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INTERNATIONAL NEWS

Germany's GDP increased by 2.8% in 2021: Destatis

Germany’s gross domestic product (GDP) fell by 0.7 per cent in the fourth quarter (Q4) of 2021 over the third quarter after adjustment for price, seasonal and calendar variations, according to the Federal Statistical Office (Destatis), which said the GDP increased by 2.8 per cent in 2021 as a whole (also calendar-adjusted). The original result (2.7 per cent) was thus slightly revised.

After economic performance had increased again in summer despite growing delivery bottlenecks and material shortages, the recovery of the German economy came to a halt at the end of the year due to the fourth COVID-19 wave and another reinforcement of COVID-19 preventive measures.

In Q4 2021, especially household final consumption expenditure declined on the previous quarter, while government final consumption expenditure recorded an increase. Gross fixed capital formation in construction decreased on Q3 2021, Destatis said in a press release.

The GDP in Q4 2021 was still 1.5 per cent lower (price-, seasonally and calendar-adjusted) than in Q4 2019, the quarter before the COVID-19 crisis started.

Source: fibre2fashion.com– Feb 07, 2022

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Vietnam's manufacturing growth momentum picks up in 2022: IHS Markit

Growth momentum in the Vietnamese manufacturing sector picked up at the beginning of this year as the recovery from the Delta wave of the COVID-19 pandemic continued, according to London-based information provider IHS Markit, which recently said stronger increases in output and new orders were recorded, while employment rose for the second month running.

However, the pandemic continued to affect operations as levels of infection remained elevated during January, it said. The Vietnam manufacturing purchasing managers' index (PMI) rose to 53.7 in January, up from 52.5 in December, signalling a solid improvement in business conditions that was the most marked since April 2021, it said in a press release.

Both output and new orders increased at sharper rates in the opening month of the year as customer demand continued to improve. In each case the rate of expansion was the sharpest in nine months. Total new orders were supported by a further improvement in new business from abroad, with the rate of growth quickening to the fastest since November 2018.

Despite output rising solidly, some firms indicated that high levels of COVID-19 infections had affected production volumes. Firms were also increasingly confident in the year-ahead outlook for production, although optimism depends to some extent on the pandemic being brought under control. Around 60 per cent of respondents predicted a rise in output, with overall optimism the strongest in over three years.

A second successive rise in employment was recorded in January as firms continued to rebuild workforce numbers following the Delta wave of the pandemic in 2021.

The rate of job creation picked up from that seen in December, but remained only modest as some staff were off work with COVID and others had yet to return from their hometowns. The increase in employment enabled manufacturers to keep on top of workloads despite sharper growth of new orders, IHS Markit added.

Source: fibre2fashion.com– Feb 07, 2022

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Egypt establishes textile industries council to develop spinning, weaving sector

Minister of Trade and Industry Nevine Gamea has issued a decision to establish a textile industries council headed by the minister and includes a number of other state officials and experts in the field.

The minister said that the decision will be implemented on the date of its publication in the official gazette and that ministerial Resolution No. 783 of 2017 and all that contradicts the provisions of this decision will be rescinded.

Gamea said that the establishment of this council came with the aim of developing textile industries at the level of the republic and coordinating efforts to strengthen all the textile industry's circles and working to implement its strategic vision.

She noted that the government pays great attention to upgrading the spinning, weaving, and ready-made garments industry's system in Egypt as per international standards that will meet the needs of the local market and enhance the quality of Egyptian products for export to global markets through expansion in all production phases.

Textile industries are among the most vital industries in which Egypt possesses great competitive advantages that qualify it to double its exports and access more foreign markets, she elaborated.

Gamea explained that the decision specified competencies that the council is undertaking in coordination with the concerned authorities in textile industries, including listing the problems and obstacles facing this industry, setting an action plan to implement the state's strategy and objectives for promoting and developing the spinning and weaving industry and an executive programme to implement the strategy.

It also includes studying the cost of local production and proposing the necessary measures to reduce these costs in a way that contributes to enhancing the competitiveness of local products compared to imported ones; and developing a map for textile industries that determines their gathering places, growth potential, and efficiency; increase their added value; and strengthen value chains.

The minister pointed out that the council's tasks also include setting mechanisms to link feeding industries and major companies in the spinning and weaving industry and finding a modern mechanism to communicate with all world markets with the aim of presenting Egyptian products as a strong and competitive alternative to products from other countries.

It will also prepare a study to design Egyptian brands for the local market and export with the assistance of concerned authorities locally and internationally in this regard, as well as set up vocational training programmes to qualify the required employment for this industry and ways to implement it.

The decision stipulated that the council would have a technical secretariat to implement its recommendations and decisions with the concerned authorities, and to provide technical assistance in the council's work.

The council will convene at least once every three months and may be called to convene at the request of its head or at least five members, the minister concluded.

Source: dailynewsegypt.com– Feb 07, 2022

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Bangladesh: Textile sector preparing to keep pace with changing global fashion

Bangladesh Textile Mills Association (BTMA) President Mohammad Ali Khokon appears optimistic about the future of Bangladesh's primary textile sector, but equally concerned about policies, rules and logistics which do not match with the present day needs of industries. In an interview with The Business Standard's Senior Staff Correspondent Reyad Hossain, he reveals the industry's growing focus on modernisation and man-made fibre.

How did the textile industry grow as the key backward linkage for export-oriented ready-made garments in Bangladesh?

The textile and clothing industry which is currently considered as the lifeline of Bangladesh's economy emanated mainly in the early 1980's as an alternative to Sri Lankan garment manufacturers when a civil war broke out in the island nation. Until then, Sri Lanka was one of the main garment exporters in the South Asian region. But the civil war from 1983 to 2009 changed the scenario and garment orders started to shift and several apparel firms ceased their operations in Sri Lanka. This came as an opportunity for Bangladesh to develop its clothing industry. From the beginning, different sources of inspiration such as favourable government policy supports and incentives motivated the entrepreneurs, who engaged their indomitable courage and spirit to develop the industry.

The primary textile sector emerged in the 1980s in parallel with ready-made garment industry as its backward linkage mainly to feed the export-oriented apparel factories as well as to cater to the local clothing demand. Under the 1982 industrial policy, majority of the state-owned textile mills were denationalized which boosted investment in this sector.

The textile and clothing industry of Bangladesh experienced a booming phase in 1996. The then government took some groundbreaking policies such as zero duty on raw cotton import and duty-free import of capital machinery which facilitated the growth of the sector. Also cash incentive facilities, back to back LC, bonded warehouse and duty drawback facilities gave a boost to the industry's development over the decades. Besides, with the WTO Agreement on Textiles and Clothing (ATC) effective from 1995 to 2005, Bangladesh's textile and clothing industry enjoyed the quota-free access to European markets and preferred quotas for the American and

Canadian markets and the GSP facilities, which have certainly helped the textile and clothing sector of Bangladesh to reach a new height of growth.

The primary textile sector started with a few power looms but with the growing demand for Bangladeshi RMG worldwide, the sector created a strong footing for itself combating all the challenges and now emerged as a solid backward linkage industry.

Where does the industry stand now?

Bangladesh has come a long way since its inception and so has the textile and clothing industry which is the mainstay of the country's present economic success. About 84% of the country's total export earnings comes from the textile and clothing sector where the contribution of primary textile sector (PTS) is around 64%. Primary textiles are now considered as import-substitute industry which is helping the country retain foreign currency and enriching the foreign exchange reserves. Thence, at present the primary textile sector is standing on an investment footing of USD 15 billion.

