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INTERNATIONAL NEWS

China-New Zealand FTA upgrade protocol effective now

The protocol signed on January 26 last year on upgrading the free trade agreement between China and New Zealand came into effect from April 7. The China-New Zealand Free Trade Agreement was signed on April 7, 2008 and implemented on October 1 the same year. The protocol further expands market access for goods, services, investment and other areas.

It further improves trade facilitation and other rules, and also adds four chapters on e-commerce, competition policy, government procurement, environment and trade, which could better meet the needs of modern economic and trade development, according to a press release from the Chinese ministry of commerce.

The protocol has further improved the quality and efficiency of the free-trade relations between China and New Zealand on the basis of the Free Trade Agreement and the Regional Comprehensive Economic Partnership Agreement (RCEP), which is conducive to further deepening pragmatic cooperation between the two countries in various fields, releasing policy dividends from the high-level opening up, promoting liberalization and facilitation of bilateral trade and investment, the release added.

Source: fibre2fashion.com– Apr 9, 2022

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Worldwide situation in cotton sector logistics improves: ICAC

Recent data on US cotton exports indicate the logistics situation is improving worldwide. While a positive sign worthy of optimism, the United States has capabilities that many other countries don't, and therefore, the rest of the world might recover at a slower pace, according to the International Cotton Advisory Committee (ICAC), an association of cotton producing, consuming and trading countries.

“We can't yet say with 100 per cent certainty that things are going to improve in the immediate future because the conclusions were drawn solely from US export data. The USA has greater means to effect changes than most other countries so not all regions will recover as quickly, but it remains the world's largest exporter and thus can serve as a sort of 'canary in the coal mine' for worldwide cotton shipping and logistics,” ICAC said in a note.

US cotton production is down slightly from the previous report, but is holding at 26.43 million tonnes. Global consumption is currently being reported at 26.16 million tonnes as the end of the 2021-22 season approaches—still sufficient to accommodate consumption.

If the total global supply and demand numbers are taken into account, a minor deficit is seen in supply. Global supply is currently sitting at 57.129 million tonnes, while global demand is 57.133 million tonnes.

Source: fibre2fashion.com– Apr 8, 2022

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Uzbek cotton 'free' of forced labour and child labour

Uzbek cotton succeeded in eliminating systemic forced labour and child labour throughout the 2021 production cycle according to International Labour Organization's (ILO) Third-Party Monitoring Report. Uzbekistan is the sixth-largest cotton producer in the world, with around two million people hired each year for the annual cotton harvest.

An estimated two million children have been taken out of child labour and half a million adults out of forced labour since the reform process of Uzbekistan's cotton sector began seven years ago. The ILO Third-Party Monitoring project, implemented with support from the European Union, the US State Department, the Government of Switzerland, and Germany, has been monitoring the cotton harvest in Uzbekistan since 2015 under an agreement with the World Bank.

On the other hand, the Cotton Campaign announced last month that it had ended its call for a global boycott of Uzbek cotton, following the Uzbek Forum for Human Rights' report on the absence of central government-imposed forced labour in the 2021 harvest. The Cotton Campaign is a coalition of human and labour rights non-governmental organizations (NGOs), independent trade unions, brand and retail associations, responsible investor organizations, supply chain transparency groups, and academics who work to end forced labour in cotton production.

Uzbek civil society activists signed a petition in 2009 calling for a boycott of Uzbek cotton, whereupon companies began to make individual commitments. Since the launch of the Uzbek Cotton Pledge Against Forced Labour by Cotton Campaign, 331 brands and retailers, including many of the world's biggest brands such as C&A, Gap Inc. and Tesco have signed the Uzbek Cotton Pledge.

99 percent of those involved in the 2021 cotton harvest worked voluntarily according to the 2021 ILO Third-Party Monitoring Report of the Cotton Harvest in Uzbekistan based on eleven thousand interviews with cotton pickers. All provinces and districts had very few or no forced labour cases and about one per cent were subject to direct or perceived forms of coercion.

The data shows that 0.47 percent of respondents reported direct or perceived threats by Mahalla representatives (local officials at the community level) related to social benefits, and 0.12 per cent of respondents reported direct or perceived threats by employers related to loss of employment or wages. A majority of cotton pickers who took part in interviews said that working conditions had improved since 2020. Only five percent said that the conditions were worse than the previous year. This relates to transportation, food, access to water, hygiene and other facilities. According to the report, one in eight people of working age in Uzbekistan participated in the cotton harvest – the world's largest recruitment effort. Sixty-two percent of pickers were women, and the vast majority were from rural areas.

ILO Director-General Guy Ryder said that after 7 years, this year's report shows that Uzbek cotton is free from systemic forced labour and child labour and disclosed; "There is now an opportunity for Uzbekistan to realize its goal of moving up the value chain and to create millions of decent full-time jobs in textile and garment manufacturing".

Uzbekistan has embarked on reforms that include the modernization of the country's former agricultural economic model and the eradication of forced labour and child labour in the annual cotton harvest that was previously prevalent under the leadership of President Shavkat Mirziyoyev.

Uzbek Senate Chair and National Commission to Combat Forced Labour and Human Trafficking Head Tanzila Narbaeva said that they work tirelessly to change thinking and behaviour through awareness-raising campaigns on labour rights. Narbaeva, relaying that they criminalized forced labour and child labour, added that they enhanced the labour inspection and engaged in dialogue with civil society to identify common ground and solutions.

ILO TPM Project in Uzbekistan Chief Technical Advisor Jonas Astrup said that monitors observed new developments which indicate the democratization of the labour market in Uzbekistan. Astrup remarked that for the first time, the minimum wage was consulted with not only the government but also the trade unions and employers of Uzbekistan, disclosing; "We also observed an emerging trend of collective bargaining at the grass-root level. Cotton pickers would engage in informal wage negotiations with farmers and textile clusters. Many pickers were paid well above the minimum wage as a result".

Source: textilegence.com– Apr 8, 2022

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China: Companies grapple with rising costs

Commodity price surge stirs debate on inflation, growth, fiscal and monetary policies

Rising commodity prices have spawned a robust economic debate in China, with experts grappling with the age-old conundrum—how to achieve stable growth amid a risk of high inflation even as the industry struggles to remain profitable, and a flurry of adjustments are made to fiscal and monetary policies?

Commodity prices turned runaway last year as major developed countries unveiled liberal liquidity injections and expansionary fiscal policies for economic reopening after the 2020 pandemic impact. The consensus among economists is that strong industry revival, reduction in inventories, higher appetite for risk and depreciation of the US dollar all combined to push commodity prices higher. And now, heightened geopolitical tensions involving Russia and Ukraine have added to the economic turmoil.

Rising raw material prices may push up companies' costs. They either have to absorb such rising costs and settle for lower profits or raise product prices to remain profitable and grow. If they raise prices of their products or services, it may have an impact on downstream consumption, aggravate inflation and crimp the global economic recovery, experts said.

Exporters have already felt the pressure. Since March 17, more than 20 leading Chinese papermakers, including industry giant Shandong Chenming Paper Holdings Ltd and Shandong Sun Paper Co Ltd, have announced they will raise paper prices by 100 yuan ($15.7) to 300 yuan per metric ton to combat soaring raw material and energy prices.

Likewise, heating, ventilation and air-conditioning companies best represented by Midea, Haier and Daikin announced they will raise their product prices by 8 percent to 10 percent in China from March 16. The surging prices of commodities like copper, iron and aluminum, whose negative impact has been amplified by the lingering COVID-19 pandemic, have left these companies with no better choice.

Styrene, which is extracted from oil, is the major raw material used at resin processing enterprises. Li Dajun, general manager of Zhejiang province-based Pure Resin Co Ltd, said the styrene price has jumped from 7,000 yuan to 12,000 yuan per ton over the past few months. Therefore, up to 80 percent of the company's costs have been used to acquire the raw material, affecting production and delivery.

The textile industry is not immune. Xu Xianyou, an account manager of Jiangsu High Hope Textile Import and Export Co Ltd, said orders of the company have been significantly contracting due to unstable raw material prices.

"Usually, garment companies will place larger orders to textile makers for the designs that are better received among consumers. It is the most economical and efficient way for garment companies. But garment companies have cut their orders this year. And yet, our company's headcount remains unchanged and so do people's working hours. As a result, our costs have increased," Xu said.

Click here for more details

Source: chinadaily.com.cn– Apr 11, 2022

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Nigeria: 'Road map implementation key to textile revival'

The implementation of the Federal Government's road map policy on cotton, textile and garment (CTG) is key to the revival of textile sector, National President, National Cotton Association of Nigeria (NACOTAN) Mr. Achimugwu Anibe, has said.

He stated this at the stakeholders in textile and cotton value chain seminar and national dialogue on the CTG policy in Nigeria. Achimugwu Anibe noted that the "implementation of the road map policy will not only enable stakeholders to leverage its success, it will enhance relationship among sector's stakeholders".

The event was coordinated by NACOTAN, in collaboration with the German Cooperation agency, Deutsche Zusammennarbett, the European Union (EU) and the Nigerian Federal Ministry of Industry, Trade and Investment.

Other key stakeholders are the Cotton Production Merchant Association of Nigeria (COPMAN), Nigeria Textile Manufacturers Association (NTMA) and the Cotton Ginners (GAMAN). Anibe insisted that for industries in the cotton sector value chain to survive, "there there must be insistence on the implementation of policies by government".

The NACOTAN president was optimistic that if provisions contained in the Cotton, Textiles and Garment (CTG) roadmap are implemented, " the problems that beset CTG sector will be solved".

Speaking at the occasion, Executive Secretary, Cotton Ginners Association of Nigeria Mr . Samuel Oloruntoba, lamented at the pitiable state of cotton ginner in the cotton value chain.

He said there were close to 52 ginneries in Nigeria in the past but currently the country is left with about 21.

"As a result, there is only 100 tonnes of cotton being ginned per annum instead of the potential of 600 tonnes. This translates to a loss in both capacity and benefits", he said

Source: thenationonlineng.net– Apr 11, 2022

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Pakistan: Business as usual for exports

“With more stability, there will be more certainty and it is likely that the new government will push for regional trade to source raw materials such as cotton. If sanctions are lifted on Iran, Pakistan could import cheaper energy which would help across the board,” says Dr Manzoor Ahmed, a former ambassador to the World Trade Organisation.

