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INTERNATIONAL NEWS

World trade takes another hit

The Russia-Ukraine war is the latest in a series of unfortunate events that has left the world's shipping supply chain in turmoil; container shortage could worsen

A series of events — starting with the Covid pandemic, followed by Suez Canal block and now the Russia-Ukraine war — has left the global trade bleeding. Shipping is responsible for movement of about 90 per cent of global trade, and the global supply chain disruption in the last one year has left the trade gasping for relief. But there seems to be no solution on the horizon.

The pandemic started the container shortage; the Suez blockage aggravated the situation and the war is likely to make the situation worse. The worst affected being containerisation. The disruption comes at a time when India's merchandise exports are likely to cross $400 billion in this fiscal.

Freight rates have more than doubled in the last 15 months. For example, the freight to Rotterdam from Chennai used to be $3,000 per TEU (twenty-foot container), but is now around $7,000. To the US, the freight increased by three times to $12,000 in the same period. It takes nearly 15 days to get a container, said an industry official.

Dipak Shah, Director of Crystal Tea, and Chairman of the South India Tea Exporters' Association, said, "Just before the war started, an exporter sent ten boxes of tea to Russia on two different dates. Only five landed there and the fate of the rest is uncertain."

This is just one example of how the war is disrupting the global supply chain.
Congestion gets worse

"Overall, the situation for container availability is likely to worsen, but this will vary by port and region. Central and Northern Europe is already congested, and any further trigger to the cargo flow will only worsen the state of container pile-ups," said Christian Roeloffs, Co- Founder and CEO, Container xChange.

“Services to Russia are still operating, but if they are suddenly stopped, then all the containers already on the vessels would get stuck in the major hubs in Europe and worsen the congestion problem. This would amount to approximately 10,000 TEUs per day for the whole market,” said Lars Jensen, an expert in container shipping.

Ennarasu Karunesan, Founder, UMK Group — a consultancy firm maritime transport — said that according to global EXIM trade, for each day of supply chain disruption, it takes a minimum of ten days of effort to bring back normalcy. Already three weeks have passed due to the war, and the situation remains fragile for international trade. The year 2022 will be another tough year, he added.

“Shifting to air mode from ocean shipping is not feasible due to the huge volume trade. Some are air lifting cargo if it is really urgent, and the client is willing to pay,” he said.

Influence of war is yet to impact the already stressed maritime industry, so far as India is concerned. It will definitely lead to a crunch situation in the days to come if the war continues for some more time, added G Raghu Sankar, Executive Director of the Chennai-based International Clearing and Shipping Agency.

Now, more supply chain disruption is expected due to the closure of the Yantian Free Trade Zone in China from March 14-20 due to spread of Covid-19. When Yantian was shut down due to Covid last year, the disruptive impact on cargo flows was roughly twice the size of the blockage of the Suez Canal, said Lars Jensen.

Source: thehindubusinessline.com – Mar 20, 2022

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China: Online orders face China delays

Orders placed with global e-commerce platforms like Amazon and Walmart may be delayed by virus lockdowns and restrictions in some of China's key manufacturing hubs, according to an industry body.

Shenzhen, home to around half of all the online retail exporters in China, was locked down for at least a week on March 13 to try to contain a spreading covid-19 outbreak. Its 17.5 million residents were told to work from home, with all nonessential businesses and public transport shut.

In nearby Dongguan, a key Chinese hub for the manufacture of shoes, toys and textiles, factories in areas where there are virus cases have been told to close, and schools and restaurants are effectively shuttered.

The moves are creating significant disruption to the production and delivery of goods sold on major online marketplaces, including those run by Amazon.com and U.S. retail giant Walmart, said Wang Xin, head of the Shenzhen Cross-Border E-Commerce Association.

"Shenzhen now has pressed the pause key, with operations halted for almost all sectors, and we are no exception," said Wang, whose organization represents some 3,000 exporters in the city, China's main tech hub. The association's members include purveyors of some of the biggest-selling online products in the West, including smartphone accessory maker Shenzhen Tomtop Technology Co Ltd. and Sailvan Times Co Ltd., maker of lounge-wear apparel brand Ekouaer.

Most production has been suspended in Shenzhen due to the lockdown and deliveries are snarled because logistics firms and warehouses aren't operating or are doing so at a reduced capacity, Wang said in an interview last week.

Chinese sellers have become ubiquitous on global shopping platforms, often specializing in cheaper versions of everyday goods such as phone chargers and sneakers. The country's cross-border e-commerce industry grew by 25% to $220 billion in 2021, building on a 40% surge in 2020 due to the pandemic. Thanks to China's integrated supply chains, some companies have become top sellers globally, with fast-fashion juggernaut Shein and Anker Innovations Technology Co., which retails $1.5 billion of smartphone

accessories and other consumer electronics every year, now household names.

Representatives from Amazon and Walmart didn't immediately respond to emails seeking comment about potential delivery delays. Chinese logistics firm 4PX said on its website that it's stopped picking up parcels from Shenzhen due to the covid restrictions.

Wang said the association is "actively negotiating" with the Shenzhen authorities to try to at least get some parcel deliveries resumed soon. The disruption comes at a particularly tricky time, with Amazon cracking down on multiple top sellers in China last year over fake consumer reviews.

While authorities have said some factories in Shenzhen and Dongguan will be still be allowed to operate if they test workers daily and operate bubbles, Wang said her member companies have been required to halt all production, with one even fined last week because they hadn't complied.

"Even if you're not in the areas with serious cases, you're not allowed to do anything," she said.

Source: arkansasonline.com– Mar 21, 2022

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Vietnam’s cotton imports decline by 7.1% in February

In February 2022, Vietnamese cotton imports declined by 7.1 per cent month-on-month and 19.3 per cent year-on-year, and Vietnamese yarn imports dropped by 13.6 per cent month-on-month and 20.9 per cent year-on-year. Vietnamese textiles and apparel exports moved up by 13 per cent year-on-year but declined by 42.4 per cent month-on-month.

Vietnamese cotton imports in February reached 118,600 tonne, declining by 19.3 per cent over the same period last year and 17.1 per cent from the previous month. Brazil was the main source of Vietnam's cotton imports, with 36,602tonne of imports, accounting for 30.9 per cent of the total imports, followed by US and India, accounting for 23 per cent and 18.5 per cent, respectively.

Vietnam imported 80,600tonne of yarns during February, a 20.9 per cent year-on-year decline and 13.6 per cent month-on-month decline respectively. By country, its yarn imports in Feb were mostly originated from China, China Taiwan and Indonesia.

Vietnamese textiles and apparel exports in February reached $2.058billion, a 13 per cent year-on-year increase but a 42.4 per cent month-on-month decline.

Source: fashionatingworld.com– Mar 19, 2022

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Higher energy bills to force M&S food and clothing costs higher

Marks & Spencer clothes and food is set to become more expensive as the retailer battles increased energy costs, intensified by the war in Ukraine.

Chairman Archie Norman said: “We were already seeing pre-Ukraine some big increase in food prices coming through, and in textiles as well, and now this is going to add pressure again. “An increase in cost, animal feed, grain, sunflower, will have an impact, but it’s not that big. The big thing is the cost of energy.”

Prices rose by 5.5pc on average in the year to January, while the Bank of England warned last week that inflation could hit 8pc or higher in the coming months. Millions of households are facing a huge squeeze on their finances, with the energy price cap rise in April set to add hundreds of pounds to bills. “We’re partially hedged on energy costs but when you look through, if energy costs are going to be at this level next year, that’s a lot of money. It’s the same for all retailers,” added Mr Norman, as he cautioned over a wage-price spiral.

“Freight costs, container costs, some of this will work through. The question is whether the substantial increase in the cost-of-living, will that translate into huge pressure for substantial, continued wage increases?

“This year, we’ve given everybody a pay rise, but we already have colleagues who are saying ‘that’s just gone in my energy bill’.” M&S last month said it would raise its minimum pay for 40,000 staff to £10 an hour, and £11.25 in London, following similar moves from rival supermarkets as they compete for staff.

Mr Norman predicted, however, that the headline level of inflation would be on a downward trend by “September, October” as some of the costs normalise. “I wouldn’t yet conclude we’re in a world where inflation is permanently with us.” His remarks came after John Lewis chair Dame Sharon White said last week that inflation would remain “more enduring than any of us expected”.

Source: telegraph.co.uk– Mar 20, 2022

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Get these wrinkles out of the South Asian textile story

South Asia became a major player in the global textiles and clothing market with the onset of the third wave of global production. Bangladesh joined the league in the 1980s, owing to the outbreak of the civil war in Sri Lanka.

Supportive industrial policy was an instrumental factor in the 1990s, with zero duty on raw material and capital machinery, as access to global markets led to the industry's boom. Bangladesh overtook India in exports in the past decade as Indian labour costs resulted in products becoming 20% more expensive.

Standing of countries

Lower production costs and free trade agreements with western buyers are what favour Bangladesh, which falls third in the line as a global exporter. The progress of India and Pakistan in readymade garments is recent when compared to their established presence in textiles. India holds a 4% share of the U.S.$840 billion global textile and apparel market, and is in fifth position. India's exports later witnessed a larger volume of business, following a 0.8% dip in 2019. Pakistan saw a 24.73% rise in textile exports (2021-22), bagging an amount of U.S.$10.933 billion.

