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INTERNATIONAL NEWS

US Prez Biden to lay out new Indo-Pacific trade pact during Quad summit

President Joe Biden on Monday is set to launch a new Indo-Pacific trade pact designed to signal US dedication to the region and address the need for stability in commerce after the chaos caused by the pandemic and Russia's invasion of Ukraine.

The White House says the new Indo-Pacific Economic Framework will help the United States and Asian economies work more closely on issues including supply chains, digital trade, clean energy, worker protections and anticorruption efforts.

The details still need to be negotiated among the member countries, making it difficult for the administration to say how this framework can fulfill the promise of helping US workers and businesses while also meeting global needs.

Countries signing on to the framework were to be announced Monday during Biden's visit to Tokyo for talks with Prime Minister Fumio Kishida. It's the latest step by the Biden administration to try to preserve and broaden US influence in a region that until recently looked to be under the growing sway of China.

Biden is in the midst of a five-day visit to South Korea and Japan the first trip to Asia of his presidency that wraps on Tuesday. The White House announced plans to build the economic framework in October as a replacement for the Trans-Pacific Partnership, which the US dropped out of in 2017 under then-President Donald Trump.

The new pact comes at a moment when the administration believes it has the edge in its competition with Beijing. Bloomberg Economics published a report last week projecting U.S. GDP growth at about 2.8 per cent in 2022 compared to 2 per cent for China, which has been trying to contain the coronavirus through strict lockdowns while also dealing with a property bust.

The slowdown has undermined assumptions that China would automatically supplant the US as the world's leading economy.

"The fact that the United States will grow faster than China this year, for the first time since 1976, is a quite striking example of how countries in this region should be looking at the question of trends and trajectories," said White House national security adviser Jake Sullivan.

Critics say the framework has gaping shortcomings. It doesn't offer incentives to prospective partners by lowering tariffs or provide signatories with greater access to US markets. Those limitations may not make the US framework an attractive alternative to the Trans-Pacific Partnership, which still moved forward after the US bailed out. China, the largest trading partner for many in the region, is also seeking to join TPP.

"I think a lot of partners are going to look at that list and say: That's a good list of issues. I'm happy to be involved,'" said Matthew Goodman, a former director for international economics on the National Security Council during President Barack Obama's administration. But he said they also may ask, "Are we going to get any tangible benefits out of participating in this framework?

It is possible for countries to be part of both trade deals.

Biden was scheduled to visit Emperor Naruhito of Japan at Naruhito's residence on the grounds of the Imperial Palace on Monday before diving into wide-ranging talks with Kishida about trade, Russia's invasion of Ukraine, the North Korean nuclear threat, the two countries' COVID-19 responses and more.

Kishida and Biden will also meet with families of Japanese citizens abducted by North Korea decades ago. The Japanese premier took office last fall and is looking to strengthen ties with the US and build a personal relationship with Biden. He'll host the president at a restaurant for dinner.

The launch of the Indo-Pacific Economic Framework, also known as IPEF, has been billed by the White House as one of the bigger moments of Biden's Asia trip and of his ongoing effort to bolster ties with Pacific allies. Through it all, administration officials have kept a close eye on China's growing economic and military might in the region.

In September the U.S. announced a new partnership with Australia and Britain called AUKUS that is aimed and deepening security, diplomatic and defense cooperation in the Asia-Pacific region. Through that AUKUS partnership, Australia will purchase nuclear-powered submarines, and the U.S. is to increase rotational force deployments to Australia.

The U.S. president has also devoted great attention to the informal alliance known as the Quad, formed during the response to the 2004 Indian Ocean tsunami that killed some 230,000 people. Biden and fellow leaders from the alliance, which also includes Australia, India and Japan, are set to gather in Tokyo for their second in-person meeting in less than a year. The leaders have also held two video calls since Biden took office.

And earlier this month, Biden gathered representatives from nine of the 10 members of the Association of Southeast Asian Nations in Washington for a summit, the first ever by the organization in the US capital. Biden announced at the summit the US would invest some USD 150 million in clean energy and infrastructure initiatives in ASEAN nations.

Sullivan confirmed on Sunday that Taiwan which had sought membership in the IPEF framework isn't among the governments that will be included. Participation of the self-ruled island of Taiwan, which China claims as its own, would have irked Beijing. Sullivan said the US wants to deepen its economic partnership with Taiwan, including on high technology issues and semiconductor supply on a one-to-one basis.

Biden will wrap up his five days in Asia on Tuesday with the Quad meeting and one-on-one talks with India's Prime Minister Narendra Modi and Australia's newly elected prime minister, Anthony Albanese.

The centre-left leader of the Australian Labor Party this weekend defeated incumbent Scott Morrison and ended nine years of conservative rule.

Modi, leader of the world's biggest democracy, has declined to join the US and other allies in levying sanctions against Russia over the invasion of Ukraine. In a video call last month, Biden asked Modi not to accelerate its purchase of Russian oil.

Source: business-standard.com– May 23, 2022

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China raises support for economic growth by cutting lending rate

China recently cut the market-based benchmark lending rate to shore up the economy. The over-five-year loan prime rate (LPR), on which many lenders base their mortgage rates, fell by 15 basis points to 4.45 per cent, said the National Interbank Funding Centre. This is the largest reduction in such rate since the country revamped the LPR mechanism in 2019.

The one-year LPR stood at 3.7 per cent, unchanged from one month earlier, an official news agency reported.

The monthly-released data is a pricing reference rate for banks and is based on rates of the central bank's open market operations, especially the medium-term lending facility rate.

The latest rate cut followed a recent move to allow commercial banks to reduce the lower limit of interest rates on home loans by 20 basis points for first-home buyers, based on the LPR.

China's real estate sector, a vital sector for economic growth, is taking a hit as recent COVID-19 resurgences and the volatile global situation impacted the economy.

The country's economy took a hit from the domestic resurgence of COVID-19 cases in April. Authorities have stressed the negative impact will be short-lived.

China has taken steps to revive the economy and help enterprises tide over tough times. These steps include increasing re-lending quotas, launching re-lending arrangements for technological innovation, elderly care services, clean use of coal, and encouraging local banks to issue more inclusive loans for small and micro businesses through market-based means.

The central bank announced a cut in reserve requirement ratios for financial institutions in April, adding long-term and stable capital sources for the country's financial institutions.