Dismissing any threat of punitive actions by the United States, Dr Manzoor said that with the regime change, the risk has been averted.

“As far as the US, UK and Europe is concerned, consumers purchase goods where they see value. If Pakistani products are competitive, they will be purchased regardless of political developments. The buyers are independent of the government and make decision based on commercial interests,” said Ehsan Malik, CEO of the Pakistan Business Council.

“Contrary to some people, the tariffs imposed on Pakistan’s textile products is the same as those imposed on competing countries. Since the buyers in the US are trying to diversify in anticipation of possible moves by various big players, Pakistan is a beneficiary of that as well. However, the major beneficiaries of US importer efforts of diversification are countries like Laos and Cambodia.

“Obviously, when the government intervenes such as in the case of GSP Plus then the framework has to be complied with. For example, Cambodia failed to comply and was expelled from the programme a year ago.

“What really needs to happen for managing imports is to withdraw the subsidy that was given on fuel and a physical rationing it because if the things continue as they are, we may end up alarming like Sri Lanka is today,” cautioned Mr Malik.

“The increase in interest rate is cushioned by the exchange rate adjustment,” says Khurrum Mukhtar, Patron in Chief of the Pakistan Textile Exporters. “Though rupee’s devaluation will make imported raw material more expensive, the human resource costs have gone down in dollar terms. Other than the overall slowing down of the global economy, there is no major impact on textiles exports of the economic and political turmoil in the country.”

Pakistan Bureau of Statistics data shows textile exports increased by 35.72 per cent in dollar terms and 50.51pc in rupee terms in February 2022 over the same month last year, indicating that the devaluation has been in favour of the country's main exports. As dollars fetch in more rupees, labour costs are mitigated even when accounting for increases in salary linked to inflation.

The orders that were diverted to Pakistan from Bangladesh, India and Vietnam during the lockdown are still continuing, asserts Mr Mukhtar. "The order book is full as far as apparel is concerned though home textiles is suffering but as we go into peak period of May-September in the run up to the autumn-winter season and Christmas, things will improve."

Furthermore, Walt Disney has accepted Pakistan as one of the permitted sourcing countries after the ban in 2013 through the Better Work Programme that focuses on improving textile sector's labour conditions and competitiveness. This is a big development for licensed home textiles and apparel with business prospects of $500-800 million, he added.

Pakistan's share in apparel business is 1.5pc globally whereas share for home textiles in 17pc, he said while expecting some stability after the no-confidence vote.

While the story seems positive for textiles, the conditions for leather are not so sanguine. "At the moment, prospects for leather are not optimistic because post-Covid people have stop indulging in leather garments which are viewed as a luxury items. Leather garments are usually bought in person — as an expensive product people prefer to physically go to the shop to try it out and assess the cut and fitting.

Thus, the boom of online shopping versus physical shopping has adversely affected leather sales. This has led to a decline in Pakistan's leather exports of more than 26pc over the last year," says Syed Shujaat Ali, former chairman of Pakistan Leather Garment Manufacturers and Exporters Association.

"The Asian Pacific Leather Fair is the world's biggest leather show and has been around for over two decades, taking place in Hong Kong usually. It had not taken place for the last two years because of the pandemic lockdown. This year it was held in Dubai from March 30th to April 1st. It was a flop.

"Vendors from China did not participate, resultantly buyers from Europe and the US did not attend the fair either. I forsee a tough couple of years for Pakistan's leather exports, especially since the measures taken for the promotion of textiles did not extend to the leather industry. The fault also lies with the industry for not taking proactive measures to market their products. In the face of falling exports, banks were hesitant to finance leather exporters as well," he said.

While the Ukraine fallout remains insignificant for rice exporters for whom Europe is a key market, shipping remains the biggest challenge especially on the European and African routes, said former chairman of Rice Exporters Association of Pakistan Safdar Hussain Mehkri. Devaluation is a boon as it makes Pakistani rice cheaper than its competitors such as India and always helps in the short run.

"However, in the longer run, devaluation brings a higher cost of doing business," he says. Other than the usual woes, crop availability and pricing is good he asserts confidently.

Source: dawn.com– Apr 11, 2022

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Pakistan: Cotton rate remains stable in dull market

Rate of cotton remained stable in local market but no trading activities were seen. However a bearish trend prevailed in international cotton markets.

Traders and industrialists expressed concern over hefty 2.5 percent increase in interest rates by State Bank of Pakistan (SBP), saying that in the current scenario the rise in interest rates would bring another storm of inflation.

It is expected that cotton crop may be affected due to the shortage of water and it looks that textile export target may not be achieved.

In the local cotton market during the last week there was no trading activity. Textile and spinning mills were not involved in buying of cotton. Rate of cotton remained stable while no any stock of cotton was remained with ginners.

There was no trading activity in the country due to political uncertainty. Due to the increasing rate of the US dollar the input price is increasing. Although, exporters of textile products are getting good rates but the rates of imported cotton are also increasing. In order to control the increasing rate of the US dollar, State Bank of Pakistan announced its monetary policy before time and increased the interest rate by 2.50 points. Traders and businesses community had already been protesting against high rate of the US dollar and now they are protesting against the higher interest rates.

Fluctuation was seen in international cotton markets, especially in the rate of Future Trading of New York Cotton Market where the rate at one point reached at the highest level of 144 to 145 American cents per pound. After that the rate was in between 135 to 138 American cents; however, the rate after decreasing closed at 132.40 American cents. The use of polyester is increasing in Pakistan and India due to massive increase in the rate of cotton. The demand of cotton yarn has decreased due to increase in rate.

Expressing deep concern over the sharp rise in the value of the US dollar, chairman of the Pakistan Yarn Merchants Association (PYMA) Saqib Naseem and the association's vice chairman for the Sindh-Balochistan region Muhammad Junaid Teli have requested State Bank of Pakistan's (SBP) Governor Reza Baqir to adopt effective strategies for stabilising the value of Pakistani rupee. They also demanded that government should abolish import duty on yarn.

The sowing of cotton in the country for the next season has already started. It is expected that cultivation of cotton will increase but the farmers are showing their concerns on the non-availability of water, saying that in these circumstances it is difficult to achieve the production target. In this situation, the relevant organisations should be cautious.

The rate of cotton in Sindh and Punjab is in between Rs 18000 to Rs 21000 per maund while the rates of Banola, Oil and Khal remain stable. The Spot Rate Committee of the Karachi Cotton Association kept the rate of cotton stable at Rs 20,500 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that in international cotton market the rate of cotton remained stable. The Rate of Future Trading of New York Cotton remained in between 135 American cents and 138 American cents but after decreasing it closed at 132.40 American cents. As per weekly sales and export reports of USDA more than sixty two thousand bales of 2021-23 were sold which is seventy three percent less as compared to last week.

Vietnam was on top with more than forty two thousand bales. China was on number two with around one thousand and six hundred bales while South Korea was on number third with nine hundred bales. Sixty four thousand and four hundred bales of cotton of 2022-23 were sold. Turkey was on number one with more than twenty six thousand bales; Guatemala was on number two with more than eleven thousand bales while Mexico was on number three more than ten thousand bales. Exports were recorded at four lac and fifty thousand and five hundred bales which is thirty eight percent more as compared to last week. It is expected that exports of India, Brazil and Bangladesh will decrease.

Pakistan’s exports of textile products increased by 21 per cent Y-o-Y to $1.65 billion in March 2022 as compared to $1.36 billion in March 2021, informed All Pakistan Textile Mills Association (APTMA). Strong demand in the West before the summer season gave a huge boost to Pakistan’s textile exports during the period while other factors like resumption of economic activities led to a shortage of various retail brands, competitive utilities and borrowing rates.

On a sequential basis, Pakistan’s textile exports dropped by 2.3 per cent M-o-M, compared to $1.69 billion in February 2022. Cumulatively, textile exports surged by 26 per cent Y-o-Y to $14.26 billion in 9MFY22 compared to $11.36billion in 9MFY21.

Moreover, during the current financial year it is expected that textile exports sector may not achieve its exports target of 21 billion US dollars. During the last five months textile exports went declined by around 40 Crore dollars per month. This decline was mainly due to lack of proper gas and electricity supply to textile sector.

Amid massive electricity load-shedding up to 10 hours a day across the country, the government on Thursday stopped gas supply to CNG stations and reduced it by 50 per cent to the captive power plants (CPPs) of the export industry to increase the gas supply to power plants.

“Yes, we have taken this action to increase the gas supply to the power sector for increase in electricity generation,” a senior official at the Energy Ministry confirmed.

Source: brecorder.com– Apr 11, 2022

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NATIONAL NEWS

Interim deal with Australia to boost business synergy

The recently signed interim free trade agreement between India and Australia may become the base for enhanced cooperation in investments and other strategic engagements such as rare-earth materials and uranium supply, besides immediately opening up an over ₹6 lakh crore market for Indian automobiles, apparels, pharmaceuticals, furniture, toys and plastic goods, people aware of the development said.

Speaking about taking forward the interim but comprehensive India-Australia Economic Cooperation and Trade Agreement (ECTA), Australian trade, tourism and investment minister Dan Tehan said: "It [the pact] will evolve over time... There are many opportunities that will spring out of this agreement." Without elaborating on the specifics, he said ECTA may lead to enhanced "geostrategic cooperation" between the two countries for a safer and more democratic Indo-Pacific region.

Replying to a specific query on the possibility of adding strategic sectors, including uranium supply to India for its energy requirements, when a full FTA is signed, commerce minister Piyush Goyal said: "Well, I think that these things are being handled by a different team in terms of rare-earths and minerals." He said now greater collaboration in different areas is expected as India and Australia are "natural partners, natural allies" and "strategically, we have to work for greater economic engagements and greater geopolitical engagements".

Goyal said a separate India and Australia investment agreement is possible, but the same will be negotiated by the Union finance ministry.

India and Australia on April 2 signed ECTA, a comprehensive interim agreement that provides zero duty exports to almost 100% tariff lines from India to the Australian market and 85% imports from India. The pact, which is expected to be effective in about four months, will eventually pave the way for a full Comprehensive Economic Partnership Agreement (CEPA).

Confederation of Indian Industry (CII) president TV Narendran said the interim agreement would benefit not only the two countries but also serve towards regional growth and prosperity. "It will contribute to the supply chain resilience initiative of India, Australia and Japan and strengthen the stability of the Indo-Pacific region," he said.

