 2022

Despite blustery headwinds in the form of supply chain disruptions, inflation and the emergence of a new Covid variant, the National Retail Federation (NRF) has offered up an optimistic projection earlier this month for retail's performance over the holiday season. But will that exuberance extend into the year ahead?

According to the group's chief economist, Jack Kleinhenz, shoppers are poised to exceed NRF's forecast of record spending this holiday, which indicated that November and December sales could grow by between 8.5 percent and 10.5 percent from the same period in 2020. After reviewing sales results from October, the group's revised projection indicates that holiday retail sales could actually grow as much as 11.5 percent from the year-ago period.

"Now that we're in December, the holiday shopping season is nearing the finish line," he said. "The question is how have factors ranging from economic indicators to the twists of the Covid-19 pandemic affected the season so far, and what role will they play in the weeks that remain?"

According to the economist, there's "no crystal ball to provide a definitive answer," but NRF's latest insights paint an encouraging picture for brands and retailers, as consumers "remain in solid financial shape and do not appear to be stretched" by gift-giving expenses.

Because holiday steals and deals begin earlier each year, Thanksgiving weekend "now helps to mark off the holiday season rather than serving as the kickoff it once was," providing a solid indication of what shopper behavior will look like through the last months of the year. "Consumers and retailers have both revised their playbooks and broken with previous traditions," Kleinhenz said.

Concerns about Covid persist, of course—and are now underscored by the emergence of the Omicron variant. Kleinhenz characterized the development as "the latest wildcard raising uncertainty around the economic outlook," but noted that he believes Omicron's ultimate influence on the economy is yet to be determined.

And while NRF is bullish on consumer spending, retail's official holiday results are also yet to be seen. "The economy has a lot riding on consumers, and it needs the consumer to keep growing," Kleinhenz said. NRF's calculation of overall shopper spend (beyond just retail sales) in October showed a 1.3 percent increase over September—the largest monthly uptick since March. In spite of the price hikes that have accompanied inflation, there's been "no evidence of a pullback" on the part of shoppers," he added. Will holiday cheer extend into the new year?

These months of merriment may not be a bellwether for future economic trends, some experts say. According to the National Association for Business Economics' 2022 outlook survey, released earlier this month, inflation is likely to continue to balloon well after consumers ring in the new year.

The data represents a consensus macroeconomic projection from a panel of 48 professional forecasters, including experts from Bloomberg, Morgan Stanley, the Federal Reserve Bank of Atlanta, SRR Consulting, CBE, IHS Markit, as well as NRF's Kleinhenz.

"NABE Outlook survey panelists have ramped up their expectations for inflation significantly since September," Julia Coronado, NABE vice president and founder and president of MacroPolicy Perspectives, wrote in the group's report. The core consumer price index, which excludes food and energy costs, is now expected to rise 6 percent in Q4 of 2021 from the same period the year prior. The estimate revises a September forecast, which estimated that prices would rise by 5.1 percent over the same period, she said.

The majority (71 percent) of NABE's panel said they anticipate that the Federal Reserve's preferred gauge of inflation—the change in the core PCE price index—"will not cool down to or below the Fed's target of 2 percent year-over-year until the second half of 2023 or later," Coronado added.

Inflationary pressures stem directly from challenges to the consumer goods supply chain, NABE experts largely agreed. Eighty-seven percent cited these logistical bottlenecks as a catalyst for rising prices, while 76 percent fingered the strong demand for goods and services for the phenomenon. Sixty-nine percent listed higher wages as a key driver behind elevated prices.

Looking ahead to the next three years, NABE's stable of experts believe that these factors will continue to keep inflation above 2 percent. The group pointed to the easing of supply chain tensions, increased energy production, fewer economic stimulus efforts and heightened production of goods like semiconductors as factors that could potentially pop the inflationary bubble.

When it comes to untangling the consumer goods supply chain, some are optimistic that improvement is imminent. More than one-third (37 percent) of respondents believe that an easing of pressures has already begun, or will happen during the first quarter of the new year, while 43 percent believe disruptions will abate during Q2 of 2022.

Labor shortages have also posed problems for retail and the consumer goods supply chain throughout 2021, contributing to the widespread wage increases that have contributed to inflation. The labor force participation rate (LFPR) has declined for a confluence of reasons, experts said, pointing to increases in retirement (50 percent), Covid-related concerns (23 percent) and caregiving responsibilities or lack of daycare (18 percent) as the primary drivers behind the high unemployment rate, which was 4.2 percent at the end of November, according to the Bureau of Labor Statistics.

Respondents are divided on whether LFPR will ever return to the pre-pandemic level of 63.3 percent seen in February 2020. Half said they anticipate the LFPR will return, but only 5 percent believe that will happen by the end of 2022. One-quarter of the panel anticipates that full LFPR recovery will stretch beyond 2024. Still, respondents see unemployment declining steadily throughout the new year, reaching 3.8 percent in the fourth quarter.

More than half (58 percent) of NABE experts believe that the U.S. will reach its full employment threshold within the next year, while 29 percent pointed to 2023 as a more likely point of resolution. Eleven percent expect full employment to resume in 2024, or even later.

These circumstances have led to NABE respondents downgrading their projections for economic growth in 2021 for the second consecutive survey since May. The median forecast for change in inflation-adjusted gross domestic product (GDP) between Q4 2020 and the same period in 2021 is 4.9 percent, down from a September estimate of 5.6 percent. On an annual-average basis, respondents expect real GDP to increase 5.5 this year and slow to a 3.9 percent growth rate in 2022.

Source: fibre2fashion.com– Dec 21, 2021

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UK flash PMI signals economic slowdown as Omicron hits: IHS Markit

The IHS Markit flash purchasing managers' index (PMI) data show the UK economy being hit once again by COVID-19, with growth slowing sharply at the end of the year led by a steep drop in spending on services by households. Some brighter news came through from manufacturing, where an easing of supply chain delays helped lift production growth.

With COVID-19 infections set to rise further in coming weeks due to the spread of the Omicron variant, and more restrictions being introduced, the pace of economic growth looks likely to continue to weaken as the country heads into 2022, IHS Markit said in a press release.

The bigger uncertainty will be on how rising global infection rates might cause further supply and labour shortages, and whether this means the easing of inflationary pressures seen in December proves frustratingly short-lived, it said.

The UK economy is ending 2021 on a disappointing note, with the pace of growth slowing sharply in December as COVID-19 worries once again disrupt business activity.

The IHS Markit-Chartered Institute of Procurement and Supply (CIPS) composite PMI output index, covering both services and manufacturing, fell from 57.6 in November to 53.2 in December, according to the early 'flash' reading, indicating the slowest rate of expansion since the lockdowns at the start of the year.

The slowdown reflected a sharp weakening of service sector growth to the slowest in ten months, attributed primarily to rising COVID-19 case numbers and growing concerns over the Omicron variant.

Health worries and new restrictions were often reported to have deterred spending, both by businesses and households, causing service sector new business to expand at the slowest pace since the recovery began in March.

Growth of new orders was dragged lower in particular by a renewed slump in exports of services, which suffered the steepest fall since February amid reports of a drop in travel due to the new virus wave.

Manufacturing growth meanwhile also remained subdued, constrained by widespread component shortages and a fourth consecutive monthly fall in export orders. Although the rate of factory output growth picked up marginally in December to the highest since August, aided in part by some signs of near-record supply chain delays starting to ease, it should be noted that the survey's output index is broadly consistent with stalled production as measured by official data, IHS Markit said.

Service sector prospects for the year ahead meanwhile slipped to the darkest since October 2020 due to the growing virus worries, though signs of improving supply helped lift business expectations in the manufacturing sector to the highest since May, it added.

Source: fibre2fashion.com– Dec 21, 2021

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AMITH, Dutch CBI sign deal to promote Moroccan textile items in Europe

The Moroccan Association for Textile Manufacturing (AMITH) recently signed a deal in Casablanca with the Netherlands' Agency for Promoting Imports from Developing Countries (CBI) to support 35 textile businesses in Morocco and help them expand operations in central and northern Europe. The initiative is called 'CBI-Morocco Apparel & Textile Programme'.

By creating networking channels between Moroccan textile suppliers and European textile retailers, the former will be assisted to gradually increase their presence in European markets by raising imports over five years, said programme head Juliette Van Iperen.

