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INTERNATIONAL NEWS

Will 2022 Bring Action on China, Tariffs and Struggling Supply Chains?

America's rivalry with China will remain a top issue heading into 2022.

U.S. lawmakers have ramped up attention on Xinjiang with a new bill, taking effect June 21, banning imports from the cotton-rich region unless companies can prove products linked to the area weren't made with forced labor. What's more, fashion is hoping the government will eliminate burdensome tariffs on goods made in China, whose "zero Covid strategy" has created a world of supply chain problems.

The Uyghur issue took center stage on Friday when China's anti-graft agency accused Walmart and subsidiary Sam's Club of "short-sightedness" following reports that the popular warehouse membership retailer had removed Xinjiang-sourced products products from its stores.

China continues to deny that human-rights abuses are occurring in Xinjiang. And Walmart for its part isn't the only brand or retailer that has now found itself at the center of forced labor matters connected to its supply chain. This past March, Western brands including Nike, H&M and Adidas found themselves at the center of a consumer boycott in China for having voiced concerns over reports of forced labor in Xinjiang. In October, Boston Celtics center Enes Kanter criticized Nike over allegations of using "slave labor."

He even invited Nike co-founder and owner Phil Knight and basketball icons LeBron James and Michael Jordan on a trip to China to see the alleged sweatshop conditions linked to Nike's supply chain. And last month, the Berlin-based European Center for Constitutional and Human Rights (ECCHR), a human rights group, targeted brands-including Nike, C&A and State of Art Patagonia—for alleged complicity in "human rights violations that could amount to crimes against humanity" in the Xinjiang region. The ECCHR filed its criminal complaint in the Netherlands.

For now, the industry is still dealing with the tariff and trade issues that former President Trump's administration left behind. Much to China's consternation, the Biden administration has kept to its priorities, focusing on immediate concerns such as fighting the Covid pandemic and seemingly putting trade issues on the backburner. If anything, the Biden administration could use tariffs policies to exert human-rights pressure on China.

Ongoing supply chain disruption will continue keeping executives up at night well into 2022. Cowen & Co. analysts believe ocean spot rates and freight transportation fees will continue costing a pretty penny at least through late January's Lunar New Year.

And with the global surge in Covid cases, China's strict zero-tolerance policy could once again stymie port operations, hamper factories and further snarl supply chains.

Source: sourcingjournal.com– Dec 31, 2021

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USA: Port of Los Angeles Plans Fees for Empty Containers

The Port of Los Angeles plans to begin charging a fee to ocean carriers that allow empty cargo containers to linger on its marine terminals for nine days or longer.

The fee, subject to approval by the Los Angeles Harbor Commission, would take effect on Jan. 30. At that point, ocean carriers will be charged $100 for an empty container dwelling for nine days, increasing in $100 increments per container per day until the container leaves the terminal. If approved by the Harbor Commission, the fee will be implemented at the discretion of the port's executive director.

"While we have seen significant success reducing import containers on our docks the past two months, too many empty containers are currently sitting on marine terminals," Port of Los Angeles executive director Gene Seroka said. "Just like the import dwell fee, the objective with this empty container program is not to collect fees but to free up valuable space on our docks, clearing the way for more ships and improving fluidity."

The Los Angeles Harbor Commission will consider the program at its Jan. 13 board meeting. The Port of Los Angeles announced a similar program on Oct. 25 for lingering import containers. The port has delayed enacting the fee on the import containers because import containers dwelling more than nine days has dropped by 53 percent since Oct. 24.

Any fees collected from dwelling cargo will be reinvested for programs designed to enhance efficiency, accelerate cargo velocity and address congestion impacts.

North America's leading seaport by container volume and cargo value, the Port of Los Angeles facilitated $259 billion in trade during 2020. The Port of Los Angeles has remained open with all terminals operational throughout the pandemic.

Source: sourcingjournal.com– Dec 31, 2021

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What is RCEP, the world's largest free trade deal that is under way?

The Regional Comprehensive Economic Partnership (RCEP) is a free-trade agreement between the 10 Association of Southeast Asian Nations (Asean) members plus Australia, China, India, Japan, New Zealand and South Korea.

The deal took effect in Australia, Brunei, Cambodia, China, Japan, Laos, New Zealand, Thailand, Singapore and Vietnam on January 1.

South Korea will follow on February 1, but Indonesia, Malaysia, Myanmar and the Philippines have yet to ratify the deal.

According to a report in The Manila Bulletin at the end of December, the Philippines missed the deadline to ratify RCEP as its Senate went into recess faced with stiff opposition by several groups, mostly agriculture and non-governmental organisations, that have strongly urged senators to reject the trade deal.

Indonesia, though, is set to ratify the deal in the early part of 2022.

It has been seeking parliamentary approval to ratify the agreement for months and chief economic minister Airlangga Hartarto said a parliamentary commission overseeing trade rules had approved the ratification and its endorsement will be brought to a wider parliamentary vote in the first quarter of 2022.

President Joko Widodo will sign off on the ratification after parliamentary approval, he added.

RCEP will open a new chapter for regional economic and trade ties
Bounleuth Luangpaseuth
The 15-member RCEP – the world's largest free-trade agreement despite the absence of the United States – is Japan's first trade agreement involving both China and South Korea.

The RCEP covers nearly a third of the global population and about 30 per cent of its global gross domestic product, but this is expected to rise to 50 per cent by 2030, according to HSBC.

What are the major benefits of the RCEP?

Tariffs on more than 65 per cent of trade in goods are expected to immediately reach zero under the regional agreement, and that figure is expected to rise to around 90 per cent over 20 years.

"The RCEP will promote trade and attract investments to all participants in Asean indeed. The entry into force of the agreement is of great significance for further promoting intra-region free trade," Bounleuth Luangpaseuth, vice-president of the Lao National Chamber of Commerce and Industry, told the Xinhua New Agency.

"RCEP will open a new chapter for regional economic and trade ties. It will also put Laos in the global spotlight."

A key benefit of the pact is its common "rules of origin" framework, as RCEP exporters will generally only need to source at least 40 per cent of inputs from within the bloc for their final goods to qualify for tariff preferences when exported to other members, explained Ajay Sharma, HSBC's regional head of global trade and receivables finance for Asia-Pacific.

"Trade is an important driver of growth for Asia, and RCEP's entry into force will put Asia back on its pre-Covid growth trajectory. Intra-Asian trade – already larger than Asia's trade with North America and Europe put together – will receive a further boost with RCEP's standardised rules of origin," Sharma said.

"RCEP will make it easier for firms to use Southeast Asia as a production base, and could accelerate the diversification of supply chains and the reallocation of [foreign direct investment] already under way in Asia."

The pact should also help to streamline existing free-trade agreements in Asia-Pacific and strengthen intraregional trade linkages, Sharma added.
Additionally, he said, foreign businesses may also benefit from building production facilities in lower-cost Asean markets to make use of RCEP trade rules and preferences when trading within the region.

How does the RCEP impact China?

China began gathering support for the pact in 2012, in what was seen as a bid to counter growing US influence in the Asia-Pacific region.

Backing for the RCEP gained momentum in 2017, after then US president Donald Trump withdrew the US from the rival Trans-Pacific Partnership (TPP) pact.

When the deal was signed in November last year, Chinese Premier Li Keqiang said it was “a victory of multilateralism and free trade”.

China ratified RCEP at the start of March last year.

RCEP: 15 Asia-Pacific countries sign world’s largest free-trade deal
“[Its entry into force] will effectively hedge against the negative economic impacts of Covid-19,” Ren Hongbin, vice-minister of commerce, said in late December.

Beijing also said the deal will serve as “powerful leverage” for keeping trade and foreign investment stable in 2022, as it will expand exports of Chinese products while helping speed up China’s industrial transformation.

Ren added that China was ready to fulfil 701 binding obligations under the trade agreement, with its implementation marking a new milestone in China’s opening-up.

The ministry said that the agreement will gradually lift tariffs for China’s imports of coconut milk, pineapple products and paper products from Asean countries.

Yu Benlin, head of international economic and trade affairs at the commerce ministry, said at the end of December that the RCEP will boost investment opportunities between China and other member states, as it ushers in wider access for foreign investors and increases policy transparency.

Imports and exports between China and the other 14 RCEP members totalled 10.96 trillion yuan (US$1.72 trillion) in the first 11 months of 2021, accounting for 31 per cent of China’s total foreign trade value, Chinese customs data shows.