Bangladesh Textile Mills Association (BTMA) represents the primary textile sector which has the strength of 1700 mills including 500 spinning, 900 weaving (large and small) and 300 dyeing-finishing units with an employment of around one million people. Beyond that, there are many mills which are not members of BTMA.

The Covid-19 pandemic has taken a heavy toll on the sector's progress. But the timely initiatives by the government such as stimulus packages, ensuring the utility facilities for the sector, keeping the textile and clothing factories open during the lockdown helped the textile and clothing industry to combat the challenges. The RMG industry now has a good number of export orders which are expected to increase further.

BTMA member mills supply 95% of raw materials to export-oriented knitwear sector and 40% of raw materials to the woven sector. In financial year 2020-21, the country's total export earning was 38.35 billion USD of which textile and clothing export was 32.58 billion USD and PTS provided support of 21 billion USD through local input supply that means the contribution of PTS was 64%. I believe, Bangladesh's textile industry has a promising future and in the coming days will become the golden hub of RMG sourcing for the world.

The demand for man-made fibre is growing worldwide. Do you think local textile millers should focus more on MMF?

Currently, the textile manufacturers around the world are leaning towards man-made fibre (MMF) as the brands, retailers and consumers are preferring MMF to natural ones since they are durable and reusable. Also MMF grabbed the attention of the millennial generation as they prefer lighter weight fabrics and MMF are very much user convenient. Besides, sustainability has become an important issue for the international RMG buyers which have pushed up the demand for MMF. Moreover, cotton production is limited and the world population is increasing so is the demand for textile. The fashion trend is constantly changing which impelled the MMF demand.

Bangladesh's textile and clothing industry is also keeping up with changing trend and Demand, and focusing on diversified products including MMF. Even 5 years ago, the PSF (Polyester Staple Fibre) import volume was 10,000 tons which increased to 1.35 lakh tons in 2021. As per our data, our local spinners have imported 99,345 tons of polyester staple fibre (PSF) in 2020, up 3.4% from 96,077 tons a year ago. Meanwhile, the import of viscose staple fibre (VSF) also rose last year as the spinners imported 72,504 tons of VSF, marking a 36% year-on-year increase.

As part of moving towards the plan, we hope that the new investments worth USD 2.5 billion will add 2.5 million spindles to the existing capacity of spindles by 2023 which in turn will create employment opportunities for about 1 lakh people. These investments are expected to meet the growing MMF demand of the international market. More so, our spinning mills are constantly developing in line with the changing technology and buyers' demand. Our spinning mills need to do some minor changes to the existing technology for MMF production.

What are the impediments, you feel, holding the sector back from further growth?

'Ease of doing business' and 'cost of doing business' still remain the stumbling block

for textile and clothing industry. As far as I am informed, Bangladesh ranked 168th out of 190 countries in 2020 in the ease of doing business index whereas our neighboring country topped the list in South Asia as 63rd. I think the cumbersome process of VAT, bond, customs, taxes, the

snail's pace of file approval, lack of corporate ethics in the regulatory offices are some of the main reasons for Bangladesh scoring low. Also, the VAT policy is quite incomprehensible I feel. Moreover, the uncongenial approach of the VAT personnel at the field level is discouraging for business. More so, the congestion at port, increased port and container charges, inadequate ships are only increasing the woes of the businesspeople.

However, we have approached the concerned authorities regarding these issues several times but no major change was seen in improving the system.

We also have given some proposals such as duty-free import of all kinds of fibre which will be used to make yarns for the export-oriented RMG sector, 1% duty on spare parts import etc. in the latest budget proposals which will facilitate the industrial growth and ease the hurdles of our businessmen. As you know, we can import cotton at zero duty but we have to pay high duties if we import fibre. Since the world is moving from the cotton-based production and the fashion is changing constantly, any types of fibre which are imported by the export-oriented mills should be exempted from duty for Bangladesh to uphold its current position in the world apparel market. It's impossible for us to know what buyers will demand before the order is placed. International orders are now demanding products that require the use of different kinds of fibre. If duties are not exempted from all kinds of fibre then I am afraid that Bangladesh will not be able to remain competitive in the world apparel market. Immediate attention should be given to this matter.

We all are aware that the fashion technology is changing fast and in order to remain in the race, Bangladesh's apparel industry has to keep up with the changing pace of technology. For this, they need to import many spare parts of the machinery very frequently as such the duty for importing spare parts should be uniformly set at 1%. This will also reduce the tendency of tax evasion.

Bangladeshi businessmen are suffering due to logistics shortcoming which can also be seen if we look at the logistics performance index. It also has the worst customs clearance performance among the competitive countries. There is no single authority to monitor all the logistics. Also, Covid-19 has devastated the logistics and freight forwarding system of the country.

How are you coping with the recent hike in global cotton price?

The recent cotton price surge in the world market has definitely caused a cascading effect on the yarn price as cotton is the main raw material for yarn production and yarn manufacturing cost is comprised of 60% of cotton price. Also coupling with the high demand of yarn there was a teetering situation in the market. I think, the situation will soon be stabilized and yarn price will reach to moderate level.

How can the textile mills benefit from 4th Industrial Revolution (4IR) to stay competitive?

The fourth industrial revolution is one of the most discussed issues worldwide as well as in Bangladesh. The 4IR is paving the way for transformation in the way we live and radically changing almost every business sector in a spectacular manner. Bangladesh's textile and clothing sector is also cognizant of that and ready to embrace it. As mentioned earlier, 2.5 million spindles which are to be added by 2023 will be the state-of-art technology. 4IR is bound to modify the clothing manufacturing process making a fast, flexible and efficient system and will lead to a supply-side miracle increasing productivity. Also, cost of production will decrease. Our textile sector has always been up-to-date with the latest technology and machinery and will keep it up in order to remain competitive in the market.

Technology and business go hand in hand. In any industry, technology is always at work. So if you and your business do not adapt to the developments of technology you are bound to lag behind. Technological development and others such as infrastructure development, logistic and policy support should progress or move side by side in order to ensure the development and growth of the industry as well as the economy.

Source: tbsnews.net– Feb 05, 2022

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Pakistan: Synthetic fibre can accelerate textile exports

In a statement issued on Friday, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Vice President Hanif Lakhany pointed out that cotton prices had almost doubled in the international market over the past few days.

"This raw material alone accounts for 60% of our total production cost," he underlined.

He was of the view that despite contributing massively towards the uplift of Pakistan's economy - in terms of exports and local employment - the textile industry was facing huge challenges.

Pointing out the factors, he said that the "ever-increasing electricity tariffs" coupled with severe gas outages and dwindling domestic cotton production was taking a toll on the industry.

Moreover, harassment from taxmen and other authorities were adding to the woes of the businessmen, he added.

The hike in prices of cotton, a major raw material of the textile industry, had also massively increased the cost of doing business, he underlined.

Lakhany emphasised the need to restore domestic production to previous levels by fixing a support price for cotton similar to other crops.

He also suggested diversification of the raw material sources by incorporating all major synthetic fibres.

"It will require massive subsidised funding for the procurement of new machinery and plants," he underlined.

