स्वच्छ भारत
एक कदम स्वच्छता की ओर

TEXTILE INTELLIGENCE CENTRE
IBTEX.
INFORMATION BUREAU
TEXPROCIL

TEXPROCIL
NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY
TÜVRheinland CERTIFIED
ISO 9001:2015
www.tuv.com
ID 9105079408

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. 253 of 2021 December 27, 2021

US 75.05| EUR 84.96| GBP 100.52| JPY 0.66

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	Topics
1	The ten apparel sourcing countries to watch in 2022
2	UK economy grows stronger than projections in Q3 2021: ONS
3	World economy to top $100 trillion in 2022, India looks set to overtake France next year : report
4	Chinese textile industry condemns the US' 'Xinjiang bill' as seriously endangering global textile industry security
5	Vietnam seen as manufacturing hub for global brands
6	Pakistan: Textile exports up 8% in November
7	Bangladesh's exporters demand alternatives to break ICD owners' cartel

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

SAYING NO TO
CHILD LABOUR

	NATIONAL NEWS
1	Explained | What are the head and tailwinds in the economy?
2	Shri Piyush Goyal calls for greater focus on nurturing entrepreneurship in Tier 1 and Tier-2 cities of India
3	Changes in GST law that will come into effect from January 1, 2022
4	Indian FM rejects textiles ministry proposal to defer GST hike
5	On trade, action must match intent
6	India's textile and apparel exports outshine pre-Covid numbers
7	India imposes anti-dumping duty on 5 Chinese goods for 5 years
8	Spinning into GST quagmire
9	Shippers stare at another year of record high rates
10	Mitra says GST hike for man-made fibre textiles will hit MSMEs, dampen demand
11	Hiking GST on handlooms, textiles will ring death knell for industry: TRS
12	CBI books textile firm for bank fraud
13	CAIT sends advisory to all market associations to take preventive steps

INTERNATIONAL NEWS

The ten apparel sourcing countries to watch in 2022

Just Style has evaluated the scores within GlobalData's Apparel Intelligence Center to reveal the top ten apparel sourcing countries to watch in 2022.

There's a real mix of likely and unlikely suspects in *Just Style*'s top ten list of apparel sourcing countries to watch in 2022, including two intercontinental countries and two based in Central America.

It's also worth noting that a number of key apparel sourcing countries did not make it into the top ten list for 2022 at all. Sri Lanka, for example, just missed out as it comes eleventh, Bangladesh takes the twelfth spot, and India is further down the list in sixteenth position, followed by Pakistan, which sits in eighteenth place.

Methodology

The scores of 27 of the world's leading apparel sourcing countries were taken from data that can be found exclusively in the GlobalData Apparel Intelligence Center.

It is based on a maximum score of 75 with each sourcing destination receiving a score out of five for the 15 main factors that would affect a supply chain executive's decision to use a country for apparel sourcing in 2022.

For each of the 15 factors, a score was given between one and five, with five equating to excellent, and the scores were then added together to create a final result for each country.

The total scores for each country were then added up and then ranked highest to lowest.

Just Style has focused on the top ten performing countries as well as those with the three lowest scores out of the total 27 countries measured, however, the full list of countries with their scores can be found at the end of this feature.

The 15 factors used to calculate the apparel sourcing results are:
Ability to provide Free/Freight on Board (FOB) – the most commonly used shipping agreement in garment exports
Price
Tariffs advantage
Compliance/sustainability
Production quality
Efficiency
Lead time
Reliability
Ability to create basic products
Financial stability
Vertical integration/ability to source new materials
Political stability
Flexibility of order quantity
Innovation and ability to develop products with buyers
Ability to create value-added products

The top ten

10. Thailand

Score: 49.5/75

Southeast Asia's Thailand takes tenth place in the list with a score of 49.5 out of 75. The country scored highly in seven out of the 15 factors within the scorecard data. Its highest scores were for its innovation and ability to develop products with buyers (4.5/5), ability to provide FOB (4/5), production quality (4/5), lead time (4/5), reliability (4/5), ability to create basic products (4/5), and vertical integration/ability to source new materials.

According to GlobalData, apparel accounts for 30% of gross domestic product (GDP) within the country and comprises 2,500 garment manufacturers with nearly a million workers. Thailand is committed to improving its competitive position in apparel by refining its value-added products, introducing more advanced technologies, and providing tax relaxation and import duty exemptions on machinery and inputs necessary for manufacture. The government is also said to be making its regulatory framework more efficient and transparent to attract investment and integrate the economy into the global marketplace, a move that will help to companies that participate in the Association of Southeast Asian Nation's (ASEAN) integrated textile supply chain.

9. Morocco

Score: 50.5/75
Africa-based Morocco sits in ninth place with a score of 50.5 out of 75. It achieved top marks (5/5) for its ability to create basic products as it remains a major producer of high-quality basics at a reasonable cost. The country's strategy for growth includes plans to exploit that niche and the country is focused on low value-added basic production, although it has high value-added capabilities.

Morocco achieved almost full marks (4.5/5) for its tariffs advantage, production quality and lead time.

Textiles and apparel manufacture is Morocco's largest export with GlobalData citing 1,200 factories and 190,000 workers being dedicated to apparel and providing a quarter (25%) of industrial employment. Three quarters (75%) of apparel exports are in formal and casualwear and the value per weight and volume is among the highest in the world.

Over the next few years, Morocco is expected to benefit from the International Trade Centre's Global Textiles/Middle East and North Africa Textiles (GTEX/MENTATEX) capacity-building programme for fast fashion, knitwear and denim.

8. Guatemala

Score: 51/75
Guatemala is placed eighth with a score of 51/75. The Central American country was awarded top marks for its ability to provide FOB (5/5), which includes cost, insurance, and freight (CIF); and delivering duty paid (DDP), mainly to the US.

The country also scored 4.5/5 for its tariffs advantage, lead time and its innovation and ability to develop products with buyers.

Apparel represents Guatemala's second-largest export (about 20%), and the country offers many benefits for retailers and brands ranging from quality and efficiency to vertical integration and multiple free trade agreements.

It is arguably one of the more surprising additions to the top ten list as the country faces significant problems, including deteriorating social stability. In fact, more than half of its population sits below the national poverty line, and the country suffers from ongoing labour disputes. On the plus side, the country's president who took office in January 2020, has pledged to continue improvements in healthcare, education, security, and infrastructure, although battling the pandemic continues to be a governmental priority.

7. Egypt

Score: 51/75

Egypt, which sits on the border between Africa and the Middle East, also scored 51/75 but was ranked higher than Guatemala as it scored two 'excellent' ratings as opposed to the Central American country's one.

Egypt was awarded excellent (5/5) for its lead time and ability to provide FOB for garments from formal wear and denim to cotton basics.

A major benefit of using Egypt as an apparel sourcing destination is it's average lead times range from 30-75 days. In fact, some products can be ready to ship in as few as 12 days, and samples can be ready in as little as a week. Shipping to countries within Egypt's region takes two to 18 days, to Europe from six to 12 days, and to the US from 12 to 30 days. Egypt has also improved its port processing speed, although labour unrest can lengthen load and sitting times.

Egypt has a moderate-sized garment industry with the EU and the US listed as its largest export markets. Textiles and apparel represent about 8% of exports, 27% of industrial production, and 10% of the country's working population. The apparel sector employs about 1.5m workers in 2,500 factories. However, outside Egypt's Qualified Industrial Zone, the industry is dominated by small and mid-sized companies, often not modernised or integrated into garment production.

Over the past few years, it has become easier to carry out business within the country and interest rates have fallen. Egypt has worked hard to increase sustainability, although workers' rights remain among the poorest, according to the annual report of the International Trade Union Confederation.

6. Mexico

Score: 52/75

Sixth place goes to Mexico with excellent marks (5/5) for both its ability to provide FOB and its tariff advantage. Mexico has a long history of offering FOB, which is widely available, although the prices of FOB products have increased over those of its Asian competitors.

The country scored highly on its tariff advantage as it applies strict rules of origin that curtail the use of non-United States-Mexico-Canada Agreement (USMCA) inputs. The agreement promotes US investment in Mexico's apparel industry, which enjoys tariff-free export to the US, accounting for 85% of its market. It has a large number of free trade agreements (12 with 46 countries), which means the Mexican market is one of the most open and competitive in the world. While the US is the largest import partner in textiles and apparel, China, India, Bangladesh, and Vietnam are growing as significant trading partners.

Apparel is an important contributor to the Mexican economy, employing about 400,000 workers in 22,000 factories. Apparel exports, depressed by the pandemic, are expected to rise by 8% through 2022. Mexico's position as a manufacturer for export should be strengthened by its continued fiscal and financial reforms, as well as attention to energy, violence, corruption, and infrastructure.

