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INTERNATIONAL NEWS

Weakening CAFTA origin rules will leave US apparel supply chain exposed

The NCTO cites research by Werner International which says the current rules of origin in the CAFTA-DR supports more than one million US jobs and US$12.5bn in two-way trade as well as fostering significant and impactful investments in manufacturing and apparel production.

The study also finds various proposals aimed at weakening the CAFTA-DR agreement's "carefully negotiated and longstanding" textile rules of origin would severely harm the region and US and result in massive job, investment, and export losses, the NCTO says.

"The Werner report comes at a pivotal time, as the global supply chain crisis and concerns over forced labour in Xinjiang have sparked a shift in sourcing out of Asia and a renewed focus on nearshoring and onshoring jobs back to the Americas.

As outlined in this report, the US-CAFTA-DR agreement is a critically important and deeply economically impactful agreement that has fostered a co-production chain for textiles and apparel supporting over one million jobs in the region and the US," says NCTO president and CEO Kim Glas. "This is due to a key element of the agreement called the 'yarn forward rule of origin,' a unique investment-based rule that ties lucrative duty-free access to the US market to investment in yarn, fabric, and cut-and-sew production in the region and the US."

"We appreciate the broad bipartisan support, including from the administration, for maintaining the essential yarn forward rule of origin and ensuring those rules are not eroded through harmful changes. This common support for preserving the provision is vital to the bipartisan efforts focused on ushering in a new era of American manufacturing prowess and economic prosperity.

Conversely, the report found that weakening the rules by adding 'flexibilities' such as cumulation and short supply changes would exacerbate the migration crisis by devastating our industries and further tether us to our counterparts in Asia, including China."

Key Findings from Werner report:

Adverse consequences to adding flexibilities to/weakening the yarn forward rule:

Destroys US and Western Hemisphere textile employment, with a total projected loss of more than 307,000 US textile and cotton farming jobs and a loss of 250,000 jobs in Central America's primary textile industry.

Devastates US cotton farmers, currently employing 115,000 people in 18 states. Projected sales drop of 30% for US and Western Hemisphere cotton growers.

Provides direct and indirect backdoor access to Chinese textile inputs, further perpetuating Xinjiang forced labor.

Chills future investment and destabilises current investment in region. Over $1bn in capital investments have been made in CAFTA-DR countries since 2005, which have helped create a vertical regional production chain. Weakened rules place major future and long-term US investments at risk.

Cripples efforts to construct a viable domestic/nearshoring supply chain for personal protective equipment (PPE).

Exponentially increases greenhouse carbon emissions through transpacific shipping and Asian coal-fired energy.

Jan Urlings, vice chairman of Werner International, notes: The data overwhelmingly demonstrates that the current co-production chain would be undermined by subsidised Asian/Chinese fabrics and yarns whether directly or indirectly through a third party, would devastate direct and indirect textile employment and investment in the US, the region and the entire Western Hemisphere. It would also exacerbate enforcement issues associated with Xinjiang cotton produced with forced labour."

Patrick McHenry, Textile Caucus co-Chair, adds: "The global supply chain crisis triggered by the coronavirus pandemic has exposed our severe overreliance on China. This report showcases that onshoring and nearshoring of this critical production chain is critical for the US textile industry and workers in the CAFTA-DR region. The US-CAFTA-DR trade agreement has spurred hundreds of millions of dollars of investment because of the strong rules of origin that support this co-production chain. Any erosion of these rules would harm American producers and exacerbate the immigration crisis. As supply chains are pivoting, we must seize on the opportunity for

growth in good paying jobs in both the US and the region and end our overreliance on China."

The report makes a series of recommendations to help improve the competitive position of the CAFTA-DR region:

Better coordination among lending agencies of the federal government, such as the US Agency for International Development, Inter-American Development Bank, and Export-Import Bank, to ensure targeted, strategic investment in this sector and competitive low or zero interest financing and loan guarantees.

Support for a comprehensive infrastructure plan with targeted, high-impact investments and competitive loans to upgrade regional power grids, roads, and local ports would pay immediate dividends.

Provide incentives to the Western Hemisphere co-production chain for carbon emission reductions and sustainable products.

Ensure trade stability in the region by maintaining maximum pressure on China, including enforcing the US ban on cotton and cotton products made with forced labor in Xinjiang.

Refrain from changing cumulation and short supply process, which would lead to a surge of third-country yarns and fabrics and displace hundreds of thousands of jobs in the region and US.

Oppose granting duty-free access and other benefits through an expansion of the Generalized System of Preferences (GSP) programme to apparel and textiles and negotiating free trade agreements with major Asian suppliers.

Close the de minimis loophole for imports from China that allow goods valued at $800 or less to enter duty free if imported by one person on one day.

Previously, the apparel and textile trade body for the Dominican Republic launched a call to action in order to increase trade, investment, and employment in the CAFTA-DR region.

Source: just-style.com– Jan 26, 2022

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More pain for emerging economies when developed world raises rates: IMF

Emerging economies that face inflationary pressure as they come out of the coronavirus pandemic are likely to feel more pain when interest rates are raised in the developed world, International Monetary Fund (IMF) Deputy Managing Director Gita Gopinath said on Tuesday.

"We are entering a period where global interest rates will start going up as major central banks around the world start raising interest rates," Gopinath told a news conference after the release of the IMF's latest World Economic Outlook. "That also then can create headwinds for the recovery for some emerging and developing economies."

The IMF reduced its 2022 growth forecasts for the emerging economies in Asia to 5.9% from 6.3% previously in its latest outlook, while reducing its growth expectations for the US economy to 4% from the previous 5.2%.

Gopinath said the diverging recovery version seen in the recovery prospects across countries has unfortunately persisted and is "still very much the case."

"We've seen advanced economies... back to pre-pandemic trend levels this year while for many emerging and developing economies... not all are the same. Countries that do have a large amount of external financing that rely on short-term foreign exchange borrowing and don't have enough reserves... would be much more subject to turbulence in markets," she said.

The US Federal Reserve is expected to announce at the conclusion of its January policy meeting on Wednesday that it will raise interest rates for the first time since the coronavirus outbreak in March of 2020.

Money market traders have forecast at least three US interest rate hikes this year, with a quarter percentage-point rise each time. The Federal Reserve left interest rates at near zero after the coronavirus outbreak, but is forced to raise them to stave off inflation, which has hit 40-year highs from trillions of dollars of pandemic relief spending.

Source: business-standard.com– Jan 26, 2022

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China's cross-border e-com growth to continue in 2022 with challenges

Propelled by new business forms like overseas warehouses, technological advances and growing demand for stay-at-home products, growth in cross-border e-commerce in China will continue throughout the year despite challenges, according to experts and business leaders, who said that strong industrial and supply chain resilience will continue to provide a solid base for the sector to grow.

The latest general administration of customs data showed China's cross-border e-commerce imports and exports totalled 1.98 trillion yuan ($311.9 billion) in 2021, expanding by 15 per cent year on year. Exports totalled 1.44 trillion yuan, up 24.5 per cent on a yearly basis, according to reports in official Chinese media.

DHgate, a leading Chinese B2B cross-border e-commerce market platform, has seen a continuous surge of Chinese products in international markets. The top five countries importing Chinese goods from DHgate are the United States, the United Kingdom, Australia, Canada and France. There is also rising demand from emerging markets such as the Seychelles, Zimbabwe and Senegal, the company said.

Diane Wang, founder, chairperson and chief executive officer of DHgate, said there will be stable growth in cross-border e-commerce trade for personal protective equipment, stay-at-home economy products such as home video and audio systems, monitors and small kitchen appliances.

There will also be large demand for China's electric bicycles, scooters and related accessories such as tires since overseas consumers are switching from public transportation to private transportation in countries like Italy, France and the United Kingdom, she said.

JD Global Sales, Chinese internet giant JD's cross-border e-commerce platform, has also seen a strong presence in global markets given China's swift growth in the sector.

JD has now been operating roughly 80 bonded and overseas warehouses globally. It can provide an integrated full-chain solution to meet sellers' diverse demands, such as transportation by air, rail, sea and truck between

China and the US, as well as the European, Middle East and Asia-Pacific regions.

JD's worldwide supply chain network has reached more than 220 countries and regions. It is building a robust and efficient cross-border infrastructure for global sellers and shoppers which feature two-way, 48-hour delivery pathways.

Logistics, however, will be the largest obstacle for cross-border e-commerce as the global supply chain has suffered due to the pandemic, resulting in product shortages, lack of efficiency and disruption, according to Diane.

Micro, small and medium enterprises, which form the majority of sellers on DHgate, also need to update their digital mindset and capacity to remain resilient and seek better growth. There is still not enough training available for suppliers, nor enough funding to support their digitalization efforts, she added.

