TEXPROCIL NEWS CLIPPINGS

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INTERNATIONAL NEWS

US producers aim to plant 12 million acres of cotton in 2022: NCC

US cotton producers intend to plant 12 million cotton acres in 2022, up 7.3 per cent from 2021, as per the National Cotton Council (NCC's) 41st Annual Early Season Planting Intentions Survey. Upland cotton intentions are 11.9 million acres, up 7.1 per cent from 2021, while extra-long staple (ELS) intentions of 158,000 acres show a 24.8 per cent increase.

"Planted acreage is just one of the factors that will determine supplies of cotton and cottonseed. Ultimately, weather and agronomic conditions are among the factors that play a significant role in determining crop size," Dr Jody Campiche, the NCC's vice president, Economics & Policy Analysis, said.

The NCC questionnaire, mailed in mid-December 2021 to producers across the 17-state Cotton Belt, asked producers for the number of acres devoted to cotton and other crops in 2021 and the acres planned for the coming season. Survey responses were collected through mid-January at the 2022 NCC annual meeting.

"History has shown that US farmers respond to relative prices when making planting decisions. Relative to the average futures prices during the first quarter of 2021, prices of all commodities are trading significantly higher. However, input costs are also much higher than this time last year," Campiche added.

Southeast respondents indicate a 3.7 per cent increase in cotton acreage to 2.4 million acres. In Alabama, survey responses indicate a 5.0 per cent increase in cotton acreage. Georgia growers expect to plant 1.3 per cent more cotton, while the survey indicates an 8.0 per cent increase in North Carolina's cotton area. South Carolina growers expect to plant 10.0 per cent more cotton, with Virginia growers expanding their cotton acreage by 4.7 per cent. According to the survey responses, the expected increase in cotton acres is due to a decline in corn acres and peanut acres to a lesser extent. With a 4.0 per cent decline, Florida is the only state in the region showing a decrease in cotton acres, with those producers shifting to soybeans.

Mid-South growers intend to plant 1.9 million acres, an increase of 14.6 per cent from the previous year. Across the region, all states intend to increase cotton acreage. In Arkansas, respondents indicated a 15.7 per cent increase in cotton acreage; Louisiana growers expect to plant 51.2 per cent more cotton; in Mississippi, respondents indicated 6.5 per cent more cotton acreage; Missouri growers expect to increase cotton acres by 5.9 per cent; and Tennessee's respondents indicated a 21.1 per cent increase in cotton. In all states, survey responses suggest that cotton is increasing acres at the expense of corn.

Southwest growers intend to increase cotton acreage by 7.0 per cent to 7.4 million acres. Each of the three states plan to increase cotton acres with Kansas up 15.2 per cent, Oklahoma increasing by 5.6 per cent, and Texas calling for a 6.9 per cent increase. Responses indicate a shift from sorghum to cotton, with Texas producers also planting less wheat, according to the survey.

With intentions of 156,000 acres, producers in the West expect to plant 14.1 per cent less acres of upland cotton. Upland acreage is expected to decrease in Arizona and California by 22.7 per cent and 7.7 per cent, respectively. New Mexico growers expect to increase upland acreage by 10.0 per cent in 2022. Water constraints continue to affect planting decisions in Arizona and California.

ELS acreage is expected to increase by 24.8 per cent in 2022 to 158,000 acres, likely driven by the all-time highs being seen in ELS cotton prices. Respondents indicated an increase of 30.4 per cent in California, 5.9 per cent in Arizona, 11.0 per cent in New Mexico, and 16.3 per cent in Texas.

Source: fibre2fashion.com– Feb 14, 2022

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UK, Philippines reiterate reinforcing trade ties at Economic Dialogue

The United Kingdom and the Philippines convened their 3rd Economic Dialogue early this week and committed to building back better from the pandemic and pursue mutual prosperity in key areas, including economic reform, green infrastructure, human development and digital economy, and to deepen cooperation in priority sectors like manufacturing and innovation.

The virtual dialogue was led by the Philippine department of trade and industry undersecretary Ceferino Rodolfo and British ambassador to the Philippines Laure Beaufils.

The dialogue is the first manifestation of the new enhanced partnership agreed by the UK department of foreign affairs secretary Teodoro Locsin, Jr., and UK foreign secretary Locsin and secretary Liz Truss in November 2021, said a UK government release.

Both sides agreed to continue coordination on trade policy, regional trade interests and multilateral engagement, in addition to a regular dialogue on market access issues and investment opportunities.

Ambassador Beaufils underscored his country's commitment to deepen inclusive and sustainable economic development ties with the Philippines as well as to explore opportunities for regional opportunities in light of the United Kingdom's conferment as ASEAN Dialogue Partner and the Philippines' role as ASEAN Economic Coordinator for the UK.

Both countries reaffirmed the outcomes of the 3rd Economic Dialogue through a joint partnership statement, according to UK government press release.

The areas that need focus for post-pandemic economic recovery include economic reforms that enable strong bilateral and regional linkages, capacity building and sharing of expertise and best practices between both countries, aligned with the United Nations Sustainable Development Goals and the Philippine Development Plan.

Source: fibre2fashion.com– Feb 14, 2022

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Denim Market Projected to Spike to $76.1 Billion By 2026

The denim boom celebrated by executives throughout the industry shows no signs of slowing down. A new report from Research and Markets projects that the global denim jeans market will spike to $76.1 billion by 2026, up from $57.3 billion in 2020.