5. El Salvador

Score: 53.5/75

The fifth spot goes to Central America's El Salvador with a score of 53.5 and 5/5 for its ability to provide FOB with the country moving away from pure Cut, Make, Trim (CMT) to the full package.

The country also scored almost perfectly (4.75/5) for its vertical integration/ability to source new materials. It continues to integrate its well-established textile production with its cut-and-sew production and total integration is found in its apparel-producing clusters. Although the country relies heavily on imported materials for its cotton products, it produces synthetic fibres and fabrics and it has increased its focus on products using those materials such as the growing athleisure market. It is also importing high-tech equipment for the production of both fabrics and cut-and-sewn.

El Salvador trades under the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). It is a top ten supplier of textiles and apparel to the US, where over 70% of the sector's exports find their market. Apparel is one of the strongest export sectors for the country, accounting for about 30% of exports and employing 60,000 workers in 800 factories.

On the downside, El Salvador has one of the slowest-growing economies in Central America and faces severe challenges to economic growth due to the pandemic. To help its struggling economy, the government has introduced regulatory reforms.

4. China

Score: 54/75

China sits in fourth place with a score of 54 and an excellent score for its ability to provide FOB, which it can do at low cost because of its high level of integration. China does provide many other international commercial terms, including delivered duty paid (DDP), but FOB is considered the best option.

The global powerhouse also scored 5/5 for its vertical integration/ability to create new materials as it has a well-established vertically integrated apparel production system known for speed, efficiency, and reliability. China has internal, material, infrastructural, technological, and human resources that allow it to control supply, production, and value chains. As labour costs have risen, China has placed vertically integrated production in nearby trading/supply partner countries, using its resources and supply chain expertise. It has also enhanced integration with automation. The robustness of the system was demonstrated by the quick rebound of its manufacture after the peak of the pandemic.

China is the world's second-largest economy and largest apparel exporter. Its leadership position has been weakening, but no other country can match its supply base, its range of skills, quality levels, product variety, completeness of its supply chain, or has the capacity to absorb its business. In spite of the disruption of supply chains related to the pandemic and trade tensions with the US, the country continues to appeal to apparel buyers as rising wages are offset by efficiency and productivity gains through advanced manufacturing technologies.

In fact, China remained the largest apparel supplier to the US market in October 2021, according to data published by the US Department of Commerce's Office of Textiles and Apparel (OTEXA).

The emergence of China as one of the world's largest consumer markets may cause many of its export factories to switch to producing for its domestic market, but its role as a dominant player in global apparel sourcing is expected to continue for years to come. The government has adopted economic policies to try to mitigate the risks to the garment industry, including strengthening relationships with nearby Asian countries, as well as Africa and Central America.

It should be noted however, there are claims of forced labour within China's Xinjiang region and this has led many countries, including the US to ban the imports of Xinjiang-made cotton.

3. Peru

Score: 55.5/75

Peru is the only South American country to make it into the top ten list with a score of 55.5. The country did not receive any 'excellent' scores but it's overall high score comes from the fact it received almost top marks 4.5/5 and 4/5 for nine of the 15 factors.

The country achieved 4.5/5 scores for its tariffs advantage, production quality, lead time and its vertical integration / ability to source new materials.

This is not surprising as Peru is widely known for its high quality production and lead times that can be as short as 30 days, depending on the size and sophistication of the manufacturer.

Apparel is Peru's largest manufactured export with the majority going to the Americas. The industry employs about 130,000 workers and it attracts global brands, in part because of its rich heritage in textile craft and eco-friendliness. Before the pandemic, the industry enjoyed three successive years of growth with robust expansion in the US market. Peru's manufacturing and trade was hard hit by the pandemic, and the economy contracted sharply even though the country entered the crisis with strong fiscal policies and strong account balances. However, it is expected to remain attractive for foreign investment in 2022 as its ease of doing business remains among the best in the region.

2. Turkey

Score: 58/75

Turkey, which lies between Europe and Asia, is arguably one of the more notable apparel sourcing destinations to make it on the top ten list.

It scored 58 in GlobalData's Sourcing Scorecards data, which is only one point less than the country taking the top spot. Plus, it received top scores in six out of the 15 key factors, including:

Ability to provide FOB
Production quality
Ability to create basic products
Vertical integration/ability to source new materials
Innovation and ability to develop products with buyers
Ability to create value-added products
FOB is widely available in Turkey and the country wide-initiative to digitise its entire supply chain makes it a resilient option for companies concerned about the effects of the Omicron variant as we move into 2022.

Turkey has a highly skilled labour force and a history of fine workmanship. As Turkey has moved higher on the list of top exporters, the industry has felt additional pressure on price, value addition, and quality.

It has a wide range of manufacturing capabilities, including basics, which remain a large part of its apparel exports. Already a provider for many brands that focus on basics, Turkey is seeing growing interest from European brands. The country has also introduced technologies that will enhance its position in the low-end market.

Apparel and textiles are considered to be the backbone of the Turkish industry and are one of Turkey's largest exports. To boost manufacture and export, the government has targeted infrastructure improvements, such as adding new railways for easier shipping and increasing the number of logistics centres. These improvements should further shorten already speedy delivery to Europe in 2022 while mitigating in part the country's increasing labour and material input costs.

1 .Vietnam

Score: 59/75

The top spot and main apparel destination to watch in 2022 goes to Southeast Asia's Vietnam. It scored 59 and achieved 3/5 or above for all 15 factors with an excellent score for its political stability.

The country is the most continuously stable country in Southeast Asia and it is this history of stability that puts it at the top of most global lists. It honours its various international agreements, such as the EU-Vietnam free trade agreement, which demands compliance on issues such as intellectual property and human rights. Vietnam's willingness to cooperate with conditions in those agreements limits the threat of international destabilising pressures. The stability and independence of Vietnam has allowed it to pursue diverse economic, political, and military ties with regional powers such as Japan and India, and also with the US.

Since its transition to a market economy in 1986, Vietnam has developed one of the most vibrant economies in the region, emerging as a global power in its manufacture and export with apparel playing a significant role in the country's growth. Apparel, the second-largest export for Vietnam (19%) after electrical equipment, neared the US$60bn mark in 2019. The industry employs about 2.5m workers in 6,000 factories.

The labour market has become more flexible as the country shifts its economic focus from agriculture to manufacturing. Vietnam has started to reform state-owned enterprises through increased transparency and blended partnerships with foreign investors. Foreign direct investment has helped improve infrastructure and supported increasing knowledge transfer. Exports should continue to perform well, especially as the country signs more preferential trade agreements, such as the one with the EU, which took effect at the end of July 2020. Vietnam's agreements support a supply chain that requires foreign resources due to domestic inputs not keeping pace with increased production demands.

The three countries at the bottom of the list and facing the biggest challenges in 2022

The three sourcing destinations sitting at the bottom of the list and most likely to face real challenges in 2022 have all experienced political instability and uncertainty in 2021.

Here is Just Style's analysis of the three countries with the lowest scores as we move into 2022:

1. Myanmar -18.5/75

It is highly likely that Myanmar, which scored the lowest mark of 18.5/75 and zero in six of the 15 key factors, will have another challenging year in 2022, following the aftermath of its military coup in February.

The international backlash and investors' uncertainty has deeply injured an economy that had already slowed sharply due to the pandemic. The country will likely find itself unsupported by foreign aid programmes and ineligible for preferential trade agreements. In addition, it may face embargoes on its exports and imports. Moreover, the international tensions arising from human rights violations in Rohingya will likely re-emerge with greater force. Myanmar had experienced continued economic growth, integration into the global economy, and foreign investment in the garment industry and other sectors.

Exports of apparel, meanwhile, had been growing each year until 2020. To sustain growth, the government had been modernising the financial sector and improving infrastructure and energy. To offset lost relations with Western nations, Myanmar's relationship with China will likely strengthen. The China-Myanmar Economic Corridor had already begun to increase China's trade with and investment in Myanmar, although the latter's military has voiced distrust of China.

Just Style reported in September, the Ethical Trading Initiative (ETI) was working with the Fair Wear Foundation to develop a human rights impact assessment of the evolving situation in Myanmar.

While earlier the same month, it was reported the IndustriAll Global Union and its Myanmar affiliate, the Industrial Workers Federation of Myanmar, was calling for a boycott of goods made in Myanmar as part of a wider campaign for comprehensive economic sanctions against the military junta.

2. Haiti – 25/75

This small Caribbean nation, which scored the second-lowest in the scorecards data, is widely regarded as the poorest country in the West, however it is almost entirely dependent on the apparel industry.

The country scored low in almost all of the 15 key factors, with high scores of 3.5/5 for its tariff advantage due to its trade with the US, and 3/5 for its ability to make basic products.

The country, which scored zero for political stability, suffers from severe and chronic political and institutional uncertainty, which, along with the pandemic, has roiled the nation for the past two years.