Source: fibre2fashion.com– Jan 26, 2022

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UK retail sales volumes fall at fastest rate in 11 months in Dec 2021

UK retail sales volumes fell by 3.7 per cent in December 2021, the largest monthly fall (minus 8.3 per cent) since January 2021, but remained 2.6 per cent higher than their pre-COVID-19 levels. This followed growth of 1 per cent in November (revised down from 1.4 per cent). Most such fall in December were in non-food stores, which saw sales volumes dipping by 7.1 per cent in December.

Sales volume dipped by 8 per cent, 6.3 per cent, 3.2 per cent and 8.9 per cent respectively in clothing stores, department stores, household goods stores and other non-food stores, which includes retailers such as sports equipment, games and toy stores, according to data from the National Statistics Office.

The value of online spending fell by 1.8 per cent in December 2021. Despite this fall, the proportion of online sales rose slightly to 26.6 per cent in December 2021, from 26.3 per cent in November 2021.

Source: fibre2fashion.com– Jan 27, 2022

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USA: Demand for cotton continues to press supplies and prices

Even as the global commodities market slowly starts to recover from the supply chain, pricing and availability issues that have defined the business for the past two years, a blue-ribbon panel of cotton experts is predicting that these factors will remain as the industry moves further into 2022 but that demand will stay at its current higher levels.

At a panel discussion that was part of Home Textiles Today's Material Changes conference late last year, also simulcast as part of the Supima Harvest Symposium, speakers forecast ongoing strong demand for cotton home textiles products without appreciable changes in the global availability. This will be especially true in premium extra-long-staple cotton, where Supima is the world's leading supplier.

"We've seen a tremendous recovery in the global cotton demand," said Dr. Jody Campiche, vice president of economics and policy analysis for the National Cotton Council, comparing it to the early stages of the pandemic. "In fact, it was the second highest level in history."

The issue, however, is supply, she said. Even though fewer planting acres in 2021 still produced a higher yield, "the availability of U.S. cotton is very limited with low stock levels coming into the new year."

Cotton inventories are a global issue, she said. While India, the world's second largest cotton grower, produced about the same amount it had the previous year, the crop in China – the largest grower – was significantly lower. Pakistan, the fourth largest grower, had a larger crop in 2021 but that comes after five years of declines, and its yield last year is just getting back to those earlier levels.

For Supima, which represents less than 1% of the American cotton crop (the U.S. is the world's third largest cotton grower), last year's crop was just 350,000 bales, versus 800,000 as recently as four years ago. Marc Lewkowitz, president and CEO of Supima and a second panelist, said it is expected that the 2022 plantings will be similar to last year with maybe a "little bump up."

What all of this means, the panelists agreed, is that prices for cotton will continue to be at historically high levels. “Prices are up due to the increased demand,” said Dr. Campiche. “And we’re likely to see those prices remain at higher levels.”

When asked about the impact on pricing of the ban on certain cotton out of China, Dr. Campiche said that was not a factor. “China will use its domestic cotton for consumption within the country and imported cotton for the products it exports.”

A third panelist, Joe Dixon, chief operating officer for apparel brand J. Hilburn, said all of these factors are causing end users – retailers and manufacturers of home and apparel products made of cotton, to plan better and anticipate potential surprises. Still, he said, “there will be price increases.”

All three panelists did agree that even as cotton prices continue at their higher levels, it won’t mean a loss of market share to synthetic products as happened the last time prices spiked in 2010-2011. “These are different times than we saw in 2010,” said Lewkowitz. “Supply chains are very different and demand is very different today than it was back then.”

“We’re not seeing any switchover to manmade fibers,” added Dr. Campiche. “There’s still very strong demand for cotton products.”

Source: hometextilestoday.com– Jan 26, 2022

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China: Cotton futures close higher

Cotton futures closed higher Wednesday in daytime trading on the Zhengzhou Commodity Exchange (ZCE).

The most active cotton contract for May 2022 delivery gained 5 yuan (about 79.06 U.S. cents) to close at 21,680 yuan per tonne.

On Wednesday, the total trading volume for six listed cotton futures contracts on the ZCE was 230,807 lots with a turnover of 25.06 billion yuan.

As the world's largest producer, consumer and exporter of textile, China listed cotton futures on ZCE in June 2004, helping cotton-related enterprises hedge the price risk.

Source: china.org.cn– Jan 26, 2022

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Vietnam-US trade hits $111.56 bn in 2021

Vietnam-US trade hit $111.56 billion in 2021, up by nearly $21 billion over the previous year, according to Vietnam's general department of customs. The figure made the United States the second trade partner having over $100 million import-export turnover with Vietnam after China.

Last year, Vietnam's exports to the United States rose by 25 per cent to nearly $96.3 billion, accounting for 28.6 per cent of the total exports.

Vietnam exported textiles and garments to the United States last year worth $16.1 billion, up by 15 per cent over 2020 figures, according to a news agency report.

Last year, the country imported nearly $15.27 billion worth of goods from the United States, mainly computers, electronics and components as well as machinery, equipment and parts.

Direct flights between both the countries have resumed and Vietnamese businesses are increasing investment in the United States to expand their presence in there.

Source: fibre2fashion.com– Jan 26, 2022

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How Nike turned its brand into a $35 billion cognitive 'shortcut'

A brand is not an esoteric concept. It is a tangible asset that can be worth billions of dollars. So, what exactly is a brand? Is it a symbol? A story? An economic model?

In a world with more than 500,000 brands competing for attention, where humans are exposed to 5,000 brand messages per day, where the human brain consumes 11 million bits of information every second, a brand is a shortcut that helps people process and understand the meaning behind logos. That cognitive shortcut is a business's most important asset. It can be worth billions of dollars. How those brands are valued has gone through revolutionary change in recent years.

The story of Nike, a brand now worth $35 billion, highlights the difference between the old way of branding, and how it has changed. It reveals that brands are no longer built based on how they are portrayed. Now, brands are built based on how they behave.

Early on, Nike was not a flashy brand. It created a functional product that was used only by expert runners. Then in 1987, Nike invited the ad agency Wieden+Kennedy to pitch it on a new campaign. The night before the big pitch, Dan Wieden came up with Nike's legendary tagline. He grabbed a stiff drink and turned on his TV to relax.

On the news was the execution of Gary Gilmore, who had been convicted of killing two people in Utah. Gilmore's last words before facing the firing squad were "Let's Do It." The line broke through the stress and ignited something in Dan's mind. He shifted a couple of words and decided on an 11th-hour pivot to "Just Do It."

Since then, Nike has turned Just Do It into a multibillion-dollar asset. But that road has not been without its rocks. In fact, Nike almost lost it all in a moment that highlights how transparency has changed the game from the old image-based world of branding to the new world of behavior-based branding.

In 1997, Nike commissioned a confidential investigation by Ernst & Young that found atrocious conditions in the overseas factories that supplied its sneakers. The report was leaked to The New York Times and then made headlines everywhere. Nike didn't own the factories. The company outsourced all of its manufacturing to vendors around the world. But consumers didn't care and

held the brand responsible. As a result, the company's stock price tanked, and Nike lost 50% of its market cap virtually overnight.

Nike's products are just rubber, cloth, and stitching. The Swoosh, "Just Do It" slogan, and superstar endorsements create cognitive shortcuts to the company's values and its promise of integrity and quality. Suddenly, those shortcuts were telling a different story. Who wants to be associated with a brand that hurts women and children?

But here's the part of this story that I love: Nike changed. The company completely overhauled its supply chain. In 2005, Nike embraced transparency and released a global database of more than 700 factories. This wasn't required by law; it was a proactive step that signaled a dramatic shift from the brand's previously opaque supply chain. Nike decided to take a leadership position in ethical outsourcing in the industry.

Soon, Timberland, Puma, Adidas, and Reebok followed the brand's lead, ultimately shining a light on their supply chains and the treatment of their global workforce. Environmental impact statements soon followed. Nike's brand and financial value recovered and then grew exponentially, proving that you can't use PR or advertising to get past a brand crisis—you actually have to change your behavior.

Nike also proved that successful branding in the age of transparency isn't simply about strong ethical behavior; it's about marketing with a point of view. In 2018, the brand ran ads supporting Colin Kaepernick, the San Francisco 49ers quarterback who was the first professional sports player to protest racism by taking a knee during the national anthem before games—and consequently found himself without a job, shut out of the league. Those ads, which featured the stirring tagline "Believe in something, even if it means sacrificing everything" stirred up as much controversy as Kaepernick himself.

Nike lost about $3.5 billion in market cap in the immediate backlash from its Kaepernick endorsement. Media pundits declared that the brand would suffer severe long-term damage. But its core audience—younger, more diverse, more progressive—quickly rewarded Nike for demonstrating bravery and supporting racial equality. Within weeks, Nike's stock had more than rebounded. The risk paid off because brands don't need to please everyone. They need to be true to their values and core audience.