Source: scmp.com– Jan 01, 2022

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China likely to further increase FTZs to boost industry

Since China opened its first free trade zone (FTZ) in Shanghai in 2013, the number of FTZs have now increased to 21. During January-September 2021, the share of these FTZs in China's foreign trade was 16.5 per cent, even though they account for less than 0.4 per cent of the territory. The government is now likely to set up more FTZs to boost the industry.

The number of items on the FTZ negative list for foreign investment is also now reduced to 30 from 190 in 2013. And in the first three quarters of this year, FTZs contributed 18.1 per cent to China's foreign investment inflows, according to the ministry of commerce.

"China will increase stress tests in FTZs on the premise of manageable risk-taking, reduce items on the FTZ negative list for foreign investment, and formulate an FTZ negative list for cross-border services trade to accumulate experiences for opening-up at a higher level, broader areas and more places," Wang Shouwen, China's vice-minister of commerce said during a video interaction on FTZ development organised by the Beijing-based Chinese Academy of International Trade and Economic Cooperation (CAITEC).

FTZs will be given increased autonomy to align them with international economic and trade rules, Shouwen added at the CAITEC forum.

FTZs are expected to support China in stabilising its industrial and supply chains and contribute to regional development.

A report on FTZ development in 2020 by CAITEC said FTZs have contributed to deepening reform and further opening up in the previous year. Further, they have made significant progress in institutional innovations regarding foreign investment management, efficiency of customs clearance and financial opening-up, the report said.

Source: fibre2fashion.com– Jan 01, 2022

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Ethiopia, Mali and Guinea booted from US trade pact over rights violations

Workers are seen inside the Indochine Apparel PLC textile factory in Hawassa Industrial Park in Southern Nations, Nationalities and Peoples region, Ethiopia November 17, 2017. The move could negatively impact Ethiopia's textile industry.

The US removed access for Ethiopia, Mali and Guinea from a duty-free trade program on Saturday, due to their recent alleged human rights violations and recent coups.

US President Joe Biden had threatened to remove Ethiopia from the African Growth and Opportunity Act (AGOA) in November, due to human rights violations in the Tigray region. Mali and Guinea have been targeted due to recent coups.

US 'deeply concerned' about these governments

"The Biden-Harris Administration is deeply concerned by the unconstitutional change in governments in both Guinea and Mali, and by the gross violations of internationally recognized human rights being perpetrated by the Government of Ethiopia and other parties amid the widening conflict in northern Ethiopia," the US Trade Representative (USTR) said in a statement.
In mid-2021, armed coups overthrew the governments in both Mali and Guinea.

The suspension of trade benefits could threaten Ethiopia's textile industry, which supplies to global fashion brands. The country's economy is already struggling due to the pandemic and Tigray conflict.

The Ethiopian trade ministry said this move would reverse economic gains, and negatively impact women and children, adding that it was "extremely disappointed" by the action.

Source: indianexpress.com– Jan 02, 2022

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Hope high for Cambodia's growth as RCEP, FTA with China to enter into force

Officials and experts said Cambodia has pinned high hope on the Regional Comprehensive Economic Partnership (RCEP) and the Cambodia-China Free Trade Agreement (CCFTA) to boost its economic growth in the post-COVID-19 pandemic era.

The two free trade deals are due to enter into force on Jan. 1, 2022.

RCEP is a mega trade pact between 10 ASEAN member states and its FTA partners, namely China, Japan, South Korea, Australia and New Zealand.

The Association of Southeast Asian Nations (ASEAN) groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

RCEP will eliminate as much as 90 percent of the tariffs on goods traded between its signatories over the next 20 years, while the CCFTA will bring the proportion of zero-tariff products in the goods traded between Cambodia and China to more than 90 percent for both countries.

Cambodian Ministry of Commerce's undersecretary of state and spokesman Penn Sovicheat said the two free trade deals will boost Cambodia's exports and attract more foreign investment to the kingdom.

"For Cambodia, both RCEP and CCFTA will give Cambodia a great market access to China and will also push Cambodia to participate more in the markets of other RCEP member countries," he told Xinhua.

Covering a region with a combined gross domestic product (GDP) of 26.2 trillion U.S. dollars, or about 30 percent of global GDP, the RCEP agreement is an unprecedented, modern, comprehensive, high-quality and reciprocal mega-regional trading arrangement that accommodates the broadest possible interests, conditions and priorities of different countries.

Asian Development Bank (ADB) acting-country director for Cambodia Anthony Gill said Cambodia will benefit from both agreements, saying that they will help expand market access and attract more investment to Cambodia.

"The RCEP region is at the center of global economy, so it will help boost economic growth of ASEAN member states, including Cambodia," he told Xinhua.

Gill said the recent rapid growth in exports of agricultural and other higher-value manufacturing products besides garments, travel goods and footwear (GTF) has shown that Cambodia can diversify away from its traditional focus on production and export of the GTF.

"Being part of the trade agreements would provide more market opportunities for Cambodia to expand agriculture production, agro-processing for exports, and non-GTF manufacturing," he said. "It also offers opportunities to further promote the tourism sector to the FTA partners, i.e. China, Japan, South Korea, Australia and New Zealand."

Enjoy Ho, deputy chairman of the Garment Manufacturers Association in Cambodia, said the two deals would bring about better development for Cambodia's textile and garment industry and added that with tariffs reduced or eliminated, cost for production would be cheaper.

"I think there will be more Chinese-funded enterprises investing in Cambodia, which will enrich our product structure," he told Xinhua. "When the cost is reduced, our competitiveness and ability to take orders will be better."

Kin Phea, director-general of the International Relations Institute at the Royal Academy of Cambodia, said RCEP and Cambodia-China FTA are very beneficial for Cambodia.

"It will be a driving force to accelerate trade volume and competitive advantage for Cambodia's foreign direct investment and will help rebuild Cambodia's economy during the post-COVID-19 era," he told Xinhua.

Cambodia's Economy and Finance Minister Aun Pornmoniroth said the country's economic growth is projected at 4.8 percent in 2022, making the GDP value rise to 30.5 billion dollars.

The kingdom's per capita GDP is forecast to increase to 1,842 dollars in 2022, up from 1,730 dollars in 2021, he told parliament in late November, adding that the inflation is estimated to drop to 2.8 percent in 2022 from 3.4 percent in 2021.

Gill said the ADB projected the country's growth to rise to 5.5 percent in 2022 thanks to the noticeable progress of the COVID-19 vaccination rollout.

"The government has also taken steps to mitigate the pandemic's economic and social impacts. Those measures included free COVID-19 vaccines and treatment, cash transfers to poor households, economic stimulus, and loan restructuring programs," he said.

"To increase people's wellbeing and sustain growth, the government will need to continue strengthening its social protection systems and improve the quality of healthcare and education," Gill added.

Source: xinhuanet.com– Dec 31, 2021

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Turkey's apparel exports rise 23.02% in Jan-Nov '21

Apparel exports from Turkey increased by 23.02 per cent year-on-year in the first eleven months of 2021, according to the data from the Turkish Statistical Institute and the country's ministry of trade. In January-November 2021, Turkey exported apparel worth $16.676 billion, compared to exports of $13.555 billion during the corresponding period of 2020.

Category-wise, exports of knitted and crocheted clothing and accessories (HS chapter 61) earned $9.808 billion during the first eleven months of 2021, registering a sharp growth of 30.2 per cent over $7.531 billion earned during the same period of the previous year.

Exports of non-knitted apparel and accessories (HS chapter 62) were valued at $6.868 billion, showing an increase of 14.0 per cent compared to $6.023 billion exports made in January-November 2020.

Among non-apparels, exports of carpets, mats matting and tapestries (HS chapter 57) shot up by 26.7 per cent to $2.951 billion, during the period under discussion.

Exports of old clothing and other textile articles and rags (HS chapter 63) also grew by 15.6 per cent to $2.615 billion during January-November 2021.

Meanwhile, Turkey's imports of cotton, cotton yarn and cotton textiles (HS chapter 52) increased substantially by 42.2 per cent to $3.289 billion.

Source: fibre2fashion.com– Jan 03, 2022

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Canada trade up 26%, ASEAN FTA lifts hopes

Bilateral trade between Cambodia and Canada was valued at about $822 million in the first 10 months of 2021, marking a 26 per cent year-on-year surge, and many economists are hopeful that an ASEAN-Canada free trade agreement (FTA) would be able to create a more favourable environment and further accelerate that growth rate.

Official negotiations for the ASEAN-Canada FTA were announced at the virtual 10th ASEAN Economic Ministers- (AEM) Canada Consultations on November 17. The Cambodian delegation to the event was led by Minister of Commerce and ASEAN Economic Minister for Cambodia Pan Sorasak.