The market research firm attributed the anticipated success to a number of factors, including the casualization movement that has infiltrated the workplace, where jeans are becoming increasingly commonplace. A growing number of young people entering the workforce has also benefitted the denim industry, as the demographic largely opts for more casual office attire. The projection echoes recent data from retail intelligence platform Edited, which shows denim sellouts were up 10 percent in 2021 from the previous year, and denim sellouts were up 27 percent in the first week of 2022 compared to 2021.

Jeans' increasing popularity has been a positive subject of focus for Levi Strauss & Co. president and CEO Chip Bergh who, during the heritage denim brand's most recent earnings call with investors, stated that its jeans growth outpaced apparel in the U.S. in Q4. Compared to 2019, jeans were up 8 percent overall, with women's up 21 percent and men's up 6 percent—the highest revenue level since Q4 2015. Optimism is being felt across the board, with brands like Guess also projecting big wins for the coming year. In an earnings call in November, the company stated it's confident it will achieve its revenue goal of $2.8 billion in 2024 as a result of this denim-centric period.

Denim's new look, classified by looser fits, nostalgic silhouettes and embracing color, has helped expand the range of products that are available under this category. The "new cycle" has been well received by consumers who are looking beyond loungewear—specifically in the women's category. Edited noted that the segment accounted for 44 percent of new denim arrivals in 2021 and made up 63 percent of sellouts. Of the new denim fits, it noted that straight-leg styles are most popular, followed by flares, bootcut and wide-leg.

Also driving denim's popularity is its ease of access. The report showed that the online shopping segment currently accounts for 17.7 percent of the global jeans market, and is expected to grow at a rate of 9.2 percent over the next seven years. Much of e-commerce's appeal lies in its convenience, though the report indicates that the digital channel often drives greater cost savings as well. With prices expected to increase as a result of spiking cotton rates and supply chain issues, consumers will likely gravitate towards more affordable shopping methods as they're presented.

Regionally, the report stated that the U.S. denim market dominates, with a current estimated worth of $15.1 billion and a 24.6 percent share in the global market. America represents the biggest global consumer of denim jeans and has the world's largest per capita jeans consumer. Comparatively, China, the world's second-largest market, is expected to reach $15.5 billion by 2026. Europe is expected to reach $4.6 billion. Denim market growth is also expected within developing nations such as India, South Korea, Brazil, Mexico, Turkey, the UAE, Saudi Arabia and others as a result of Western influence, an increase in women joining the workforce and rising fashion consciousness.

The fashion supply chain is making strides in elevating these countries, with a recent Patagonia deal leading by example. In December, the sustainable apparel giant purchased 30,000 meters (approximately 32,000 yards) of khadi denim fabric through Indian denim mill Arvind to support India's efforts to bring local craftsmanship to mass denim. Years prior, the mill reached an agreement with the Khadi and Village Industries Commission (KVIC), an Indian government organization, to market khadi denim products around the world and create a steady stream of work for khadi artisans of the Gujarat region of India—a deal that underscores the Indian prime minister's "local to global" push to promote the country's offerings throughout the world.

Similarly, a recycling program pilot, now in its second year, is being tested by Swedish denim brand Nudie Jeans and the United Nations Industrial Development Organization (UNIDO) as part of the EU-funded circular accelerator, SwitchMed, to position Tunisia as a denim hub. The pilot has already repurposed 6,530 pairs of second-quality jeans into 16,000 new pairs made of 20 percent recycled cotton, over-performing its initial target of 15,000. Jeans are now available for sale in select Nudie Jeans shops and online.

Source: sourcingjournal.com– Feb 14, 2022

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US-Cambodia trade tops $9 bn in 2021

US-Cambodia bilateral trade was worth $9.159 billion in 2021, a 15.8 per cent increase over the figure in the previous year, according to a report by the US Census Bureau. Cambodia exported $8,745 million worth of goods to the United States last year—a year-on-year (YoY) rise of 33.2 per cent, while its imports from there rose by 20.2 per cent to $413.7 million.

Cambodia's exports to the United States is strong despite some products being exported under the generalised system of preferences (GSP) with tariff payment, according to Pen Sovicheat, spokesman at the commerce ministry

Cambodia's trade surplus with the United States is $8,331.6 million, a 34 per cent increase compared to 2020, according to domestic media reports.

The trade amount makes the United States Cambodia's biggest market.

Cambodia's exports to the United States comprised mostly garments and included footwear, bicycles and furniture, while the former imports automobiles, machinery, electrical appliances and electronics.

Cambodia's travel and bag products only receive GSP status in the US market and other products like clothes and footwear are exported under the Most-Favoured Nation status, which allows for discounts on imports.

Source: fibre2fashion.com– Feb 14, 2022

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Vietnam: Import, export both increase

Good signal from FDI enterprises

According to a report of the Ministry of Industry and Trade (MoIT), the group of commodities with a strong increase in export turnover since the beginning of the year was agriculture, forestry, and fishery, with US$2.67 billion, up 21.4 percent over the same period in 2021.

Processed industrial products also brought in $24.95 billion, up 0.2 percent over the same period, accounting for 86 percent of total export turnover. Items with export turnover of over $1 billion included phones and components with $4 billion; computers, electronic products, and components with $3.5 billion; textiles and garments with $3.3 billion.

The above items are mainly produced by FDI enterprises. Explaining this, Mr. Hirai Shinji, Chief Representative of the Japan External Trade Organization (JETRO) in Ho Chi Minh City, said that the free trade agreements (FTAs) that Vietnam had signed created large advantages for products manufactured and exported from Vietnam. A survey of 1,041 Japanese enterprises shows that the average export per sales ratio of Japanese enterprises in Vietnam is 50.9 percent. In which, the rate of using FTA/EPA (Economic Partnership Agreement) of Japanese enterprises in Vietnam is 59.7 percent.