"Australia has also emphasised that the agreement would lead to deeper cooperation between the two countries in critical minerals and rare-earth elements which are critical to future industries including renewable energy and electric vehicles," said Narendran.

CII proposed an annual India-Australia Business Summit to further enhance cooperation between the two partners and connect Indian micro, small and medium enterprises (MSMEs) to the new business opportunities. "Besides, Indian automakers are keen to enter the $25 billionAustralian automobile market," CII director general Chandrajit Banerjee said.

Commerce minister Goyal said there is a ₹2 lakh crore Australian automobile market where Indian presence is negligible. Similarly, immense opportunities are there in sectors such as pharmaceuticals (about ₹1 lakh crore), textiles, apparel and home furnishing (₹75,000 crore), plastics (₹50,000 crore), furniture, bedding and mattresses (₹45,000 crore), gem and jewellery, and precious stones (₹60,000 crore), and toys and sports goods (₹20,000 crore).

"Australia's import of leather, leather products and footwear during 2020 was about $2 billion (about ₹15,000 crore) as against our exports of $74.95 million. We have a market share of only 3.79% and hence there is scope to enhance our share," said Rajendra Kumar Jalan, vice-chairman, Council for Leather Exports (CLE). He said that CLE will take a big trade delegation to Melbourne in November to enhance exports and source raw materials (leather) from the country.

Traditionally, all above mentioned goods in the Australian markets have been dominated by China, with Indian share between 0% and 3%. But, recent embargos of Beijing on Australian imports have prompted Canberra to look for alternatives such as India.

Friction between Australia's government and Beijing has brought a series of official and unofficial Chinese trade sanctions on Australian exports including coal, beef, seafood, wine and barley, and India has been looking to boost exports, including by offering countries an alternative to China at a time when the Ukraine war has caused a deep East-West division globally.

The deal also has potential for Australian trade to boom. Perth-based Satish More, who runs a recruitment agency, said: “The trade agreement paved the way for greater cooperation in shared curricula and vocational education between Indian and Australia. It will facilitate in reducing fees by about 30%.”

Although through the ECTA deal Australia has liberalised its visa regulations for Indians for greater people-to-people connect, it is cautious in skilled labour movement, one Australian government official said on condition of anonymity. “ECTA doe not include a waiver of LMT [labour market testing],” he said. LMT would require a potential recruiter to first advertise the position in Australia as proof that such talents are not available within the country, hence they should allow Indians to take those jobs.

Taking the deal further, India and Australia are discussing possibilities in the audio-visual sector. “We are negotiating and hope to finalise the agreement for joint production,” minister Goyal said, adding that big-budget films can be produced under joint collaboration with Australian technology and Indian skills. Other potential areas are innovation, joint research, mutual recognition agreements (MRAs), joint standards so that the two partners can produce world class products for the world, he added.
Speaking about the future after ECTA, Narendran said: “We are hopeful that once the next phase of the trade agreement is finalised, Indian companies will find it easier to access government projects, particularly at the federal level in Australia. Moving forward, we could evaluate opportunities and understand compliances required to participate in Australian government projects.”

Federation of Indian Export Organisations (Fieo) president A Sakthivel said that the deal will pave the way for new opportunities to Indian entrepreneurs in government procurements and digital economy. “The $100-billion bilateral trade in goods and services is possible in next eight years,” he said. The bilateral trade in goods and services between the two countries is about $27 billion currently. India’s merchandise exports are mainly finished products and they totalled $6.9 billion in 2021, while imports from Australia were largely raw materials and intermediary goods such as coal worth $15.1 billion that year.

Source: hindustantimes.com– Apr 11, 2022

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Govt plans to hire specialists to drive its trade negotiations

The government is exploring ways to involve sector specialists from the public and private sectors during the negotiations on key bilateral free trade agreements (FTAs) to ensure best possible outcomes for India, said two senior government officials.

The Centre has set an exports target of over $2 trillion by 2027, and will try to negotiate terms that would serve India's interests by onboarding experts from services, agriculture, pharmaceuticals, trade remedies, and digital trade, among others, one of the two officials said, seeking anonymity. "The idea is to create a team of specialists when we go for trade agreement talks.

Whichever country, especially if we negotiate with developed nations, they have specialists on the negotiation table. Experts in services, goods, or agriculture attend the talks. There is a realization that it shouldn't be the case that officers negotiating a deal for India have no subject knowledge. It could be a government official or a private sector expert."

Experts from the private sector may also be roped in to drive export promotion activities by the department of commerce in key markets, he said. India has signed an FTA with the United Trade Emirates (UAE) and concluded an interim trade deal with Australia. It is also in talks with the UK, European Union, Canada, and Israel for bilateral trade deals. The discussions are on internally, and will need to get approval from the department of personnel and training (DoPT) before the Prime Ministers' Office (PMO) sanctions it, said a second official, also requesting anonymity.

India will start talks with Australia to transform the mini-trade deal into a full-fledged comprehensive economic cooperation agreement (CECA) within two months, and hopes to conclude early harvest deals with Canada and the UK this year. The proposal is to strengthen the negotiation ecosystem with the right expertise and robust end-to-end processes, with clearly defined focus areas.

"The goal is to achieve an optimal mix of talent with specialists and generalists sourced from the private and government sectors," he added. Queries sent to the spokesperson of the ministry of commerce and industry on Thursday remained unanswered till press time. The proposal is part of the government's broader strategy to revamp the department of commerce and create a stronger active role for missions in trade promotion for market intelligence, leads generation, and localized research.

The department is also exploring setting up separate specialized teams for bilateral negotiations and World Trade Organization (WTO) negotiations. “Most developed countries involve private players in FTA negotiations, mostly lawyers and economists. India has always been inclined towards using economists from educational institutions but including private participants will be a sensible decision," Pradeep S. Mehta, secretary-general, CUTS International, said. It will be interesting to see whether they will be part of the frontal negotiating team or work at the back-end, he added. “There is no institutional memory when officers are transferred. That is a problem. Bringing in private players could solve this. The government has already allowed lateral entry of experienced people."

Arpita Mukherjee, professor, Indian Council for Research on International Economic Relations, concurred saying its an “extremely good move". “Most developed countries like the US and developing ones like Vietnam follow this process where their core industry bodies both in domestic market and for exports representing 70-80% of stakeholders provide detailed feedback on sectors during the negotiation process." She said in India, there is no process of holistic consultation. “Hence, the proposal by the commerce department will prove to be effective for India in signing good deals."

The department of commerce is also looking at setting up a dedicated ‘trade promotion body’ to drive promotion strategy, export targets, and execution. India’s exports had touched a record $418 trillion in 2021-22.

The pacts signed under the United Progressive Alliance (UPA) government came under intense criticism for driving up imports from partner countries rather than benefiting India’s exports. Share of imports from the 10-nation bloc ASEAN in the Indian basket has grown from 8.2% in FY11 to 12% in FY21, while exports have remained stagnant at 10%. Similarly, while South Korea’s imports increased from 2.83% in FY11 to 3.23% in FY21, the exports share is up from 1.5% to 1.6%. Centralization and digitization of the trade facilitation processes are other key areas that the department is working on to drive compliance and administration.

Source: livemint.com– Apr 11, 2022

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'India has learnt from past mistakes and got creative in signing FTAs'

Santosh Kumar Sarangi, Director General of Foreign Trade, says once trade normalcy is restored after the Ukraine war, there are ample opportunities for India to raise exports of farm commodities, pharmaceuticals, electronics and iron and steel. In his first interview as the DGFT chief, Sarangi tells FE's Banikinkar Pattanayak that the government has been working to ensure exporters to Russia receive payment for past supplies without violating western sanctions.

He stresses India has learnt from its past mistakes and has got more creative now to forge balanced FTAs. He defends India's import tariffs, saying they are well below the levels allowed by the WTO. Over 57% of exporters' outstanding claims of Rs 56,027 crore until FY21, under various export promotion schemes, were settled in FY22 alone and the rest will be taken up in FY23; this has improved their liquidity. The next foreign trade policy will focus more on ease of exports and enable e-commerce players, small-time exporters and farmers to jump on the export bandwagon. Excerpts:

India has achieved a record merchandise export of $418 billion in FY22. While this is a remarkable feat, how are you planning to scale up exports in FY23 from this elevated level?

Have seen tremendous growth in 2021-22. The momentum will have to be carried forward by our exporters through a combination of supply-side capacity augmentation in key sectors, including engineering goods, electronics, farm & marine products and chemicals, continuous efforts at improving logistics and leveraging new markets while deepening presence in existing ones. Efforts to ensure ease of doing business, improve manufacturing through production-linked incentive schemes, strive for more FTAs while better utilising benefits under existing trade pacts, etc. will have to continue.

What are the risks to and opportunities for Indian exporters from the Ukraine-Russia conflict?

While it's difficult to predict on this at this juncture, it is bound to cause some supply-side disruptions and put pressure on inflation. In the eventuality of the current situation getting protracted, the supply of commodities like sunflower oil, certain varieties of fertilisers, select pulses, newsprint, etc. may get impacted. However, as and when trade normalcy is restored, there is also an immense opportunity to increase India's exports in farm and marine items, pharmaceutical products, mobile phones, electronic goods, articles of iron and steel, etc.

Traditionally, Russia has been a big importer of agricultural products, including dairy items, meat, sesame seed, groundnut, tea and coffee, and India is on a strong footing to meet the potential rise in demand for such products. Similarly, demand for pharmaceutical products is likely to remain high. Apart from that, the post-war situation is likely to create short-to-medium-term opportunities in articles of iron and steel, engineering products, articles of aluminium, etc.

What is the commerce ministry's plan to ensure payments for trade with Russia are not delayed or stuck due to sanctions on Moscow?

Entities, including banks, can do transactions without violating the conditions of sanctions. As of now, the department of financial services and the Reserve Bank of India are monitoring the situation. The department of commerce has been providing inputs from the exporters to ensure that their payment, especially those who had done shipment prior to the breaking out of the war in Ukraine, is not stuck and remittances are received without violating the conditions of sanctions.

India has signed an FTA with the UAE and another trade deal with Australia. It's also planning to forge FTAs with the UK, the EU, GCC members, Canada, etc. Are bilateral deals going to be the new strategy for India to boost exports in a world where rule-based multilateral trading system, represented by the WTO, remains under threat from some of the very countries that once advocated it?