Measures, including tax refunds and fee cuts, the deferral of social security contribution payments, and the smoothing of industrial and supply chains, have also been taken to support market entities.

Central authorities have called for an accelerated pace and ramped-up efforts to implement macro policies, and urged local governments to put forward more measures in May to bring the economy back on track.

Source: fibre2fashion.com– May 22, 2022

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CPTPP helps boost Vietnam-Australia trade, investment cooperation

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is helping promote Vietnam-Australia cooperation in trade and investment, according to Vietnamese ambassador to Australia Nguyen Tat Thanh. Vietnam's exports to Australia are growing strongly, reaching $1.38 billion in the first quarter (Q1) this year, a surge of 32.36 per cent over Q1 2021.

Last year, two-way trade between both sides hit $12.4 billion for the first time—up by more than 49 per cent compared with that of 2020. The value of shipments to Australia reached more than $4.45 billion, a year-on-year (YoY) rise of 23 per cent. Vietnam spent nearly $8 billion in importing goods from Australia, up nearly 70 per cent against 2020's figure.

Sharp increases were witnessed in Vietnam's export of various agricultural and industrial products to Australia, for example 84 per cent in coffee, 51 per cent in aquatic products, 41 per cent in rubber and 26 per cent in electric cables. Notably, the shipments of iron and steel skyrocketed by more than 500 per cent YoY.

Vietnam and Australia are both members of at least three free trade agreements, namely ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), CPTPP and the Regional Economic Comprehensive Economic Partnership (RCEP).

Meanwhile, the country is buying more and more essential materials, such as coal, iron ore, metals, cotton, wheat and animal feed, from Australia. In particular, Vietnam's import value of coal from Australia in Q1 surged by 176 per cent YoY and that of cotton shot up by 333 per cent, a news agency reported.

The CPTPP also boosts investment. By the end of 2021, there were about 550 Australian investment projects in Vietnam with a total value of nearly $2 billion, ranking 19th among foreign investors in the country.

Source: fibre2fashion.com– May 22, 2022

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Vietnam's Q1 2022 textile-garment exports hit $8.68 bn, up 20.3% YoY

Prospects for the world's textile and garment industry are expected to be brighter in 2022 and Vietnam continues to maintain its position as a leading textile and garment exporter in US and European Union (EU) markets, according to Vietnam's Aurora Textile Industrial Park.

In the first quarter (Q1) of 2022, the country's export value of textiles and garments reached $8.68 billion, up by 20.3 per cent year on year, marking the highest increase in the past 10 years.

Figures from the general department of customs showed that the United States continues to be the largest textile and garment import market from Vietnam with a value of $4.3 billion, followed by the EU with $896 million and Korea with $754 million.

The positive signal of the market and the initial control of the COVID-19 pandemic will help Vietnam's textile and garment industry fulfill its set export target of over $43 billion by 2022, according to the Vietnam Textile and Apparel Association.

Besides, Vietnam will also have opportunities to catch up from the trend of shifting the world's textile and garment supply out of China and Vietnam is one of the most potential and favorable destinations for manufacturers, import and export distributors, wholesalers and retailers worldwide, the Aurora Textile Industrial Park said in a press release.

To maintain the leading position and tap up opportunities post COVID-19, textile enterprises are accelerating to upgrade technology in production chains as well as increase labour productivity.

Located in the northern Nam Dinh province, the cradle of the Vietnam's textile industry, Aurora is one of the very few industrial parks in Vietnam that meets the legal and utility infrastructure requirements qualified to accommodate fabric-dyeing establishments, the press release added.

Source: fibre2fashion.com– May 22, 2022

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Pakistan-US trade: Brooklyn Chamber to extend cooperation

Talking to President of United Business Group (UBG) Zubair Tufail, President US-Pakistan International Chamber of Commerce (USPICC) Sajjad Qamar and Secretary-General USPICC Malik Sohail Hussain, he said that the US offers splendid opportunities for Pakistan exporters and importers.

He said that some sectors of cooperation include apparel and textiles, biotechnology, food processing, halal foods, biryani festivals, arranging fashion weeks to promote Pakistani clothing and promotion of Pakistani handicrafts. Randy Peers said that the US has about 21,000 companies in the food processing sector having $750 billion in revenue while worldwide processed food sales are total about $2 trillion, so the US accounts for 37.5% of all sales, he informed.

Source: brecorder.com– May 23, 2022

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Pakistan: Weekly Review: Ginning to start next month as partial arrival of cotton begins

Partial arrival of the new season cotton crop has been reported. Some ginning factories will be partially operational from June 15. However, water crisis and extreme temperatures are affecting the crop. Fluctuations were seen in cotton prices in international cotton markets. There was recession in New York cotton market and a bullish trend in India.

There are concerns among ginners over 17 percent tax cotton products. Pakistan Cotton Ginners Association is active but still no progress is achieved. A seminar on cotton production technology was held. Pakistan Hosiery Manufacturers Association has warned that any 'unwise' decision would be disastrous for the economy.

During the last week, the arrival of new crop in the local cotton market was reported. The faces of farmers are glowing with happiness especially after the arrival of Phutti from the lower areas of Sindh.

Despite the water crisis and high temperatures, a strategy has been put in place to increase cotton cultivation as compared to the yield of last year. Irrigation water supply is increasing time to time.

Due to the extraordinary increase in the price of cotton in the local and international cotton markets, farmers are getting high prices of cotton. The rate of Phutti which has started arriving in market is in between Rs 9000 to Rs 10,000 per 40 Kg.

Some ginners believe that 2 to 3 ginning factories are expected to be partially operational by June 1 this year. It is expected that this year ginners will do business reluctantly because of high prices, and mills will also buy cotton, reluctantly.

However, the spinners, who need cotton in the beginning, will buy it at any price. In addition, the rate of the US dollar will be expected to remain stable. Further, the government has stopped the import of many items and has increased the import duties. This can also have some negative effect.

However, there is currently a small quantity of cotton available in the market, which is being demanded at exorbitant prices, due to which the business is sporadic.

The price of cotton in Sindh and Punjab is running at Rs. 21,000 to Rs 23000 per maund. There is some mill to mill business activity but it was not being reported

The spot rate committee of Karachi Cotton Association has kept the spot rate stable at Rs. 21000 per maund for the last two months.