The 35 businesses chosen will go through a rigorous candidacy process based on expertise and their corporate social responsibility, according to a report in a Moroccan media outlet.

Spain and France have been Morocco's major traditional trading partners.

Source: fibre2fashion.com– Dec 21, 2021

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Nigeria's cotton exports to the world on the decline

Nigeria's cotton exports have been on the decline since 2016. This was mainly due to lack of supportive policies and critical infrastructure for growth of the sector. The overall performance of the industry has been in crisis. As per the International Trade Centre(ITC)'s Trade Map Nigeria exported cotton worth $7,037,000 in 2018 which dropped to $5,597,000 in 2020.

Most cotton grown in Nigeria is done by smallholder farmers, each with less than 10 hectares land. Since 2016, Portugal has been the largest importer of cotton from Nigeria. Pakistan imported no cotton from Nigeria in 2016 and 2017. Vietnam imported no cotton from Nigeria in 2016 and 2018.

Right now, Benin, Burkina Faso, Chad and Mali, are Africa's four major cotton-producing countries. West Africa is the world's sixth largest cotton producing region, with Benin, Côte d'Ivoire and Burkina Faso some of the largest cotton producing countries.

Establishing a garment supply chain in the region can boost the industry's value by as much as 600 per cent. This would involve building capacity along the entire supply chain: spinning cotton into yarn, weaving yarn into fabric, and dyeing, printing and designing finished clothing. To this end, efforts are being made to bolster the supply chain and increase processing capabilities across West Africa.

Cotton is a commercial crop grown mainly for its fiber or lint and is commonly used in the textile industry. The cash crop generates income and welfare for over 250 million farmers across the globe.

Source: fashionatingworld.com– Dec 21, 2021

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Textile and apparel orders returning to Southeast Asia

After the outbreak of COVID-19 in 2020, the pandemic in Vietnam, Bangladesh, Cambodia and other Southeast Asian countries was serious, and epidemic control measures were taken, so exports dropped sharply. At the same time, with the gradual effect of epidemic control and the stable and complete supply chain in China, some textile and apparel orders originally sent to Southeast Asia flowed into China. Operating rate of China's domestic textile and apparel mills also rebounded sharply and exports surged.

Exports of textiles and apparels amounted to US$285.29 billion in Jan-Nov 2021, up 7.7% y-o-y. It marked an increase of 15.56% percent from the 2019 level and grew faster than expected for the second straight year. The continuous higher-than-expected export growth was the result of both the surging overseas consumer demand and returning production orders. Thanks to the American Rescue Plan in March, the consumer demand of US residents has greatly stimulated.

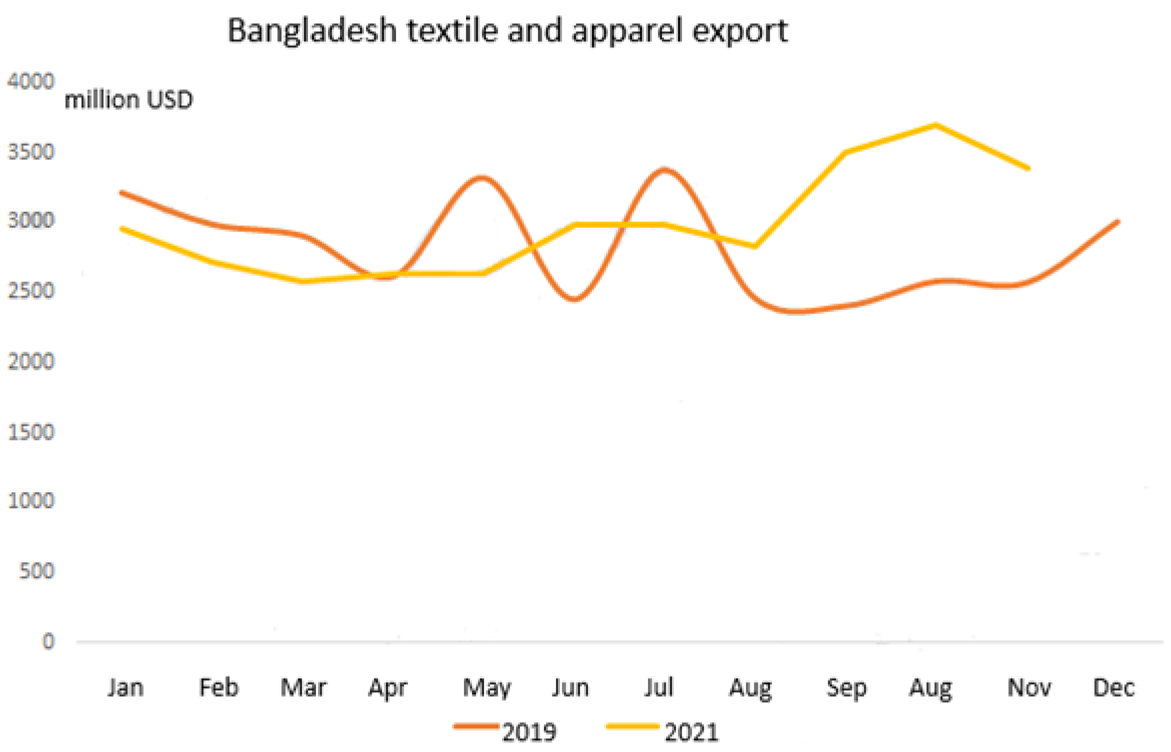
At a time when the consumption of services has been hampered by the pandemic, a large amount of demand poured into the consumption of goods, resulting in particularly strong demand in overseas markets. Meanwhile, the problem of resumption of work and production caused by the pandemic in Southeast Asian countries has brought textile and apparel orders back to China, and China's share effect combined with the total effect has jointly boosted the high-growth export data in 2021.

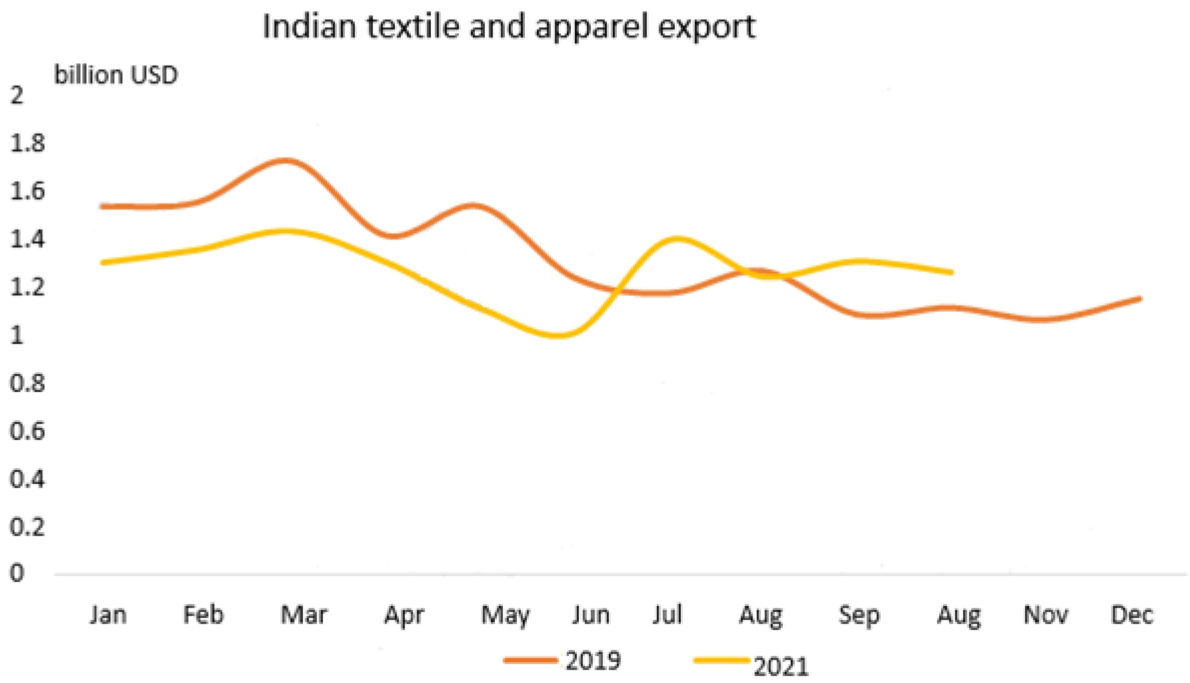
However, in recent months, the pandemic in Southeast Asia has slowed down, pandemic controls have been relaxed, and production have begun to resume. With the price advantage, some textile and apparel orders are returning to Southeast Asia.