India has been successful in developing backward links, with the aid of the Technical Upgradation Fund Scheme (TUFS), in the cotton and technical textiles industry. However, India is yet to move into man-made fibres as factories still operate in a seasonal fashion. Pakistan remains very focused on cotton products; it falls behind due to skilling and policy implementation issues.

Bangladesh has been ahead of time in adopting technology. Bangladesh also concentrates on cotton products, specialising in the low-value and mid-market price segment.

The country faces the challenge of high attrition and skilling which results in higher costs. Sri Lanka attained the most progress in ascending the value chain. Progress in training, quality control, product development and merchandising are attracting international brands to Sri Lanka.

In leap ahead, the hurdles

The Fourth Industrial Revolution (4IR) has been shifting focus from production machinery to integrating technology in the entire production life cycle. The production cycle incorporates all digital information and automation including robotics, artificial intelligence (AI), virtual reality, 3D printing, etc.

Robotic automation exemplifies production efficiency, especially in areas such as cutting and colour accuracy. In the days ahead, comprehensive restructuring can be expected in systems' adaptation to human and market needs.

With change comes opportunities as well as challenges. The Asian Development Bank anticipates the challenges of job losses and disruption, inequality and political instability, concentration of market power by global giants and more vulnerability to cyberattacks.

India's production centres are operational at near full capacity, with companies contemplating business and production capacity expansions. With a 7% unemployment rate, India faces the challenge of job creation in the wake of increased automation. The World Bank expects this trend to accelerate in the post-COVID-19 market. The 4IR may result in unemployment or poor employment generation, primarily affecting a low skill workforce.

The integration of skilling and technological investments will play a vital role in phasing out obsolete jobs, and adapting to new ones. It is imperative to ensure living wages and ease of access to education. The market switched from 'seasonal fashion' to 'fast fashion', and later to 'accurate fashion', reducing lead time.

Digitalisation and automation in areas such as design, prototyping, and production are key in order to stay abreast, and in controlling production quality and timely delivery.

Quick transportation becomes important in costing control, as reshoring and near-shoring gain currency. While a transition may be easier for large factories, medium and small-scale entities may suffer. Adoption of new technology and automation is closely linked to in-product basket diversity creation too.

On sustainability

Sustainability is also an important consideration for foreign buyers. Bangladesh's readymade garments initiated 'green manufacturing' practices to help conserve energy, water, and resources. Textile and apparel effluents account for 17%-20% of all water pollution. Many Indian players are focusing on input management over tailpipe management. Sustainable practices such as regenerative organic farming (that focuses on soil health, animal welfare, and social fairness), sustainable manufacturing energy (renewable sources of energy are used) and circularity are being adopted. The Indian government is also committed to promoting sustainability through project sustainable resolution.

Tax exemptions or reductions in imported technology, accessibility to financial incentives, maintaining political stability and establishing good trade relations are some of the fundamental forms of support the industry needs from governments.

The labour lead

Access to affordable labour continues to be an advantage for the region. In addition, a country such as India with a very high number of scientists and engineers could lead, as is evident in the areas of drones, AI and blockchain. India's potential lies in its resources, infrastructure, technology, demographic dividend and policy framework.

The creation of a Centre for the Fourth Industrial Revolution is indicative of India's intent. The U.S. trade war on China owing to human rights violations along with its economic bottlenecks, opens doors for India and Pakistan as they have strong production bases. Similar to China, India has a big supply — from raw material to garments. Bangladesh has also risen as a top exporter in a cost competitive global market.

Bangladesh's investments in technology in the past decades are an added advantage. On gaining significant knowledge and advanced technologies over the last 30 years, it is in prime position. Bangladesh has envisioned the year 2041 for technological advancement, especially in ICT. Pakistan imported machinery (+77.5%) worth U.S.$504 million by the first half of 2019-2020.

India's proposed investments of US$1.4 billion and the establishment of all-in-one textile parks are expected to increase employment and ease of trade. India extended tax rebates in apparel export till 2024, with the twin goals of competitiveness and policy stability. Labour law reforms, additional incentives, income tax relaxations, duty reductions for man-made fibre, etc. are other notable moves.

A map out

Cotton product dependency and a focus on only major export destinations may diminish the market scope for South Asia. Diversification with respect to technology, the product basket and the client base are to be noted. Adaptability in meeting the demands of man-made textiles, other complex products and services are also important.

Newer approaches in the areas of compliance, transparency, occupational safety, sustainable production, etc. are inevitable changes in store for South Asia to sustain and grow business. Reskilling and upskilling of the labour force should also be a priority for the region to stay aloft in the market. Finally, there is a need for governments' proactive support in infrastructure, capital, liquidity and incentivisation.

- Lower production costs and free trade agreements with western buyers are what favours Bangladesh, which falls third in the line as a global exporter.
- Bangladesh's readymade garments initiated 'green manufacturing' practices to help conserve energy, water, and resources.
- Newer approaches in the areas of compliance, transparency, occupational safety, sustainable production, etc. are inevitable changes in store for South Asia to sustain and grow business.

Source: thehindu.com– Mar 21, 2022

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The impact of free trade agreements on the Philippines

As the economy recovers from the impact of the Covid-19 pandemic, the Department of Trade and Industry (DTI) is optimistic that free trade agreements (FTA) will help boost the growth of exports.

As defined by Investopedia, FTA "is a pact between two or more nations to reduce barriers to imports and exports."

The Philippines currently has free trade agreements with Japan and the European Free Trade Association (EFTA).

The Japan-Philippines Economic Partnership Agreement (JPEPA), which was signed in Helsinki, Finland by then President Gloria Macapagal-Arroyo and former Prime Minister Junichiro Koizumi on Sept. 9, 2006, is the first bilateral FTA of the Philippines.

The Philippine Senate concurred with the ratification of the PJEPA on Oct. 8, 2008 and the agreement officially entered into force on Dec. 11, 2008. poster

The PJEPA covers, among others, trade in goods, trade in services, investments, movement of natural persons, intellectual property, government procurement, competition, and improvement of business environment.

Based on Article 161 of the PJEPA, the Philippines and Japan shall undertake a general review of the agreement and its implementation and operation in 2011 and every five years thereafter, unless otherwise agreed by both parties.

At present, the Philippines is pushing for greater market access for agricultural products in the PJEPA review.

"The Philippine's bilateral agreement with Japan was its first ever bilateral FTA and since it has already been enforced for quite a number of years, we really are prioritizing this review and renegotiation to keep it up to date with the other FTAs whether bilateral or regional that the country has already been a party to. So, that the PJEPA would maintain its relevance I think with really the intent of preferential access to each other market," said Trade Undersecretary Ceferino Rodolfo.

Rodolfo said DTI is pushing for greater market access for Philippine bananas while Japan, on the other hand, will most likely push for greater access for their industrial products.

FTA with four other countries

The Philippines-EFTA (Iceland, Liechtenstein, Norway and Switzerland), meanwhile, was signed in 2016 and came into force on June 1, 2018 for the Philippines, Norway, Liechtenstein and Switzerland, and on Jan. 1, 2020 for Iceland.

Today, exporters to the EFTA markets are no longer required to secure a certificate of origin from the Bureau of Customs under the FTA's self-certification/self-declaration system.

According to the Trade department, the agreement provides the Philippines duty-free market access for all industrial and fisheries tariff lines.

The country also secured tariff concessions on frozen tuna/mackerel, canned pineapple, crude coconut oil, fresh/dried bananas, which will benefit the Philippine agriculture sector.

The Philippines may also qualify for zero tariffs for preparations of meat/fish, even if the meat or fish is imported while garment exports may also claim preferential tariffs even if the textiles used are imported and only cut and sew processing are done in the country.

"Philippine service suppliers who want to enter the EFTA market can benefit from the commitments made by EFTA in all modes of supply. Commitments in cross border supply and movement of natural persons present opportunities for both skilled workers and professionals, particularly architects and engineers," said DTI.

Aside from PJEPA and EFTA, the Philippines also has a pending FTA with South Korea. It also joined the Regional Comprehensive Economic Partnership (RCEP) agreement that is considered as the largest free trade agreement in the world.

The FTA with South Korea, which was finalized last year and is slated to be signed early this year, covers trade in goods, trade remedies, rules of origin, customs procedures and trade facilitation, economic and technical cooperation, competition, and legal and institutional issues.

The RCEP, meanwhile, covers trade in goods, including rules of origin; customs procedures and trade facilitation; sanitary and phytosanitary measures; standards, technical regulations and conformity assessment procedures; and trade remedies. The agreement, however, still needs to be ratified by the Senate.

In summary, FTAs facilitate the flow of products and services between the countries that are part of it, allowing exporters that include small and medium enterprises (SMEs) to earn more. The lowering of tariffs for industrial product imports will also benefit companies in the Philippines, including SMEs.

For an economy recovering from the Covid-19 pandemic, FTAs can be a blessing.

Source: manilatimes.net– Mar 21, 2022

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Mali records highest cotton production

Mali has recorded its largest cotton production of more than 760,000 tons for the 2021-2022 season. The President of the Transition Assimi Goita declared the record production on Saturday, figures that place Mali as the top cotton producer on the African continent.