FTAs in whatever form, bilateral as well as multilateral, are welcome as long as a balanced trade deal is forged. Learning from our previous FTAs, there has been greater protection for items where domestic sensitivities are high; there has been more creative and nuanced mechanism for tariff concessions (for instance, duty relief for only premium Australian wine under the latest trade deal) and greater thrust on leveraging India's strength in labour-intensive segments like farm products, textiles & garments, leather goods, gems and jewellery, etc.

While FTAs are being forged, India's 'high' tariffs are still frowned upon by some advanced economies. How do you view it?

India's high tariff is a misnomer in so far as India's average tariff has declined over time. However, there are tariff peaks on certain items where domestic sensitivities are high, and that is not unique to India. Other countries also impose high tariffs on certain items. Further, the tariffs on certain sensitive items from India's perspective are well below the WTO-committed bound rates (the maximum rates of tariffs that the country is allowed to impose on different products under the WTO rules). While developed countries might be having low tariffs, they have been raising the non-tariff barriers with regard to standards, quality control orders, maximum residue levels, etc.

It has to be kept in mind that India's applied tariff rates are much below its WTO obligations. Developed countries may have adopted a low tariff regime but the 'water' (the difference between the WTO bound rate and actual tariff) available with the advanced countries is minimal or non-existent. In spite of the fact that WTO rules permit India to impose higher tariffs, New Delhi has consciously taken the decision to progressively reduce its tariff regime. The government, in September 2021, announced that it would release Rs 56,027 crore to clear all the pending dues owed to exporters under various schemes until FY21. How much of the outstanding amount has been disbursed in FY22?

The government has stood by its commitments. Out of the claims received under schemes like the MEIS, SEIS, Target Plus, Focus Product Scheme and Focus Market Scheme, more than Rs 32,000 crore worth of scrips have been approved. The rest of the claims will be taken up in the current fiscal.

When will the next foreign trade policy (FTP) be announced and how will it be different from the current one?

The work on the new FTP has been going on in consultations with various stakeholders and it will come out soon. It will be different in terms of its focus, not so much on the announcement of new schemes, but in terms of its emphasis on the ease of exports, the simplification of procedures to facilitate exports, recognition of the role of e-commerce in facilitating our small exporters, artisans, weavers and farmer producer societies, etc. to jump on the export bandwagon, and in creating better ecosystem at state and district levels for exports.

Source: financialexpress.com– Apr 11, 2022

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Russian delegation to visit India in May to discuss rupee-rouble payment mechanism

With the West continuing to impose fresh economic sanctions against Russia for its war on Ukraine, a team of representatives from Russia's Central Bank and senior government officials will be in New Delhi next month to meet Indian officials and finalise a rupee-rouble payment mechanism to work around the banking restrictions, a source said.

"The Ministry of External Affairs is likely to lead the talks with the Russian delegation next month. Officials from RBI and Finance Ministry will also participate. An alternative payment mechanism has to be in place to continue doing meaningful trade with Russia. Hopefully, the situation on the global sanctions against Russia will be clearer by then. All sanctions will be studied carefully to work around them," the source tracking the matter told BusinessLine.

External Affairs Minister S Jaishankar, in a recent reply in the Lok Sabha, indicated that India would look at ways to continue its trade with Russia. "Our effort today is to stabilise economic transactions between India and Russia because this is very important for us. Russia is a very important partner in a variety of areas and I think all honourable members (of Parliament) understand that," Jaishankar said.

India is a major purchaser of Russian armsand hopes to buy more oil being offered to it at a discount. While India's exports to Russia in FY2021-22 have been pegged at $3.17 billion as opposed to imports worth $8.68 billion, Indian exporters see opportunities as the West slaps sanctions against the country.

Messaging system

Prior to the proposed meeting with Russian officials next month, India will scrutinise the proposal made by the country to use Russia's messaging system 'Structured Financial Messaging Solution' (SPFS), as a replacement for the SWIFT system, to support a rupee-rouble payment mechanism.

The US and the EU cut off seven major Russian banks from the SWIFT system following its attack on Ukraine in February, which restricted their access to financial markets across the world. The US has also banned import of Russian oil, LNG and coal, but the EU still allows it. Western countries have imposed many other sanctions on Russian financial institutions, state-owned enterprises, and oligarchs.

Payment mechanism

“India will have to examine if the SPFS could work for it and whether Indian banks that could be safely involved in the process. Banks with even the smallest exposure to the US or the EU are shy of transacting with Russia as possible Western sanctions may affect their overall business,” the source said.

While a rupee-rouble payment mechanism, once established, may not invite sanctions as it is a bilateral mechanism for payment against exchange of goods and services, India wants to weigh all possible risks, the source added.

Fixing the exchange value for carrying out rupee-rouble transactions also has to be sorted out. “Russia will not be interested in using dollar or euro as reference because of sharp devaluation of rouble against these currencies. One has to see if other convertible currencies, such as the yuan, could be used as a reference for arriving at a conversion value between rupee and rouble,” the source said.

Because of the volatility in the value of rouble, a decision may also be required on the frequency of fixing the conversion rate, the source added.

US Deputy National Security Adviser Daleep Singh, in his recent visit to India, had said in an interaction with reporters that there could be consequences for countries that attempt to circumvent the embargoes against Russia imposed following the invasion of Ukraine.

Russia’s Foreign Minister Sergei Lavrov, who, too, visited India earlier this month said that Russia will be ready to supply any goods which India wanted to buy. “I have no doubt that a way would be (found) to bypass the artificial impediments which illegal unilateral sanctions by the West create. This relates also to the area of military-technical cooperation,” he said to reporters.

Source: thehindubusinessline.com– Apr 09, 2022

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Indian team visits Brussels, London to speed up FTA talks with EU, UK

The development could pay the way for wider openings for Indian goods in the two markets and expand opportunities for Indian professionals

Following the successful completion of it its free trade agreement (FTA) with Australia and the UAE, India is now focussed on getting the proposed trade agreements with the European Union and the UK off the ground.

A team of negotiators, led by Commerce Secretary BVR Subrahmanyam, is on a tour of Brussels and London this week to expedite talks on the two FTAs that could lead to wider openings for Indian goods in the two markets and also expand opportunities for Indian professionals.

“The Commerce Secretary and his team met their EU counterparts in Brussels on Thursday. Talks took place on the proposed FTA for goods and services, the investment promotion agreement and geographical indications (GIs). The two sides also finalised the next steps for moving ahead with formal negotiations,” a source tracking the matter told BusinessLine.

Ambitious EU pact

The India-EU FTA is set to be an ambitious pact covering areas including goods, services, investments, GIs, government procurement and sustainable development.

“The two sides have decided to negotiate agreements on trade, investment and geographical indications on separate tracks. But India is insisting that they should be all concluded together at the same time. There needs to be a definite understanding on the matter between the two sides on this issue,” the source said.

The issue of inclusion of sustainable development, that was initially an area of contention between the two sides, has, however, been sorted out with India ready to mention its climate goals, the source added. “India has, on its own, started working on meeting the climate goals it has set for itself at various global forums. It doesn’t have a problem any more in dealing with such issues,” the official said.

The EU is India's third largest trading partner, accounting for €62.8 billion worth of trade in goods in 2020 or 11.1 per cent of the total Indian trade, after China and the US, per EU figures. The EU is also the second-largest destination for Indian exports (14 per cent of the total) after the US.

Interim deal with UK

With the UK, India's FTA negotiations are at a more advanced stage. The two sides started the third round of formal negotiations on Friday in London with a focus on sealing an interim deal that could pave the way for a full-fledged free trade pact.

With both the EU and the UK, India is looking for greater market access in labour-intensive items such as textiles, leather, gems & jewellery and marine products. It is also keen for easier and more liberal visa norms for its professionals and students.

The UK and the EU both want India to give duty concessions in items such as wines and liquor and open up areas such as government procurement and financial services.

Source: thehindubusinessline.com– Apr 08, 2022

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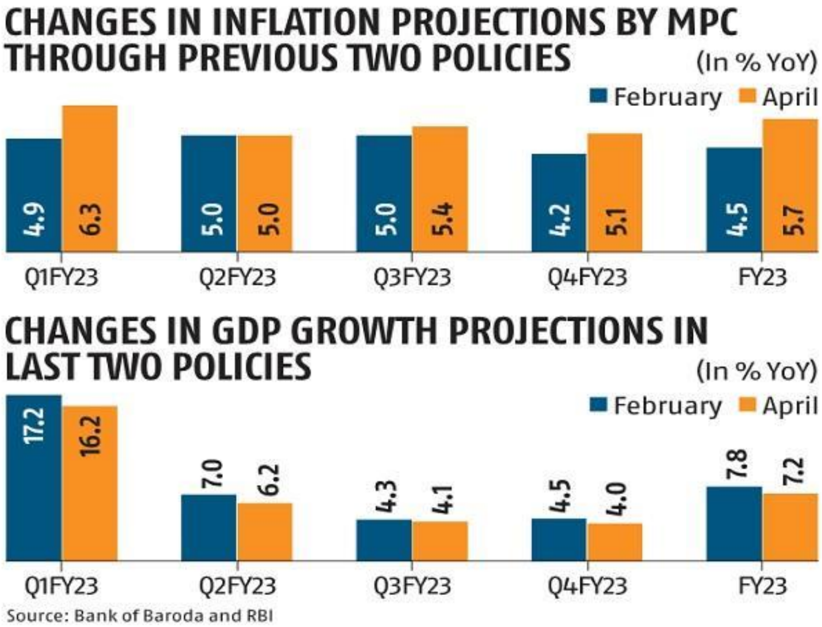
RBI monetary policy review: FY23 inflation projections raised to 5.7%

Amid changed geo-political developments since its previous policy, the Monetary Policy Committee (MPC) of the central bank on Friday raised its projections for the retail price inflation rate to 5.7 per cent, which is close to 6 per cent, the upper limit of its tolerance level, for 2022-23 against 4.5 per cent estimated in the previous policy review.

The projection on inflation is based on the assumption of international crude oil prices of the Indian basket remaining at $100 billion a barrel. Any upward pressure on it would hike the inflation rate further.

Along with this, the Reserve Bank of India's (RBI's) committee forecast economic growth 60 basis points lower at 7.2 per cent for the current financial year against its February policy's projections.



However, this may raise nominal GDP growth to 12.9 per cent, which is much higher than the 11.1 per cent assumed in the Budget. This may bring some positive news regarding resource mobilisation for the government in FY23 but higher inflation than assumed in the Budget would also raise the subsidy burden, particularly on fertiliser and food.