In January-October 2021, Cambodian exports to Canada were worth $790 million, up by 31 per cent year-on-year from $604 million, and imports logged $32 million, down by 33 per cent from $48 million in the same period in 2020, according to the Ministry of Commerce.

Cambodia Chamber of Commerce (CCC) vice-president Lim Heng told The Post that an ASEAN-Canada FTA, much like other similar bilateral and regional trade deals, would greatly benefit the Kingdom and provide new avenues to export local merchandise.

“Cambodia has exported a lot of core merchandise to the Canadian market such as textile products, garments and apparel, travel goods, bicycles, et cetera.

“So if Cambodia, as an ASEAN member, gets preferential tariffs on these items, it’d be able to grab the attention of those investors who produce goods for export to Canada,” he said.

Heng shared that the CCC is working with the ministry to open its first representative office abroad, in Canada, “as soon as possible” after numerous Covid-related delays.

Branches are also planned for the EU, US, China and Japan, he said, adding that these offices aim to facilitate business relations.

Hong Vanak, director of International Economics at the Royal Academy of Cambodia, billed Canada as a “developed and prosperous country” that buys a lot of goods from the Kingdom, mostly textile-based wares, bags, travel products and other items.

He remarked on the strong historical trade performance between the two countries, and said: "Through continuous production diversification, Cambodia expects to be able to export more to Canada.

"By introducing new investment laws and other trade legislation, I foresee that the trade volume between the two countries will be even bigger in the future," he told The Post.

Source: phnompenhpost.com– Jan 03, 2022

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Pakistan: MoC withdraws textile, apparel policy 2020-25?

According to the Finance Ministry, the government is consistently supporting the export sector. During last three years, an estimated amount of Rs 115.5 billion under DLTL schemes to textile exporters and over Rs 100 billion as power and gas subsidy were disbursed to zero-rated sectors. Further concessions included taxes and duty-free import of raw material and machinery, and market determined exchange rate and subsidized financing by the State Bank of Pakistan (SBP) were provided.

However, exports of five zero-rated sectors registered negative growth in 2019-20 vis-à-vis 2018-19 and annual cumulative growth rate remained 6 per cent in the last three years.

Finance Division argues that it is imperative for the Commerce Ministry to take a holistic picture of the unprecedented support and outcome thereof for informed decision making by the ECC/Cabinet.

Discontinuation of gas to hit textile exports in a big way

The Finance Division, in its comments, said that it shall continue to provide subsidy support within fiscal space subject to the following: (ii) considering highest ever increase in the LNG prices globally, i.e., US $ 25-30 MMBTU, the agreed rate of $ 9 per MMBTU is required to be made applicable with immediate effect till June 30, 2022 and to review energy supply rates in July-August of every financial year during the period of the policy;(ii) as DLTL policy is being separately contemplated, its numbers and references being duplicative may be deleted;(iii) Ministry of Commerce to apprise the ECC on quarterly basis about the export performance of sectors covered under the proposed policy;(iv) the comments of Federal Board of Revenue (FBR) and SBP may be solicited and incorporated in the proposal;(v) annual review of exports vis-à-vis targets to provide sufficient justification for continuity of the incentives;(vi) subsidized gas supply to captive power plants may be reviewed with definite timelines; and (vii) comments of Finance Division may be formed part of the policy document.

Federal Minister for Energy maintained that the co-generation plants that do not have any problem should be immediately shifted to the national grid.

“There will be a very good electricity package and it would save approximately 40-50 MMCFD gas, after shutting down spinning industry,” he maintained.

A follow-up meeting of the committee headed by Advisor to Prime Minister on Commerce and Investment was held on October 28, 2021. The committee recommended incorporating following points in the draft policy: Electricity and RLNG will be provided to the export-oriented units/ sectors of textile industry at regionally competitive rates throughout the policy years without any disparity among the provinces. During FY 2021-22, electricity will be provided at Cents 9 per KWh all-inclusive and RNLG at $ 6.5 per MMBTU all-inclusive.

However, an exercise will be conducted jointly with the Ministry of Energy (Power and Petroleum Divisions) during pre-budget consultative sessions annually to review the energy tariffs. In case of abnormal fluctuations in regional energy prices, the approved rates may be revised on an average of energy prices for industrial consumers for the regional competitors (Vietnam, Bangladesh, etc.) and announced in federal budget along-with budgetary allocations by Finance Division as actually required by the Ministry of Energy so that energy regime would remain fully funded throughout the policy years.

MoC to submit new textile and apparel policy to ECC

The committee further recommended that Ministry of Commerce and Ministry of Energy will jointly devise a mechanism in 2-3 months on targeting energy regime to real beneficiaries in a way that export oriented sectors/ units of textile industry would remain internationally competitive.

The committee maintained Duty drawback (DLTL) will be continued for value-added products only (i.e., technical textiles, apparel, made-ups and carpets); however, it will be de-linked with increment in exports. Moreover, diversification within products and markets will be offered an additional incentive.

Ministry of Commerce will further pursue the SBP and FBR to automate disbursements process of the duty drawback schemes on the lines of custom duty drawback mechanism where payments are made directly to exporter accounts by SBP on receipts of foreign exchange for notified products export subject to allocation of funds by the Ministry of Finance.

On December 16, 2021, the ECC discussed the revised draft of Textile and Apparel Policy 2020-25 and approved it with the following amendments: (i) electricity and RLNG rates, indicated for fiscal year 2021-22, will be substituted, with regionally competitive energy rates;(ii) the regionally competitive RLNG rates will be applicable on processing industry;(iii) for the captive and the cogeneration units, a separate policy by the formulated by the Ministry of Energy, in consultation with the Ministry of Commerce, which will cover the benefits; and (iv) comments of the Finance Division shall be made part of the proposed Textile and Apparel Policy 2020-25.

The sources said, the Federal Cabinet, on December 21, 2021 also ratified the decision. However, Advisor to Prime Minister on Commerce and Investment, Abdul Razak Dawood has claimed that he requested the Cabinet that he wanted to withdraw the policy from Cabinet, but his viewpoint has not been recorded accurately.

Now, Commerce Ministry has written a letter to Cabinet Division, requesting withdrawal of Textile and Apparel Policy 2020-25.

Source: brecorder.com– Jan 03, 2022

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Natural gas shortage leads to Pakistan losing 20% of vital textile exports

Pakistan's natural gas shortage is hurting its most important export industry, putting even more stress on an economy already struggling with accelerating inflation and a weakening currency.

About $250 million of textiles exports were lost last month after mills in Punjab were forced to shut for 15 days, said Shahid Sattar, executive director of All Pakistan Textile Mills Association. Factories in the province are dependent on regasified imports of liquefied natural gas, while domestic supply is being diverted to other regions, he said.

Pakistan has become a fast-growing import market for LNG as local supply has subsided over the last few years. But competition for the fuel -- used as an electricity feedstock and for heating and cooking -- has intensified due to global shortages, sending spot prices to levels that Pakistan can't afford.

The textiles industry -- which supplies everything from denim jeans to hats to buyers in the U.S. and Europe -- is one of the country's few economic bright spots. Production grew almost 6% in the nine months through March 2021 and the sector accounted for 60% of total exports, government data show.

"The high gas prices are prohibitive," Sattar said in an interview. The "supply shortfall is due to the energy ministry's inability to arrange supply, and is hurting the very future of Pakistan's exports and economy."

The country exported $11.4 billion of textiles in the nine months through March 2021, according to government data. Based on those figures, the $250 million probably amounted to around 20% of Pakistan's textiles exports last month, according to Bloomberg calculations.

The gas shortage is hitting Pakistan at a critical economic and political juncture. The country is struggling with accelerating inflation and a weakening currency, with support for Prime Minister Imran Khan's ruling party ebbing ahead of national elections due in 2023. The government also needs to raise taxes, and has just increased petrol price levies, as a pre-condition to resume its $6 billion bailout program with the International Monetary Fund.

Officials at the energy ministry didn't respond to phone calls seeking comment.

Pakistan, which is heading into the coldest months of the year, issued an emergency tender to import more LNG in November after suppliers backed out from deliveries amid skyrocketing prices and surging global demand. More recently, gas trader Gunvor told Pakistan it would be unable to make a delivery scheduled for Jan. 10.

The country faces gas shortages every winter because Pakistan's natural gas fields are seeing a depletion of about 9% each year and imported LNG is very expensive, Energy Minister Hammad Azhar said at a press briefing in late December. Pakistan announced a bidding round to help find more oil and gas reserves, Azhar said in a Twitter post on Friday.

The government restored gas supplies to the textiles sector last Wednesday, but frequent power blackouts are still curbing operations, Sattar said. Mills will only be able to run at about 80% of capacity if the situation persists, he said.