According to the government, record production was made possible by maintaining a subsidy on agricultural inputs, maintaining a minimal shift in the cost of cotton seen among other initiatives.

In September 2021, the United States Department of Agriculture (USDA) had indicated in its report that "Mali will be the largest cotton producer in Africa for the 2021/2022 season, followed by Benin, Côte d'Ivoire and Burkina Faso.

Mali planted a record 795,000 hectares (ha), up 630,000 hectares (382%) from last year's crop, the document noted.

In addition, the U.S. report explained that "Côte d'Ivoire also planted a record 460,000 ha, while Benin and Burkina Faso each planted more than 600,000 hectares this year."

At the end of the 2019/2020 season, Mali's cotton production totaled 700,000 tons, up 6.6 percent from 2018/2019.

The volume harvested for the 2019/2020 campaign, makes Mali for the second consecutive year, the second-largest producer of white gold in Africa behind Benin (714,000 tons).

Cotton producers boycotted the 2020/2021 cotton season following a misunderstanding with the authorities over the price of cotton seeds set by the government.

Finally, in 2018, Mali was ranked as the leading cotton producer on the continent with 725,000 tons of cotton seeds, according to data from the Malian Textile Development Company (CMDT).

Source: africanews.com– Mar 20, 2022

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Turkey-Lanka trade ties to be strengthened

Turkey will extend its fullest support to boost bilateral trade with Sri Lanka which is below potential to a higher level in the coming years, said Turkish Ambassador to Sri Lanka and the Maldives, R. Demet Sekercioglu.

She was speaking from Ankara via zoom during a bilateral business forum in Colombo organised by the National Chamber of Commerce last week.

Turkey expects bilateral trade and economic cooperation with Sri Lanka to be further strengthened with mutual help to boost the economies through trade and investments, the Ambassador said.

Bilateral trade between Sri Lanka and Turkey stood at around USD 180 million in 2021 leaving ample room for growth through product diversification and exploration of new areas.

Turkey being at the cross-roads of Europe, Africa and the Middle East remains a vital destination for global trade.

With a population of 83.4 million as of 2021, Turkey has the world's 20th largest nominal GDP and 11th-largest GDP by PPP.

The country is among the world's leading producers of agricultural products, textiles, motor vehicles, transportation equipment, construction materials, consumer electronics and home appliances.

Both countries have maintained healthy relations since commencing diplomatic ties. Turkey was one of the first countries to establish diplomatic relations following Sri Lanka's independence in 1948.

Turkish Foreign Minister Mevlüt Çavuşoğlu during his visit to Colombo which marked the signing of the agreement on the Avoidance of Double Taxation said Turkiye aims to strengthen its relations with Asian countries and considers Sri Lanka as «an extremely valuable and important ally».

Cavusoglu said Turkey is more aware of the fact that Asia is particularly an economic powerhouse. Turkey considers Sri Lanka as the "pearl of the Indian Ocean" and an "extremely valuable and important ally," he said.

He said the bilateral trade volume has reached pre-pandemic levels, adding that the potential is much higher.

The Turkish Foreign Minister noted both countries could help each other to improve relations in health, pharmaceutics, construction, and tourism fields and added that Turkey is ready to share its experiences on «safe tourism.”

Both countries identified the need to further diversify trade and work steadily towards the achievement of the US$ 500 million per annum trade volume target, according to observations made at the second session of the Sri Lanka-Turkey Joint Committee on Economic and Technical Cooperation (JCETC) held in June 2021.

The promotion of investment and business-to- business linkages, enhancement of tourism and connectivity, and potential new areas of collaboration were discussed at the meeting. Turkish Airlines aims to increase the number of flights to Sri Lanka from 11 to 14 per week as of September, he said. These flights from Istanbul and Colombo make an important contribution to the relationship between the countries.

The two Minsters also deliberated on other areas of mutual interest comprising defense, security and counter-terrorism cooperation, and looked forward to the exchange of high-level visits in the future.

Turkey provided medical aid through the Turkish Cooperation and Coordination Agency (TIKA) in 2021 to mitigate the impact of the Covid-19 pandemic, as well as the humanitarian assistance extended in terms of housing construction in southern Sri Lanka in the aftermath of the 2004 tsunami.

Steel, iron, synthetic staple fibers, electrical machines and tools are some of the main imports of Sri Lanka from Turkey while clothes and accessories, coffee, tea are exported to Turkey.

The second Meeting of Turkey-Sri Lanka Joint Economic Commission (JEC) was held in Ankara in November 2016.

Source: sundayobserver.lk– Mar 20, 2022

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Bangladesh: We must all share the pain of rising prices

A host of challenges await garment makers as 2022 progresses. The legacy impact of the Covid-19 pandemic, including ongoing logistical challenges around moving stock; the impact of Russia-Ukraine war and the subsequent reduced access to the Russian market for our products; access to raw materials and supply constraints for raw materials, such as cotton—all of these and more will make this year a difficult one, despite the relief many of us feel as the pandemic has somewhat slowed down.

My biggest concern of all, however, is inflation. Price hikes have not really been an issue in fashion and its supply chains for many years. If anything, ours has been a deflationary industry, due mainly to an excess of supply over demand, low barriers to entry into our industry, easy access to raw materials, and many other reasons.

But this picture is now changing. Through much of 2021 and now into 2022, our industry witnessed huge increases in the cost of shipping containers around the world. This is an ongoing problem, and it's only going to get worse. In some cases, the cost has risen from less than USD 2,000 to more than USD 20,000. Industry experts believe the prices could go even higher.

Those desperate to move their goods can, of course, opt for airfreight. But that brings with it extra costs. And, of course, prices for airfreight are also on the rise.

On top of the increased shipping costs, suppliers are also seeing a spike in raw material prices. Cotton is a staple for Bangladeshi garment makers, and cotton prices continue to soar to record highs.

Garment manufacturers had just about become accustomed to rising raw materials and shipping prices. But now there is another issue adding fuel to the inflationary fire: the war in Ukraine. One consequence of this war is rising gas and fuel prices globally. Global analysts seem to have put no ceiling to the rise of fuel and energy prices as a consequence of the war. What is clear, however, is that the longer Russia's invasion of Ukraine lasts, the worse the consequences will be, given the huge strategic importance of this region as an exporter of fuel.

This is a concern for Bangladesh, which is increasingly dependent on imported energy.

Could rising fuel prices hit garment makers? Just recently, I read that fuel and energy shortages in Sri Lanka could impact the performance of the country's apparel export sector this year. On mitigating future disruptions, the country's main textile body said that unless resolved soon, extended power cuts, coupled with shortages of diesel, would have an impact on the industry's performance in 2022.

Sri Lanka's economy is different from ours, and its dynamics are unusual in that it's an island nation. But to see a rival garment hub suffering does bring these issues rather too close to home for comfort.

With all of this in mind, I believe RMG producers in Bangladesh need to begin putting mitigation measures in place and planning for a prolonged period of price inflation—if they are not doing so already.

There are several ways to protect one's business against inflation. One of the most obvious is via the use of forward contracts. A forward contract is a contract between two parties to buy or sell an asset at a specified price on a future date. It can be used for hedging against future inflation and can help give a business more certainty.

A currency forward is a binding contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date. These are vital for many businesses right now, given the huge fluctuations we are seeing in the prices of the dollar and other major currencies.

There are also less formal techniques that businesses can adopt to protect themselves against ongoing price rises. On a broad level, the clearest advice I would offer is for RMG factory owners to be upfront with buyers about the increase in costs they are facing. A manufacturer trying to internalise the inflationary pressures we are witnessing will not remain in business for long.

There is nothing wrong with passing some costs along in an effort to maintain a reasonable margin. Much of this comes down to negotiation skills, an area we sorely need to improve upon in Bangladesh. It is widely accepted that as garment makers, we are price takers. But there has to be some limits to this. In other words, if our costs have risen significantly, at some stage we have to increase our prices or our margins will be completely eroded.

The one final point in all this is that, just maybe, this year will see some significant increases in the end prices of clothing. I read a lot about retail prices rising in the West.

At the same time, I am astonished when looking at the websites of some major fast fashion brands and seeing how cheap their clothing remains. At times, it feels like end consumers are completely buffered from the inflationary impacts. Surely, this has to change at some point. We must all share the pain of global economic shocks.

Source: thedailystar.net– Mar 21, 2022

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Pakistan: Rise in textile exports

Textile exports have risen to 20.5 billion dollars in the first eight months (July-February) of the current fiscal year compared to 16.3 billion dollars in the comparable period of the year before — a rise of around 26 percent. While this highly significant increase must be appreciated yet two observations are in order. First, the rise in exports is not as much in volume as in a rise in the general price level in importing countries as well as the resurgence of sales subsequent to the easing of pandemic-related restrictions.

And second, Pakistan's major textile products' buyers are in the West including the European Union — which extended the GSP plus status to Pakistan in 2014 that continues to contribute significantly to a rise in our textile exports to Europe.

