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NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	World Economy to lose USD 12.5tn in output by 2024 because of COVID-19: IMF Chief
2	China: RCEP to help build economic resilience
3	Mainstreaming Philippine textiles
4	Brits on board for expansion in Vietnamese partnerships
5	Bangladesh apparel less competitive than Vietnam’s
6	Bangladesh: Sweater exporters in sourcing trouble as NBR tightens grip
7	Vietnam, Pakistan can cooperate in textiles, rice: Ambassador Phong
8	Pakistan: Need for autonomy

	NATIONAL NEWS
1	India no longer signs FTAs just to be part of a group: Piyush Goyal
2	Shri Piyush Goyal calls upon the Indian Industry to inculcate a greater appetite for risk taking
3	Work starts on ₹16,600-crore scheme to boost manufacturing in textiles, may be announced in Budget
4	Buoyant exports but unfavourable trade balance: Why there is a dichotomy
5	"Let us aim for atleast 75 unicorns in the 75 weeks to the 75th Anniversary of Independence": Shri Piyush Goyal
6	India aiming at USD 500 billion exports for FY23: DGFT official
7	India's economy has bright spots, 'very dark stains': Raghuram Rajan
8	83% MSMEs, traders, others said govt's 'Make in India' campaign helped them: Survey
9	US & India should set bold goals to achieve USD 500 billion in bilateral trade: new USIBC president
10	Banks seek ECLGS extension, payments companies want zero-MDR gone
11	German firm withdraws from organic certification in 'third countries' temporarily
12	NAEC seeks govt intervention in containing high cost of cotton yarn, fabrics to boost exports
13	Unicorns mop up 61% of start-up funding in CY21
14	Will a legally binding MSP deliver?
15	Cotton price in Tamil Nadu increases by Rs 43,000 per candy in two years

INTERNATIONAL NEWS

World Economy to lose USD 12.5tn in output by 2024 because of COVID-19: IMF Chief

The global economy is projected to grow by only 4% in 2022 and 3.5% the following year after a strong recovery in 2021, a new United Nations' World Economic Situation and Prospects (WESP) 2022 report revealed last week.

The world economy will lose USD 12.5 trillion in output by 2024 due to the pandemic, the International Monetary Fund managing director said on Thursday.

"The world economy between now and 2024 is losing USD 12.5 trillion in output because of COVID," Kristalina Georgieva said. "And we are going to actually update this number revising it upwards because of Omicron."

The global economy is projected to grow by only 4% in 2022 and 3.5% the following year after a strong recovery in 2021, a new United Nations' World Economic Situation and Prospects (WESP) 2022 report revealed last week.
The new waves of COVID-19 infections, persistent labor market challenges, supply-chain disruptions, and soaring inflation affect global economic recovery, the report said.

In light of the report's findings, UN Secretary-General Antonio Guterres said the global community needs to develop targeted, coordinated measures to close inequality gaps among nations.

Source: economictimes.indiatimes.com– Jan 21, 2022

HOME

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China: RCEP to help build economic resilience

The Regional Comprehensive Economic Partnership (RCEP) agreement officially took effect on Jan. 1. As the world's largest trade agreement, the pact spans a market comprised of 2.2 billion people with a combined economic worth of $26.2 trillion, or 30% of the world's GDP.

The RCEP, compared with the previous free trade mechanisms, can be considered more open as it contains 20 chapters relating to a wide range of categories, including trade in goods and services, investment, dispute settlement, as well as intellectual property, digital trade, e-commerce, finance, and telecommunication.

With the COVID-19 pandemic going on for more than two years, the world economy has suffered its worst recession since World War II. The International Monetary Fund (IMF) said that the emergence of new highly infectious variants of COVID-19 could wipe about $4.5 trillion off the global GDP by 2025. In this regard, the world needs to work together to tide over difficulties and ensure that economic globalization becomes more open, inclusive, balanced, as well as beneficial.

The Asia-Pacific region has become the most dynamic and promising economic powerhouse globally. Under the framework of the RCEP, participating countries are able to seize the opportunity to work together to deepen mutually beneficial cooperation, which is expected to help build economic resilience and contribute to global economic recovery.

The mega-free trade agreement has been hailed by the Asia-Pacific region as an important step toward deeper regional integration and a renewed worldwide momentum for free trade in the wake of global uncertainties. The 15 participating members are in different development stages, from developed and emerging markets to less-developed economies. However, they have overcome difficulties and made efforts to bridge development gaps, manifesting their strong resolution to deepen economic and trade cooperation, setting a good example for the promotion of multilateralism.

China, as a staunch supporter of multilateralism, has pledged to work together with other RCEP members to build the mechanism into a prominent platform for economic and trade cooperation in East Asia and maintain the stability of industrial and supply chains. China has stepped up efforts to open its door wider over the past decades, and multiple measures have been adopted to make its business environment more favorable.

The effective implementation of the RCEP agreement will accelerate China's opening-up, which will facilitate more countries to tap into the market potential of the world's second-largest economy. This will in turn promote higher regional economic integration and improve people's wellbeing overall.

Source: china.org.cn– Jan 22, 2022

HOME

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Mainstreaming Philippine textiles

As part of its month-long celebration of Philippine Tropical Fabrics Month this January, the Philippine Textile Research Institute (PTRI) held a talk titled "Mainstreaming Philippine Textiles," which gave an overview of the state of Philippine textiles and what we can do to use more of it, thereby boosting local economy.

There are gaps in all areas of production, from producing enough fibers for local needs, to having to import finished fabrics for local production, to using local textile for local products for local use.

Take abaca, also known in international markets as Manila hemp. According to Carissa Cruz-Evangelista, Chair of the Philippine Fashion Coalition, a whopping 97% of our abaca is exported, and the country supplies 87% of the world's abaca. Its applications include commercial textiles, used for fabric for fashion, and industrial purposes — for example, we export 94% of our pulp, and 5% cordage, and 43% of the abaca exported to the US is used for twine and cordage.

However, she also emphasized that the world's first-class abaca comes from Ecuador. "Where we are now is that there's actually not enough abaca to supply the world demand," she said. "We only utilize 70-80,000 hectares, and it's not enough."

Aside from not growing enough abaca for the world's needs, there is a lack for locally grown fibers for local needs.

There are gaps in production, she said, particularly at the agricultural level, such as not producing enough cotton. "We tend to import yarns, like our cotton has been imported since there's not enough [grown locally]," she said. "The challenge is to be able to process these indigenous fibers for the Philippines — for Philippine consumption."

So, the Philippines has to import textiles. "The issue that we have is that we import a big percent of our textile requirement for the garments and footwear industry," Ms. Cruz-Evangelista pointed out. She referred to a Board of Investments (BoI) report from 2016, which saw $180 million in Philippine textile exports, but $1.2 billion in textile imports.

She points to a decline in cotton planting, garment manufacturing, exportation, and an added wound from the pandemic, a decline in employment in all these fields. “The government and the private sector have created a plan to be able to work with different exporters to be strengthened through trade agreements,” she said though.

SOFT POWER

On a cultural level, there’s also the prevalence of Western wear. “There’s nothing wrong with Western wear, but what we hope to promote with our coalition is to wear Filipino traditional clothing as a form of cultural soft power,” she said, using Joseph Nye’s definition of soft power as “shaping preference of others through appeal and attraction, not through coercion or payments.”

She cites as an example the Korean hallyu phenomenon, which saw the export of Korean culture — through food, music, and media — resulting in economic gain. “All of these have a direct impact on the economy of (South) Korea,” she said. “The challenge is for us to be able to follow the Korean model, but then improve it as Filipinos.”

She pointed to 2022 television show The Broken Marriage Vow (which is a remake of a popular British TV show, Doctor Foster, which has been adapted by five other countries). The production design of Broken Marriage Vow uses local designers and fabrics extensively. She hopes that local shows could be exported, giving international exposure to the products used in the programs, much like what Korea does in K-drama.

While this seems like a far-off goal, she points out that in the 1950s, under the influence of the Americans, there had been deliberate efforts to grow the local textile industry. In 1959, the country had reached its production requirement for the national level, extending this strength to the end of the 1960s. The decline in production involved the advent of the importation of cheap textiles, as promoted by the government.

“What we hope would happen would that there would be more domestic preference again at this time, and support for both the artisan weavers and also the commercial textile mills.”

Solutions she finds include developing the manufacturing industry, since we export so much of our raw materials. “We had exported a great deal of our pulp, of our abaca. The semi-processing should at least be done here. We should be doing our teabags and doing other products made of abaca.”

She also cited RA 9242 (the Philippine Tropical Fabric Law) which prescribes the use of local fabrics for uniforms of public officials and employees, as helping the cause. “We have to do our part. That would include doing legislation, regulation for sustainability, and also for domestic preference.”

Of course, it’s easy to say “#buylocal” and all the other hashtags promoting the same idea, but the change should also be institutional: she calls for the development of not only natural fibers, which we already export, but the development of chemical fiber, and smart fibers.

“It’s the love of the textile and the love of our culture, but it is also the economic support for all the groups within the (fashion) ecosystem,” she said, counting the farmers who plant the fibers to the retailers who sell the clothes made from those fibers, and everyone else in between. “Even if we are inside now because of the pandemic, we still have a choice to not just purchase, not just advocate: but then, dream, and create a new kind of ecosystem.”

Source: bworldonline.com– Jan 24, 2022

HOME

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Brits on board for expansion in Vietnamese partnerships

The UK and Vietnam have a strong and growing bilateral trade relationship and share a strategic commitment to global trade, and the free flow of capital and investment.

In defiance of the health crisis raging globally affecting trade and investment flows, a bilateral free trade agreement between Vietnam and the United Kingdom has contributed to driving both nations' trade and investment ties forward over the past 12 months.

After being appointed as the Vietnamese ambassador to the United Kingdom for the 2020-2023 term, Nguyen Hoang Long immediately rolled up his sleeves to help connect the Vietnamese and British business communities.