It should be noted that deflators used in GDP calculation are predominantly the wholesale price index and the consumer price index is just one-third of the total. So, nominal GDP growth cannot be gauged specifically but it could be said that it would be higher than the Budget assumption for 2022-23.

The new projections of the MPC came a day after the finance ministry said the economy faced twin challenges — growth may slow while inflation could remain elevated — due to disruption caused by the Russia-Ukraine war.

However, North Block is not willing to change its Budget assumption of nominal GDP growth. A key finance ministry official said it was too early to revise nominal GDP growth projections.

"The year has just begun. There is no need to change nominal GDP projections now. We do not know where oil prices will be three or six months from now," the person said. The official, however, conceded the point that some of the Budget estimates, like fertiliser and food subsidy, no longer held.

The MPC's new inflation projection for the first quarter of FY23 exceeds the upper tolerance level of 6 per cent. However, it is not projected to stay there, and the remaining quarters would see at least 5 per cent inflation in the current financial year.

This prompted RBI Governor Shaktikanta Das to tell a press conference that the central bank had now reordered priority to target inflation first and then growth through its monetary policy interventions.

Just before the onset of the pandemic, the RBI's priority was to support growth first, followed by retail inflation targeting. The official at North Block said: "We don't want to comment on inflation as that is the RBI's remit."

However, he said the MPC's growth projections were realistic, given how the Russia-Ukraine war had affected global macroeconomic conditions.

"We agree with the RBI's GDP estimates. They are in a good position to assess this," the official said.

The Union Budget assumes only nominal GDP growth. However, the 2021-22 Economic Survey had pegged FY23 real GDP growth at 8-8.5 per cent. This indicates that the Budget assumed inflation, a mix of the WPI and CPI, to be in the range 2.6-3.1 per cent.

Source: business-standard.com– Apr 09, 2022

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Shri Piyush Goyal invites Australian businesses to Make in India and calls for more engagements between each other's Startups

Union Minister for Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal has invited Australian businesses to Make in India and said that the Startups from both nations must engage with each other. He underscored that Australia has fantastic innovations and research and new ideas and India has the talent pool to take these to the world.

Expressing the hope that Investments will flow into India from Australia at a faster pace, he said that Western Australia can be at the forefront of the expanding relationship between the two nations.

"The proximity between the region and India provides an opportunity for much deeper economic engagement," said Shri Goyal, addressing the gathering at the Business Luncheon hosted by Deputy Premier Roger Cook in Perth, today

Speaking of India's bid to build strategic partnerships, the Minister said that India has become a part of QUAD and the Supply Chain Resilience Initiative (SCRI). Referring to the disturbances that afflicted some parts of the world, Shri Goyal asserted that two strong democracies, two friends working together for shared prosperity, trusting each other, believing in each other would send a strong message of unity, a message of 'ekta' to the world.

"Together we will make our geopolitical presence stronger and work to maintain the Indo-Pacific area as a region of peace, prosperity, stability, tranquility and growth," he said.

Shri Goyal said that that the India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA) will take relationships between the nations to greater heights and added that the spirit of cooperation and friendship with which the negotiations happened was truly remarkable.

Outlining areas of focus under the agreement such as education, research, innovation, technology, manufacturing etc, the Minister called for deepening engagements in areas such as the space sector and sustainability.

Commenting that despite challenging times, the relations with two nations were only getting better and better, he expressed his gratitude to Australians for the love and care they bestowed on every Person of Indian Origin who had made Australia their home. This truly defined the brotherhood between the two nations, he said.

Speaking of the fruitful engagements he had during his tour, the Minister quoted Prime Minister Narendra Modi and said that 'this EKTA (ECTA) is a watershed moment for our bilateral relations and our economies have great potentials to meet each other's needs'. He opined that the Prime Minister's vision clearly reflected the complementarity between our two economies.

The Minister termed the agreement as an important milestone which will contribute to development of many multi-sectoral relationships. "This is but one step in a long journey and I hope that this journey will not be just a trot but a marathon," he said.

Stating that the Ind-Aus ECTA is a very balanced and fair, equitable agreement that provided opportunities for all, Shri Goyal said that with ECTA, it is possible to take bilateral trade between the two nations to USD 100 billion by 2030. The Minister emphasized that India has a large aspiring population looking for a better quality of life and hoping to experience the prosperity that a large part of the world enjoys. This is an opportunity knocking at the doors of Australia, he said.

"We must continue working together, all the while respecting each other's sensitivities, positions in terms of levels of prosperity, market size etc," he said.

Speaking of the initial bilateral trade target of USD 45 billion set under the agreement, Shri Goyal said that after engaging with the businesses and the community of Australia during the visit and getting a sense of the immense opportunities for economic cooperation, he is confident of achieving the enhanced target.

Shri Goyal stressed that this relationship comes very naturally to Indians and Australians who have always been natural partners. He reminded that at one point in time, the two nations were geographically contiguous. Both India and Australia are members of the Commonwealth, vibrant democracies who are committed to the rule of law, transparent governments, he said. He also quipped about the shared love for cricket which brought the two nations closer together.

Shri Goyal said that Indian and Australian economies hardly compete with each other and added that the two economies complemented each other beautifully. Citing a few examples of this complementarity, the Minister said that Australian sheep wool woven to fabric or apparel in India, will make an excellent offering to the world and that Australia can benefit from the immense talent and skills of the Indian population, especially the youth. Observing that Australia has been a provider of raw materials and intermediate products to large parts of the world, the Minister said that India could convert these to finished products using its vast, skilled labor force and serve the world.

Later, delivering the Keynote address at the Tourism event in Perth, Shri Goyal said that education should be one of the key focus areas in the partnership between India and Australia. He called for further mutual recognition of each other's education systems, efforts to take technology to students on both sides of the ocean and exploring ways to have dual degrees.

The Minister also said that the ECTA has received huge traction and support among the people and media in both nations. Referring to Australia's competitive advantage in rare earth minerals, the Minister said that this will be absolutely crucial in the times to come because they can help technology flourish and create millions of jobs, particularly in a country like India with a vast, young skilled population aspiring for a better future.

Referring to WACA ground as the Mecca of cricket, the Minister said that though India and Australia competed fiercely in cricket but the love for the game in fact brought the two nations together. He observed that cricket brought the people of the two nations closer and unless people came together, businesses cannot prosper. At one level, leaders are committed to the relationship. But the subtext is that people work together, trust each other and enjoy the friendship that comes with the union, he said.

Source: pib.gov.in– Apr 08, 2022

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India's data localisation rules to be a barrier to digital trade: US

India's proposed data localisation requirements under which firms need to store data within India "will serve as significant barriers to digital trade" between the two countries, says the US government.

In the recent National Trade Estimate Report on Foreign Trade Barriers, the US says it believes such requirements will act as "market access barriers, especially for smaller firms". If implemented, the rules will "raise the costs for service suppliers that store and process personal information outside India" by forcing them to construct unnecessary and redundant local data centres here.

The report, prepared by the United States Trade Representative, was released by Katherine C Tai and covers various countries across the world including India.

The crux of America's concern is India's proposed Personal Data Protection Bill and the electronic commerce policy that impose broad-based localisation requirements for data.

Under the Bill, firms are expected to store sensitive and critical personal information related to Indians on servers located in India. In the case of critical personal information — a yet-to-be-defined category — this cannot be transferred outside India under any circumstance.

The Bill has been through the scrutiny of a joint parliamentary committee and is expected to be promulgated later this year.

The US report says that the Bill could impose "onerous conditions" on the cross-border transfer of sensitive personal information in that it calls for the data owner's explicit consent.

"In the absence of any standalone trade secret legislation, there is little recourse for firms in the event of misappropriation of their sensitive information," the report says.

This, in turn, will "undermine the ability of foreign firms to supply many services to Indian consumers on a cross-border basis and would not increase the protection of personal information".

On the inclusion of non-personal data, the report referred to the Non-Personal Data Governance Framework, released by the Committee of Experts set up by the Ministry of Electronics and Information Technology in 2020. The United States Trade Representative said the framework will “impose burdensome requirements on domestic and foreign firms, including requests for mandatory data sharing, administrative obligations, affect copyrighted content, patent, and trade secret protection”.

It also raised a red flag on the proposed electronic commerce policy. It points out that, based on a reading of the early drafts, which contemplate broad-based data localisation requirements and restrictions on cross-border data flows, the US has strongly encouraged India to “reconsider” the draft policy. The US’s other concerns include the expanded ground for the forced transfer of business sensitive information, trade secret information, and preferential treatment for domestic digital products.

Global companies and homegrown players have been at loggerheads on the proposed data privacy laws. Global companies, especially from the US, have expressed doubts about the Data Protection Bill and the recommendations made by the joint parliamentary committee.

Some US companies have warned that a stringent position on the Bill could have a fall out on ongoing bilateral trade negotiations between the two countries for more access.

Others have pointed to reports by the Indian Council for Research on International Economic Relations and the Centre for International Trade, Economics & Environment that specify the socio-economic value of free data flow.

The Internet and Mobile Association of India has also said that stringent data localisation should not be included in the Bill and has demanded the removal of criminal penalties. However, big Indian firms such as Reliance and Paytm have supported data localisation as a key element in the security of the country.

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

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A strategic compass guides the India-Australia trade deal

Last week, after 10 long years of negotiations, India and Australia finally signed the India-Australia Economic Cooperation and Trade Agreement in a virtual ceremony attended by prime minister Narendra Modi and his Australian counterpart Scott Morrison. Modi rightly described it as "a watershed moment for our (India-Australia) bilateral relations," underlining that "consensus on such an important agreement in such a short period of time shows the mutual trust between the two countries."

Morrison emphasised the pact as the single-largest government investment in Canberra's relationship with Delhi, and given the impending elections in his country, suggested that "this agreement opens a big door into the world's fastest-growing major economy for Australian farmers, manufacturers, producers and so many more."

The interim agreement is expected to benefit several sectors in India, including textiles, leather, furniture, jewellery, and machinery, even as it lifts tariffs on more than 85% of Australian goods exports to India.

It comes at a critical time as both India and Australia are reassessing their trade policies. India is trying to establish its credentials as a country ready to do business with trusted partners, and is busy finalising a number of "early harvest" pacts. Australia is seeking to reduce its trade dependence on China by diversifying its export markets after being at the receiving end of Beijing's trade weaponisation.

