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INTERNATIONAL NEWS

Global trade in 2021 rises 25 per cent to touch record high of $28.5 trillion: UNCTAD

Global trade in goods and services touched a record high of $28.5 trillion in 2021 boosted by increases in commodity prices, subsiding pandemic restrictions and a strong recovery in demand due to economic stimulus packages, according to UNCTAD.

The growth recorded in global trade in 2021 was about 25 per cent relative to 2020 and 13 per cent compared to the pre-pandemic levels but is expected to slow in the first quarter of 2022, the Global Trade Update 2022 released by the UNCTAD on Thursday pointed out.

"The positive trend for international trade in 2021 was largely the result of increases in commodity prices, subsiding pandemic restrictions and a strong recovery in demand due to economic stimulus packages. As these trends are likely to abate, international trade trends are expected to normalise during 2022," the report stated.

Outlook for 2022

Overall, world trade in 2022 is likely to be affected by factors such as slower than expected economic growth, continuing challenges for global supply chains, rising concerns about debt sustainability, free trade agreements and government policies regulating the trade of high-carbon products, it added. The slowdown in growth of global trade expected in 2022 is, however, not likely to have a strong bearing on Indian exports, said Ajay Sahai, Director General, FIEO.

"India accounts for a small proportion of the total world trade and is unlikely to be affected by the predicted slowdown as there are other factors acting in favour," he said. Indian exports are likely to stay on the growth track supported by the various free trade agreements being signed such as with the UAE and the UK and also the implementation of the Production-Linked Incentive scheme in various sectors, he added.

India's exports rebounded in the April-January 2021-22 period posting an increase of 46.73 per cent to $335.88 billion over the comparable period of 2020-21, inching closer to the target of $400 billion set for fiscal 2021-22 by the Commerce Department.

Trade in goods increased more strongly for developing than for developed countries in Q4 2021. Exports of developing countries in Q4 2021 were about 30 per cent higher than in Q4 2020, while the growth for developed countries was about 15 per cent.

"Moreover, trade growth between developing countries (South-South) outpaced global trade during Q4 2021, with an increase of about 32 per cent relative to Q4 2020, and with an increase of about 38 per cent when excluding East Asian economies. Similar patterns are found when comparing Q4 2021 with the pre-pandemic level," the report stated.

Sector-wise growth

With the exception of transport equipment, all economic sectors saw a substantial increase in trade in Q4 2021. High fuel prices led to strong increase in the value of trade of the energy sector. "Trade growth was also above average for metals and chemicals. As a result of the global shortage of semiconductors, trade growth in communication equipment, road vehicles and precision instruments was subdued during Q4 2021," it added.

Trade in goods and trade in services followed similar patterns during 2021, with stronger increases during the first half of the year. Trade growth continued to be positive for both goods and services in Q3 2021 and especially in Q4 2021.

Source: thehindubusinessline.com– Feb 17, 2022

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European textile industry needs to expand in global markets: EURATEX

At the recent EU-Africa summit, EURATEX re-iterated the ambition of the European textile industry to grow its role in global markets, including the African continent. The textile ecosystem is considered the second most globalised sector of the European economy, built on globalised supply chains and competition with China, US, Bangladesh, Turkey and more.

Imports are now peaking at €115 billion (ca. 60 per cent garments and 40 per cent textiles), with a dramatic increase of imported medical textiles (face masks) in 2020. Every year, 22 billion pieces of textile and garment products are brought into the EU Single market, EURATEX said in a media release.

Europe's answer to this competitive pressure must be to invest even more on quality and innovative products, made in a sustainable manner. As emerging markets evolve, the appetite for better quality, comfort and design will grow. The ability and willingness to purchase technical textiles, which offer solutions to durability and improved performance, will increase. That is where Europe can be successful. To illustrate: the EU's exports to China have increased by 33 per cent in 2021 (first 11 months).

In its vision paper on the future of European textiles and apparel, EURATEX has confirmed its ambition to increase the global market share of the European textile industry. Strengthening relations with nearby Turkey and North African countries is important in this regard, offering opportunities for nearshoring. The African continent at large offers trade and investment opportunities, provided the business climate is stable and transparent.

Relations with the UK and Switzerland need to be optimised; especially Brexit has caused serious damage to bilateral trade flows (-33 per cent export to the UK during Jan-Nov 2021). The Mercosur FTA offers interesting opportunities for the European textile industry; it should be ratified as soon as possible. Europe needs to work with the US on mutual recognition of standards and setting global environmental and social rules. The association has called upon India to make an honest proposal for the upcoming free trade negotiations, which will ensure full and fair access to the Indian market.

European textile and apparel companies (mostly SMEs) need to be accompanied to exploit these market opportunities. At the same time, they need to be protected from unfair competition, e.g. products who do not comply with stringent EU standards and procedures. This requires more effective market surveillance.

"The future of European textiles is global; there are millions of potential customers out there, eager to enjoy high quality and sustainable products, which our companies can provide. The upcoming European textile strategy must embrace that global dimension; failing to do so would be a missed opportunity," concluded EURATEX director general Dirk Vantyghem.

Source: fibre2fashion.com– Feb 17, 2022

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USA: Apparel, Cotton to be Among Topics of AGOA Review

The International Trade Commission has launched a new fact-finding investigation of the African Growth and Opportunity Act that will include several case studies to help policymakers better understand the relative competitiveness of specific sectors and their impact on workers, economic development, and poverty reduction.

The ITC's report could be used by U.S. Trade Representative Katherine Tai to support changes to AGOA she has said are needed to attract more investment to Africa and support the Biden administration's worker-centric trade policy. AGOA is currently scheduled to expire Sept. 30, 2025.

The ITC states that it will provide (1) an overview of AGOA and its use, including a description of the program, an overview of U.S. imports, identification of country utilization rates, and a qualitative examination, including a literature review, and (2) case studies on cotton, apparel, certain chemicals, and cocoa.

A public hearing will be held in connection with this investigation on June 9. Requests to appear at the hearing are due by May 25 and written submissions for the record are due by Oct. 27. The ITC expects to submit its final report to USTR by March 17, 2023.

Source: strtrade.com– Feb 18, 2022

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USA: Home furnishings stores ride the January sales wave

Home furnishings stores ride the January sales waveConsumer spending kept on rolling after the holidays, resulting in strong retail sales in January. Sales as furniture and home furnishings stores were up 7.2% month-over-month seasonally adjusted and up 1.5% unadjusted year-over-year.

The National Retail Federation's (NRF) calculation of total retail sales – which excludes automobile dealers, gasoline stations and restaurants to focus on core retail – showed January was up 4.7% seasonally adjusted from December and up 8.5% unadjusted year-over-year. In December, sales were down 3.6% month-over-month but up 13% year-over-year. NRF's numbers were up 12.5% unadjusted year-over-year on a three-month moving average as of January.

"January's numbers show that 2022 is starting very strong for consumers and retailers, especially on the heels of a record holiday season and record sales in 2021," said NRF president and CEO Matthew Shay

NRF chief economist Jack Kleinhenz noted that several factors mitigated against robust spending, including a series of winter storms across large swaths of the country, spiking omicron variant spread in January and the expiration of the enhanced child tax credit at the end of 2021.

The U.S. Census Bureau today said overall retail sales in January were up 3.8% seasonally adjusted from December and up 13% year-over-year. Those figures include sales from automobile dealers, gasoline stations and restaurants. Despite occasional month-over-month declines, sales have grown year-over-year every month since June 2020, according to Census data.

Looking ahead, the economy and the retail industry still face a number of challenges, said NRF's Shay. They include inflationary pressures, labor shortages, Covid-19 impacts and international tensions with Russia and China.

"[D]espite these concerns, consumers are spending, and the economy remains in good shape," he added. "We are confident that retail sales growth and overall consumer financial health can continue, and current pressures in the economy should be moderated if election-year political pressures

don't result in policy decisions that compound the challenges our economy is already facing."