AHL analyst Arsalan Hanif pointed out that the overall textile exports from Pakistan mainly consisted of 70% cotton and 30% man-made fibre (synthetic fibre) exports.

"Other countries export synthetic fibre more than cotton," he said, adding that synthetic fibres - being a premium product - would not only increase textile exports but would also generate employment opportunities.

Topline Securities analyst Saad Ziker voiced hope that the textile industry would likely meet this fiscal year's export target of $21 billion.

However, this would only be possible "if the textile companies operate at their optimum level and get as many orders as they can from foreign companies".

In this regard, the government should play its role by encouraging the production of synthetic fibre, as it was more durable than natural fibre.

Moreover, the government should take measures to provide consistent energy supply to the industry, so that the companies could complete their production process smoothly, he said.

Such measures would help the textile industry to surpass the government's export target of $26 billion set for FY23, he underlined.

Source: tribune.com.pk – Feb 05, 2022

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Pakistan: Textile exports: which way now?

The growth in orders across this region indicates an increase in demand for textile from the west. Pakistan is therefore not the only country to benefit from this trend. Export value for textile has also improved due to increase in price. It is difficult to identify if the growth for textile exports is a consequence of increase in price or volume. The data in LSM and PBS is inconclusive in this regard it is therefore safe to assume that both factors are responsible.

It is difficult to ascertain whether there is a shift of exports from regional countries to Pakistan. Seeing the Pakistan textile exports trend in the past three years, one thing is clear that there is decline of exports of yarn and cloth (low value added) and significant growth in knitwear and garments (high value added). That is a good omen as more dollars are being fetched per ton of textile exports due to the higher dependence on value added segment.

The factors contributing to the growth of exports are both global and local. The industry is shifting from a reliance on China and that is giving space for Pakistan exports to grow. Currency adjustments and energy subsidy to exporters are also helping in the growth of exports. According to an IGC study, there is no statistical evidence that the textile exports have grown due to gas and electricity subsidies. However, there is a significant increase in domestic sales. This implies that spinners and weavers are benefiting from to subsidies and that is fueling value addition locally. That change might be reflecting in the form of increase in exports of knitwear and garments.

The gas subsidy has ended, and supply of gas has been erratic in winters. This change has so far not had any impact on export volume. But there are production losses which may cause a minor dent in textile exports in the next couple of months.

To circumvent any potential loss, it is important to leverage the new investment -major share of both LTFF, and ERF is enjoyed by the textile industry. There appears to be no dearth of demand. Pakistan can take share from Bangladesh. The cost of transportation is cheaper from Pakistan. The cost of container from Bangladesh is approximately $18,500 compared to $12,500 from Pakistan. This difference may compensate for the energy cost disadvantage.

Textile Sub-Group	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22
Textile sub-group Export USD(bn) and shares (%)												
.Knitwear	1.18	1.33	1.48	1.59	1.85	2.50	19.16	20.09	22.21	22.98	24.85	26.66
Readymade Garments	1.10	1.25	1.26	1.41	1.49	1.83	17.90	18.81	18.96	20.45	20.02	19.53
Bed Wear	1.06	1.12	1.16	1.20	1.39	1.66	17.22	16.93	17.48	17.35	18.73	17.69
Cotton Cloth	1.07	1.07	1.05	1.01	0.94	1.13	17.36	16.06	15.84	14.68	12.56	12.09
Cotton Yarn	0.66	0.66	0.55	0.54	0.40	0.61	10.69	9.96	8.25	7.88	5.38	6.51
Towels	0.38	0.39	0.38	0.38	0.45	0.52	6.18	5.81	5.69	5.50	5.99	5.58
Raw Cotton	0.04	0.05	0.01	0.02	0.00	0.00	0.58	0.80	0.21	0.22	0.01	0.02
Other Textile groups	0.67	0.77	0.75	0.76	0.93	1.12	10.91	11.53	11.36	10.94	12.45	11.92
Textile Group	6.15	6.64	6.64	6.90	7.44	9.38	100.00	100.00	100.00	100.00	100.00	100.00

Gas subsidy is demanded by spinners and weavers. They have expanded. It is in their interest to sell what they produce. For the value-added segment the freight advantage vs. Bangladesh is even bigger. If spinner sells yarn to Bangladesh, cargo cost is $8,000 and cost of shipment to US is $18,500. The product can reach US in $12,000 from Pakistan. Pakistan therefore has a competitive advantage vs. Bangladesh to grow export volume.

To continue growth trajectory in textile exports, government needs to ensure uninterrupted energy supply as both electricity and gas markets are controlled by the energy ministry. It is important to speed up private supply in the LNG market. One (to be) terminal is in advanced stage of approval. Then there are players interested in virtual supply. Concurrently, it must work on doable solutions for wheeling. Here DISCOs are probably not interested. Government should work on privatizing DISCOs.

These are must do steps. The external account stability can only be achieved by enhancing exports and making domestic industries competitive. The energy price is not. Reducing the footprint of government in the energy market would significantly reduce the inefficiencies. There is supply available at low fuel cost. Unfortunately, creativity and imagination to create a workable solution is missing.

Source: brecorder.com– Feb 04, 2022

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GST is Impacting Pakistan's Export Competitiveness: IMF

Pakistan export competitiveness is impacted because of the cascading effect of General Sales Tax (GST), says the International Monetary Fund (IMF).

The Fund in its latest report on Pakistan noted that at the final stage, the factory produces a dress for export, and even though export is zero-rated, the exporter will have to charge a higher price compared to the fully harmonized system. Not all taxation is removed from exports and additional costs are incurred in each segment of the production value chain, which disadvantages them in the international market.

The Fund quoted an example that the cotton ginning company buys Rs. 1,000 value of raw materials for production of cotton fiber, and with GST rate of 10 percent, pay total sales tax on goods of Rs. 100. In addition to purchased raw material, it also uses certain services for Rs. 500, like transportation, consulting, marketing.

Assuming the same tax rate of 10 percent on services, it pays additional Rs. 50 in taxes. Input tax paid is, therefore: Rs. 100 (to the federal government) + Rs. 50 (to a province) = Rs. 150. Total input costs are (1000+500+100+50) = 1650. The company then adds the value of Rs. 100 and sells the cotton fiber to a textile manufacturer.

Given the fragmented tax base, it will be very difficult for the cotton company to claim and collect tax credits on input tax on services (Rs. 50) initially paid, and the sale price will carry over that segment of the tax.

The sale price will therefore be: total input costs (1650) + value added (100) – input tax that will be credited after the sale, in this case on goods (100) = Rs. 1650, instead of Rs. 1600 in a fully harmonized GST system. At the sale stage, the company will collect an output tax of Rs. 165 and remit it to the Federal Board of Revenue (FBR) but will only be refunded for the portion of the input tax.

The net tax paid by the cotton ginning company will be 165–100=65, instead of 160–100–50=10 in a system of fully harmonized GST. In other words, the effective tax rate will be 65 percent (tax paid/value-added), significantly diverging from the nominal tax rate of 10 percent.

In the next stage, the textile manufacturer, in addition to purchasing cotton fiber for Rs. 1650, uses certain input services of Rs. 800 and produces finished fabrics. Similar to the previous stage, the textile manufacturer pays input taxes of Rs. 245 = Rs. 165 (on goods) + Rs. 80 (on services), adds a value of Rs. 200, and sells the fabrics to a garment factory for Rs. 2,730 = Rs. 2,308+10 percent GST (230.8).