In the past, trade was seen as a means of reducing geopolitical tensions. "Let us trade more and become friends" was the mantra of the past. Today, it is moving to a phase where nations want to trade only with friends and like-minded countries. Geopolitics is driving the trade and technology agenda, and it is this geopolitical convergence in the Indo-Pacific that is also driving the present upward trajectory in the India-Australia relations. The Indo-Pacific maritime geography is the fulcrum around which New Delhi and Canberra are mapping their strategic priorities.

As Australian high commissioner to India, Barry O'Farrell, has cogently articulated, "our (India and Australia's) geography places us squarely in the middle of the world's strategic center of gravity. And as the international system becomes more multi-polar, the region's resilience will be tested." Australia and India have, therefore, according to O'Farrell, accepted a shared responsibility to ensure a peaceful and inclusive Indo-Pacific where the rights of all states are respected regardless of their size.

Despite the differences over the Ukraine crisis, India and Australia remain committed to maintaining an upward trajectory in their relationship. A multipolar Indo-Pacific will remain a mirage without New Delhi and Canberra stepping up their geopolitical game.

What is interesting is that while this consensus has been there at the elite level, it is now percolating down as recent polling data shows how the public in India and Australia view each other as “trusted” partners. This belief in each other’s ability to shape the regional environment, thereby emerging as leading partners, owes a lot to the way in which top leadership in both nations view this partnership as essential to shaping the future of the Indo-Pacific.

India-Australia relations have evolved rapidly over the past few years, with the two nations signing the Mutual Logistics Sharing Agreement, allowing the two nations to use each other’s military bases for logistics support improving military partnership. The two countries also elevated their ties to a comprehensive strategic partnership in 2020, which is based on “mutual understanding, trust, common interests and the shared values of democracy and rule of law.”

This is symbolic of their commitment to strengthen their engagement in the Indo-Pacific for the promotion of an “open, free, rules–based Indo-Pacific region supported by inclusive global and regional institutions.” This comprehensive strategic partnership encompasses regular high level political, diplomatic and military engagements, resulting in gradual accretion of trust at various levels.

China’s aggressive policy posturing, of course, has been one of the structural variables that has pushed the two nations to be more ambitious in their bilateral outreach. Amid this rising assertiveness by China, closer cooperation among like-minded nations has gathered momentum. For years, India has been trying to tread cautiously vis-à-vis China. Now, its calculations have changed. The choice to join hands and develop a stronger stance against China with like-minded countries no longer seems radical. For Australia and India, stronger partnership is essential to achieving a “free and open” Indo-Pacific.

There have also been important institutional developments in the Indo-Pacific, foremost among them US president Joe Biden's elevation of the Quad to the leaders' level. When the idea of a Quadrilateral Security Dialogue was initially conceived in 2007, both New Delhi and Canberra were not willing to invest wholeheartedly in such a platform.

But when Chinese assertiveness went out of control from 2007-2017, the Quad was resurrected and since then, it has been a story of a dramatic rise. For the US, India, Australia, and Japan, the Quad provides a platform to underscore their commitment to common goals: a rules-based international order, freedom of navigation, and the peaceful settlement of territorial disputes.

The rise of the Quad signals the acceptance, both within and beyond the member countries, of the "Indo-Pacific" as a strategic concept. Today, the Quad represents a maturation in thinking by major powers in the region.
And the agenda of the Quad today is wide-ranging to tackle common challenges such as Covid, climate crisis, lack of critical technologies, and terrorism by pooling in their unique strengths and moulding the future Quad.

As issue based coalitions that are more flexible, ad hoc, and political in nature compared to formal alliances make their mark in the Indo-Pacific, strong bilateral ties between like-minded nations such as India and Australia will remain critical to shaping the regional security architecture. With the recent trade deal, New Delhi and Canberra have signalled that they take this role seriously.

Source: financialexpress.com– Apr 08, 2022

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Exports up 37.57% to $9.32 billion during April 1-7

India's exports grew by 37.57 per cent to USD 9.32 billion during April 1-7, according to preliminary data of the commerce ministry.

Exports excluding petroleum increased by 24.32 per cent.

Imports during the period rose by 8.29 per cent to USD 10.54 billion, the data showed.

India's merchandise exports soared to a record high of USD 418 billion in 2021-22 fiscal on higher shipments of petroleum products, engineering goods, gem and jewellery and chemicals.

Source: financialexpress.com– Apr 08, 2022

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Forex reserves slide $11.17 bn to $606.475 bn, steepest fall in a week

In the steepest weekly fall ever, India's forex reserves slid by USD 11.173 billion to USD 606.475 billion as the currency came under pressure due to geopolitical developments, according to the Reserve Bank data released on Friday.

For the previous reporting week ended March 25, the overall reserves had slid by USD 2.03 billion to USD 617.648 billion.

The steep fall in the reserves was because of a decline in the core currency assets, which fell by USD 10.727 billion to USD 539.727 billion.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Typically, the RBI intervenes in the market to reduce volatility in the currency market by selling from its reserves kitty. The Russian invasion of Ukraine has led to troubles in the currency markets.

The previous worst weekly fall was of USD 9.6 billion for the week ended on March 11.

For the reporting week, the value of gold reserves also decreased by USD 507 million to USD 42.734 billion, the RBI data showed.

The special drawing rights (SDRs) with the International Monetary Fund (IMF) increased by USD 58 million to USD 18.879 billion, the RBI said. The country's reserve position with the IMF also increased by USD 4 million to USD 5.136 billion in the reporting week, the data showed.

Source: business-standard.com– Apr 08, 2022

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Soaring cotton prices: Textile exporters left high and dry

A sharp jump in domestic cotton prices since February, caused partly by a drop in output, has hit the country's textiles-and-clothing value chain, rendering hundreds of thousands jobless.

Prices of the commonly used cotton variety have more than doubled to breach the Rs 90,000-mark per candy of 356 kg since February 2021 when an import duty was raised. Local cotton prices have also exceeded global rates by as much as Rs 1,500-2,000 per quintal.

Yarn manufacturers and garment units face the grim prospect of losing their shares in export markets, where they made rapid strides in FY22. Industry officials say that scores of export orders have either been cancelled by western buyers or been diverted to India's competitors like Bangladesh, Vietnam, China and Pakistan in recent months after the steady spurt in cotton prices forced domestic players to try and renegotiate deals.

Cashing in on a resurgence of demand from advanced economies, India had shipped out textiles, garments and allied products worth almost $40 billion in FY22, up 67% from a year before (albeit aided by a lower base).

Thousands of power looms, texturisers, hosiery units and dyestuff manufacturers across the country are being forced to suspend or cut their operations, while spinning mills and large garment clusters, too, have frozen production as output prices in local and export markets are barely in sync with the inflated cost of cotton.

In a meeting with commerce and textile minister Piyush Goyal on April 4, a delegation of top executives representing the textiles and garment sector sought abolition of the 11% import duty on cotton to tide over the acute raw material shortage.

Saurin Parikh, president of Spinners' Association – Gujarat (SAG), said: "The rate of increase in cotton yarn prices in key global markets – from Rs 280 per kg in early February to Rs 370 per kg now – has been less steep than the rise in domestic cotton prices. In such circumstances, cotton yarn makers in Gujarat are finding it difficult to continue production activity."

He added that if spinners increase the prices of cotton yarn further, weavers won't lift the stocks, as their margins have shrunk too. Gujarat's 130 spinning units with an aggregate spindle capacity of 5 million need 7.5 million bales of 170 kg of cotton annually to sustain their operations.

Ashok Swami, chairman, Maharashtra State Cooperative Textile Federation, said although the Centre had fixed the minimum support price (MSP) of much-in-demand long-staple cotton at Rs 6,025 per quintal for the 2021-22 season, the procurement agencies – Cotton Corporation of India and Maharashtra State Cooperative Cotton Federation – haven't had to purchase cotton from farmers as market rates remained much higher than the MSP.

Various cotton varieties are being sold at prices ranging between Rs 8,000/quintal and Rs 13,500/quintal at most mandis in the state, he said. A fall in cotton production in the last season coupled with a jump in consumption of the natural fibre by textile units that had secured export orders, led to a shortage of cotton in the country, Swami said. He said most power looms in the country prefer to stay shut now because their cost of production has gone up given the scarcity of good-quality cotton in the market.

Cotton imports in India are effectively taxed at 11% (including cess and surcharges), while Vietnam and Bangladesh allow their industries to buy the fibre from abroad at zero duty. This offers India's competitors a substantial advantage in raw material costs, in addition to their duty-free access to critical markets like the US and the EU, a privilege that New Delhi doesn't enjoy.

Indicating that western buyers are scouting for alternative sources due to high costs here, the industry executives pointed out to the commerce minister that India's share in bed-linen exports to the US has dropped from an average of 55% in 2021 to 44.85% in January 2022. In contrast, Pakistan's share rose to 25.71% from 20% and China's jumped to 19.37% from 12% during this period.

They stressed that allowing cotton imports at zero duty is unlikely to hurt Indian cotton farmers, as they have already sold this season's produce to traders, who, in turn, are allegedly holding on to stocks to profit from an artificial shortage in the market. In any case, such imports are unlikely to cross 4 million bales of 170 kg each.

The Southern India Mills' Association (SIMA) said that though the textile industry in the south could manage the unprecedented Covid pandemic challenges thanks to various policy interventions taken by the government, including better-designed duty remission schemes namely RoDTEP and RoSCTL, the industry has now started incurring cash losses, and is facing difficulties in meeting the export commitments.

It is feared that the textile industry in Tamil Nadu might face cotton shortage during August-October resulting in industrial unrest. There is no reliable data available of cotton stocks maintained by the kapas traders, ginners and traders. "In the case of spinning mills, only around 40% of the mills provide data to the office of the textile commissioner. Therefore, the cotton traders are hoarding stocks and inflating the prices artificially and taking advantage of futures trading on commodity exchanges MCX and NCDEX," a SIMA official said.

Dhamsania who represents the Gujarat spinning units added that they collectively reduced production of cotton yarn by at least 20% effective April 1. Apart from increased cotton prices, exporters of yarn are also facing issues of increase in freight charges as well as non-availability of shipping containers due to the ongoing Russia-Ukraine war, he said. Traditionally, almost half of the cotton yarn manufactured in Gujarat has gone to Bangladesh, Indonesia, China, Egypt and European countries.