In addition to the results for furniture and home furnishings noted above, sales in other breakout segments include:

- Clothing and clothing accessory stores were up 0.7% month-over-month seasonally adjusted and up 19.1% unadjusted year-over-year.
- Building materials and garden supply stores were up 4.1% month-over-month seasonally adjusted and up 12.7% unadjusted year-over-year.
- Online and other non-store sales were up 14.5% month-over-month seasonally adjusted and up 8.9% unadjusted year-over-year.
- Health and personal care stores were down 0.7% month-over-month seasonally adjusted but up 7.7% unadjusted year-over-year.
- Grocery and beverage stores were up 1.1% month-over-month seasonally adjusted and up 7.2% unadjusted year-over-year.
- General merchandise stores were up 3.6% month-over-month seasonally adjusted and up 6.4% unadjusted year-over-year.
- Furniture and home furnishings stores were up 7.2% month-over-month seasonally adjusted and up 1.5% unadjusted year-over-year.
- Sporting goods stores were down 3% month-over-month seasonally adjusted and down 0.8% unadjusted year-over-year.
- Electronics and appliance stores were up 1.9% month-over-month seasonally adjusted but down 3% unadjusted year-over-year.

Source: hometextilestoday.com– Feb 17, 2022

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Can Cotton Prices Reach $2 Per Pound Again?

As U.S. spot cotton prices averaged $1.23 per pound for the week ended Feb. 10–the highest since July 7, 2011, when the average was $1.26, according to the U.S. Department of Agriculture (USDA)–this surge in prices has left many wondering "how high can they go?"

It's been exactly 11 years since cotton prices topped $2 a pound in February 2011 in the wake of the Great Recession, as demand outstripped supply. While few market observers today feel prices will venture that high, an air of uncertainty lingers.

"Unless there's a shooting war with Russia or more trouble on the trade front or who knows what, the fundamentals are for moderate cotton prices," said cotton industry veteran Robert Antoshak, now a consultant for Louisiana denim manufacturer Vidalia Mills.

The uncertainty revolves around when prices could peak, with the upward trend continuing last week as the USDA weekly average for spot cotton prices rose from $1.18 the prior week and from 77.4 cents a year earlier.

The Nearby March New York ICE futures contract increased to $1.27 per pound from $1.15 in the last month, with current prices for May futures around $1.24. According to Cotton Incorporated's monthly report for February, values for the December 2022 New York ICE contract, which reflect price expectations after the 2022-23 crop year, rose to $1.06 from 94 cents.

The A Index, an average of global spot prices, increased to $1.41 from $1.29 in the last month. Cotton Inc. said those values are also the highest since 2011.

"It could be a bumpy ride for the next couple of months, but more supply should be headed to the market," Cotton Inc. chief economist Jon Devine told Sourcing Journal. "Higher downstream prices, the withdrawal of stimulus and rising interest rates could be expected to challenge demand and price momentum in coming months. Any easing in the shipping crisis could also help ease prices."

The raw material surge for apparel and home goods also includes synthetic fiber prices, with the two materials still accounting for the vast majority of market share despite the introduction of many alternative next-generation materials in recent years.

While generally not as volatile as cotton, which is a traded commodity subject to speculative trading, synthetic fiber and fabric prices usually swing in the same direction as cotton, especially during supply and demand extremes as opposed to weather-related problems.

The U.S. Bureau of Labor Statistics Producer Price Index for synthetic fibers was up a seasonally adjusted 0.1 percent in January and was 17.7 percent higher than a year earlier. Prices for U.S.-made processed yarns and threads rose 2.1 percent last month and have jumped 29.3 percent from January 2021, while finished fabric prices increased 1.3 percent for the month and 14.6 percent for the year.

Hit by overall inflation and higher raw material costs in the sector, retail apparel prices increased a seasonally adjusted 1.1 percent in January from the prior month and were up an unadjusted 5.3 percent compared to a year earlier, the U.S. Bureau of Labor Statistics (BLS) reported in its Consumer Price Index (CPI).

“We’ve revised up the forecast for CPI inflation in 2022 from to 4.2 percent to 4.5 percent,” Joel Prakken, chief U.S. economist at IHS Markit, said. “However, we expect core inflation rates to subside close to the Fed’s long-run 2 percent objective by 2023, with the partial reversal of pandemic-era increases in the prices of goods.”

Some companies expect to successfully navigate the turmoil in raw material prices.

Chip Bergh, president and CEO of Levi Strauss & Co. told analysts “our strong brand equity is driving pricing power.”

“We have plans to take additional price increases in 2022 and beyond, helping us to offset inflationary pressures,” Bergh said. “Even as we take price [increases], our products provide an exceptional value to consumers.”

Bergh said Levi’s fabric mix is about 15 percent to 20 percent cotton.

"Cotton continues to be high, but because we are effectively priced for it, we think our gross margins will be able to offset that even as we think about the first half of 2023," he added.

Unifi Inc., which produces recycled and traditional polyester and nylon fiber and yarn, has also had to raise prices.

"With the inflation that we've seen in other areas of the business, we've had to institute additional price increases at the beginning of January," Unifi CEO Eddie Ingle said. "This was driven primarily by labor and other durable materials in the polyester and nylon segments."

Antoshak said if cotton prices keep going up, brands could increase their adoption of blended fabrics, especially in denim.

"I remember talking to a lot of brands when that happened and a lot were caught off guard," Antoshak said. "It took them a while to figure out they could use blends, particularly with polyester, to moderate their prices. Now that they already have that experience and some have it built in, they will be quicker to use more blends to average the price."

Devine's "Monthly Economic Letter" said the upward trend in cotton prices has continued despite persistent estimates indicating that global cotton stocks are higher than before the pandemic. In 2017-18 and 2018-19, global cotton stocks were 81.2 million and 80.1 million bales. Average prices for the A Index during those two crop years were 88 cents per pound.

Ending stocks in 2021-22 are forecast to be 84.3 million bales and current values for the A Index are $1.40 per pound.

"The unprecedented volume of stimulus that followed Covid and the shipping crisis are all distortions that can explain some of the deviation in the historical relationship between stocks and prices," he said. "Given the size of the discrepancy, some attention should be paid to where global cotton stocks are located."

China is the world's largest warehouser and is expected to hold 43 percent of global stocks at the end of 2020-21. USDA figures show that Brazil should hold the second-largest volume of stocks at the end of the crop year. However, that is due to the timing of the Brazilian harvest relative to the end of the international crop year and is not a reflection of surplus fiber available to the market.

India is the next largest location for stocks. According to Devine, there have been reports that Indian growers have been withholding seed cotton from gins speculatively, with hopes of taking further advantage of the upward trend in prices.

“Delays in the flow of cotton in India and China may be contributing to feelings of scarcity,” Devine wrote. “China and India are the world’s largest spinners. Imports can be substituted for domestic supplies to feed mills. However, the shipping crisis is an impediment facing shippers around the world.”

Meanwhile, U.S. export shipments are down 43 percent year-over-year crop-year-to-date. With challenges in securing trucks and ships, it remains to be seen if the U.S. will meet the lowered forecast for exports this crop year.

“High prices suggest an increase in acreage and production around the world in 2022-23,” the report said. “There is more uncertainty on the demand side. Stimulus is scheduled to be withdrawn in several major consumer markets. At the same time, general inflation and price increases for apparel and other finished textiles threaten downstream demand.”

Antoshak said Vidalia Mills’ denim is a premium product, “so we’re a little less price sensitive than others.”

“We also have a pretty good cotton position, so that’s been helpful,” he said. “We’re also vertical–we make the yarn, too–and a lot of the leading mills may not be, and yarn prices have been up a lot, too.”

Antoshak believes increased cotton production will support stabilizing prices.

“If more farmers are inclined to go after those higher cotton prices, it can create a loop that brings down prices over time,” he added.

Source: sourcingjournal.com– Feb 16, 2022

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Canada border disruptions add to supply chain strains: US trade bodies

The disruptions seen at the US-Canada border—at the Detroit-Windsor Ambassador Bridge and at other crossings—are adding to the significant supply chain strains on manufacturers and other businesses in the United States, according to a statement issued recently by the US Chamber of Commerce, the National Association of Manufacturers and Business Roundtable.

"The business community is rolling up its sleeves to find workarounds and keep facilities up and running, but we are already seeing some production cuts, shift reductions, and temporary plant closures. The North American economy relies on our ability to work closely together, including our manufacturing sectors. We need to apply the same spirit of cooperation to tackle this problem," the joint statement said.

"We respectfully urge the Canadian government to act swiftly to address the disruption to the flow of trade and its impact on manufacturers and other businesses on both sides of the border.

We appreciate that the Biden Administration is engaged with the Canadian government, and we strongly encourage officials to continue efforts to resolve these blockages at the border," the statement added.