"Our history is littered with episodes of 'stop-go' growth caused by energy shortages and exorbitant costs, both of which are the result of mismanagement" by the government, Sattar said.

Source: business-standard.com– Jan 03, 2022

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Bangladesh: Our textiles and apparel sector surely has a good year ahead

The Omicron variant of the coronavirus has not affected our economy that much, but infections are going up every day in European countries. This is creating a growing sense of uncertainty among RMG and textiles producers.

The shipping crisis and high freight cost is creating a spiral effect, along with cotton prices. This is affecting textiles producers and eventually RMG makers. Although buyers are aware of such high cotton prices, their acceptance is yet to be reflected in final product prices. But we hope they will be more cooperative in the near future.

Now we must understand, the above difficulties may linger on for an uncertain period. So we need to find solutions to cope with them and keep moving forward. Having said that, our apparel and textiles sector surely has a good year ahead. Here are some reasons for that:

- Buyers/brands need to place orders immediately. During the pandemic period, buyers/brands had to sell from their own stock, so all of their outlets require RMG stock without further delay.

- Bangladesh is undoubtedly one the most reliable places for apparel orders, because it is a mature industry with over forty years of experience. Bangladesh is a proven and reliable sourcing destination for the lower and medium segment. We have achieved this position thanks to our regimented workforce. Though at one point it seemed like our female population was a burden, it turned out to be a blessing for our RMG industry. Large population means more available workers, which means more productivity in the RMG sector.

- Now, to ensure further growth, we need to increase expertise in high value RMG production. At the moment we specialise in "large volume production of single item", but high value RMG garments require "small volume production of multiple products". This will require shifting from "line setup of 90/100 sewing machines to cluster setup of around 20 machines". A number of high-value buyers are already moving to Bangladesh. Recently luxury brand Ralph Lauren has started denim sourcing from Envoy textiles. It is an indicator of changing trends.

- One more point to note is that the recent trade war between China and the USA has created more opportunities for us. A significant number of supply chain leaders are in the process of moving sourcing and manufacturing out of China. It will be beneficial to attract those businesses to set up shop in Bangladesh.

- Further to that, political stability in our country for almost 15 years is an added advantage for more investment in Bangladesh, because the political situation is a major consideration of foreign entrepreneurs before investing.

During post pandemic recovery, we have been receiving a good amount of export orders. But meeting the target price of buyers and on time import of raw materials are the biggest challenges at present. In 2019, Bangladesh apparel export was about $34.13 billion, hopefully, it will exceed that in this fiscal year.

Bangladesh is scheduled to lose its GSP facility in 2026 due to graduation from LDC. This may create a major challenge for RMG growth. If the Bangladesh government can negotiate with the EU to get GSP+ facility, the apparel sector will have a bright future and will reach the $100 billion export landmark by the next decade.

Source: tbsnews.net– Dec 31, 2021

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NATIONAL NEWS

Patchwork policy: On GST rate on textiles

On New Year's eve, nine hours before a new GST rate of 12% was to kick in for readymade garments and fabrics, Finance Minister Nirmala Sitharaman announced that the plan is off and the existing 5% rate will continue into 2022, or at least for its first quarter.

The decision was made at an emergency meeting of the GST Council, which had approved the higher tax on textiles at its last meeting in September 2021 to correct the anomaly of an inverted duty structure. While the GST rate on manmade fibre is 18% and yarn made from the same is taxed at 12%, the rate on the final fabric was 5%, ostensibly creating a headache for textile producers which the Council had sought to alleviate.

The move to raise that rate to 12%, along with that on footwear costing less than ₹1,000 a pair, had been on the Council's agenda for over a year but had been kept on hold due to the COVID-19 pandemic's adverse effects on households.

Explaining the rethink to hold off the rate hikes that were to become effective January 1, the Finance Minister indicated that the original decision was arrived at after several parleys that explored, among other things, the likely impact on consumers. Yet, a letter from the Gujarat Finance Minister she had received on December 29, along with representations from industry, prompted a review

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Although the rate hike was aimed at helping producers get easier credit for taxes paid on inputs, that is not how it was seen by several players in an industry that has historically been one of India's largest employment creators and contributes around 2% to the overall economy.

Last month, many lathes in the textile industry were left idling for a day, in what may be the first ever strike that has not been triggered by industrial unrest in the sector that last witnessed debilitating strikes from labour unions in the 1980s.

Those protests, along with some States' missives to the Centre, warning of significant factory closures and job losses, had failed to move the needle and the industry had resigned itself to the new rates.

Perhaps, it was fortuitous that most State Finance Ministers, who are members of the Council, were already expected in the capital for a consultation on the Union Budget for 2022-23. A ministerial group already tasked with rationalising inverted duty structures across products and reviewing the multiple rate slabs of the GST regime, has now been assigned the additional task to suggest an appropriate structure for textile products; it has two more months to finalise its report.

It is unlikely that these broader corrections will take place before the coming State Assembly polls conclude and this time could be used for wider consultations with industry, consumers and States before pencilling in new rates and avoiding such about-turns. The course correction needs to be navigated more deftly and with greater purpose, if India hopes to revive private investments.

Source: thehindu.com– Jan 03, 2022

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Omicron Covid variant casts shadow over India's export prospects in 2022

Global trade shows signs of slow down but Indian exporters could find succour if the government negotiates favourable FTAs and schemes

Indian exports of goods performed reasonably well in 2021, owing largely to a recovery in pandemic-hit global demand, but 2022 may prove challenging as the highly contagious Omicron variant of the Covid-19 virus is threatening to disrupt supply chains once again.

While global trade is already showing signs of slowing down and demand may dip in the months to come, experts say that Indian exporters could find some succour if the government is able to negotiate favourable free trade agreements (FTAs) with partners such as the UAE, the UK and Australia, and schemes such as 'district export hub' and 'production linked incentive' are properly implemented.

"The highly contagious Omicron could hit demand and disrupt supply chains which have not yet returned to normal. The first two quarters of 2022 may see moderation in growth of global trade and thus, overall and export growth in 2022 is likely to be only a pale shadow of growth recorded in 2021," said Ajay Sahai, Director General, Federation of Indian Export Organisations (FIEO).

Demand sustainability in question

For Indian exporters, who have had a good run so far in FY22 with exports in April-November 2021 posting an increase of 51.35 per cent (year-on-year), this spells uncertainty. While the ambitious export target of $400 billion fixed by the Commerce Department for 2021-22, as opposed to exports worth $291.8 billion in the previous fiscal, seems within reach, what lies beyond is not so clear.

Warning signs may have already started appearing with a slight deceleration in export growth to 36.2 per cent (year-on-year) in the first three weeks of December 2021 and to 20.83 per cent in the third week of December 2021, as per preliminary data shared by the government.

"It is optimistic to see high growth in exports this year due to the bullish global demand for Indian products despite global inflation and other supply chain constraints. Whether this will sustain will depend much on the raw material and freight costs, which have been riding very high since the last ten month...Also, how the Omicron variant will impact the world and how India would react to it, will have a bearing on things to come," said Mohit Singla, Founder Chairman, Trade Promotion Council of India.

Volume vs value

Also of concern is that after four consecutive quarters of strong expansion, the volume of world goods trade declined 0.8 per cent in the third quarter of 2021, according to the WTO. In contrast to volume, the value of world merchandise trade continued to climb in the third quarter as export and import prices rose sharply.

According to Arpita Mukherjee, Professor, ICRIER, some of India's key exports may get affected as consumers, hit by the various fall-outs of the Omicron variant, may postpone non-essential consumption. However, the forthcoming trade agreement with the UAE and the proposed pacts with the UK and Australia could enhance market access, she said.

"ASEAN countries like Vietnam have benefited hugely from the various trade agreements formalised by the bloc with other countries," Mukherjee said.

Aggressive push needed

India needs to be more aggressive in its exports push to continue to build on the high base of $400 billion, which is on the cards, Sahai said.

"The 'China plus 1' focus of global companies, increasing market access through FTAs, enhancement of the exports production base through the PLI Scheme, and building of traction through the 'District as Exports Hub' scheme will be the drivers of our export growth in 2022," he added.

Source: thehindubusinessline.com– Dec 31, 2021

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Commerce ministry extends deadline for exporters to submit applications for pending dues

The last date for exporters to submit online applications to claim their pending dues under different export promotion schemes has been extended by one month till January 31, 2022, according to a notification of the commerce ministry.