Source: fastcompany.com– Jan 18, 2022

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NATIONAL NEWS

IMF cuts India's economy growth forecast to 9% in FY22

The International Monetary Fund (IMF) has cut India's economic growth forecast to 9 per cent for the current fiscal year ending March 31, joining a host of agencies which have downgraded their projections on concerns over the impact of a spread of new variant of coronavirus on business activity and mobility.

In its latest update of World Economic Outlook on Tuesday, the Washington-based international financial institution, which had in October last year projected a 9.5 per cent GDP growth for India, put the forecast for the next fiscal FY23 (April 2022 to March 2023) at 7.1 per cent.

The Indian economy had contracted by 7.3 per cent in the 2020-21 fiscal year.

The IMF's forecast for the current financial year is less than 9.2 per cent that the government's Central Statistics Office has predicted and 9.5 per cent that the Reserve Bank of India has estimated. Its forecast is lower than the 9.5 per cent projection by S&P and 9.3 per cent by Moody's but more than the 8.3 per cent projection by the World Bank and 8.4 per cent by Fitch.

According to the IMF, India's prospects for 2023 are marked up on expected improvements to credit growth and, subsequently, investment and consumption, building on better-than-anticipated performance of the financial sector.

The IMF said that global growth is expected to moderate from 5.9 in 2021 to 4.4 per cent in 2022, half a percentage point lower for 2022 than in the October WEO, largely reflecting forecast markdowns in the two largest economies — the US and China.

A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-point revision for the United States, it said.

In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade.

The global growth is expected to slow to 3.8 per cent in 2023.

“Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective,” said the report.

In a blog post, IMF’s chief economist Gita Gopinath wrote that the continuing global recovery faces multiple challenges as the pandemic enters its third year.

The rapid spread of the Omicron variant has led to renewed mobility restrictions in many countries and increased labour shortages, she said.

Supply disruptions still weigh on activity and are contributing to higher inflation, adding to pressures from strong demand and elevated food and energy prices, Gopinath wrote.

Source: financialexpress.com– Jan 25, 2022

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India and US need a free trade agreement, says USIBC president

India and the United States must have a Free Trade Agreement for the protection of their businesses and people, Atul Keshap, the new president of the influential US India Business Council (USIBC) has said.

"It's incumbent upon both governments to be ambitious. It's incumbent upon well-wishers like USIBC and our member companies to show the pathway forward on the trade issues on investment. You know, we need a framework," Keshap told PTI in a recent interview.

"And FTA (free trade agreement) is something that we absolutely need to have between US and India for the protection and wellbeing of Indian companies and American companies, and the wellbeing of both of our peoples. So we should be ambitious, we should set bold goals," the veteran American diplomat said.

The former US foreign service official joined USIBC as its head this month.

"I would like to see continued growth on the strategic side. I feel like much good work has been done. In fact, so much so that I felt comfortable moving over to work on trade and economic issues. But there is still scope on the strategic side and we should continue to be close friends and continue our collaboration, he said.

Responding to a question, he noted the recently concluded Trade Policy Forum between the two countries had good outcomes in terms of addressing some of trade issues.

"I would love to see more good energy and outcomes from that. I do think it's important for us to start talking about how we frame our standards on digital economy and thereby will have an impact on the framing of global standards on the digital economy," Keshap said.

The pandemic has shown us that we have to be very, very watchful about supply chain issues. There have been a lot of supply chain crunches over the past couple of years. And to the extent that the US and India can work on creating a more seamless supply chain that connects our two economies and weaves in the broader Indo-Pacific, I think that's also very, very important, he said.

"Sky's the limit. Every time I look around at the potential in the relationship, I realise we've really only just begun.

Twenty years of solid work and effort have gotten us to this point, and there's plenty of upside, Keshap said, who has earlier served as the US' charge 'de affairs in New Delhi.

Source: business-standard.com– Jan 26, 2022

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Priorities for global trade in 2022

Matters haven't been helped by the fact that the WTO has had to postpone its Ministerial Conferences twice, once in June 2020, and then again in November 2021.

What are the key developments to watch out for in global trade in 2022

Managing the pandemic will remain a global priority. It will not be any different for the WTO. Within this priority, the most important goal for the WTO will be to ensure effective distribution of vaccines to various parts of the world.

The WTO hasn't yet been able to play a facilitating role in distribution of vaccines. Till December 31, 2021, 71% of the total vaccines exported worldwide have moved through various bilateral supply arrangement deals. Around 21% from the remaining share have been exported through COVAX, either through donations to the facility, or through supplies contracted by it. There have been quality issues with the COVAX vaccines with several recipient countries having had to reject the supplies received as they had come close to the expiry dates.

It is thus clear that vaccine trade has continued to be a 'managed' one. Recipient countries are working out supply arrangements with vaccine producers on pre-agreed terms for vaccine sale and delivery. This is hardly the uninhibited, cross-border flows of vaccines that should occur.

The ostensible reason behind vaccine exports (and imports) continuing to remain managed is pre-determination of vaccine prices. Vaccine producers are able to negotiate pre-determined prices with the buyers depending on the requirements of the latter as well as their abilities to pay. In this respect, vaccine export deals are resembling forward contracts executed for various commodities by different countries on pre-decided terms.

The WTO was expected to bring vaccine exports out of the pre-determined supply agreements and make them move freely. The fact that it hasn't happened that way till now, in spite of the Omicron variant sweeping across the world, shows that producers are able to dictate prices and terms of sale.

As more and more vaccines become available and overall global supplies increase, individual producers are likely to lose their command over setting

prices. Much would also depend on whether the WTO is able to reach a decision on not letting intellectual property (i.e. patents) become a factor in movement of vaccines. A multilateral consensus on this subject is extremely important.

India recently asked for a virtual Ministerial meeting of the WTO for working out a plan on the WTO's pandemic response with specific focus on the issue of waiving intellectual property rules for vaccines and other pandemic therapeutics. However, till now, there hasn't been any noticeable movement on the issue. Matters haven't been helped by the fact that the WTO has had to postpone its Ministerial Conferences twice, once in June 2020, and then again in November 2021.

While the Ministerial Conference is certainly important in taking a decision on waiving intellectual property rules and pushing the cause for global equity in vaccines, the difficulty of holding it face-to-face is not a good enough reason for the WTO not being able to decide on waivers. It must work out a way of progressing on the subject under these exceptional circumstances, whether it be through informal consultations among some key members, or speeding up text-based negotiations.

Production and distribution of vaccines will also feature prominently in the trade discourse outside the WTO in the coming year. Major global groupings like the G7 and G20 will continue to work on ensuring smooth flow of vaccines among their members. To some extent, vaccines will continue to figure in various FTA talks as well.

Along with a decision on intellectual property waivers on vaccines, the postponed Ministerial Conference of the WTO was also expected to work out an action plan for aligning global trade rules to climate action goals. This was imperative after the COP26 achieved tangible outcomes in its meeting last year.

Considerable movement on this subject is expected within the various FTA discussions that are taking place around the world. These include the FTAs that India is negotiating with the UAE, UK, Australia, Canada and the EU, some of which are expected to conclude towards the end of the year. In all these agreements, climate-friendly trade policies are expected to be drafted.

For this year, and also much of the foreseeable future, global and regional trade agendas are expected to stay focused on welfare-centric goals, most notably in public health and sustainable development. The focus has clearly

been hastened by the pandemic and the fact that it has proved stubborn and refused to go away. At the same time, however, the focus has come from the realization among trade policy makers that trade needs to be seen as standing up and delivering.

The current global context offers trade a great opportunity for refurbishing its tarnished image of having delivered benefits from globalisation in a discriminatory fashion. There is no better way of correcting the impression than contributing decisively to global public health and sustainable development goals.

However, the structural and procedural obstacles for doing so, visible most prominently within the WTO, and to some extent in regional and bilateral FTA spaces, can deny trade the opportunity to restore its benign image. The will to obtain good outcomes must be matched by efforts and results.

Source: financialexpress.com– Jan 27, 2022

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Budget 2022 expectations: Ease compliance rules for FTA imports to avoid future litigations

A Free Trade Agreement (FTA) is a treaty between countries to agree on certain obligations that affect cross-border trade. It makes trade between contracting countries as hassle-free as possible with specified duty exemptions to increase investment and trade flows within integrated economies.

FTAs can construct the economic framework within which the businesses and governments can operate. A well-designed and comprehensive FTA can provide multiple benefits, including access to the global market, preferential tariffs, and new business opportunities.

FTAs help overcome international trade barriers like tariff barriers, cultural barriers and non-tariff barriers created to safeguard domestic market/manufacturers. India has entered into multiple trade agreements and one unilateral DFTP (Duty-Free Tariff Preference).