Last week he met with Vincent Keaveny, Lord Mayor of London, as both sides discussed solutions for boosting financial cooperation between the financial capital and Vietnam's enterprises and organisations.

"Financial cooperation is always a focal sector in the economic relationship between the UK and Vietnam as many financial, banking, and insurance groups from the former have made their presence for a very long time in the latter. The UK is the No.1 partner of Vietnam in this sector," Long said.

"The UK-Vietnam Free Trade Agreement (UVFTA) is acting as a big driver of the trade and investment cooperation between the two economies," he said. "It is expected that in 2022 and beyond, this cooperation will continue flourishing."

Key contributor

According to the UK's Department for International Trade, the UK and Vietnam have a strong and growing bilateral trade relationship and share a strategic commitment to global trade, and the free flow of capital and investment. Between 2011 and 2020, Vietnam's share of total UK trade doubled.

The UVFTA, which temporarily took effect at the start of 2021 and became fully valid on May 1, covers £4.8 billion ($6.52 billion) in 2020 in trade and provides a platform to grow trade and investment even further. It also provides certainty for British and Vietnamese businesses, with trade in goods – ranging from clothing and footwear to pharmaceuticals and seafood – continuing uninterrupted following the end of the transition period.

The UVFTA is broad, covering market liberalisation for goods, services, and investment. It also contains chapters on government procurement, state-owned enterprises, and market competition. In addition, there are commitments in the agreement relating to trade and sustainable development, including labour, the environment, and social responsibility.

With a population of nearly 100 million people, and a per capita income of about $3,700 last year, Vietnam is seen as a large consumer market with high potential. It has a young and dynamic population, with about 57 per cent of its population under 36 years old. The country's proportion of middle-income households is also growing, accounting for 13 per cent in 2020.

"Vietnam has been gradually liberalising its economy since the introduction of sweeping reforms in the 1980s. Today, legal frameworks and corporate governance rules are in place to promote private interests more effectively than ever before," said a recently-released report from the Department for International Trade. "Vietnam maintains investment protection for foreign investors through bilateral agreements, non-discrimination laws, and limitations on unreasonable government intervention. British investors are protected by the 2002 UK-Vietnam Bilateral Investment Treaty. Between 2007 and 2020, Vietnam climbed 34 places to 70th in the World Bank's Ease of Doing Business rankings."

This great potential is fuelled by the UVFTA. The agreement has created a comprehensive economic and trade cooperation framework between the two countries. Over the past year, according to the British Embassy to Vietnam, the total UK-Vietnam bilateral trade reached £3.81 billion ($5.18 billion). Total UK imports from Vietnam were £3.36 billion ($4.56 billion), an increase of 16 per cent and total British exports to Vietnam amounted to £457.6 million ($622.1 million), an increase of 15.4 per cent compared to the same period of 2020.

In the coming time, the agreement is expected to help increase the competitiveness of many Vietnamese items such as agricultural products and textiles in the UK market, and at the same time, open up many opportunities for British businesses in Vietnam, said the embassy.

British Ambassador to Vietnam Gareth Ward once told VIR that the script for trade between the UK and Vietnam is being written by consumers in both countries.

“Britain exports lots of high-tech machinery to Vietnam – the wings and engines of many planes flown in Vietnam are built in Britain, and I see an increasing number of British-made cars on the streets here,” Ward said.

“We also export pharmaceuticals to help Vietnamese people stay healthier as the population ages and there is an increase in diseases such as cancer and diabetes. In the UK, my fellow Brits know that many of the clothes and shoes they wear are manufactured in Vietnam. What they don’t realise is that many of their mobile phones were also manufactured in the country,” he continued. “With the growing popularity of Vietnamese cuisine, most Brits now know what a bowl of pho noodle soup is, but they probably don’t know that the prawns they eat and the pepper they sprinkle on their food are from Vietnam.”

Fostering investment

In 2022, Vietnamese Ambassador Long is planning to meet with many more businesses, organisations, and authorised agencies in Britain to continue seeking opportunities for those from both nations to further cement their ties, with a focus laid on investment.

“Potential for Vietnam to attract more investment from the UK remains significant, and many British investors are planning to come to Vietnam,” Long said.

During a November 2021 dialogue with Standard Chartered Bank and his reception for its chairman José Vinals in the UK, Prime Minister Pham Minh Chinh reaffirmed that the Vietnamese government and agencies will continue creating favourable conditions for foreign investors to do business successfully in the country, in the spirit of harmonising interests and sharing risks.

According to Standard Chartered’s Opportunity 2030 research, the combined private sector investment opportunity in Vietnam to 2030 for clean water, clean energy, industry, innovation, and infrastructure are estimated to be $45.8 billion.

"As part of that global effort, we are committed to investing in Vietnam to finance the country's sustainable development and securing its prosperity. I am excited that today you will be witnessing a combined $8 billion worth of financing commitments for various sustainable projects across Vietnam," Vinals said.

Ministries and enterprises from Vietnam and the UK have over the past few weeks inked up to 26 cooperation agreements, which cover a wide range of sectors from trade, agriculture, and energy to education, training, environmental protection, and sport.

The 26 deals include a letter of intent to join the Lowering Emissions by Accelerating Forest Finance Coalition; a cooperation agreement to develop an action plan to strengthen links between the two countries' higher education institutions; an MoU on enhancing cooperation in education through the exchange of experiences and best strategic aspects; and a cooperation agreement to develop human resource training programmes for the Ministry of Planning and Investment and support startups of Vietnam.

Notably, Vietjet Air and Rolls-Royce Group signed an agreement to provide engines and related services for the wide-body fleet with a total value of $400 million. SOVICO Group and Oxford University signed an MoU to cooperate and finance investment in research and education development with a total value of $212 million, while Affinity Investment Fund and HDBank reached a grant of $300 million for a programme on sustainable development and climate change combat.

"There could be more British projects in Vietnam thanks to the enforcement of the UVFTA and a better business environment," added British Ambassador Ward.

Click here for more details

Source: vietnamnet.vn– Jan 23, 2022

HOME

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Bangladesh apparel less competitive than Vietnam's

In terms of product quality, lead time, and sustainability, Bangladesh's clothing sector is not as good as its neck and neck market peer Vietnam, according to a recent World Trade Organisation (WTO) competitiveness report, as Dhaka scores remarkably low than Hanoi on ten indices out of a total of twelve.

COMPETITIVENESS ASSESSMENT

Criteria/Country	Bangladesh	Cambodia	Laos	Nepal	China	Vietnam
Production quality	3.5	3.5	3.5	2	4.5	4.5
Ability to create value-added products	3	3	2.5	2	4.5	4
Ability to source raw materials	2	2	2.5	3	5	3
Innovation	3	2	2.5	2.5	4.5	4
Efficiency	3	3	2	3	4.5	4
Lead time	3.5	3	2	2	4	4.5
Price	4.5	4.5	3	3	3	4
Tariff advantages	3.5	2	3	3	2	3
Flexibility of order quantity	3	2.5	2.5	2.5	4	4
Financial stability	2	1.5	2	2	3	3
Political stability	2.5	3.5	3	3	2.5	4.5
Sustainability	2	2.5	2	2	2	3.5

The results were based on respondents' average rating for each country on a scale of 1 (much lower performance than the average) to 5 (much higher performance than the average).

Source: WTO-UN joint study on "The Textile and Clothing Sector in Asian Graduating Least Developed Countries: Challenges and Ways Forward"

Lead time of apparel exports is the period between the placement of an order and delivery of the finished product. Vietnam is better able in sourcing raw materials, according to the report, and also can release the imported consignment at its ports within 24 hours.

In contrast, Bangladesh takes 48 hours to one month to release raw material imports for the apparel industry, said local garment factory owners. They said Vietnamese workers are 10%-15% more efficient in manufacturing, while the country can deliver the final product to European buyers 10-15 days earlier than Bangladesh.

"Transportations from and to Chattogram port eats up a major portion of our delivery deadline. Vietnam certainly is well ahead of us in overall logistic support," Shovon Islam, managing director at Bangladeshi garment manufacturer Sparrow Group, told The Business Standard.

Then comes the shipment time. Vietnam directly sends the products to the buyers from its seaports, but Bangladesh cannot.

Due to the unavailability of a deep-sea port, feeder vessels have to take the products to countries such as Singapore and Sri Lanka, where the products are transferred to mother vessels for shipment to Europe and the USA.

"Lead time is very crucial in the current competitive market," said Fazlul Hoque, a former president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), adding Bangladesh lags in port and customs management.

With around $29 billion apparel export, Vietnam surpassed Bangladesh to become the second largest readymade garment exporter after China in the global market in 2020. According to unofficial data, Bangladesh regained the second position by earning $1.94 billion more than Vietnam in the first seven months of 2021.

Other major gauges of the recent WTO report, titled, "Textiles and clothing in Asian graduating LDCs: Challenges and options" – prepared after surveying at least 150 exporters and 30 global brands and retailers – are ability to create value added products, innovation, efficiency, flexibility of order quantity, financial stability and political stability.

Vietnam's fashion industry on the ten leading indices logs at least one score ahead of Bangladesh, while the gaps are 1.5 and 2 respectively on sustainability and political stability, shows the report. The report was prepared with data contributed by several UN agencies including the United Nations Conference on Trade and Development (UNCTAD).

Only on two indicators – price and tariff advantage, Bangladesh is ahead of Vietnam and China thanks to duty-free access to key global markets and local cheap labour. The country is little ahead in some indicators than three other least developed countries in Asia including Cambodia, Laos and Nepal.

Sparrow Group's Shovon Islam said any hiccup in the supply chain would ultimately affect efficiency. "If a fabric does not arrive at the port on time, if there is a supply chain disruption or if the workforce cannot be utilised properly, the efficiency would get hurt. This is happening to us," he noted.

However, Fazlee Shamim Ehsan, vice-president at the BKMEA, said he does not agree with all the indicators showing Bangladesh apparel behind Vietnam.