If only input tax on goods will be recovered, the net tax paid by the textile manufacturer will be Rs. 108, while in the case of fully harmonized GST the producer will pay only Rs. 20. The production costs for the textile manufacturer are therefore Rs. 40 higher compared to a fully harmonized tax base regime.

Source: propakistani.pk– Feb 05, 2022

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IMF asks Pakistan to ink more FTAs, rationalise import tariffs

According to IMF's Sixth Review Under the Extended Arrangement Under the Extended Fund Facility, Pakistan's exporters are facing higher tariffs in Pakistan's major export markets as compared to the exporters of competing economies, which restricts Pakistani exporters' competitiveness.

While Pakistan has signed FTAs with China, Sri Lanka, and Malaysia, has preferential trade agreements with Iran, Indonesia, and Mauritius, and is part of the South Asian Association for Regional Cooperation (SAARC), a number of FTAs remain under negotiation or consultation. However, most of Pakistan's exports are to countries with whom Pakistan does not currently have a FTA. For example, in FY 2021 trade with the United States, United Kingdom, Afghanistan, and Germany (Pakistan's first, second, fourth, and fifth most important export destinations, respectively) comprised about 37 percent of total merchandise exports, while exports to Pakistan's 3 FTA markets were about 10 percent.

IMF has observed that absence of permanent FTAs with the major export market destinations hurts Pakistani exporters' competitiveness as they face higher tariffs than other exporters

The Fund says that Pakistan remains a very closed economy as compared to other Emerging and Developing Economies (EMDEs), with openness quasi stagnating since the 1990s and net exports often acting as a drag on growth. Only a small number of firms export (primarily low value-added textile products) and fiscal revenues continue to rely on import tariffs, undermining trade integration and further weakening export competitiveness.

Pakistan's exports, which peaked at about 15 percent of GDP in 2003, have been on a declining trend since 2011 and currently stand at about 11 percent of GDP, which is much lower than peer countries. At the same time, export volume growth has stagnated since FY 2007 amid de-industrialization, resulting in a widening export volume growth gap compared to EMDEs. This has contributed to Pakistan's share of global exports declining by almost 40 percent since the early-1990s to only 0.13 percent of world exports in 2020.

In terms of broad export product categories, Pakistan's main exports are textiles and clothing, agriculture (vegetables, food products, animal hides), and services, which have all seen limited growth in value during the last decade. The current export basket lacks technological sophistication—products are concentrated in primary products or low-tech undifferentiated products that entail a low level of technology to produce and are on the lowest rungs of the value chains.

Simultaneously, the number of unique products exported has declined. Measured at a HS 6-digit level, Pakistan exported 2,824 unique products in 2019 compared to 2,987 unique products in 2009. This contrasts with many other countries (e.g., Sri Lanka and Vietnam) that have expanded the number of products they are exporting while also moving up the quality and sophistication ladders. While Pakistan is showing some nascent signs of growing its non-traditional exports since 2020-21, they remain a small share of overall exports.

Consequently, net exports have frequently been a drag on growth. This has contributed to Pakistan's weak medium-term growth prospects, due to the current unsustainable model's over reliance and re-reliance on consumption and debt-financed investment. Pakistan's low level of economic complexity suggests that low growth rates will continue unless the country is able to create an environment where a greater diversity of productive activities and more complex activities can prosper, including through exports.

The Fund says that cascading taxes will deter firms from producing more complex products that require more stages of production due to a high tax burden. The high taxes translate into higher export prices and hinder their price competitiveness.

The Fund maintains that historical experience in advanced and EMDEs suggests that exchange rate movements typically have sizable effects on export (and import) volumes. IMF (2015) found that a 10 percent real effective depreciation in an economy's currency is associated with a rise in real net exports of 1.5 percent of GDP, on average, with much of the effect materializing in the first year. However, the benefits accrue mainly when there is slack in the economy and the financial sector is operating normally. Yet, the benefits accruing to Pakistan are likely to be less, largely due to weak global demand and structural bottlenecks: (i) global trade remains weak, raising price competition, particularly for primary products and low-tech undifferentiated products; (ii) presently only a limited number of firms have

export experience, with small and/ or potential exporters unsure of how to access new markets; (iii) some input prices have risen as part of the government's stabilization plan (e.g., energy prices); and (iv) many firms are also financially constrained and credit is scarce (limited trade credit), which makes it costly for firms to expand production or to begin exporting.

The State Bank of Pakistan has operated an export finance scheme (EFS) with the objective to boost exports since 1973. The EFS provides short-term financing to exporters via banks (commercial and Islamic) for exports of manufacturing goods under two separate facilities: (i) transaction-based facility; and (ii) revolving facility based on the previous year's exports. The financing is offered at highly concessionary fixed interest rates, for up to 180 days. However, the lending is a commercial decision made by the banks, which are assuming the credit risk. In FY 2021, PRs 700 billion was allocated to EFS—with an additional PRs 90 billion also allocated toward export- oriented investment under the Long-Term Financing Facility—with PRs 565 billion outstanding as of end-June 2021.

Pakistan has relied heavily on import tariffs to boost tax revenue, undermining trade integration and further weakening export competitiveness. With limited revenue mobilization and weak tax administration capacity, the government has relied on import duties and related taxes to raise revenue.

As a result, tax revenue collected at import stages stands at about half of total tax revenue. Although Pakistan has reduced tariffs during the last decade, its tariffs remain relatively high compared to most EMDEs. The high effective protection has resulted in long-protected "infant" industries preventing their development, reducing the incentive to compete with imports and need to export given their protected, privileged domestic market position.

IMF has advised Pakistan to continue to work to further rationalize the tariff structure as part of implementing the approved national tariff policy, based on time-bound strategic protection. As domestic tax revenue mobilization strengthens, there will be space to rationalize tariffs in line with international practices, which should aim for low tariffs at uniform rates.

Source: brecorder.com– Feb 06, 2022

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NATIONAL NEWS

Union Budget 2022-23 is a direction setting budget aimed at making India future ready – Shri Piyush Goyal

Union Minister for Commerce and Industry, Textiles and Consumer Affairs, Food and Public Distribution, Shri Piyush Goyal today termed the Union Budget 2022-23 as a direction setting budget, addressing both macro-economic and micro-econimic concerns, looking at inclusive development.

Speaking at a Public Function to explain the nuances of the Union Budget in Mumbai today, the Minister said "the Budget should be seen as an exercise in continuity to make India future ready". Recalling Prime Minister Narendra Modi's vision of converting crisis into opportunity, Shri Goyal said, the Government has been pro-actively announcing new projects and schemes through the year, and Union Budget has attempted to show the way ahead for the next 25 years.

Shri Goyal said the budget has laid a big thrust on infrastructure development and highlighted the importance of the PM Gati Shakti National Plan. He said the plan will leverage data and inter-connected national maps to better align infrastructure projects.

Explaining how the nation adopted to the Covid 19 pandemic by swiftly moving to remote working mode, Shri Goyal asserted that India did not let down a single international obligation, thanks to Digital India and thrust given on expansion of broadband connectivity. He said despite the pandemic, India's services export remained robust and would achieve $240 bn target.