On September 9, the government announced to release Rs 56,027 crore against pending tax refunds of exporters under different export incentive schemes. On September 17 this year, the ministry had fixed December 31 as the last date. "The last date of submitting applications under MEIS, SEIS, ROSCTL, ROSL and 2 per cent additional adhoc incentive, which was earlier notified to be December 31, 2021, has been extended till January 31, 2022," the Directorate General of Foreign Trade (DGFT) said in a notification.

For claiming pending refunds under the Merchandise Exports from India Scheme (MEIS), the ministry said exporters can submit applications for exports made during the period from July 1, 2018, to March 31, 2019, and from April 1, 2019, to March 31, 2020, and from April 2020 to December 31, 2020.

Under the Services Export from India Scheme (SEIS), they can file applications for exports made during 2018-20. Similarly, textile exporters can file applications for exports made from March 7, 2019, to December 31, 2020, under the RoSCTL (Rebate of State and Central Levies and Taxes) scheme.

Commenting on this, leading exporter of Mumbai and founder Chairman of Technocraft Industries India Sharad Kumar Saraf said the decision to extend the last date for the application of scrip-based schemes is a welcome move. It shows the government's sensitivity to the difficulties faced by exporters in these challenging times, he said.

Source: financialexpress.com– Dec 31, 2021

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GST Council defers rate hike on textiles

Heeding to demands from states, including the polls-bound ones, the Goods and Services Tax (GST) Council held an emergency meeting on Friday and virtually rolled back a decision taken in its September meeting to increase the GST rate on textile products from 5% to 12%. But a similar rate hike for certain footwear will take effect from Saturday as planned.

A group of ministers (GoM), which is currently reviewing the entire GST rates structure, would revisit the issues with regard to the textiles value chain and submit its report in February, Union finance minister Nirmala Sitharaman, the chairperson of the council, said after its 46thmeeting here. While the rate increases were meant to correct the long-unresolved issue of inverted duty structure in the synthetic textiles value chain, it met with opposition from the industry.

A structure where inputs are subjected to higher taxes than finished products results in accumulation of tax credits with the downstream players. India's competitiveness in the global textiles market, where synthetic textile products have a much larger share than cotton-based products, is seen to be blunted, owing to the inverted tax system. A GoM had earlier proposed the rate increases, keeping this in view, but several states and the fabrics-to-garments industry, which include thousands of MSMEs and tiny units, opposed this move as they saw it leading to a demand compression.

Sitharaman said: "A committee is already looking at rates rationalisation. The (issue of) textiles will again be put to the committee for review, which will submit a report by February. In the (subsequent) Council meeting, the recommendations of the group will be discussed."

At present, tax rate on man-made fibre, yarn and fabrics is 18%, 12% and 5%, respectively. To illustrate, GST rate is 18% on mono-ethylene glycol (MEG) and purified terephthalic acid (PTA), the building blocks; 12% on polyester partially oriented yarn (POY) and 5% on grey fabrics, finished fabrics and garments. Natural yarns like cotton, silk and wool are in the 5% slab.

At present, footwear up to `1,000 a pair attracts 5% GST and costlier ones attract 18%. The price differential has now been done away with; all footwear will now attract 12% GST.

The proposed rate hikes on textiles, which would have brought uniformity in the taxation of products in the textiles value chain, was opposed by several states including Tamil Nadu, Rajasthan, West Bengal and even the BJP-ruled Gujarat. "The rise in tax rates would have increased the financial burden on already-stressed MSME textiles and handloom sectors," Tamil Nadu finance minister Palanivel Thiaga Rajan said.

The Council had earlier asked the seven-member GoM on GST rate structure led by Karnataka chief minister Basavaraj S Bommai to suggest measures to rationalise GST rates. As the GoM's tenure ended on November 27, it was given a one-month extension and now it has been asked to submit the report in February. The Council will likely meet in early March to consider the group's recommendations.

As reported by FE earlier, many state governments on Thursday asked for extension of the revenue compensation mechanism for states under the GST for another five years from June 2022.

On most state governments likely facing a revenue shock due to the scheduled expiry of the GST compensation period on June 30 next year, Union revenue secretary Tarun Bajaj had earlier cited an absolute absence of resources for extension of the mechanism, but said augmentation of GST revenues through rationalisation of the rates structure and improved compliance would likely ameliorate the situation.

Meanwhile, a process of formalisation of the economy – thanks to the spurt in digital transaction and steps taken by the government to improve compliance — has boosted GST receipts in recent months. Gross GST collections came in at `1,31,526 crore in November (October sales) 2021, the second-highest mop-up in the history of the comprehensive indirect tax that was launched in July 2017.

Source: financialexpress.com– Jan 01, 2022

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Garment, hosiery trade bodies seek scrapping of GST hike proposal not deferment

Hailing the decision of the GST Council to hold the rate hike in the natural fibre textile sector, apparels and hosiery trade bodies have demanded the scrapping of the proposal of the hike from 5 to 12 per cent and not its deferment. The Retailers Association also urged the government to rollback the proposal.

"It is a respite but we want abolition and not deferment of the hike. If it is postponed then it may come sometime later. So we want to continue to keep up the pressure to abolish the proposal altogether for the sake of the industry and avert huge job loss," West Bengal Garments Manufacturers & Dealers Association secretary Devendra Kumar Baid told PTI.

There had been widespread protests pressing for the rollback of GST from the apparel and hosiery industries.

The hosiery industry body Federation of Hosiery Manufacturers Association of India (FOHMA) has hailed the decision to hold the GST rate hike.

"It is at least a temporary respite ahead of the new year. The tax hike would have caused a huge impact on the sector as it could not have absorbed the hike. The organised sector, which is reeling under a 25 per cent inflation owing to input material price hike, would have collapsed ad the government would have lost revenue with the strong emergence of a parallel economy to bypass the tax," Association president K B Agarwala said.

The proposal should be abolished altogether, Agarwala, also managing director of Rupa and Co, said.

Confederation of West Bengal Trade Association president, Sushil Poddar said the government decision to defer the GST hike will save the apparel and hosiery industry in the current difficult time as well as the common man as rate hike would have put inflationary pressure.

Dollar Industries

managing director Vinod Kumar Gupta said the decision will favour the textile industry to maintain growth and the government has forwarded the concerns of the industry to the GST rate rationalization committee.

Bharat Chamber of Commerce president Ramesh Kumar Saraogi said its affiliated associations in hosiery and garments have now received the support to help them recover from the pandemic hit economic situation.

The GST panel, the highest decision-making body for indirect taxes, met under emergency provisions after states made a request for deferring the January 1 hike in GST tax rates on textiles. The sector feared 15 lakh job loss from closure of one lakh units, mostly in the MSME sector.

But, similar demand for footwear was not met.

Source: economictimes.com– Jan 01, 2022

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Policy initiatives to shape India into global manufacturing hub

Disruption in the global supply chain has opened up opportunities for large-scale manufacturing in India, aided by significant policy initiatives such as production-linked-incentive (PLI) schemes and low corporate tax rates for new manufacturing, among others.

Structural issues like cost of land and electricity, lack of adequate infrastructure and shortage of skilled manpower could play the spoilsport if not addressed on time, says industry.

"MNCs that manage supply networks have acknowledged the necessity to hedge against future events and have decided to geographically disperse their supply chains. As a result, India has reaped significant benefits," NITI Aayog CEO Amitabh Kant said.

The government has unveiled a $27 billion worth of PLI scheme for 13 sectors to help integrate Indian companies into the global value chains and tap into the opportunity. The PM Gati Shakti - National Master Plan (NMP) which brings together 16 ministries to enable integrated planning and coordinated implementation of infrastructural connectivity, is expected to lower logistics costs significantly. The corporate tax rate for new manufacturing has been reduced to 15%.

"There couldn't have been a better time for the government to announce various schemes which will act as enablers to create a viable eco-system for companies to invest in advanced technologies in India," Rajesh Menon, director-general of the Society of Indian Automobile Manufacturers said. "Auto industry in India is also poised to become a major player in the global supply chain and these schemes would provide the necessary impetus in this regard," Menon added.

The MSME sector has also gained in strength and seems in a position to support big investment. "MSMEs have seen a remarkable improvement in access to finance and power and significant improvement in ease of doing business with introduction of GST," Anil Bhardwaj, secretary-general of the Federation of Indian Micro and Small & Medium Enterprises said.

Vikram Kirloskar, chairman (manufacturing council), the Confederation of Indian Industry, feels it is time for the industry to step up. "Government measures can give you added incentive but it is upon manufacturers to improve upon scale and quality."

The government and businesses see the opportunity but acknowledge the need for improvement in the enabling framework. "In the medium term to long term, India will have to address its structural issues," Kant said. In the short term, he believes it is extremely important to enhance ease of doing business in manufacturing.

