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IBTEX No. 99 of 2022 May 25, 2022

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INTERNATIONAL NEWS

China committed to Asia-Pacific free trade area: Minister Wang

Commerce minister Wang Wentao recently expressed China's commitment to achieving a comprehensive Asia-Pacific free trade area. He was speaking virtually at the 28th trade ministers' meeting of the Asia-Pacific Economic Cooperation (APEC). He said all APEC members should take building an Asia-Pacific community with a shared future as the main line.

The members should comprehensively promote practical cooperation in various fields of trade and investment, he said.

Free-trade arrangements should be explored as the main channel for promoting regional economic integration, and efforts should be made to advance regional inclusive development, he was quoted as saying by official Chinese media.

The minister reiterated that China will open its door wider and is continuously providing a driving force for the stable growth of global and regional economies.

The minister stressed that China firmly supports the multilateral trading system with the World Trade Organisation (WTO) as its core, maintains the security and stability of the global industrial and supply chains, and delivers more benefits to all parties.

APEC can play its role as a booster, stabiliser and incubator, and can provide strong support to the work of the WTO, he said.

China is ready to strengthen cooperation with other APEC economies to jointly push for substantial results for agendas to be discussed at the 12th WTO Ministerial Conference such as epidemic response and the WTO reform, he added.

Source: fibre2fashion.com– May 24, 2022

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USA: From Apparel to Home Goods, US Firms See Second-Half Revenue Gains

The U.S. economy is expected to continue to expand for the rest of 2022, the nation's purchasing and supply executives said in the Spring 2022 Semiannual Economic Forecast from the Institute for Supply Management (ISM), which found furniture and apparel makers feeling bullish on the revenue front.

Expectations for the remainder for 2022 were similar to those expressed in December, despite continued inflation and geopolitical unrest. Manufacturing revenue for 2022 is expected to increase an average of 9.2 percent, 2.7 percent higher than the December forecast but 4.9 percent lower than the year-over-year increase reported for 2021.

"With 16 manufacturing sector industries expecting revenue growth in 2022 and 13 industries expecting employment growth in 2022, panelists forecast that recovery will continue the rest of the year," Timothy R. Fiore, chair of the ISM Manufacturing Business Survey Committee, said. "Sentiment in each sector was generally consistent with industry performance reports in the April 2022 Manufacturing ISM 'Report On Business,' as well as the fall 'Semiannual Economic Forecast' conducted in December."

Sixteen of 18 industries report projected revenue increases, led by apparel, leather and allied products, and including furniture and related products.

Services sector respondents said they expect a 4.9 percent net increase in overall revenues, which was 0.6 percent higher than December.

"The services sector will continue to grow for the rest of 2022," Anthony S. Nieves, chair of the ISM Services Business Survey Committee. "Each of the 18 industries forecast increased revenues, up from the 16 industries that predicted increases in December."

This included transportation and warehousing, wholesale trade and retail Trade.

Purchasing and supply executives reported that their companies were operating at 87.2 percent of normal capacity, which was 1.5 percent lower than the figure reported in December. The eight industries reporting operating capacity levels above the average rate of 87.2 percent included apparel, leather and allied products.

Service organizations were operating at 91 percent of normal capacity, according to Business Survey Committee respondents, 1.6 percent higher compared to December. The 10 industries operating at capacity levels above the average rate of 91 percent included retail trade, and transportation and warehousing.

Manufacturing production capacity is expected to increase 5.8 percent in 2022–in December, panelists reported an increase of 3.5 percent for 2021 and projected an increase of 6.8 percent this year. The 15 industries expecting production capacity increases for 2022 were topped by apparel, leather and allied products, and included furniture and related products.

The capacity to produce products or provide services in the services sector was forecast to rise 1.2 percent in 2022. This compares to an increase of 2.3 percent reported for 2021 and a December projection of a 3.3 percent gain for this year.

The 13 industries expecting production capacity increases for 2022 included transportation and warehousing, and wholesale and retail trades.

Manufacturing survey respondents expected a 7.4 percent increase in capital expenditures in 2022, slightly lower than the 7.7 percent expansion forecast by the panel in December. The 12 industries expecting year-over-year increases in capital expenditures included furniture and related products, and apparel, leather and allied products.

This year, services purchasing and supply executives expect a capital expenditures increase of 6.2 percent compared to 2021. The 13 industries expecting an increase in capital expenditures included transportation and warehousing, and wholesale and retail trades.

In the December forecast, manufacturing respondents predicted an increase of 8.2 percent in prices paid during the first four months of 2022, In this survey, they reported prices increased 11.4 percent.

All 18 manufacturing industries reported an increase in prices paid for the first part of 2022, led by textile mills and including apparel, leather and allied products, and furniture and related products.

Services respondents reported that purchases during the first four months of this year cost an average of 8.7 percent more than at the end of 2021. This was 0.2 percent lower than the 8.9 percent increase predicted in December.