Source: fibre2fashion.com– Feb 17, 2022

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US' retail e-commerce sales may exceed $1 trillion this year: Report

US retail e-commerce sales will exceed $1 trillion for the first time in 2022 as the flexibility and convenience customers found during the pandemic sticks, according to a recent report.

Spend shifting online will drive double-digit e-commerce spending growth. The average spend per digital buyer will grow at 11.6 per cent compound annual growth rate (CAGR) between 2022 and 2025 to reach nearly $7,000, versus 1.9 per cent CAGR for the number of total digital buyers.

Customers will buy more on mobile, which will exceed 4 in 10 retail e-commerce dollars for the first time this year. Rising time spent on mobile will trickle into shopping. The biggest beneficiary will be smartphones, which will make up 85 per cent of m-commerce sales this year, eMarketer said in the report.

Desktop and laptop retail e-commerce growth will decelerate as the segment bleeds share. Growth in this segment will lag e-commerce overall through 2025, said eMarketer in the report.

To align with usage trends, checkout providers will double down on optimising the mobile payments experience. PC-based e-commerce volume still exceeds mobiles, so providers will not eschew it entirely. But in 2022, they will focus resources on developing mobile offerings beyond one-click buy buttons.

Providers will streamline checkout processes through services like mobile browser extensions that target shoppers' preferred channels, tighter super app integrations, and new tech like shoppable video, the report added.

Source: fibre2fashion.com– Feb 17, 2022

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Sri Lanka's garment exports miss $5-bn mark in 2021

Garment exports from Sri Lanka missed the $5-billion mark and stood at $4.951 billion in 2021, registering an increase of 25.7 per cent over exports of $3.939 billion in the previous year, according to the statistics released by the Central Bank of Sri Lanka. Textile exports increased by 37 per cent year-on-year to $355.4 million during the year.

Exports of other made-up textile articles fetched $128.1 million during January-December 2021, registering a huge decline of 42.9 per cent year-on-year, according to the central bank's report 'External Sector Performance – October 2021'.

Textiles and garments exports accounted for 56.0 per cent of all industrial exports from Sri Lanka during the twelve-month period, the report showed.

Imports of textiles and textile articles too rose by 31.3 per cent to $3.067 billion, while clothing and accessories imports were up by 10.3 per cent to $221.3 million during January-December 2021.

During the month of December, Sri Lanka's earnings from textiles and garment exports rose by 18 per cent to $533.2 million, compared to exports of $451.8 million in the same month of 2020. Expenditure on textiles and textile articles jumped by 26.9 per cent year-on-year to $297.9 million, while clothing and accessories imports shot up by 27.6 per cent to $23.4 million.

In 2020, Sri Lanka's textiles and garment exports stood at $4.423 billion, registering a steep fall of 21 per cent compared to exports of $5.596 billion in the preceding year. Of this, clothing exports fetched $3.939 billion, a fall of 24.3 per cent over $5.205 billion in 2019. On the other hand, imports of textiles and textile articles decreased by 19.7 per cent to $2.335 billion.

Source: fibre2fashion.com– Feb 17, 2022

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Cotton prices in Brazil remain firm in first fortnight of February

Underpinned by price rises abroad, which raised the export parity, and low supply in the national spot market, the prices of cotton remained firm in Brazil during the first fortnight of February. Between January 31 and February 15, the CEPEA/ESALQ Index for cotton rose marginally by 0.57 per cent, closing at BRL 7.0221/pound on February 15.

During the fortnight, sellers had no urgent needs for cash flow, and farmers were focused on the good sowing performance and the development of the crops from the new season, the Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

“In general, domestic liquidity was low, which also reflected the unwillingness of purchasers to pay higher prices for cotton, claiming difficulties to pass on the valuations of raw material to by-products,” the report said.

Meanwhile, data from the IBGE (Brazilian Institute of Geography and Statistics) show that the performance of the textile industrial sector in 2021 was higher than that in 2020, but activities slowed down in the last four months of the year. In 2021, the performance of the ‘Preparation and spinning of textile fibres’ sector grew by 5.8 per cent compared to the growth in 2020. However, in December 2021, the performance of this sector was 30.8 per cent lower than that in December 2020.

Likewise, the performance of ‘Manufacture of textile products’ and ‘Manufacture of wearing apparel and accessories’ sectors improved by 8.5 per cent and 10.9 per cent respectively in 2021 over 2020. However, the sectors performance was 27 per cent and 29.5 per cent lower in December 2021 compared to that in December 2020.

In terms of external trade, in January 2022, Brazil exported 199,400 tons of cotton, 26.3 per cent less than that in December 2021 and 27.2 per cent down from that in January 2021, according to Secex (the Foreign Trade Secretariat).

The revenue from exports in January totalled $380.6 million, down 21.9 per cent month-on-month and 10.5 per cent year-on-year. In real (Brazilian currency), revenue surpassed BRL 2.1 billion, considering the average dollar value in January 2022 at BRL 5.5258.

Last month, the average export value was $0.8660/pound (BRL 4.7854/pound), up 3.5 per cent over December 2021 and 26.9 per cent above that in January 2021. In real, revenue was 29.8 per cent lower than that in the national spot market.

A report released by the International Cotton Advisory Committee (ICAC) on February 1 estimated Brazil's cotton output for the 2021-22 season at 2.71 million tons, up 14.83 per cent compared to the previous season. Brazil's cotton export is forecast to reach 2.1 million tons, down 12.50 per cent compared to the earlier season.

Source: fibre2fashion.com– Feb 17, 2022

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Cambodia's export to Canada under free tariffs, quotas hits $954.82 mn

Cambodian commerce minister Pan Sorasak recently met Canadian ambassador to the country Sarah Taylor to discuss bilateral cooperation and promote some priority areas. Bilateral trade has increased significantly, with Cambodia exporting $954.82 million worth merchandise to Canada under the free tariff and free quota programme in 2021, the minister said.

Sorasak requested the ambassador to explore the possibility of a bilateral free trade agreement and convene a meeting with Canadian investors who have invested in Thailand and Laos so that they can take advantage of the Cambodia-China Free Trade Agreement (CCFTA), Cambodia-Korea Bilateral Free Trade Agreement (CKFTA) and the Regional Comprehensive Economic Partnership Agreement (RCEP).

The ambassador said Canada will promote ASEAN-Canada free trade negotiations and examine the feasibility study on the possibility of a Cambodia-Canada FTA as this is in line with Canadian trade policy under the new administration, according to Cambodian media reports.

Source: fibre2fashion.com– Feb 17, 2022

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Surge in container freight rates choking global trade

Starting from the end of 2020 and into 2021 container shortages and congestion at ports, along with other disruptions, resulted in record container freight rates, notably on the routes from China to Europe and the US. These are reflected in the Shanghai Containerized Freight Index which covers cargo departing from Shanghai, China.

It is reported that in June 2020, the spot rate on the Shanghai-Europe route was less than $1,000 per TEU (twenty-foot equivalent unit) but by the end of 2020 it has reached around $4,000 per TEU and remained firm throughout the first quarter of 2021.

How did this happen? The second half of 2020 witnessed demand for container shipping picking up and absorbing spare capacity. Vessels supply capacity remained limited but idle container shipping capacity started to decline in relation to growing demand as maritime trade witnessed a recovery.

In 2020, the capacity of global container fleet expanded by about 3 per cent while container trade volumes contracted by 1.1 per cent. With a view to maintaining freight rates during the period of lower demand carriers restricted their capacity.

When the demand picked up the container lines released more capacity but by that time the supply was constrained by a number of factors, notably port congestion and container shortages which led to container ships waiting, especially in the west coast of North America. Chinese ports which accounted for a significant part of global container trade also experienced congestion which, in turn, adversely affected the supply chain efficiency.

Despite a 3 per cent increase in supply capacity (Clarkson's Research, 2021), the spot freight rate on the Shanghai-Europe route reached $7,395 per TEU by end of July 2021. Freight rates also escalated on the China-US trade corridor and faced backlogs and longer waiting periods which resulted in container shipping lines declaring extra fees and surcharges.

Despite significant increase in the container fleet capacity on the Shanghai west coast-North America route, the spot rates reached around $4,500 per FEU (forty-foot equivalent unit) in April 2021 and further to $5,200 per FEU in July 2021 compared with $1,600 per FEU in April 2020.