Source: economictimes.com– Jan 02, 2022

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India and UK may start formal negotiations for FTA this month

India and the UK are likely to launch formal negotiations for a free trade agreement (FTA) in the second week of this month followed by the first round of talks after a week, people aware of the development said.

"The idea is to launch the negotiations and the first round of talks this month," an official told ET. While a delegation comprising representatives of the UK's trade ministry and businesses is to visit India to launch the negotiations, the two sides may consider doing a virtual launch amid rising Covid-19 cases, sources said.

The two sides plan to put in place an interim agreement by March 2022 followed by a comprehensive agreement. The interim trade pact would involve early tariff or market access concessions on certain key high priority products and services, they said. Whisky, cars, vaccines, basmati rice, wool, yarn, instant coffee, and tea pre-mix top Indian industry's list of products identified for duty cuts. India also wants enhanced mobility for its professionals.

The UK is keen on tariff reduction on Scotch whisky and a bilateral data adequacy agreement prior to the finalisation of a full-fledged free trade agreement. Reduction or removal of tariffs on automotive products, and removal of barriers to trade in food and drink, services, and healthcare and medical device sectors are among the objectives of proposed agreement, sources said.

"The UK is keen to ink trade agreements after Brexit and India is a natural partner for it," said the official cited above. The India-UK Joint Economic and Trade Committee (Jetco) would also meet during the launch of the negotiations.

India's exports to the UK in FY21 were $8.15 billion (₹60,700 crore) and imports were $4.95 billion (₹36,850 crore). Last year, the two countries had agreed on an enhanced trade partnership with the goal to double bilateral trade to £50 billion, or about Rs 5 lakh crore, by 2030.

Source: economictimes.com– Jan 03, 2022

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From Plate to Plough: The reach and depth of MSP

We wish readers of this column, and our farmer families, a safe and happy new year, with greater prosperity, more productive and competitive agriculture that is environmentally sustainable and more nutritious.

Here, we focus on one of the key demands of the protesting farmers' unions, that minimum support prices (MSP) be made legal. We estimate the reach and depth of MSP from the unit level data reported by NSSO (77th round) in its Situation Assessment Survey (SAS) of agri-households (agri-HHs) for the agricultural year July 2018-June 2019.

The sample size of SAS was of 58,035 households in visit I and the same HHs were surveyed in visit II, but the sample dropped to 56,894 HHs in visit II as some HHs of visit I could not be tracked. Based on this unit level data set, just 8.8% of agri-HHs sold any crop to government agencies at MSP, and the value of that agri-produce is just 8% of the total value of agriculture (crops plus livestock). This is the picture at the all-India level, and obviously it differs quite widely across states, ranging from less than 1% reach of MSP in most of the north-eastern states to as high as 50% reach in a state like Chhattisgarh.

Interestingly, the total operational holdings estimated for India, based on the SAS sample, was about 89 million; agri-HHs are estimated to be close to 93 million—much lower than the Agriculture Census 2015-16 operational-holdings estimate of 146 million. However, the total value of agri-produce estimated from the SAS sample data is only about Rs 10.1 trillion compared to the National Accounts' Rs 37.3 trillion.

This raises serious doubts about the coverage and true representativeness of this sample. Although the SAS states that its results should be read more in terms of percentages and not in absolute terms, its extrapolation of absolute numbers is so vastly different from other sources that one is compelled to think and use those numbers to see what alternative set of numbers come up with respect to the reach and depth of MSP.

If one uses the Census and National Accounts data in the denominator, which are more reliable, the percentage of farmers benefiting from MSP shrinks to just 5.6% and the value of agri-produce benefiting from MSP to a paltry 2.2%.

Whether these are more authentic or the ones generated from the SAS unit level data are, the fact remains that MSP's reach, both in terms of agri-HHs or value of agri-produce, is not more than 9%; in fact, it could be much lower if one uses the aggregate data from Census and National Accounts.

While Punjab and Haryana farmers have benefitted the most from MSP due to the Green Revolution's legacy, lately, procurement has spread to many other states, most notably Chhattisgarh and Telangana for paddy, and Madhya Pradesh for wheat. Some scholars have lauded this as MSP reaching the small and marginal farmers, especially in Chhattisgarh where, as per SAS data, almost 50% of agri-HHs and 45% of agri-produce benefited from MSP. But when we use the Census and National Accounts data, this falls to 37% for agri-HH and just 13.7% for value of agri-produce.

However, what the narrative of MSP reaching small and marginal farmers in states like Chhattisgarh misses is that most of these farmers also benefit from highly subsidised PDS. Nothing can be more irrational and economically inefficient than first buying paddy from small and marginal farmers at MSP, and then giving them the same rice, after incurring 40% higher cost on top of MSP on account of procurement, stocking and distribution.

It is much better to directly help small and marginal farmers with income policy or through a diversification package towards high-value agriculture. PM-KISAN, giving agri-HHs Rs 6,000 in their accounts, is much more efficient and supportive. It can be refined and scaled up, say, by linking it with adoption of farming practices that are environmentally benign (reducing methane emissions, abstaining from stubble burning, etc).

Even though MSPs are announced for 23 commodities, price support essentially operates in wheat and rice, and that too in a few states. This creates highly distorted incentive structures in favour of wheat and rice, and along with highly-subsidised/free power and urea, is leading to environmental disaster in certain pockets of north-west India.

MSP distorts the basic logic of the supply-demand mechanism, slows down the process of diversification, and is a very expensive and inefficient instrument, besides leading to massive leakages and corruption. This cannot augment incomes of small and marginal farmers, who represent almost 87% of total farming community.

With an average holding size of just 0.9 ha, unless farmers move rapidly towards high-value agriculture, there is not much scope to achieve better incomes for small-holders in an efficient and sustainable way.

The government must focus on development of efficient value chains, commodity-specific FPOs equipped to assay, grade, and package their produce, and incentivising the private sector to invest in logistics, storage, cold chain, processing, etc. Till the time these value chains are scaled up, government can help farmers through an income support policy on a per hectare basis, tilted towards small and marginal holders, via direct transfers to avoid distorting markets or cropping patterns.

Source: financialexpress.com– Jan 03, 2022

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Budget FY23: Special Economic Zones may get a Budget

The Union Budget always sparks speculation, but for Budget FY23 some speculation surrounding the amendment of the Special Economic Zone Act now has greater credence, following commerce secretary BVR Subrahmanyam's recent statements. "For the first time, you will find specific paras addressing us (the commerce ministry).

The old history of us wanting something and the finance ministry not doing it is no longer there. We have brought harmony there," Subrahmanyam said in his address at the Confederation of Indian Industry Partnership Summit. The reference is to the commerce ministry and the finance ministry often not being on the same page, especially on tax incentives to SEZ units and allowing them to sell in the domestic tariff area. The Budget is expected to announce simplification of SEZs as the commerce ministry is rewriting the legislation.

The SEZ Act was passed in Parliament in 2005, followed by the rules being promulgated in February 2006 with the objective to attract foreign direct investment, develop world-class infrastructure and create a globally-competitive and hassle-free environment for companies engaged in exports of goods and services.

As many as 425 SEZs were granted formal approval and 35 received in-principle clearance as on November 30, according to the official Fact Sheet on Special Economic Zones. But only 268 of these remained operational. SEZs across the country employed as many as 2.36 million people. While the SEZ policy has been leveraged by companies in the services sector, those in manufacturing have languished in comparison.

Calls for assistance to SEZs gained traction after the pandemic hit their operations hard, as this newspaper has reported. Outbound shipments of manufactured products and trading services from SEZs crashed by 21% from a year before to Rs 2.46 lakh crore in FY21, while the country's overall merchandise exports dropped by only 3% to Rs 21.54 lakh crore according to data collated by the Export Promotion Council for export-oriented units and SEZs. Services units, the dominant segment in SEZs, appear to have coped with the pandemic's impact better. Still, overall exports (both goods and services) from SEZs recorded an almost 5% decline in FY21, against a 1.5% drop in the country's total exports in rupee terms.

The commerce secretary hinted that a major budgetary announcement on simplification is that “if there is a unit in an SEZ facing the domestic market, it will behave like a domestic tariff area entity. If it is facing the international market, it will behave like an SEZ unit. It will still be one unit. That’s going to be a breakthrough once we get it through the next session of Parliament.”

As FE has reported, the government may allow such SEZ units to sell goods domestically, subject to a lower impost than the regular customs duties they are currently mandated to pay while supplying to the domestic tariff area. This levy is expected to neutralise the advantages that SEZs—being specifically delineated duty-free enclaves—enjoy vis-à-vis domestic manufacturers, to ensure a level-playing field for firms operating outside such zones.