Karachi Cotton Brokers Forum Chairman Naseem Usman told that the price of cotton in the international cotton markets is fluctuating. The rate of Future Trading of New York Cotton is in between 143 to 146 American cents per pound. However, in India an extraordinary increase was witnessed in the rate of cotton because the production of cotton in India is less than the initial estimates.

The government of India has abolished 11 per cent import duty on cotton till September 30, so that mills can get cotton on competitive rates. Despite that rate of cotton in India is increasing.

Indian textile mills are urging their government to immediately stop importing cotton. Recently, a meeting of textile and spinning mills and cotton business organizations was held in which 70 delegates participated.

Atul Ganatra, president of the Cotton Association of India (CAI), said in an interview that the meeting had requested the textile minister that several textile spinners said the government had abolished import duty on cotton by September 30. The date should be extended or permission should be granted till Bill of Landing as there are problems of shipment and containers all over the world at present. A special Cotton Advisory Board has been constituted for increasing the production of cotton headed by Suresh Kotak, a Cotton Expert.

According to the USDA's Weekly Export and Sales Report, one lac ten thousand bales for the year 2021-22 were sold which is three percent more as compared to the figures of last week.

India topped the list with 34,100 bales. Vietnam came in second with 31,100 bales. Turkey came in third with 18,400 bales.

For the year 2022-23 more than 25,400 bales were sold.

India topped the list with 13,200 bales. Peru came in second with 4,600 bales. Guatemala came in third with 4,000 bales.

Meanwhile, Sindh agronomists, private sector, and agricultural academic researchers have stressed the need for more research in agriculture, saying that cotton production is declining due to climate change, water scarcity, and other reasons, and there is a need to check the quality of seeds and pesticides.

A mega seminar on “Cotton production technology” was organized under the auspices of Sindh Agriculture University in collaboration with Department of Agriculture, Government of Sindh and Engro Fertilizer Limited.

On the occasion, Dr Fateh Marri, Vice Chancellor, Sindh Agriculture University, said that given current climate change conditions, water scarcity, and other issues, new varieties of pure seeds and agricultural policies need to be improved.

He said that joint research projects with agricultural research institutes and the private sector could be worked out to solve the problems faced by the agricultural sector of the province.

Provincial Secretary of Agriculture Qazi Aijaz Mahesar said that due to climate change, the production of cotton has decreased by 50. The lack of pure seeds and less focus on the cotton crop have had a profound affect on Pakistan’s textile industry.

A progressive farmer, Syed Nadeem Shah, said asked for improvement in performance of the Sindh Seed Corporation. He said for ensuring supply pure of seeds there is a need to increase the agricultural research budget in Sindh.

Khusrau Nadir Gilani, Chief Commercial Officer, Engro Fertilizers Limited, said that due to rapid shortage of zinc in children in Pakistan, zinc has been introduced in food crops. He said that Egro Fertilizer has been standing with farmer community of Pakistan for the last 50 years.

Hidayatullah Chhajro, Director General Agricultural Extension, said that the experts of the Extension Department are working on various awareness programs and fieldwork to solve problems in the agricultural sector including seeds, fertilizers, and pesticides.

Owais Mushtaq Paracha of Engro Fertilizer, Muhammad Asif Ali, Naveed Alam Qureshi, Junaid Zubairi, Prof. Dr. Zahoor Hussain Soomro, Dr Ghulam Murtaza Jamro, Zulfiqar Ali Shah and others also addressed on the occasion.

Pro Vice Chancellor SAU Sub Campus Umerkot, Dr Jan Mohammad Marri, Director General Agriculture Research Sindh Noor Mohammad Baloch, Dr Qamaruddin Chachar, Dr Syed Ghiyasuddin Shah Rashdi, Dr Manzoor Ali Abro, Dr Inayatullah Rajpar, Registrar Ghulam Mohiyuddin Qureshi, and others attended the seminar.

Central Chairman of the Pakistan Hosiery Manufacturers & Exporters Association (PHMA) Shahzad Azam Khan on Thursday warned the PML-N led federal government that any “imprudent” decision to discontinue the concessional power tariff for five export-oriented sectors will be disastrous for the country’s economy.

The country’s textile, one of the five sectors, is boosting exports with prospects of 25 percent this fiscal year, but may see “damaging” effects if the concessional power tariff was ended, he added.

The textile sector topped with $15.4 billion exports in 2020-21 that is now going to surpass $15.98 billion mark in just 10 months of 2021-22, Central Chairman, PHMA, Shahzad Azam Khan said. Coordinator Jawed Bilwani, Zonal Vice Chairman (North) Kashif Zia, Zonal Vice Chairman (South) Abdul Rehman and members were also present during Executive Committee meeting.

The knitwear textile has also achieved the highest exports growth of $3.8 billion in 2020-21 and grows to $4.2 billion in the first 10 months of 2021-22, up by 35 percent.

The PHMA’s Executive Committee meeting discussed the current economic situation of the country and also passed resolution to make all-out efforts to help further augment the value-added textile exports to underpin the country’s ailing economy.

However, the PHMA has cautioned the federal government to avoid any "unwise" move may derail the growing exports.

It asked the prime minister and his economic team to ensure a level-playing field by providing concessional energy tariffs and Duty Drawback on Local Taxes and Levies as committed in the new five year textile and apparel policy. The federal government should continue supporting the five export-oriented sectors for the country's economic stability, employment creation and revenue generation.

The value-added textile exporters want continuation of grants by the government to provide concessional energy tariffs to ensure level-playing field to export industries for the purpose of regional competitiveness and export enhancement," the Central Chairman PHMA said. He said that the industries are also being burdened and cross-subsidized for gas tariffs to give subsidy to fertilizer and domestic sector.

"The fertilizer sector is earning huge profits in excess to subsidy amount nonetheless the benefit has not been passed on to growers in the name of food security," he added. Exporters have alerted the government regarding the negative impact on exports if concessional energy tariff was stopped. They demanded for provisions of concessional power tariff with additional budgetary allocations.

"With unviable cost of manufacturing, exports will suffer and the Prime Minister and his economic team shall be solely responsible for export decline and further depletion in forex reserves," PHMA said. The concessional energy tariffs should be sustained on an annual basis to help the textile exporters meet their commercial commitments made six months in advance to global buyers. Any abrupt mid-year change or increase in power rates may leave the entire export sector jeopardized, it warned.