The FTA advantages that Japanese enterprises use the most are the Vietnam – Japan and the ASEAN - EU FTAs. Currently, up to 74.3 percent of manufacturing enterprises and 62.2 percent of Japanese non-manufacturing enterprises have increased their revenue, thanks to the expansion of export and local markets. Moreover, when being asked about revenue forecast in 2022, up to 44.5 percent of businesses confirmed that it would increase.

According to the representative of JETRO, more than 60 percent of Japanese enterprises want to invest in new or expand investment in Vietnam. Many of them have switched from investing in outsourcing some simple stages of products to producing finished products with high added value and the ability to export directly to third countries.

From another perspective, Mr. Nguyen Ngoc Hoa, Vice Chairman of HCMC Union of Business Association, said that the export turnover accelerated because orders had been constrained for a long time due to the Covid-19 pandemic. Currently, the pandemic situation in the country has been controlled, production has gradually stabilized, and Vietnamese enterprises can fulfill large orders, helping import partners promptly replenish supplies that are short in the global supply chain. Therefore, import partners tend to shift their orders from China to Vietnam. In the coming time, the number of orders received by domestic enterprises is expected to climb sharply, leading to a rapid increase in export turnover.

The US continues to maintain its position as the largest import market of Vietnam, with an estimated turnover of $9 billion, followed by China, the EU, South Korea, the ASEAN, and Japan.

Domestic enterprises worry

However, besides positive signals from the export market, many domestic enterprises, especially those that only focus on developing their domestic market share, are concerned about the export-import trade balance. For example, in January 2022 alone, Vietnam had a trade deficit of $5 billion from China, up 11.7 percent; $3.8 billion from South Korea, up 28.9 percent; $1.2 billion from the ASEAN, up 69.2 percent; $600 million from Japan.

In January 2022, four imported items had an import turnover of over $1 billion, accounting for 46.8 percent of the total import turnover. Especially, the rate of trade deficit from the Chinese market increased rapidly, from $34 billion in 2019 to $54 billion in 2021.

Mr. Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association, said that China has many advantages in supplying raw materials for production. Accordingly, low labor costs, a large production scale, and quick application of modern production technologies have helped China to have cheap raw materials that are enough to meet the needs of businesses globally, including Vietnam. In the textile and garment industry alone, up to 60 percent of fabric raw materials must be imported, mainly from China.

For the plastic industry, Mr. Tran Viet Anh, CEO of Nam Thai Son Import-Export Joint Stock Company, said that 60 percent of raw materials for plastic production were also imported, mainly from the Middle East and Asia. Currently, the tension and escalation of oil prices trigger the risk of pushing up plastic raw material prices. Last year, the prices of plastic raw materials had a sudden increase of 30-300 percent depending on the type, causing great difficulties for businesses. And with the establishment of a new price level in 2022, enterprises can hardly recover and speed up production.

Source: sggpnews.org.vn– Feb 11, 2022

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Bangladesh: Customs authority sets indicators to detect abuse of bonded warehouse facility

The customs authority has put in place a set of indicators to help detect abuse of duty-free facilities under the bonded warehouse scheme.

While setting the indicators, the authority has taken into consideration a few risk factors that it has identified lately.

The customs also has prepared lists of export-oriented companies that have a strong propensity for duty evasion, officials said.

The names of 23 export-oriented companies, operating outside the Export Processing Zones (EPZs) and under the special bond circle, and 11 companies under the general bond circle have been sent to the National Board of Revenue (NBR) recently.

Categorising those as the 'risky industry', the Dhaka Customs Bond Commissionerate sent a comprehensive report for taking preventive measures on the basis of the detailed database.

Customs commissioner Kazi Mustafizur Rahman sent the report to the Member (customs bond, export and IT) on February 3, 2022.

Of the products that are imported duty-free under the special bond facility by 100 per cent export-oriented industries, the customs authorities allegedly found at least seven in the local market.

The customs bond office got evidence in support of the allegation during investigations.

The products included a mixture of viscose fabrics, polyester fabrics, georgette fabrics, shirting and suiting fabrics, short/long pile fabrics, curtain fabrics or above count mixed yarn.

Risky items imported under the duty-free facility by general bond or deemed exporters are: LDPE, LLDPE, BOPE, HDPE, art card, poly bag, carton, duplex board, virgin grade liner paper, PVC film, sheet, Glauber's salt.

Customs has detected some irregularities and found that those products are often sold in the open market, according to the report.

The customs has included a total of nine what it describes as indicators in the use of the bonded warehouse facility by export-oriented industries.

The indicators are: not having approval for audit, allegation and case for tax evasion, existing tendency to evade tax, tendency to blocking revenue collection filing cases etc.

Asked, first vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Syed Nazrul Islam told the FE that the association is against the abuse of the duty-free facility and said the government should take legal action against the culprits.

He, however, alleged that the industries cannot violate the law without the support of customs officials concerned.

Transparency and accountability should be ensured on both sides to bring discipline in the bonded warehouse system, he added.

In the report, names of the potential abuser of the facility under general bond circle included BSP Plastic (BD) Pvt Ltd (direct and deemed), Permess South East Asia Ltd, International Trimmings and Labels (BD) Pvt Ltd, Zaber and Zubair Accessories Ltd, Bangladesh Master Pack Ltd, Web Coats Ltd, Ranka Denim Textile Mills Ltd, Mantaka Printing and Packaging Ltd, Ideal Polymer Export Ltd, Tory Enterprise (Pvt) Ltd, Nahid Plastic (BD) Limited, Aliza Fashion Ltd, Astro Stitch Art Ltd, Azim & Son (Pvt) Ltd, Bottoms Gallery (Pvt) Ltd, Alluring Fashions Ltd, Basunia Textiles Ltd, Hassan Tanvir Fashion Wears ltd, Rupa Knitwear (PVT) ltd, SRKH Design Limited.