FTAs provide duty concession/exemption on imports from contracting countries that are 'made in' the signatory member country. Each FTA carries its own 'Rules of Origin' (RoO) to prescribe criteria to be fulfilled for goods to attain 'originating status' in the exporting country. Originating criteria are generally based on domestic value addition and substantial transformation in manufacturing/processing.

In the Indian context, FTAs have influenced imports from contracting countries over the years with a startling reduction in duties and an increase in trade volumes. However, the Customs Department has noticed frequent misuse of benefits, mainly by misdeclaration of the country of origin, to avail duty benefits. These misuses have caused revenue losses and adversely affected the domestic industry.

In her Budget speech last year, Union Finance Minister Ms. Nirmala Sitharaman stated "It has been observed that imports under FTAs are on the rise. Undue claims of FTA benefits have posed a threat to the domestic industry. Such imports require stringent checks." Accordingly, Chapter VAA and section 28DA were inserted in the Customs Act, 1962 to obligate the importer to satisfy that the originating criteria on imports under FTAs have been met and to shift the onus of submitting additional information/documents required for establishing ROO criteria on the

importer, besides the submission of a valid Certificate of Origin (CoO). It further verifies the origin from foreign authorities, temporary suspension of the benefit of preferential treatment to importers, and situations under which a claim can be denied or rejected a certificate.

In terms of the above, Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR) has also been notified, whereby importers are required to provide certain additional information on the Bill of Entry (BoE) for imports under FTAs, inter alia originating criteria along with possession of sufficient information about the origin of goods, information about accumulation/cumulation as applied, whether a CoO is issued by a third country, etc.

It is essential to understand that the FTAs are backed by treaties between two Countries that also govern RoO. CAROTAR has been introduced by India to monitor all FTAs. Since contracting countries are not a party to the CAROTAR, it may also be considered as a unilateral add-on to the FTAs as the imports under the FTAs would also require compliance with CAROTAR.

Even though submission of any additional documents at the time of filing the BE is not mandatory, the conditions required to be met under CAROTAR are often unreasonable and impossible for importers to fulfil due to the complete dependency of information on the overseas exporter.

Due to the confidentiality and cost sensitiveness, exporters may disregard the request for additional data/documents that may be required in terms of the CATOTAR, resulting in a denial of concessional customs duty. Further, a free hand to customs authorities may result in denial of the duty concession even if the goods have a suspected origin criteria or the documents are found incorrect or incomplete as per the evaluation of authorities, causing genuine hardship to importers.

Thus, the requirements under CAROTAR have been observed to be cumbersome and challenging to importers due to arbitrariness, even though such compliances may not have been envisaged in the FTA between the contracting counties. It is thus expected that the Government may reconsider the insertion of section 28DA and CAROTOR in the upcoming budget and effect suitable changes to provide relief to the importer and avoid future litigations.

The Government may also consider electronic submission of the CoO, increasing time for re-assessment of BoE up to 3 years as allowed in the European Union and other Customs jurisdictions, other facilitations like exemption from submission of bank guarantee on FTA imports to AEO accredited importers, as the trade facilitation is in line with the idea of 'ease of doing business.

Source: financialexpress.com– Jan 26, 2022

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UK can gain 'first mover' advantage in India with FTA: Report

British companies are poised to gain from a "first mover" advantage ahead of the US and European Union (EU) in India as a result of a free trade agreement (FTA), which has the potential to overshadow other major UK trade deals, a new UK think-tank analysis said on Wednesday.

The Resolution Foundation is examining the economic impact of the UK's new trade pivot towards the Indo-Pacific region following Brexit. In 'A presage to India?', its latest report for "The Economy2030 Inquiry" with the London School of Economics (LSE) funded by the Nuffield Foundation, it noted that the economic benefits of a trade deal with India could eventually be even bigger than the "now defunct" trade deal with the US.

"UK firms exporting to India currently face far higher tariffs (19 per cent, on average) than they do to the US (2 per cent), so there is far more scope for trade liberalisation. Securing an FTA with India could also give UK firms a 'first mover' competitive advantage over exporting firms in the US and EU, which don't have preferential access to the Indian economy," notes the Resolution Foundation.

"India is forecast to become the world's third largest import market by 2050, while its demand for business, telecommunications and computer services – sectors where UK export firms already perform well – is expected to treble over the course of the 2020s.

UK business services exports currently under-perform in India relative to other Indo-Pacific regions – accounting for just 1.8 per cent of imports to India, compared to 3 per cent in China, and 4.2 per cent in Malaysia – so the potential for future growth is huge," it notes. The UK and India announced the launch of FTA negotiations earlier this month, with the first round of talks between officials kick-starting virtually last week.

The latest analysis finds that much of the focus around the UK's pivot towards the Indo-Pacific is around its ambition to become the first European nation to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – an agreement that could cover eight per cent of current UK trade. However, as the UK already has free trade agreements (FTAs) with the majority of CPTPP members, with 95 per cent of CPTPP trade already covered by FTAs, a trade agreement with India could

have a “far bigger impact”, the report says as India is a faster growing economy than the CPTPP bloc.

The think-tank also flags that while there are clear potential benefits of trade liberalisation with India, UK firms will also be exposed to “far more uncertainty about competition from Indian exporters”.

The Indian economy has already developed a comparative advantage in exporting some business services, and is changing far more rapidly than more advanced economies, with eight sectors emerging as new comparative advantages for India – including pharmaceuticals and R&D – compared to just one in the US in the past 10 years, the analysis finds.

“Having raised trade barriers with Europe, and given up on a new US trade deal, the UK’s trade strategy has now pivoted towards the Indo-Pacific region,” said Sophie Hale, Principal Economist at the Resolution Foundation.

“While much of the focus has concentrated on becoming the first European country to join the huge CPTPP region, the far bigger potential economic gains and risks lie in more trade with the huge, rapidly growing, but still relatively closed Indian economy. Trade liberalisation with India is expected to boost UK manufacturing in the short term, but could also benefit business services, where UK firms already enjoy a competitive advantage, and where demand is set to soar,” she said.

“But India is changing as well as growing, so any trade deal means accepting uncertainty about the competition that will face UK firms, as the price for access to a fast-expanding market,” she added.

A successful pivot towards a closer trade relationship with India rests on the idea that the UK can, in services, emulate the German goods success in exporting high value manufacturing to China, while avoiding a new “India shock” – similar to the “China shock” that hit US manufacturing – in which business services firms in the UK are undercut by Indian imports with lower labour costs, the think tank warns.

Source: financialexpress.com– Jan 26, 2022

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‘Reducing import tariffs on inputs under India-UK FTA can help attract more UK investments’

Slashing of import duties on inputs such as auto parts and bulk alcohol by India, under its proposed Free Trade Agreement with the UK, can help it attract more investments from British companies which have alternative destinations to chose from such as Vietnam and Thailand, according to Kevin McCole, Managing Director, UK India Business Council.

“UK companies are already major investors in India but there is an appetite to invest much more. Investment decisions are a major call taken by a board and companies are looking at many options such as Thailand, Vietnam or China...Tariff reduction on inputs as part of the FTA can facilitate those investments into India,” McCole said in an interview to BusinessLine. There are more than 500 UK companies operating in India employing over 4 lakh people directly.

Boosting bilateral trade

Commerce & Industry Minister Piyush Goyal and UK International Trade Secretary Anne-Marie Trevelyan, formally launched the negotiations for an India-UK FTA earlier this month following which the first round of talks took place. The free trade pact seeks to double bilateral trade in goods and services from existing $50 billion annually to $100 billion by 2030.

Lowering of import duties on inputs would not only bring down costs of doing business in India and increase its attractiveness, it will also help India export more, McCole said. For instance, Scotch whisky, which attracts import duty of 150 per cent, is imported into India mostly in the bulk form which is then bottled or blended in the country. “What is under appreciated is the fact that the imported Scotch is also exported from India (after blending). A decrease in import tariffs will also bring down costs for Indian exporters and make their products more competitive,” McCole explained.

While both sides want reduction in import duties on goods, the UK industry also wants a greater alignment of standards and reduction in non-tariff barriers such as ease in movement of goods through ports and an alignment of data protection. “We made the recommendation on data protection as it is of primary interest to our industry. Transfer of data should be straight and simple,” McCole said, adding that the UKIBC would make further

submissions in the area. India is in the process of firming up its own data protection rules and is likely to move cautiously in the area.

India's stress on visa liberalisation for its professionals and workers is unlikely to be a deal breaker as the UK, on its own, has extended several relaxations for all countries over the last few months, McCole said. Increased opportunities for professionals and workers in both countries would emerge from the mutual recognition agreements (MRAs) that are likely to be worked out for various professions, he added.