"The Commerce Ministry's efforts must not go futile with any uncalled for intervention from any other ministry. Inter-ministerial harmony and cohesion must go on to support the national economic charter and export enhancement," the PHMA said.

Source: brecorder.com– May 23, 2022

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NATIONAL NEWS

Piyush Goyal To Visit UK 26-27 May For Review Of FTA Talks With Government And Businesses

India and the UK could set a faster pitch in the run-up to the conclusion of negotiations for the free trade agreement by Diwali 2022 as Commerce Minister Piyush Goyal visits the UK for a visit on 26-27 May 2022 to take forward the parleys.

Goyal will hold discussions with the government and businesses on the progress made in the FTA negotiations and the way forward, the Commerce Ministry confirmed. During the summit meeting between the Prime Ministers of India and the UK, the two leaders had set the timeline of Diwali 2022 for finalisation of the FTA between the two countries.

Goyal's visit is important as the process of finalisation of the India-UK FTA gains traction with the draft treaty text advancing across the majority of chapters at the end of the third round of talks, as per the UK's Department for International Trade.

The first two rounds have mostly been about the negotiating teams sharing their priorities, understanding the more challenging issues, and where quick wins can be achieved.

The first round of negotiations were extensive and made up of 32 separate sessions covering 26 policy areas including important issues for trade and investment in both goods and services, such as IP and customs procedures, as well as digital and telecommunications.

Round two saw technical experts from both sides come together for discussions in 64 separate sessions covering the same 26 policy areas.

In the third round, technical experts from both sides came together for discussions in 60 separate sessions covering 23 policy areas, said a "joint outcome statement" issued at the end of the talks held in New Delhi in a hybrid fashion after the visit of Prime Minister Boris Johnson to India.

With the fourth round of negotiations due to be hosted by the UK in June 2022, both sides are looking at a win-win scenario to strengthen ties across trade, investment, climate and health as the countries recover from the twin shock of Covid and the Ukraine crisis.

For the UK, securing a FTA with India could almost double its exports to one of the fastest growing Asian economies and boost Britain's total trade by as much as £28 billion a year by 2035 and increase wages across the UK regions by £3 billion. The Confederation of British Industry, the UK's biggest business organisation has called for a focus on lowering barriers to trade which CBI President Karan Bilimoria feels is now essential.

"An FTA with the world's fastest growing economy is now within touching distance and more broadly, a deal anchored in slashing tariffs, improving the ability to move talent across borders as well as data will unlock plenty of prizes across a host of sectors from services and life sciences to tech and innovation," says Bilimoria.

To expedite matters, the CBI and the Confederation of Indian Industry representing over 300,000 businesses, is setting up a new joint initiative, the UK-India Business Commission to increase cross industry collaboration and to push the UK-India trade deal over the line.

The Commission will provide a critical forum for discussion to ensure an FTA works to the benefit of businesses in both countries. The group will provide continual oversight and meet ahead of key milestones to take views on trade-offs and help feed in on-the-ground business intelligence at a ministerial level in India and UK.

With the ongoing negotiations aiming at reducing the barriers to trade, cutting tariffs, the Commission will work on breaking down barriers and help support the export plans of firms and help businesses navigate the market access.

Both the industry bodies are keen to use the partnership to address shared concerns, identify common interests as well as cover joint efforts in specific areas such as advancing technology and digitalisation, climate change and sustainability, multilateral collaboration and their alignment on the FTA, points out Chandrajit Banerjee, Director General, CII.

The UK has a globally reputed renewable sector which in particular could play an integral role in India's transition to clean energy at a time when India has committed to get 50 per cent of its energy from renewable sources by 2030. The new Commission could play a crucial role in reducing tariffs on green exports such as solar, onshore, and offshore wind, thus opening up new opportunities for firms in India.

The UK has expertise on renewables and the FTA can offer an opportunity to export this skillset in cleantech. A deal has the potential to drastically lower tariffs on wind turbines parts that are currently as high as 15 per cent.

In the food and drink sector lower tariffs, aligned standards, simpler customs procedures, and investor protections are the targets being eyed to create jobs and growth across both countries, expand exports and offer consumers lower prices and greater choice. A matter of contention could be import tariffs on consumer food products which range from 0 to 150 per cent.

Phased reduction of the duty burden on premium spirits including Scotch, which currently stands at 150 per cent, is a key item in the wishlist for the UK. Recent years have seen significant UK investment in the domestic spirits sector in India, with British companies supporting innovation, value creation and driving the globalisation of iconic Indian brands. A tariff reduction by India will help to bring in from the UK a premium segment of wines and spirits that can grow the market for all players, including growth of the hospitality and tourism market.

For the UK, the India-Australia deal offers an example where drug regulators in both nations will work together to facilitate trade in human prescription medicines and medical devices. Similar collaboration between India's and UK's authorities would be positive. Such wins in a UK-India agreement will open up many more opportunities to boost bilateral trade, build on the hundreds of thousands of jobs in both countries and support investment.

Source: swarajyamag.com – May 21, 2022

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Sudden change in market mix reflects India's increased export prowess

In an unusual move, the commerce ministry last year fixed export targets for each of the top 40 markets, instead of zeroing in on just a few economies or setting only a full-year goal.

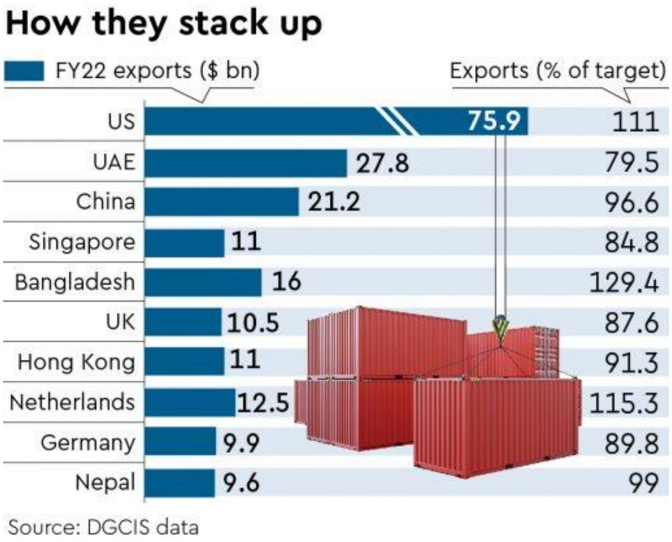
Merchandise exports to seven of the top 10 markets trailed the official targets in FY22 but India still managed to not just beat its ambitious goal of $400 billion but achieved record outbound shipments of $422 billion last fiscal, as despatches to many other economies more than made up for the shortfall. It reflects deeper market penetration by Indian exporters and suggests the country's long-attempted diversification strategy has started to pay off.