The plan, which requires the concurrence of the finance ministry, is aimed at helping Covid-hit SEZs to better utilise their idle capacities. Similarly, the commerce ministry is working out a mechanism to enable partial de-recognition of existing SEZs so that areas that are no more in demand can be used for other purposes.

In rewriting SEZ legislation, the commerce ministry will be guided by the recommendations of the expert committee headed by Bharat Forge chairman Baba Kalyani, which submitted its report in November 2018 to revitalise these zones and help realise India’s merchandise-export target of $1 trillion by 2027-28.

Source: financialexpress.com– Jan 03, 2022

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Textile industry plays major role in boosting India's economy: Sisodia

Textile industry plays a major role in boosting India's economy and the central government must consider this as a potential industry which can help India boost its presence across the world, Deputy Chief Minister Manish Sisodia said on Friday.

Sisodia made the comments at the GST Council meeting where Delhi government along with others opposed the decision to hike GST on textiles from 5 pc to 12 pc and demanded its withdrawal

Heeding to demands made by several states, the GST Council on Friday put on hold a decision to hike the tax rate on textiles to 12 per cent from 5 per cent.

The panel, the highest decision-making body for indirect taxes, met under emergency provisions after states made a request for deferring the January 1 hike in GST tax rates on textiles.

"The Central government should pay special attention to development of textile industry as 4 crore people of the country get employment from it. In this way this industry is running 4 crore families. There are huge job opportunities in this industry. Food, clothes and shelter are the basic needs of every human being. Therefore, while making any policy for the textile industry, NITI Aayog should make a policy for textile industries by keeping the common man in consideration.

"Central government should focus on creating policies to boost job opportunities in this sector. NITI Aayog along with textile traders should work on strategies and policies to address the basic operational and taxation issues being faced by the traders and work on creating more jobs," he said.

Sisodia, who also has the finance portfolio in Delhi, said that the textile industry plays a major role in boosting India's economy, especially in the import and export industry.

"The central government must consider this as a potential industry which can help India boost its presence across the world. The Central Government should work on policies and strategies that will increase textile export in future," he said.

"It is to be noted that exports account for 60 pc of the Rs 55,000 crore Indian home textiles industry.

NITI Aayog along with traders should create more jobs in this sector, which can help the industry to boost the production and exports in future," he added.

Source: business-standard.com– Dec 31, 2021

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At ₹1.29-lakh crore, GST mop-up down a tad in December

Still 13% higher than the collection in the same month last year

Goods and Services Tax (GST) collection in December topped ₹1.29-lakh crore, the lowest in three months.

However, the average monthly gross GST collection for the third quarter of 2021-22 was ₹1.30-lakh crore against ₹1.10-lakh crore and ₹1.15-lakh crore in the first tow quarters, respectively, a Finance Ministry statement said.

Higher revenues

The statement said the revenues for December are 13 per cent higher than in the same month last year and 26 per cent higher than in December 2019. During the reporting month, revenues from import of goods was 36 per cent higher over the corresponding previous month and that from domestic transactions (including import of services) up 5 per cent.

December GST collection was close to ₹1.30-lakh crore despite the 17 per cent drop in the number of e-way bills generated in November at 6.1 crore compared 7.4 crore in October.
According to the Ministry statement, economic recovery and anti-evasion action — especially against fake billers — have been contributing to the robust GST collection.

The improvement has also been due to various rate rationalisation measures undertaken by the GST Council to correct the inverted duty structure. "It is expected that the positive trend in revenues will continue in the last quarter as well," the statement said.

Disparity in reporting

MS Mani, Partner at Deloitte India, says the GST collections reflect the continuing improvement in various macro-economic parameters and appear to have established a consistent trend over the past few months.

However, it would be interesting to look at the State-wise collections as there seems to some disparity with some reporting significant increases and others lagging compared to the previous year.

“The GST collections are high despite a reduction in the e-way bill generation during the same period possibly due to higher collection from the services sector accompanied by a continuing focus on implementation of technology-based anti-evasion measures,” he said.

Source: thehindubusinessline.com– Jan 02, 2022

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With optimism and hope

It is with hope rather than trepidation that we enter 2022. Omicron rages, with about 17 lakh cases being reported daily worldwide and over five lakh in the US alone, but there is also a growing sense that this storm will not dictate events beyond the initial months of the new year.

Apart from the fact that half the world's population is fully vaccinated (with a wide gap between rich and poor countries, of course), Omicron has not proved threatening so far. The Centre for Disease Control and Prevention in Atlanta has downplayed its impact in terms of deaths and hospitalisations, while South Africa has announced that it would be easing curbs with the wave ebbing away there.

India has reported over 16,000 cases on Friday, its highest daily tally in two months and presumably Omicron-driven. But by all reckoning, Omicron is less dangerous than the Delta variant. As Covid-19 hopefully morphs into a benign strain, it will cease to disrupt the economy in the years to come, with the world making mobility and digital adjustments.

But for now, as the Reserve Bank of India's Financial Stability Report has observed, the impact of Omicron on the global economy cannot be wished away. It has impacted contact-intensive industries such as hotels, restaurants, travel and tourism.

As the IMF has conceded, its October estimate of 4.9 per cent global growth in 2022 may have to be revised downwards. The global recovery expected in the first quarter of 2022 may be pushed back to the second, experts note.

Meanwhile, monetary accommodation is coming to an end worldwide in the wake of supply-side inflation; this could hasten capital flows out of emerging market economies. While India's macro fundamentals are robust, the RBI has flagged risks posed by cryptos and pro-cyclical private equity and venture capital funds.

The new year will see investments moving towards areas such as semi-conductors, renewables and EV technologies, as part of a Covid-induced new normal. Alternative supply chains that are less centred around China and its area of influence are being explored in these sunrise areas.

India's semi-conductor push is opportune in this context. The other focus areas of 2022 are likely to be regulation of digital giants, data protection and cryptocurrencies. The health of the Chinese economy, which is pursuing a 'zero Covid' policy that entails stringent lockdowns will be closely watched.

China has slowed down following the Evergrande debt default and its knock-on effects on consumption and investment. Its clash with the US is also about acquiring strategic heft in the digital-electronic age. India too needs to play its cards carefully.

Source: thehindubusinessline.com– Dec 31, 2021

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Production woes likely to hit country's cotton export targets

A drastic reduction in the country's cotton production can play spoilsport for the its export target of 60 lakh bales (each bale is 170 kg pressed ginned cotton). Industry insiders said that this year exports will be around 30-35 lakh bales as domestic prices and shortage is likely to play spoilsport throughout the season.

Global supply glut has seen price of raw seed cotton trading well above its minimum support price (MSP) of Rs 5,726 per qunital right at the start of the cotton marketing season (October-September).

At present, kapas is trading around Rs 8,000-8,500 per quintal. Buoyed by good prices, most farmers are holding on to their crop in hope of further rise in prices in the days to come. As against the estimate of 340-345 lakh bales industry experts say that the production is in the range of 300-315 lakh bales during this season.

"Unseasonal rains, pests like pink bollworm and white flies have led to lower-than-expected production," pointed out a trader from Punjab.

Given the short supply and bullish prices, farmers are holding on to their crop with the markets reporting the arrival of just 125 lakh bales till date. Traders say that exportscan be hit as most of the production would be used in the domestic supply. Till date around 15 lakh bales of cotton has been exported with many saying the final figure for this season would around 30-35 lakh bales.

Meanwhile, gin and press owners have talked about a glut in supply, which has affected their operations. Pradeep Jain, founder president of Khandesh Press Gin/Press Owners Traders Development Association, said that arrival in markets is low as farmers are holding on to their produce for better prices.

Traders say most farmers feel that kapas prices would breach the Rs 10,000 per quintal mark in 2022 and thus are holding on to their produce.

Source: indianexpress.com– Dec 31, 2021

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Textile firms set to spin their way to recovery in 2022: A CRISIL analysis

TEXTILES: A CRISIL ANALYSIS

Textile firms set to spin their way to recovery in 2022

Credit outlook largely stable for cotton yarn and readymade garments players

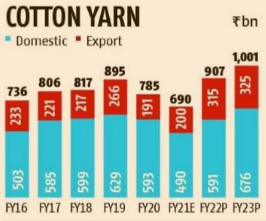
The domestic textile industry, which had seen demand slump in fiscal 2021 owing to onset of the Covid-19 pandemic, is firmly on course to recover in fiscal 2022 on the back of reopening of businesses, educational institutions and retail outlets with increase in the vaccinated population. Sanctions on Chinese textiles have boosted Indian textile exports as well. Government announcements such as the Production Linked Incentive scheme, setting up of mega textile parks, and extension of the Rebate of State and Central Taxes and Levies scheme are also supporting the sector. However, resurgence of Covid-19 infections will be a key monitorable.