Forget smaller spinning units, bigger players like Welspun Group are feeling the heat of increased cotton prices despite having captive spinning units at its Vapi (South Gujarat) and Kutch facilities.

International buyers would give 15-20% price difference considering increased raw-material prices, but current inflated rates of cotton are unprecedented, says Chitan Thaker, president Welspun Group, claiming that in some cases, production costs have gone up to such an extent that export orders taken a couple of months ago or earlier could now be executed only at a loss.

"In the beginning of March this year, prices of cotton were Rs 76,000 per candy, but it is hovering around `92,000 per candy. However, cotton yarn prices have almost remained the same. Spinners are in a dilemma as to whether they should take fresh orders or not," Thaker, who is also the chairman of Assocham-Gujarat, added.

Ravi Sam, chairman, SIMA, said that unless the 11% import duty on cotton is removed and cotton prices are stabilised, the highly labour-intensive ready-made garment clusters in Tamil Nadu would face a severe crisis. “Farmers have already sold their produce and therefore, they will not be loosing anything if the cotton prices are brought down. Only a handful of traders are gaining from the high cotton prices”, he said.

Cotton prices skyrocketed after domestic production is estimated to ease to about 34 million bales in the current marketing year through September from 36-37 million bales in 2020-21, industry executives said. On top of this, about five million bales are expected to be shipped out. In contrast, the demand is set to jump to 36 million bales this year, against 32 million bales in 2020-21.

According to Maharashtra cooperative textile mills’ body, its office bearers would soon meet Union minister for home and co-operation Amit Shah to seek removal of the import duty on cotton. “Because of the import duty, it is not possible to import cotton from Australia, the US and Brazil,” said Swami. “Of around 150 cooperative spinning mills in the state, only 80 are currently functional,” he said.

The power looms in Maharashtra, numbering some 2.3 million across Bhiwandi, Malegaon and Solapur, have also been badly affected. Ichalkaranji is home to 0.12 million power looms that produce 20 million metres of fabrics on a daily basis while Maharashtra produces some 250 metres every day. Satish Koshti, president, Ichalkaranji District Powerloom Association, said that units in the town preferred to remain shut since they could not afford the high cotton prices. The state’s power loom sector employ over a million workers.

Source: financialexpress.com– Apr 11, 2022

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Cotton crop estimates further lowered to 335 lakh bales for 2021-22

After initial projections of 360.13 lakh bales, trade body trims crop size for the second time

The Cotton Association of India (CAI) has reduced its cotton crop estimate for the year 2021-22 (October to September) to 335.13 lakh bales (each of 170 kg), with key states Gujarat, Telangana, Maharashtra and Karnataka likely to show a dip in output.

On Saturday, the trade body trimmed its crop estimate by eight lakh bales from the previous month's estimate of 343.13 lakh bales. However, this is the second downward revision since the start of the season in October 2021, from initial crop estimates of 360.13 lakh bales for the season.

CAI's Crop Committee has projected a dip in cotton crop by two lakh bales each in Gujarat and Telangana, while output will be lower by 1.5 lakh bales in Maharashtra and one lakh bales in Karnataka, besides other states, including Madhya Pradesh, Andhra Pradesh and Odisha likely to see some dip in output.

The Committee has recorded total arrivals of 262.68 lakh bales between October 2021 to March 2022. The total supplies including the arrivals, imports and the carry-forward stock is estimated at 343.68 lakh bales as on March 31, 2022.

"Upto March 31, 2022, around 80 per cent of cotton arrivals are over. According to the CAI records, for the cotton seasons 2017-18 to 2019-20, around 20 per cent of total crop arrivals will come in the second half of the year i.e. from April 1 to September 30," said CAI in a statement.

On the consumption side, a total 175 lakh bales is said to be consumed between the six months, while the export shipments up to March 31, 2022, are estimated by the CAI at 35 lakh bales.

The stock position at the end of March 2022 is estimated at 133.68 lakh bales, including 75 lakh bales with textile mills and the remaining 58.68 lakh bales with the CCI, Maharashtra Federation, and others, including MNCs, traders, ginners, and MCX, including the cotton sold but not delivered.

Cotton imports are estimated at 15 lakh bales, which is higher by 5 lakh bales compared to the imports estimated at 10 lakh bales for the previous crop year 2020-21. Asccording to the CAI records, so far till March 31, 2022 about 6 lakh bales are estimated to have arrived at the Indian Ports.

For the exports, a total of 35 lakh bales are estimated to have been shipped till March 31, while total exports are estimated at 45 lakh bales for the season.

The trade body has estimated closing stock of 40.13 lakh bales by the end of the season on September 30, 2022.

Notably, the processed cotton prices have crossed Rs 90,000 and quoted at Rs 91,500 per candy of 356 kg on April 9, 2022. This indicates about 100 per cent jump in prices in the past one year from Rs 45,600 per candy on April 9, 2021.

Source: thehindubusinessline.com– Apr 10, 2022

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FM to meet PSBs' heads on April 23 to nudge them for credit expansion

This is the first full review meeting after presentation of Budget 2022-23

Finance Minister Nirmala Sitharaman is scheduled to meet heads of public sector banks (PSBs) on April 23 to review performance of the lenders and progress made by them on various schemes launched by the government for revival of the economy battered by the pandemic.

This is the first full review meeting after presentation of Budget 2022-23. Banks would be urged to sanction loans for productive sectors to accelerate revival of the economy, sources said. According to sources, there would be a comprehensive review of various segments and progress in government schemes including Emergency Credit Line Guarantee Scheme (ECLGS).

In the Budget, ECLGS was extended by a year till March 2023. Further, the guarantee cover for the scheme was expanded by ₹50,000 crore to ₹5-lakh crore. The coverage, scope and extent of benefits under ECLGS 3.0 pertaining to hospitality, travel, tourism and civil aviation sectors were expanded.

Also, the credit limit for eligible borrowers was increased to 50 per cent of their fund-based credit outstanding from 40 per cent earlier. The enhanced limit is subject to a maximum of ₹200 crore per borrower. Since its launch in May 2020, loans worth ₹3.19-lakh crore have been sanction till March 25, 2022. About 95 per cent of the guarantees issued are for loans sanctioned to micro, small and medium enterprises.

Agenda for current financial year

The meeting to be held in New Delhi would set the agenda for the current financial year which has just started. During last financial year, no PSBs faced any loss in the April-December period and clocked a collective net profit of ₹48,874 crore during the period.

PSBs earned a combined net profit of ₹31,820 crore in 2020-21. However, there were collective losses for five straight years during 2015-16 to 2019-20. The highest amount of net loss was registered in 2017-18 at ₹85,370 crore, followed by ₹66,636 crore in 2018-19; ₹25,941 crore in 2019-20;

₹17,993 crore in 2015-16 and ₹11,389 crore in 2016-17. During 2009-10 to 2014-15, PSBs were earning profits on their books.

To improve financial health of PSBs, the government implemented a comprehensive 4Rs strategy — recognition of NPAs transparently, resolution and recovery of value from stressed accounts, recapitalising of PSBs, and reforms in PSBs and the wider financial ecosystem — for a responsible and clean system. Comprehensive steps were taken under the 4Rs strategy to reduce NPAs of PSBs.

As part of the strategy, the government has infused ₹3,10,997 crore to recapitalise banks during the last five financial years — from 2016-17 to 2020-21, out of which ₹34,997 crore were sourced through budgetary allocation and ₹2,76,000 crore through issuance of recapitalisation bonds to these banks.

Source: thehindubusinessline.com– Apr 10, 2022

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In India, Costly Cotton Import Tax Meets 'Liquidity Crisis'

India might be the world's biggest cotton exporter, but the nation's garment manufacturers are facing an increasingly dire predicament.

Last week, industry representatives petitioned textile minister Piyush Goyal to repeal the 11 percent tax on imported cotton or risk the sector's implosion.

"In today's scenario, cotton supplies are not in hand. It takes six months to get new cotton—and there are no stocks for spinners to run. The only way is to import the cotton. For this, the Indian government needs to remove the 11 percent import tax on cotton," Muthu Rathinam, president, Tirupur Exporters and Manufacturers Association (TEAMA), told Sourcing Journal. "Their response is that they will consult with the prime minister and take necessary measures."

"Cotton prices have increased by 50 percent since December," he said. "While garment prices have gone up by 15 percent, now with the sudden increase we couldn't ask buyers for a higher price over a certain level."

With an increase in exports from India and a rapidly growing domestic market, the demand for cotton this year is on track for 360,000 bales, compared with approximately 300,000 bales last year.

Some in the industry have been calling the situation so dire that the factories may shut down, as cotton prices in India are now far higher than international rates.

Overall Indian exports have been strong this past year, crossing the coveted $400 billion barrier, with garment and textile exports returning to pre-Covid levels at an anticipated $40 billion for 2021-22—a 67 percent increase over the previous year.

Concerns over competition from neighboring countries which already enjoy duty free benefits for garment exports, including Bangladesh and Vietnam, are also increasing as nation's scramble to increase business after the decline as a result of Covid-19 over the last two years.

Members of the industry across India have come together to take up the issue under the umbrella of the National Committee on Textiles and

Clothing, citing the steep increase in cotton prices. Many have seen costs increase by almost 60 percent over the last six months.

A variety of cotton like Shankar 6, for example, has risen from 59,500 rupees or $783 a candy in October to 95,200 rupees or $1,253 a candy as of this month.

A candy amounts to approximately 2.09 bales, or 356 kilograms.

"Manufacturers are reeling under the liquidity crisis," Raja Shanmugham, president of Tirupur Exporters Association, said. "The price hike impact on this industry has been huge. For example, if one could buy 1 kg of yarn for 200.18 rupees or $2.63 some 18 months back, now only half a kilogram can be bought."

Part of the problem is the death of cotton in the Indian market as "farmers don't have cotton stocks at this time," he said.

Shanmugham said that the minister's delegation was reaching out for help in a rapidly deteriorating situation. "It is the duty of the government to save the existence of the industries and more particularly the medium and small manufacturers which are unable to handle the impact," he added.

The government position is normally to protect farmers, but he pointed out that in this case they were not being impacted by the 11 percent import duty, which would help the value chain of industries to survive. "Otherwise, a few vested interests will amass the wealth at the cost of farmers, of the industries and the economy of the country itself," he said.