Shri Goyal said that India produces second highest number of STEM (Science, Technology, Engineering, Mathematics) graduates and this should encourage us to become not only the Start-up Capital but also the R&D and innovation hub.

The Commerce & Industry Minister further added that India has been working on a number of Free Trade Agreements (FTAs). Citing the India-UAE FTA, Shri Goyal said the entire process was completed in just 88 days. He informed that India-Australia FTA is also in advanced stage of finalization. FTAs with UK, Canada are also in the pipeline, even as GCC

also wants to sign an FTA with India "The world wants to work with us, we have to seize the initiative" the Minister added.

The Minister also spoke about the enhanced capital spending of Rs 10.5 lakh crores provided by the Budget 2022-23 to have a multiplier effect of 3-4 times, leading to enhanced demand and increased job opportunities benefitting all people.

Source: pib.gov.in– Feb 05, 2022

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Enhanced capital spending in the Budget will have 3-4 times multiplier effect on the economy: Union Minister Piyush Goyal

Union Minister for Commerce & Industry, Textiles and Consumer Affairs, Food & Public Distribution Shri Piyush Goyal today said that the Union Budget 2022-23 has laid a focus on demand stimulus and that the enhanced capital spending would lead to greater demand and job opportunities.

"Capital expenditure has been raised by 35%, to more than Rs. 7.5 lakh crore. Rs. 1 lakh crore is being given to states as interest-free 50-year loan to support funding of infra projects. Centre and states together, we are looking at Rs. 10.5 lakh crore of public spending." The Minister said that the enhanced capital spending of Rs. 10.5 lakh crore provided in the Budget 2022 is expected to have at least a 3-4 times multiplier effect in economic activity.

The Minister said this during an industry interaction on the Union Budget, at the Bombay Stock Exchange in Mumbai today, February 5, 2022.

The Minister noted that import figures were rising, indicating revival of demand. He added, together with capex thrust provided by government, this opens up huge opportunities to businesses to expand and look at new business avenues.

Union Minister Shri Goyal said India was showing rapid recovery in terms of tax collections, industrial output, consumer demand. He said in the Budget 2022-23, there are no new taxes, no new revenue generation measures. The government has forecast conservative revenue estimates. 'We don't over-commit, while ensuring needs of every department's expenditure needs', he added.

Union Minister further said Budget 2022 has provided sufficient funding so that economic growth continues to be above 8% in next year and hope to look at least two decades of growth, ensuring prosperity can flow to everyone.

Detailing the focus on PM Gati Shakti National Master Plan in the Budget, Union Minister Shri Goyal said that the Plan will help us plan infrastructure projects more intelligently, and also reducing logistics costs.

Shri Goyal said India did not let down a single international obligation even during COVID19 period. 'Thanks to Digital India and thrust given for broadband expansion, we were able to continue to provide services to any part of the world", he added.

The Minister exhorted the merchandise sector and services sector to go for a race to the top. The merchandise exports target which stands at $ 400 billion and service exports which stands at $ 240 billion should each aim to reach $ 1 trillion, he said.

Commerce and Industry Minister shared with the industry that despite the pandemic, our services export this year will cross $ 240 billion, the highest ever in India's history.

The Minister recalled that to determine India's export target PM did a first-of-its-kind bottom-up approach in consultation with industry and foreign missions in 180 countries. Minister was glad to inform that as of 31st January, India has already achieved $ 336 billion of exports, thanks to 10 months of continuous $ 30 billion plus exports.

While interacting with the representatives of the Gems and Jewellery industry, Shri Goyal said that Jewellers' registration has been made lifetime.

Commerce Minister exhorted the industry to take up this exports challenge. He said noting that the world is not for the meek, but for bold people. 'When all of us work together with our collective wisdom and efforts behind the New India we are working for, I have no doubt that we are looking at a developed and prosperous India, as we look at India @ 100 in 2047' he added.

The interaction can be watched here: https://youtu.be/5gnNaTELDJA

Source: pib.gov.in– Feb 05, 2022

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India posts highest growth of intermediate goods imports in Q3 CY2021 globally, says WTO note

India posted the highest growth globally in imports of intermediate goods in the third quarter of 2021 (July to September 2021), registering a rise of 65 per cent (year-on-year) to $81 billion, mainly due to high imports of non-monetary gold, according to the World Trade Organisation (WTO).

China's import of intermediate goods — inputs that go into the production of a final product — increased at a more moderate rate of 25 per cent in Q3 2021, but it was the highest importer of such goods at a value of $443 billion, as per the information note on trade in intermediate goods published by the WTO on Friday. Beijing was also the top exporter of intermediate goods valued at $382 billion in the period, a growth of 36 per cent.

"Although at a slower pace than in the second quarter of 2021, exports of intermediate goods kept on increasing in all regions in the third quarter, at between 20 and 45 per cent year-on-year, with a world average of 27 per cent (to $2,502 billion)," the note said.

Sector-wise growth

The high growth rate of other industrial supplies at 38 per cent to $1,225 billion, comprising almost half of exports of all intermediate goods, outlined the rebound of activity within manufacturing supply chains, the note said. It was supported by intensive exchanges of raw and semi-processed metals (copper, iron, steel, aluminum) as well as trade of inputs for medical goods.

Vaccines were the top exported intermediate goods in the category of industrial supplies valued at $ 40.5 billion, accounting for 1.6 per cent of total intermediate exports in Q3 2021. Belgium, which counts vaccine products as its most traded intermediate good posted the largest growth, recording a 46 per cent rise in exports in the third quarter following a 64 per cent increase in the second quarter.

World exports of transport equipment parts and accessories, however, grew more slowly at 8 per cent year-on-year in the third quarter compared with 69 per cent in the second quarter. The rise in intermediate goods exports of ores and minerals also slowed to 16 per cent compared with an average growth of 47 per cent during the first half of the year. This was partly due to falling iron ore prices in September 2021, the note said.

Supply chain activity

Trade in intermediate goods is an indicator of the activity in supply chains, which were severely impacted in the early stages of the Covid-19 crisis, the note said. Things, however, seem to be improving. The share of intermediate goods in total trade (excluding fuels) in Q3 2021 was 53 per cent, a ratio that has remained constant over the last decade.

India showed the highest growth in intermediate imports for the third quarter running which could be largely attributed to the upward momentum of import of non-monetary gold which grew 161 per cent, it said.

Japan's imports showed the second highest increase among the top intermediate goods importers (42 per cent), a rise that could be noted for a wide range of industrial inputs, reflecting the high level of industrial activity in the economy, it added.

Source: thehindubusinessline.com– Feb 05, 2022

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Govt prepared to deal with any global development: FM Nirmala Sitharaman

FM Nirmala Sitharaman exuded confidence that India would definitely leap forward and reach such sustained growth levels

India is prepared to deal with any situation arising out of global developments, including the US Federal Reserve's decision to roll back monetary easing, and will not allow the economy to suffer, Finance Minister Nirmala Sitharaman asserted on Sunday.

In a post-Budget interaction with industry body Ficci, she urged corporates to take advantage of the recovery in the economy and step up investment.

"It's time now for us as Team India to rise. We are at such a juncture where revival of the economy is very clear...this recovery is therefore going to place India as the fastest growing economy among the larger economies and that would continue even in the next fiscal," the minister said.

Post pandemic, the world order has changed and industry leadership should ensure that India doesn't miss the bus this time, she said.