Data sourced from the DGCIS on the top 40 markets suggest exports to the UAE, China, Hong Kong, Singapore, UK, Germany and Nepal were in the range of 79% to 99% of the respective targets for FY22 (see chart). Exports to Malaysia and Russia faltered more dramatically, having hit just 77.6% and 78.5%, respectively, of the full-year targets. Of course, exports to all these markets still surpassed the FY21 level when the pandemic had caused massive disruptions to the global supply chains and resulted in a 6.6% year-on-year drop in India's outbound goods shipments to $291 billion.

However, a strong rebound in exports to other key markets across continents – including the US (111.1% of the target), Bangladesh (129.4%), the Netherlands (115.3%), Belgium (120.5%), Saudi Arabia (118.1%), Indonesia (124.1%), Turkey (117.1%), Italy (115.4%), South Korea (144.7%) and Brazil (124.6%) — boosted the overall number and highlights the broad-based nature of the surge.

Interestingly, exports to Australia and Taiwan, who have been seeking to diversify away from a belligerent China, were as high as $8.06 billion and $2.7 billion, respectively — or 165.9% and 142.1% of the respective targets for FY22. On the whole, at $364 billion, exports to the top 40 markets beat the target of $355 billion set for them.

Importantly, India's exports to China remained flat at $21.2 billion but imports from the neighbour jumped 44.4% to $94.2 billion, leading to a record trade deficit of $73 billion, or about 63% of the bilateral trade. This brings to fore the urgency of addressing massive inflows of low-grade products from Beijing at cheaper rates, a senior industry executive said.



In an unusual move, the commerce ministry last year fixed export targets for each of the top 40 markets, instead of zeroing in on just a few economies or setting only a full-year goal. The ministry then followed it up with regular meetings with stakeholders and overseas missions for targeted interventions, following directions from Prime Minister Narendra Modi, to enable exporters to better cash in on a global industrial resurgence.

“If we could cross a lofty target in FY22 despite lower-than-expected growth in seven of the top ten markets, it just suggests that once we further consolidate our position in these traditionally large markets, we can achieve even higher exports. Moreover, exports to some other economies were more than encouraging. This also means the focus on diversification is yielding results,” an official source told FE.

Before hitting $422 billion in FY22, merchandise exports fluctuated between $250 billion and $330 billion since FY11; the previous highest export of $330 billion was achieved in FY19. However, having successfully weathered the damage caused by two Covid waves, Indian exporters face fresh uncertainties now from the Russia-Ukraine war that has disrupted the already-burdened global supply chains and caused the shipping costs to skyrocket.

Still, the silver lining is that, despite these odds, goods exports in April grew 30.7% to breach the $40-billion mark, a record for the first month of any fiscal.

Source: financialexpress.com– May 23, 2022

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USD 5 trillion economy: The curious case of India's rise to the top 5

Did India break into the top league as the world's fifth-largest economy taking over the UK? It did, but didn't. According to the IMF, in 2019, India became the world's fifth-largest economy with a nominal GDP of $2.94 trillion overtaking France ($2.71 trillion) and the UK ($2.83 trillion). But the trouble with GDP numbers is that they undergo a series of revisions and the final data comes only with a lag of 2-3 years. In other words, first estimates of national output are ballpark figures and are subjected to revisions, both upwards and downwards.

So, India's $2.94 trillion for 2019 was revised down to $2.83 trillion, while France's and the UK's were revised upward to $2.73 trillion and $2.88 trillion, respectively. The joy was shortlived and what seemed like cracking into the top 5, overtaking our colonial masters Britain didn't materialise even now with India settling at the sixth spot since.

The good news is, Asia's third-largest economy is likely to not only break into the top 5 this fiscal, but also move one spot ahead to takeover Germany in the next 5 years, as per the latest IMF projections. The forecasts are somewhat believable this time around given the gap between projected output between India and the UK for this year, and between India and Germany for 2027 are a good $20 billion-plus, which means, despite factoring a downward revision in both first and second estimates, chances are that India's spot in the top five appears confirmed.

In 2021, India's GDP stood at $3.18 trillion, just a notch below the UK's at $3.19 trillion. Of course, these numbers are subject to revision, but the fact remains that the Indian economy is closing the gap faster. The pace of output growth is slowing down in the UK, thanks to Brexit uncertainity, Covid-related disruptions and the ongoing Ukraine-Russia war is also adding to India's ascent.

In 2022, the IMF projects India's $3.53 trillion economy to overtake Britain's $3.38 trillion. By 2027, the UK's economy will be at $4.55 trillion, while India would have surpassed it with a neat $1 trillion margin settling at $5.53 trillion. And if the forecasts are anything to by, India is all set to even dethrone Germany, whose nominal GDP is estimated at $5.36 trillion by 2027, to emerge as the world's fourth largest economy.

At the third spot is Japan, whose economy is likely to grow from $4.91 trillion in 2022 to $6.26 trillion. That's less than a $1 trillion gap with that of India's $5.53 trillion and provided there are no major setbacks and if the 7-8% real GDP growth rate continues, the target to compete with Japan's third spot is doable and not really over ambitious either.

But breaking into the next phase from thereon would be both challenging and interesting. By 2027, China's economy at an estimated $29.13 trillion would be at a kissing distance to takeover the US ($30.97 trillion) as the world's largest economy. From the 9th spot in 2010 trailing countries like Brazil and Italy, India's rise has been dramatic in the past two decades and will be keenly watched.

The IMF, which predicted in April this year that India can not become a $5 trillion economy until 2028-2029 has reworked its forecast early this month.

As per the revision, India will be a $5 trillion economy by 2026-2027, two years earlier than they initially predicted and a $5.5 trillion economy in FY28 or calendar year 2027. The change in forecast was due to the assumption that the rupee will depreciate to 84 against the dollar and not 94, as per the IMF.