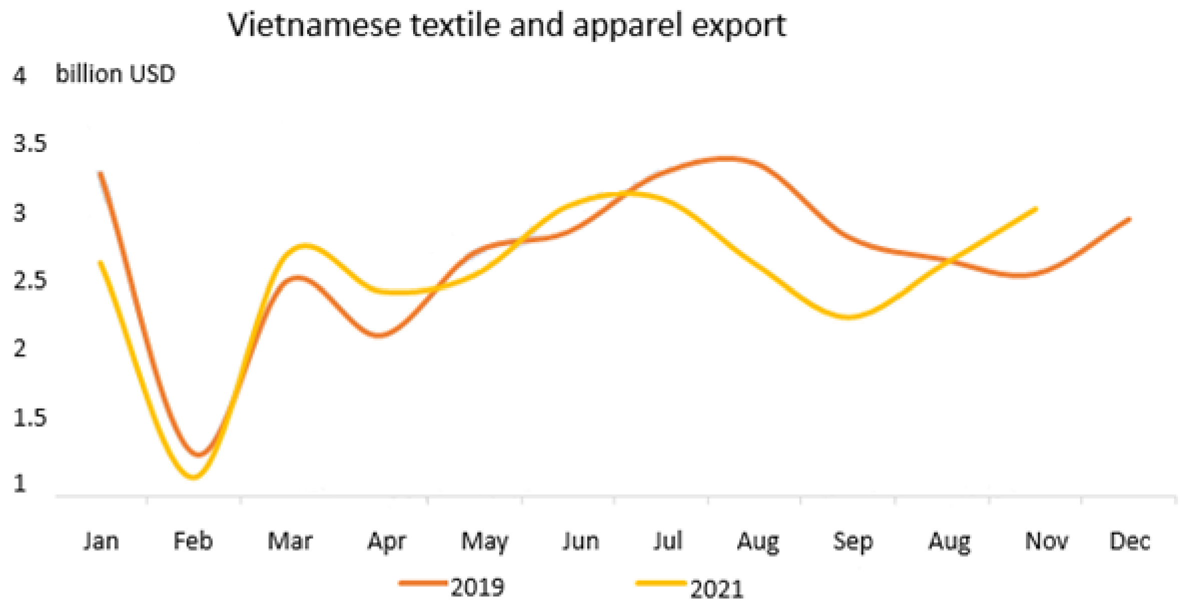
Judging from the export of the major textile and apparel exporters in Southeast Asia, the textile and apparel export of Pakistan, Bangladesh, India and Vietnam have successively returned to the pre-Covid level, especially Indian apparel exports and Vietnamese textile and apparel exports did not begin to recover to the pre-Covid level until the last month or two.

It is understood that Southeast Asian countries have been in lockdown for a long time because of the pandemic, so their export trade rebounded up obviously at the beginning of the lockdown.


Pakistani textile and apparel export
billion USD
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
Jan Feb Mar Apr May Jun Jul Aug Sep Aug Nov Dec
2019
2021


Bangladesh textile and apparel export
million USD
4000
3500
3000
2500
2000
1500
1000
500
0
Jan Feb Mar Apr May Jun Jul Aug Sep Aug Nov Dec
2019
2021





But there was also a sharp rise in local transport prices. Since Nov. 9, prices have soared from more than $1000 to between $3000 and $4000 now. It is worth mentioning that the local freight rate was only $300-400 before the outbreak, which is 10 times lower than at present.

In conclusion, in recent months, the mills in Southeast Asia have resumed production gradually. Also, after the dual controls in China, various production costs increased, and some textile and apparel orders returned to Southeast Asia. However, despite the COVID situation in the China and other parts of the world continues to evolve, China's advantages in epidemic control still exist.

For many overseas businessmen, China with a stable supply chain is still their first choice, and the customer stickiness of orders still exists. Therefore, although some orders have returned to Southeast Asia, they will not become mainstream for the time being. Pay attention to the COVID situation, especially that in Southeast Asia.

Source: ccfgroup.com– Dec 21, 2021

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ILO & Netherlands sign agreement to support Vietnam's garment sector

The International Labour Organization (ILO) has signed an agreement with the government of the Netherlands recently for a new project that will anticipate, and address future skills needs in the garment sector in Vietnam. Vietnam's textiles and garment industry employs about 2.7 million people, according to the Ministry of Industry and Trade.

The latest report from the Vietnam Textile and Apparel Association estimated that the textiles and garment industry will reach its target of $39 billion in export revenue this year, equal to the 2019 figure.

However, the COVID-19 crisis has hit the industry hard. In addition to factory closures and lost incomes, the pandemic has accelerated the drivers and megatrends that are changing textiles and garment production and work profoundly. These include automation and digitalisation as well as the introduction of greener and cleaner production to mitigate climate change.

As part of the new two-year project starting in January 2022, the ILO will support the government, employers' and workers' organisations in Vietnam to understand what skills the industry and its workers will need now and in the future. The project will focus on those at highest risk of losing their jobs as a result of the COVID-19 crisis and the increased automation and digitalisation in the industries. This is an important step towards building a more resilient, inclusive and sustainable industry with decent work opportunities for more women and men.

"Timely investment in skills can help speed up the economic recovery, a safe return to work, reduce the career scarring effects of prolonged unemployment and skills mismatch, and take advantage of opportunities that may otherwise dissipate over time," ILO Vietnam officer-in-charge, Nilim Baruah, said in a statement.

The Netherlands believes that a sustainable textile value chain is a precondition for a healthy recovery from the impact of COVID-19.

"Sustainable business models, including employability and skills development, contribute to the various current and future challenges of the industry," said Ambassador of the Kingdom of the Netherlands, Elsbeth

Akkerman. "I am proud that with this project we are taking a next step towards a future proof and sustainable textile and garment sector."

The new project is guided by the ILO Centenary Declaration for the Future of Work (2019), the ILO Global Call to Action for a Human-Centred Recovery (2021) and the recent International Labour Conference resolution concerning skills and lifelong learning. It will apply lessons learned from similar ILO garment sector skills anticipation projects in the garment sector in Brazil, Ethiopia, Jordan and Peru, and it will build on the achievements of past ILO skills development programmes in Vietnam.

The project will be implemented in close collaboration with the IFC-ILO Better Work Vietnam programme, and the findings and achievements in Viet Nam will be shared with other Member States of the ILO through the creation of a regional knowledge platform on future skills needs in textiles and garments in Asia and the Pacific.

Source: fibre2fashion.com– Dec 21, 2021

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Bangladesh's economic growth expected to pick up to 6.6% in FY22: IMF

Bangladesh's economic growth is expected to pick up to 6.6 per cent in FY22 as the impact of COVID-19 abates and policies remain accommodative, as per a new report by International Monetary Fund (IMF). The country needs to address vulnerabilities and prioritise creating greater fiscal space, reducing fiscal risks, preserving the stability of the financial system and modernising policy frameworks.

An IMF staff team, led by Rahul Anand, visited Dhaka from December 5-19 to hold discussions on the 2021 Article IV Consultation with Bangladesh. At the conclusion of the visit, Anand said: "Despite being hit by multiple waves of the COVID-19 pandemic, quick and decisive actions by the authorities, supported by the external environment, led to a much quicker rebound than Bangladesh's regional peers."

The fiscal deficit is projected to reach 6.1 per cent of GDP in FY22 as the pandemic-related spending increases. With the projected pick up in the imports of capital goods, industrial raw materials and commodities, the current account deficit is expected to widen in FY22.

Public debt will remain sustainable over the long-term. As the external environment improves and the domestic vaccination programme progresses, growth is projected to increase to 7.1 per cent in FY23. The uncertainty around the outlook remains high and risks are tilted to the downside.

To maintain competitiveness in a post-pandemic world, structural policies should focus on accelerating growth, attracting private investment, and enhancing productivity to lift growth potential. Building climate resilience remains critical, as per the IMF report.