The country faces significant challenges to growth from disruptive social and political unrest, corruption, and organised crime. With some of the lowest grades on infrastructure, credit, and ease of doing business, the country sadly lacks the stability and resources for sustained improvement. It also remains highly vulnerable to natural disasters and it takes many years for the country to recover from the aftermath of severe hurricanes, which are common in the Caribbean region.

Haiti recently accelerated its apparel production and reintroduced cotton growing to reduce cost and support vertical integration. The main inputs into Haiti's apparel industry are cotton fabrics, which are predominantly sourced from the Dominican Republic, and synthetic fabrics, mainly from China.

On the plus side, it was recently revealed that companion bills had been introduced in both the US Senate and House of Representatives to extend the HOPE (Haitian Hemisphere Opportunity through Partnership Encouragement) and HELP (Haitian Economic Lift Program) programmes until 2025. These trade preference schemes aim to improve opportunities for people in Haiti people through trade preferences designed to support manufacturing jobs in the apparel industry.5.

3. Ethiopia – 33/75

The East African nation scored the third-lowest in the scorecard data, which is unsurprising given the civil war that is continuing to plague the nation.

2022 is also likely to wreak havoc on the country's apparel sector in particular as the US has made the decision to suspend the country from the African Growth and Opportunity Act (AGOA) from January 2022.

AGOA gives Ethiopia duty-free access to the US market and Ethiopian clothing suppliers have warned that stripping the AGOA trade benefit will have a negative effect on the 50,000 jobs that were created thanks to the scheme.

Ethiopia, the 22nd largest supplier of apparel to the US market, has been an AGOA beneficiary country since its enactment in 2001 with 70% of the US$750m earned by the east African country's two dozen industrial parks since 2014, ending up in the US market under AGOA.

One clothing supplier told Just Style in an exclusive and anonymous interview that once the US pulls the benefit in January all of those workers will return to dire straits once more.

While, a statement by the Ethiopia ministry of trade and regional integration (MoTRI) made in November said the move would reverse significant economic gains and unfairly impact and harm women and children.

The country remains one of the poorest in the region, despite having one of the fastest-growing economies. In recent years, the government has sought to diversify its economy away from agriculture by prioritising the development of the export textile and garment industry. The sector has undergone rapid growth, promoted in part by foreign direct investments aimed at the European market. Low wages, which are set by the government, have helped expand the industry as well.

However, the challenges of the pandemic and civil conflict risk the country becoming less appealing to apparel suppliers in 2022 and beyond.

The full apparel sourcing countries list for 2022 based on GlobalData's sourcing scorecard data (listed from highest score to lowest)
Vietnam: 59
Turkey: 58
Peru: 55.5
China: 54
El Salvador: 53.5
Mexico: 52

Egypt: 51
Guatemala: 51
Morocco: 50.5
Thailand: 49.5
Sri Lanka: 49
Bangladesh: 48.5
Indonesia: 47.5
Madagascar: 46.5
Tunisia: 46
India: 45.5
Honduras: 44
Pakistan: 43.5
Cambodia: 43
Dominican Republic: 41.5
Jordan:- 40.5
Philippines: 39
Malaysia: 38
Nicaragua: 37
Ethiopia: 33
Haiti: 25
Myanmar: 18.5

Source: just-style.com– Dec 17, 2021

HOME

****

UK economy grows stronger than projections in Q3 2021: ONS

UK gross domestic product (GDP) is estimated to have increased by 1.1 per cent in the third quarter (Q3) this year, revised from the first estimate of a 1.3 per cent rise. The level of GDP is now 1.5 per cent below where it was pre-COVID-19 in Q4 2019, revised from the previous estimate of 2.1 per cent below, because of upward revisions to growth in 2020.

Annual UK GDP in 2020 is now estimated to have fallen by 9.4 per cent, revised from a first quarterly estimate of minus 9.7 per cent.

In output terms, the largest contributors to the increase in Q3 2021 were hospitality and arts, entertainment and recreation following the further easing of restrictions and reopening of the economy during this period; production and construction both fell.

Household consumption rose by an upwardly revised 2.7 per cent in Q3 2021 and made the largest contribution to expenditure; there was a fall in underlying inventories, likely reflecting some of the recent supply chain challenges; and a negative contribution from net trade, the Office of National Statistics said.

The UK's net borrowing position with the rest of the world increased to negative 4.3 per cent as a percentage of GDP in Q3 2021 compared with minus 2.4 per cent of GDP in Q2.

UK GDP is estimated to have increased by 1.1 per cent in Q3 2021, revised down from the first quarterly estimate of a 1.3 per cent increase. This follows a revised increase of 5.4 per cent in Q2 2021 following the easing of COVID-19 restrictions. The level of real quarterly GDP in the UK is now 1.5 per cent below where it was prior to the pandemic at the end of 2019, revised from 2.1 per cent.

Source: fibre2fashion.com– Dec 27, 2021

HOME

****

World economy to top $100 trillion in 2022, India looks set to overtake France next year : report

British consultancy Cebr predicted China will become the world's top economy in dollar terms in 2030

The world's economic output will exceed $100 trillion for the first time next year and it will take China a little longer than previously thought to overtake the United States as the No.1 economy, a report showed on Sunday.

British consultancy Cebr predicted China will become the world's top economy in dollar terms in 2030, two years later than forecast in last year's World Economic League Table report.

India looks set to overtake France next year and then Britain in 2023 to regain its place as the world's sixth biggest economy, Cebr said.

"The important issue for the 2020s is how the world economies cope with inflation, which has now reached 6.8% in the U.S.," said Cebr deputy chairman Douglas McWilliams.

"We hope that a relatively modest adjustment to the tiller will bring the non-transitory elements under control. If not, then the world will need to brace itself for a recession in 2023 or 2024."

The report showed Germany was on track to overtake Japan in terms of economic output in 2033. Russia could become a Top 10 economy by 2036 and Indonesia looks on track for ninth place in 2034.

Source: thehindu.com– Dec 26, 2021

HOME

****

Chinese textile industry condemns the US’ ‘Xinjiang bill’ as seriously endangering global textile industry security

A group of Chinese textile industry and trade associations on Saturday condemned the US' so-called Uygur forced labor prevention act, saying the bill will seriously endanger the security of the global textile industry supply chain, and hurt the interests of tens of millions of industrial workers around the world.

The US government is suppressing China's cotton textile industry in the name of human rights, the China Cotton Association said in a statement on Saturday.

The Chinese textile industry firmly opposes US' hegemony move to unilaterally use domestic legislative and administrative measures to block Xinjiang products from entering international supply chains, and the so-called bill sets a dangerous precedent in international economic and trade by presumption of guilt covering all Xinjiang products, the China National Textile and Apparel Council and 12 industry associations said in a joint statement.

By exercising the presumption of guilt in regard to "forced labor" covering all Xinjiang products, the US is completely violating market principles and WTO rules, severely harming the interests of Chinese and American textile and apparel companies and consumers, and undermines the stability of the global supply chain, the China Chamber of Commerce for Import and Export of Textiles (CCCT) stated.

Xinjiang's cotton industry is an important part of the global textile supply chain. In 2021, Xinjiang's cotton output stood at 5.13 million tons, accounting for about 20 percent of global cotton output, according to the council.

China has the world's largest textile and apparel industry with the most complete and independent industrial chain with international competitive advantages. China has also built the world's largest textile and apparel intermediate product market and retail market.

However, since 2020, the US government has taken different approach such as issuing Xinjiang-related supply chain reports, and issuing import bans restricting the import of cotton-related products from Xinjiang, which has seriously damaged the reputation of Xinjiang and China's cotton textile industry.

The US' relentless crackdown and smear campaign is designed to stem developing industries in Xinjiang and undermine the momentum of economic development of the region, but such political maneuver is doomed to fail, said Huo Jianguo, vice chairman of the China Society for World Trade Organization Studies.

The US imported $25.79 billion worth of textiles and apparel from China in the first ten months of 2021, a year-on-year increase of 23.9 percent. The growth rate rose sharply by 58.9 percentage points from the same period last year, accounting for 27.6 percent of the US' total textile and apparel imports during the same period, according to industry data.

The US' brutal suppression will not only harm millions of cotton farmers and textile workers in Xinjiang, but also seriously harm the interests of American textile and apparel consumers, retailers, distributors and importers, which is a real violation of human rights, the CCCT said.

Washington's escalating trade restrictions go against US domestic interests and are bound to further aggravate the US economic predicament, Huo said.

Source: globaltimes.cn– Dec 25, 2021

HOME

****

Vietnam seen as manufacturing hub for global brands

This decision was made so as to reduce transport costs and adjust to the disruption in the supply chain, which has become a serious concern for many export-import businesses. Nonetheless, Vietnam still remains a huge manufacturing hub for several global fashion giants.