Source: newindianexpress.com– May 22, 2022

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Taxpayers can claim refund of IGST on ocean freight, experts say on SC ruling

Taxpayers who have paid GST on 'Ocean Freight' on imported goods will be entitled to claim refunds, following the Supreme Court verdict, provided they have not claimed input tax credit, experts said.

Giving its ruling in the Mohit Minerals case, the Supreme Court held that since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc in a CIF (Cost Insurance Freight) contract, a separate levy on the Indian importer for the 'supply of services' by the shipping line would be in violation of … the CGST Act.

In this particular case, the company had challenged the validity of the CBIC notification regarding levy of Integrated GST on ocean freight in the Gujarat High Court. The Supreme Court upheld the decision of the Gujarat High Court which had favoured the company.

Tax Connect Advisory Services Partner Vivek Jalan said this is a big relief for importers and GST taxpayers. "Infact those taxpayers who had already paid the GST may also seek a refund of the same now".

Naresh Sheth, Partner, N A Shah Associates said, "Such levy, in substance, was a tax on transactions between two foreign parties taking place outside India which apparently is beyond the territorial jurisdiction of the Indian Government." Jalan further said generally, the value of imported goods is CIF and includes the Cost, Insurance and Freight components. Hence Customs Duty and GST is charged on such value.

"However, CBIC also sought to levy GST @5 per cent on the value of Imported goods considering 10 per cent of the value of imported goods as deemed ocean freight," Jalan added.

AMRG & Associates Senior Partner Rajat Mohan said the Supreme Court has upheld the Gujarat High Court judgement categorizing the levy of IGST on ocean freight services as unconstitutional.

This is a dual levy of IGST as the same has already suffered tax as part of the value of goods. Moreover, these services are received by the foreign exporter, thus the Indian importer shall not be held liable to pay GST on the same, he said.

"Through this, a window of opportunity has been opened for the importers who have already paid the tax to demand refund from the exchequer," Mohan added.

Federation of Indian Export organisations (FIEO) DG Ajay Sahai said FIEO has already represented that ocean freight on goods imported on CIF basis should not be charged as it is tantamount to double taxation, adding to the liquidity problem.

"While the set off of IGST on imports was available but after a time lag, it was adding to the challenges for manufacturers and exporters," Sahai said.

Nangia Andersen LLP, Director- Indirect Tax, Tanushree Roy said levy of reverse charge on ocean freight is now unconstitutional in view of the landmark judgement of the Supreme Court of India in ocean freight matter.

"Indian importers (who had paid GST under RCM on Ocean Freight) should evaluate the possibility of filing refund claims for claiming the said amounts (to the extent not utilized as input credit).

"Further, importers who had not paid the tax on import of such Ocean Freight services would no longer be required to pay GST on such services in view of the said judgement," Roy said.

Source: financialexpress.com– May 22, 2022

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GST Council may consider modification in monthly tax payment form for better ITC reporting

The GST Council is likely to consider modification in summary return and monthly tax payment form, GSTR-3B, in its meeting next month, with a view to check fake input tax credit claims and expedite settlement of genuine ones, an official said.

According to officials, the modified form will provide clarity with regard to gross input tax credit (ITC) due to the taxpayer, the amount claimed in a particular month and the net amount left in the taxpayer's ledger.

A meeting of the Goods and Services Tax (GST) Council, the highest decision making body in the GST matter, is likely to be held next month. The modified form will help in checking bogus ITC claims and ensure that honest taxpayers are able to timely avail the ITC benefit.

"The law committee of the GST Council is looking at streamlining the GSTR-3B so that there is further clarity on ITC disclosure. The modified GSTR-3B is expected to be put up before the Council in its next meeting," the official told PTI. GSTR-3B, which is a summary statement and monthly GST payment form, is filed in staggered manner between 20th, 22nd and 24th of every month for different categories of taxpayers.

AMRG & Associates Senior Partner Rajat Mohan said the changes in monthly tax payment form would help identify taxpayers who are claiming ineligible tax credit.

"The new form would bring in changes in the reporting of gross tax credit by financial institutions, including banks and NBFCs, companies in the oil and gas sector, extra neutral alcohol manufacturing, public transportation services, healthcare and educational services," Mohan said.

Precise reporting of the gross tax credit would also iron out the delays in the distribution of tax revenues between the Centre and states, he added. In its next meeting the Council will also consider the report of the panel of ministers on applicability of GST on casinos, race courses and online gaming.

The group of state ministers unanimously decided on hiking the tax rate on these services to 28 per cent, besides working out a method of valuing these services for the purpose of levying this tax.

Currently, services of casinos, horse racing and online gaming attract 18 per cent GST. The GoM would decide on the method of valuing the services.

Source: financialexpress.com– May 22, 2022

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Denim makers embrace blends as cotton prices soar

Come winter you may find branded jeans made of blended fabric and not pure cotton. To address the issue of high prices of cotton and other raw materials and unable to pass on higher prices to their customers, a few denim manufacturers are taking to value-engineering denims by blending in other fibres. Cotton prices have gone as high as Rs 97,000 a candy at a time when manufacturers are facing other inflationary pressures as well.

Vinay Thadani, CEO, Vishal Fabrics Limited, said, “As cotton prices have gone up, we have begun moving towards blending other fibres such as lycra and polyester with cotton to reduce costs. Against 5% of our product portfolio, we are now aiming at 12% of our product mix being blends. Denim manufacturers are compelled to find cost-reducing measures.”

The case of Arvind Limited is similar, according to market sources. “High cotton prices have added pressure on manufacturers of denims. The denim division of Arvind is also focussed on value-engineering its products by blending cotton with different fibres. The idea is to not compromise on quality,” said a source privy to the development.

Industry players say in the Indian market, blended denims may be seen in jeans when the fall-winter collection is launched.

Polyester blends, according to them, will not work well in the Indian climate.

A lot of brands in foreign markets are readily accepting blended fabrics, which was not the case earlier. Manufacturers are going the extra mile to ensure quality is not compromised and the texture and feel of the fabric doesn’t change too much.

Several MSME denim manufacturers are also experimenting with blended fabrics. Saurav Jalan, director of a textile manufacturing company, said, “We are experimenting with blends and the response has been good over the past six months as clients are also in no position to raise prices.

We’re exploring blends with polyester and other man-made fibres. This is helping bring down costs by as much as Rs 130 a kg, reducing dependence on cotton significantly.”