Western countries are pressurizing those that have not denounced the Russian invasion of Ukraine to do so, including China, its Foreign Minister, Wang Yi, told his Spanish counterpart this week that China "is not party to the crisis, still less wants to be affected by the sanctions" imposed on Russia. Pakistan, from an economic perspective, is in a much weaker position economically and cannot afford to be impacted by Russian sanctions and in this context one would hope that cabinet members, including the Prime Minister, do not make any public comments and instead allow the Foreign Office to deal with it.

Notwithstanding the significant rise in exports from the year before it is the trade balance (the difference between exports and imports) which is the key macroeconomic indicator as opposed to looking at just one of its components.

The data released by the Pakistan Bureau of Statistics (PBS) shows that imports rose from 33.8 billion dollars in the first eight months of 2020-21 to 52.5 billion dollars in the comparable period of the current fiscal year or a rise of 55.07 percent. In other words, while exports have risen by 26 percent July-February this year in comparison to the same period the year before imports have risen by double that amount –,i.e., by 55.07 percent. While one can understand that a political government naturally focuses on the positive indicators yet in this instance there is no ministry that is willing to take responsibility for the rise in imports.

The Ministry of Commerce argues that the bulk of the imports, petroleum and products and food imports, are not dependent on its policies while the Ministry of Industries acknowledges that part of the rise in imports – raw materials and semi- finished products – but argues that these imports fuel domestic output and hence must be supported.

To further complicate matters imports are a major source of government revenue and hence any attempt to curtail imports will naturally reduce revenue collections which may further compromise the capacity of the government to subsidise the prices of petroleum and products as part of the Prime Minister's 28 February relief package.

And to add more than a pinch of salt to the economic malaise that is facing the country the State Bank of Pakistan is using the exchange rate as a shock absorber as suggested by the International Monetary Fund in its sixth review report as opposed to raising the discount rate that would have negative impact on the input costs of large scale manufacturing sector that has also been incentivised in the 1 March industrial package announcement.

It is, therefore, important to recall that the Prime Minister during his address to the overseas Pakistanis convention challenged independent economists to a debate claiming that his policies are bearing fruit. The word 'misguided' used by the honourable chief justice of the Islamabad High Court with respect to the Prime Minister (in relation to highly controversial PECA Ordinance) comes to mind and one would hope that he engages with some independent but highly informed economists to come up with a more informed picture of the state of affairs.

Source: brecorder.com – Mar 21, 2022

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NATIONAL NEWS

Why India needs to approach its free trade agreements with an open mind

As part of its 'Atmanirbhar Bharat' mission, India has set itself an ambitious target to grow its exports over six times, from nearly $300 billion in 2020 to $2 trillion by 2030. The audacity of this target is fully revealed when juxtaposed with the stagnation in our exports over the last 10 years – they have hovered near the $300 billion mark since 2011.

Further, our pursuit of this target will pit India's exporters and the enabling ecosystem much more aggressively against those of China, which have until now enjoyed an undisputed dominance in global exports. In fact, China's signing of Free Trade Agreements (FTAs) with countries and regional blocs around the world, together with its policies like One Belt One Road (OBOR) have played a significant role in the country's ascendancy and continuing supremacy in global trade.

However, a growing pushback from the EU and several other key markets against Chinese dominance has opened a rare window of opportunity for countries like India to step up and take share of exports away from China. Within India, a consensus is also emerging that to compete effectively with China in a pandemic-ravaged global economy, India must aggressively pursue FTAs of our own.

An article in last month's RBI bulletin built a case for India to actively pursue free-trade agreements (FTAs) with major export destinations like the EU and the US, to bring similar tariff concessions to Indian exporters that are enjoyed by countries like Bangladesh and Cambodia. In July last year, a CRISIL report also pointed to lack of FTAs as a key reason for decline in India's textile exports between 2011 and 2020.

China has to date signed 16 FTAs with countries and regional blocs like Australia, New Zealand, Switzerland and ASEAN, among others. On top of these, the Regional Comprehensive Economic Partnership (RCEP) encompasses major markets of Asia-Pacific including all 10 countries of ASEAN, Australia, New Zealand, and Japan, making it the largest FTA in the world. China is also currently negotiating nine new FTAs, including with the Gulf Cooperation Council (GCC), while still more FTAs with Canada and Bangladesh are currently in the consideration or exploration stage.

India in comparison has been cautious in pursuing FTAs; our current FTAs are with Sri Lanka, Singapore, ASEAN, Malaysia, Japan and Korea. We are also part of South Asia FTA, covering Pakistan, Nepal, Bangladesh and other countries in the region. However, FTAs with Australia, UAE, Israel and now with the UK are in different stages of negotiations, while discussions with Canada are likely to begin in a few months.

India also notably pulled out of the RCEP citing risks to protecting the interests of its domestic manufacturers. A similar situation has played out with other trade agreements with India believing that its domestic industry has benefitted less than that of the counter signatories. Still, signing new FTAs and renegotiating existing trade agreements for more favourable terms is one way of mitigating the impact of leaving the RCEP.

However, we need to be equally mindful of tilting the balance too far in the opposite direction. India needs to approach FTAs much more strategically and must think about mutual benefits or win-win situations where a FTA with India benefits our partners too, as much as it should benefit us. This is necessary, for these FTAs will be much more valuable strategically to us in the pursuit of our larger goals than just providing us with a counter to China.

Further, India needs to ensure that technology sharing and transfers are included in our FTAs or general trade agreements with countries or blocs like Germany, Japan, Taiwan, Korea and even the USA. This will not only help India get access to new and cutting-edge technologies necessary to move up the industrial value chain, but also offer us a crucial advantage over China, whose pursuit of foreign tech transfers has been constrained by the lack of adequate intellectual property protection laws. This is a rare opportunity for India to pick and run with.

Moving up the value chain in manufacturing also requires easier access to raw materials. Our future FTAs or trade agreements must enable access to raw materials from resource rich countries like Australia, New Zealand, South Africa, Brazil, Chile, Argentina, Indonesia, Malaysia, USA and Canada.

Finally, keeping the principle of a win-win partnership at the forefront, our FTAs with South Asian and ASEAN blocs ought to focus on providing domestic market access while getting cheaper production for certain product categories, like natural resources, minerals, agriculture products, textiles, etc.

Another important aspect of India’s FTA should be Infrastructure development to support India’s trade with its neighbours, India is geographically closer to South Asian nations as compared to China, however the proximity isn’t an advantage today because China has much better infrastructure built to improve connectivity with South Asia, India will have to make this part of its FTA policies in order to be really benefitting from trade with its neighbours in South Asia.

While these recommendations are pragmatic, India’s historic track record in concluding negotiations and signing meaningful FTAs offers us a reality check. Our negotiations with Australia have been going on for nearly a decade now; while those with Thailand have languished since 2004. Our FTA with Sri Lanka also excludes services in absence of an agreement.

Given this background, whether a growing chorus for India to aggressively pursue more FTAs will bring any meaningful momentum to the process is a moot point. For now, we must patiently await to see how India’s new Foreign Trade Policy, expected in April 2022, addresses this goal.

Source: economictimes.indiatimes.com– Mar 19, 2022

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Early harvest deal with India likely by end-March, says Australia

India and Australia are on course to ink an early harvest trade deal by the end of this month while Australian Prime Minister Scott Morrison is set to unveil a Rs 1,500-crore investment package to boost bilateral ties at a virtual summit with PM Narendra Modi on Monday.

The likely finalisation of the early harvest or 'phase-one' of the ambitious free trade agreement was confirmed by Australian High Commissioner to India Barry O'Farrell on Sunday.

"We are hopeful of signing the phase one (early harvest) trade deal by end of this month," O'Farrell told reporters.

Monday's summit follows the historic first virtual summit between Modi and Morrison in June 2020, when the India-Australia relationship was elevated to a 'Comprehensive Strategic Partnership'.

Diplomatic sources said Morrison will announce an investment package of Rs 1,500 crore (280 million Australian dollar) to boost ties with India that will include Rs 183 crore for cooperation in clean technology and critical minerals and Rs 136 crore for enhancing ties in the space sector.

At the summit, the two sides are expected to make a specific announcement on cooperation in rare earth minerals. Australia accounts for 55 per cent of global lithium production and it possesses over 20 per cent of global lithium deposits.

India has been showing keenness in boosting bilateral cooperation with Australia in the rare earth minerals sector.
The sources said Rs 152 crore out of the total package will be set aside for setting up of new centres to further enhance bilateral ties and a separate amount of Rs 97 crore will be for skill development programmes.

"The summit will emphasise that Australia and India are top tier partners and we will deliver wider ambition and practical progress for the relationship," said a source.

It said Modi and Morrison will focus on building a robust bilateral architecture in the post-pandemic world.

"Prime Minister Morrison will make announcements on a range of creative new initiatives to lift the relationship to even a higher level," the source said.

The financial package of Rs 1,500 crore will form the largest ever Australian government investment in the India-Australia bilateral relationship, the sources said.

The Ministry of External Affairs (MEA) on Thursday said Modi and Morrison are expected to commit to closer bilateral ties in trade, critical minerals, migration and mobility, and education.

"The virtual summit will lay the way forward on new initiatives and enhanced cooperation in a diverse range of sectors between India and Australia," it said.

"Prime Minister Modi and I will discuss deepening our trade and investment relationship and harnessing new economic opportunities to support our mutual economic recovery and growth," Morrison said in a statement on Friday.