Vietnam role in supply chain

The Japanese fashion brand Uniqlo is familiar to many Vietnamese consumers. It opened its first shop in Vietnam in December 2019, and it has since opened nine retail shops in Hanoi and Ho Chi Minh City, along with a recently opened online shop. Uniqlo will certainly expand its business in Vietnam in the next few years, because Vietnam is considered a big market by the company due to its large young population, high per capita income, and a growing middle class.

Furthermore, Vietnam is the second biggest manufacturing base for Uniqlo. In particular, Uniqlo purchases products of 45 Vietnamese apparel companies for the domestic and international markets. The company highly values the improved quality of the Vietnamese workforce.

The Vietnamese textile and footwear industry has become more and more important in the global supply chain of several international giants. The world famous brands Nike and Adidas are buyers from about 200 Vietnamese suppliers. For instance, Vietnam provides 30 percent of the products that Adidas supplies to the global market. Even during the peak of the Covid-19 pandemic in Southern Vietnam, Nike still trusted the Vietnamese suppliers the most. Viettien Garment Corporation, for instance, has not lost a single order from Nike despite the impact of the Covid-19 pandemic.

The latest figures from the World Trade Statistical Review 2021 released by the World Trade Organization show that Vietnam has overtaken Bangladesh to becoming the world's second largest exporter of readymade garments, reaching a market value of US$29 bn in 2020, just behind China. Garments made in Vietnam make up 4.6 percent of the world market. Vietnam has recently produced lots of high quality garments because of the improved quality of its workforce.

Together with the garment sector, the Vietnamese footwear products are playing a more and more important role on the world stage. The Vietnam Industry and Trade Information Centre of the Ministry of Industry and Trade cited data from the World Footwear Yearbook, showing that Vietnam ranked second in the world in footwear exports, reaching 1.23 billion pairs in 2020.

With this result, for the first time Vietnam surpassed 10% of the world total footwear exports by reaching 10.2 percent, and increasing by 4.4 times compared to 2011 when it was just 2.3 percent, with 316 million pairs of shoes being exported. Vietnam has become the world's largest exporter of canvas shoes in terms of value, outstripping even China. This is the first time that China has not led the export of a particular type of footwear.

Several world famous footwear brands like Nike, Adidas, Reebok and Puma have had large quantities of their products made in Vietnam. The prospect of the Vietnamese footwear industry is very likely to go even further, since China continues to reduce incentives for investments in footwear in order to focus on high-tech technology, making international footwear orders move from China to Vietnam.

Commitment of Vietnamese companies

Despite the advantage of lower labor costs at a reasonable level, businesses are also making great efforts to invest more in technology to meet the increasingly strict requirements of buying partners.

Mr. Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association, explained why Nike has not moved any orders previously placed at Viettien Garment Corporation, because as of October when we reopened, Nike had not yet found another manufacturer capable of meeting its requirements in terms of time, quality and quality control like the ones in Vietnam. He also pointed out that only when the pressure of delivery time is too high, making it impossible to balance the delivery and sales time, do famous brands move their orders to manufacturers in countries that can satisfy these requirements.

However, a number of seasonal orders have been moved out of Vietnam to ensure the year end shopping season deliveries to major markets. Mr. Vu Duc Giang said that during the social distancing period, Vietnamese textile and garment companies could not meet the delivery schedule, so a certain number of orders for delivery in November and December were moved away, about an estimated 13 percent to 14 percent. Yet now there are signs of orders coming back. Similarly, the footwear industry also saw a small number of seasonal orders moved out of Vietnam.

The commitment and reputation of Vietnamese companies could also be one of the most important factors for foreign partners to feel secure for long term cooperation. The fourth wave of the Covid-19 pandemic that lasted from June until September in Vietnam obviously proved this point. As soon as businesses reopened in early October, factories immediately let workers work overtime, and some even arranged for products to be delivered by air at a cost several times higher than by sea, in order to have their products delivered as per the schedule, especially for the holiday season and coming new year.

In the long term, Vietnam's participation in many major Free Trade Agreements (FTAs) such as CPTPP or EVFTA will also be the reason why globally famous brands will prioritize Vietnam as a vital production base, because they can enjoy the tax incentives under these FTAs when products are exported from Vietnam. Buying partners also give priority to Vietnamese suppliers because of assurance of on time delivery, despite the many disruptions to the supply chain because of the ongoing Covid-19 pandemic.

Source: sggpnews.org.vn– Dec 27, 2021

HOME

****

Pakistan: Textile exports up 8% in November

Pakistan's textile exports witnessed an increase of 8 per cent month-on-month to reach a record high of $1.74 billion in November, a report by Topline Securities showed.

During the month of November, the value added textile exports recorded a growth of 7 per cent month-on-month as the exports of ready-made garments recorded an increase of 11 per cent, bed-wear 9 per cent and towel exports recorded an increase 28 per cent month-on-month.

In the rupee terms, the exports during the month recorded a growth of 9 per cent month-on-month to clock in at Rs300 billion, the reason being the depreciation of the local currency. The exports in the basic textile items during the month under preview, up by 9 per cent due to the strong growth of 12 per cent in the cotton cloth exports, compared to a growth of 2 per cent in the previous month.

On a year-on-year basis, the textile exports of the country during November of the current year are up 35 per cent, and the same is 48 per cent in the local currency terms. The major contributor in the significant recovery of textile exports is the value-added segment that include knitwear which recorded an increase of 40 per cent year-on-year, bed-wear 32 per cent and ready-made items with an increase of 27 per cent.

This growth is mainly driven by low base effect due to Covid-19 led restrictions and volumetric growth in value-added segments excluding knitwear segment. In the first five months of FY22, the textile exports recorded the highest ever number of $7.8 billion, up by 28 per cent year-on-year, led by strong growth in value-added textiles and basic textiles which were up by 28 per cent and 35 per cent year-on-year, respectively

The report expected the textile exports to remain strong in FY22 and to clock in at $18 18.5 billion. However, slowdown in European economies and potential lockdowns due to Omicron can impact Pakistan textile export orders going forward.

Source: bolnews.com– Dec 26, 2021

HOME

****

Bangladesh's exporters demand alternatives to break ICD owners' cartel

Bangladesh exporters have demanded alternative options to break the ‘cartel’ of owners of inland container depots (ICDs) that handle most of the country’s outbound cargo as the latter ‘unilaterally’ raise charges, making export costlier. They want a provision for the setting up of export-container freight stations (CFS) into the draft private ICD policy.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), in a recent letter to the National Board of Revenue (NBR), requested allowing forwarders, warehouse owners and any business group to set up a CFS to facilitate outbound trade.

The country's 19 ICDs recently hiked charges by 23 per cent citing fuel price rise through a much-contended government decision.

BGMEA president Faruque Hassan wrote that CFSs owned by forwarders or warehouse companies are needed to process the export cargoes while ICDs are established to handle export-import and many other multifarious activities.

ICD is a dry-port whereas CFS and off-docks are its parts, he wrote. Goods are stuffed and un-stuffed in the containers inside the CFSs while ICDs handle many other jobs, he was cited as saying by Bangla media reports.

In India, the letter said, there are over 2,000 CFSs to facilitate its export industry.

Exporters’ trucks sometimes wait for nearly three days to load or unload cargo and they pay demurrage to trucks for their extra stay, he said.

The existing ICDs lack adequate equipment and are located very close to the port area. The port authority now decided that new ICDs can only be set up 20 kilometres away from the port area. Hassan said the new ICDs cannot compete with the existing ones due to their establishment cost and distance from the seaport.

Source: fibre2fashion.com– Dec 27, 2021

HOME

****

NATIONAL NEWS

Explained | What are the head and tailwinds in the economy?

In which sectors has the recovery gained momentum? What needs to be done to sustain growth?

The story so far: For India, the year gone by has been about rebuilding from the ravages of 2020 amid the COVID-19 storm which had pushed the already slowing economy into contraction mode. To refresh the context in which 2021 dawned, the country's Gross Domestic Product (GDP) growth had dipped to a mere 3% in the fourth quarter of 2019-2020. The pandemic-related lockdowns sent the stalling economy into free fall, causing output to shrink by 24.4% and 7.4% in the first two quarters of 2020-21, respectively.

The resultant destruction meant that job and income losses coincided with the unfolding health crisis, cramping consumption and disrupting production supply chains across industries, while contact-intensive sectors like tourism, restaurants and other services haemorrhaged. It was only after the first COVID-19 wave had peaked in September 2020, that GDP growth crawled back to the surface with a meagre 0.5% rate of expansion in the third quarter. The new year, it was hoped, would help unravel the damage, aided by rapid vaccination against the novel coronavirus as well as specific policy steps to rescue and resuscitate the worst-affected sectors of the economy.

How did the Indian economy fare this year? Is it out of the woods yet?

With an eye on making up lost ground, in February, Finance Minister Nirmala Sitharaman's Union Budget for 2021-22 bet on pushing infrastructure spending to revive the economy but refrained from providing income support for those worst affected by the pandemic.