This abnormal surge in container freight rates extended across Asia, South America and Africa. On the China-South America route the rate increased from $959 per TEU in July 2020 to $9720 per TEU in July 2021. During the same period, freight rates on the Shanghai-West Africa route also witnessed an increase from $2,672 to $8,102 TEU (Review of Maritime Transport 2021).

Profitability of container lines

The record breaking container freight rates have yielded huge profits to shipping lines. In 2020, the full year profit of container lines reached $25.4 billion but in 2021 it is estimated that the profits will reach $100 billion (Drewry-2021). Despite the pandemic-related disruptions, congestion at ports and a continuing shortage of containers, MAERSK, the largest container line, is expecting a profit of $24 billion in 2021.

But the latest figures compiled by Data Analyst Alphaliner in 2022 suggests that the Mediterranean Shipping Company — a Swiss-Italian Shipping Line — has 645 ships with 4,284,728 standard TEU capacity, 1,888 TEU more than MAERSK. Container ships of MSC call at 500 ports on more than 230 trade routes and annually transport more than 23 million TEUs.

However, both the companies have a 17 per cent market share in container shipping. Huge increase in profits has motivated container lines to order new ships. The surge in new orders was also influenced by low prices of new and large ships and improved availability of ship financing.

Addition of new container fleet capacity is no guarantee that the lines would reduce freight rates as they would quote prolonged port congestion and container shortages as reasons for keeping the freight rates high. Global freight rates are likely to remain high until shipping related supply chain disruptions are removed and normalcy is restored (Hellnic Shipping News 2021).

Impact on global trade

The impact of these high rates has been serious. A specific example reported is export of pepper from Vietnam. Vietnam Pepper Association has reported that high logistic costs have resulted in a loss of export markets. For exports to the US in 2020, the freight costs per 40 foot container was $2,000-3,000 but in 2021 it had surged to $13,500. For exports to the EU, there was a

corresponding increase from $800–1,200 to $11,000. This huge increase prompted US importers to import pepper from Brazil.

For the US, the shipping costs come only a third of that from Vietnam while for the EU it works out to only one-tenth (Vietnam Plus – 2021). Some companies have stopped exporting to certain destinations while others have been looking for goods or raw materials from nearer locations (Financial Times, 2021).

According to a report by the UNCTAD, the impact of high freight rates will be greater in small island developing countries where it is estimated that import prices would increase by 24 per cent, consumer prices by 7.5 per cent, whereas in the least developed countries the consumer price levels are expected to increase by 2.2 per cent.

Shipping cost escalation would not only affect exports and imports but also the prospects for short and medium economic recovery. The governments of maritime countries are concerned about this development and this is the time for the governments to intervene and control the excessive freight escalation by enforcing appropriate regulatory measures.

Growth in international sea borne trade in 2020 significantly declined to -3.8 per cent as a result of the Covid pandemic and total volumes of sea borne trade reached 10.7 billion tonnes. Developing countries, including the transition economies of Asia, accounted for 60 per cent of global exports and 70 per cent of imports.

In 2020, global GDP also declined by 3.5 per cent — the largest downturn in 70 years. The greatest impact is reported to be in the services sector, namely, tourism, travel and hospitality. For maritime trade, the downward trend was mitigated by boost in demand largely influenced by the governments' stimulus packages.

Global demand appears to have revived with the lifting of some Covid-19 restrictions in 2021. However, the UNCTAD predicts that annual growth in maritime trade between 2022 and 2026 will slow down to 2.4 per cent compared with 2.9 per cent over the past two decades (Review of Maritime Transport 2021).

Source: thehindubusinessline.com– Feb 17, 2022

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That Organic Cotton T-Shirt May Not Be as Organic as You Think

The organic cotton movement in India appears to be booming, but much of this growth is fake, say those who source, process and grow the cotton.

Michael Kors retails its organic cotton and recycled polyester women's zip-up hoodies for $25 more than its conventional cotton hoodies. Urban Outfitters sells organic sweatpants that are priced $46 more than an equivalent pair of conventional cotton sweatpants. And Tommy Hilfiger's men's organic cotton slim-fit T-shirt is $3 more than its conventional counterpart.

"This product contains independently certified organic cotton grown without chemical pesticides, chemical fertilizers and genetically modified seeds," the product description reads.

With the fashion industry trumpeting its sustainability commitments, those labels are both a means of value signaling and a lure to consumers willing to pay more to act better.

There's only one problem: Much of the "organic cotton" that makes it to store shelves may not actually be organic at all.

The largest single producer of the world's organic cotton supply is India, which accounts for half of the organic cotton sold globally, and where the organic cotton movement appears to be booming. According to Textile Exchange, a leading organic proponent, organic cotton production in India alone grew 48 percent in the last year, despite the pandemic.

However, much of this growth is fake, say Indians who source, process and grow organic cotton.

At the heart of the problem is an opaque certification system rife with opportunities for fraud. Consumers are assured of "organic" material by brands, which rely on official stamps of approval from external organizations. Those in turn rely on reports from opaque local inspection agencies that base their conclusions on a single planned yearly inspection (in the case of the facilities) or a few random visits (for farms).

In recent months, the credibility of these inspection agencies has been destroyed. In November, the European Union voted to no longer accept Indian organic exports certified by the main companies responsible for organic cotton: Control Union, EcoCert and OneCert. And in January, the international agency that provides accreditation to organic inspection agencies, IOAS, withdrew OneCert's ability to inspect and certify cotton processors for these labels.

Crispin Argento, founder and managing director of the Sourcery, a small consulting firm that helps brands source organic cotton, has spent the past year hunting down organic cotton with his team only to see suppliers disappear when they start asking for proof of authenticity. He estimates between one half and four-fifths of what is being sold as organic cotton from India is not genuine. And almost the entire supply chain is implicated in what he calls a game of "smoke and mirrors."

For at least a decade, in reports and at conferences convened by agitated large brands and the network of nongovernmental organizations that serve them, the organic cotton industry in India has been described as in "crisis," but the problems have been kept largely out of the public eye.

N.G.O. workers worry exposure would lead to the total collapse of the industry and harm the small subset of farmers who are, in fact, growing organically. They also fear the wrath of Prime Minister Narendra Modi's government, which has come down hard on those who dare to criticize the country. Others are profiting handsomely from the certification system.

When confronted with the allegations of fraud, many fashion brands and their sourcing partners that use Indian organic cotton admitted that the system wasn't perfect but affirmed their commitment to organic cotton and said any problems that existed were located outside their own supply chains. A spokeswoman for PVH, the owner of Tommy Hilfiger, wrote in an emailed statement that organic cotton was one of a variety of sustainable materials they had committed to sourcing and noted, "We know that rigorous standards and reliable verification processes are critical for sourcing sustainable materials." Michael Kors and Urban Outfitters did not respond to emails requesting comment on their organic cotton sourcing.

At least one brand has decided it no longer wants to look the other way, however. Though organic cotton used to be a centerpiece of its commitments, the women's wear brand Eileen Fisher now has a page on its

website describing why it is moving away from certified organic cotton, the better to address what the brand calls “an uncomfortable fact.”

“The ‘organic’ cotton that’s sold each year far exceeds the amount that is actually grown,” it says.

Pesticides, Chemical Fertilizer and Genetically Modified Seeds

In Khargone district in India’s central state of Madhya Pradesh, one of the country’s largest producers of certified organic cotton, farmers have cultivated the plant known locally as white gold for generations.

“Cotton is the life giver for us,” said Niyaj Ali, 60, sitting on a charpai, a traditional South Asian woven bed, next to his son, his wife, a daughter-in-law and several grandchildren in a spacious front room of cool concrete floors under a thatched roof. “It takes care of everything — the labor in the fields, the school fees for the children, the food on the table.”

In the late 1990s, when cotton grown without chemical pesticides or synthetic fertilizer was a rarefied product purchased exclusively by high-priced yoga and wellness brands, two Swiss companies formed the bioRe Foundation to support organic cotton growing in Madhya Pradesh.

Through India’s contract production system, which allows cotton suppliers to register up to 500 farmers as a single corporate entity, bioRe started sourcing and selling organic cotton regulated by India’s Agricultural and Processed Food Products Export Development Authority.