Industries under special bond circle included LEEU Fashion Ltd, Blue Planet Fashion Wear Ltd, Blue Planet Knitwear Ltd, Ratool Apparels Ltd, SAMYTEX Industries Ltd, Maa Stitch, Attraction Garments Ltd, Corona Fashion Ltd, Posh Garments Ltd, Imperial Sweater (BD) Limited, Green World Fashions Limited, AM Fashion, ATS Apparels Limited, Alif Casual Wear Ltd.

Marking the industries as risky, the customs bond office gave detailed data on pending demands, audits, cases and other tax related disputes.

Currently, around 50 per cent of the licenced bonded exporters are inoperative - either closed or suspended their operation. Some 3,126 are active out of 6,326 bond licence holders.

Of them, some 1,049 are deemed exporters, 1,777 are direct exporters, 78 are supervised bonded industry, 15 home consumption bond, some 94 A-category industry in EPZ, 41 B-category industries in EPZ, 42 C-category, 7 diplomatic bond, one hi-tech park, 14 duty-free shop and eight licences are obtained by BEZA industries.

Source: thefinancialexpress.com.bd– Feb 13, 2022

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NATIONAL NEWS

Free Trade Agreement: India, UAE likely to sign FTA on February 18

India and the UAE are likely to sign a free trade agreement (FTA) on February 18, under which both the countries could give duty-free access to a number of products from different sectors, sources said.

In September last year, India and the United Arab Emirates (UAE) had formally launched negotiations on the pact, officially dubbed as the Comprehensive Economic Partnership Agreement (CEPA).

Under such an agreement, two trading partners reduce or eliminate customs duties on the maximum number of goods traded between them. Besides, they liberalise norms to enhance trade in services and boost investments.

This would be the second such agreement to be signed by the current government. In February last year, India had inked the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with Mauritius.

"The India-UAE agreement is ready and it would be signed on February 18," a source said.

Bilateral trade between India and the UAE stood at USD 43.3 billion in 2020-21. Exports were USD 16.7 billion and imports aggregated at USD 26.7 billion in 2020-21.

Last week, Commerce and Industry Minister Piyush Goyal had said "we hope to make some announcements very quickly" on the India-UAE trade agreement. Earlier, he had stated that the UAE is a gateway to all of Africa and many other parts of the world.

The UAE also has a huge Indian diaspora, and a large market for products like textiles, gems and jewellery, leather, footwear and food items, which are labour oriented sectors, he had said.

Source: financialexpress.com– Feb 14, 2022

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India set to witness highest ever exports, says DGFT

Director General of Foreign Trade Ministry says country is likely to cross $400 billion dollars worth of exports in FY22

The highest ever exports are happing in India this fiscal, said Santosh Kumar Sarangi, Director General of Foreign Trade (DGFT), Ministry of Commerce and Industry, adding that along with a new foreign trade policy, restructuring of the organisational set up within the Department of Commerce is taking place

"The country is likely to cross $400 billion worth of exports in the financial year 2021-22. Exports have grown substantially. We have seen 46 per cent of growth in exports over the previous year. The previous year, of course, had a much lower base. We are likely to achieve our highest every export from our country in achieving $400 billion of exports" said Sarangi, speaking at the Pune International Business Summit organised by the Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA) on Monday.

"We have to come up with a new foreign trade policy and we are working in setting up an ecosystem that will facilitate foreign trade and a positive export environment. We are also working on restructuring some of the organisational set up within the Department of Commerce to give us an additional advantage in terms of trade negotiations, in terms of trade promotion, and in the areas of trade remedial," he said.

Key elements

Sarangi said that he anticipates that India's export effort will continue to focus on four or five key elements.

"One of these will be a greater linkage between the manufacturing hubs and exports. SEZs, industrial clusters, food processing clusters are going to become increasingly important. The kind of quality consciousness, the quality of technological augmentation will determine our ability to ramp up our exports substantially," he said.

Sarangi added that in horizontal support, the focus is going to be on the creation of global standards of infrastructure like roads or linkage of manufacturing with ports.

"The second horizontal effort will be on quality up-gradation. The focus and thrust on quality are going to be key and the government's increased investment and focus is also going to be in the areas of quality," he added.

Sarangi said that the government will be facilitating market access through a range of pre-trade agreements which are being negotiated right now and on simplification of regulations.

He said that one of the key area is ability to adjust to the post-pandemic global economic order and invest more in the emerging technologies like AI, digital blockchain, nano technology and genetics.

Source: thehindubusinessline.com– Feb 14, 2022

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Centre must relook proposed GST amendments on ITC

One of the prime objectives of Goods and Services Tax (GST) regime is to provide seamless input tax credit (ITC) and thus reduce the cascading effect of taxes. However, in recent years many conditions have been imposed restricting ITC to the recipients of supplies through amendments to the GST Rules and inappropriate use of GST Network (GSTN). The Finance Bill 2022 seeks to amend the Central GST (CGST) Act, 2017 and thus bring in fresh restrictions and also validate many of the actions taken by the government and the GSTN.

Section 16 of the CGST Act, 2017 allows a registered person to take ITC subject to five conditions - he is in possession of a tax paying document, he has received the goods or services, he has furnished GSTR-1 returns, he has received from the GSTN the details of the supplies that the supplier has furnished in his GSTR-1 return and the supplier has paid the tax due on his outward supplies to the government. Now a sixth condition is being added as Section16 (ba) that the ITC in respect of the supplies communicated to him are not restricted under Section 38 of the CGST Act, 2017.