"None is supposed to be ahead of us in terms of flexibility of order quantity. We accept orders so flexibly that buyers can take several thousand pieces to only a few hundred pieces from us," he claimed.

The BKMEA vice-president also defended the quality of made-in-Bangladesh products by saying, "We manufacture products as buyers want. Since Bangladesh is capable of satisfying the brands with the quality, the country is getting increasing work orders."

Fazlee Shamim Ehsan, however, agreed that Bangladesh has a lot to improve in terms of higher value addition.

Like the BKMEA vice-president, Faruque Hassan, president at the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), too said the report in some cases surprisingly underrated the progress made by Bangladesh garment industry over the past decade.

"The report mentions environmental compliance related risks as a downside for sourcing from Bangladesh, while the industry has made a huge stride to transform workplace safety, workers' wellbeing and environmental sustainability. The rating seems to be inappropriate," he noted.

Vietnam's FDI and FTA upper-hand

Noted economist Dr Abdur Razzaque, who wrote the report, said Vietnam and Cambodia have strong presence of foreign direct investment (FDI) in their apparel sectors that help them establish improved standards and bargaining power.

"More importantly, while Bangladesh is likely to lose preferential treatment in the EU apparel market, already developing Vietnam will be able to secure duty-free access in that market because of an FTA [free trade agreement]," Dr Razzaque told The Business Standard.

Bangladesh will no longer be entitled for duty-free market access after 2029, as the country will graduate from least developed country club in 2026 and its export will enjoy facility extension for another three years until 2029. For an uninterrupted market access, Dhaka then would be requiring preferential trade agreement and free trade agreement (FTA) with countries and trade blocs.

But Bangladesh so far has the lone bi-lateral preferential trade agreement with neighbouring Bhutan.

Dr Razzaque said, "Many buyers consider duty-free status as a critical determinant of sourcing decisions. Although entire sourcing will certainly not be concentrated in Vietnam, but with the loss of tariff advantages, Bangladesh will come under intense competitive pressure from such market peers such as India, Indonesia, and Sri Lanka."

According to the report, Bangladesh may concede a loss of $5.37 billion due to the impact of LDC graduation on export.

Still there will be orders

The WTO report says fashion brands and retailers adopt diverse sourcing considerations, including cost, speed to market, flexibility, agility and compliance risks.

With China and Vietnam as critical sourcing bases, fashion brands mostly see the least developed countries Bangladesh, Cambodia, Laos and Nepal as part of their diverse sourcing locations.

According to the report, Turkey is another major sourcing destination for European Union-based fashion companies, while EU-based buyers source fewer complex products (such as dresses and outerwear) from Bangladesh, Cambodia, Laos and Nepal due to their limited production capacities.

The report mentions, fashion brands and retailers may still find it attractive to source from Bangladesh, Cambodia, Laos and Nepal after their LDC graduation. Major brands and retailers believe LDC graduation may only modestly affect their sourcing.

It also said that in the next three to five years, they will increase their sourcing from Bangladesh and Cambodia.

BGMEA President Faruque Hassan said Bangladesh's graduation to a developing country will definitely cause some significant changes that need collaborative and joint effort to overcome.

Md Fazlul Hoque, former BKMEA president, said, "Bangladesh is working on the issues mentioned in the report, but it needs to be speeded up. We need to focus on FTAs and PTAs."

"Despite not being covered by the GSP [Generalised System of Preferences] facility, we are still ahead of China and Vietnam in terms of export growths in the US market," he added.

Commerce Minister Tipu Munshi told The Business Standard that Bangladesh will try to avail the duty-free export facility until 2031 – five years after the LDC graduation.

"Besides, we are looking for PTA and FTA agreements with several countries this year," the minister commented.

Source: tbsnews.net– Jan 23, 2022

HOME

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Bangladesh: Sweater exporters in sourcing trouble as NBR tightens grip

With only 200 workers, Kashpean Sweater in river port township Narayanganj had been exporting knitwear to western markets. As Kashpean does not have a bond licence on its own, the small-scale exporter would source raw materials such as yarn and accessories from third parties that had bonds to import those.

But the knitwear-maker has been facing a sourcing hiccup for the last eight months as the National Board of Revenue (NBR) obstructs the third parties – often called deemed exporters – in selling the imported items to exporting sweater-makers.

"We somehow managed the production units in the last couple of months. There would be no option in hand except factory closure if the revenue board restriction continues," SM Kamruzzaman, managing director of Kashpean, told The Business Standard.

Like Kashpean, the sourcing issue has been hampering production of at least 60 non-bonded sweater exporters, according to owners, while Narayanganj's Allure Knitwear and Green Stone Sweater have already shuttered production thanks to raw material crunch including yarn, packing, carton, clothes hangers, plastic items and other accessories.

The non-bonded sweater-makers employ around 30,000 workers. The factories say obtaining a bond licence for small-scale factories like them is expensive and often quite impossible.

After a series of inconclusive negotiations with the revenue board last year, the Bangladesh Garment Manufacturer & Exporters Association (BGMEA) again raised the issue during a meeting with NBR Thursday.

Kazi Mostafizur Rahman, commissioner of the Dhaka Customs Bond Commissionerate, said it is illegal to sell raw materials brought under bond facility even to non-bonded exporters.

"We cannot allow them to continue sourcing by flouting the laws. They should go for obtaining the bond licence in the first place to avert the supply crunch," he told The Business Standard.

But Kashpean's Managing Director Kamruzzaman said many direct exporters do not qualify for bond licence thanks to complicated requirements. "The licence could cost you a few lakh Taka. I know an entrepreneur who tried for around a year and bribed more than Tk20 lakh, but to no avail," he commented.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), pointed the finger at the complicated and lengthy process.

"They are direct exporters, and for them it should not matter whether they have a bond licence or not. I don't understand why the exporters are being pulled back," questioned the BKMEA executive president.

Readymade garments amount to 80%, or more than $30 billion, of the country's total export. At present, there are 3,500 export-oriented garment factories in the country, while more than 300 of them knit sweaters. Sweater exports fetched the country more than $4 billion in the 2020-21 fiscal year.

Apart from non-bonded sweater firms, BGMEA President Faruque Hassan noted seven more issues seeking revenue board's intervention, according to sources who also commented that a joint working committee has been formed to oversee the issues.

Major issues raised by the BGMEA include easing HS code related issues for apparel export, reintroducing metre or yard as a measurement unit instead of kilogram for yarn and fabric import-export and easing the issuance of VAT exemption certificate for readymade garment related services.

"We argued in favour of the revenue board's stance about the demands placed by BGMEA. However, a joint working committee has been formed," said a NBR official while talking on condition of anonymity.

Source: tbsnews.net– Jan 21, 2022

HOME

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Vietnam, Pakistan can cooperate in textiles, rice: Ambassador Phong

On behalf of the business and trading community, Hanif Lakhany, VP FPCCI, has expressed his desire to elevate and expand bilateral trade relations of Pakistan and Vietnam; as there is untapped potential in a number of sectors and that can result in exponential growth in trade. He also welcomed the visit of H.E. Nguyen Tien Phong, Ambassador of Vietnam in Pakistan, to the Federation House.

H.E. Nguyen Tien Phong said that business communities of both the countries should not think that being big producers and competitors in rice and textiles, we can not cooperate; in fact, he emphasized, we can beautifully complement each other for a win-win mechanism. He also expressed his profound and enthusiastic desire that Preferential Trade Agreement (PTA) between Pakistan and Vietnam should be signed through fast-tracking the initiative and should then be implemented effectively to multiply the trade volumes.

H.E. Nguyen Tien Phong added that he will certainly relay the concerns and suggestions on the visa regime back to their ministry's head office in Vietnam and he also wants to increase the duration of business visas for Pakistani businessmen from six months to one year. He maintained that the bilateral trade volume of $600 million per year is just not sufficient and it can be taken to $5 to 10 billion given the true potential for exponential growth over the upcoming years; for this, he strongly emphasized the visits of businessmen from Pakistan to Vietnam and vice versa.

Hanif Lakhany, VP FPCCI, said that he is pleasantly surprised to see the smart, energetic, committed, and vibrant ambassador of Vietnam in Pakistan. He also emphasized that Vietnam should consider investing in smartphone and computer chips, parts and accessories in Pakistan as Vietnam is one of the most advanced large-scale producers in the sector.

Suleman Chawla, SVP-elect of FPCCI for 2022, said that he will strive for strengthening and enriching the economic and commercial ties between the two countries from the platform of the apex chamber. He added that first, it is Business-Business (B2B) relations that translate into Government-to-Government (G2G) relations later through creating interdependencies and shared prosperities.

Zakaria Usman, former President of FPCCI, mentioned meat and meat products, fruits and vegetables, workforce export, culture and tourism, business visits and exhibitions, investments and joint ventures as the potential areas of bilateral cooperation with Vietnam.

Sultan Rehman, a former VP FPCCI, said that the enthusiasm, sincerity, and open-door policy of Ambassador Phong has inspired and enlightened us all and we will be reaching out to the Vietnamese Embassy in Islamabad and trade office in Karachi to explore new avenues of cooperation. Amjad Rafi, Convener of International Forums at FPCCI, said that Vietnam should open its doors to the Pakistani business and trade community; and, they will create the bridges and linkages on their own with their fellow businessmen in Vietnam and counterpart chambers as well. He also called for an active Pakistan-Vietnam Joint Business Council to provide a platform and act as a working group of the relevant business leaders of the two countries.

Source: dailytimes.com.pk– Jan 22, 2022

HOME

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Pakistan: Need for autonomy

"Ours is among those textile companies that have done well in and grown large on the strength of their efficiencies despite unsupportive government policies and regressive taxation. We might have grown much bigger than what we're if the policies were conducive and consistent and the government had not tried to influence our investment decisions, intentionally or unintentionally.

For example, in the textile industry, we have a 1.5 per cent turnover tax, which is forcing manufacturers to grow vertically to avoid additional tax burden and refund issues. Turnover tax constitutes 4-5pc of the cost of a standalone garment/finished goods producer if they do not have backward linkages," Mr Saleem told this correspondent in an interview.