"Cotton prices in India have seen the steepest increase compared to other markets. Interestingly, in China, the increase in cotton prices has been minimal. This is limiting the competitiveness of Indian manufacturers, who are forced to value-engineer products," said an industry source.

Source: timesofindia.com– May 22, 2022

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Panipat textile exports down 60%, courtesy Ukraine war, rise in yarn prices

The Russia-Ukraine war, hike in cotton yarn prices and freight charges have hit Panipat's export business by up to 60 per cent this year. Cancellation and halting of orders has put exporters in trouble.

Panipat generally has around Rs 45,000-crore annual turnover, including Rs 15,000 crore from exports alone. Around 450 units functioning here export handloom products, blankets, bed sheets, cushions and hundreds of other items all over the world.

Lalit Goyal, president of the Panipat Exporters' Association, said cotton yarn prices had increased to around Rs 330 per kg from Rs 160 per kg earlier. Open-end yarn, which was earlier available at Rs 120 a kg, had gone up to Rs 170-190 a kg now, he said.

The slowdown in exports started in the beginning of this year. There were hardly any fresh orders from overseas buyers. The previously placed orders were also cancelled or held up by them, Goyal asserted.

"If the situation doesn't improve in the coming days, textile exporters will lose business worth around Rs 7000-8000 crore this fiscal. That will be a big setback for Panipat-based exporters," he said. Ashok Gupta, vice-president of the association, said skyrocketing freight charges had increased the production cost by 15-18 per cent.

"The economic conditions in America and Europe have led to a slump in demand, thus adversely affecting the Panipat textile industry. If the situation doesn't improve, employment crisis will also set in," he said.

The industry

Rs 45,000-cr annual turnover of Panipat textile industry

Rs 15,000 cr out of this comes from exports only

Rs 8,000 cr likely reduction in exports, if the situation does not improve

450 textile export units functional in Panipat

The blow

Rs 330 per kg is the cotton yarn price; up from the earlier Rs 160/kg

Rs 190 per kg price of open-end yarn; up from Rs 120/kg

18% hike in the production cost due to the increased freight charges

Source: tribuneindia.com– May 22, 2022

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Cotton prices high, garment-makers diversify in Punjab

Spiralling cotton and cotton yarn prices seem to be taking a toll on the garments industry in India and Punjab is no exception. While exporters fear losing clients, manufacturers catering to the domestic market have diversified into polyester-blended garments to offset high cotton prices.

A fall in cotton production in the last season coupled with a significant rise in demand by textile units, which had secured export orders, led to the shortage of cotton in the country.

In the last one year, cotton yarn prices have risen from

Rs 175 per kg to Rs 400 per kg. At Rs 150 a kg, polyester yarn costs nearly one-third of the cotton. So, it makes sense for the garment-makers to diversify. As per the industry, due to diversification, there has been a spurt in the demand for polyester-knitted yarns. The domestic market for garments is pegged at Rs 3.25 lakh crore and it is almost three times the export market.

In Punjab, Ludhiana is the major garment hub. There are around 10,000 units in Ludhiana involved in the entire textile value chain.

Not only smaller units, even bigger players are feeling the heat of the increasing cost of yarn. Even the government's decision to abolish import duty on cotton hasn't provided the much-needed reprieve to the ailing textile industry.

Harish Dua, MD of Ludhiana-based KG Exports, said, "Those who were catering to the domestic market diversified into polyester garment. Exporters, however, doesn't have much choice. They fear losing clients as unreasonable price increase makes manufacturers uncompetitive in the international market and we end up losing clients."

Exporters demand that the government should immediately ban the export of cotton yarn, else there would have a cascading effect on each stage of manufacturing.

Source: tribuneindia.com– May 22, 2022

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Industries welcome reduction in duties on raw materials

Elastomeric Filament Yarn production is limited in the country and removal of anti-dumping duty will help the industry produce value-added products

Textile and clothing industry has welcomed the removal of anti-dumping duty on Elastomeric Filament Yarn (EFY), which is used largely in production of denim products.

Chairman of Confederation of Indian Textile Industry T. Rajkumar and chairman of Southern India Mills' Association Ravi Sam said in press statements that the EFY production was limited in the country and removal of anti-dumping duty would help the industry produce value-added products. It would also improve competitiveness of denim products in the international market.

The Government had removed anti-dumping duty on most of the man-made fibres and their raw materials. The textile industry was facing a grave crisis because of sky-rocketing cotton prices. Reduction of excise duty on fuel would reduce the transportation cost of cotton to a certain extent. For textile mills in Tamil Nadu, more than 95 % of cotton requirement comes from other States.

They added that reducing the customs duty on plastic product raw materials, their intermediaries and calibrating reduction in customs duty on raw materials and intermediaries for iron and steel would benefit the textile machinery, spares and accessory manufacturers.

A. Sakthivel, president of Federation of Indian Export Organisations, said similar measures were needed for some of the textile inputs as rising prices were making it extremely difficult for exporters of apparels to face price competition. Levy of export duty on cotton and duty free import of cotton yarn would improve availability of these inputs at competitive cost for the apparel sector.

Source: thehindu.com– May 22, 2022

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Punjab govt to acquire 250 acres, hold demand survey for mega textile park

The Punjab government plans to acquire another 250 acres of land and undertake a demand survey for the proposed mega textile park in Ludhiana under the PM-MITRA scheme.

The state government has pitched a site in Kum Kalan tehsil of Ludhiana, which has one of the largest textile clusters in north India, for the textile parks project to be set up under the Prime Minister Mega Integrated Textile Region and Apparel (PM-MITRA) scheme. In all, seven parks have been planned by the central government in different parts of the country. Availability of contiguous and encumbrance-free land parcel of over 1,000 acres along with other textiles-related facilities are primary requirements for consideration of any site under the scheme having a total outlay of ₹4,445 crore.

Director-cum-secretary, industries and commerce, Sibin C said there is requirement of 250 acres of land for which the process has already been initiated to meet the 1,000-acre land requirement for the project. Of the site proposed by the state for the big-ticket project, the Greater Ludhiana Area Development Authority (GLADA), a special development authority of the housing and urban development department, owns 957 acres, but 197 acres out of this land parcel is currently under litigation.

The additional land requirement emerged following the discussions a team of the Union ministry of textiles led by special secretary VK Singh had with senior officers of industries department, district administration and GLADA as well as representatives of textile industry during its visit to the state about 10 days ago.