Anand added: "Increasing revenue and enhancing fiscal policy frameworks are necessary to scale up inclusive and productivity enhancing investments, while safeguarding fiscal sustainability. With the economy rebounding, the central bank should closely monitor inflationary pressures and stand ready to normalise.

Caps on the lending and borrowing rates limit the policy space and should be phased out to strengthen market-based pricing, improve credit allocation and monetary transmission. Greater exchange rate flexibility, together with safeguarding foreign exchange reserves, will help buffer external shocks.

“More decisive reforms are needed to facilitate Bangladesh’s transition out of the LDC status and to maintain competitiveness in a post-pandemic world. To support private sector-led growth, underpinned by exports and investments, structural reforms should focus on improving governance, diversifying exports, increasing productivity, and building climate resilience to lift growth potential.”

Source: fibre2fashion.com– Dec 21, 2021

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Bangladesh's BTMA demands yarn import through land ports

The Bangladesh Textile Mills Association (BTMA) recently suggested forming a permanent monitoring committee to look into yarn import through three land ports—Benapole, Bhomra and Sonamasjid. The four-point proposal by the spinners' association reiterated their previous stance and opposed allowing partial import of yarn through these land ports.

BTMA urged the government to ensure the required infrastructure with installed yarn measurement equipment according to its count and deploy skilled workers to deal with the import of raw materials for readymade garments (RMG) before allowing them through these three land ports.

BTMA president Mohammad Ali Khokon wrote a letter to the National Board of Revenue (NBR) in this regard. High global cotton prices have pushed up the prices of locally-produced yarn, he wrote, and as a result, RMG makers are facing an uneven competition with other countries.

Currently, the industry can import raw materials like cotton, yarn, fabrics and others used for readymade garment manufacturing under the bonded-warehouse facility through Benapole while partial imports are allowed only in Chattogram port.

Amidst the hike in price of yarn in the domestic market, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Terry Towel and Linen Manufacturers and Exporters Association (BTTLMEA) in August had urged the government to allow import of raw materials, including cotton, yarn and fabrics, under the bonded-warehouse facility through all the land ports between Bangladesh and India for uninterrupted production and retaining competitiveness in the global apparel market. BTMA had then opposed yarn import through all land ports.

The BGMEA, BKMEA and BTMA later jointly fixed the upper ceiling of yarn prices taking the global cotton prices into consideration and agreed to review the rate from time to time if needed.

Source: fibre2fashion.com– Dec 22, 2021

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Bangladesh's cotton imports may fall even as garment exports rise

Cotton imports to Bangladesh may drop in the current marketing year (MY22) of June 2021 to May 2022 despite a rise in its consumption by the garment industry, according to the US Department of Agriculture (USDA), which said in a recent report that spinners may be inclined to use more cotton from their stock instead of import as cotton price is shooting up.

USDA said cotton imports in the country may fall to 8.2 million bales in the MY22 from 8.75 million in the MY21.

"Due to the high international price of cotton, local spinning mills will consume more out of stocks," said the report.
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Referring to the rise in domestic cotton consumption, which rose by 23 per cent in MY21, the USDA report also projected that in MY22, cotton consumption may increase to 8.81 million bales.

But Bangladeshi media reports say local cotton importers disagree with the prediction though they agree with the estimated rise in cotton consumption. Spinning mills have to keep a security stock of cotton to avert any future uncertainty, they say.

Bangladesh Textile Mills Association (BTMA) chief executive officer Monsoor Ahmed told a newspaper that as a number of spinning mills are expanding operations, that will drive more import. He, however, questioned how the USDA was sure of the actual stock of cotton with the factories.

Source: fibre2fashion.com– Dec 22, 2021

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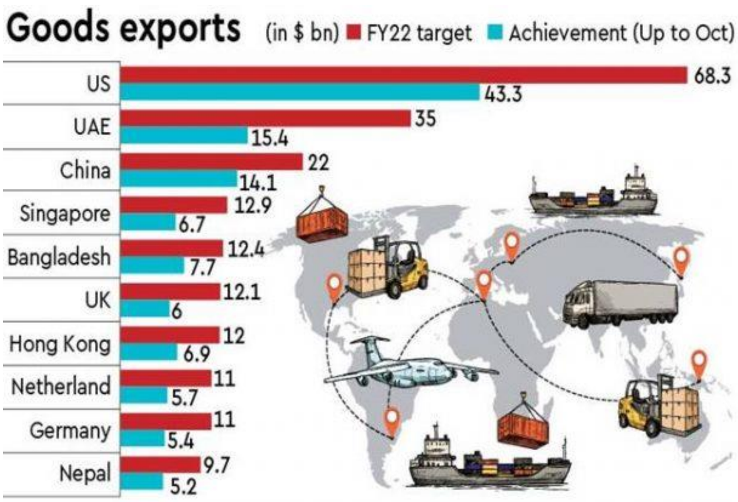
NATIONAL NEWS

Despite hiccups, $400-billion export goal seems within reach

The ministry then followed it up with regular meetings with stakeholders and overseas missions for targeted interventions to enable exporters to better cash in on a global industrial resurgence, an official source told FE. India's exports to eight of its top 15 markets are trailing the official targets.

Nonetheless, the country is still on course to realise its lofty goal of shipping out merchandise worth $400 billion in FY22, as despatches to some other economies beat expectations, reflecting deeper market penetration.In an unusual move, the commerce ministry this year fixed targets for each of the top 30 markets, instead of restricting the practice to a few or setting just a full-year goal.



The ministry then followed it up with regular meetings with stakeholders and overseas missions for targeted interventions to enable exporters to better cash in on a global industrial resurgence, an official source told FE. In the first seven months of this fiscal, exports to the UAE, Singapore, the UK, Netherland, Germany, Nepal, Malaysia and Turkey were in the range of only 32% to 54% of the full-year target. Exports to three economies — Turkey, Malaysia and the UAE — did falter more dramatically, achieving just 32-44% of the full-year aim.

In a business-as-usual scenario, actual outbound shipments until October should have exceeded 55-58% of the full-year target, analysts said. They blamed persistent supply-chain bottlenecks, Covid-related curbs (especially in parts of Europe) and frosty political ties for the lower-than-expected exports to these economies. The top 15 markets are expected to fetch $246 billion in FY22, or 61% of the overall target of $400 billion.

However, robust exports to other important markets–including the US, China, Bangladesh, Belgium, Saudi Arabia and Indonesia—almost offset the shortfall. Exports to these markets remained in the range of 62% to 71%. On top of this, outbound shipments to some others among the top 30 destinations, such as Korea, Brazil, Italy and Japan, too, remained strong. In the first seven months of this fiscal, goods exports hit as much as $234 billion, almost 59% of the full-year target.

"This suggests that the ambitious target of $400 billion for FY22 is attainable and a sustained increase in exports in the coming years is possible with a little bit of extra effort. Exports to some of the markets after the pandemic did surprise on the upside," said an official. "What is more important to note is that the geographical spread of Indian exports is improving, which is a good sign."

Merchandise exports fluctuated between $250 billion and $330 billion since FY11; the highest export of $330 billion was achieved in FY19. However, having successfully weathered the damage caused by two Covid waves, Indian exporters face fresh uncertainties now from the emergence of a new Covid variant in Africa that can further disrupt the already-burdened global supply chains.

A slowdown in export growth in November amid persistent bottlenecks in the supply-chain, such as elevated shipping costs and container shortage, brings to the fore fresh risks. Having hit a monthly record of $35.7 billion in October, merchandise exports hit $30 billion in November.

Exports still registered a 27% rise in November from a year before but it was the lowest growth rate this fiscal. Adding to exporters' woes, the Omicron variant hammers travel in Europe, a major market. China, another key market, has also seen a spike in Covid cases of late. While some experts have suggested against undue anxiety over the ferocity of the new strain, some others have advised a cautious approach.

Source: financialexpress.com– Dec 22, 2021

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PM Gati Shakti plan, single window clearance to further push FDI inflows in new year

A series of steps taken by the government to promote ease of doing business and liberalisation of foreign direct investment norms have helped India receive record FDI inflows so far this year, and implementation of measures like PM Gati Shakti, single window clearance and GIS-mapped land bank are expected to further push investments in 2022.