Pakistan has the biggest vertical textile production capacity as the size of the total textile industry. This is not the case anywhere else. In India, the textile industry has expanded horizontally, with spinning capacities of over a million spindles installed by manufacturers. "Those who are in the garments/finished goods business in India are also big in their segments. In Bangladesh, garment factories employ 40,000 to 50,000 workers each. This shows how regressive taxation is hampering growth in our textile industry," argues Mr Saleem.

"It is not the job of a government to influence investment decisions. The state's job is to make laws and facilitate investment to create employment. Tax should be low, fair, transparent and only on profits. Growth happens when people have employment opportunities. The role of the state in business has to be minimised," says the NCL CEO, who is also vice-chairman of the Pakistan Textile Council, a new alliance formed by large producers to lobby for long term policies and tax reforms for the industry.

Mr Saleem is one of those business people who believe that there really is no shortcut to success. "If we want to grow and flourish, it is critical that we have an enabling investment environment. This means that we must've building blocks — quality healthcare and education for people, a fair tax regime and administration, a functional justice system, etc — of progress and development in place. Without these, we just cannot grow."

"We haven't made the right decisions in the last 40 years. Those who made the right decisions have grown bigger. As a nation, we should be very clear that we've to make right decisions, and that the process to fix healthcare, education and judicial systems has to start now. We need to respect the sanctity of contracts and stop calling each other thieves. Everyone is innocent unless proven guilty in a court of law. That is the cardinal principle of justice. The sooner the state accepts this principle the better."

Mr Saleem, who as a board member was instrumental in the sale of 20pc shareholding of MCB Bank to Malaysia's Maybank, is also concerned about the huge return Pakistan has to offer to investors at the expense of the wellbeing of its people due to increased country risk. "It is time that we as a country decide what kind of investment we want? Who do we want to deal with? Do we want to deal with investors who are willing to invest their capital in a highly risky country even if bombs are pouring from the sky but will demand a very high return of 100pc or those who want to work in a stable environment even for returns as low as 3pc? So the decision as to what kind of business environment we wish to create in Pakistan is critical for our future."

Pakistan's investment risk profile is exacerbated in recent years because of delays in regulatory approvals as the investors have to spend the bulk of their time in managing operational affairs or relations with the government and semi-government agencies. "If we want to mitigate investment risk we must create ease of doing business and slash the cost of businesses by reducing the state's interference. Multilayered taxes and the high rate charged at every stage of production and on everything from phone calls to energy are eroding our ability to reinvest our earnings and hampering industrialisation," the NCL CEO says.

Mr Saleem firmly believes that a ruthless tax administration, a major issue for businesses and individuals, is responsible for the very low tax base as no one wants to deal with tax authorities. "Many choose to stay out of the tax system even if they've to pay more tax indirectly. Don't spare tax thieves but also compensate people who are being given a raw deal. It is a misnomer that people don't want to pay taxes… but they also want security, education, healthcare, a functional justice system, reliable energy supplies, etc in return. When they don't get what they need it reduces their ability and willingness to pay taxes."

During the interview, Mr Saleem frequently spoke about the state's growing role in the economy and private investment decisions, underscoring the need to curtail it. "Take the issue of gas supplies for captive power. The argument that the captive power plants with lower thermal efficiency shouldn't get gas does not have a leg to stand on. This isn't the state's business to decide if a plant is efficient or not; its job is to supply gas to whoever needs it at one price. The argument that we don't have gas and, hence, we should ration it and give it only to efficient users is misplaced. Do we give this argument for petrol? When we have weighted average cost of gas and are done with price anomalies, there's a chance that many may go back to the national grid for electricity. Let the market decide who wants to use which fuel."

He says the energy policy and pricing inconsistencies have created massive power generation capacity redundancies with the industry. "We have a museum of power plants in the country. In the last 30 years, we've set up captive power based on four different fuels. Who wants to invest in power plants if they get reliable and cheaper power supply from the grid? If the government gives us a pricing formula for the next five years we wouldn't have to invest in captive power."

Speaking about Bangladesh's textile industry, he says their industry has grown because of supportive government policies. "If we had long term, consistent policies we'd have been far ahead of them. If you get stable returns even if those are low, you would want to invest and vice versa. Another difference between Pakistan and Bangladesh is that our industry has invested so much money in captive power for energy availability and sustainability — and is still doing so — that it is left with little to reinvest in its core business, that is, textiles. In the last one and a half years a lot of investment has come in textile and it will take another couple of years before new capacities come online. But we want results in two months. That's not possible."

Source: dawn.com– Jan 24, 2022

HOME

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NATIONAL NEWS

India no longer signs FTAs just to be part of a group: Piyush Goyal

India is no longer signing free trade agreements (FTAs) just to join a group and instead it is looking at reciprocal access, good market conditions, and fair play in trade in both goods and services, Commerce and Industry Minister Piyush Goyal said on Friday.

However, he added that FTA is a two-way traffic and industry should inculcate a greater appetite for risk taking as these pacts cannot give one-sided access for Indian goods and services alone.

India has launched negotiations for such pacts with the UAE, Australia and UK and would launch talks with Canada and GCC (Gulf Cooperation Council).

Under such agreements, two trading partners significantly reduce or eliminate import/customs duties on the maximum number of goods traded between them, besides easing norms to promote trade in services.

"India no longer signs FTAs just to be a part of a group, or for the sake of it. We are looking at reciprocal access, good market conditions and equitable and fair play in trade in goods and services.

"We are looking at robust FTAs with like minded nations with values of democracy, transparency and mutual growth," Goya said at an event organised by the Merchants' Chamber of Commerce and Industry.

All these agreements are going to be two-way traffic, he said, adding "we will certainly need your cooperation from industry in maintaining these bilateral fruitful discussions."

Elaborating, he said in an FTA, some items will come from abroad, while some will go to those countries.

"Our focus is wherever we have comparative or competitive advantage, we should look at market access and wherever the advantage is with some other country, we don't have to force the Indian consumer to buy expensive," the minister said.

Replying to a question about industry's apprehensions on such trade pacts benefitting India's trading partners more, the minister said the government is engaging with industry before taking a decision on extending concessions in any sector.

"But bear in mind that ultimately in the globalised world, our industry also wants access. We also want to expand labour-oriented sectors where there's good potential and we are losing market share," he noted.

The minister further said India has already implemented FTAs with Japan and Korea, and it is not as if the country does not have market access.

"In fact, there will be more access to different markets. Hopefully products will be available to us at competitive prices on which we can do value addition, particularly in labour oriented areas and expand our business," he added.

The minister cited an example of the textiles industry, which is facing issues due to zero-duty benefits being enjoyed by Vietnam and Bangladesh in many developed markets.

Goyal, who is also the textiles minister, said India is trying to get zero-duty exports to the UK for the textiles sector and also discussing the same with the European Union.

In response to a query about release of funds under the Technology Upgradation Fund Scheme, Goyal assured disbursement of funds after due diligence and verification of pending claims.

He also asked the printing industry to take up with the finance ministry duty waivers against Export Promotion Credit Guarantee obligations to such units defaulting in recent years due to the pandemic and the resultant shrinking of export orders.

Further, the minister listed three expectations from the industry associations, including proactive participation by giving suggestions on issues related to FTAs, non-tariff barriers, and market access.

"Highlight where we can reduce compliance burden and enhance ease of doing business. Identify processes that the government can digitise. Suggest areas where legal framework can be simplified and laws can be decriminalised," he said.

Meanwhile, the ministry in a separate statement said Goyal held a review meeting of the National Single Window System (NSWS) on January 19.

In that meeting, Goyal said there should be complete end-to-end testing of one set of approvals for each of the integrated ministries on the NSWS portal.

So far, 14 states are onboard and the process for inclusion of six more is in progress.

The minister said a Chief Information Security Officer should be nominated to work exclusively for the security and risk monitoring of the portal.

The Know Your Approvals (KYA) service is live on the NSWS with 544 approvals across 32 central ministries/ departments. A total of 3,259 approvals are listed.

Efforts are underway to ensure that 13 more ministries/departments are onboarded by March 31, 2022 with another 360 approvals/registrations.

The first approval through the portal was granted on January 11 to CMR-Kataria Recycling Pvt Ltd for a vehicle scrappage facility RVSF at Kheda, Gujarat with a capacity of 67,000 vehicles.

Source: business-standard.com– Jan 21, 2022

HOME

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Shri Piyush Goyal calls upon the Indian Industry to inculcate a greater appetite for risk taking

Union Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal today called upon the Indian Industry to inculcate a greater appetite for risk taking. Addressing the Special E-Session of Merchants' Chamber of Commerce & Industry (MCCI), he said the Government looks forward for investments from the private sector in labour oriented sectors to create jobs, maybe plastics, footwear, textiles, leather.

"Industry associations, such as yours, can partner with all stakeholders including Central & State Governments, Missions, EPCs, and help attract businesses to India & strengthen domestic industry. Let us all come together with one resolve i.e. to make India a Global leader by taking up bigger & bolder challenges," he said.

Shri Goyal said, as India celebrates Azadi ka Amrit Mahotsav, this is the time for us to reflect and prepare for India @ 2047 when we will celebrate the hundred years of Independence.

"With a Cost advantage as well as the Trust advantage that Indian Industry enjoys, this is the time for India to emerge out of the shadows and truly become a global nation!," he said.

Shri Goyal said the Indian Industry must clearly focus on the principles of Quality, Productivity & become global scale operators so that we can benefit from the economies of scale.

"We've had a very successful experience on the PLI front particularly in mobile phone manufacturing, & we are hoping to replicate it other sectors like semiconductors, container mfg, etc, 14 sectors now have PLI schemes," he said.

Shri Goyal listed three expectations for the Industry Associations to adopt:

1. Proactively participate by giving ideas / suggestions: On issues related to FTAs NTBs & market access, themes for India's G20 presidency in 2023, resonating with our vision to make Aatmanirbhar India.