Ties between India and Australia have been on an upswing in the last few years.

In June 2020, India and Australia signed a landmark deal for reciprocal access to military bases for logistics support.

The Mutual Logistics Support Agreement (MLSA) allows militaries of the two countries to use each other's bases for repair and replenishment of supplies, besides facilitating scaling up of overall defence cooperation.

The Australian Navy was part of the Malabar naval exercise hosted by India in November 2020 as well as last year.

The navies of the US and Japan were also part of it. Australia was part of the Malabar exercise this year as well.

Source: business-standard.com– Mar 20, 2022

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FTP should be extended for six more months

The present Foreign Trade Policy (FTP) 2015-20 was introduced on April 1, 2015. It was to expire on March 31, 2020, but was extended till March 31, 2022, due to pandemic-induced uncertainties. Given the present context, it is better to extend it, at least, by six months.

Since 2015, various components of the FTP, such as the general provisions relating to imports and exports of goods, the duty exemption scheme, the Export Promotion Capital Goods (EPCG) scheme, the Export Oriented Units (EOU) Scheme, the Deemed Exports scheme, and most other provisions have remained more or less unchanged. The provisions for Special Economic Zones (SEZ), administered through different laws, have also remained quite stable. In 2021, the Merchandise Exports from India Scheme (MEIS) was replaced with the Refund of Duties and Taxes on Export Products (RoDTEP) scheme. The benefits under the Services Exports from India Scheme (SEIS) have been pruned somewhat after increasing them in 2017.

When the goods and services tax (GST) was introduced, suitable consequential amendments were made in various provisions of the FTP and SEZ laws without disturbing their basic structure. Whenever required, restrictions on imports and exports on various items were imposed or removed, especially to help cope with the pandemic and shield the domestic producers from imports. Most processes for issue and redemption of licences and getting other approvals and registrations have been facilitated through increased adoption of information technology.

The Finance Ministry has put in place a new Manufacture and Other Operations in Warehouses (No.2) Regulations, 2019, allowing import of capital goods and raw materials, components, etc. duty free without any export obligation. The government has also introduced the production-linked incentives scheme in 13 sectors with a view to help boost investment in manufacturing.

In 2019, a panel at the Dispute Settlement Body (DSB) of the World Trade Organisation ruled that the EPCG scheme, EOU scheme, MEIS, and SEZ scheme are incompatible with the agreed multilateral disciplines, as they were directly linked to export performance. Our government has appealed against that decision and so, is not bound by the panel ruling for now.

The appeal has not come up for hearing because appointment of enough judges to the appellate body of the DSB has been stalled by the United States. Whenever the US decides to clear the appointment of judges to the appellate body, the appeal will be heard and the chances are that the panel decisions will be upheld. So, there is no point introducing a new policy containing the existing schemes and then withdrawing them soon after the appeal is decided. It is better to continue with the present FTP and bring in a new FTP after that appeal is decided.

The government has said the SEZ laws will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs' and that this will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports. The contours of the new scheme are not yet clear. Finally, no new ideas have emerged on what the new FTP should be, despite meetings with the stakeholders through the Board of Trade and Export Promotion Councils.

Thus, there are enough reasons to continue with the present FTP.

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

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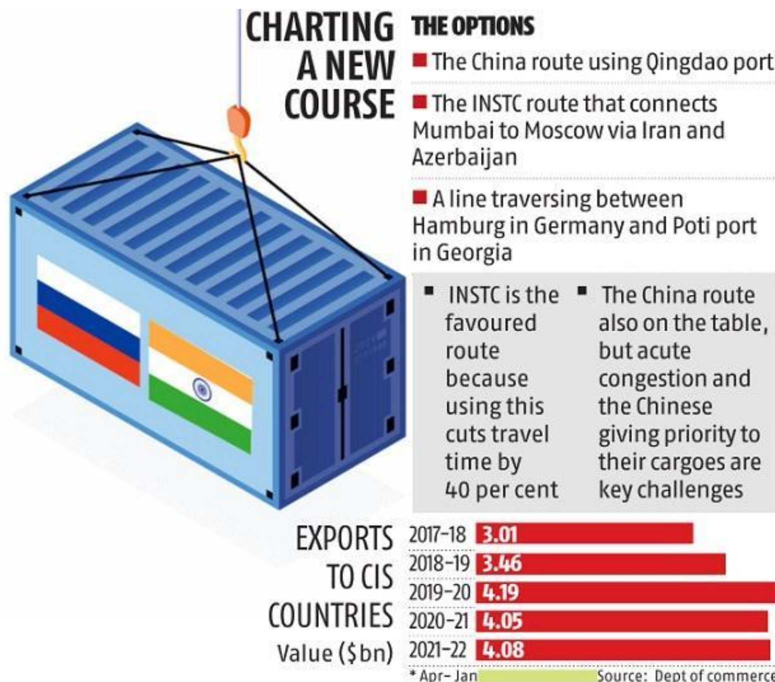
Ukraine crisis: Exporters explore 3 back-up routes to Russia, CIS nations

Exporters are readying back-up routes to send their shipments to the nations belonging to the Commonwealth of Independent States (CIS), including Russia, as the war in Ukraine continues to intensify.



Three routes are being explored. The first is the China route using Qingdao port. The second is the International North-South Transport Corridor (INSTC) route that connects Mumbai to Moscow via Iran and Azerbaijan. The other is the one that traverses between Hamburg in Germany and Poti port in Georgia, industry sources said.

Right now, shipping lines to Russia via the Black Sea are suspended. Even if the war ends, the key existing trade routes via the Black Sea may not be immediately used and this calls for the need to explore alternative routes to send shipments from India, an industry official said. However, the focus is mainly on Russia because among the CIS nations, two — Russia and Ukraine — receive around 80 per cent of the exports to the region.

Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine are the 11 CIS nations.

Exporters said they are keen on utilizing the INSTC, a multi-nation trade corridor developed by India, as well as the other route via Hamburg. Though the route using Qingdao is being explored, the key challenge is acute congestion, and China giving priority to its own cargoes.

Besides that, re-establishing the route from north China to Russia will also take time, an executive said.

"We are also looking at other options (in terms of trade route) for India. The INSTC is a cost-effective route. The voyage time is 40 per cent of the duration when the conventional route is used. If we want to utilise this route, this is the time," said the executive.

The INSTC is a project -- with India, Iran, and Russia as its founding members -- that was operationalised four years ago to establish a shorter trade route between India and CIS countries. But it continues to be mired with challenges.

"The problem is that on the INSTC route (focused on Chabahar port in southern Iran), there are no regular shipping lines to Chabahar, probably because of inadequate volume. Considering the current situation, exporters are hoping that volume will go up in this route and with necessary volumes, shipping lines will be regularly moving on that track," said another executive. "Second challenge is related to banking. Though Chabahar (port) is not under sanction, a lot of Indian banks are reluctant to deal with documents where goods move through Chabahar to Central Asian countries."

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

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'China Plus One' strategy creating opportunities for Indian players

The 'China Plus One' supply chain diversification strategy triggered by the global Covid-19 pandemic is creating opportunities for Indian players.

Besides, the changing role of China's manufacturing sector in the global export value chain, is leading to the creation of growth opportunities for Indian companies.

"China's strategic change towards manufacturing of high-value goods from low-value goods is evident in both inter-sector such as shift to capital goods from footwear, and intra-sector such as shift to man-made fibres from home textiles or cotton apparels, and in the pharmaceutical sector, to formulations from active pharmaceutical ingredients (APIs)," said India Ratings and Research.

"These opportunities as well as other factors such as increased self-reliance, increased domestic and global demand would be the key drivers for increased capex requirements in some of these sectors."

Till recently, China was a world leader in several sectors such as home textiles and cotton apparel, but with the changing dynamics of the world supply chain, there is a considerable shift in its production strategy.

"Unlike India or Pakistan, China does not have enough supply of cotton yarn, discouraging some of their local giants to invest further in this space. This scarcity however has led to Chinese manufacturers' increased interest in man-made fibres."

"In India, this opportunity could lead to additional demand and consequently additional capex to the tune of Rs 120 billion over the next 10 years."

Similarly, Chinese majors are moving away from APIs to formulations gradually.

"This again opens up a huge opportunity of import substitution for Indian players. Supply chain issues related to China during Covid-19 also gave this sector some impetus with the government making supportive gestures."

Furthermore, India is expected to concurrently move in both the directions - APIs and complex drugs - to keep itself self-reliant.

Additionally, a new world of opportunities has opened up for India's footwear sector and few South Asian players as Chinese competitors have lost traction and started focusing elsewhere, driven by both low value addition and wage pressures.

"India has a very fragmented footwear market; but given the increasing global footprint, this can change fairly quickly, and a few scaled-up players can gain market share."

In addition, the China, Plus One strategy is creating some order book growth for India's capital goods sector.

Source: smetimes.in– Mar 20, 2022

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States panel may propose a single 15% GST levy by merging 12% and 18% slabs

A panel of state ministers set up to suggest changes to the GST rate structure may propose a single 15% levy by merging the 12% and 18% slabs, but is wary of proposing an increase in the threshold rate to 8%, from 5%, given growing inflation concerns. The group of ministers (GoM) is likely to meet this week to take a final call on rates and firm up its recommendations, people familiar with deliberations said. The GST Council is expected to meet early next month to consider the report and the revenue status of the states.