Notwithstanding the global slowdown and the COVID-19 pandemic, total foreign direct investments into India rose to a record USD 81.72 billion in 2020-21. During April-July this fiscal, FDI (foreign direct investment) into the country increased by 62 per cent to USD 27.37 billion.

“Increasing FDI is a reflection of global trust in India’s growth story. World wants reliable partners. India is providing all those parameters of growth which the investors would like to see before investment.

“Further steps like rolling out of PM Gati Shakti National Master Plan (NMP), single window clearance and GIS (Geographic Information System) mapped land bank would help in attracting further investments,” Secretary in the Department for Promotion of Industry and Internal Trade (DPIIT) Anurag Jain told PTI.

The government is making all-round efforts to improve ease of doing business, he said, adding that the compliance burden has been reduced in more than 25,000 compliances over the last few years.

“Structural reforms and a series of measures to promote ease of doing business, start up programmes and liberalisation of FDI policy are bringing in transformational changes in the industrial landscape. Efforts of the Centre to support the startup ecosystem has also created a buzz about India in the business and investment sector of the world,” Jain said.

He added that so far 19 central government ministries/departments and 10 states have boarded the national single window system, which has been soft launched as a single point of clearance for investor related issues, as of now. Similarly, the India Industrial Land Bank is GIS enabled and has mapped over five lakh hectares of land, over 4,500 industrial parks, and shows vacant industrial plots available for investors, he added.

Among several areas, the government has relaxed FDI norms in coal mining, defence production, contract manufacturing, and single-brand retail trading.

Foreign direct investment equity inflows into India have touched USD 548 billion between April 2000 to June 2021, which is further strengthening the country's credentials as an investment destination. About 28 per cent of the FDI came through the Mauritius route. It was followed by Singapore (22 per cent), the US (8 per cent), the Netherlands, and Japan (each 7 per cent) and the UK (6 per cent).

The other big investors have been from Germany, Cyprus, France and Cayman Islands. Since 2015-16, total FDI inflows, which comprise equity inflows, reinvested earnings and other capital, have been recording significant growth. In that fiscal, the country received FDI worth USD 55.55 billion, an increase of 35 per cent over the previous year.

FDI stood at USD 60.22 billion, USD 60.97 billion, USD 62 billion and USD 74.4 billion in 2016-17, 2017-18, 2018-19 and 2019-20, respectively.

The key sectors which attracted the maximum FDI include services segment, computer software and hardware, telecommunications, trading, construction development, automobile, chemicals, and pharmaceuticals.

Although FDI is allowed through the automatic route in most of the sectors, in certain areas such as telecom, media, pharmaceuticals and insurance, government approval is required for foreign investors.

Under this route, a foreign investor has to take prior approval of the respective ministry or department whereas for the automatic route, an overseas investor is only required to inform the Reserve Bank of India (RBI) after an investment is made.

At present, FDI is prohibited in as many as nine sectors. They are lottery business, gambling and betting, chit funds, 'nidhi' companies (a type of NBFC), real estate business, and manufacturing of cigars, cheroots, cigarillos and cigarettes using tobacco.

The government had made prior approval mandatory for foreign investments from countries that share land border with India to curb "opportunistic takeovers" of domestic firms following the COVID-19 pandemic, a move which was aimed at restricting FDI from China.

According to experts, the high growth story of FDI into the country would continue in 2022 as well. S Anjani Kumar, Partner, Deloitte India, said international business leaders remain confident of India's short- and long-term prospects and are readying plans to make additional and first-time investments in the country.

"FDI is one of the key levers that will help achieve India's USD 5 trillion GDP goal. While foreign investment inflows into India have been consistently rising over the past five years, to achieve this GDP goal, a more proportionate contribution to gross capital formation (new greenfield assets) and the increase in exports can be achieved through greater FDI in manufacturing," Kumar said.

According to a Deloitte survey 'India's FDI Opportunity', the country scored highly for its skilled workforce and prospects for economic growth, and it has the strongest positive perception in the US when compared to markets such as China, Brazil, Mexico, and Vietnam.

Nischal Arora, Partner – Regulatory, Nangia Andersen LLP, said, "We expect the FDI to grow at a healthy growth rate of 10-15 per cent on the backdrop of PLI (production linked incentive) schemes being introduced and operationalised during 2021-22 in over 12 manufacturing sectors requiring substantial capital investments which may be funded through, among other source, FDI".

Source: financialexpress.com- Dec 21, 2021

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Steps taken by Government to improve flow of credit to MSME sector

The Reserve Bank of India (RBI) vide circular dated 05.02.2021 and 05.05.2021, has allowed Scheduled Commercial Banks (SCBs) to deduct the amount equivalent to credit disbursed to New Micro Small and Medium Enterprises (MSMEs), who have not availed any credit facilities from banking_system as on 01.01.2021, from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). This was stated by Union Minister of State for Finance Dr Bhagwat Kisanrao Karad in a written reply to a question in Rajya Sabha.

The Minister stated that this exemption is available upto Rs 25 lakh per borrower, disbursed upto fortnight ending 31.12.2021, for a period of one year from date of origination of loan or the tenure of the loan, whichever is earlier.

The Minister listed out the measures taken by the Government for improving the flow of credit to MSME sector:

1. The Emergency Credit Line Guarantee Scheme (ECLGS) was announced as part of the Aatma Nirbhar Bharat Package with the objective to help MSMEs and business enterprises to meet their operational liabilities and resume businesses in view of the distress caused by the COVID-19 crisis, by providing Lending Institutions 100 per cent guarantee against any losses suffered by them due to non-repayment by borrowers. As informed by National Credit Guarantee Trustee Company Limited, as on 10,12.2021, loans amounting to Rs. 3.09 lakh crore have been sanctioned under the Scheme.
2. The psbloansin59minutes Portal was launched on 2nd November 2018 to facilitate in-principle approval of loans of up to Rs 1 crore (enhanced subsequently to Rs. 5 crore) to MSMEs without human intervention. As informed by SIDBI as on 30.11.2021, loans amounting to 79,285 crore were sanctioned on the portal.
3. RBI operationalized TReDS in 2017 to solve the problem of delayed payments to MSMEs. TReDS is an electronic platform where receivables of MSMEs drawn against buyers (large corporates, PSUs, Government Departments, etc.) are financed through multiple financiers at competitive rates through an auction mechanism. As on 03.12.2021, 26.64 lakh invoices amounting to Rs 56,694.14 crore have

been discounted since inception by the three entities on TReDS platform.

4. Factoring transactions taking place through TReDS are eligible for classification under Priority Sector Lending (PSL). Further, loans sanctioned by banks to NBFC- MFls and other MFls (Societies, trusts, etc.) which are members of RBI recognized SRO for the sector for on-lending to MSE sector, loans to registered NBFCs (other than MFls) for on-lending to MSMEs and bank finance to start-ups up to 50 crore also form a part of PSL. RBI has also permitted co-lending by Banks and NBFCs to Priority sector.
5. Subordinate Debt scheme for Stressed MSMEs was approved on 01.06.2020. Under the scheme, banks provide promoters of stressed MSMEs with subordinate debt up to 15% of promoter's stake or Rs. 75 lakh, whichever is lower to be infused as equity/quasi equity in the business.
6. Pradhan Mantri Mudra Yojana (PMMY) scheme was launched on 08.04.2015 to provide access to institutional finance to unfunded Micro/Small business units with collateral free loans up to Rs 10 lakh for manufacturing, processing, trading, services and activities allied to agriculture and to help in creating income generating activities and employment.
7. RBI had permitted one-time restructuring for MSME accounts vide circular dated 01.01.2019, 11.02.2020 and 06.08.2020. In view of the need to support the viable MSME entities on account of the fallout of COVID-19, it was decided to extend the facility for restructuring existing loans to MSMEs up to 50 crore classified as 'standard' without a downgrade in the asset classification subject to the conditions issued vide circular, dated 05.05.2021 and 04.06. 2021 on 'Resolution Framework 2.0.
8. For better transmission of monetary policy, RBI has advised banks to link all new floating rate loans to external benchmark for MSEs from 01.10.2019 and Medium enterprises from 01.04.2020.
9. The Regulatory Retail Portfolio threshold to a single counterparty was increased from 5 crore to 7.5 crore enabling Banks to assign a lower risk weight of 75% to such exposure to MSME entities.