Four years ago, employees of bioRe came to Chandanpuri, Mr. Ali’s village, with a pitch: If the cotton farmers would convert their fields to organic, bioRe would provide the training and the seeds, teach them how to make organic fertilizer from animal dung and organic insecticide from native herbs, and pay them a premium over the market price for conventional cotton. BioRe also promised to buy whatever volume they managed to grow. Mr. Ali and nine other farmers agreed. The way he saw it, genetically modified seeds were expensive and drying out the soil. The pesticides and chemical fertilizers were toxic and unhealthy. He would happily return to natural methods, like the ones his grandfather used, especially if organic cotton was more profitable. Three years ago, Mr. Ali started the painstaking process of converting his 11-acre farm from conventional cotton farming to organic.

Last fall, he finally harvested his first organic cotton crop. It was so much skimpier than what he was used to with conventional farming that his costs on seeds and labor far exceeded the premiums bioRe paid.

Madhya Pradesh organic cotton farmers on average earn 17,079 rupees (about $227) from a harvest, almost 21 percent less than conventional cotton farmers, according to a 2017 report by Organic Cotton Accelerator, an organization founded in 2016 to pinpoint and address the barriers to scaling up cotton.

“I will have to shut this down because I am suffering losses,” Mr. Ali said. “These brands are making big money, but the money is not being passed onto us.”

What the farmers did not know, however, was that growing without pesticides and fossil-fuel fertilizer produces on average 28 percent lower yields than conventional cotton farming; that organic cotton seeds produce lower quality, shorter fibers; and that increasingly brands were using their market power to negotiate the price of organic cotton down to the same price as conventional cotton or even cheaper because of its lower quality.

Aashish Joshi, who oversees bioRe’s organic cotton project in India, acknowledged that the premiums customers were paying for organic cotton rarely reached legitimate organic cotton farmers. “I would say that people are benefiting,” he said, “but these are who are indulging in fraudulent cotton.”

As premiums dried up, organic cotton entrepreneurs went bust, leaving a trail of empty warehouses and gins across Madhya Pradesh. But even when the market price of organic cotton spikes — as it has in the last year because of rising demand — and farmers are again persuaded to convert their farms, most of that money is siphoned off by opportunistic middlemen who have an incentive to pass off conventional cotton produced by others as organic.

According to yearly reports on the state of the industry by Textile Exchange, an American organization founded in 2002 to promote sustainability, organic cotton production in India has more than doubled in the last four years: to 124,000 metric tons in 2021 from 60,000 metric tons in 2017. Yet based on the limited quantities of organic seed in circulation, industry insiders say the amount of organic cotton on the market today is impossible. “Seeds are not available,” said Mr. Joshi of bioRe.

As a result, said Hilde van Duijn, who from 2017 to 2018 was the executive director of Organic Cotton Accelerator, “You have a situation where you have a growing demand, supply that’s in decline, and the paper-based certification scheme. What happens? You get a market for certificates.”

Arun Ambatipudi, executive director of Chetna Organic, one of a few nonprofits that provides training and support to organic cotton farmers in India, said, “It led to a lot of cheating.”

Trading Paper

The two main links in the long supply chain between farmers and shoppers are Western organizations that provide organic cotton labels, and local inspection offices.

The gold-standard organic cotton label comes from a German company, Global Organic Textile Standard, or GOTS. Founded in 2006 to harmonize the various other organic labels circulating at the time, it provides the basis for the other main organic cotton label: Textile Exchange’s Organic Content Standard. Funded by brands such as adidas, Patagonia and H&M, both GOTS and Textile Exchange rely on consumers and brands believing in the uplifting story of organic cotton.

In India as well as other cotton-producing countries, GOTS and Textile Exchange certification starts at the gin, where the cotton fiber is separated from the seed. A paper transaction certificate is issued each time the cotton is sold along the supply chain: from the gin to a certified spinner, where the fibers become thread; to a certified mill, where the threads become fabric; and on until it lands in the form of a shirt or sheet set in a store near you.

Click here for more details

Source: nytimes.com– Feb 13, 2022

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Pakistan: Textile exports rise 25pc in July-January

Textile exports increased 25 per cent year-on-year in the first seven months of 2021-22, data released by the Pakistan Bureau of Statistics (PBS) showed on Wednesday.

The country exported $10.9 billion worth of textile goods in July-January, PBS reported. In January alone, textile sales in foreign markets generated $1.55bn, up 17.3pc from a year ago.

The trend line, however, is headed south. January was the second consecutive month in which textile exports recorded a drop over the preceding 30-day period. Monthly foreign sales in January dropped 4.43pc from December. Likewise, the month-on-month decline in December was 6.45pc.

According to Topline Securities analyst Muhammad Saad Ziker, the monthly decline in textile exports was driven by lower performance in value-added export segments, especially knitwear (-12pc) and readymade garments (-4pc). Thanks to 4pc depreciation in the rupee against the dollar, textile exports in July-January amounted to Rs1.86 trillion, up 30pc from a year ago.

So far in the ongoing fiscal year, value-added textiles have been the key driver of exports with the largest contribution coming from the knitwear segment (33pc), followed by readymade garments (22pc) and bedwear (19pc), said Mr Ziker. Increased volumetric growth and improved pricing have resulted in higher exports, he added.

“Going forward, we expect textile exports to keep robust in 2021-22 to clock in at $18.5-$19bn. The easing in lockdowns in European economies is likely to drive increased orders and help overall textile exports,” he said.

Pakistan’s trade deficit so far in 2021-22 has been $28.9bn after widening by 92.5pc from a year ago. Imports of petroleum products in the seven-month period amounted to $11.7bn, up 107pc from a year ago. Transport-related imports also surged 88pc to $2.6bn over the same period. Imports relating to agriculture and others expanded 91pc to $9bn on an annual basis.

Source: dawn.com– Feb 17, 2022

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Bangladesh: BGMEA seeks existing tax facility for five more years

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has proposed retaining the existing source tax and corporate tax facility in the export- oriented garment industry for another five years.

The garment manufacturers have also sought 10 per cent income tax exemption on cash assistance to increase the capacity of entrepreneurs, reports UNB.

BGMEA president Faruque Hassan put the proposal to the National Board of Revenue (NBR) in the pre-budget discussion for the fiscal year 2022-23 held at the conference hall of NBR building in Segunbagicha on Thursday.

NBR Chairman Abu Hena Md Rahmatul Muneem presided over the discussion. Besides, NBR Member (Customs Policy) Masud Sadiq, Member (VAT Policy) Zakia Sultana and Member (Income Tax Policy) Sams Uddin Ahmed also spoke on the occasion.

Faruque Hassan said, "We have tackled the challenges of Covid-19 better than many other countries and now we are reaping its positive results. Our exports have increased and exports rose to US$ 5.0 billion a month."

"There is an opportunity to continue such an upward trend in exports. In such a situation, I am requesting to maintain the existing 0.50 per cent source tax, 12 per cent corporate tax for general factories and 10 per cent for green factories for another five years." BGMEA president said.

In response, the NBR chairman said the government has a good empathy for the garment industry. "I think your quantity of orders has increased recently with the opportunity that the government provided to the garment industries to meet the challenges of Covid-19 pandemic. The NBR is examining the matter," he added.

The NBR Chairman said efforts will be made to facilitate the import of yarn or cotton in the country for the expansion of the garment industry.

Source: thefinancialexpress.com.bd– Feb 17, 2022

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Pakistan: Govt sets export target of $200 billion by 2025

Adviser commerce and investment, Abdul Razak Dawood on Wednesday said the government set an export target of $ 200 billion by the end of Fiscal Years 2025.

Key features of the 3rd Textile and Apparel Policy, recently approved by the Cabinet included the persuasion of value addition in textile, manufacturing of globally competitive products according to the global trading market and subsidizing more facilities in this sector so that it can compete with its regional competitors, he said.

The adviser said this while addressing the press conference in launching the '3rd Textile and Apparel Policy' approved by the Federal Cabinet.

Razak Dawood hoped that the country's textile exports would increase from the current $15 billion to $21 billion by June 30, 2022.

"We have seen a 32 percent growth in textiles this year, which is expected to reach 26 percent by the end of the coming year," he said.

He said that Pakistan's share in the global textile market is 1.8 percent, which needs to be increased and it has vast potential for further expansion.

He said that "we have rationalized the tariff and in this regard the government has reduced the duties in many areas of textile from zero to 50 percent.

Similarly, textiles machinery is also being imported in the textile sector on which duties have been reduced so that modern machinery can be brought in the textile industry and its products can be introduced in the global competitive market.

The Adviser said that the government was trying its best to make the current growth in textile sustainable so that it could contribute to the economic growth of the country.