Recalling that India missed an opportunity post the global financial crisis, she said the taper tantrum was not absolutely well addressed and as a result, India missed out on one big opportunity that was available at the time.
"Now with the RBI and the government working together and very much keenly observing what is going on in the global financial ecosystem...we have also learnt the lessons of the last crisis which the government of India faced in 2012-13 and 2013-14.

"We are fairly watchful of what is happening as regards the global strategic developments, as regards the Fed decision, and as also regards the global inflationary pressures, we are keeping a very close watch, and I can assure the leadership here that we shall not allow the Indian economy to suffer for want of preparations," she said.

She exuded confidence that India would definitely leap forward and reach such sustained growth levels and before 2047 it would stand out as one of those well developed, absolutely endowed countries.

The US Federal Reserve has decided to end its bond purchasing programme in March and increase interest rates thereafter to control high inflation. Emerging economies like India have been beneficiaries of increased liquidity and have attracted huge foreign fund inflows.

However, they will face the threat of huge fund outflows as the US Fed will taper off buying of assets.

Source: thehindubusinessline.com– Feb 06, 2022

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India-Australia FTA: New Delhi ready to cut duties on wine but with conditions

Wine industry wants pact to safeguard against third countries taking advantage of concessions

India is ready to bring down import duty on Australian wine as part of the free trade agreement (FTA) being negotiated, but it will do so only partially and with a likely caveat that the imported items are above a minimum assessable value (MAV) to qualify for a duty cut, a source tracking the development has said.

"The Commerce Ministry has called for another round of talks with the wine industry in India to take inputs before finalising the offer," the source told BusinessLine.

One of the top priorities for Australia in the on-going India-Australia Comprehensive Economic Cooperation Agreement (CECA) negotiations is to convince India to substantially lower the high 150 per cent import tariffs on wines and spirits.

"... what I can say is that there is nothing I would enjoy more than being able to provide India with some of Australia's fine wines ... at more affordable prices. That is something that we will be looking to achieve," Australian Trade Minister Dan Tehan had said at an interaction with the media in New Delhi late last year.

'Certain apprehensions'

India and Australia, at the moment, are engaged in finalising a list of items for the early harvest programme that would precede the full fledged CECA, that will cover a large number of areas including goods, services, investments, intellectual property, e-commerce and government procurement.

"The Indian industry is not averse to the idea of including wines and spirits in the FTA but they have certain apprehensions that need to be taken care of," the source said.

'Take adequate care'

In a recent communication sent to the Commerce Ministry, the Confederation of Indian Alcoholic Beverage Companies (CIABC) cautioned that adequate care should be taken to ensure that third country products are not able to take advantage of the pact with Australia. "In order to qualify for concessions under the FTA, the regional value content of the product should be at least 70 per cent, i.e., at least 70 per cent of its value must have been created within the country it is being imported from," the letter pointed out.

Moreover, India should insist on Australia removing non-tariff barriers on Indian exports such as not accepting whiskies made from spirit distilled from molasses, which is a common practice in a sugar rich country like India, CIABC said. Australia should also stop insisting on a three-year maturity for whisky as in warm Indian climate whisky matures three times faster, and in three years' time loses around 30 per cent volume due to evaporation.

"In response to Australia's ask for tariff reduction on wines, we have suggested that the tariff may be brought down to 100 per cent from the current 150 per cent and to 50 per cent over 10 years, subject to a MAV of $3.5 per bottle or $5 per litre (bulk)," Vinod Giri, Director General, CIABC, told BusinessLine.

Expectations

Australia is also keen on getting more market access in dairy, farm products and automobiles. India, on the other hand, is interested in gaining a bigger share of the Australian market for goods such as textiles, leather and gems & jewellery. It also has expectations of more opportunities for its workers and professionals through easier visa norms and mutual recognition of professional qualifications.

India's exports to Australia in 2020-21 were valued at $4 billion, while imports from the country were at $8.5 billion. India was Australia's seventh-largest trading partner and sixth-largest export market in 2020, driven by coal and international education, according to the Australian government.

Source: thehindubusinessline.com– Feb 06, 2022

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RBI likely to maintain status quo in policy rate next week, say experts

In view of inflationary concerns, the Reserve Bank is likely to maintain the status quo on key policy rates in its next bi-monthly economic policy, which will be the first after the presentation of the Union Budget for 2022-23.

Experts, however, are of the opinion that RBI's monetary policy committee (MPC) may change the policy stance from 'accommodative' to 'neutral' and tinker with the reverse-repo rate as part of the liquidity normalisation process.

The next bi-monthly monetary policy is scheduled to be announced on Wednesday at the end of three-day deliberations of the MPC beginning Monday.

Madan Sabnavis, Chief Economist, Bank of Baroda, said given the assurance on growth as per the budget and the possibility of inflation rising mainly due to crude oil, "we expect the RBI to start the process of normalisation by increasing the reverse repo rate by 25 bps".

There will be no change in the repo rate this time even though a 50 basis points hike is expected next year, Sabnavis said adding there could be a slight downward revision in the GDP growth rate for FY22.

"Will there be a change in stance? Probably not this time thought the hike in reverse repo rate will send signal of future direction of rates," Sabnavis opined.

Shanti Ekambaram, Group President, Consumer Banking, Kotak Mahindra Bank, said amidst global inflation pressures, tightening monetary policies by global central banks, high oil prices, domestic inflation, and the sharp rise in domestic yields, the MPC will have a tight rope-walk as they discuss the monetary policy stance and interest rates in the coming week.

"Given that the overnight call rate is closer to 4 per cent, we expect the RBI to change the reverse repo rate by up to 25 bps or make repo the operative rate. While a repo rate hike is not expected, it is possible that the MPC might change its stance to neutral from accommodative," Ekambaram said.

On her expectations from the MPC, Shruti Aggarwal, co-founder, Stashfin, said India's GDP growth, which is estimated at 9.2 per cent for 2021-22 will be one of the fastest globally. To maintain and achieve this rate of growth, it'll be challenging for the government to balance upward inflation as well as the risks associated with uncertainty around COVID and oil prices.

"With COVID appearing to abate, an increase in demand can be forecast. A hike in interest rates that keeps inflation around 6 per cent should help in driving liquidity. A clear strategy on inflation and liquidity should further lead to increase in investments. We are optimistic on the economy growth," said Aggarwal.

The last MPC held in December 2021 had kept the benchmark interest rate unchanged at 4 per cent and decided to continue with its accommodative stance against the backdrop of concerns over the emergence of the new coronavirus variant Omicron. It was the ninth time in a row that the rate setting panel had maintained the status quo.

Aditi Nayar, Chief Economist, ICRA, expects a status quo this time from the MPC. According to her, policy normalisation is set to commence in April with a stance change and reverse repo hike. "Subsequently we see two 25bps repo hikes over the next two reviews," she added.

Arvind Chari, CIO, Quantum Advisors opined that with the government well and truly accepting the mantle of reviving growth, the RBI no longer needs to prioritise growth over inflation. Their current stance of 'accommodative policy for as long as necessary to revive growth' needs to be changed.

Given that the economy has recovered and does not need lower rates or higher liquidity, the MPC should change its monetary policy stance to neutral, Chari said.

The Reserve Bank has been tasked by the government to keep the interest rate in the range of 2-6 per cent.