An ambitious ₹1.75 lakh crore target was set for disinvestment from public sector enterprises backed by a new policy to retain a 'bare minimum' presence of state-owned firms even in strategic sectors.

The government explained that higher capital spending would trigger multiplier effects by nudging up demand in several sectors and spur job creation and consumption. Economists were concerned about the implementation risks of this approach, including the time public investment projects may take to fructify before the multiplier effects trickle down. While the government talked up prospects of a sharp V-shaped recovery, experts fretted about a K-shaped recovery unfolding thanks to a divergence between those who needed to protect their lives and livelihoods, and those who were able to sustain themselves like corporates and those in white-collared jobs who had not been too badly affected by the pandemic.

The COVID-19 virus, however, was immune to such nuanced debates and decided to play spoiler even before the Budget fine print had sunk in. By the end of March, India was firmly in the grip of a much deadlier second wave, prompting the Centre to unveil fresh relief measures for industry as well as the vulnerable sections such as providing free foodgrains (which has now been extended till March 2022).

If the virus had weighed heavily on livelihoods in 2020, this year, it claimed a far greater human cost with high fatalities. In contrast, the economic suffering from the second wave was less pronounced and supply chains were less stressed, with restrictions on mobility and business activities being localised across States, unlike the hard nationwide lockdown of 2020. Of course, this is not to say the second wave didn’t hurt growth. After a sedate 1.6% uptick in GDP between January and March, the economy expanded by an underwhelming 20.1% in the April to June quarter when it was hoped that the base effect of the sharp 24.4% slide in the previous year would push the number higher.

With households being impacted more severely, consumption’s share in GDP fell during this quarter. While manufacturing and construction recovered, the economy’s overall output remained far below even the low pre-pandemic levels. Gross value added (GVA) was still 7.8% shy of the level seen in the first quarter of 2019-20, while GDP remained 9.2% lower. Things have improved, as per the latest national accounts data, but only just — as the July to September quarter registered 8.4% GDP growth pulling the economy 0.3% above the same quarter in 2019.

The first half of financial year 2021-22 has now recorded 13.5% GDP growth and the Finance Ministry expects a double-digit expansion for the full year ending in March 2022. But one cannot say the economy has truly come out of the woods yet. Real GVA for the first half of this fiscal year remains 3.7% below the first half of 2019-20 and this difference is even larger for real GDP at 4.4%, EY India chief policy adviser D.K. Srivastava pointed out. “2021-22 has been spent mostly in making up for the contraction in 2020-21. Even if a real GDP growth of 9.5% is achieved this fiscal, India would land only marginally on the positive side as compared to 2019-20," he said.

Which sectors are back to pre-pandemic levels now and where does the pain persist?

While the recovery has gained momentum despite the second wave, it still remains uneven and fragmented with economists also unconvinced about its sustainability. CARE Ratings' economists Madan Sabnavis and Kavita Chacko noted that demand and investments were yet to see a meaningful and durable pick-up and any improvements were expected to be limited and gradual as the domestic economy had been grappling with low demand and a subdued investment climate even before the COVID-19 shock.

While agriculture, the only sector to record positive growth throughout the pandemic, has held firm, sectors like manufacturing, mining, electricity, recovered above pre-COVID levels by September. But employment-intensive sectors like construction, the contact-intensive trade and hotels industry, as well as financial services and real estate, continue to languish below their pre-pandemic levels.

There are some other interesting aspects of this year's economic trajectory. Exports have done well, hitting record numbers so far, but imports have been surging as well widening India's merchandise trade deficit to an all-time high of $22.9 billion in November. The rupee, which had recovered after falling below 76 to a dollar in March 2020, weakened past that mark again recently.

Tax collections, both direct and indirect, have fared surprisingly well. Goods and Services Tax revenues stayed above ₹1 lakh crore a month for most of the year. While retail inflation moderated in the initial period of this year after staying beyond the central bank's 6% tolerance threshold through large parts of 2020, it has been inching back up in recent months, hitting a three-month high of 4.9% in November. Wholesale price inflation has also hit an all-time high in the current series of the index, making input costs the number one worry for businesses.

Pradeep Multani, PHDCCI president, said supply side issues such as high commodity prices and raw material shortages were denting industry margins, especially for small and medium enterprises that generate high employment. He opines that the government needs to handhold the economy in view of the risks this poses to consumption and private investments even as the new virus variant Omicron is a fresh dark cloud on the horizon.

What tidings may 2022 hold and what are the biggest risks to growth?

The uncertain effects of Omicron and other virus mutations aside, the OECD has projected global growth to slow to 4.5% in 2022, from 5.6% this year, with India's growth pegged at 8.1% for 2022-23. On the bright side, ICRA chief economist Aditi Nayar is hopeful of consumption returning to normalcy that could ramp up industry's capacity utilisation rate and set the stage for a broad-based investment revival by the end of 2022.

Economists believe higher inflation is the biggest risk for the coming year as supply chain problems in key components, volatile commodity and oil prices as well as shipping disruptions are likely to deepen at least in the first half of the year. With retail inflation at a 40-year high in the U.S., interest rate hikes there could warrant a shift in the central bank's current monetary policy stance prioritising growth over inflation.

India's policy makers, be it North Block mandarins formulating the Budget or Mint Street bosses in Mumbai, have their task cut out for a smooth landing in 2022.

Source: thehindu.com– Dec 26, 2021

HOME

****

Shri Piyush Goyal calls for greater focus on nurturing entrepreneurship in Tier 1 and Tier-2 cities of India

The Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal today called for greater focus on nurturing entrepreneurship in the Tier 1 and Tier 2 cities of India. He was delivering the Keynote Address at the 3rd Meeting of National Startup Advisory Council virtually today.

It may be noted that 45% startups in India are from Tier 2 and 3 cities and 623 districts have at least 1 recognized startup. From 2018-21, almost 5.9L Jobs have been created by startups. In 2021 alone, almost 1.9L jobs have been created.

Department for Promotion of Industry and Internal Trade (DPIIT) had constituted the National Startup Advisory Council to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities.

Besides the ex-officio members, the council has several non-official members, representing various stakeholders such as founders of successful startups, veterans who have grown and scaled companies in India, persons capable of representing interests of investors, incubators and accelerators into startups, representatives of associations of stakeholders of startups and representatives of industry associations.

The Minister said that 25th December, the birth anniversary of former Prime Minister Shri Atal Behari Vajpayee, is being celebrated as Good Governance Day in India. He expressed the hope that a robust Startup ecosystem would help formalize the economy and help in improving the Ease of Living and the Ease of Doing Business and in turn help promote the ideals of Good Governance. He observed that ‘Startup India’ movement had brought a ‘change in mindset’ from ‘can do’ to ‘will do’ and helped us move past traditional notions of entrepreneurship.

The Minister said that our startups turned COVID-19 crises into an opportunity and made 2021 the Year of unicorns with 79 Unicorns now thriving. Underscoring that India is now home to the 3rd largest startup ecosystem in the world, Shri Goyal said that he believed in the power of ideas. Simple solutions can make an extraordinary impact, he added.

Quoting Prime Minister Shri Narendra Modi, Shri Goyal said that the priority of the Government can be expressed in four words, "Minimum Government, Maximum Governance" and called for minimum Government interventions in the lives of citizens. He said that our vision is to build a New India committed to the economic progress and well-being of 135 crore Indians, especially those who have been left behind.

The Minister assured that the Government, as an enabler, is committed to develop a robust startup ecosystem by providing exceptional benefits such as 80% rebate in patent filing and 50% on trademark filing, relaxation in public procurement norms, Self-Certification under Labour and Environment Laws, Funds of Funds for startups of Rs. 10,000 Crore, Income Tax exemption for 3 out of 10 years, Seed Fund Scheme of Rs. 945 Cr and creating Open Network for Digital Commerce (ONDC), which will create new opportunities and remove some monopolistic tendencies in certain spheres.

Shri Goyal said that apart from mass jobs creation, our startups have the potential to catalyse India's integration in Global Value Chains and increase our footprint in global markets. He urged successful entrepreneurs, especially unicorns to share their experiences with students and youth in order to inculcate startup culture and entrepreneurial spirit at grassroot levels, especially in regions like the North East of India. He asked academia, government and industry to work hand in hand to promote entrepreneurship at the grassroots level.

Urging the youth to take risks in entrepreneurship, the Minister said that you never know until you try, therefore, making mistakes should be normalised and failures should not be seen as the end of entrepreneurial journey. We must learn to celebrate failure too, he added.

Shri Goyal called upon startups to explore the unexplored areas like rural tourism in terms of agri-stays, hotels and homestays that would help create additional income for farmers. Shri Goyal opined that the youngsters of the nation must be encouraged to visit villages, experience rural life and come up with solutions to rural problems. He also asked successful startups to focus on rural economy and work on solutions such as drip irrigation, natural farming etc. to improve the lives of farmers.