He said that is why the government is incentivizing the textile sector through short and long term policies.

Similarly, the government has provided full facilities to the textile and non-textile sector through Duty Drawback on Local Taxes (DLTL) payments.

He said that textile has grown in both value added and non-value added. Similarly, Pakistan was ranked 5th globally in cotton and yawn, 2nd in demon and fabrics and also 2nd in cotton clothier.

He informed that in textile value added, Pakistan is second in home textile, second in Towel, third in hosiery and 17th in Apparel.

Talking of Past performance in this sector, he said that over the last ten years, our position in the textile sector has been the same, “we stand at $12 billion,” he said.

He said that the government is introducing new markets and products in textile under the policy of trade diversification at geographical and product level on both sides.

Earlier, Pakistani exports were limited to only ten markets, now work is underway in new markets.

Similarly, textile innovation and technology introduction products are manufactured in line with the global competitive markets.

The Adviser said that the value of textile in the global market is valued at $1 trillion, while the market for other commodities like Information Technology (IT) and Chemicals is bigger than that.

That’s why the global market for information technology and pharmaceuticals, such as non-traditions items, now stands at $5trillion and chemicals account for $4 trillion.

Source: dailytimes.com.pk– Feb 17, 2022

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NATIONAL NEWS

India-UAE free trade pact to favour labour-intensive products, service providers

PM Modi, Abu Dhabi Crown Prince to witness signing of the agreement in a virtual summit on Friday

India hopes to gain greater market access in the UAE for labour-intensive items such as textiles & apparels, gems & jewellery, chemicals & pharmaceuticals and engineering goods as well as higher mobility for its service providers under the India-UAE free trade agreement scheduled to be finalised on Friday.

“Import duties will be brought down or eliminated on all items traded between the two countries except a small negative list of products that would be kept out of the pact. Care has been taken to ensure that third country exports are not routed through UAE into India by putting in place adequate rules of origin restrictions,” a person tracking the matter told BusinessLine.

The free trade pact, known as the India-UAE Comprehensive Economic Partnership Agreement (CEPA), is to be signed at a virtual summit between Prime Minister Narendra Modi and Abu Dhabi Crown Prince Sheikh Mohamed bin Zayed al Nahyan on Friday.

Bilateral ties

“The two leaders will also discuss bilateral cooperation and exchange views on regional and international issues of mutual interest,” according to a statement issued by the Ministry of External Affairs on Thursday.

UAE was India’s third largest trading partner in 2020-21, after China and the US, with imports valued at $26.6 billion and exports at $16.7 billion. It is one of the top suppliers of oil to India and also exports precious metals, gems and jewellery, minerals, chemicals and wood products.

Mutual recognition pacts

In the area of services, India hopes to sign mutual recognition agreements in various sectors for smoother movement of professionals between the two countries.

The India-UAE CECA is also expected to speed up India's proposed free trade agreement with the GCC countries that include Saudi Arabia, Bahrain, UAE, Qatar, Kuwait and Oman. "A free trade pact with the GCC is of strategic importance to India as it may strengthen its energy security. Since UAE is an influential member of the group, a free trade pact with the country may speed up a similar pact with the bloc," the source pointed out.

While India's gains in goods is likely to be limited as the UAE has import duties at 5 per cent or below for most items, it is expected to get greater market access certain items that are labour-intensive and could generate employment in India. These include gems & jewellery, apparel and textile, agriculture & processed food, footwear, electrical & electronics, organic chemicals, paper and paper products, auto parts, iron and steel and engineering.

There have been apprehensions from certain quarters of a possible misuse of the FTA by manufacturers in third countries, including China who could ship their items to India through the UAE at concessional duties under the India-UAE FTA. However, adequate rules of origin norms and proper issuing of certificates act are likely to act as strong checks, the source said.

Target areas

The CEPA will cover a multitude of areas including goods, services, investments, digital trade, intellectual property rights and government procurement, the source said.
"Many components in sectors such as digital trade, government procurement and IPRs will be on a best endeavour basis with not many binding commitments," the source added.

UAE has investments worth $11 billion into India since 2000 and is among the top 10 investors for the country.

Source: thehindubusinessline.com – Feb 17, 2022

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PLI scheme to unlock India's manufacturing capacity, says Icra

The government's ambitious production-linked incentive (PLI) scheme will look to unlock manufacturing capacity as well as support in attracting about Rs 4 lakh crore of capital expenditure over the next five years, rating agency Icra said on Thursday.

With an aim to boost manufacturing, employment generation, import reduction and exports growth, the PLI scheme covers strategically significant sectors that have seen surging demand (solar, semiconductors/electronics, automobiles etc), and are critical to developing manufacturing capabilities (semiconductors, telecom gears, medical devices).

Rohit Ahuja, Head of Research and Outreach, Icra, said, "Manufacturing capex forms around 20-25 per cent of the total capex in India currently. The PLI scheme, launched with the aim of incentivising manufacturing, is estimated to attract a capex of approximately Rs 4 lakh crore over the next five years."

It has the potential to generate employment for millions (skilled and unskilled labour) in India, Icra said.

"The scheme, spread across 14 sectors, can enhance India's annual manufacturing capex by 15 to 20 per cent from FY23. However, potential challenges are expected from execution delays, increasing funding costs, availability of requisite infrastructure and delays in approvals." Ahuja said.

Of the total manufacturing outlay, about 80 per cent is concentrated towards electronics, auto, solar panel manufacturing, of which the focus towards semiconductors/electronics value chain is 50 per cent of the outlay.

Incentives are based on incremental production/revenue, spread over five years on an average across sectors.

PLI for semiconductor manufacturing is at Rs 76,000 crore, and aims to make India one of the leading manufacturers globally of this critical component. Shortage of semiconductor chips is leading to major production delays in autos and electronics globally as they are critical components used

in automobiles and electronic items such as mobile phones/ smartphones, televisions, washing machines, refrigerators etc.

"Given the fact that India's dependence on semiconductors is expected to increase substantially, this PLI scheme is critical," Icra said.

For automobiles, the cabinet has approved Rs 25,900 crore (out of Rs 57,000 crore earmarked) and bids for the same have been closed. Additionally, the PLI for ACC battery is estimated at Rs 18,100 crore with incremental production estimated at 50 GW.

The PLI allocation of solar PV modules has been increased to Rs 24,000 crore. Considering India's ambitious plans to expand solar generation, this scheme may continue to attract additional allocation every year.

An outlay of Rs 24,900 crore has been made for pharma, Rs 12,200 crore for telecom, Rs 10,900 crore for food processing, Rs 10,700 crore textile exports. Rs 6,300 crore specialty steel and Rs 120 crore for drone segment.

Ahuja said "Globally, India's manufacturing output as a percentage of GDP is comparable with developed economies like the United States, the European Union and developing economies like Russia and Brazil, however, it is way behind China. Massive opportunity emerging for India, as the world looks to diversify away from China and the PLI scheme is a step in the right direction.

Source: business-standard.com– Feb 17, 2022

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Budget's missing export push

In a bid to revive the economy from the severe macroeconomic impacts inflicted by the Covid-19 pandemic, Union Budget 2022-23 has quite expectedly been expansionary. The high budgeted deficit for FY23 (6.4 per cent of GDP), despite better-than-expected revenue receipts, suggests that the government has prioritised the urgent imperative of boosting growth over fiscal consolidation.

The Budget lays down several action points envisaging higher growth, with particular emphasis on capital expenditures to boost domestic employment and income. Nevertheless, it has largely failed to focus on foreign trade — a critical engine of economic growth. Barring the announcement to reform the 16-year-old Special Economic Zone (SEZ) Act, there is very little to cheer about in the Budget concerning external trade.

There is little doubt that the much-needed reform of the SEZ Act, 2005 can potentially boost the country's export competitiveness and investment attractiveness. But the impact of such reform will only show results in the medium to long-term. Focus on budgetary measures to boost foreign trade in the short term was imperative for several reasons.

Net exports

First, among the key components of aggregate demand, the Indian economy has been witnessing a steady decline in the growth of private consumption and investment, even before the pandemic started. These components, which account for above 87 per cent of total aggregate demand, witnessed the sharpest fall during the pandemic period.

The Economic Survey 2021-22 indicates government consumption to grow at 7.6 per cent. The recovery in growth (over 2019-20) in private consumption and investment is expected to be much slower. On the contrary, foreign demand has shown encouraging signs of revival in the last three quarters.