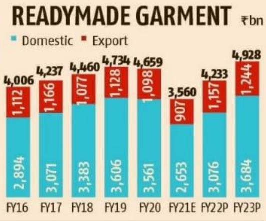
Within the textile space, cotton yarn demand is expected to rebound a sharp 25-30 per cent year-on-year (YoY) in the current fiscal year, post a plunge in fiscal 2021, primarily because of recovery in readymade garment (RMG) demand. Also, spurring growth will be a sharp rise in exports owing to lower prices of Indian yarn compared with competing countries. In fiscal 2023, demand is projected to rise a further 8-13 per cent YoY. Domestic demand as well as exports will contribute to growth. With demand from spinners outpacing cotton production, though, cotton stock levels will dip in fiscal 2023. In fact, depleting stock levels and sharp increase in cotton exports owing to sanctions on Chinese-manufactured cotton will push up S-6 cotton prices 5-10 per cent YoY to ₹132-142 kg in fiscal 2023. Hence, Ebitda margin of spinners, which is forecast at 15 per cent in fiscal 2022, is expected to shrink 50-100 bps YoY in fiscal 2023.

In the downstream RMG segment as well, after a significant decline in fiscal 2021, the sector is expected to grow 15-20 per cent YoY in the current fiscal year. Apart from the reopening bump, sanctions on China, and price differential between Indian cotton yarn and competitor countries, trade agreements will provide lift; the government is negotiating trade agreements with major garment importers, the UK and the EU, which, once signed, will improve the export competitiveness of Indian manufacturers. But an increase in the goods and services tax (GST) from 5-7 per cent to 12 per cent from January 1 will raise retail prices. In fact, impact of GST increase will be a key monitorable for the RMG segment, along with any surge in Covid-19 infections in India and globally. That said, Ebitda margin of the RMG industry is expected to improve 50-100 bps on-year in fiscal 2023 from 10 per cent in fiscal 2022 owing to better operating leverage.

In the case of credit outlook, while strong demand and healthy operating profitability will translate into better accruals for cotton yarn manufacturers in fiscal 2022, improvement in debt metrics will be more gradual. This is because of increased working capital requirement and capital spending on projects owing to the strong demand. Nevertheless, the interest coverage ratio is expected to improve to over 5 times this fiscal year, from just under 4 times in fiscal 2021. However, in fiscal 2023, the ratio is projected to moderate to 4.0-4.5 times, in-line with lower profitability and higher debt levels. Hence, the credit outlook for cotton yarn players, which was stable-to-moderately positive this fiscal, is likely to be stable next fiscal. To be sure, leverage ratios are expected to remain largely range bound over the medium term.

For RMG players, improving accruals because of recovery in operating performance will lead to better debt metrics in the current fiscal year. For instance, the interest coverage ratio has improved to 2.0-2.2 times this fiscal year, from ₹1.4 times last fiscal year. This ratio should continue to improve into fiscal 2023, in-line with better operating performance of the sector. Hence, the credit outlook, which was stable this fiscal year, is likely to slightly improve to stable-to-mildly positive next fiscal year.





Source: business-standard.com– Dec 31, 2021

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Rs 4.5 lakh cr ECLGS: Breaking down the mega post-Covid credit guarantee scheme for MSMEs since launch

Credit and Finance for MSMEs: As of November 12, 2021, loans amounting to Rs 2.28 lakh crore were disbursed under the Emergency Credit Line Guarantee Scheme (ECLGS) to MSMEs and other businesses, out of Rs 2.82 lakh crore loans sanctioned, as per data from the National Credit Guarantee Trustee Company (NCGTC) cited by the Reserve Bank of India (RBI) in its Financial Stability Report.

NCGTC provides guarantee coverage to member lending institutions under the scheme. According to the break-up in terms of the guarantee amount and size of business, guarantees of value up to Rs 1 crore formed 51 per cent of the aggregate guarantees provided since the launch of the scheme on May 20, 2020.

Rs 1,33,955 crore guarantees were issued to 1.15 crore beneficiaries under less than Rs 1 crore bracket. These guarantees were dominated by micro enterprises. On the other hand, in Rs 1-5 crore bracket, 32,222 beneficiaries were issued guarantees worth Rs 66,598 crore with a share of 25.3 per cent in the guarantee amount. Further, 4,915 beneficiaries received guarantees amounting to Rs 55,781 in Rs 5-50 crore segment while only 86 beneficiaries had secured Rs 6,299 crore guarantee in Rs 50-500 crore segment.

Overall, in terms of the size of their businesses, 66 per cent of the ECLGS guarantees were issued to MSMEs wherein 1.02 crore micro units received guarantees worth Rs 65,771 crore followed by 4.98 lakh small enterprises that were given Rs 66,345 crore worth guarantee. Only 2.60 lakh medium enterprises were able to get guarantees worth Rs 42,041 crore.

ECLGS was originally devised for MSMEs, individual borrowers, and other business enterprises whose total fund-based credit outstanding across all lending institutions was up to Rs 25 crore. The scheme went through different iterations since launch namely ECLGS 1.0, ECLGS 1.0 (Extension), ECLGS 2.0, ECLGS 2.0 (Extension), ECLGS 3.0, ECLGS 3.0 (Extension) and ECLGS 4.0. The validity of ECLGS is till March 31, 2022, or till guarantees for an amount of Rs 4.5 lakh crore are issued and disbursement under the scheme is permitted up to June 30, 2022.

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Importantly, the drawdown under ECLGS 1.0 and 2.0 comprised over 96 per cent of the total guarantees issued. While 1.0 had a 77.24 share, the second iteration so far had 19.45 per share. ECLGS 3.0 and 4.0 launched in March and May this year had only 3.16 per cent and 0.15 per cent share respectively, indicating that beneficiaries under the third and fourth iterations are yet to be benefitted. ECLGS 3.0 was launched to cover enterprises in the hospitality, travel & tourism, leisure and sporting sectors while 4.0 was offered to hospitals, nursing homes, clinics, medical colleges for setting up on-site oxygen generation plants following the second wave of the pandemic.

In terms of lenders, private banks (PVBs) showed greater proclivity than public sector banks (PSBs) for utilising the scheme, covering a larger number of beneficiaries. While public sectors banks had disbursed guarantees worth Rs 83,000 crore, private banks had disbursed Rs 1,06,000 crore in guarantees. Foreign banks and NBFCS had disbursed Rs 5,000 crore and Rs 31,000 crore in guarantees respectively.

However, RBI noted that stress is 'visible' among MSMEs even as the corporate sector has displayed resilience and bank credit growth is showing signs of a gradual recovery, led by the retail segment. "MSME portfolio of PSBs and PVBs indicates accumulation in NPA and special mention accounts (SMA)-2 categories in September 2021 relative to March 2021," the report said. The NPA level for PSBs in September was 18.5 per cent in comparison to 16.8 per cent in March. While for PVBs, the NPA level declined from 3.6 per cent in March 2021 to 2.8 per cent in September, the SMA-2 level was up from 0.8 per cent to 2.1 per cent.

Source: financialexpress.com– Jan 02, 2022

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More sustainable weaves

Business leaders crystal gaze on their respective sectors on five trends that will shape their sector

Sustainability will be at the heart of trends driving the clothing and apparel sector.

1) Phygital is the new normal: Retailers will expand into newer markets. At the same time, use of technology to drive in-store experiences, BOPIS (buy online, pick up at store) will increase.

2) Digitisation is here to stay: From AI to digital avatars, digitisation will deepen in all areas of business .

3) Quick commerce: will be the new trend, as supply chain constraints continue and consumers seek immediacy. This, in turn, will help physical retail stores, as they become key cogs in the delivery and fulfilment cycle.

4) Communities and storytelling are what drives retail. Brands and retailers will deepen their investments in building this relationship. Building on heritage, authenticity and strengthening their core

5) Sustainability, artisanal and slow fashion: Consumers and brands will accelerate this move. From material to packaging to circularity, sustainability will take deep roots. Appreciation for well-made things and willingness to invest in "lesser but better" will be a trend.

6) On the manufacturing front: Technical textiles, wearables with tech and functional features will be a big trend. 2022 will also see India become a serious manufacturing destination led by production linked incentives, diversification and a growing domestic market.

Source: thehindubusinessline.com- Jan 02, 2022

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