Source: sourcingjournal.com– Apr 8, 2022

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Companies likely to face stiff queries from GST authorities

The Central Board of Indirect Taxes & Customs (CBIC) on Sunday rolled out computer-assisted automated selection of returns under GST, which will be based on certain risk-based parameters including claims of input tax credit.

CBIC chairman Vivek Johri has written to field formations asking them to ensure scrutiny is conducted in a time-bound manner. "Zonal chiefs may like to have the data examined and suitably taken up as per the prescribed SoP (standard operating procedure) in a time-bound manner," Johri said in a letter, dated April 4, seen by ET.

Johri said the first tranche of GSTINs (GST Identification Numbers) selected for scrutiny, on the basis of risk parameters, had already been shared by the directorate general of analytics and risk management with field formations.

A government official said the directorate general would send all the financial data and transaction details related to the GSTINs which would be picked for the scrutiny case, so that officials would take less time.

"In case any discrepancies are found, a notice may be issued by the department with a specific query and backed by documents, which will reduce the time taken in the scrutiny process," the official added.

A government official said some of the risk parameters included input tax credit claims not matching the GST return with income tax return and past records of tax evasion.

"With a view towards enhancing compliance through effective and standardised scrutiny of GST returns, the board has been working towards automating the scrutiny process," Johri wrote in the letter.

The official said the government was working hard to improve compliance and scrutiny of returns would be a key focus to plug in any revenue leakages.

"Scrutiny of returns is our focus this year and we will be using technology such as AI to assess risk parameters in a better way," the official said, adding that the department had data handy and the process would go a long way in improving compliance.

Experts said businesses need to be extra careful while filling their return as data analytics would make it easier to detect evasion.

Businesses must ensure the GST data are reconciled before submission, MS Mani, partner, Deloitte India, said.

The CBIC had last month issued the SoP to streamline the scrutiny of GST returns filed for the financial years 2017-18 and 2018-19.

Last month witnessed an all-time high gross GST collection at Rs 1,42,095 crore for the Centre and states together.

This was 15% higher than the GST revenue in the same month last year. The average monthly gross GST revenue in 2021-22 was Rs 1.23 lakh crore as compared to Rs 94,734 in 2020-21 and Rs 1.01 lakh crore in 2019-20.

Source: economictimes.indiatimes.com– Apr 11, 2022

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Should we really get excited about the jump in exports?

A press release put out by the government on April 4 said, "India achieved an all-time high annual merchandise exports of $417.81 billion in financial year 2021-22 [April 2021 to March 2022]." The news media reported this achievement, as it should have given that goods exports were up by more than 43% over that in financial year 2020-21 (April 2020 to March 2021), when they had stood at $291.8 billion.

But in this hullaballoo of reporting that we have had our best year till date when it comes to goods exports, a very basic point was missed. The size of the exports in relation to the size of the economy wasn't taken into account.

When we take the size of the economy into account, the exports to GDP ratio for 2021-22 comes in at 13.2% of GDP. So, here's the thing: Data from the Centre for Monitoring the Indian Economy over the last 20 years shows that in each of the financial years from 2006-7 to 2014-15, the exports to GDP ratio was higher than it was in 2021-22. In fact, the ratio peaked at 17% in 2013-14, the financial year just before the current government came to power.

There are several other things that need to be kept in mind while celebrating this jump in exports. In the aftermath of the negative economic impact of the Covid pandemic, countries of the rich world printed a lot of money. An estimate made by The Economist suggests that these countries printed a total of $12 trillion.

The idea was to flood their respective financial systems with money, drive down interest rates and, in the process, encourage people and businesses to borrow and spend more. What also happened was that governments handed over money directly in the hands of people by issuing cheques, depositing money directly in bank accounts, or issuing pre-loaded debit cards. This increased the spending capacity of people.

In the consumption boom that followed in the rich countries, or what we like to refer to as Western countries, their imports went up dramatically. And this, in turn, is the major reason that has pushed up Indian exports, as it did exports from countries like Vietnam, Indonesia, Japan, South Korea, etc., as well.

Let's look at this in some detail. The United States is the world's biggest importer. In 2021, the country imported $2.8 trillion worth of goods. This was a whopping 22% more than in 2020, when total imports had stood at $2.3 trillion.

The imports in 2020 were lower than imports in 2017, 2018 and 2019. So, other than increased spending capacity, to some extent, the rise in imports can also be attributed to the pent-up demand catching up.

Now, let's specifically consider the trade that the United States carries out with India. In 2021, US imports from India stood at $73.3 billion, up 43% from $51.2 billion in 2020. Further, US imports from India in 2020 were lower than that in 2018 and 2019. What this tells us is that Indian exports have gone up primarily because there was pent-up demand in rich countries like the United States, and the fact that governments printed and handed over money directly to people and thus pushed up their spending capacity. In that sense, a rising tide has lifted all boats, not just India.

The question is whether this jump in exports will continue in the months to come. An after-effect of printing money and handing it over directly to people, along with a breakdown in global supply chains due to the spread of Covid, has been an increase in prices. Inflation in the United States, the Euro area and the United Kingdom has been at a multi-decade high.

Hence, the central banks of these countries are now looking at increasing interest rates and also, sucking out some of the money they have printed and pumped into the financial system. In that sense, they are trying to control the spending power of people by making money expensive. Hence, it remains to be seen if the rich world continues to import goods at the same pace.

Chances are they will slow down in the time to come and as and when that happens, exports will be back to being about competitiveness. The real story will come out then.

Source: deccanherald.com– Apr 10, 2022

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BT cotton seed price hiked, Punjab farmers miffed

Already grappling with losses suffered due to pink bollworm infestation last year, cotton growers now have been dealt with another blow as the BJP-led central government has increased prices of Bt cotton seed from Rs 767 to Rs 810 (Rs 43 increase) per packet of 450 gm recently.

Cotton growers said the government kept on increasing the cotton seed prices every year which add up to their already high input cost. The government had also hiked prices of Bt cotton seed last year from Rs 737 to Rs 767, registering an increase of Rs 80 a packet in just two years.

Cotton farmers rued that they had barely recovered from losses suffered due to pink bollworm infestation that damaged the crop in large area in the region and now recent hike in prices of Bt cotton seed would put extra financial burden on them. On an average, cotton cultivation in an acre land requires a minimum of three packets of Bt cotton seed.

Bhartiya Kisan Union (Lakhowal) state general secretary Saroop Singh Sidhu said, “Unlike 2020-21 season, when there was a bumper crop, the overall production of cotton has dwindled in 2021-22. But owing to the rising demand in the international market, private players purchased cotton produce way above than the MSP. In some mandis, cotton sold for as high as Rs 12,000 per quintal basis (Rs 6,025 MSP). Farmers in many villages even held their produce back in the hope of better deal in future. But unfortunately, not many farmers could benefit as pest attack damaged their crop substantially.”

Balkaran Singh, a leader of Punjab Kisan Union, said, “Instead of providing relief to cotton farmers who suffered losses due to the infestation by lowering prices of input material, the government is rather increasing prices of seeds to burden them further.

The area under cotton cultivation has increased sizably in the Malwa region over the past few years. However, owing to poor handling or anticipation to tackle infestations and constant hike in input material would discourage farmers from continuing with the crop in future.”

Source: tribuneindia.com– Apr 11, 2022

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Textile industry benefits from ECTA

Recent trade agreement expected to provide employment to around 40,000 more persons

The recent trade agreement between the Indian and Australian government is expected to provide employment to around 40,000 more persons in the textile sector. The revenue to the country is also expected to grow by as much as three times.

P. Gopalakrishnan, chairman of Handloom Export Promotion Council, said India would benefit from the preferential market access in Australia for its 100% tariff lines. India currently earns $392 million through export of textiles and apparels.. It is expected to reach $1,100 million in the next three years.

“At present the export value is 10 million USD and this is expected to increase manifold. We expect a multifold increase in textile export to Australia especially handloom and luxury high quality products,” he said.

The Indian government has permitted 3 lakh bales of duty-free cotton to be imported in to the country. “This would help high-quality, high-style cotton products with export opportunities in Australia,” he explained.

Source: thehindu.com– Apr 09, 2022

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Indian textile exporters see opportunity in Sri Lankan economic crisis

Sri Lanka's economic crisis has brought immediate difficulties for the Indian textile exporters, but it is also likely to prove beneficial in the short- to medium-term as buyers from the US and Europe sourcing from the island nation may look at India for reliable suppliers. Some Indian exporters have already started receiving business inquiries from buyers.

According to industry sources, ready-to-cut fabrics are largely exported from India to Sri Lanka, where garments are produced for export to other countries.

India traditionally competes with Sri Lanka in the world market. However, due to the smaller size of the textile industry, Sri Lankan capacity and market are not comparable to India. Sri Lanka's apparel and textile exports grew by 23 per cent year-on-year to $5.415 billion in 2021. While India's total exports of textiles and clothing stood at $39.734 billion in last financial year 2021-22.

Unlike India, Sri Lanka depends on imports for its raw materials, and its imports of textiles and textile products grew by 32.4 per cent to $2.206 billion during January-September 2021.

At present, the government of Sri Lanka is facing the crisis of foreign exchange so badly that it is not able to import even essential goods like petrol-diesel and food. A trader from Tiruppur said that uncertainty of payment has arisen for Indian exporters, so they have stopped textile shipments to Sri Lankan buyers.

Industry sources said that the exporters are facing another challenge of delay in payment of previous shipments. However, the exact value is yet to be ascertained. But according to rough industry estimates, around ₹200-300 crore payments are stuck in Tiruppur itself.

Speaking to Fibre2Fashion, Apparel Export Promotion Council chairman Narendra Goenka said the present crisis in Sri Lanka is for short- to medium-term, and Indian textile exporters are likely to add new foreign buyers who will seek reliable suppliers.

“It is expected that Indian exporters may get more orders from next year. Buyers from the US and Europe will move to India in search of a reliable supplier.” According to Goenka, inquiries from foreign buyers have started coming in.

Raja M Shanmugam, president of the Tiruppur Exporters Association (TEA), said that the current crisis in Sri Lanka was unfortunate. “But this crisis can provide an opportunity for countries like India, Bangladesh and Vietnam. International brands buying garments from Sri Lanka will move to these countries.

In India, Tiruppur can become natural choice for these buyers due to high quality and low cost. But it is difficult to ascertain the quantum of increase in exports.

Source: fibre2fashion.com– Apr 09, 2022

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