The Finance Bill 2022 seeks to substitute the wordings of the said Section 38 also, prescribing six new conditions. The GSTN will send to the recipient auto-generate details of supplies reported by the suppliers pointing out the supplies in respect of which he cannot take ITC such as supplies made within prescribed period after taking registration, where the supplier has defaulted in paying the taxes, where the supplier has discharged less tax liability (through GSTR-3B) than what he has reported (in his GSTR-1), where the supplier has taken more ITC than prescribed, where the supplier utilizes the ITC beyond the prescribed limit for discharging his tax liability and supplies from such other classes of suppliers as the government may notify.

The proposed changes have generated lots of disquiet in the trade because they seek to punish the recipient for the faults of the supplier. Secondly, there is no mechanism through which the recipient can keep track of the actions of the supplier, for example when the supplier pays to the government less tax than due, when the supplier takes more ITC than due, when the supplier utilizes ITC beyond the prescribed limit and so on. The overwhelming view in the trade is that if the supplier does something wrong, he should be punished and not the recipient.

The trade is also disturbed that some other proposals seek to give the government wider powers — to prescribe conditions and restrictions subject to which the statement of outward supplies (GSTR-1) can be filed and the details so filed will be communicated to the recipients (GSTR 2A/2B), to not permit filing returns if returns for the previous tax periods are not filed, to omit the aspects related to two-way communication and matching and so on.

The government seems to be of the view that the restrictions are being brought in mainly to curb the menace of fake invoicing and that the recipient should procure his supplies only from those who are fully compliant with the law. Anyway, it would help if the government addresses the apprehensions of the trade and takes a relook at the proposed amendments.

Source: business-standard.com – Feb 14, 2022

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Exports: Has white-collar success trumped India's blue-collar viability?

At the turn of the century, in 2000-01, India's exports of manufactured goods accounted for the bulk of the total export basket for both goods and services. Services exports were only half of manufactured exports. A decade later, in 2010-11, the export of manufactured products still accounted for the biggest chunk in India's export basket, but its share had slipped. And by the last financial year, 2020-21, services exports ($206 billion) had virtually caught up with manufactured exports ($208 billion), in a total export basket of $498 billion. In the space of two decades, from being half of manufactured exports, services exports had drawn level.

If one looks at growth rather than the totals, the trend is starker. Services exports in the decade to 2020-21 grew by $81 billion, more than twice the growth in manufactured goods exports ($37 billion). India's ratio of services to merchandise exports now mirrors that of the US and some other post-industrial economies that have yielded on manufacturing to China/East Asia. Such a ratio is unique for a diversified developing economy.

This trend appears to have been reversed in the current year, with merchandise exports growing faster than services, possibly because of higher prices for petroleum goods exports. One should not expect this reversal of trend to be sustained. India's primary competitive advantage remains the cost of its manpower. This is clearest with the educated workforce, and underpins the country's competitiveness in the export of software services, its strength in chip design rather than chip manufacture, and its success in exporting knowledge-based products like pharmaceuticals and speciality chemicals because they have better margins.

The competitive advantage in labour costs explains also the growing importance of agricultural exports, enabled as it is by poor returns on farming despite desperately low farm wages. It is cold comfort, but telling nevertheless, that agricultural exports too have grown much faster in the last decade (68 per cent) than manufactured exports (22 per cent).

The obvious question is why the manpower cost advantage is not reflected in the export of labour-intensive, high-volume but low-margin products like garments and shoes (items that explained East Asia's initial successes). The answer, as everyone knows, is policy failure. There was the initial reservation of these items for small-scale industry (hence an absence of scale), rigid labour laws that prevented flexible workplace practices, incentives that rewarded capital-intensive industries, and other such. Some of these issues have been addressed, others not.

Is it too late to boost labour-intensive manufacturing for export markets? No, for China with higher labour costs still earns much more from garment exports than India. But it has become more difficult for an important reason: The rupee's exchange rate. If India were trading in only goods, a massive deficit of about $150 billion (5 per cent of GDP) would have forced down the rupee's value. That would have made Indian manufactured goods cheaper in export markets, and domestic production cheaper than imports. This currency correction does not happen because the deficit in the goods trade is mostly neutralised by a surplus in the trade in services. Put bluntly, white-collar success has trumped blue-collar viability.

Recognising the problem, India while negotiating to join the Regional Comprehensive Economic Partnership sought concessions on merchandise trade in exchange for opening up on services trade, but the rest of the region (influenced by China and others) didn't bite. India then opted out, but that doesn't make the problem disappear. Indeed the country has made life more difficult for itself by opening up more and more to external capital, whose inflow pushes up the rupee. Rewarding foreign portfolio investors has been given priority over creating domestic employment.

The resulting dollar surplus has forced the Reserve Bank of India to buy dollars that it doesn't need, swelling foreign exchange reserves. There are limits to such action, so the rupee is likely to remain too expensive for low-margin manufactured exports to be viable, especially in India's still-handicapped operating environment. It is a small relief that, in the latest Budget, the government did not open wider the bond market to international capital, as many wanted. That would have made the problem worse.

Source: business-standard.com– Feb 11, 2022

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Timeline for applying to PLI scheme for textiles extended till Feb 28

The Ministry of Textiles has further extended the timeline for submission of applications under the PLI scheme for textiles till February 28.

This will give prospective investors more time to frame their proposals.

"Earlier the date of submission of online application under PLI scheme for textiles was up to January 31 which was extended till February 14," a statement issued by the Textiles Ministry elaborated.