During April-December FY22, merchandise exports recorded a growth of 49.7 per cent to $301.4 billion, compared to the corresponding period in FY21, and 26.5 per cent over FY20, thus exceeding the pre-pandemic levels of growth. With clear indications of a sub-optimal recovery in private consumption and investment, a major impetus is necessary to further boost

net exports as a critical engine of growth at this juncture. The Budget missed an opportunity to do so.

Free trade pacts

Second, more than two-fifths of India's exports are still accounted for by only seven nations. After India walked out of the 16-nation Regional Comprehensive Economic Partnership (RCEP) trade deal in 2019, formulating a conducive foreign trade policy (FTP) to boost exports has become even more critical. Free trade agreements (FTAs) with countries like Australia, the European Union, the UAE, Canada, etc., will not only provide a fillip to our economic interests but also promote our geopolitical objectives.

Although India is currently negotiating FTAs with several such partners, it is yet to finalise one. Under such circumstances, Indian exporters are at a clear disadvantage vis-a-vis other Asian countries, which either became natural beneficiaries from the US-China trade war or have successfully negotiated several broad-based FTAs in quick time, raising their exports significantly. Contrary to expectations, the Budget did not announce any measures to facilitate duty-free market access for its labour-intensive exports, a step deemed as urgent in the current scenario.

Logistics costs

Third, notwithstanding the subdued global economic environment, merchandise trade revived above its pre-pandemic peak in H1FY21. The WTO, in its October 2021 release, also upgraded its forecast for growth in global merchandise trade volume to 10.8 per cent in 2021, and to 4.7 per cent in 2022.

To effectively leverage the emerging opportunities, the Budget should have addressed the downside risks that Indian exporters continue to face in an uncertain global environment. For example, container freight rates have witnessed a marked increase — from $1,290 in November 2019 to $9,800 in January 2022. While such rates are exogenously determined, it would have been prudent for the government to provide some tax support to address the sharply escalating logistics costs.

Albeit having an impact only in the medium to long term, the Budget should have encouraged the manufacturing of shipping containers locally under the production-linked incentive (PLI) scheme and incentivised Indian entities

to build world-class shipping lines. Such initiatives could have reduced the heavy dependence on imported containers and foreign shipping lines, saving an estimated $30-40 billion per annum remit on transport services.

Support for MSMEs

Fourth, the high cost of overseas marketing poses substantive challenges for exporters, particularly for an estimated 1.2 lakh MSMEs actively engaged in exports. The support provided under the Market Access Initiative (MAI) of the Ministry of Commerce is a meagre ₹300 crore that can cover export-marketing initiatives of only 5,000 MSMEs.

Given how MSMEs, in particular, have been severely affected by the pandemic, the long-standing demand for budgetary provisions for an Export Development Fund and increased allocations to the Reimbursement of Duties and Taxes on Export Production (RoDTEP) scheme could have been meaningful interventions at this juncture.

To achieve the ambitious target of becoming a $5 trillion economy, India's FTP must be geared up to achieve $1 trillion exports. Raising exports would however mean that the country's attitude towards free trade needs to change from the current protectionist stance.

Analysis by Shoumitro Chatterjee and Arvind Subramanian shows that since 2014, there has been a reversal in India's tariff policy — about 3,200 tariff increases at the HS-6-digit level on MFN imports, and on average a five percentage point rise in average tariff rates. With an estimated 51 per cent import intensity for the manufacturing sector, this surely does not augur well for the competitiveness of Indian exports.

The Budget has clearly sidelined such issues. We can only hope that in the coming months fiscal and trade policies will be redirected and tuned to attain the milestones the government has set for itself.

Source: thehindubusinessline.com – Feb 16, 2022

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Faulty certification puts India's organic cotton under a cloud

Is the organic cotton exported out of India truly organic? That's a question hanging over the certification of organic cotton.

The question arose after the Agricultural and Processed Food Products Export Development Authority, or APEDA, the nodal agency for the export of agricultural products, recently suspended the licence of a leading certification agency. This came after an internal investigation revealed that the agency had certified non-organic cotton from grower groups (which are akin to farmer producer organisations, or FPOs) as organic cotton.

India, according to some experts, annually exports around 120,000 tonnes of organic cotton, most of which is certified by designated agencies. Sources said the agency had certified non-organic cotton produced by over 150 grower groups from across India as organic, but it was later found falling short of standards. Several of these grower groups were based out of leading cotton producing states of Madhya Pradesh, Gujarat and Maharashtra.

The matter came to light in December last year when a surprise investigation by an evaluation committee under the National Programme for Organic Promotion (NPOP) found that this particular certification agency had approved not only cotton grown through non-organic methods as organic but that Bt cotton, too, had been certified as organic.

The investigation found that some of the farmers the certification agency had listed as part of the grower groups existed only on paper and the actual farmers were unaware that they were part of grower groups that were meant to grow only organic cotton.

The committee, on further evaluation, also found that farmers who sold these very products in the mandis did not sell them as organic cotton. The NPOP panel concluded that bec-ause the cotton produced by these grower groups did not follow prescribed standards, it could not be called organic.

Some experts said the evaluation panel also found that the area claimed by the agency as organic was not found to be so. Following the probe, APEDA has cancelled the certification agency's licence and imposed a hefty penalty on it.

However, several experts said that the matter does not end here. Certification of organic products for export and even for domestic consumption has for long been a problem area, they added. Since 2014, several certification agencies have been suspended or banned for wrongly classifying non-organic products as organic or failing the compliance norms.

Experts said unless the grower groups that have misled not only the consumers but also the gullible farmers are nabbed and action taken against them, penalising the certification agency won't serve any purpose.

"Recently, a certification company was suspended due to numerous non-conformities and violations but the grower groups certified by this agency are getting transferred and acquired by other agencies without appropriate scrutiny and using systemic weaknesses. Though the certification agency was suspended by authorities, the problems still exist on the ground," S Chandrasekaran, trade policy analyst, told Business Standard.

He said the notable fact is that the certification agencies have been ready to pick up these grower groups, which reflects the predominant character of commercial interest over virtue. "The problem in NPOP is systemic as well as structural. The grower group policies and procedures need a detailed revamp in addition to the creation of institutional capacity," Chandra-sekaran added.

According to the APEDA website, as on March 31, 2021, the total area under organic certification process (registered under the National Programme for Organic Production) in India was around 4.34 million hectares (2020-21). This included 2.65 million hectares of cultivable area and another 1.68 million hectares of wild harvest collection.

Among all the states, Madhya Pradesh has covered the largest area under organic certification followed by Rajasthan, Maharashtra, Chhattisgarh, Himachal Pradesh, Jammu and Kashmir and Karnataka.

Source: business-standard.com– Feb 17, 2022

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$250 billion opportunity for digital-first brands by 2030: Redseer

Online retail has grown sustainably during the pandemic and proven to be a lifesaver especially for smaller cities, according to a report released by RedSeer. It is a $250 billion opportunity for digital-first brands by 2030, it added.

In fact, India's e-tailing GMV reached $53 billion in CY21, demonstrating post-Covid acceleration. Additionally, Indian e-tailing showed impressive q-o-q growth in 2021 while other global players struggled to maintain the momentum.

"Indian e-tailing has entered a different ballgame, where online retail continues to grow rapidly and a new brand of online shoppers are demanding new retail channels such as social and video commerce, revolutionising the industry. This has paved the way for a $250 billion opportunity for digital first brands," it said.

As per the report, India will be adding hundreds of millions of new online shoppers in the next few years –primarily the segment that is outside of the big cities, have lower incomes and shop in a very limited manner.

To address their needs, social and video commerce is creating a new retail channel for an aspirational new India, this is already supported by over $1 billion funding in 2021. Video commerce, powered by multiple models, has massive potential in India. In India, several platforms have already started to disrupt consumer purchase patterns with video commerce, the report said.

With massive unicorn and 'soonicorns' creation in digital first brand space plus a surge in IPOs, 2021 clearly was the year for digital-first brands, and the same can be said for this year, too, where we will only witness an upward spiral.

'Offering quality products'

Many of these new-age digital first brands are changemakers as they are offering quality products at affordable price points that are not served well by most traditional brands; many of them are also offering truly innovative products that are changing how we as consumers interact with brands.

They are constantly looking to improve their offerings through exploring new channels and business models to better serve customers in the digital space. This helps them stay relevant in an ever-evolving digital landscape.