The council had set up the GoM on rate rationalisation at its September 2021 meeting in Lucknow.

Rate Structure

The group was asked to review exempt goods to expand the tax base, suggest changes to simplify the rate structure and garner the required resources. The GST has a four-tier structure, consisting of 5%, 12%, 18%, and 28% rates. Additionally, there are special rates for some goods such as precious metals, making the regime complex. When GST was rolled out in July 2017, the revenue-neutral rate was seen at about 15.5%.

Revenue-neutral rate is the rate at which there is no loss of tax revenue for states or the Centre following the switch to GST. That peg has since dragged down to about 11.6% because of exemptions and reductions in rates on many goods.

Raising the GST threshold rate to 8%, from 5%, could lift it by yielding additional annual revenues of about Rs 1.5 lakh crore. But most members are of the view that the timing may not be right given inflationary concerns, sources said. Besides, the 5% slab includes many essentials, which could become expensive if the rate is raised to 8%.

One of the persons said some of GoM members instead favoured a merger of the 12% and 18% slab into a common 15% levy, along with raising the cess on so-called sin goods. "Most of the members agreed that a rate hike is imminent but were apprehensive of (the) timing," an official told ET.

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

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Budget 2022-23: Enabling exports as key growth driver

The Economic Survey 2021-22 projected a GDP growth of 8.0-8.5 per cent in 2022-23, with exports playing a crucial role. India's exports rebounded strongly and surpassed pre-Covid levels during 2021-22. The merchandise exports touched all-time high to $375 billion during 2021-22 (April-February) — more than yearly exports ever registered so far.

However, the recent Russia-Ukraine crisis has stoked uncertainty in global trade with rising crude oil prices and disruptions in global supply chains due to Western sanctions. While India does not have a significant merchandise trade with Russia or Ukraine, nevertheless, exports of pharmaceuticals, telecom instruments, tea, coffee, marine products, etc are likely to be hit.

But India now has an opportunity to increase its wheat exports, as there are disruptions of exports from both Ukraine and Russia — which together account for more than 25 per cent share in global wheat trade. The impact on Indian exports depend upon the length and duration of the crisis, however, it is expected to be a short-term aberration given that both nations are engaged in talks.

The Budget 2022-23 has emphasised the long-term potential for Indian exports. It has set its priorities right — with emphasis on infrastructure development, building capacities in sunrise sectors and continued support to R&D — to support exports. While the rationalisation of customs duties and tariff simplification would boost exports in the short term, the infra and institutional push envisioned in the Budget would go a long way in generating positive externalities for the export ecosystem in the medium to long-term.

Rationalisation of custom duties

The calibration of customs duty to promote domestic manufacturing of electronic goods would enhance electronic exports. Further, the reduction in customs duties on diamonds and gemstones and chemicals would lower input costs and make their exports more price-competitive.

This acquires added relevance as gems and jewellery, chemicals and electronic goods are among the leading export commodities. In order to incentivise labour-intensive exports, exemptions are being provided on

items used by bonafide exporters of handicrafts, textiles and leather garments and footwear.

An efficient and competitive logistics ecosystem is crucial to boost exports. While India has made substantial progress in trade-related logistics, yet the logistics cost in India (14 per cent of GDP) is higher than that of developed countries (8-10 per cent of GDP) (LEADS 2021 Report), — putting Indian exports at a disadvantage.

The Budget has placed considerable emphasis on the PM Gati Shakti National Master Plan that would build world-class infrastructure. This would facilitate seamless multimodal connectivity and logistics efficiency thereby reducing the logistics cost and time significantly.

Further, the Budget has increased capital expenditure by 35 per cent to crowd-in private investment, to enable virtuous cycle of investment for developing integrated infrastructure. All these put together would enhance the competitiveness of India's exports manifold.

Given the fact that only eight products constitute more than 55 per cent of total exports, there is a critical need for product diversification in India. In this regard, the support to sunrise sectors such as Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems through facilitative policies and incentives for R& D assumes significance to diversify the export basket.

Further, the concept of 'One Station-One Product' would feed in the initiative of developing 'Districts as Exports Hub' and would support the government efforts in diversifying the product basket of Indian exports. This would also help the local MSMEs to be part of the supply chain.

Among other budgetary announcements, the additional allocation of ₹50,000 crore and extension of Emergency Credit Linked Guarantee Scheme (ECLGGS) up to March 2023 and infusion of funds into Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme would benefit the MSME sector.

The focus on digitisation in the Budget is well placed as the WTO study (February 2021) shows that the global trade growth is estimated to be 2 per cent higher annually, due to adoption of digital technologies by 2030. India

by being the largest software exporting country (WTO report 2021), is expected to gain with increased “servicification”.

The emphasis on Ease of Doing Business 2.0 and Ease of Living, through active involvement of States, digitisation of manual processes, bringing in standardisation and removal of overlapping compliances, would lessen the compliance cost and enhance the ease of exporting.

In particular, to make States partners in export promotion, it is proposed to replace the Special Economic Zones Act, with reforms suggested in customs administration of SEZs to make it fully IT driven, more facilitative and only risk-based checks, thereby improving ease of doing business by SEZ units considerably.

Overall, Budget 2022-23 has stayed true to the long-term goal of complementing macro-growth, enabling exports as a key driver through increased competitiveness and diversification. This would allow India to position itself at the central stage in global value chains in post-COVID world.

The writer is an Indian Economic Service officer, working as Deputy Director in Department of Economic Affairs. Views expressed are personal. Valuable comments from Dr. T. Gopinath, Director are acknowledged

Source: thehindubusinessline.com– Mar 20, 2022

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Reform path: IBC doesn't need too many legislative fixes

The Insolvency and Bankruptcy Code (IBC) has established the primacy of markets and the rule of law in insolvency resolution of firms. . The legislature has been nurturing it with great care, with six interventions in as many years. Another is in the offing, with value-added features aiming to make the IBC processes smoother and faster.

A law evolves with time. Legislative provisions are fundamental principles around which case-laws get built to provide clarity as may be required in specific contexts. Frequent legislative changes limit the natural process of institutional maturity, unsettle jurisprudence, undermine the evolution of market solutions, and provide a convenient cover-up for sub-optimal outcomes. They instil a false sense of confidence that every issue has a legislative fix. It is possible to greatly enhance IBC's performance with non-legislative fixes while limiting legislative ones to essentials.

IBC has only one objective: time-bound insolvency resolution. Barring exceptions, the experience has been anything but that. On priority, we should remove the rigidities and impediments that limit resolution and timeliness. Many of them do not require any legislative fix.

Corporate insolvency resolution process (CIRP) envisages resolution either by reviving the firm through a resolution plan or liquidation. A resolution plan resolves insolvency of a firm as a going concern. The plan should bring the firm back on its feet and improve its earnings, increasing valuation of the firm year after year post resolution.

That should improve the prospect of realisation for creditors, as compared to pre-resolution, where creditors have a skin in the game; however, most resolution plans resemble a mechanism of recovery for creditors with immediate pay outs for them, often at deep haircuts. The creditors must switch from recovery to resolution mode to rescue viable firms, which, in all likelihood, would reduce haircuts.

IBC envisages the closure of unviable firms and the rescue of viable ones. As soon as the committee of creditors (CoC) is constituted, it allows a the liquidation decision for an unviable firm. For viable firms, it requires the CoC to consider feasible resolution plans from credible and capable applicants. Identifying firms' viability, specifying eligibility for resolution applicants, and considering feasibility and viability of resolution plans

require considerable business dexterity. IBC entrusts these tasks to the CoC on the premise that it has such dexterity, keeps its decisions outside judicial scrutiny, and makes its decisions binding.

A commercially-wise CoC can identify most unviable firms for liquidation by the 30th day of the CIRP. However, 255 CIRPs which ended with orders for liquidation during April-December 2021 took, on average, 615 days. If a CoC finds a firm viable, it should make the best efforts to generate resolution plans. A majority of CIRPs running the full course should rescue the firms. However, 76% of CIRPs, after running the full course, ended with orders for liquidations.

This gives an impression that the CoC passively waits for the CIRP to throw up a resolution plan within the CIRP period or extended period, yielding a threshold amount for its members. This results in inappropriate resolutions and elongates the CIRP period, minimising value realisation for stakeholders. This necessitates massive capacity building to elevate the CoC to a higher orbit of commercial wisdom.

IBC provides for resolution in case of default. This should encourage firms to be resolvable to have access to credit. Where the value of a firm lies in informal, off-the record arrangements or personal relationships among promoters, prospective resolution applicants may find it hard to trace and harness its value, making resolution of the firm remote.

A firm should, therefore, create and maintain value, which is visible and readily transferable to resolution applicants. Having a sort of ‘living will’ would make resolution easier and faster. Creditors should prefer to extend credit to a ‘resolvable’ firm and require it to remain so. Stakeholders should notice stress and initiate resolution early for better outcomes.