Speaking of the need to augment Seed Capital, Shri Goyal said that we must encourage the flow of domestic capital in our startups. He added that there was a need to make 'Startup India' a symbol of Self Reliance and Self

Confidence. The Minister called for a participative approach from all stakeholders to achieve such an ambitious target.

Six national programmes were presented to the Minister as part of the third National Startup Advisory Council meeting to strengthen the startup ecosystem in the country. The key interventions discussed were National Capacity Building Programme for Incubators, providing thrust to the startups engaged in manufacturing sector, empowering the larger pool of Family Offices and High Networth Individuals (HNIs) to invest in startups, accelerating Deep-tech Startups which would act as a catalyst in empowering pioneers, establishing an international platform and a gateway for Indian startups to go global, propelling participation of women in the startups and a holistic programme which aims at enabling global mentorship, market access, international opportunities and B2B connects.

The video conference was attended by several Startup leaders, investors, banks, senior government officials representing various ministries/departments and key stakeholders of the startup ecosystem.

Source: pib.gov.in– Dec 24, 2021

HOME

****

Changes in GST law that will come into effect from January 1, 2022

The GST regime will see a host of tax rate and procedural changes coming into effect from January 1, including liability on e-commerce operators to pay tax on services provided through them by way of passenger transport or restaurant services.

Also, the correction in inverted duty structure in footwear and textile sectors would come into effect from Saturday wherein all footwear, irrespective of prices, will attract GST at 12 per cent while all textile products, except cotton, including readymade garments will have 12 per cent GST.

While the passenger transport services provided by auto rickshaw drivers through offline/ manual mode would continue to be exempt, such services when provided through any e-commerce platform would become taxable effective January 1, 2022, at 5 per cent rate.

The procedural changes that would come into effect include e-commerce operators, such as Swiggy and Zomato, being made liable to collect and deposit GST with the government on restaurant services supplied through them from January 1. They would also be required to issue invoices in respect of such services.

There would be no extra tax burden on the end consumer as currently restaurants are collecting and depositing GST. Only, the compliance of deposit and invoice raising has now been shifted to food delivery platforms. The move comes after government estimates showed that tax loss to exchequer due to alleged underreporting by food delivery aggregators is Rs 2,000 over the past two years.

Making these platforms liable for GST deposit would curb tax evasion.

The other anti-evasion measures which would come into effect from the new year include mandatory Aadhaar authentication for claiming GST refund, blocking of the facility of GSTR-1 filing in cases where the business has not paid taxes and filed GSTR-3B in the immediate previous month.

Currently, the law restricts filing of return for outward supplies or GSTR-1 in case a business fails to file GSTR-3B of preceding two months.

While businesses file GSTR-1 of a particular month by the 11th day of the subsequent month, GSTR-3B, through which businesses pay taxes, is filed in a staggered manner between 20th-24th day of the succeeding month.

Also the GST law has been amended to allow GST officers to visit premises to recover tax dues without any prior show-cause notice, in cases where taxes paid in GSTR-3B is lower based on suppressed sales volume, as compared to supply details given in GSTR-1.

The move would help curb the menace of fake billing whereby sellers would show higher sales in GSTR-1 to enable purchasers to claim input tax credit (ITC), but report suppressed sales in GSTR-3B to lower GST liability.

Source: thehindubusinessline.com- Dec 26, 2021

HOME

****

Indian FM rejects textiles ministry proposal to defer GST hike

India's finance minister Nirmala Sitharaman at a meeting today rejected the proposal put forward by the ministry of textiles to defer the increase in Goods and Services Tax (GST) from the current 5 per cent to 12 per cent on fabrics and other textile products. A similar request from the Confederation of All India Traders (CAIT) was also rejected.

As a result, GST rates will go up as scheduled with effect from January 1, 2022, from 5 per cent to 12 per cent on all types of fabrics, and on garments with retail value below ₹1,000. The GST rate on man-made fibre, however, will come down from 18 per cent to 12 per cent. The rates on cotton, cotton yarn and synthetic yarn will remain unchanged at 5 per cent, 5 per cent, and 12 per cent respectively.

The GST Council at its last meeting had decided to change the GST rate to address the inverted tax structure in the MMF textile value chain. The GST of 18 per cent, 12 per cent and 5 per cent levied on MMF, MMF yarn and MMF fabrics created build-up of credits and cascading costs, as the tax on inputs was at higher rates than finished products. This further led to accumulation of taxes at various stages of MMF value chain and blockage of crucial working capital for the industry.

"Though there is a provision in the GST law to claim unutilised Input Tax Credit (ITC) as a refund, there were other complications and it resulted in more compliance burden. The inverted tax structure caused effective increase in rate of taxation of the sector. The world textiles trade has been moving towards MMF, but India was not able to take advantage of the trend as its MMF segment was throttled by inverted tax regime," the ministry of textiles had said while announcing the change in GST structure last month.

"The uniform rate of 12 per cent is likely to contribute positively to the growth of the sector by helping save a lot of working capital and reducing the compliance burden of the industry players. It will be helpful in resolving the ITC residues that accumulated due to the inverted tax structure earlier," the ministry had said.

On the decision to uniformly tax all garments at 12 per cent, the ministry said that differential rates for garments create problems in compliance of tax regime. "MMF garments cannot be identified easily and cannot be taxed differently, hence there is a need for uniform rate. Uniform rate makes it simple and since there is so much high potential of value addition in garment segment, the increase in rate is likely to be absorbed in value addition. It will provide clarity to the industry and settle, once and for all, the issues caused by inverted tax structure."

However, industry experts feel that the uniform rate will lead to smaller players being pushed into the unorganised sector, as it will make harder for the sector to keep afloat. So, few textile bodies had made representations to the textiles ministry to defer/cancel the hike in GST rate from 5 per cent to 12 per cent on fabrics, and garments costing below ₹1,000. This request now stands rejected.

Source: fibre2fashion.com- Dec 24, 2021

HOME

****

On trade, action must match intent

The passage to a full-fledged FTA with Australia, however, is far from easy. India is on track to meet an ambitious export target of $400 billion this fiscal. No doubt, what is aiding this effort is the focused drive of the Union commerce ministry to fix targets for each of the top 30 markets instead of only setting a full-year-goal.

As this newspaper has reported, the ministry has followed it up with regular meetings with stakeholders and overseas missions for interventions to enable exporters to benefit from the recovery in global trade. In the first seven months of this fiscal, outbound shipments ideally should be 55-58% of the full-year-target.

By this reckoning, exports to UAE, Singapore, UK, Netherlands, Germany, Nepal, Malaysia and Turkey fell short, achieving 32-44% of the full-year target. This was offset by robust growth in shipments to US, China, Bangladesh, Belgium, Saudi Arabia and Indonesia, by 62-71%. India's overall exports thus hit $234 billion during April-October 2021 or 59% of the full-year target.

What will definitely bolster India's export drive to its top 30 markets are free trade agreements (FTAs) with the US, European Union, UAE, the UK and Australia, for instance. The higher level of ambition in this regard was flagged by BVR Subrahmanyam, commerce secretary, when he cautioned India Inc to brace for competition as the country was going to sign "very deep" FTAs.

"To make FTAs realistic and compliant with World Trade Organization norms, we need to have at least 90% of trade covered under substantial liberalisation. We can't be cherry picking. It will be a deep integration of economies. There will be some sensitive lines, of course. In the Indian context, dairy, for example, is a sensitive area. By and large, these are going to be very deep FTAs," he stated while addressing Confederation of Indian Industry's Partnership Summit.

This higher level of ambition should be welcomed as India has not signed any major FTA in the last 10 years. Despite the intent to ink deep agreements, India remains ambivalent about full-fledged FTAs due to higher domestic tariffs in some of the most trade-dynamic sectors and manufacturing as a whole. For such reasons, India in the past has hesitated to offer “substantially all trade” interpreted as “80-85% or more” preferential tariff line liberalisation in its FTAs and settled for limited deals according to professor Amita Batra of the Jawaharlal Nehru University. India and Australia thus have decided to expedite negotiations for an interim agreement.

The passage to a full-fledged FTA with Australia, however, is far from easy. Bilateral negotiations have been ongoing since 2011 and an important sticking point is India’s reluctance to open up its market for farm and dairy products. The domestic dairy industry’s apprehensions of stiff competition in milk and milk products from Australia and New Zealand were responsible in large part for India to walk out of the Regional Comprehensive Economic Partnership.

As Australia and New Zealand are part of this regional grouping, a full-fledged FTA with India would necessarily entail the latter making a similar level of preferential tariff line liberalisation. Australia, Brazil and Guatemala also secured a WTO ruling in their favour, that India’s price support to sugarcane farmers violates the Agreement on Agriculture.