Source: pib.gov.in- Dec 21, 2021

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Production of Organic Cotton

The state governments are responsible for production of all types of cotton including organic cotton. The Department of Agriculture & Farmers Welfare (DA&FW) advocates for promotion of specialty/ organic cotton through user industry to enable farmers get maximum returns for produce.

Agricultural & Processed Food Products Export Development Authority (APEDA), Ministry of Commerce & Industry is the Secretariat for implementation of National Programme for Organic Production (NPOP). NPOP provides an institutional mechanism for accreditation of certification bodies and certification of organic process & products.

Presently, raw organic cotton (seed cotton) is mandated under the certification of NPOP as notified under the Foreign Trade (Development & Regulation) Act of Directorate General of Foreign Trade (DGFT). The processing such as ginning, spinning, knitting, weaving etc are not covered under NPOP as mandatory requirement for export from the country and the processed form of organic cotton is exported under private certification system.

To overcome all the challenges & issues of concern in the supply chain of processed form of cotton, on the advice of Ministry of Textiles, APEDA has developed and launched Standard for Chain of Custody for Indian Organic Fibres & Products in 2020, on voluntary basis under NPOP for certification of fibres from farm to made-ups.

Besides, Government is promoting organic farming under the schemes viz., Parampragat Krishi Vikas Yojana (PKVY) and Mission Organic Value Chain Development for North Eastern Region (MOVCDNER) since 2015-16. Both the schemes provide end to end support for organic farmers from organic production to certification and marketing including post harvest management support like processing, packaging, storage etc.

Indian Council of Agricultural Research (ICAR)-Central Institute for Cotton Research (CICR) and All India Coordinated Research Project (AICRP) on Cotton have released 64 non-Bt (non-GM) cotton varieties/hybrids during 2017-2021 that can be adopted by organic cotton growers. Nucleus/breeder seeds are available with the developer and seeds are being provided to organic cotton famers after getting the indent.

ICAR-CICR and AICRP on Cotton are helping farmers by providing source of breeder seeds and package of practices for organic cotton production

This information was given by Union Minister of Agriculture and Farmers Welfare Shri Narendra Singh Tomar in a written reply in Lok Sabha today.

Source: pib.gov.in- Dec 21, 2021

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Cotton production expected to be more than 350 lakh bales

Cotton production in the country during cotton season 2021-22 (October to September) is expected to be above 350 lakh bales, president of Indian Cotton Federation (ICF) J. Thulasidharan said here on Sunday.

At the annual meeting of the Federation, he said the increase in minimum support price had encouraged farmers and helped maintain the area under cotton. It had also incentivised farmers to take up better crop management practices. On the export front too, the demand was robust.

The challenges now were the need for fibre quality, proper grading, improved seed and initiatives to realise better yield. “It is important to address these issues at the earliest for a win-win situation for the Indian cotton farmer and the user Industry,” he said.

The next revolution should come only from increasing the yield. With the right initiatives, Indian farmers could reach an yield of 1,000 kg. “This should be the priority for all stakeholders and policy makers.”

Many brands in the US and Europe were forcing suppliers to go for sustainable tag and Indian cotton had not been recognised as sustainable. The Agricultural Ministry should take initiatives to bring out simple sustainable guidelines, which could be easily implemented by the Indian farmer.

The Indian textile industry saw good demand during COVID-19 because of the market for protective garments and later because of the market going up for garments and made ups.

The office-bearers of the Indian Cotton Federation for 2021-22 are: J. Thulasidharan (president), P. Natraj and Adhitya Krishna Pathy (vice-presidents), and Nishant Asher (secretary).

Source: thehindu.com- Dec 21, 2021

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Looms are falling silent in Kashmir's handicraft villages

On a cold November morning in north Kashmir’s Kanihama village, 20-year-old Adil Shafi Bhat loads his three-wheeler with LPG cylinders. Then slipping on a woollen pheran (tradi¬tional Kashmiri cloak), he heads for Srinagar, 20 km away, to get the empty cylinders replaced.

As he drives through the lanes of Kanihama, which the central government in association with the state government is planning to develop as a “Craft Tourism Village” for its contribution towards Kani shawl art, he passes by groups of artisans on their way to the looms. Not long ago, he too would have been one among them.

A promising artisan, Bhat recently gave up on Kani shawl weaving, a craft he was adept at, to become a full-time three-wheeler driver. It wasn’t a choice he enjoyed making. But he says there was no alternative.

“The main reason for leaving this profession was low returns,” he says. “As a weaver, I would spend over 12 hours a day and earn barely Rs 300 for it. Now I make Rs 1,000-1,500 driving a three-wheeler and working half of those hours.”

The picturesque village of Ka¬n¬ihama, which sits by the Srinagar-Gulmarg highway, has 400 households. With 90 per cent of its population engaged in handicraft, the village produ¬ces 500 to 700 shawls a year. Kani shawls are woven from Pashmina yarn on a loom using tiny needles. Each shawl costs between Rs 60,000 and Rs 3 lakh-plus, depending on the material and the intricacy of the pattern.

Like Bhat, in recent years se¬v¬eral youth of Kani¬hama and ad¬jacent villages have moved away from handicraft, an industry that has borne the brunt of uncertainty in the state. The Co¬vid-19 pandemic and the lockdowns it brought with it have only accelerated this exodus.

A stone’s throw away from Bhat’s home lives Shabir Ah¬m¬ad Reshi, 29, who is still engaged in Kani shawl weaving — a vocation he wants to urgen¬t¬ly get out of. “This was my father’s profe¬ssion, too. In those days, the ret¬urns were good. So, I also decided to make a living out of it. Now all I have are regrets,” he says.

Data from the Department of Handicrafts and Handloom su¬ggests in the last five years, ex¬¬ports have slipped by over 45 per cent. With handicraft sto¬ck not reaching potential markets like Europe and West Asia, both their rates and pr¬o¬duction have fallen.

The handicraft ind¬u¬stry is one of the big¬g¬est employment generators for Kashmir, and earns over Rs 1,700 crore as foreign excha¬nge annually. From Pas¬h¬mina shawls to handwoven carpets and papier-mâché products, the sector employs some 400,000 people in the Valley.

Slip in exports

Firdous Ahmad Bhat, the 65-year-old owner of Habib Asian carpets in Srinagar, says it is for the first time in his career spanning over 40 years that his carpets haven’t sold. With the international market still to recover from Covid-19, he has unsold carpets worth over Rs 40 lakh gathering dust at home.

In June, the Kashmir Cham¬ber of Commerce and Industries estimated handicrafts worth Rs 600 crore were lying unsold in the Valley. In 2016-17, handicrafts including carpet, shawl, papier-mâché, crewel and wood carving worth Rs 1,151.12 crore were exported from Jammu and Kashmir. In 2017-18, these exp¬orts fell to Rs 1,090.12 crore and in 2018-19, to Rs 917.93 crore.

In 2019-2020, when the Cen¬tre made Article 370 inoperative and communication lines were snapped for over six months, ex¬ports stood at Rs 935.25 crore with the first two quarters making for 40 per cent of these. Then came the Covid blow in 2020-21, and the sector recorded exports worth a mere Rs 635.52 crore.

Firdous Ahmad Bhat is desperately ho¬p¬ing exports resume so that he can repay the loans he took to buy raw material. “Thankfully, carpets have a good shelf life. I can’t afford to sell them at cheaper prices or I will end up with losses,” he says.

Incentives and bailouts

Some 20 km from Srinagar, in Ban¬dipore district, lies Gad¬k¬h¬ud, which has emerged as Kash¬mir’s carpet village. Of the 400 or so households here, nearly 95 per cent have looms at home. For the last few years, however, its youth have been moving to the summer capital, Srinagar, in search of labour or to work in the nearby orchards.

“A carpet weaver earns barely Rs 100 per day, while doing labour work fetches him Rs 500-700, including meals,” says Bashir Ahmad, a carpet dealer from Gadkhud. Carpets are among the cost¬liest of Kashmir’s handicrafts, with a square-foot costing bet¬ween Rs 2,000 and Rs 5,000 in the international market. It takes a minimum of three months to create a handcrafted carpet, which is then sold for Rs 2 lakh to Rs 20 lakh, depending on its size and the kind of knotting.