Under MRAs, partner countries agree to recognise each other's certifications and degrees. For instance, if there is an MRA for Chartered Accountants, then one who has earned the qualification in India can work in the UK and vice versa.

Source: thehindubusinessline.com– Jan 26, 2022

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Economic Surveys way off mark in projecting outlook in recent years

Economic surveys are essentially prescriptions made by the economic advisors in the finance ministry, led by the chief economic advisor. This time, there is no chief economic advisor, as was the case when the Modi government assumed office in 2014. In recent times, even before Covid hit the economy, making projections for the next year, particularly for GDP growth, has become tricky. Of the eight surveys presented during the Modi regime so far, three predicted either a somewhat correct number or underestimated the actual growth. One was presented when the base year was changed in between. The remaining four, all presented during the past four years, were way off the mark in predicting growth numbers. Let us analyse each of these surveys five days ahead of presentation of the one for 2021-22 in Parliament:

Economic Survey for 2013-14:

This survey was authored by a team led by Arvind Mayaram, then economic affairs secretary. One should note that the Survey projects economic growth for the next year and generally takes GDP expansion for the current year from the advance estimates. In this respect, this survey seems to really underestimate economic growth (see chart). However, by the time actual numbers for GDP came, the methodology for computing it had changed. Now, GDP was calculated at market prices (which includes indirect taxes) unlike factor cost (sans indirect taxes), which had been the practice till then. Besides, value addition is taken into account in various sectors such as agriculture, industry, services from the supply side of the computation.

The survey called for de-regulating diesel prices. In fact, this recommendation was implemented in October of that year.

The survey focused on reviving investment. It said this required a three-pronged approach that worked on improving India's long-term growth prospects. This strategy was to work through ensuring low inflation by putting in place a framework for monetary policy, fiscal consolidation, and food market reforms. It mentioned the Urjit Patel Committee's recommendation of reining in inflation at 2-6 per cent. The monetary policy committee of the Reserve Bank of India was set up with this mandate later in June 2016.

The survey called for tax reforms through the goods and services tax (GST) and direct taxes code. While GST came over three years later, the direct taxes code was shelved a year after. Only in 2017, the government appointed a committee under Central Board of Direct Taxes member Arbind Modi to redraft direct taxes. Its report was also junked and another committee was appointed under then CBDT member Akhilesh Ranjan. Though the committee has submitted its report, its report was also junked. Meanwhile, both Modi and Ranjan have retired.

Economic Survey, 2014-15:

This was the first survey under then chief economic advisor Arvind Subramanian. Taking inspiration from the International Monetary Fund's World Economic Outlook, this Survey departed structurally from its predecessors and was presented in two volumes. Volume one discussed the outlook and prospects as well as a number of analytical chapters addressing topical policy concerns. Volume two described recent developments in all the major sectors of the economy and contained all the statistical tables and data. In a sense, volume one was forward-looking but gained from the perspective provided by the recent past, which was the subject of volume two.

The survey was close to predicting the correct GDP growth number, though closer to the lower end of its range. Against its prediction of 8.1-8.5 per cent range, the actual GDP growth turned out to be eight per cent.

The survey focused on the trinity of Jan Dhan, Aadhaar, and Mobile (JAM). The government has really moved ahead with the concept and implemented it.

So far, the government has transferred close to Rs 21 trillion through direct benefit transfer (DBT) cumulatively. During 2021-22 alone, it has given Rs 4.53 trillion to beneficiaries. The government claimed that gains worth Rs 2.23 trillion have been made during the current financial year so far by reducing pilferage etc. While it used 312 schemes in 54 ministries to transfer the money, DBT in the sense of money transfer to beneficiary accounts could not be implemented in major schemes such as public distribution system and fertiliser subsidy. While DBT was piloted in Puducherry and Chandigarh in PDS, it ran into rough weather. In fertiliser subsidy too, the beneficiaries were identified through Aadhaar card, but it is not used for DBT.

Economic Survey, 2015-16:

Economic growth for 2016-17 turned out to be much higher, at 8.3 per cent, than predicted by this survey (7-7.5 per cent) despite demonetisation. This may also be due to the revisions in the growth rate in the later years. Though one may say this survey was also off the mark in predicting the number, underestimating the growth rate would not have had as disastrous an impact as overestimating it.

The survey talked of creating a more competitive environment by addressing the exit (Chakravyuha) problem that bedevils the economy and is an impediment to investment, efficiency, job creation and growth. The government later enacted the Insolvency and Bankruptcy Code of India. Rules on bankruptcy are yet to be notified to deal with individual and non-corporate cases. The survey also talked about major investments in people--their health and education--to reap the demographic dividend.

However, the allocations are yet to see any major uptick in terms of their proportion to GDP. The National Education Commission (1964-66), popularly known as Kothari Commission, had recommended a six per cent GDP expenditure on education. The latest draft of the National Education Policy 2019 states that the government has never been able to meet the target. The National Health Policy of 2017 wanted the Centre and states to spend 2.5 per cent of GDP on the health sector, but the share has remained more or less constant at 1.15 per cent.

Economic Survey, 2016-17:

The actual economic growth rate for 2017-18 fell between the range predicted by this survey (see chart).

The survey segregated the time of presenting Volume-1 and Volume-2. Volume-1 was presented in February 2017 after the government announced demonetisation in November 2016. Volume-2 was presented in August 2017, a month after the GST was introduced.

The first volume talked of doing full justice to demonetisation and then proposed GST, or else it risked being "Hamlet without the Prince of Denmark". It said that while analyzing demonetisation was complex, one could definitely say that there were short-term costs; however, there were also potential long-term benefits. The survey suggested that appropriate action could help minimize the former and maximize the latter.

The Survey advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty. It pointed out that the two prerequisites for a successful UBI are: (a) functional JAM (Jan Dhan, Aadhar and Mobile) system as it ensures that the cash transfer goes directly into the account of a beneficiary and (b) Centre-State negotiations on cost sharing for the programme. The UBI idea still remains in the conceptual stage. One may argue that PM Kisan Samman Nidhi which transfers Rs 2000 to every farmer in a quarter is also a kind of UBI, albeit confined to the farm sector alone.

The survey proposed the setting up of a public sector asset rehabilitation agency (PARA), which is essentially a centralized bad bank. The idea was discussed repeatedly but could be implemented in 2021-22. The bad bank, National Asset Reconstruction Company Limited and asset management company , the India Debt Resolution Company Limited, were announced in 2021. However, the Reserve Bank of India's approval for the implementation of the dual structure is still awaited.

Economic Survey, 2017-18:

From here onwards, the surveys could not project the economic growth rate correctly and overestimated it by a huge margin. Against its projection of 7-7.5 per cent, the GDP growth rate turned out to be just 6.5 per cent for 2018-19. The survey suggested quick remonetisation, push for digitisation, bringing land and real estate under GST ambit, reduction in taxes and stamp duties and an improved tax administration system as key reform measures to ensure long-term economic benefits. Among these recommendations, bringing land and real estate under the GST domain remains a challenge. However, income tax rates, both personal and corporate, were reduced drastically. Also, a faceless system of assessment was kicked in income tax which is a major tax administration reform.

Economic Survey, 2018-19:

The first survey, authored by the current chief economic advisor Krishnamurthy Subramanian, was way off the mark in predicting GDP growth rate. The economy grew at the rate of just four per cent against seven per cent projected by the survey. This was probably due to the slowdown which had cast its shadow on the economy, and the initial impact of Covid-19.

The survey proposed a well-designed minimum wage system as a potent tool for protecting workers and alleviating poverty, saying the present structure has 1,915 minimum wages for various scheduled job categories across states.

The government did enact a law on minimum wages in August 2019, but it awaits implementation since the code on wages along with three other labour codes are yet to be notified.

Economic Survey, 2019-20:

The year 2020-21 is a difficult year for anyone to predict in the beginning of the calendar year 2020. That's Why the survey, tabled in Parliament in January end, projected the economy to grow by 6-6.5 per cent. However, the economy contracted by more than this rate -- 7.3 per cent.

The survey recommended aggressive divestment of central public sector enterprises (CPSEs). It suggested the government take a leaf out of Singapore's Temasek model and transfer its holdings in central public sector enterprises to a separate corporate entity, which would be managed by an independent board. This entity can then continue to divest individual units at appropriate points in time. The aim of any privatisation or disinvestment programme should be maximization of the government's equity stake value, the survey said, while proposing the new structure.

The Budget for 2020-21, tabled in Parliament a day after the survey was presented, did project an aggressive disinvestment and strategic sales which would fetch the government Rs 2.10 trillion in the year. However, the government is nowhere close to the target with the mop up standing at close to Rs 32,000 crore in the Revised Estimates.