With this extension in the timeline, investors in the textile sector are now getting a total of two months to put in their final applications, which is roughly the time allowed by other Ministries under the scheme, an official told BusinessLine.

The PLI scheme for textiles, which has been allocated a budgetary outlay of ₹10,683 crore, covers 40 MMF (man-made fibre) garment items, 14 MMF fabric items and 10 technical textile items.

HSN codes notified

The fact that the item classification codes (HSN codes) for several technical textiles items were notified only in the Union Budget earlier this month is an additional justification for the extension of timeline, the official added.

"The eligible applicants may apply through online only," the release stated. Estimated fresh investment of more than ₹19,000 crore is likely to be attracted under the PLI scheme for textiles, per government estimates. The investments are expected to result in cumulative turnover of over ₹3-lakh crore over the next five years and generate additional direct employment of 7.5 lakh.

Source: thehindubusinessline.com– Feb 14, 2022

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GST input tax credit: Why tasking the recipient with the responsibility of ensuring supplier compliance may be draconian

Budget showcases the next phase of the tax administration guided by digitisation and integration of central and state-level systems through IT bridges and removal of overlapping compliances.

However, as far as GST is concerned, the Finance Minister has not given any indication on the proposed changes in compliance processes and the preparedness of technology infrastructure. As one studies the fine print of the Finance Bill, the idea of 'trust-based governance' seemed to have not been adequately expressed or given effect to, especially if one were to read the dispensation of the 'two-way communication' in the return filing.

The 'credit matching' concept in GST has been an ambitious aspiration since day one. The two-way communication process between the supplier and recipient was a noble thought, which if successfully implemented would have taken us a long way ahead on the GST journey. When credit matching was introduced in 2017, it appeared as a picture-perfect plan, but challenges faced in the implementation continue to persist both for taxpayers and tax administrators alike.

As a result, sections 42 and 43 of the CGST Act and associated rules to set in motion the 'credit matching' came to be dropped mid-way through the GST journey. To effectuate this process, Section 43A was proposed to be introduced, which sought to allow the recipient to verify, validate, modify, or delete the details. A draft note was also released on the GST portal for its implementation and compliance architecture. However, the technological inadequacies and challenges which had haunted the industry in the past continue to remain a barrier in the implementation of this ambitious project.

While technical limitations and complications defied smooth implementation, the Government's resolve to allow ITC based on credit matching led to insurmountable complications to the industry and the introduction of Rule 36(4) to restrict GST credits up to 5% of eligible credit if the supplier fails to comply, lead to significant cash flow constraints to the taxpayer.

With the proposed omission of sections 42, 43 and 43A, the redundant provisions have been ditched after 5 years. However, the removal of the old and the introduction of the new processes casts an obligation on the recipient to ensure supplier compliance before taking tax credits. The amendment even proposes to levy interest on the recipient for the mistake/error on the part of the supplier. This seems to be in counter to decisions of various Courts where it was held that recovery of ITC from the recipient cannot be sought without first exhausting the remedy of recovery from the suppliers, who collected GST from the recipient but failed to remit the same to the Government. The amendment seems to reopen the controversy for fresh judicial review if the taxpayer were to challenge this as draconian, especially in the absence of any locus standi for the recipient to insist the supplier to comply. Section 38 proposes that an auto-generated statement would be generated by the government/portal, capturing the details of inward supplies on which credit is available and inward supplies on which credit cannot be taken, on account of the supplier being in default or non-compliance. The modalities in the implementation of this process have not been made available. Many clarifications are expected before the implementation of this revised credit availment process.

The views of the industry and trade should be sought to understand the challenges of day-to-day business operations. While the Government is hard-pressed to initiate stringent measures to curb the menace of fake invoices, it cannot lose sight of the fact that law-abiding taxpayers are saddled with additional burdens. If the experience of the past 5 years is any indication, the success of the newly introduced process would majorly depend on the technological capabilities and capacity creation. One major respite in this entire proposal seems to be the facility to re-avail tax credit if the supplier eventually complies, though it is unclear whether interest paid by the taxpayer for the default of the supplier would be returned.

The government has time and again emphasised its commitment to 'minimum government & maximum governance'. While the Finance Minister underscored the need for "right balance between facilitation and enforcement has engendered significantly better compliance" in her budget speech, it remains to be seen how the proposed amendments promote minimum hardship and ease of compliance for taxpayers.

Source: economictimes.com– Feb 14, 2022

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Demand for lower cotton prices is not justified

The recent rise in the price of cotton yarn seems to have hit the textile manufacturers hard, so, a large section of participants involved in value chain products of cotton has called on the government to take measures to arrest the price rise.

While demanding higher taxes on cotton exports, they have demanded scrapping of the 11 per cent import duty and halt of cotton from the futures trade to stabilise the price.

But are these demands justified ? Will lowering the price of yarn not affect the 58 lakh farmers who have been cultivating cotton on about 134 lakh hectares with various hardships? Do the farmers reap any profit from cotton cultivation?

Cotton cultivation

Cotton has been cultivated as an important commercial crop in India for many centuries now. The area under cotton increased from 76 lakh hectares (lha) in 1960-61 to about 134 lha in 2019-20. Although the crop is grown in various States, — Maharashtra, Gujarat and Telangana account for about 70 per cent of India's total area in 2019-20. But, the area under cotton declined sharply from 3.96 lha to 1.69 lha during the same period in Tamil Nadu, where a large section of textile companies is demanding a reduction in yarn price.
Although India is the world's largest cultivator of cotton with an area of 37 per cent, its yield per hectare is one of the lowest. The yield of cotton increased from 152 kg/ha in 1980-81 to only 190 kg/ha in 2000-01. So India's share in global cotton production was low till the early part of 2000s.