2. Highlight where we can reduce compliance burden & enhance Ease of Doing Business. Identify processes that the Govt. can digitised. Suggest areas where legal framework can be simplified & laws can be decriminalised. Legal framework can be simplified, self-regulation wherever possible. Start using the National Single Window System & give feedback on how we can provide more facilities.

3. Become self-reliant in consolidating value chains and supply chains, e.g. APIs and integrate MSMEs in forward & backward linkages.

Quoting the Pirme Minister Shri Narendra Modi, Shri Goyal said, "India is a Bouquet of Hope for the World." India is well on the path of unprecedented economic growth and is set to show the world its true potential & capacity, he said.

"Despite the lockdown, India met all its international Service commitments, becoming the world's trusted partner. Today, we have an opportunity of a lifetime to propel our industry to new heights," said Shri Goyal. "India's Technology, Talent & Temperament is bringing hope to the world. Powered by the triple engine of Exports, Investment & the Startups, the foundation has been set for India to become a Global Powerhouse," he added.

Shri Goyal said, in our journey towards realising the dream of an Aatmanirbhar Bharat, Government has taken transformative steps to create a conducive environment for businesses:

- Strengthening Coal & Mining sector: Transparent auction mechanism for private sector.
- Liberalising Defence sector: 74% FDI (automatic route) & 100% (Govt. approval route), 101 defence items notified exclusively to make defence equipment indigenously, dedicated Defence Investor Cell
- Transforming Telecom Sector: 100% FDI allowed, removal of penalties, rationalisation of interest rates
- Several other reforms: PLI, reducing compliance burden, NIP, PM Gati Shakti NMP, Single Window, etc.

Shri Goyal said India no longer signs FTAs just to be a part of a group, we are looking at reciprocal access, good market conditions and equitable and fair play in trade in Goods & Services.

“We are looking at FTAs with like minded nations with values of democracy, transparency & mutual growth e.g. UAE, Australia, UK, EU, Israel, Canada, GCC. However, FTAs are a two-way traffic, need industry’s cooperation in maintaining fruitful bilateral relations,” he said.

Quoting Gurudev Rabindranath Tagore, “You cannot cross the sea merely by standing and staring at the water”, Shri Goyal said the world is watching India, which is ready to take giant leaps towards transforming the nation and changing the lives of 135 crore people.

Shri Goyal commended the MCCI for having emerged over the years as one of the most dynamic Chambers of Eastern India and contributing to India’s economy now for over 120 years.

“As a skyscraper stands on a strong foundation, economic transformation of any nation stands on the shoulders of a robust industry. One part of holistic thinking is to move beyond traditional practises & create a resilient environment for our industries to grow,” he said.

In response to a query, Shri Goyal assured release of funds under the Technology Upgradation Fund Scheme (TUFS) after due diligence and verification of pending claims. Shri Goyal also assured the Printing Industry to take up with the Finance Ministry duty waivers against Export Promotion Credit Guarantee (EPCG) obligations to such units defaulting in recent years due to the pandemic and the resultant shrinking of export orders.

Source: pib.gov.in– Jan 21, 2022

HOME

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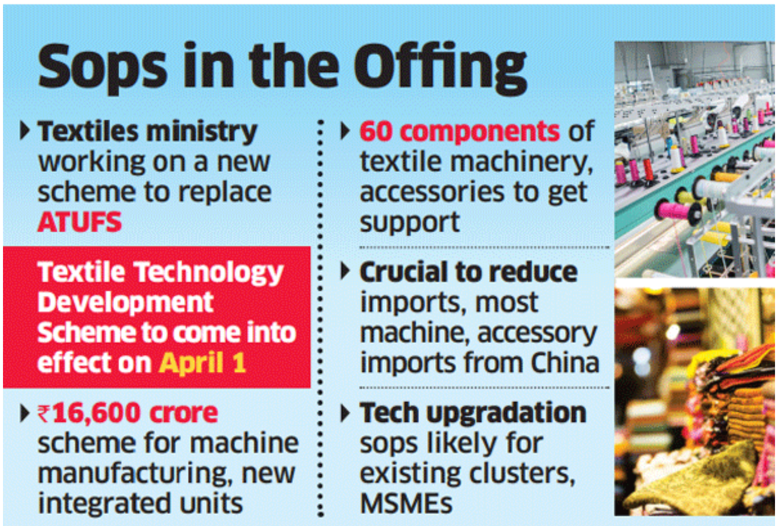
Work starts on ₹16,600-crore scheme to boost manufacturing in textiles, may be announced in Budget

The government has begun work on a new scheme with an outlay of about Rs 16,600 crore for the next five years for textile machinery manufacturing, support to technology upgradation in existing clusters and micro, small and medium enterprises (MSMEs), and support for new integrated manufacturing facilities in various segments including spinning, weaving and knitting.



The new scheme, Textile Technology Development Scheme, might be announced in the upcoming Union budget. It will replace the Amended Technology Upgradation Fund Scheme (ATUFS), which ends on March 31, 2022.

Beneficiaries of the production-linked incentive (PLI) scheme for textiles would not be eligible for incentives under the new programme, said officials.

"The scheme is at a conceptual stage and is awaiting approvals from various levels. There might be a new name for the scheme," said an official, who did not wish to be identified.

The Technology Upgradation Fund Scheme was launched in 1999 and has been modified many times since then. "We have done industry consultations, and the proposed scheme has two new components - textile machinery and integrated modern facilities," said the official.

The thrust on manufacturing textile machinery is crucial as India imported shuttle-less looms, sewing machines and knitting machines, among others, and accessories such as spindles and needles worth almost Rs 72,000 crore in the past five years, mostly from China.

The textile ministry has proposed investment and value-addition linked incentives under the scheme. Incentives for technology transfer in case of joint ventures by foreign manufacturers, and support for research and development and commercialisation, are also likely to figure in the planned scheme as it seeks to encourage indigenous manufacturing of machinery with a focus on the garmenting sector.

Thresholds and caps for the incentives are also in the works, according to the official.

"Sustainability, compliance, innovation and job creation are the focus areas of the new scheme. It aims to improve scale and technology simultaneously through integrated modern textiles manufacturing," an industry representative involved in the consultations said on condition of anonymity.

Source: economictimes.com– Jan 24, 2022

HOME

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Buoyant exports but unfavourable trade balance: Why there is a dichotomy

India's exports have risen nearly 50 per cent year on year in the first nine months of this fiscal, putting the country on track to hit a target of $400 billion in merchandise exports. India's imports have also risen sharply during the same period leading to a sharp uptick in India's fiscal deficit. India is pursuing a number of new Free Trade Agreements (FTAs) to expand opportunities for Indian exporters.

How have Indian exporters performed in FY22?

India's exports between April and December 2021 hit $301.4 billion, up 49.7 per cent year on year and 26.5 per cent above exports during the same period in 2019. Exports of two traditional sectors — petroleum products and gems and jewellery — have been key contributors to the export growth in December, rising by 152 per cent and 16.2 per cent respectively, over the previous fiscal. India's exports have been buoyed by a worldwide increase in trade with global merchandise trade posting a quarterly record of $5.6 trillion in Q3 2021, according to a report by United Nations Conference on Trade and Development. Global trade in both goods and services in 2021 is estimated to be worth $28 trillion, up 23 per cent from 2020 and 11 per cent when compared to pre-Covid-19 levels.

Among non-petroleum and non-gems and jewellery exports, engineering goods, such as iron and steel products, organic and inorganic chemicals as well as textile products such as cotton yarn and fabrics have been key contributors to export growth in this fiscal.

Exports of engineering goods grew 38.4 per cent in December to $9.8 billion, up from $7.1 billion a year ago. Exports of electronic goods rose 34 per cent to $1.7 billion, while that of organic and inorganic chemicals grew by 27 per cent to $2.7 billion during the same period.

A Sakthivel, President of the Federation of Indian Export Organisations (FIEO), said that the trend of growth in Indian exports is likely to continue as it is benefiting from the positive sentiment internationally. "Now, there is a good sentiment towards Indian goods internationally," Sakthivel said, while adding that Indian exporters were increasingly understanding market requirements and upgrading their products.

Outbreaks of Covid-19 infections in key competitors such as Vietnam, leading to disruptions in supply, have also likely contributed to an increased demand for Indian exports. India's services exports have grown at an estimated 18.4 per cent to $177.7billion in the first nine months of the fiscal.

How have India's imports grown and what is the impact on the current account deficit?

India's merchandise imports have grown even faster than exports — at 68.9 per cent year-on-year in the first nine months of the current fiscal to $ 443.8 billion, up from $262.8 billion in the previous fiscal. Key imports for India during this fiscal so far include petroleum and petroleum products, gold and electronic goods. Higher imports of machinery, electronic goods, vegetable oil, coal, and chemicals were key contributors to the sharp uptick in imports in the first three quarters of the fiscal.

The rise in imports has led to an increase in the trade deficit to $142.4 billion in the April-December period, up from $61.4 billion in the year-ago period, and $125.9 billion in the corresponding period in FY20. India's services trade surplus is estimated to be about $74.4 billion in the first three quarters. Experts have estimated that India's current account deficit for the fiscal will be about $40-$45 billion.

What are key developments in Indian trade?

India is currently in the process of negotiating FTAs with the UK, UAE, Australia, Israel and the EU and is aiming to close interim trade deals with the UAE, Australia and the UK within this year.

Commerce minister Piyush Goyal has at multiple forums noted that Indian industry should be prepared to give market access to trading partners if it wants to benefit from greater market access for its own products.

"Our focus is wherever we have a competitive or comparative advantage, we should look at market access and wherever the advantage is with some other country, we don't have to force the Indian consumer to buy expensive," Goyal said to an industry body on Friday.

Source: indianexpress.com– Jan 24, 2022

HOME

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"Let us aim for atleast 75 unicorns in the 75 weeks to the 75th Anniversary of Independence": Shri Piyush Goyal

The Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, Shri Piyush Goyal today called upon the Indian industry to aim for raising 75 unicorns in the 75 weeks to the 75th anniversary of Independence next year.