The survey also suggested solutions that can make public sector banks more efficient. To incentivize employees and align their interests with that of all shareholders of banks, bank employees should be given stakes through an employee stock ownership plan (ESOP) together with proportionate representation on boards proportionate to the blocks held by employees, it suggested. While banks have started giving ESOP to employees, the board representation is nowhere in sight.

The survey came out with the concept of "thalinomics" to gauge the money that a common person pays for a vegetarian or non-vegetarian thali. Using the annual earnings of an average industrial worker, the survey found that the affordability of vegetarian thalis improved 29 per cent from 2006-07 to

2019-20, while that of non-vegetarian thalis improved by 18 per cent. Basically, it defended the Modi government's inflation management control. With the government providing free food grains through PDS to the vulnerable sections in the Covid years of 2020-21 and 2021-22, thali for those having PDS grains must have come down. But, for those who are out of PDS scheme, thali prices must have gone up in 2020-21 up with food and beverages inflation standing at 6.95 per cent that year. However, food and beverages inflation came down to 3.57 per cent in the first nine months of 2021-22.

Economic Survey, 2020-21:

The Economic Survey projected the growth rate of 11 per cent for the current financial year. However, the survey could not predict the devastating second wave of Covid. The first advance estimates have put it at 9.2 per cent. Many economists believe that the official estimates have not taken into account the full impact of Omicron. As such, the growth rate could come down further.

The survey suggested printing more money, saying it does not necessarily lead to inflation and a debasement of the currency but could -if invested in projects with positive societal value-- actually be beneficial to citizens. Various views were expressed for both in favour and against its favour. However, RBI governor Shaktikanta Das junked the idea in June, when he said there was no plan to print more currency notes.

Table: Economic Survey: Projected versus actual economic growth

Economic Survey	Economic growth projected for next year in % YoY	Actual economic growth in % YoY
2013-14	5.4-5.9*	7.4
2014-15	8.1-8.5	8.0
2015-16	7,0-7.5	8.3
2016-17	6.75-7.5	6.8
2017-18	7.0-7.5	6.5
2018-19	7.0	4.0
2019-20	6.0-6.5	-7.3
2020-21	11.0	9.2**

Notes:

* Base year is 2004-05, the base year is 2011-12 for all others including actual growth in 2014-15

** Advance Estimates for 2021-22

Source: Economic Surveys and MoSPI

Source: business-standard.com– Jan 27, 2022

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India's international trade: Potential areas of action for Budget 2022

The focus of the oncoming budget is expected to be towards keeping the growth and recovery momentum alive while safeguarding economic security and taking the economy further towards green and sustainable growth. While the threat of the Omicron variant is regarded as transitory, fiscal measures that keep the foot on the accelerator for the economy, are expected to continue.

When we drill down from these overall objectives and examine potential areas of action in specific sectors and international trade, some possibilities stand out visibly. However, the Government of India is privy to multiple inputs, internal analysis as well as competing interests of various economic agents. Add to that the myriad messages that the budget encapsulates in our democracy, and it makes the act of predicting what the Finance Minister will propose on the 1st of February 2022, with regard to imports and exports, not an easy one.

Firstly, as prior to every budget, in the current year too, there are demands for lowering customs duties on certain products. Such demands are usually made with plausible justification for some food products, raw materials and inputs or intermediate goods for manufacturing industries. In 2022 such demands have been made most noticeably for metals like aluminum and steel, electronic components, inputs for manufacture of electric vehicles, electric vehicles themselves, products that are a part of the health infrastructure and certain products that lead to an inverted duty structure.

Many of these demands do align with the Government of India's efforts to embed India into global value chains for what were called network products (i.e. products with globally fragmented production processes and controlled by MNCs within their global production networks) in the Economic Survey of 2020. Accepting other duty reduction proposals could help rein in inflation or further the transition to a green economy.

The healthcare sector could also see some tariff reductions. It is a fair expectation that some of these demands for duty reduction would be accommodated in this year's budget, with a prioritization towards redressing an inverted duty structure wherever possible. The reductions in duties could indeed spur domestic manufacture in some sectors, adding to the recovery momentum.

At the same time the government will need to, at least partly, offset some of the revenue giveaways with duty increases on some other products. It is likely that Finance Ministry could target the twin objectives of tariff protection and revenue mobilization through such increases. Such possibilities exist for finished goods wherein the government wishes to attract manufacturing investment through Production Linked Incentive (PLI) schemes. The schemes open currently include specialty steel, apparel and textile products of man-made fibres and semiconductor products. Some of these products are protected from duties by international agreements, e.g. duties on many Information Technology products cannot be imposed due to India's commitments under the Information Technology Agreement. It remains to be seen as to whether the government does impose duties on such sectors and what workarounds are found to avoid violations of commitments under plurilateral agreements. This becomes especially relevant as the PLI scheme with the largest outlay is for semiconductor manufacturing, an area which is now considered by many countries as a part of their economic, cyber and physical security.

Another area of action could be that of a sustainable green economy. While India has made protestations about the iniquitous burden of remedying climate change upon developing countries, both the Prime Minister and the Finance Minister have displayed their strong inclination towards treading a green path to economic development. So, while India has expressed its opposition to the EU Carbon Border Adjustment Mechanism, it may stand to lose less and gain more by initiating a similar mechanism in India. Such an action, in the medium to long run, could protect domestic industries from competition from more carbon intensive producers outside India and also increase India's market access in the climate conscious developed world. The budget 2022 could make a beginning in this direction even if concrete fiscal measures like carbon tariffs or a border adjustment mechanism are some years into the future.

In addition to the aforementioned expectations on international trade from the Budget 2022, we also need to watch out for the Foreign Trade Policy announcement which has been deferred for the past two years. The refreshed trade governance landscape of India would emerge after both these events have occurred.

Source: economictimes.com– Jan 25, 2022

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Indian economy has recovered 'handsomely' from pandemic-induced disruptions: Arvind Panagariya

The Indian economy has recovered 'handsomely' from the pandemic-induced disruptions, former Niti Aayog Vice Chairman Arvind Panagariya said on Tuesday, while expressing hope that the recovery will be sustained and the growth rate of 7 to 8 per cent will be restored. The Indian economy has recovered 'handsomely' from the pandemic-induced disruptions, former Niti Aayog Vice Chairman Arvind Panagariya said on Tuesday, while expressing hope that the recovery will be sustained and the growth rate of 7 to 8 per cent will be restored.

Panagariya suggested that the government must now signal its intention to wind down fiscal deficit by cutting it by half-to-one percentage point in 2022-23.

"The Indian economy has recovered handsomely, returning to its pre-COVID GDP... Only private consumption is still below its pre-COVID-19 level," the eminent economist told PTI in an interview. While an advanced estimate by the Ministry of Statistics & Programme Implementation (MoSPI) places India's GDP growth in 2021-22, at 9.2 per cent, Panagariya said this is higher than any other country this past year and the recovery has also been across-the-board.

The economy, which was significantly hit by the pandemic, had contracted 7.3 per cent in the last fiscal. Panagariya noted that the dominant view among epidemiologists now is that with a large proportion of the population now having antibodies due to past infections from different variants of the virus or vaccination, there is now a high chance that the epidemic is about to enter the endemic phase.

"If this indeed comes to pass, I expect the recovery to sustain and the 7 to 8 per cent growth to be restored," Panagariya said.

Panagariya suggested that the government must now signal its intention to wind down fiscal deficit by cutting it by half-to-one percentage point in 2022-23.

"We should not live beyond our means since it imposes a larger debt burden on the next generation," Panagariya, who is currently a Professor of Economics at the Columbia University said.

Due to the COVID-19 pandemic, the fiscal deficit ballooned to 9.5 per cent in the first pandemic year 2020-21. The government aims to achieve a fiscal deficit of 6.8 per cent of the gross domestic product (GDP) in the current financial year (2021-22).

On rising inflationary trends, he observed that inflation is a concern in the United States, where it has reached 7 per cent, the highest in the last 40 years, but not in India. “In India, it has remained within the target range of 2 to 6 per cent,” he pointed out.

Retail inflation in India rose to 5.59 per cent in December 2021, mainly due to an uptick in food prices, while the wholesale price-based inflation bucked the 4-month rising trend and eased to 13.56 per cent last month, as per latest official data.

As regards the rise in the interest rate (taper tantrum) in the US, Panagariya said they may lead to some capital outflows, but he does not expect them to be significant enough to cause a repeat of summer 2013.
“But I do hope that the RBI allows the rupee to depreciate a little further when such outflows take place,” he said, adding that this will incentivize exports on the one hand and reduce the temptation on the part of the government to raise tariffs.

Taper tantrum phenomenon refers to the situation in 2013, when emerging markets witnessed capital outflows and spike in inflation after the US Federal Reserve started to put brakes on its quantitative easing programme.
Replying to a question on cryptocurrencies, Panagariya said that the government never succeeded in controlling Hawala transactions and “the same is going to be true of cryptocurrencies even if we ban them.