State-owned Bank of Baroda in a research note said inflation remains worrisome. An uptick in Consumer Price Index inflation has been observed lately as it climbed up to 5.6 per cent in December 2021 from 4.9 per cent in November 2021.

Given the spike in crude oil prices, along with increase in global commodity prices, these factors are likely to impinge on inflation. Further, once the state elections are over, inflation is expected to increase further as fuel prices are changed, it said.

Source: financialexpress.com– Feb 06, 2022

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States' capex spend quicker, likely more effective, says Finance Secretary TV Somanathan

States are in a much better position to push capital expenditure quickly, and execute smaller ticket projects dispersed across the country, said Finance Secretary TV Somanathan.

"The Centre operates on certain big axis projects like national highways, railways, pipelines, telecom, that has its own value, but this (state-level capex) has a greater geographical spread and a greater diversity of projects. So, it has a good chance of being effective. So, we thought that in this push, some portion must be done through states," Somanathan told The Indian Express.

In fact, the Union Finance Ministry consciously reached out to states as part of a nuanced strategy in the run-up to Budget 2022-23. In the meeting with states ahead of the Budget, the states' reaction was quite positive. "They said give it to us and we will use it," Somanathan said. Besides translating into quicker action on the ground, state projects benefit the small and medium enterprises more.

The Union government is expecting the thrust on public investment through states to have a greater multiplier effect given that they might spend less on health and more on capex in the coming year. The Finance Secretary said a policy choice must be made between little less of expenditure or more of fiscal consolidation or a little less of consolidation and more of expenditure. But either way, he said, private investments are not yet at a stage where interest rate sensitivities would be a key deterrent.

"If we reduce the expenditure and fiscal deficit, perhaps it will get a lower cost of borrowing. Is that going to drive a sufficient quantity of investment? Is the crowding out such that by reducing borrowing, more private funds will be available and they will invest? We were not convinced that would happen in the current scenario. Yes, there will be a marginal increase in the borrowing cost, that will filter through to the private sector also. But those projects in the private sector that are being planned, I don't think they are so interest rate sensitive that 0.25 per cent change will make them drop the project. If they were so rate sensitive, in the last two years when the rates were so low, we should have seen a surge in private investments. It was not there," Somanathan said.

Spending, according to the Finance Secretary, will create a better growth impact, even with some borrowing impact. "At the margin, we have to consolidate. There's no question of remaining at 6.9 per cent. But there is a pace of consolidation… We felt that spending will create a better growth impact, even with some borrowing impact. I don't think we are in a crowding out situation because private investment intentions are not so buoyant that they are waiting to use these funds. They are not struggling to get funds; banks are also sitting on a lot of money that they can still lend. So, crowding out is less of a risk now was the judgement. And growth will be better off with a slightly higher deficit," he said.

For 2022-23, Finance Minister Nirmala Sitharaman sharply hiked the capital expenditure budget by 24.47 per cent to Rs 7.5 lakh crore (compared with the Revised Estimate for 2021-22 at Rs 6,02,711 crore), which is almost 2.9 per cent of the GDP. The borrowing limit of states has been hiked to 4 per cent of GSDP and states have been provided for 50-year interest-free loans up to Rs 1 lakh crore in 2022-23. In 2021-22, the Centre had allowed states an additional Rs 15,000 crore for capital investment under a similar window.

"It has proved very successful in year 1 and year 2. We gave Rs 12,000 crore in one year, and Rs 15,000 crore in year 2. In both years it has been very quickly and effectively spent by the states. It has been welcomed by the states. There was feedback from the states that it was very useful to them to preserve capital expenditure during the pandemic, please continue and increase," Somanathan said.

Incidentally, Moody's Investors Service Friday said the focus on capital expenditure supports near-term growth but poses challenges to longer-term fiscal consolidation. "Continued government spending on infrastructure projects will drive demand for key user industries, a credit positive. In fiscal 2021, the government spent 11% more than budget estimates on highways and 9% more on railways. The increase in public investment helps to address infrastructure constraints and support future private investment," it said.

The Finance Secretary said the multiplier effect will be far greater in case of higher expenditure than through generation of demand through cash transfers. The capex proposal also includes urban projects which will help in creating jobs for the urban unskilled, he said. "A proportion of this capital expenditure to states will also be for urban. There is a component, which has specifically an urban component there. That has been tied to some reforms

in building laws and so on, but it is intended for generating urban projects. Amrut 2.0 has been launched. There is a considerable increase in it. We have a few easy to meet reforms criteria," he said.

For urban capacity building, the Budget had announced support to the states. "Modernization of building byelaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD) will be implemented. This will facilitate reforms for people to live and work closer to mass transit systems," Sitharaman had said.

Source: indianexpress.com– Feb 05, 2022

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Continuation of EPCG scheme under review

The government is reviewing the continuation of a key export scheme, Export Promotion Capital Goods (EPCG), launched in the 1990s, that allows exporters to import certain capital goods used in manufacturing without paying duty.

The commerce department is examining whether the scheme found to be inconsistent with the rules of the World Trade Organization is still needed or can be discontinued.

"There is a thought in certain sections of the government that the EPCG scheme is not supporting the growth of the domestic capital goods industry and should be discontinued," said a government official, who did not wish to be identified.

Commerce secretary BVR Subrahmanyam told the media last week that EPCG is not off the table but certain schemes are under question.

According to people familiar with the matter, the revenue department is in favour of gradually phasing out the scheme. The benefits under the scheme offered to the power sector were withdrawn almost ten years ago.

The commerce and industry ministry has held one round of talks with industry on the issue.

Under the scheme, import of capital goods for pre-production, production and post-production is allowed at zero duty. However, this is subject to fulfilment of specific export obligation equivalent to six times of duty, taxes and cess saved on capital goods, to be fulfilled in six years from the date of issue of authorisation.

Almost 95,000 authorisations were issued between 2015-21.

Exporters have urged the government to continue the scheme as a six-year export obligation period helps them sustain their exports despite challenging conditions.

"Many companies would have stopped exporting had there been no export obligation under EPCG," an industry representative who participated in the stakeholder consultation late last month said.

As per another trade representative, the finance ministry's Manufacturing and Other Operations in Warehouse Regulations Scheme allows duty-free import of capital goods even for domestic production unlike EPCG, which generates committed exports, and hence, the scheme should not be withdrawn.

Source: economictimes.com– Feb 07, 2022

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One District One Product (ODOP) mission of Centre takes a giant technology boost.

West Jaintia Hills today witnessed the first-of-its-kind Fly-Off Event to demonstrate the use of novel and innovative Drone/UAV technology for payload delivery, that could serve as a model of solving the 1st mile connectivity issues for Lakadong Turmeric farmers from the hinterland.

Lakadong Turmeric has been identified under The One District, One Product (ODOP) Initiative under the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Ministry of Commerce & Industry, as a product with excellent potential for growth and export for West Jaintia Hills.

ODOP partnered with AGNIi Mission, one of the nine technology missions under the Prime Minister's Science, Technology and Innovation Advisory Council to identify Indian innovative technologies that can play a transformative role in the end-to-end processing of Lakadong Turmeric, starting with leveraging payload drones (UAVs) to transport the turmeric in large quantities.

Addressing the gathering at the event, Ms. Sumita Dawra, Additional Secretary, DPIIT said that this event was a first step towards showcasing the innovative solutions that can propel 1st mile connectivity while ushering in Industrial Revolution 4.0.