In the face of competition and innovation, it is natural for some firms to run into stress. Given the Indian economy’s scale and growth, it has and will continue to have a steady flow of distressed assets to market. Platforms for distressed assets that provide full information can help resolutions at a fair value through resolution plans or the sale of liquidation assets. Two such platforms have come up to match the demand for and supply of distressed assets. Engagement with market participants, due diligence of insolvency professionals, and predictability of insolvency processes can make them vibrant.

There are issues of conduct on the part of professionals, debtors, creditors, and resolution applicants. At times, they deviate from their mandated role, engage in futile protracted litigation, renege on contracts on flimsy excuses, and occasionally act mala fide. They must strictly play by the rules of the game and do everything to facilitate time-bound resolution. Quick and predictable consequences must follow in case of aberration.

The Adjudicating Authority must dispose of matters in time—dispose of applications for commencement of CIRP in two weeks, pass liquidation orders promptly if no resolution plan is received within the CIRP period, approve resolution plans in about a month of receipt, issue orders for dissolution in about a month of receipt of the final report of liquidation, dispose of applications for avoidance transactions before the closure of CIRP etc, by following a non-adversarial procedure without getting into the commercials of decisions. While strengthening and enabling the Adjudicating Authority commensurate with the workload, the Centre should avoid litigation in relation to its claims and dues, permits and licenses, and enforcement actions.

Advocacy is required to promote evaluation of outcomes in terms of resolution— whether it resolved insolvency by rescuing viable firms and closing all unviable ones, and the quality, cost, and time of such resolution. The tendency to evaluate in terms of incidence of liquidations or the extent of haircuts must be eschewed to ensure that IBC remains on track. A stable law is necessary to help develop and mature the structures necessary to address these issues.

Source: financialexpress.com– Mar 21, 2022

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TN agri budget: SIMA welcomes allocation for boosting cotton yield

The Southern India Mills' Association (SIMA) on Saturday thanked the Tamil Nadu government for allocating Rs 15.32 crore in the budget to enhance cotton yield.

In a statement, SIMA Chairman Ravi Sam said the average cotton yield per hectare in the state is around 585 kg as against the world average of 805 kg while over 20 countries achieved over 1,500 kg per hectare.

SIMA Cotton Development & Research Association has been closely working with the state agriculture department in implementing various schemes relating to cotton, he said.

The state has the potential to increase cotton production from the current level of five lakh bales to 15 lakh bales in the next five years with the proposed mission, the association chairman said.

TN would give importance for the cultivation of sustainable, extra-long staple cotton and the association is fully equipped to implement the mission from the supply of genetically pure seeds.

Predominantly relying on cotton, the textile industry in Tamil Nadu needs 120 lakh cotton bales (170 kg each) annually, while the state produces only five lakh bales per year.

The association has been pleading the Chief Minister to give more thrust for cotton development in Tamil Nadu, as the spinning mills in the state spend between Rs 3 and Rs 6 per kg towards transportation to source cotton from other states and this cost has been increasing steeply with the increase in diesel price.

Ravi Sam thanked Chief Minister M K Stalin and Agriculture Minister M R K Paneerselvam for allocating Rs 33,007.68 crore in the agriculture budget that would greatly benefit farmers at large and cotton farmers in particular.

The allocation of Rs 150 crore to use machinery to overcome labour shortage will greatly benefit the farmers to increase their net income and in the case of cotton, battery-operated Kapas Plucker machines double the farmers' net income, he said.

The mechanisation would also help the farmers to improve the soil condition, conserve water, increase yield, plan sowing and harvesting in the right time and fetch better revenue, Ravi Sam said.

The fund allocations for digital agriculture, crop insurance scheme, state agriculture development plan and creation of new soil testing centre in Mayiladuthurai are also welcome initiatives.

Source: thehindubusinessline.com– Mar 20, 2022

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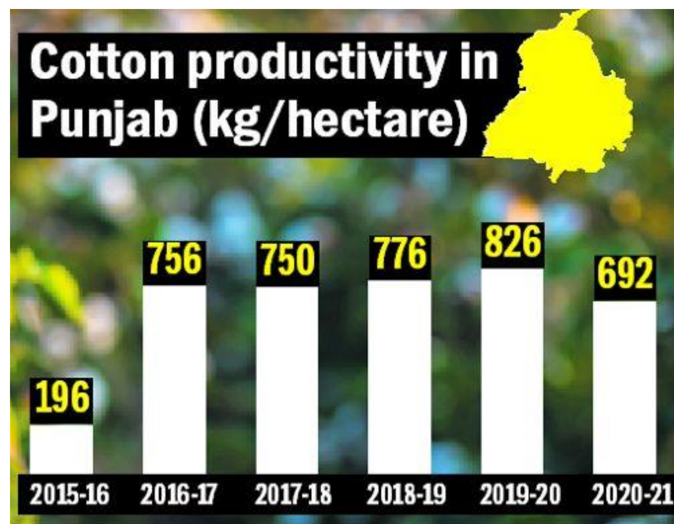
Tap cotton's potential to turn over a new leaf

The most serious challenge confronting Punjab's agriculture, besides the livelihood of farmers and farm labour, is the depletion of underground water resources. Twenty-nine per cent of the area in the state is irrigated by canals and 71 per cent by tubewells. As per 'Water Resources of Punjab' (as on March 31, 2017), at the present rate of extraction, the available groundwater resources may exhaust in 20 to 25 years.



To meet these contingencies and minimise the adverse impact of intensive crop cultivation based on rice-wheat cropping on the environment, soil health and soil microflora, there is an urgent need for diversification. Both these crops have advantages over most of the alternative crops: high yield potential, stable performance under vagaries of the weather, assured marketing and almost end-to-end mechanisation.

Further, climate volatility, particularly erratic rainfall, is working in favour of rice compared to competing crops. Standing water in the field after heavy rainfall causes minimal damage to rice, but substantial damage or even crop failure in other crops. During drought years, farmers divert all irrigation resources to rice at the cost of other crops. This leads to higher rice yields during drought years compared to rainy ones, because of more sunshine hours and better nutrient and weed management.

It is, therefore, an uphill task to diversify the rice-wheat cropping system. The rice crop is the main culprit for stress on underground water resources. From the angle of national food security, it is not feasible nor desirable for Punjab to completely abandon rice cultivation. A step-wise movement is necessary to reduce rice area to a level (13-14 lakh hectares) supported by our water resources, accompanied by the promotion of water-saving technologies in various crops, particularly rice.

The alternative crops are cotton, kharif maize, arhar, moong, mash, groundnut, vegetables (chilli, onion, okra, brinjal, cucurbits) and fruits. Among these crops, only cotton has reasonable marketing support, though not as good as that of wheat and rice. The Cotton Corporation of India enters the market when prices fall below the MSP. Cotton has good global demand and India is already exporting it. With respect to the economic returns, it generally competes with rice except when it suffers due to insect-pests, diseases and inclement weather. There have been epidemics of mealy bug in 2007, whitefly in 2015 and pink bollworm in 2021, which caused huge losses.

Maize is another important crop, but it is not a good candidate because of lower yield and price. The market price of maize sometimes falls to 50-60 per cent of the MSP. The maize processing industry, including that for ethanol production and animal feed, needs to be developed speedily to create a market for enhanced production of maize grain.

India has large domestic demand for oilseeds and pulses. But arhar, moong, mash and groundnut are poorer competitors than even maize. These crops have very low yields, an unstable market, and are also more prone to vagaries of the weather, insect-pest incidence and diseases. All these crops, except cotton, need policy support to minimise price volatility.

Some baby steps for crop diversification are proposed below:

- Ensure the availability of quality seed, pesticides and other inputs. Cotton seed, which is produced in central and southern states, should be checked for approved hybrids and pest infestations.
- Conduct surveillance of insect-pests and diseases and take quick timely action if any exigency arises. Sexpheromone traps be used to monitor bollworms with the initiation of the flowering stage, i.e. Sticka/Delta trap for pink bollworm and Sleeve/Moth trap for American bollworm and spotted bollworm. Yellow traps should also be installed for monitoring of whitefly.
- Special attention be paid to pink bollworm infestation. Oil mills/ginneries should be kept under strict watch throughout the year as these are the major source of infestation due to hibernating pink bollworm in cotton seed.
- Timely sowing and availability of canal water enhances germination and growth. Therefore, canal water be made available in early April.

- Launch a special programme with twin objectives of (i) reducing rice area to stabilise the performance of cotton crop and (ii) increasing area under desi cotton. Rice is also cultivated in the cotton belt in adjoining fields that makes the cotton crop more vulnerable to diseases and pests due to humid micro-environment created by standing water in rice fields.
- There are five development blocks in the state wherein cotton is the main kharif crop, followed by rice — Sangat and Talwandi Sabo in Bathinda, Jhunir in Mansa and Abohar and Khuian Sarwar in Fazilka. The incidence of cotton leaf curl virus (CLCV), which is associated with the infestation of whitefly, is generally noticed first in Khuian Sarwar block. The CLCV-whitefly complex causes serious damage. A recent example is the whitefly epidemic of 2015. The programme to replace rice with cotton, especially desi cotton, may be launched in this block. Desi cotton is known to be tolerant to the CLCV and whitefly but has marginally lower yield and MSP and higher picking cost compared to narma. Thus, the programme needs financial support, besides intensive campaigning for mass awareness. Seed of both narma and desi cotton may be supplied free of cost in the villages having sizeable area under rice, and marketing support may be provided to make desi cotton cultivations as remunerative as narma. This may not involve high cost as Khuian Sarwar has only 11,475 hectares (17.9% of cultivable area) under rice and 804 hectares (1.2%) under desi cotton during the TE 2020-21, whereas narma was cultivated on 28,812 hectares (44.9%).