So, a prudent course of action is to regulate rather than ban them,” he suggested.

Panagariya stressed that it is best to create a regulatory regime for cryptocurrencies that encourages the reporting of transactions done in them rather than force them to go underground.

India is contemplating bringing a bill in Parliament to deal with the challenges posed by the unregulated cryptocurrencies. Currently, there are no particular regulations or any ban on use of cryptocurrencies in the country.

He further noted that the RBI's proposed Central Bank Digital Currency (CBDC) is definitely an idea worth serious study and consideration.

On delay in privatisation of two public sector banks, Panagariya said he had feared that backtracking on farm laws will encourage others to resort to agitation to block reforms too. "This seems to be clearly the case with Bank employees who are well organized," he said.

Panagariya suggested that a prudent course for the government would be to offer Voluntary Retirement Scheme (VRS) packages to those unwilling to work in the banks after privatization.

"I think the government will recover the associated expenditure in enhanced price it will receive since the buyer will then be getting only employees who are motivated to work," he said. In the Union Budget for financial year 2021-22, the government had announced its intent to take up privatisation of two public sector banks.

Source: financialexpress.com– Jan 25, 2022

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Directorate General of Trade Remedies (DGTR) takes Proactive measures to check unfair trade practices

DGTR (Directorate General of Trade Remedies) of the Department of Commerce has issued 56 final findings since April, 2021 in in Anti-Dumping (AD)/Countervailing Duties (CVD)/Safeguard (SG) investigations.35 more investigations have been started since April, 2021 and many more are in pipeline.

It may be noted that the Directorate General of Trade Remedies (DGTR) is a quasi-judicial body functioning under the aegis of the Department of Commerce, Ministry of Commerce and Industry, Government of India. The DGTR serves as a watchdog against unfair trade practices resorted by the producers/ exporters in foreign countries and aims to create a level playing for the Indian industry. The unfair trade practices that the DGTR acts against are in the form of dumped imports or subsidised imports or imports that circumvent existing anti-dumping/countervailing duties. DGTR also protects the domestic industry from surge in imports that harm the Indian industry.

The function of the DGTR is to conduct an elaborate investigation into the complaint filed by the Indian domestic producers allegedly injured by the unfair trade practices adopted by foreign producers/ exporters and then take a decision on whether or not to recommend imposition of duty. Final decision regarding imposition of duty recommended by the DGTR is taken by the Ministry of Finance, Government of India.

An application to initiate an investigation is generally filed by the domestic industry, after which, the DGTR initiates the investigation and invites participation of all stakeholders – domestic industry, foreign producers, exporters, importers, users and their associations.

The DGTR then gathers evidence from each stakeholder to examine the allegations of domestic industry. It is only after the detailed and elaborate examination of facts, data and legal submissions of stakeholders that DGTR arrives at the conclusion regarding recommendation of duty depending on whether or not the domestic manufacturers have suffered material injury or threat of material injury by the dumped or subsidized imports.

All investigations are required to be concluded within 12 months. This period is extendable upto 18 months. However, the average time to complete the investigation has consistently been reduced by the DGTR and it usually endeavours to complete most investigations within 5-7 months for ensuring a faster relief to the domestic industry.

Several reforms have been carried out by the Directorate in its processes and procedures through greater use of digital platform, simplification of application formats, annexures and questionnaires and introduction of self-certification in conducting trade remedy investigations.

These steps will minimize the need of physical interface and lead to enhanced speed, efficiency and transparency and will usher in a new regime of trade facilitation by substantially reducing compliance burden on the stakeholders.

Introduction of sampling procedure recently for fragmented industry will greatly reduce compliance burden for such segment of domestic industry and facilitate enhanced availment of trade remedy instruments by MSMEs and fragmented industry.
Initiatives were also taken for amendment in the Anti-Dumping, Countervailing and Safeguard Rules. Anti-circumvention provisions have been strengthened and anti-absorption provisions introduced.

The duties recommended by the DGTR have had a positive impact on several Indian industries. The Indian industries that have benefited from this duty have been able to enhance their production capacity, attract substantially more investments, and generate more employment.

Source: pib.gov.in– Jan 25, 2022

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India-South Africa trade exceeds $10 billion target set by leaders

Trade between India and South Africa has exceeded the USD 10 billion target set by the leaders of the two countries, Consul General Anju Ranjan announced at a reception here on Wednesday to celebrate India's 73rd Republic Day.

"India-South Africa trade has crossed the landmark. We have achieved the 100 per cent target and now it has increased from USD 10 billion to USD 11.6 billion," Ranjan said.

This was despite the restrictions posed by the COVID-19 pandemic in both countries, she added.

"We were able to organise many commercial activities despite the challenges of lockdowns, sometimes in India and sometimes in South Africa.

"We held many virtual exhibitions and buyer-seller meets in different sectors like ceramics, telecom, agriculture, printing and textiles during this period to improve bilateral trade between the two countries," Ranjan said.

"In between, we were able to send delegations to India for physical buyer-seller meets and exhibitions for food processing and handicrafts," the diplomat said as she highlighted that new ties were forged through visits to the various provinces of South Africa.

"Notwithstanding the pandemic, the improvement in trade relations between our two countries is a positive step. We aspire to do much more in the coming months in the areas of spices, IT, telecom, mining, pharma and textiles," Ranjan said.

In his keynote address, High Commissioner Jaideep Sarkar lauded the Indian companies who were contributing to the economic development of South Africa.

"I am happy to say that over 150 Indian companies have invested more than USD 10 billion in South Africa, employing over 20,000 South African nationals. These companies bring critical skills, technology and entrepreneurship and create jobs, income and wealth for both India and South Africa," he said.

Sarkar also congratulated the global Indian diaspora, which he said is now an influential community.

"We are equally proud of the Indian diaspora in South Africa, whose journey since 1860 is a story of struggle, sacrifice and hardship. Its contribution to the anti-apartheid struggle and later to building a free, democratic and multi-racial South Africa is well-recognised," he said.

"India has always been an all-weather friend of South Africa and Indians and Africans have had historically close ties spanning centuries. We look to the diaspora to further expand, enhance and enrich these bonds in the years to come," Sarkar added.

Maropene Ramokgopa, Special Adviser on International Relations to President Cyril Ramaphosa and a former Consul General in India, said the Red Fort Declaration signed by the late president Nelson Mandela and then Indian prime minister HD Deve Gowda in 1997 paved the way for the successful trade relations between the two countries.

"The Red Fort Declaration has really been able to assist us to be able to reach a lot of bilateral trade and also broad policies that we share today. If it was not for that declaration, I do not believe that we would have been able to be where we are today," she said.

"India and South Africa have been working together to reshape the international agenda in many international groupings, from the corporate world to the G20," Ramokgopa added.

Source: business-standard.com– Jan 27, 2022

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Fictitious farmers' groups may affect credibility of Indian organic exports

The internal control system (ICS) mechanism of organic certification shows Aadinath Krishi Seva Samithi as an organic cotton growers group in Madhya Pradesh's Khargone district. But it is one of the fictitious organic produce growers groups listed in the ICS mechanism. Several such fake organic produce growers groups exist in the system, which tends to question the credibility of the Indian organic certification system. The existence of the fake groups has now drawn the attention of a Lok Sabha member.

Khargone Member of Parliament Gajendra Patel is reported to have flagged the issue in a letter to the Commerce Ministry. The MP has voiced his concern over the exploitation of farmers by a "cotton mafia". He has sought the continuation of the suspension on five certification agencies besides a detailed enquiry on the issue. Patel has sought stringent action against the companies. When contacted, he neither confirmed nor denied the letter and declined to comment on the issue.

Organic industry experts are calling for stringent action by the Centre to check such practices. They fear that the Agricultural and Processed Food Products Export Development Authority (APEDA) might lose relevance in Europe and other countries if this continues. It could, potentially, impact India's export of organic products.

Organic cotton farming

The US and Europe are the major markets for India's organic apparel. Under the Paramparagat Krishi Vikas Yojana (PKVY), the government has been promoting organic farming in clusters to lower the costs on certification and help improve marketing. According to official data, organic cotton production in India is estimated about 1,23,000 tonnes or 51 per cent of global organic cotton output of 2,40,000 tonnes. Major producers are Madhya Pradesh, Maharashtra, and Karnataka.

India lost organic recognition from the US Department of Agriculture (USDA) in June 2021 after it did not renew the agreement with APEDA. USDA, in September 2021, had flagged challenges related to India's organic control system and said in a report "increased incidences of fraud continue to impact the credibility of India's organic sector, and its exports."