"We have added 43 unicorns added in 45 weeks, since the start of 'Azadi ka Amrit Mahotsav' on 12th March, 2021. Let us aim for atleast 75 unicorns in this 75 week period to 75th Anniversary of Independence," he said, while releasing the NASSCOM Tech Start-up Report 2022.

Shri Goyal said Startup India started a revolution six years ago and today 'Startup' has become a common household term. Indian Startups are fast becoming the champions of India Inc's growth story, he added.

"India has now become the hallmark of a trailblazer & is leaving its mark on global startup landscape. Investments received by Indian startups overshadowed pre-pandemic highs. 2021 will be remembered as the year Indian start-ups delivered on their promise, - fearlessly chasing opportunities across verticals - Edtech, HealthTech & AgriTech amongst others," he said.

Shri Goyal lauded the ITES (Information Technology Enabled Services) industry including the Business Process Outsourcing (BPO) sector for the record Services exports during the last year.

"Services Export for Apr-Dec 2021 reached more than $178 bn despite the Covid19 pandemic when the Travel, Hospitality & Tourism sectors were significantly down," he said.

Shri Goyal said the Prime Minister Shri Narendra Modi has declared 16th January as the National Startup Day, showing his commitment to take the innovation culture to every nook and corner of the country.

"We all celebrated this innovation spirit through Startup India Innovation Week, during the last week as part of 'Azadi ka Amrit Mahotsav'. PM's interaction with Startups a week ago has supercharged the courage of our innovators," he said.

Shri Goyal said the Government has taken several steps to boost startup ecosystem, -

- Removing problems of 'Angel tax', simplification of tax procedure & allowing self-certification and self-regulation towards which we are moving
- Reducing burden of over 26,500 compliances
- Decriminalization of 770 compliances

Shri Goyal said the New India is today being led by new troika of Innovation, Technology & Entrepreneurship (ITE), which in a way has grown further from the original ICE (Information, Communication & Entertainment).

"I remember when ICE was introduced many years ago, we were excited about the new information age. Today, that same vibrancy & excitement is witnessed in the way our startups are growing in the ITE areas," he said.

Shri Goyal said India's unique digital infrastructure - Aadhaar, Digilocker, Fastag, Cowin, UPI etc. have enabled Access & Affordability.

"The Cowin portal showed the world that Indian could run world's largest vaccination programme efficiently & effectively, with complete mapping & monitoring done digitally. UPI has helped new age technologies in reaching the common man at affordable prices," said Shri Goyal.

"The next "UPI moment" will be the ONDC (Open Network for Digital Commerce). The first-of-its-kind globally, ONDC to enable interoperability between eCommerce companies, providing equal opportunity to small & large players, will help control digital monopolies & make industry more inclusive for buyers & sellers alike, empowering MSMEs to unlock innovation & value," he added.

Shri Goyal unveiled a five-point plan as the way forward for the NASSCOM:

1. Emphasize on basic & core needs of people, - providing better access to financial services, education & healthcare; solutions to problems of farmers, etc.

2. Focus on High growth & Job creating sectors, - Advertising & Marketing, Prof. services, Fitness & Wellness (Yoga becoming popular globally), Gaming, Sports, Audio-Visual services

3. More & more startups should leverage Deep tech to build solutions for local & global markets, - AI, IoT, Big Data, Data Analytics, Blockchain, Virtual Reality, 3D Printing, Drones, etc.

4. We have a lot of potential in Startups from Tier-2 & 3 cities. If we give them more support & proper mentoring, they could also play a much greater in the years to come.

5. India will assume G20 presidency in 2023 – suggest ideas on themes resonating with our vision to solve global issues.

Shri Goyal hoped this momentum of the Indian Startup ecosystem will continue in the current year and the years to come.

"While 2021 was a year in which we defied all odds, 2022 will be the breakthrough year which will unlock country's exponential value. 'India at 100' will be renowned as a Startup nation. But as PM Modi said yesterday in his speech- the "Amrit Kaal," the coming 25 years - are the period of utmost hard work, sacrifice and tapasya," he said.

Source: pib.gov.in– Jan 21, 2022

HOME

****

India aiming at USD 500 billion exports for FY23: DGFT official

India has set up a target of USD 500 billion exports for the 2022-23 fiscal, a top government official said on Friday, contending that the COVID-19 pandemic has taught the country to "reimagine" world trade. In December 2021, exports stood at USD 37.8 billion, the highest-ever for any month, Additional DGFT Amiya Chandra said during a webinar organised by the Bengal Chamber of Commerce and Industry.

"We are bang on target to touch USD 400 billion for the current fiscal. So far in the first nine months, the country's exports were to the tune of USD 301.38 billion," he said.Chandra said India is targeting USD 1 trillion exports by 2027.

"The apprehension that COVID-19 would lead to a sharp decline in foreign trade has turned out to be negative. However, the pandemic has taught us to reimagine world trade," he said.

The fulcrum of international trade has shifted from Europe and the United States to South East Asia, the Directorate General of Foreign Trade official said. He also said that the world is moving away from multilateral trade agreements to bilateral ones, and India is presently in the process of entering into six FTAs.

Chandra said going ahead, artificial intelligence and other forms of technology will become important in matters relating to trade. A separate portal for MSMEs will be launched soon, he added.

Source: financialexpress.com– Jan 21, 2022

HOME

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India's economy has bright spots, 'very dark stains': Raghuram Rajan

The Indian economy has "some bright spots and a number of very dark stains" and the government should target its spending "carefully" so that there are no huge deficits, noted economist and former RBI Governor Raghuram Rajan said on Sunday.

Known for his frank views, Rajan also said the government needs to do more to prevent a K-shaped recovery of the economy hit by the coronavirus pandemic. Generally, a K-shaped recovery will reflect a situation where technology and large capital firms recover at a far faster rate than small businesses and industries that have been significantly impacted by the pandemic.

"My greater worry about the economy is the scarring to the middle class, the small and medium sector, and our children's minds, all of which will come into play after an initial rebound due to pent up demand. One symptom of all this is weak consumption growth, especially for mass consumption goods," Rajan told PTI in an e-mail interview.

Rajan, currently a Professor at the University of Chicago Booth School of Business, noted that as always, the economy has some bright spots and a number of very dark stains.

"The bright spots are the health of large firms, the roaring business the IT and IT-enabled sectors are doing, including the emergence of unicorns in a number of areas, and the strength of some parts of the financial sector," he said.

On the other hand, "dark stains" are the extent of unemployment and low buying power, especially amongst the lower middle-class, the financial stress small and medium-sized firms are experiencing, "including the very tepid credit growth, and the tragic state of our schooling".

Rajan opined that Omicron is a setback, both medically and in terms of economic activity but cautioned the government on the possibility of a K-shaped economic recovery.

"We need to do more to prevent a K shaped recovery, as well as a possible lowering of our medium term growth potential," he said.

The country's GDP is expected to grow over 9 per cent in the current financial year that ends on March 31. The economy, which was significantly hit by the pandemic, had contracted 7.3 per cent in the last fiscal. Ahead of the Union Budget, Rajan said that budgets are supposed to be documents containing a vision and he would love to see a five- or ten-year vision for India as well as a plan for the kinds of institutions and frameworks the government intends to set up.

On whether the government should go for fiscal consolidation or continue with stimulus measures, Rajan pointed out that India's fiscal situation, even coming into the pandemic, was not good and this is why the finance minister cannot spend freely now.

While the government must spend where necessary at this time to alleviate the pain in the most troubled areas of the economy, he said, "We must target the spending carefully so that we do not run huge deficits." Finance Minister Nirmala Sitharaman is scheduled to present the Union Budget 2022-23 in Parliament on February 1.

Regarding the rising inflationary trends, Rajan said inflation is a concern in every country, and it would be hard for India to be an exception.

According to him, announcing a credible target for the country's consolidated debt over the next five years coupled with the setting up of an independent fiscal council to opine on the quality of the budget would be very useful steps.

"If these moves are seen as credible, the debt markets may be willing to accept a higher temporary deficit," he said, adding that to convince markets that "we will be responsible, we should strengthen the institutional support to future fiscal consolidation." Further, Rajan said that one way to expand budgetary resources is through asset sales, including parts of government enterprises and surplus government land.

"We need to be strategic about what we can sell, and how we can improve the economy's performance through those sales... Once we decide to sell, though, we should move fast, something we have not done so far," he opined.

Regarding the upcoming budget, Rajan said that he would be happy to see more tariff cuts and far fewer tariff increases, and far fewer sops or subsidies to specific industries. "Particularly, (I) would welcome an independent assessment of the Production Linked Incentive schemes".

Source: business-standard.com– Jan 24, 2022

HOME

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83% MSMEs, traders, others said govt's 'Make in India' campaign helped them: Survey

Ease of Doing Business for MSMEs: 83 per cent of eligible MSMEs, sole traders, and other businesses in a survey said that the government's 'Make in India' campaign has helped them while 72 per cent claimed to have benefitted from the government's Production Linked Incentive (PLI) schemes as well.

The survey, launched in the India Business Spend Indicator (IBSI) report by American Express India and Invest India in partnership with the Centre for Business and Economic Research (CEBR), had over 500 respondents. This included more than 400 sole traders and MSMEs while others were large enterprises, according to the details shared by the company.

On an average, 64 per cent respondents said they also benefitted from government initiatives such as the Emergency Credit Line Guarantee Scheme (ECLGS), debt moratorium by the Reserve Bank of India and export credit policy. 74 per cent businesses said they are expecting to spend more on technology while 72 per cent are planning to make more capital investments in 2022, indicating bullishness and greater confidence among businesses.

"The progress made by Indian businesses in the economic and social spheres has been possible due to persistent reforms drive aimed at making the country's business climate simpler and easier. Sectors like business-to-business (B2B) commerce have not only beefed up the country's procurement and vendor processes but also steered several small and medium enterprises towards a growth path," said Manoj Adlakha, SVP and CEO, American Express Banking Corp., India in a statement.