FTA negotiations entail a process of give and take for greater access to each other’s markets. If India seeks greater market access, it must also allow partners to sell more of their goods and services .The need is to mutually lower tariff and non-tariff barriers for trade to be a win-win situation for both partners so that FTAs can boost India’s outward shipments manifold to its top 30 markets in the future.

Source: financialexpress.com- Dec 27, 2021

HOME

****

India's textile and apparel exports outshine pre-Covid numbers

Backed by the China-plus-one policy, India’s textile and apparel exports have seen a 53 per cent growth during the April-November period of the current fiscal year at around $26 billion. This compares to the figure of $17 billion during the same period in FY21.

According to Wazir Textile Index, all major companies including Welspun, Vardhman, Trident, KPR Mills, Indo Count, RSWM, Filatex, Nahar Spg and Indorama have posted higher sales during the first half of the current fiscal year compared to the pre-pandemic year.

Welspun posted an 18 percent increase, Vardhman around 26 per cent and Trident 16 per cent rise during the first half of this fiscal compared to the pre-pandemic levels in 2019-20.

“The figures would have been better if the first half of the year was not affected by the second wave and the shipping crisis also hit the industry. We expect textile and apparel exports to touch around #45 billion by the end of the fiscal year, outshining pre-Covid numbers,” said A Sakthivel, chairman, Apparel Export Promotion Council (AEPC).

Based on data available with the Confederation of Indian Textile Industry (CITI), export of all commodities in the segment-including cotton yarn, fabrics, made-ups, handloom products, man-made yarn, jute, textiles and apparel-was valued at $26 billion during the April-November period in 2021-22. This is a 51 per cent surge compared to $17 billion during the same period in 2020-21. The Sector contributed 9.9 per cent of the total exports during that time.

“A major reason for this rise is the China-plus-one policy and the growing sentiment in favour of India, globally. Though countries like Bangladesh and Cambodia have tariff concessions with several nations, the quality of Indian products is something that is increasing takers for our products,” said K Venkatachalam, advisor to the Tamil Nadu Spinning Mills Association (Tasma).

Earlier this month, the Reserve Bank Of India (RBI), in an article published in its bulletin, had battered for the country to enter into free-trade agreements with major export destinations like Europe and the United

States. This is to push apparel shipments and compete against Bangladesh and Cambodia. It stated that over the last decade, the European Union (EU) market has stagnated due to rising competition from countries like Bangladesh, Vietnam and Cambodia.

“The real surge is not in terms of quantity; it is because the economics have changed. We have seen input cost of yarn, dyes and chemicals go up by 40-50 per cent. This resulted in showing an increased turnover on paper,” said Raja M Shanmugham, President, Tirupur Exporters Association.

Exports form Tirupur, considered the textile manufacturing hub of India, had gone down from 27,500 crore in 2019-20 to 25,000 crore in 2020-21. The figure is expected to cross 33,000 crore this fiscal, according to the Tirupur body.

Source: business-standard.com- Dec 27, 2021

HOME

****

India imposes anti-dumping duty on 5 Chinese goods for 5 years

Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to the domestic industry

India has imposed antidumping duties on five Chinese products, including certain aluminium goods and some chemicals, for five years to guard local manufacturers from cheap imports from the neighbouring country.

According to separate notifications of the Central Board of Indirect Taxes and Customs (CBIC), the duties have been imposed on certain flat rolled products of aluminium; sodium hydrosulphite (used on dye industry); silicone sealant (used in manufacturing of solar photovoltaic modules, and thermal power applications); hydrofluorocarbon (HFC) component R-32; and hydrofluorocarbon blends (both have uses in refrigeration industry).

These duties were imposed following recommendations of the commerce ministry's investigation arm Directorate General of Trade Remedies (DGTR).

The DGTR in separate probes have concluded that these products have been exported at a price below normal value in Indian markets, which has resulted in dumping.

The domestic industry has suffered material injury due to the dumping, the DGTR has said.

"The anti-dumping duty imposed under this notification (on Silicone Sealant) shall be levied for a period of five years (unless revoked, superseded or amended earlier) from the date of publication ofthis notification in the Official Gazette and shall be payable in Indian currency," the CBIC has said.

The CBIC has also imposed the duty on a vehicle component - Axle for Trailers in CKD/SKD (complete and semi knocked down) to protect domestic makers from cheap Chinese imports.

Similarly it has also slapped the duty on imports of calcined gypsum powder from Iran, Oman, Saudi Arabia and United Arab Emirates (UAE) for five years.

While DGTR recommends the duty to be levied, the finance ministry imposes it.

Countries initiate anti-dumping probes to determine if the domestic industry has been hurt by a surge in below-cost imports. As a counter-measure, they impose duties under the multilateral WTO regime.

Anti-dumping measures are taken to ensure fair trade and provide a level-playing field to the domestic industry. Both India and China are members of the Geneva-based World Trade Organisation (WTO).

India has initiated maximum anti-dumping cases against dumped imports from China.

India's exports to China during the April-September 2021 period were worth $12.26 billion while imports aggregated at $42.33 billion, leaving a trade deficit of $30.07 billion.

Source: thehindubusinessline.com- Dec 26, 2021

HOME

****

Spinning into GST quagmire

Ever since the goods and services tax (GST) council has proposed to change the GST rate on textile and apparel from 5% to 12%, apparel manufacturers are in jitters, and have raised red flags over an adverse impact on the industry time and again. This will particularly affect the demand for affordable clothing because apparel above Rs 1,000 was already taxed at 12% whereas that below Rs 1,000 — which is widely sold was taxed at 5%. With the proposed revision, affordable garments will become costlier, and manufacturers fear that it will not just impact domestic demand in a big way but in turn even hit production.

Industry leaders express fear that the government's plan to increase revenues through higher GST will backfire and will bring down the tax collection from current levels.

Several representations have been made by industry associations comprising retailers, apparel makers and textile industry stakeholders urging the government to revoke the proposed change in the GST rate. Despite concerns expressed by the industry, the Union government is unlikely to defer implementation of the higher GST rate on certain textile products, as the decision was taken by the GST council, according to the Union finance ministry.

"A delegation of the textile industry from the city tried to explain to the government about the adverse impact. Around Rs 4,500 crore has been invested for upgradation by the industries here and the hike in GST will give a major blow to them," said Bharat Gandhi, chairman, Federation of Indian Art Silk Weaving Industry (FIASWI).

"Textile products are even for poor people. The hike in taxes will make the products costly by 20%," Gandhi added.

Manufacturers, retailers fear decline in demand

Clothing manufacturers and retailers fear that costlier apparel will cause a decline in demand for apparel. "The cost of apparel has already gone up by a sizeable 20-25% since Diwali in the wake of costlier raw materials and increased job work charges.

With a surge in GST rates, there will be a further increase in the price of apparel, particularly those in the affordable segment," said Arpan Shah, honorary treasurer, Gujarat Garment Manufacturers' Association (GGMA). "Costlier apparel will dent demand because the purchasing power of consumers has not dramatically improved over the past year and a half. We saw good demand during Diwali purely due to the festive season and pent-up demand, and post that, there is already a reduction in demand," said Shah.

Slowing demand likely to affect employment

During the Diwali festive season, apparel makers did good business fuelled by pent-up demand. Estimates by Clothing Manufacturers' Association of India (CMAI) suggest that most retailers earned 90% of their festive season revenues during pre-Covid period. "Already with rising cases of Covid-19 and concerns over the Omicron variant, the consumer sentiment has dampened yet again with retail sales declining. At a time when industry was barely recovering from the pandemic-induced slowdown after a year and a half, a rise in taxation and costlier commodity will only derail this recovery further," said Rahul Mehta, chief mentor, CMAI.

In fact, a study commissioned by CMAI projects that some 7 lakh jobs in the textile and apparel industry across the country will be lost over the next year if the tax rates go up. Industry players have also voiced concerns over unfair competition from players who are not under the ambit of GST. "The idea behind introducing the new tax rate was to give relief to textile industry players from an inverted duty structure. However, as per our findings, only 20% of the industry is impacted by an inverted duty structure and such a decision to increase tax rate will prove detrimental for 80% of the industry," Mehta further added.

Plunging demand may hit production

Textile and apparel makers suggest a decline in apparel demand is expected to impact production in turn as well. Estimates by GGMA suggest that garment makers are already operating at 60% of the production capacity since Diwali. "With fewer sales, the production cycle will also be impacted to a great extent. With fresh concerns over Omicron variant, export order volumes may take a hit and it will be a double whammy for manufacturers if domestic demand also further declines," said Chintan Thaker, chairman, Assocham Gujarat State Council. Industry estimates suggest that textile production may drop by 30% in the wake of reduced demand and increased working capital needs.

Retailers to take a big blow

Market insiders explain that the impact of the tax hike will be maximum on traders and retailers. Retailers sell products at competitive rates with a margin of 2-5% net profit and with the hike in tax they will be most impacted. "Small businesses will face tough situations as they need investment to buy products and pay taxes in advance while they get payment as per the credit cycle. All textile traders' associations across India have opposed the hike," said Champalal Bothra, general secretary, Federation of Surat Textile Traders Association (FOSTTA).