But, this scenario completely changed after the introduction of Bt cotton in 2002. While the area under cotton has increased significantly from 77 lha in 2002-03 to about 134 lha in 2019-20, its production increased from 86 lakh bales (one bale is 170 kg) to 352 lakh bales during the same period.

Today, India is the world's largest producer of cotton. But has this revolution benefitted farmers is the question one needs to answer in the context of demanding a reduction in yarn price?

Cotton economics

Cotton crop cultivation is a complex exercise. Cotton growers face various hardships. First, since cotton is predominantly cultivated (about 70 per cent) under rainfed area, its yield is very low and risk is very high. Second, due to the high risk of bollworm and other pests attack, the cost incurred on account of pesticides is relatively large.

Third, cotton-picking is done using manual labour and therefore, the harvesting cost of cotton is also very high. In view of this, the total cost of cotton cultivation is very high and has been rising rapidly in recent years.

As per the data of the Commission for Agricultural Costs and Prices (CACP), in Maharashtra, which accounts for about one-third of India's total cotton cultivation area, the per hectare cultivation cost (c2) in current prices increased from ₹14,234 in 2000-01 to ₹84,743 in 2018-19.

During this period, the same cost increased from ₹10,691 to ₹75,186 in Gujarat and from ₹28,149 to ₹1,13,334 in Tamil Nadu, where the issue of yarn price has been particularly resonant. During the 2000-01 to 2018-19 period, the cost of cultivation in these three States increased 4 to 7 times.

Along with the cost of cultivation, the value of production (VOP) of cotton per hectare has also increased from 2000-01 to 2018-19.

It has increased from ₹12,148 to ₹85,937 in Maharashtra, from ₹8,696 to ₹83,209 in Gujarat and in Tamil Nadu, from ₹20,992 to ₹98,966.

Despite a significant increase in VOP, farmers have suffered huge losses over time because the cost has increased at a relatively faster pace than that of VOP (Figure 1). For example, during the 2000-01 to 2018-19 period, Maharashtra's farmers have incurred losses for 11 years and Tamil Nadu's farmers for 12 years.

Most farmers who committed suicide from 2000 to 2015 in Maharashtra weretraditional cotton growers. Ironically not even a single mill owner involved in the value addition of cotton came forward to help the farmers at that time.

With the ever-increasing cultivation costs and absence of remunerative prices for cotton, farmers are forced to incur losses. Though the government has been increasing the minimum support price (MSP) for cotton, farmers are forced to sell cotton to private traders at a price less than its MSP due to low State procurement. Evidence from the CACP reports shows that market prices of cotton stayed below the MSP from January 2019 to January 2021 for which data was available.

Further, during the kharif season, from October 2020 to February 2021, market prices remained above the MSP for just 86 days out of the total 119 market days in Maharashtra and just 32 days out of 140 days in Gujarat. All these clearly reinforce the fact that cotton farmers have faced tremendous hardships.

Are the demands justified?

After a long time, the price of cotton has started moving up allowing farmers to reap some profit from its cultivation. Therefore, the demands of 11 per cent import duty on cotton and a higher tax to restrict cotton exports are not justified.

Similarly, futures trade in cotton has been in existence for many years now. But the textile manufacturers now have vociferously demanded its halt. It is a misnomer that the price of cotton increases due to futures contract because India's share in the total global cotton futures trade was just 0.27 per cent in 2021.

Cotton price started rising recently as the textile production, which was paralysed during the lockdown , has resumed at a rapid pace around the world, increasing the demand for yarn. This is purely a demand-supply mismatch, which is a reflection of the market economy.

Due to the continuous rise in the cost of cultivation and repeated losses, the area under cotton in Tamil Nadu alone declined by about 2.27 lha between 1960-61 and 2019-20. If remunerative prices for cotton are not provided, its production may decline in future which may force the textile manufacturers to import cotton at a higher price.

That will have a deleterious impact on the textile industry. The constant demand for lower agriculture commodity prices also affect the welfare of farmers.

Source: thehindubusinessline.com– Feb 14, 2022

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The treacherous labour statistics

The unemployment rate fell in January 2022. It was a significant fall of 1.3 percentage points — from a rather menacing 7.9 per cent in December 2021 to a somewhat meeker 6.6 per cent in January 2022. The number of unemployed people fell by a hefty 6.6 mi-l--lion. This sounds very good. But, there is a twist. The fall in the unemployment rate did not arise out of more people getting jobs. The 6.6 million drop in the count of unemployed does not mean that 6.6 million more jobs were created to employ them. They, rather disappointingly, just stopped looking for jobs. As a result, they were no longer counted as unemployed. They were out of the labour force and, therefore, did not count in the measurement of the unemployment rate.

Employment did not exp-and to absorb the unemplo-yed in January. On the contr-ary, it shrank by 3.3 million. The employment rate, which is the most important indicator in labour statistics, fell in January — to 37.6 per cent from 37.2 per cent in Dec-em-ber. The labour force participation rate fell from 40.9 per cent in December 2021 to 39.9 per cent in January 2022. These two ratios show the real stress in the labour markets in January. The unemployment rate fails to reflect this st-ress. This is a perfect examp-le of why the unemploym-ent rate is not a very reliable me--asure of labour market stress.

There is some more twist in the data and it shows that January was not too bad a month on the employment front in spite of the loss of employment. The composition of employment improved for the better in terms of the nature of occupation and the industry distribution.