The report said that business-to-business (B2B) spending among respondents is likely to increase by 10.3 per cent in 2022 after 9.4 per cent growth in Q3 2021 from the year-ago period. "Indian businesses saw spending grow three times faster than the expectations from its comparable peers in the other countries, establishing a lead that is likely to only consolidate," it added.

The spending jumped across nine key B2B categories in Q3 with the highest rise of 12 per cent in raw or processed materials such as chemicals, metals, lumber, followed by 9.7 per cent growth in advertisements, sales and marketing spend, 9.5 per cent in technology spends, 9.1 per cent in financial services from Q3 2020. The total B2B spend in Q4 is expected to be 9.3 per cent from Q3 2021.

“This shows that the Indian economy is very much in its bounce-back phase from the economic difficulties caused by the pandemic crisis,” said Adlakha. The report was similar to the Global Business Spend Indicator (GBSI) report which was conducted in six other countries Australia, Canada, Japan, Mexico, the United Kingdom, and the United States.

Source: financialexpress.com– Jan 23, 2022

HOME

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US & India should set bold goals to achieve USD 500 billion in bilateral trade: new USIBC president

After achieving enormous progress in their overall relations, the US and India must now set bold goals to take their ties to a new level and achieve the ambitious target of USD 500 billion in bilateral trade, Atul Keshap, the new president of the influential US India Business Council (USIBC) has said.

“I think it’s vitally important that we show that democracies can deliver; that the United States and India can be a driver of global growth, growth and a model for prosperity and development in the 21st century,” Keshap told PTI in an interview. Keshap, a veteran American diplomat, has served in various capacities during his illustrious career with the US State Department. These included the US Ambassador to Sri Lanka and the Maldives and Principal Deputy Assistant Secretary of State.

Last year he served as the Chargé d’affaires of the United States mission to India, during which he helped shape the India US relationship in the first year of the Biden Administration.“I feel it’s vitally critically important that we show that open societies powered by free enterprise can be relevant for their people and can help power the world out of this pandemic.

I tend to agree entirely with President (Joe) Biden and Prime Minister (Narendra) Modi that the US India Partnership is a force for global good and it’s going to have a huge impact on economic growth on reducing poverty on global security and dealing with all of the challenges of our time,” he said.

“So, upon deeper reflection,” the 50-year-old former diplomat noted, he decided that USIBC is the place where he can put the most effort into helping people of the two countries. US Chamber’s president Suzanne Clark in her speech last week drove home the point that democracies need to be ambitious, and they need to think boldly.

“We need to move forward on the global trade agenda. We need to ensure the prosperity of the future, especially after this pandemic,” he said. During the interview, he referred to the vision of Biden, which he set as the vice president, about potentially having USD 500 billion in trade in goods and services between the United States and India.

“That’s a very ambitious number and I believe in it. It is a great idea to try to have ambitious targets and to be ambitious if we in our democracies are not ambitious, then we are only at a standstill. So, we should always be improving,” he said.Keshap said, last year, he was most impressed by the reaction by American business and the USIBC membership, wherein hundreds of companies rushed aid and oxygen supplies and ventilators to India in its moment of need.

“We never forgot back in America that when we needed help early in the pandemic, India came to our aid. And when India needed help we did our utmost to bring aid to India,” he said.“That’s what friends do. We have to work together. If democracies don’t work together, it’s going to be a much darker future for all of humanity. This is something I profoundly believe in. I’m optimistic. I’m ambitious. The Chamber is optimistic and ambitious. The member companies of USIBC are fully dedicated to seeing greater growth in trade and economic relations between the United States and India. I want to put my energy, my entrepreneurial spirit, my spirit of service and devotion to this relationship to work,” he asserted.

In his new role, Keshap said he wants to help meet that USD500 billion bilateral trade goal.“This is where the government and the private sector have to work together hand in hand. They have to build an argument that people of our free countries can believe in. Ours are democracies. We have to obey the will of the people: 1.7 billion Americans and Indians working together,” he said.“So, we have to articulate the vision and the ambition, and we have to articulate the benefits and we have to convince all of our stakeholders that there is value in lowering trade barriers. There is value in creating strong standards. There’s value in creating positive ecosystems. There is value in dealing with small technical issues that might be creating a blockage to greater prosperity between our countries,” Keshap said.When Keshap, first as a US diplomat, started working on India US relationship the bilateral trade was USD20 billion, which increased exponentially to USD147 billion in 2019.

“So, we’re on the way. That is because of positive, friendly, mutually respectful work between bureaucrats, politicians, technical experts, corporate officials to try to make sure that that number continues to grow,” he said.Keshap articulated that the two countries need to be ambitious now. “This is a dangerous moment in world affairs,” he said. There are all kinds of stresses and challenges during the pandemic, including economic stress, challenges from other countries and other systems.

"I think it is incumbent upon the United States in India to build the strongest possible relationship for our own safety and wellbeing. That is profoundly linked to the economic and commercial and investment relationship. The more we can talk to each other as friends to build a robust Indo Pacific supply chain that weaves us more closely together, the happier I'll be," Keshap said.

The more than a dozen non-stop flights between India and the United States, he said: "is the symbol of how much growth we've had and how close are countries are getting. What I want to do is put even more energy into seeing that expand. I have a very very ambitious vision of what the US in India can achieve together."

Total bilateral trade between India and the US stood at USD 80.5 billion in 2020-21 as against USD 88.9 billion in 2019-20. India's exports to the US stood at USD 51.62 billion in 2020-21 as against USD 53 billion in 2019-20. India's imports from the US stood at USD 28.9 billion in 2020-21 as against USD 35.9 billion in 2019-20, according to commerce ministry data.

Source: financialexpress.com - Jan 21, 2022

HOME

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Banks seek ECLGS extension, payments companies want zero-MDR gone

Banking industry lobby Indian Banks' Association (IBA) has requested the government to extend the Emergency Credit Line Guarantee Scheme (ECLGS) by another year to March 31, 2023. The Covid-era credit guarantee scheme is targeted at smoothening financing for small enterprises and an extension will support micro, small and medium enterprises (MSMEs), who still need help, bankers said.

According to the latest notification issued by the National Credit Guarantee Trustee Company (NCGTC) on October 4, 2021, the ECLGS will be in force till March 31, 2022, or till guarantees for loans worth Rs 4.5 lakh crore have been issued. In its first iteration, issued in May 2020, the scheme offered a 100% government guarantee for 20% additional funding to eligible MSMEs. In 2021, the outlay under the scheme was enhanced to Rs 4.5 lakh crore, with an incremental support of 10% being guaranteed over and above the initial 20% support amount.

"The measures banks have requested are mostly pertaining to support for MSMEs, who are yet to fully recover from the blows of the pandemic. We are specifically asking for an extension for the ECLGS," a senior banker said. A recent report by the State Bank of India's (SBI's) economic research division said of the extended limit of Rs 4.5 lakh crore, 64.4%, or Rs 2.9 lakh crore, had been sanctioned by November 21, 2021.

In a separate representation to the government, payments industry body Payments Council of India (PCI) has requested a rollback of the zero-MDR (merchant discount rate) regime for Unified Payments Interface (UPI) and RuPay debit cards or to incentivise the industry with a Rs 4,000-crore allocation to compensate for the revenue lost thereof. The zero-MDR regime, under which merchants have to pay no fee to payment infrastructure providers for UPI and RuPay debit card transactions, has been in place since December 2019.

Vishwas Patel, chairman, PCI, and director, Infibeam Avenues, said, "We request the government to consider a rollback of zero-MDR, with a view to broaden and significantly grow the merchant acceptance base particularly in the MSME space and also to facilitate the deployment of payments infrastructure by non-bank players, who have been the biggest deployers of capital in this area for the past few years."

Source: financialexpress.com- Jan 22, 2022

HOME

****

German firm withdraws from organic certification in 'third countries' temporarily

LACON dubs EU regulations 'political move', unclear and arbitrary

One of the leading organic certification agencies in Europe, LACON GmbH, has decided to withdraw from certification in third countries, including India, temporarily in view of the changes in the European Union's Organic Farming Regulation.

In a statement issued on Thursday from its headquarters Offenburg in Germany, LACON, which has an Indian subsidiary LACON Quality Certification (India), said it was withdrawing from certification in third countries as the conditions for "organic regulations" were changing.

Forced to change course

LACON, which has over 30 years of experience in the organic sector, said it was being forced to "change course and withdraw" from the certification, as a result.

In particular, it found fault with the EU publication of regulation 2021/2325 issued last month, saying "the principles and requirements are increasingly unclear and decisions are becoming arbitrary".

In the regulation issued last month, the European Union said organic products imported by member countries should not only ensure they are processed properly but should also be free from any chemical residues.

Focus on residue-free

LACON said the focus on residue-free as an organic characteristic for products from a third country was a "political move away from the process certification".

"We necessarily see ourselves compelled to withdraw from the international organic business for the time being. This, (is) until the conditions regarding the new certification system (compliance) in third-country are clarified and the requirements are on a solid firm basis. We deeply regret this situation," it said.

Won’t vouch product integrity?

A trade analyst said the latest EU regulation on organic products called for process and product integrity. “By withdrawing from the organic certification in third countries, Lacon does not want to vouch for the product integrity,” the analyst said.

Till now, all organic consignments had to be certified for process rather than the product. The certification agencies supervise the process through which an organic product is made and clear them for shipments.

However, with tests in Europe showing the presence of pesticide or other chemical residues, the EU has decided to tighten the regulations, which required any organic products imported by member countries to be totally free of residues.

India is among the countries whose organic products have come under increased scrutiny from the EU. Last month, the EU decided to blacklist five certifying bodies from January 1 this year for clearing or ratifying exports of organic products as they failed to meet the norms for ethylene oxide (ETO) residue in consignments, mainly sesame (til/gingelly).

On India’s part, the Agricultural and Processed Food Products Export Development Authority, which is the supervising body, has banned five certifying bodies for failing to meet the regulatory standards.