Pressure on prices, quality

The listing of large scale fake organic farmers results in increased supply in the market and exert pressure on genuine organic cotton farmers to reduce their price. This leads to these growers who many times donot getting a reasonably good price for their organic produce, experts said. The price of organic cotton, on an average, is 30-40 per cent higher than non-organic fibre. andIf falsely-labelled organic cotton is eliminated, , farmers will realise much higher price .

Between 2013 and 2020, three companies were either suspended or their registration not renewed by APEDA, while another company's license got suspended earlier this month. All these four companies are believed to be involved in certification of organic cotton in addition to other products, sources said.

As per India's National Programme for Organic Production (NPOP) standard, an ICS can have a maximum of 500 farmers. In accordance with the sampling plans and procedures, the certification agencies are required to inspect 32 farmers in a year. Based on gestation period, number of crops, number of external inspections and risk criteria, the certification agencies would inspect a maximum of 182 farmers in three years in an ICS out of 500.

It takes three years for a farmer to convert his field from conventional to organic. The allegation is that certification agencies have inspected more than the permissible number of farmers in a grower group, which needs a detailed investigation by authority, said a state government official.

"The issue of organic cotton should be seen in continuation to past events such as withdrawal of the mutual recognition by the USDA and banning of five Indian organic certification agencies by the European Commission. The organic regulations have moved from process integrity to product integrity. As data is the foundation of the organic certification process, a detailed examination and impartial investigation is required for data cleansing. Otherwise, our organic equivalence with European Union will be at stake," said S Chandrasekaran, a foreign trade analyst and an expert in global organic farming regulations.

Source: thehindubusinessline.com– Jan 26, 2022

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Phased introduction of Labour Codes on cards

The labour ministry is mulling over introducing the four labour codes in a staggered way, beginning with the least controversial and pro-labour codes.

The two codes which may come in from the next fiscal will be the Social Security Code and the Code on Occupational Safety, Health and Working Conditions. The idea is to get going on the codes, which have been pending for implementation for more than a year now, said people aware of the matter.

The Parliament had passed the Code on Wages in 2019 while the Code on Industrial Relations, the Code on Social Security and the Code on Occupational Safety, Health & Working Conditions were passed in 2020.

"There is a thinking at the highest level on implementing the codes in phases, though no decision has been taken yet," a senior government official aware of the deliberations told ET on condition of anonymity.

Labour secretary Sunil Barthwal did not respond to a query from ET.

The Social Security Code, 2020 provides for a universal social security, starting with the gig workers who would be covered under the Employees' State Insurance Corporation, besides paving the way for the government to merge all existing social security schemes under the code.

The Code on Occupational Safety, Health and Working Conditions (OSH&WC Code) provides for longer work hours, double the wages in case of overtime beyond the fixed work hours and a single licence for contractors and staffing firms, allowing them to operate pan-India under one registration, as against the prevailing situation where they have to obtain separate licences for operating in each location.

"Given the fact that the codes have long been enacted, the central government would introduce them in a phased manner and may reach out to states to fast-track framing rules across the Social Security Code and the OSH&WC code which are considered least controversial," said labour expert KR Shyam Sundar.

The other two codes, the Code on Wages, 2019 and the Industrial Relations Code, 2020 have financial implications on the employer and hence the industry has been seeking more time from the government to tide over the Covid-19 crisis before it takes on any additional financial burden.

The Code on Wages provides for a minimum statutory wage for the entire country while capping the allowances to 50% of the wages, a move that will cost more to the employer and would require tweaking of existing salary structure.

The Industrial Relations Code, on the other hand, eases rules for hiring and firing for employers while limiting the power of the trade unions to negotiate and significantly reducing the scope for employees or unions to go on a strike.

Source: economictimes.com– Jan 26, 2022

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This startup is spinning yarn on solar charkhas, weaving fabric on solar looms and stitching clothes with solar sewing machines

During the pandemic, renewable energy giant ReNew Power stepped in with its CSR initiative and helped Greenwear make masks. In four months, Greenwear made five lakh masks with the help of 240 women who were paid Rs 4 per mask.

National Institute of Fashion Technology (NIFT) graduate Abhishek Pathak looks at the sun and weaves a dream for every day: Engage 5,000 women across India in spinning 5,000 metres of yarn on solar charkhas that would help weave 50,000 metres of fabric to be metamorphosed into 25,000 pieces of garment. All these on an every day basis.

That looking at the sun is not an invocation of the gods, it is an integral part of Abhishek Pathak's dream-weave - he is the founder and CEO of Greenwear, the country's first brand for solar-vastra (yarn is spun on solar charkhas, fabric is woven on solar looms and garments are stitched on solar sewing machines).

Incorporated in 2019, Greenwear offers a unique marketplace for eco-friendly, decentralised textile value chain, while generating livelihoods for rural women by addressing three key issues simultaneously - pollution by the fashion industry (fashion industry is the world's second-largest polluter), poverty in rural India, and empowerment of rural women who comprise 81.29% of the total female workforce in India.

That solar dream of community and capacity building did not spring overnight. With no entrepreneurial strand in his DNA helix, but with a major in textile designing from NIFT Delhi, Abhishek started out as design and product development head of a US-based luxury home fashion brand and then moved up the ladder as lead business development of textile and craft at Drishtee Foundation and later as CEO of Bhartiya Harit Khadi Gramodaya Sansthan. During his last two stints, Abhishek realised that there is a direct link between the rural socio-economic structure and traditional textiles and crafts.

That realisation and the learning came in handy when Abhishek decided to establish Greenwear with support from the incubator Indian Institute of Management-Calcutta Innovation Park (IIMCIP) and Villgro Innovations

Foundation. Headquartered in Lucknow (Uttar Pradesh), with its manufacturing unit located in Safedabad (Barabanki, Uttar Pradesh), in its first year, Greenwear worked with 370 weaving artisans who produced around 2.25 lakh meters of fabric with a turnover of Rs 2.5 crore. The artisans took home approximately Rs 9,000 per month for their engagement with Greenwear and as a bonus picked the skill of operating a solar charkha.

"For the artisans, it was a remarkable jump in revenue generation and commendable decrease in manual labour. In a manual charkha, a woman can spin only 60-100 grams of yarn in the 8-hour day and earn Rs 50-60, while with a solar charkha, the spun yarn can hit the 1 kilogram mark and the wage goes up to Rs 200 a day. Since there is no drudgery in operating solar charkhas, one woman can easily run two machines simultaneously and earn up to Rs 12,000 per month while working from her home," Abhishek said.

Greenwear was started with both the B2B (business to business) and B2C (business to customer) business models. It signed up with buyer partners like W for Women and Aurelia, both leading womenswear retailers of traditional wear, and spread the solar charkha dreams to various locations in Uttar Pradesh and Bihar. In one year, Greenwear procured 49,500 kilogram of yarn produced by 590 rural women from Nawada (Bihar) and Varanasi (UP). The yarn was further distributed to various traditional textile clusters: Gaya (Bihar), Bhagalpur (Bihar), Varanasi (UP), Bijnor (UP) and Barabanki (UP), where it was woven by traditional weavers into fabrics. When the pandemic struck, though, demand for the fabric spiralled downward.

Thankfully, amidst the despair, Abhishek found a few messiahs. Greenwear was one of six companies selected for the 'Powering Livelihoods' programme run jointly by the Council On Energy, Environment and Water (CEEW) and Villgro Innovations Foundation. CEEW and Villgro provided the much-needed mentorship as well as technical and financial support to keep it afloat. Renewable energy giant ReNew Power stepped in with its CSR initiative and helped Greenwear make masks. In four months, Greenwear made five lakh masks with the help of 240 women who were paid Rs 4 per mask. In all, during the pandemic, Greenwear has made 15 lakh masks that are sold to government offices as well as retail channels.

"The idea was to make masks that were better substitutes of the surgical masks. On an average, a non-biodegradable surgical mask costs Rs 5 while Greenwear's environment-friendly mask sells for Rs 6," Abhishek added.

It has been two years since Abhishek set out to become a solar vastra entrepreneur. So far, he has been instrumental is getting 3,500 women from UP, Bihar, Gujarat and Rajasthan trained in solar charkha skills, out of which 1,180 women got solar charkhas installed in their homes. In the coming years, Greenwear plans to enter new market segments like maternity wear, yoga wear, lounge wear, kids wear, hospital wear and hospitality wear. With two retail stores in Lucknow, Greenwear is also establishing its retail presence.

"If only 5% of Indian villages become solar charkha clusters (around 30,000), it can produce 180 crore kilograms (18 lakh tonnes) of cotton yarn which is almost 50% of India's current cotton yarn capacity and generate livelihood for 1.2 crore people without migrating from their villages," Abhishek stared at the sun as he repeated his solar dream. A dream not only for himself but for those at the bottom of the economic pyramid.

Source: moneycontrol.com– Jan 26, 2022

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