It may be noted that the Lakadong Turmeric from West Jaintia Hills, Meghalaya, one of the world's finest turmeric varieties with the highest curcumin content of 7-9% (in comparison to 3% or less in other varieties), is fast becoming a game changer in the economy of the district. The State of Meghalaya has applied for a Geographical Indication tag for Lakadong turmeric.

The percentage of curcumin and oleoresin content in turmeric determines the demand by the industry along with the price. India is the largest producer and exporter of turmeric (APEDA, 2019). India exported US$ 236.5 million worth of turmeric in 2018 from US$ 182.53 million in 2017. Turmeric is a positive crop; it improves health and is not water guzzling.

Highlighting the fact that despite India being the world's largest turmeric producer and exporter, turmeric imports had also been increasing, the Additional Secretary said that the major importers were the extraction and processing industries that require high curcumin and oleo resin.

Inspite of the highest curcumin content and excellent potential for domestic sales and export, Lakadong turmeric faces severe market access issues due to the remoteness of the location, topography and terrain. Thus, buyers have to incur additional costs to transport the goods from the villages via local pick-up trucks till the major transporters' loading point. Additional costs of transportation and delays in the same act as barriers / disincentives for the buyer in the process of procurement.

The flyoff event would not only to give a fillip to the mandate of the ODOP initiative but also leverage modern technology as a fundamental solution to overcome the bottleneck of transportation that acts as a barrier in realizing the optimal potential of this exceptional spice from Meghalaya, Ms. Dawra said.

In consonance with its mandate in April last year, the ODOP Team successfully facilitated the trade of 13,136 kgs of sliced and dried Lakadong Turmeric to a large food processing industry in Ernakulam, Kerala in 2021. It may also be noted that under ODOP initiative, the price of Lakadong Turmeric has increased by Rs. 20, from Rs. 150 per Kg in the Year 2021 to Rs. 170 per Kg in 2022.

ODOP is a transformational step forward towards realizing the true potential of a district, fuelling economic growth and advancing the goal of Vocal for Local. Lauding the success of the ODOP team in pitching the highest curcumin content of Lakadong Turmeric as its Unique Selling Proposition, Ms. Dawra said that the team had succeeded in the creation of market linkages for 500+ plus farmers from Self-Help Groups and Co-operative Societies from 4 villages in West Jaintia Hills District.

Ms. Sumita Dawra said that under 'Lakadong Turmeric 2.0', new efforts were being planned to scale up procurements for sustainable sales for the harvest season of 2022 and the years to come. For the same, the ODOP team led buyer visits to Meghalaya in December 2021 wherein direct interactions at the farm level and buyer-seller meets were organized for representatives of interested buyers. These have ended in the finalization of procurement orders for over 25,000 kgs already with a plan to increase the same even further, subject to final negotiations this year, she added.

India produces 78 per cent of the world's turmeric, as per a reply given by the Union Minister of Agriculture & Farmers Welfare Narendra Singh Tomar in the Rajya Sabha on March 12, 2021.

In the year 2018-19, turmeric production was 389 thousand tonnes, with area and productivity 246 thousand hectares and 5646.34 kg per hectare respectively.

Source: pib.gov.in– Feb 05, 2022

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Publishing confidential export-import data may now lead you to jail

The government has proposed to make it a punishable offence with up to six months of imprisonment if details about quantity and value of individual export and import items are published by a person.

The FY23 Budget has proposed to introduce section 135AA in the customs act through the Finance Bill for "protection of data".

"If a person publishes any information relating to the value or classification or quantity of goods entered for export from India, or import into India, or the details of the exporter or importer of such goods under this Act, unless required so to do under any law for the time being in force, he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to fifty thousand rupees, or with both," the Finance Bill said.

It further clarified that nothing contained in this section shall apply to any publication made by or on behalf of the central government. "For the purposes of this section, the expression 'publishes' includes reproducing the information in printed or electronic form and making it available for public," it added.

The explanatory memorandum of the Finance Bill, 2022 said the Section 135AA is being inserted in the Customs Act to "protect the import and export data submitted to Customs by importers or exporters in their declarations by making the publishing of such information unless provided by the law, as an offence under Customs Act."

"The customs import and export data about the valuations are confidential data. But some people were having access to this data and they were publishing it. The amendment now makes it an offence liable to penalty," a government official said under condition of anonymity.

Similar provisions exist under the Collection of Statistics Act under which the government collects price and output data, making it an offence for the government employees from disclosing any information shared by producers. "No information contained in any information schedule and no answer to any question asked shall, except for the purposes of a prosecution

under this Act, be separately published, or disclosed without suppressing the identification of informants to any agency," the Act says.

The Act makes any such act as punishable with simple imprisonment for a term upto six months or with a fine up to Rs 2000 or, in the case of a company, with a fine which may extend to Rs 10,000 or both.

Source: business-standard.com– Feb 05, 2022

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Labour code may cap allowances at 75% of wages in first year, 50% over next three years

The government is mulling a high limit on allowances at 75-80% of the wages of an employee in the first year of the roll-out of the labour code on wages. This could gradually be brought down to 50% over three years, as specified in the code, people familiar with the deliberations told ET.

The other major change under consideration is restoration of the threshold on the number of employees in an organisation to 100 from the proposed 300 under the industrial relations code for seeking the government's permission before retrenchment or closing down operations.

The industry has resisted a cap on allowances at 50% of wages, reasoning it would raise their employee costs.

Under the code, wages include all remuneration by way of salaries, allowances or otherwise and include basic pay, dearness allowance and retaining allowance, if any, but exclude allowances such as house rent allowance and overtime allowance.

The code provides that if all these allowances not included in wages together exceed one-half or the per cent so notified, the excess amount shall be deemed as remuneration and added to wages under this clause.

Such an increase in wages would require higher payment to provident fund by both employer and employees and also raise gratuity payments. This would reduce take-home pay for workers, though they would gain a higher contribution to retirement savings.

"The government is discussing changes that can be made to the code in view of the concerns expressed," an official privy to the deliberations said on condition of anonymity.

The Code on Wages was passed by Parliament in 2019 while the Industrial Relations Code was approved in September 2020.

Though the rules governing the four codes passed by Parliament were ready by March 2021, they have not yet been implemented because of stiff resistance from employers and employees on certain issues.

The industry fears the proposed changes in the code, at a time when the economy is still recovering from the impact of the pandemic, would put unnecessary pressure and increase their employee cost.

"This has prompted the Centre to relook at the necessary changes that can be made to ensure minimum additional liability on employers, especially now when the pandemic has hit the businesses hard," said another person aware of the deliberations.

The Industrial Relations Code had raised the threshold for requirement under a standing order, which are rules of conduct for workmen employed in industrial establishments, to more than 300 workers from the earlier 100 workers. This would have given more businesses freedom to manage their workforce without requiring government permission.

Experts said tweaking some of the provisions might help the government win over the employers and trade unions' confidence, thus enabling faster implementation of the codes which are critical to the ease of doing business.

"Phased introduction of capping allowances at 50% will help the government buy-in employers' consent for more important minimum wage provisions to kick in," said labour expert KR Shyam Sundar. "Further, redefining the threshold from 300 to 100 will have limited implications for flexibility for employers but will largely appease the trade unions," Sundar said, adding it will enable the government to roll out all the codes faster.

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