Crop diversification and water-saving need bold policy decisions, including crop area planning. It will require financial support so that the livelihood of the farmers is not adversely affected. Intensive campaigning by all departments and institutions concerned to create mass awareness can be the key to success.

Source: tribuneindia.com– Mar 21, 2022

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EPFO adds 15.29 lakh subscribers in January

The highest number of workers registered — 6.90 lakh — are in the 18-25 age group

The EPFO has added 15.29 lakh net subscribers in January 2022, according to the provisional payroll data of the organisation. As many as 8.64 lakh subscribers out of this are new workers while 6.65 lakh workers re-registered with the EPFO after changing their jobs.

The data also indicates an increase of 2.69 lakh net subscribers addition in January over the previous month. "It also reflects a declining trend in the number of members exited since July 2021," a government release said.

The highest number of workers registered — 6.90 lakh — are in the 18-25 age group, forming around 45.11 per cent of the total net subscribers added in January. "This is followed by the 29-35 age group with a healthy addition of around 3.23 lakh net enrolments. This indicates that many first-time job seekers are joining organised sector workforce in large numbers and signifies a crucial stage for an individual's potential in terms of earning capacity," the Labour Ministry claimed.

Leading States

Maharashtra, Haryana, Gujarat, Tamil Nadu and Karnataka continued as the leading States in providing employment opportunities by adding approximately 9.33 lakh subscribers, which is around 61 per cent of the total net payroll addition across all age groups. As many as 3.20 lakh new subscribers are women (21 per cent of the total net subscribers), an increase of 57,722 net enrolments over December 2021.

'Expert services' category, consisting of manpower agencies, private security agencies and small contractors etc, constituted 39.95 per cent of the total subscriber addition.

Source: thehindubusinessline.com– Mar 20, 2022

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India Fashion Forum back with its 21st edition in Gurugram

India's largest fashion retail intelligence event is back with a bang!

IMAGES Group, the largest retail intelligence organisation in South Asia and Middle East, is back with the 21st edition of India Fashion Forum, India's largest fashion retail intelligence event, on 23rd and 24th March 2022, at The Leela Ambience, Gurugram.

In its 21st edition, India Fashion Forum, the premier knowledge, and networking platform for India's vast, multi-dimensional and multi-hued fashion retail industry, will underline the themes of purpose, innovation, experience and engagement as the tenets of future-proof, profitable fashion retail.

The event will be preluding a discussion on fashion retail industry insights by Saloni Nangia, President Technopak, and an introduction by MC Anish Trivedi, President & CEO, Alenka Media. This will be followed by a welcome address by IFF Chairman Akhilesh Prasad, President & CEO, Fashion & Lifestyle Business, Reliance Retail. The inaugural panel will focus on building future-proof fashion retail models along the lines of making it purposeful, pioneering and profitable, with the overall discussion around how the transformation sweeping across the consumer universe technology is throwing up major implications for the fashion business.

The event aims to offer an extraordinary environment dedicated to outstanding, mind warping innovation in the business of fashion, from agile design tools to exceptional in-store tech influencers, from the dynamic science of fashion retail analytics to hyper-targeted social marketing.

Some of the guest speakers at the event are: B S Nagesh, Founder, TRRAIN; Dr Darlie O Koshy, Educationist and Design Management Strategist; Rajesh Jain, MD & CEO, Lacoste India; Sanjeev Rao, CEO, Being Human Clothing; Vineet Gautam, Country Head & CEO, Bestseller India; Lavanya Nalli, Chairperson, Nalli Group; Nitya Arora, Founder & Creative Director, Valliyan; Sahil Malik, MD, Da Milano; Johnson Verghese, MD, Fossil India; Darpan Kapoor, Vice Chairman, Kapsons Global Pvt Ltd; Kuntal Malia, Co-Founder, StyleNook; Pankaj Vermani, Founder & CEO, Clovia; Vikram Idnani, CIO, Reliance Retail; Deepak Aggarwal, Founder & MD, Kazo, among others.

Referring to the significance of IFF's role in catalysing Indian fashion retail, Bhavesh Pitroda, Director & CEO, IMAGES Group says, "As a key influencer and catalyst of fashion retail evolution in India, this will be a significant year for us, considering the recent unprecedented and tough pandemic times faced by the world.

We aim to preview key discussions around the fashion retail realignment with connected consumption, converting change to progress, making fashion sustainable, next-gen retail environments, mall-retailer partnerships to boost consumption and everything in between. Besides these, the event shall also focus on other important aspects such as the 360-degree perspective of shopping journey, creating a profitable online-offline business through omnichannel retail, fashion innovation using artificial intelligence, luxury fashion, customer experience, and a lot more."

Key Highlights

- 500+ unique fashion brands and companies represented
- 20 conference sessions, debates and discussions spread across two days
- 100+ speakers across fashion retail functions – sourcing, business development, operations, product innovation, retail innovation and tech

Source: apnnews.com– Mar 18, 2022

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Sintex lenders okay RIL's ₹3,650cr bid for textile co

Lenders to the debt-ridden Sintex Industries have approved Reliance Industries' over Rs 3,650 crore bid for the Gujarat-based company. RIL, which has partnered stressed asset buyer Assets Care & Reconstruction Enterprise (ACRE) for the Sintex bid, has also offered a 15% equity to lenders. The RIL-ACRE resolution plan now needs the approval of NCLT-Ahmedabad.

The grouping has proposed to write off the entire equity capital of Sintex and delist the stock from the bourses. This means that equity investors who own the Sintex stock will see their capital reduced to zero. Dinesh Kumar Himatsingka's Himatsingka offered the second-highest bid of Rs 3,279 crore for Sintex, which weaves fabrics for global fashion brands like Armani, Burberry and Diesel.

BK Goenka's Welspun made a bid of Rs 3,102 crore for the bankrupt company, while Sanjay Dalmia's GHCL offered Rs 2,140 crore. In a regulatory filing, Sintex said: "All four resolution plans were put for e-voting for approval by the creditors and the resolution plan submitted by RIL jointly with ACRE has been approved by 100% of the creditors."

It further said that according to the RILACRE resolution plan, it is proposed that the existing share capital of the company shall be reduced to zero and the company will be delisted from the BSE and the NSE. The resolution professional has admitted claims of Rs 7,719 crore from financial creditors, Rs 74 crore from operational creditors and Rs 11 crore from employees of Sintex.

The Gujarat-based company, incorporated in 1931 as The Bharat Vijay Mills, reported a loss of Rs 442 crore on revenue of Rs 2,077 crore in the first nine months of FY22. If RIL completes the Sintex deal, it will be the Mukesh Ambani-led company's second asset purchase under the bankruptcy code. It had previously bought Alok Industries in partnership with JM Financial Asset Reconstruction Company for Rs 5,050 crore.

Sintex was admitted into the bankruptcy process by the NCLT-Ahmedabad on April 6, 2021, following a petition by Invesco Asset Management after Sintex defaulted payments on principal and interest on non-convertible bonds in September 2019. Sintex owes Rs 15 crore to Invesco.

Source: swifttelecast.com– Mar 21, 2022

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Nine years on, Perambalur cotton farmers await textile park in Padalur

While welcoming the budget announcement on improving cotton production in the State, farmers in Perambalur district, which tops in cultivation of the crop, demanded implementation of a textile park project here that was announced about a decade ago.Agriculture Minister MRK Panneerselvam on Friday announced the Sustainable Cotton Cultivation Mission at an outlay of Rs 15.32 crore towards increase in cotton yield during 2022-23.

Tamil Nadu Farmers Association district secretary N Chelladurai said, “Cotton is cultivated over 20,000 hectares in the district. Perambalur has topped in cotton cultivation for over a decade. Thus, in 2013, former district Collector Darez Ahmed brought the textile park in Padalur so that farmers could increase production and get a fair price. Towards this, 130 acres of land had been acquired, but the project has not been implemented yet.”

“If the scheme is implemented here, the government will be able to procure cotton directly from farmers. This will result in higher prices for farmers and increased production here. The livelihood of the farmers will be improved,” he added.

Commending the decision to increase cotton production in the State, Tamil Nadu Vivasayigal Sangam State secretary R Raja Chidambaram said, “Despite high cotton production in Perambalur, the farmers struggle every year to get a fair price. They could not even sell their harvest at minimum support price (MSP) at the Perambalur regulatory market, as traders set the price here. Thus cotton production here has been on the decline for the past two years.”

Further, mentioning the cotton price as being higher than the MSP only this year, he said, “Farmers would have benefited this year if the textile park scheme had been implemented. “It should hence be set up immediately to fetch a fair price for cotton and increase its production. In addition, a law should be enacted to take action against traders who buy cotton at prices lower than the MSP,” he added.

Source: newindianexpress.com– Mar 20, 2022

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