An official privy to the discussions said the central team pointed out the need for 1,000 acres encumbrance-free land with contiguity. “As portions of the land available with GLADA are under litigation or under stay by the judicial courts, additional area needs to be acquired to fill the minimum land requirement for the project,” said the official who did not want to be named.

The state industries department has written to the principal secretary, department of housing and urban development, regarding fulfilling the additional land requirement at the earliest.

Besides a demand survey from the industry, another issue raised by the textiles ministry's team during the discussions was road connectivity to the proposed site, especially approach road to the Ludhiana-Rupnagar expressway, to the proposed site, along with its likely date of completion. "These are prerequisites for considering the site for setting up the textile park in the first phase of the scheme," the official said.

Punjab is among the top 10 states for textile and garment exports, supplying primarily to the US, UAE, UK and Australia.

As per the scheme notified by the central government, the textile parks will be set up at greenfield (fresh) or brownfield (existing) site locations in different states to create an integrated value chain right from spinning, weaving, processing/dyeing and printing to garment manufacturing at a single location.

For a greenfield park, the central government's capital development support will be 30% of project cost with a cap of ₹500 crore. The park will be developed by a special purpose vehicle to be owned by the state government and the central government in a public-private partnership (PPP) mode. The government hopes to generate about one-lakh direct and two-lakh indirect jobs per park.

Source: hindustantimes.com– May 23, 2022

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Spinning units in Coimbatore to stop cotton procurement

Several small-scale spinning mills have decided to stop production as cotton prices have crossed ₹1 lakh a candy (356 kg).

South India Spinners' Association president J. Selvan has said in a press release that cotton prices had increased 53 % between January this year and now, whereas yarn prices were up by only 21 %. The mills were incurring a loss of ₹50 to ₹60 per kg of yarn.

Several mills had already reduced the working hours and shifts. They were unable to buy cotton at high prices and face erosion of working capital. Hence, the Association members had decided to stop procurement of cotton and would suspend operations till cotton prices reduced.

Meanwhile, Open end Spinning Mills Association president G. Arulmozhi said in a press release that over 600 open end spinners, employing almost two lakh workers and supplying yarn to weaving units in this region, had decided to switch over to polyester/viscose yarn production from cotton as the raw material prices had seen a sharp hike in prices.

The open end spinning mills use waste cotton from the textile mills as raw material. Last month, the price of waste cotton was ₹120 a kg as against ₹155 a kg now.

The textile mills are increasing the waste cotton prices frequently and hence, it is unviable for the open end spinners to continue with waste cotton, he claimed.

President of Cotton Association of India Atul Ganatra said the decision of textile mills to close the units was not a good sign for the entire textile value chain.

Source: thehindu.com– May 22, 2022

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Textile manufacturers' strike shuts 1.5L power loom units

Over 1.5 lakh power loom weavers closed their facilities, as textile manufacturers went on a 15-day general strike protesting against rising yarn prices in Tiruppur and Coimbatore. Textile manufacturers have stopped supplying 'warp' yarn to weaving units, so power loom units closed.

Tamil Nadu Powerloom Weaving Owners Association (West TN) president said, "As cotton yarn prices keep increasing, grey fabrics and textile manufacturers find it tough to run their business. They used to supply 'warp' yarn to power loom weaving units and we would supply grey and textile fabrics such as bedsheets, tablecloths, and cloths for hospital and railway departments.

Since the fabric was neither dyed nor printed, it was good business. But cotton yarn prices are affecting the textile business. First, they decided to halt production by up to 50% for a few days. From today (Sunday), they decided to stop production and supply of 'warp' yarn for 15 days. Without warp, we can't run the machines. Workers too will suffer due to the closure of facilities."

Palladam Powerloom Weaving Unit Owners Association President P Velusamy said, "Textile manufacturers provide weavers 'warp' yarn every Monday and get the finished goods on a contract basis. Not all weaving units stock up the warp for emergencies. So, none of the weaving units will be working from Sunday."

Source: newindianexpress.com– May 23, 2022

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What is fast fashion and is it a cause for concern?

In a country where a big chunk of population is employed in textile sector, it might be an odd question to ask. But it is worth asking. Do we make too many clothes, buy too much of them, and junk too many of them?

According to an IndiaSpend report, over 1 million tonnes of textiles are thrown away in India every year. This report is one among many others that have argued that fast fashion is hurting the environment by creating a false sense of demand for the next and latest fresh look, which is an ever-changing notion. But, what does the term 'fast fashion' actually mean? Let's find out.

India is one of the top fast fashion manufacturing hubs globally and its own fashion demand is also growing. In this context, it is important to understand the concerns attached.

But, first, what exactly is fast fashion? The fashion industry used to have two seasons a year earlier. Manufacturers and designers used to roll out new collections for each season. But in 2000, some international brands introduced about 52 micro seasons a year. There were new launches almost every week, flooding markets with more and more stylish cloths. This was called fast fashion.

According to the Corporate Finance Institute, the term fast fashion refers to rapidly produced and consumed fashion products that are manufactured to meet fast-changing trends. In part, it is a sales technique, the rapid speed of which gives organisations using it a competitive advantage.

Fast fashion calls for clothes to move quickly from the fashion ramps into the hands of consumers in a bid to take advantage of the latest trend. The average consumer goes away happy as fast fashion allows them to buy the hot new look at an affordable price.

Not to mention, the rise of fast fashion reflects the success we have had in coming up with cheaper and speedier manufacturing processes and shipping methods. It also reflects the increase in consumer purchasing power, especially among the young.

And when the trend changes so fast and your wardrobe fills up fast, what happens to the clothes that are now considered out of style? You end up discarding them.

Fast fashion ends up resulting in a massive increase in wastage. Also, remember that these clothes are transported around the world before reaching you. The result is increased carbon dioxide emissions.

The fashion industry produces about 53 million tonnes of fibre every year, 70% of which ends up in garbage dumps. While in India, over one million tonnes of textiles are discarded every year.

So, what can you, as the consumer, do? Simple solutions are the answer. You can just buy less clothing. You can extend the life of your current clothing by not falling for the latest hot trend. In some countries, where the practice is prevalent, you can go in for thrift shopping. And, last but not least, you can upcycle your old clothes.

Source: business-standard.com– May 23, 2022

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