"The textile products have already become costly due to rising costs and with an increase in tax will result in scared customers," said Sanjay Mehta, a fabric shop owner in Jhabua of Madhya Pradesh. Working capital need may go upIndustry stakeholders also warned of the dumping of cheaper textile products from neighbouring countries. The most common worry of all segments of the industry is the requirement of working capital. "We have a credit and payment cycle up to five months. A weaver or trader will have to pay GST for the same month, but one will get paid after three months or more. To avoid blocking a big amount they will reduce the size of business or start evading tax," said Ashok Jirawala, president, Federation of Gujarat Weavers Welfare Association (FOGWA).

Source: timesofindia.com- Dec 27, 2021

HOME

****

Shippers stare at another year of record high rates

Look ‘to bring predictability and stability to their supply chain’

Shippers (cargo owners) globally are engaged in tough negotiations with container shipping lines for annual contracts beginning January 1, amidst indications that most of the rate agreements will continue to be at “record high levels”.

As carriers reap the benefits of a great year with record profits; shippers are looking “to bring predictability and stability to their supply chain”.

The first round of ocean freight tenders reveal interesting insights, says Oslo-based Xeneta AS, a top ocean and air freight rate benchmarking and market analytics platform.

Value for money

Xeneta data for four trades show bids landing in three main price brackets. The lowest bids are being offered by some carriers, but require shippers to agree to either extended contract periods or wider logistics agreements

The middle range is the more traditional carrier offers, while the highest prices are from freight forwarders, though they are also offering some shippers competitive rates compared to the traditional carrier offerings.

“For shippers, the question has to be; are there any real alternatives to agreeing to these record-high rates? Or are they at the mercy of carriers who are enjoying their current position of power?” says Peter Sand, Chief Analyst at Xeneta.

“However, given these much higher prices, shippers deserve much better service. This includes containers arriving within a reasonable time, at the desired port and at the agreed price,” he explained.

On the China to North Europe trade, the bid average has come in at $11,900 per forty-foot equivalent unit (FEU), a considerable increase for all shippers compared to the long-term contracts signed in 2021. There is, however, a large range in offers depending on who is making the offer and what the conditions are.

The China to US trade is in a much earlier tender process stage, with the market not yet settled. However, early indications show average bids of $5,700 per FEU.

“Though the absolute level of the long-term rates coming in may leave you gobsmacked, the fact that they follow the spot market should come as no surprise, as the long and short-term markets are correlated. While it may be tempting to go for the lowest price offered, differences in what is being offered mean the implications on the wider supply chain should be considered — with no ‘one-size-fits-all’ solution,” says Peter.

The importance of stability and predictability in global supply chains has grabbed headlines this year. Securing these will be the biggest priority for many shippers as they enter tough negotiations, according to Xeneta.

“However, it might be risky for shippers to enter into a long-term rate agreement without being fully informed and having data available to make those conclusions,” Peter added.

Source: thehindubusinessline.com- Dec 26, 2021

HOME

****

Mitra says GST hike for man-made fibre textiles will hit MSMEs, dampen demand

West Bengal's former finance minister Amit Mitra has urged Union finance minister Nirmala Sitharaman to call a GST Council meeting urgently, and roll back a proposed hike from 5% to 12% in the goods and services tax (GST) rate on most textile products in the man-made fibre value chain.

Mitra, currently principal chief adviser to West Bengal CM Mamata Banerjee, said the new rate structure, to be effective from January 1, would lead to closure of around 1 lakh textile units and losses of 15 lakh jobs in India.

The GST Council's decision to alter the rate structure — the finance ministry notified the same on November 18 — was in the interest of uniformity of tax rates in the man-made fibre (MMF) value chain and to address the issue of inverted duty structure in the synthetic textile segment. Manufacturers of MMFs have long suffered from the duty disparity with the natural fibre (read cotton) segment, and, in the GST system, these units suffered from accumulated input tax credit.

However, even the apparel industry representatives welcomed the GST Council's decision despite the rate hikes on fabrics and apparels. They said given the high value addition in apparels, the rate increase could be offset. But a section of the industry feels that the rate hike would dampen demand given that prices to end consumers could rise as industry passes on the higher tax.

Three-fourths of the domestically produced textile items are sold in the domestic market. “My question is, if a cost-benefit analysis has been done. The cost is massive closure of units, particularly small and medium units, (which will give rise to) unemployment. The units (which migrated to) the formal economy by registering for GST (may be forced to) become informal again,” Mitra said in a virtual press meet.

He said these small and medium textile units that operate with a very thin profit margins won't have working capital to move from 5% GST to 12% GST rate. “If GST is increased, price increases will be 6-7%, demand would fall by at least 3%. Also, there will be inflationary pressure. (All this for) expected Rs 7,000 crore additional GST revenue, which, in my view, is questionable,” he said.

Source: financialexpress.com- Dec 25, 2021

HOME

****

Hiking GST on handlooms, textiles will ring death knell for industry: TRS

The working president of ruling TRS in Telangana K T Rama Rao on Friday claimed that the enhancement of GST on handlooms and textiles from five to 12 per cent would be a death knell for the industry.

Rama Rao, State Minister for Industries, urged Prime Minister Narendra Modi to intervene in the matter to save weavers.

"Hon'ble @narendramodi Ji, on the national handloom day you had talked of strengthening #Vocal4Handmade. Contrary to the idea, your govt has enhanced GST on Handlooms & Textiles from 5 to 12 % which will be a death knell for the industry. Request you to intervene & save weavers," Rama Rao, son of Chief Minister K Chandrasekhar Rao, tweeted.

Source: business-standard.com- Dec 24, 2021

HOME

****

CBI books textile firm for bank fraud

Ample Textile Corporation Pvt Ltd, which has its corporate office in Mumbai and is in the business of embroidery work, had approached Union Bank of India’s textile market branch in Surat for credit facilities. The bank sanctioned ₹39.79 crore in loans under different heads. File | Photo Credit: K.V.S. Giri

‘Union Bank of India cheated of ₹35.44 crore’

The Central Bureau of Investigation (CBI) has booked Ample Textile Corporation Private Limited, its directors and others for allegedly cheating the Union Bank of India to the tune of ₹35.44 crore. The other accused have been identified as Pravinbhai Mangukiya, Dhanjibhai, Maheshbhai, Divyaben, Rameshbhai, Ramilaben Mangukiya and Perry Impex Private Limited.

The company, which has its corporate office in Mumbai and is in the business of embroidery work, had approached the bank’s textile market branch in Surat for credit facilities. The bank sanctioned ₹39.79 crore in loans under different heads. The bank later found out that from the cash credit account of the company, funds were allegedly transferred to the accounts of two directors. More than ₹4.71 crore was also withdrawn from the account, while payments of considerable amounts were made to the entities whose line of business did not match with that of the borrower company.

Some of these entities were identified as Sumika Chemical Analysis Services Limited, Blue Whale Enterprise, Abhilasha Plast Private Limited and Meenakshi Enterprise. The bank alleged that the borrower company and its directors diverted the funds and did not make repayments, as a result of which the account turned non-performing asset in March 2016. The bank could recover only ₹5.85 crore by disposing of the mortgaged properties.

Based on the forensic audit report that detected several financial irregularities, the account was declared a fraud in July this year and reported to the Reserve Bank of India for further action.

Source: thehindu.com- Dec 27, 2021

HOME

****

CAIT sends advisory to all market associations to take preventive steps

The Confederation of All India Traders (CAIT) on Friday said that it has urged more than 40,000 market associations to take cognizance of Omicron and start taking urgent preventive steps.

Stating that the business community can play a vital role in creating awareness about covid appropriate behaviour, Praveen Khandelwal, Secretary General, CAIT said that the industry body has sent an advisory to all the traders association urging them to implement guidelines such as displaying a sign board of “No Mask No Sale”, mandatory vaccination of employees and regular hand sanitisation.

“All employees must be wearing masks at all times. Digital payment should be promoted. Thermal screening of all customers and employees must be done on a regular basis. Appropriate social distancing must be encouraged and crowd must be avoided at shops. Proper queues must be maintained at all times. Number of customers in the shop at one point of time should be capped as per the size of the shop. Any customer with symptoms of cough cold or fever must be returned immediately,” the advisory stated.

Recently, the Union Health Ministry and the State governments or State Disaster Management Authorities have also issued guidelines for State governments and Market Associations respectively, to control the spread of Covid.

In a statement, Khandelwal said that any lockdown will have significant adverse impact on trade and economy of the Country and said that the political parties should also not hold any political rallies at this initial juncture of increase in covid cases to prevent any possible disaster.

Source: thehindubusinessline.com- Dec 24, 2021

HOME

****