In many homes of Gadkhud, the looms have gone silent as people turn to embroidery, which earns them more. The hit to the handicraft sector has impacted the state’s em¬ployment rate. Against a rate of 7.1 per cent recorded across In¬d¬ia, J&K, acc¬ording to the Cen¬tre for Moni¬toring Indian Econ¬omy, had an unemployment rate of 22.2 per cent for October — the highest among all states and union territories.

The Kashmir Pashmina Org¬a¬n¬isation (KPO), an amalgam of artisans, weavers, manufacture¬rs, exporters and retailers, has been receiving distress calls. “We are on the verge of collapsi¬ng if the government doesn’t in¬t¬er¬v¬ene,” says Musadiq Shah, se¬nior vice-president, KPO. “Our dem¬and is that the government buy our unsold woven shawls and carpets through its emporiums.”

Adds Mahmood Ahmad Shah, director, Handicrafts and Handloom Kashmir: “Due to Co¬vid-19, we missed the Domo¬tex carpet fair, which is held in Germany and is vital for our handicrafts department.”

To help with the situation, the state government has plan¬ned back-to-back exhibitions countrywide. “We recently held one at Pragati Maidan in Delhi and another at Noida Haat. More are planned,” Shah says, adding, “The administration has announced a major incent¬ive. Ten per cent of the total volume of handicraft/handloom products exported, with maxi¬m¬um reimbursement of Rs 5 cro¬re (whichever is less), will be provided to eligible exporters registered with the handicrafts and handloom department.”

Source: business-standard.com - Dec 21, 2021

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88% growth in volume of digital transactions during last 3 years since 2018-19

As a result of the initiatives taken by the Government, there has been a paradigm shift in digital transactions in India. This was stated by Union Minister of State for Finance Dr Bhagwat Kisanrao Karad in a written reply to a question in Rajya Sabha.

The Minster stated that the paradigm shift is reflected in terms of the increase in the volume of digital transactions over the last three financial years as illustrated below:

Financial Year	Volume (in lakhs)
2018-19	2,32,602
2019-20	3,40,025
2020-21	4,37,445

Source: RBI

As observed from the above table, there has been a growth of **88% in volume of digital transactions during the last 3 years since 2018-19**, the Minister stated.

The digital transaction platform is a pan India platform with a facility of ''anytime anywhere'' banking. Accordingly, the data is captured only at the National level, the Minister added.

The Minister further stated that as per the data sourced from National Payments Corporation of India (NPCI), India's own payment platform, **UPI has emerged as the country's favourite digital payment choice, with over 22 billion transactions registered during FY 2020-21, showing 4 times growth over the last 3 years**. Also, AePS inter-bank transactions during FY 2020-21 registered a 9-fold growth, over the past 4 years.

To promote digital transaction in the country, the Minister stated that RuPay debit cards are issued to Jan-Dhan account holders under Pradhan Mantri Jan-Dhan Yojana (PMJDY). As on 08.12.2021, 31.17 crore RuPay debit cards have been issued to PMJDY account holders.

As digital payment is one of the priorities of the Government to facilitate hassle free and seamless banking transactions in the country, several other initiatives have been taken by Government of India through its various programs/agencies, Reserve Bank of India (RBI) and banks, to promote and create awareness about digital payments in rural areas.

While answering a question on preventing frauds in digital transactions, the Minister state that the Unique Identification Authority of India (UIDAI) issues the Aadhaar numbers to the residents of the country and provides authentication services for establishing identity of the individual. UIDAI already provides for various modes of authentication namely biometric (which includes fingerprint, iris), One Time Pin-based (OTP) and demographic authentication. These can be used in a single factor or multi-factor mode. Any user agency/ department can opt for one or a combination of these modes depending upon their security/ risk assessment of their respective systems, the Minister stated.

The Minster further apprised that NPCI, RuPay Debit and Credit cards are used at both domestic and international payment gateways. These international and domestic transactions are facilitated by NPCI's International network partners and domestic tie-ups. In addition, acquiring banks also have their own payment gateways that work with RuPay cards.

Source: pib.gov.in- Dec 21, 2021

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India's FTA ambitions in perspective

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ILLUSTRATION: BINAY SINHA

India's FTA ambitions in perspective

A protectionist tariff structure and an inability to integrate with global value chains may prove to be major challenges for India as it seeks deeper trade agreements

As the second year of the pandemic draws to a close, global trade recovery continues apace with world trade in goods having attained record high levels in the third quarter of 2021 and trade growth continuing at about 1 per cent each quarter (Global Trade Update, United Nations Conference on Trade and Development, November 2021).

Major trading economies, conscious of this trade momentum, have persevered with their pre-pandemic schedules of trade agreements, especially in mega regional trade agreements. The US-Mexico-Canada Agreement (USMCA) entered into force on July 1, 2020, and the EU-Vietnam FTA a month later. In Asia, the 15-member Regional Comprehensive Economic Partnership (RCEP) was signed in the midst of the pandemic in November 2020. China and Taiwan, with maximum gains in global trade during the pandemic, have both applied for membership to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in September this year. The UK initiated its negotiations for membership to the CPTPP earlier this year.

AMITA BATRA

The recent statement by our commerce secretary, therefore, that trade will find specific focus in the forthcoming Budget and that India's FTAs will be "very deep" (*Business Standard*, December 15, 2021) appears to be in line with global developments. This article offers a perspective on our FTA ambitions.

First, deep trade agreements are less about tariffs and more about regulatory policies. Since global most-favoured-nation (MFN) tariffs have fallen significantly over the last two decades, preferential market access is only a "minor" motivation in FTAs. Deep trade agreements have been designed over the last two decades to facilitate complex global value chains and the underlying trade-investment-services linkages (see "Self-reliance and supply chains", *Business Standard*, June 30, 2020). The predominant focus in these agreements has been on issues related to investor protection, intellectual property rights (IPRs) and labour standards. India has found it difficult to negotiate these issues in its earlier free trade agreements. Among the many issues that led to a suspension of the FTA negotiations with the EU in 2013 were those related to labour. That these difficulties continue to persist is evident from reports that the FTA with the EU is being pushed to 2023 (*Business Standard*, December 15, 2021) on account of earlier unresolved issues, including labour standards (*Business Line*, December 9, 2021). Furthermore, India's 2016 template for a model investment treaty, which is more state-friendly and includes some burdensome provisions for the foreign investors, may make it difficult for India to negotiate the investor protection provisions as included in most deep-trade agreements.

Second, even though tariffs are not the most important part of the current FTA design, these are negotiated and included in all FTAs. With relatively lower tariffs, most countries come to the FTA negotiating table with 90 per cent or more tariff line liberalisation as a foregone conclusion. India has, however, struggled with FTA negotiations primarily at this preliminary stage of tariff liberalisation. India's hesitation to offer tariff concessions of the same order, most apparent in the recent past, in its three-tier offer of tariff liberalisation at the RCEP, stems from a tariff structure wherein the average MFN tariffs in the manufacturing sector have been relatively higher than in comparator emerging market economies. The applied, weighted mean tariff rate for manufactured products in India increased from 5.5 per cent in 2008 to 6.6 per cent in 2019 as against a decrease in the case of Vietnam from 5.6 per cent to 1.4 per cent over the same period (WDI, World Bank). A protectionist tariff structure, if not corrected, could remain a hurdle at the preliminary stage of FTA negotiations.