Consumers have been highly receptive to these digital-first brands, as per the report. The findings further suggest that consumers opt for these new age brands for their quality (and not only price) with significantly high repurchase willingness.

Multiple $100 million revenue technology-first brands have been created already across the categories in just the past few years, with each having a unique winning playbook and first-of-their-kind business model. Over the 2021-30 period, we expect many more digital-first brands to scale exponentially, supported and incubated by roll-up platforms that are building the next wave of digital-first brands for India, the report said.

‘Rewarding to engage with consumers’

This will be enabled by the growing trend of digital-first consumers who are willing to try and adopt new brands at a faster pace than traditional consumers. This trend is expected to drive the rapid scale-up of digital-first brands, with some achieving a market capitalisation similar to that of major traditional brands in India in just a few years.

During a recently conducted event by RedSeer, Ground Zero 6.0, Mrigank Gutgutia, Associate Partner, RedSeer, said, “The current B2C retail landscape is evolving rapidly with the emergence of new consumer behaviors and expectations. The rise of new retail channels, particularly video and social commerce, is further changing the way consumers shop and what they expect from brands.

As a result, digital first brands are finding it increasingly rewarding to engage with consumers in these channels and offer them a seamless, omnichannel experience. The success of such brands will depend on how effectively they leverage these new retail channels and how they innovate on the digital front to offer a superior omnichannel experience”.

Source: thehindubusinessline.com– Feb 16, 2022

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Bank loans to industries get momentum after 21 months

Bank loans to industries crossed the Rs 29 lakh crore mark for the first time in 21 months and settled at Rs 29.85 lakh crore at the end of December, with an improvement in consumer and business confidence that laid the pitch for sustained economic revival.

Top bankers expect the momentum to continue, with an increase in demand and the government placing its thrust on infrastructure spending and capacity expansion.

The outstanding amount previously topped Rs 29 lakh crore at the end of March 2020, after which credit disbursal to companies slowed amid economic uncertainties caused by the pandemic.

The outstanding bank loans at Rs 29.85 lakh crore was 3% more than what they were at the end of March 2021, and 7.6% higher from a year earlier, data from the Reserve Bank of India showed. The expansion was largely on account of increased disbursals to micro, small and medium enterprises.

“The after-effect of the third wave of Covid-19 on economic growth was limited, most of the economic indicators are showing improvement which will likely spur consumer spending and encourage companies to build inventories and in turn increase demand for loans to industries,” Punjab National Bank managing director Atul Kumar Goel told ET.

Budget initiatives like Gati Shakti driven by the seven engines of roads, railways, airports, ports, mass transport, waterways and logistics infrastructure will propel credit demand, Goel said.

The sectors that have already shown encouraging signs in credit growth are infrastructure, textile and chemicals & chemical products including fertilisers and food processing. Loans to infrastructure grew nearly 11% year-on-year to Rs 11.4 lakh crore at the end of 2021, while loans to textile rose 11.8% to Rs 2.13 lakh crore. The chemicals & chemical products industry attracted 12.7% higher loans at Rs 1.98 lakh crore.

“Bank loans to industries are expected to grow from here on considering that the economy has started to gradually come out of pandemic-induced stagnation,” said Shanti Lal Jain, managing director of Indian Bank.

"The boost to infrastructure as seen from Budget 2022, the PLI (production-linked incentive) scheme for the manufacturing sector, increase in demand, increase in exports along with the new acquisition announcements of corporate groups are expected to give an impetus to the growth in the loan book of banks," Jain said.

Banks are also on a stable footing to cater to the likely higher credit demand from companies. Goel said the strong balance sheets of banks with high levels of loan loss reserves, as well as strong liquidity and capital position will complement the fiscal push for growth.

Source: economictimes.com– Feb 18, 2022

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Govt readies textile park proposal

The state government is readying a proposal for the establishment of a textile park in Odisha with the Centre having approved seven PM Mega Integrated Textile Region and Apparel (PM MITRA) parks for the development of the textile sector in the country.

The Centre has planned to invest around Rs 4,445 crore by 2027-28 to develop these parks with world-class infrastructure, including plug-and-play facility for investors in the sector. The Centre has asked the state governments to send their proposals for the establishment of textile parks under PM MITRA by March 15.

The state-owned Odisha Industrial Infrastructure Development Corporation (Idco) has roped in consultancy firm, Grant Thornton, to prepare the preliminary project report (PPR) seeking setting up of the park. It has engaged the industries department as the nodal agency for the purpose.

The state government has identified around 1,000 acres at Neulopoi near Dhenkanal for a greenfield textile park under the PM MITRA Scheme.

“Considering various aspects like availability of suitable land, water and power supply to the place, connectivity by road and rail, centralised location that should be far from coastal areas in view of natural disasters, particularly cyclones, we have selected a patch of land for the establishment of the textile park,” industries secretary Hemant Sharma told TOI.
Sharma said they are hopeful that the Centre would consider Odisha’s proposal as it meets all the requisite criteria.

The state government source said it is ready to hand over the 1,000 acres of land at a nominal rate to the special purpose vehicle (SPV), to be formed for the development of the textile park.

Under the PM-MITRA, the Centre assures capital support of Rs 500 crore or 30% of the project cost (whichever is highest) for developing common infrastructure in the proposed textile park.

Considering Odisha’s huge potential for growth of the textile industry, the state government has listed the textile and apparel sector as one of the six focus sectors to draw investments.

Odisha also has skilled manpower in the textile and apparel sectors. The state produces several varieties of saris while some of them are popular globally. It has also proposed to set up cotton processing, spinning and weaving, textile and garment plants to draw investment in the sector.

Source: timesofindia.com– Feb 18, 2022

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Fading SEZ appeal

The government has started work on replacing the Special Economic Zones (SEZ) Act, 2005, with a new law. The finance minister has indicated that the updated legislation would enable states to become "partners in the development of enterprise and service hubs". The sustained enthusiasm for SEZs is hard to understand, given their serial underperformance. These failures could, however, offer useful lessons for the government. India was among the first Asian countries to experiment with the concept in the 1960s, which resulted in a series of export-processing zones and export-oriented units, which did not yield the expected boost in exports.

But with China's economic miracle built on its free trade zones, the United Progressive Alliance government decided to emulate India's northern neighbour by passing a law designed to incentivise private investment in industrial infrastructure. SEZ developers and firms within them were given a raft of tax exemptions — exim duties, excise, and a 15-year tax holiday on profits. This apart, SEZ developers were allowed to create de facto private townships within these zones. Even these substantial benefits did not transform SEZs into engines of economic growth. The commerce ministry data shows that exports from SEZs have rarely crossed 20 per cent in the past five years.

The weaknesses of the policy were evident from the get-go. First, unlike China, the SEZ policy's reliance on the private sector created several problems. Tax breaks for township development made SEZs a huge real estate play and, indeed, the bulk of the initial SEZ applications came from realtors. Second, in place of the gargantuan SEZs that came up under state auspices in China, allowing for massive economies of scale that yielded the famous "China price", the Indian law allowed for seven types of zones — such as for multi-product or a single sector.

The upshot was that most SEZs were small — between 100 and 200 hectares and many as little as 10 hectares — hardly conducive to price competitiveness on the China scale. This apart, 70 per cent of the SEZs were in the IT and ITeS sectors, which was already a racehorse and did not require extra benefits. The share of job-creating manufacturing, the original purpose of the policy, has been consistently low because the old problems of transport and other linkages persisted.

The biggest hurdle to the SEZ policy came from the lack of popular acceptance because of serious flaws in land acquisition practices. Proposals for big single-product zones requiring, say, over 1,000 hectares regularly came up against opposition from farmers unwilling to sacrifice settled livelihoods for uncertain and sometimes sub-par compensation.

Protests affected both private sector attempts to acquire land and state governments' efforts to acquire it on their behalf, the latter practice proscribed in a subsequent land acquisition law. Finally, the bane of Indian business, policy instability in the form of a gradual withdrawal of tax breaks, sharply reduced the attractiveness of SEZs, illustrated by the fact that 101 applied for denotification between 2008 and 2020.

The government has hinted that the new law may allow SEZ units to sell in domestic tariff areas and accept rupee payments, which dilutes the concept in any case. But the real lesson is that creating investment havens can work only if the whole country is geared to that end.

Source: business-standard.com– Feb 17, 2022

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