Won’t affect India

The analyst said LACON’s withdrawal from third countries will not affect organic shipments from India as there are other agencies that can take care of the certification processes.

In the statement, LACON told its clients: “... we would like to be honest at this point, let common sense prevail and act preventively so that our well-known quality and your certification are not at risk. We are aware that this decision will also affect you in the short term. We will, therefore, do what we can to support you during this challenging time, such as switch to another certification body.”

However, the certification firm assured to bounce back once the “storm” settles down.

LACON is accredited by National Accreditation Body, Government of India, as per National Program for Organic Production (NPOP). It also offers organic certification as per USDA-NOP standards for products destined for export to the US. The firm is also listed as an equivalent certification body by European Union for the purpose of equivalence.

Source: thehindubusinessline.com– Jan 21, 2022

HOME

****

NAEC seeks govt intervention in containing high cost of cotton yarn, fabrics to boost exports

The Noida Apparel Export Cluster (NAEC) on Sunday sought immediate intervention of the government in containing high cost of cotton yarn and fabrics, saying rising prices are impacting exporters. NAEC president Lalit Thukral suggested control in cotton exports, removal of 10 per cent cotton import duty, and development of a mechanism to regulate the prices of cotton and other raw materials to support the sector.

"Apparel industry is facing a severe problem of high cost of cotton yarn and fabrics. During the last couple of months the cotton prices have been hiked up to 80 per cent. The prices of the cotton per candy of 335 kg went to Rs 74,000 from Rs 37,000. In apparel making, 75 per cent of raw material used is cotton," he said.

He added that the unexpected steep price rise of the cotton posed a great challenge to the apparel manufacturers and exporters as it is hurting the production cost, which has been increased many folds.

"Indian exporters are losing export orders and facing tough competition in the global export market. Moreover, they are also losing confidence of the importers and the buying houses," Thukral said, adding the major reason for this situation is unchecked export of cotton to competing countries like Bangladesh, Vietnam and Thailand.

MSME apparel production units are facing the high price rise issue along with capital and liquidity crunch.

He added that the prices of the fabrics have been increased to Rs 40-50. Bangladesh, Vietnam Thailand and other countries are manufacturing apparels with low production cost because of cotton imported from India and posing strong competition to India in the global market.

"Immediate intervention of the government is needed to save the apparel industry," he said adding "unlike Bangladesh, we are not having free trade agreements".

Source: economictimes.com– Jan 23, 2022

HOME

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Unicorns mop up 61% of start-up funding in CY21

In CY21, Indian start-ups raised around two times more in investments against the previous year, out of which 61% were raised by 42 unicorns alone. Around 10-15% start-ups now have at least one woman co-founder, including 10 unicorns.

Indian start-ups raised around $24.1 billion in equity financing in CY2021, of which the majority was poured into unicorns, according to the Nasscom Startup Ecosystem Report 2021. Last year, the Indian tech start-up ecosystem had seen the addition of around 2,250 new entities.

In CY21, Indian start-ups raised around two times more in investments against the previous year, out of which 61% were raised by 42 unicorns alone. Around 10-15% start-ups now have at least one woman co-founder, including 10 unicorns.

Close to 24% of the unicorns and the 135 potential unicorns identified by Nasscom are actively acquiring, investing or collaborating with other start-ups, contributing a sizeable chunk to M&A deals in CY21. The report said there was a two-time increase in M&A deals executed by these, compared with CY20.

The report also added that some 1,180 unique start-ups received funding in the same year. Out of this, around 690 start-ups that were founded before CY21 raised their first round ever. The unique start-ups that raised their first round in CY21, secured cumulative funding worth $1.1 billion, which is 2.7 times higher than 2020.

Enterprise Tech, BFSI, EdTech, Retail and Retail tech continue to be investor favourites at early stage. BFSI witnessed a breakout year, accounting for 15 unicorns, 35 potential unicorns, and 25% of investments in 2021. Retail and retail tech, edtech, food tech, SCM & logistics cornered 35% of investments. Agri tech, automotive, social platforms, industrial and manufacturing also witnessed a significant up-tick in funding in CY21.

Around 750 institutional investors participated in various funding rounds in CY21. The pool of active angel investors went up to 2,400 in CY21, up by 20% from when compared with CY20. Around three times more investors participated in mega-rounds (deals >$100 million) against 2020.

More than 260 unique corporates were active investors in start-ups in CY21, up from around 170 in CY20. The report also pointed that out of the 175 new corporates that invested in start-ups in CY21, around 52% were global MNCs.

Around 6.6 lakh direct jobs and 34.1 lakh indirect jobs were created by start-ups in the last decade alone. Nasscom estimates the cumulative valuation of the start-up ecosystem to be around $320-330 billion in current prices.

Also, around $400 million was transferred in wealth across 10,000 employees via ESOP buybacks, according to the report.

Source: financialexpress.com– Jan 22, 2022

HOME

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Will a legally binding MSP deliver?

The discussion over agricultural price policies has now been very extensive and the pressures for arriving at a key framework for such a policy has been intensified by the withdrawal of the three Farm Bills that sought to provide a framework for price policies as part of a policy for the management of the entire supply system of the markets for agricultural produce.

One of the issues that has come up in this debate is the possibility of a Minimum Support Price with legal/ legislative backing. A legally binding MSP will mean that no one can buy from the farmers at a price below MSP. Any violation can become a punishable offence. There is of course a reason for such a demand.

Prices which farmers receive tend to get depressed when there is abundant production and may fall even to levels at which farmers would not recover the cash expenses incurred by them. One reason for the weakness in agricultural prices in the face of abundant production is the lumpy nature of agricultural produce that arrives in the markets and the demand being not necessarily so lumpy.

The need for transportation and storage to manage such situations and the costs involved affect the returns to farmers. Production level well beyond the market demand cannot be sustained, unless there is a compensation beyond the market price to the producers.

In the absence of such a mechanism, production may not reach the desired level. It must be accepted that MSP is only a mechanism to reduce the inherent market risks in farming but cannot be the mechanism to manage the transitions needed to address medium term issues such as the changes in farming practices or changes in cropping pattern. Transition from one type of cropping pattern to another does involve costs to the producers.

Procurement operations

The role of MSP in an environment in which procurement operations are undertaken to meet the needs of foodgrain under the Public Distribution System is different from a situation when it is used as a price stabilisation mechanism. The distinction between a procurement price and MSP needs to be understood. MSP is a price stabilisation tool, assuring farmers a minimum support. Procurement price can have multiple goals and can be fixed taking into account many other considerations.

We had argued earlier that (BusinessLine, November 29, 2017) when market prices go below the MSP, what needs to be procured in such situations is the additional output over what is normally absorbed by the market. It is not necessary to procure all the output.

Any procurement by the government would also need to have a disposal strategy. Selling the excess stocks back in the market subsequently would affect the prices to the farmers. The longer term concern regarding the demand for the specific farm produce — within the country and exports — is an issue that requires to be dealt with separately.

The present system of procurement has come to mean the so-called MSP is essentially the procurement price, although additional payments such as the bonus by the State governments, may further increase the price received by the farmers.

The present recommendations on the MSP consider a wide range of expenses incurred by the producers, including a provision of a margin (which is substantial at 50 per cent under the Swaminathan Committee recommendations) for the farmers in addition to the cash expenses and other imputed expenditures. Its origin lies in the need to provide an 'incentive price' to the farmers to produce the crop, and in the times when there were supply shortages.

Fixing an MSP at a level where the government alone becomes the dominant or only buyer would distort the markets and render it fiscally unsustainable, given the fact that even when the government is buying about a third of rice and wheat produced, the food subsidies are seen to be unsustainable. Again, the issue is not one of a one-time intervention but one where such interventions may recur frequently unless the supply system adjusts to the emerging demand conditions.

MSP announced by the Central government for paddy (rice) and wheat have increased by 5.9 per cent and 5.3 per cent, respectively, average per year, in the period from 2016-17 to 2020-21. During this period, the government procured 35-49 per cent of production of rice and 25-35 per cent of production of wheat. The upper end of the procurement rates occurred in the more recent years.

Thus in substance we argue that we should not blur the distinction between MSP and procurement price. In the case of wheat and rice, the system of procurement has a long history. MSP in the case of these agricultural products has been elevated to the level of procurement price. It may be difficult to change the situation as there is also a commitment to a public distribution system.

In the case of other food commodities, a legally binding MSP can be introduced. In such a situation, MSP must strictly cover only costs and, if necessary, a small margin. That should limit the price uncertainty induced by the markets. As mentioned earlier, a very high margin over costs will result in the government becoming the only procurer and such a situation would become unsustainable.

Reliance on MSP alone would not be appropriate for ensuring either food security or improving farm income. The institutional arrangements to ensure fair and competitive markets are also essential for the MSP to play its role in providing a protective price environment for the farmers.

Source: thehindubusinessline.com– Jan 23, 2022

HOME

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Cotton price in Tamil Nadu increases by Rs 43,000 per candy in two years

The steep rise of cotton over the last two years has landed textile manufacturers in a crisis, manufacturers say the price of cotton candy rose from Rs 37,000 in 2020 to Rs 80,000 this year. Spinning mills owners say the spiralling price of raw material has weakened their position in the global market.

South Indian Textile Association chairman Ravi Sam said, "Cotton price rose to Rs 51,500 in April and then to Rs 68, 000 in October 2021. During the same period, yarn price stood at Rs 331 per kg. Now, the yarn price has risen to Rs 401 per kg as cotton costs Rs 80,000 per kg."

Southern India Mills Association general secretary K Selvaraju said, "If this situation continues, the textile industry will not sustain its position in the domestic and international market."

Selvaraju explained, that to contain the price, the speculative market should be regulated by hiking the investors' margin cost on cotton trade to 25 per cent from 11 per cent. The Central government must also eliminate the import duty of 11 per cent on cotton to ease the price in the domestic market, he asserted.

Source: newindianexpress.com– Jan 22, 2022

HOME

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