Third, global value chains (GVCs), the leading global trade mechanism, are centered around three major regional hubs: North America (NA), Europe and East Asia. In each case, FTAs have been a major contributory factor in facilitating deeper integration and value chain consolidation. Expanding membership has helped acceding economies to integrate with these regional value chains and develop. Consequent development of supplier networks, export-oriented investment in manufacturing with employment-intensive backward linkages created significant positive spillover effects for these economies. The NA auto value chain was initiated with the 1965 US-Canada auto pact and further consolidated with CAFTA (Canada-US FTA) followed by the North American Free Trade Agreement, or NAFTA, in 1994. NAFTA provided for significantly higher regional value content requirement/ rules of origin (RoOs), which came to underpin the consolidated regional automotive value chain and enhanced intra-regional trade in NA. NAFTA has been re-negotiated with a set of deeper and labour friendly provisions as the USMCA. Similarly, the EU, whose evolution has coincided with progressively deeper economic integration, has shown the highest levels of intra-regional GVC activity. Later accession of the Central and Eastern European economies to the EU, that meant lowering trade barriers and harmonised EU-wide standards, resulted in their integration in the EU production networks. In Asia, Japan was an early user of the common effective preferential tariff in the auto sector, under the ASEAN FTA, to transport parts and components from ASEAN economies. While the electronics value chain in the region is attributable to the Information Technology Agreement (ITA)1 and ITA2, to which regional economies have been signatories, the China-ASEAN FTA helped intensify regional value chain trade in the sector. The RCEP will help further consolidate regional value chains in East Asia.

India's proposed FTAs with Israel and the UAE will not bring it any closer to the objective of integrating with these regional GVC hubs. FTAs with Australia and the UK are being negotiated as early harvest schemes that are restricted in their coverage of goods and services (see "India's revamped FTA strategy", *Business Standard*, September 16, 2021). Post-pandemic, as the trend towards regionalisation of GVCs accelerates further in the "China plus one" strategy of MNCs, India's inability to participate in any regional GVC hub through a regional FTA may be a major handicap in attracting investment flows and establishing linkages with GVCs.

In this context, it may not be inappropriate to revisit the decision to join the RCEP. In terms of deeper provisions, RCEP is lighter than the other mega regional pact in Asia, the CPTPP. It might also be useful to view the RCEP not as a China-led trade formulation but in terms of its major achievement, that is, the cumulative, common RoOs that now enable the member economies to be treated as a single economic entity. India would do well to use its unprecedented observer status and the 18-month waiting period waiver accorded to it under the RCEP to further its trade and FTA agenda.

The writer is professor, School of International Studies, JNU. Views are personal

Source: business-standard.com- Dec 20, 2021

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Retail sector clocks 9% growth in Nov compared to pre-Covid levels: RAI

Retailers in the country witnessed a 9 per cent growth of pre-pandemic levels in November, with recovery trends sustaining. But there is cautious optimism amidst Omicron spread across the globe.

The recovery remains uneven across categories with some showing growth over pre-pandemic levels but others still to touch November 2019-levels.

Retail's digital transformation

According to the 22nd edition of the Retail Business Survey by the Retailers Association of India (RAI), retail sales in November 2021 clocked 9 per cent growth over the pre-pandemic levels (November 2019) and 16 per cent growth compared to November 2020.

Kumar Rajagopalan, CEO, Retailers Association of India (RAI), said "Business is improving and we do hope that this will sustain. However, there are still worries around Omicron and the third wave, leading to a feeling of cautious optimism."

He added that with a firm focus on digital transformation, the industry has set a steady pace of recovery, which it hopes will accelerate in the coming year.

Retail businesses across regions have indicated growth in sales as compared to pre- pandemic levels, the survey added. While the western region witnessed growth of 11 per cent , East and South India clocked a growth of 9 per cent compared to pre-pandemic levels. Meanwhile, Northern region clocked a growth of about 6 per cent compared to sales levels in November 2019.

"In categories, CDIT which did not show great growth in October showed a good growth (32 per cent as compared to November 2019) in November since customers ended Diwali with some CDIT product purchases," the survey findings stated.

At the same time sports goods category reported a growth of 18 per cent and apparel category indicated a consistent growth at 6 per cent compared to pre-pandemic levels. While food & groceries and quick service restaurants

(QSR) continue to indicate growth, categories such as footwear, beauty, wellness & personal care, and furniture are inching towards recovery, it added.

Source: thehindubusinessline.com- Dec 20, 2021

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DPIIT to organize a National Workshop to brainstorm on Next Phase of Reforms for reducing compliance burden

In a major bid to realize the nation's goals of improving "Ease of living" and "Ease of doing business", the Department for Promotion of Industry and Internal Trade (DPIIT) is conducting a National Workshop on the "Next Phase of Reforms for Reducing Compliance Burden" on 22nd December, 2021. The Workshop will witness wide participation from across Central Ministries and States/UTs.

The Workshop would have three parallel breakout sessions. The theme of the first would be "Breaking Silos and Enhancing Synergies among Government Departments". This session would focus, among others, on integration between Central Ministries/Departments and State single window systems, deliberation on single business ID, etc.

The second is based on the theme of "National Single Sign-on for Efficient Delivery of Citizen Services" which would deal with deliberations on on-boarding all citizen services by Central and State Government services under one roof – "National Citizen Centric Portal" and the creation of a 'National Digital Profile' for all citizens that shall be used to pre-fill Government forms and also as a tool to citizen benefit welfare discovery.

The third Breakout Session is themed 'Effective Grievance Redressal' and the session would have discussion on several topics like usage of next generation technology in effective grievance redressal, accountability -based mechanism for enhanced effectiveness of redressal quality.

The Workshop is expected to see enriched discussions and deliberations and lead to the crystallization of innovative approaches to reduce compliance burden. The outcomes of breakout sessions shall be presented to the Hon'ble Commerce and Industry Minister and Cabinet Secretary during the concluding and valedictory session.

Source: pib.gov.in- Dec 21, 2021

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Patagonia Inks Deal with Arvind for Khadi Denim

Sustainable apparel giant Patagonia is supporting India's efforts to bring local craftsmanship to mass denim. The brand recently purchased 30,000 meters (approximately 32,000 yards) of khadi denim fabric through Indian denim mill Arvind.

In July 2017, the mill reached an agreement with the Khadi and Village Industries Commission (KVIC), an Indian government organization, to market khadi denim products around the world and create a steady stream of work for khadi artisans of the Gujarat region of India. The deal underscores the India prime minister's "local to global" push to elevate the country's offerings throughout the world.

Khadi fabric is an ancient textile technique that features 100 percent cotton handspun single ply yarn in warp, or in both warp and weft, in the 3×1 twill weave, resulting in a unique texture.

According to Shri Vinai Kumar Saxena, KVIC chairman, people can expect to see much more of the fabric as these large deals help bring awareness to its high quality and sustainable properties. "Khadi denim is the only handcrafted denim fabric in the world which has gained wide popularity in the country and abroad," he said. "Khadi denim is increasingly being used by leading fashion brands owing to the superior quality, comfort, organic and eco-friendly qualities of the fabric."

Patagonia made the decision to purchase the fabric after visiting the khadi manufacturing site, Udyog Bharti, in 2020, and appointed U.S.-based third-party assessor Nest to verify the authenticity and sustainability of its methods.

Recently, governments have been working to protect local crafters and artisans. Earlier this month, the Ministry of Culture of the Government of Mexico scrutinized Levi's for what it alleged to be plagiarism. The government sent Levi's Mexico and a Mexico-based textile supplier, Draco Textil Collective, a letter requesting them to publicly address the use of Mazatec designs—embroideries the ministry claims belong to Oaxaca state's Mazatec culture—in a range of Levi's Premium Trucker jackets and jeans. Levi's Mexico refuted the claims and said it made sure to comply with Federal Copyright Law, and that contracts between Levi's, Draco and the artisans establish terms for a better collaboration and prevention of any act that could be interpreted as cultural appropriation.

Patagonia's support of ancient artisan methods adds to its reputation as a global business that maintains its ethics. The brand recently earned the accolades of the Brand Federation, a brand strategy consultancy firm, which featured Patagonia on its 2021 "Nice" list alongside other brands the company deems ethical, such as Airbnb, Uber and Lyft. Brand Federation praised Patagnia for its dedication to the planet, calling attention to its Black Friday donation of $10 million—what it earned in sales that day—to environmental programs. It also applauded the brand for pulling its apparel from a Wyoming ski resort after the venue hosted a right-wing fundraiser attended by controversial U.S. representative Marjorie Taylor Green.

Patagonia has long been touted as a respectable company for its efforts to support workers' rights, promote a circular economy and curb plastic pollution. The brand reported that 87 percent of its offerings feature recycled materials, and that same percentage is Fair Trade-certified sewn. Additionally, 64,000 of its workers are supported by the brand's participation in the Fair Trade program, and more than 550 of its farmers are part of the Regenerative Organic Certified Pilot program.

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