First, we look at the big takeaway from the nature of occupation. Employment among the salaried increased by a substantial 5.7 million in January, and that among daily-wage labourers and small traders declined by an almost similar number. Employment in salaried jobs reached nearly 83 million in January after having remained at 77 million in November and December 2021. Earlier, in September and Oct-ober, it was at 84 million and in 2019-20, at 86 million. Salaried jobs are not on a declining trend anymore. They seem to oscillate around 80 million, which is still well below the pre-pandemic level.

Labour seems to have moved out of agriculture as the rabi crop sowing season was winding up in Ja-n-uary. Most of the rabi sowing happens in Nov-em-ber and December. Only about ten per cent of the rabi crop is sown in January. The agricultural sector is, therefore, expected to shed labour in January. It did shed 2.5 million jobs.

While agriculture shed jobs, industry absorbed 5.8 million in January, and services shed 6.6 million. These are big numbers. They suggest a substantial churn in the labour markets during the month.

Labour moved out of agriculture and also from poor quality jobs in the services sectors. Industry is where they moved in. Prima facie, it appears that the movement in January was from low productivity jobs to somewhat better jobs. Within agriculture, jobs shifted from crop cultivation to allied agricultural activities. Within services, jobs shrank in the personal non-professional services category and increased in financial services. Within industry, jobs increased in manufacturing, utilities and mines and also in construction.

Manufacturing added 1.8 million jobs. This was the second consecutive month of manufacturing ad-ding jobs. It added 1.4 million in December. This was a 4.8 per cent increase in the month. The recently re-leased Index of Industrial Production for the month shows a 7.7 per cent increase in industrial production. In the past there was some seaso-nal increase in manufacturing output in December. We see a sustained increase in employment in manu-f-acturing in January as well, when it reached 32 million. This is the highest since March 2020.

However, employment in manufacturing is still quite low compared to the 41 million that this sector employed in 2019-20. Reaching the 41-million mark seems extremely difficult because this would require massive investments to create new capacities, and the conditions are not conducive for that around now.

Mines and utilities added over 1.2 million jobs in January.

The construction industry added 2.8 million jobs in Jan-uary, when employment in the industry reached 67.5 million. This is high compared to the 61 million it absorbed bef-ore the pandemic in 2019-20. While the lockdown had knoc-ked out half of the employment from this sector, a relaxation of mobility restrictions brought the jobs back quickly. The informal nature of employment in this industry makes it possible to hire and fire most of the labour easily in response to external shocks. Since September 2020, the construction industry has been absorbing 60-70 million. On an average, the industry absorbs more labour now than it did before the pandemic.

The services sector shed jobs in the personal non-professional category. These are mostly people providing services of house-help, cooks, gardeners and an assortment of personal services to households.

The shift in the composition of employment in January in favour of better quality jobs is encouraging. However, the quantum of employment was disappointing. Fast frequency data for the first two weeks of February suggests that the quantum of employment continues to remain a challenge. During the weeks ended February 6 and 13, the employment rate was 36.4 per cent and 36.6 per cent, respectively. These compare poorly with the already low emp-loyment rate of 37.6 per cent in January 2022.

Source: business-standard.com– Feb 14, 2022

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Grant of Rs. 1154.90 crore released to States for Urban Local Bodies

The Department of Expenditure, Ministry of Finance today released an amount of Rs. 1154.90 crore to 4 States for providing grants to Urban Local Bodies. The States to which grants were released on Monday are Andhra Pradesh (Rs. 225.60 crore), Bihar (Rs. 769 crore), Gujarat (Rs. 165.30 crore) and Sikkim (Rs.5 crore). The grants released are meant for Non-Million Plus cities (NMPCs) including Cantonment Boards.

The 15th Finance Commission in its report for the period from 2021-22 to 2025-26 has divided the Urban Local Bodies into two categories: (a) Million-Plus urban agglomerations/cities (excluding Delhi and Srinagar), and (b) all other cities and towns with less than one million population (Non-Million Plus cities). The 15th FC has recommended separate grants for them. Out of the total grants recommended by the Commission for Non-Million Plus cities, 40% is basic (untied) grant and the remaining 60% is tied grant. Basic grants (untied) are utilised for location specific felt needs, except for payment of salary and incurring other establishment expenditure.

On the other hand, tied grants for the Non-Million Plus cities are released for supporting and strengthening the delivery of basic services. Out of the total tied grant, 50% is earmarked for 'Sanitation Solid Waste Management and attainment of star ratings as developed by the Ministry of Housing & Urban Affairs (MOH&UA). The remaining 50% is tied to 'Drinking water, rainwater harvesting and water recycling'.

The tied grants are meant to ensure availability of additional funds to urban local bodies over and above the funds allocated by the Centre and the State for sanitation and drinking water under various Centrally Sponsored Schemes and provide quality services to citizens. State wise amount of urban local bodies grant released to states in the financial year 2021-22 so far are as under: Click here for more details

Source: pib.gov.in– Feb 14, 2022

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India's Telangana state to set up cotton research centre at Adilabad

India's Telangana government will set up a cotton research centre in Adilabad, state agriculture minister S Niranjan Reddy recently announced. Chairing a review meeting of agriculture, horticulture and other departments and corporations in Hyderabad, Reddy said steps are being taken to aid diversification of crops and improve seed quality and yield.

Crop colonies would be set up across the state to encourage farmers to opt for banana, chilli, cotton seed, red gram, mango and other horticultural crops, by branding and promoting crops specific to areas where they are grown extensively, he said.

Crop loans to the tune of ₹17,000 crore were waived off for 40 lakh farmers, Rythu Bima claims of ₹3,695.10 crore disbursed to 73,902 farmers and Rythu Vedikas were constructed across the state by spending ₹573 crore, he was quoted as saying by media reports from the state.

Source: fibre2fashion.com– Feb 14, 2022

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