All 18 industries reported an increase in prices paid in the first part of 2022, including wholesale trade, transportation and warehousing, and retail trade.

Manufacturing survey respondents expect a year-over-year, net-average prices increase of 11.1 percent for 2022. With respondents reporting price increases of 11.4 percent through April, prices are projected to ease slightly over the rest of the year.

All 18 industries expect price increases for all of 2022, topped by textile mills and including furniture and related products, and apparel, leather and allied products.

This year, services respondents expect prices to increase an average of 9.6 percent compared to the end of 2021. With respondents reporting an increase of 8.7 percent through April, prices are projected increase over the rest of the year.

All 18 industries project price increases for all of 2022, including transportation and warehousing, and wholesale and retail trades.

ISM's Manufacturing Business Survey Committee respondents forecast that sector employment in 2022 will increase 3.2 percent year over year. The 13 industries projecting employment growth during 2022 were led by apparel, leather and allied products, and included furniture and related products.

Services sector employment will increase 2.5 percent in 2022, according to the forecast of ISM's Services Business Survey Committee respondents. The 12 industries anticipating increases in employment included transportation and warehousing, and wholesale trade.+-

Source: sourcingjournal.com– May 24, 2022

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Walmart-Backed Worker-Safety Program Expands to Cambodia

IDH, The Sustainable Trade Initiative is bringing its tentpole worker-safety initiative to Cambodia.

The Netherlands-based advocacy group announced Wednesday that it will be rolling out its Life and Building Safety (LABS) Initiative across the Southeast Asian nation's major hubs, including Phnom Penh, Kandal, Kampong Cham, Kampong Chhnang, Kampong Speu and Takeo. The program, which has the backing of household names such as Gap Inc., Target, Vans owner VF Corp. and Walmart is poised to benefit roughly 206,000 workers through factory assessments, monitoring, mitigation and remediation this year.

LABS has operated in India and Vietnam since 2019, covering more than 572,000 workers to date. Moving into Cambodia dovetails with the initiative's desire to mitigate preventable safety risks in key apparel and footwear-sourcing countries, according to Pramit Chanda, global director for textiles and manufacturing at IDH and LABS.

"Aimed at improving worker safety in the apparel and footwear industries, LABS effectively identifies and mitigates the potential risks related to fire, electrical and structural building safety and evacuation," Chanda said. "Our expansion into Cambodia is aligned with our goals to scale the programs in key apparel and footwear hubs. LABS continues to build on the learnings and engagements from the work in India and Vietnam."

The LABS assessment, he noted, is not a "code-compliance check." Rather, it defines a "required level" of safety based on international best practices and local context. LABS participants, as facilitated by the LABS secretariat, engage in dialogue with local stakeholders, including industry groups, civil society organizations, governments and institutes to create better safety policies and provisions.

Factories involved in the program commit to adhere to "harmonized, country-level" structural, fire and electrical safety standards and methodologies. In Cambodia's case, this will include both the International Building Code and the National Building Code of Cambodia.

The result, IDH says, is a “coherent and consistent” worker-safety framework that weaves together an interrelated set of measures that provide an “acceptable level” of safety in a building. The initiative covers small, medium and large enterprises alike.

But the program has its detractors, who say that the voluntary brand initiative lacks either union participation or binding mechanisms to hold brands legally accountable for factory conditions. Organizations such as the Clean Clothes Campaign have also criticized Gap Inc., Target, VF Corp. and Walmart for failing to sign the Accord on Fire and Building and Safety in Bangladesh or its successor, the International Accord for Health and Safety in the Textile and Garment Industry, which they say were designed to fix the deficiencies of the traditional corporate social auditing system.

“The safety mechanism proposed by LABS is grossly inadequate,” Ineke Zeldenrust, international coordinator at the Clean Clothes Campaign, told Sourcing Journal. “In order to properly protect workers, safety agreements need to be legally binding so brands can be held financially and legally responsible for safety problems that occur within their factories.”

Safety agreements, she added, must also be “driven by the needs of workers” through the “credible involvement” of local unions and worker organizations, especially when it comes to oversight and governance. “With neither of these essential components, this new ‘initiative’ will do nothing but provide a mechanism for brands to pat themselves on the back, while leaving their workers still at risk,” she said.

VF Corp. insists, however, that providing safe workplaces has “always been and remains” a “central” focus. “Leveraging the capabilities of collective initiatives, such as the LABS initiative, is another opportunity to advance workplace safety for workers across our supply chain,” a spokesperson said. “We are proud to see the expansion of LABS into another sourcing country, Cambodia.”

IDH declined to respond to the Clean Clothes Campaign’s assertions. Gap, Target and Walmart did not answer emails requesting comment.

The apparel sector is Cambodia’s largest employer with roughly 800,000 mostly female workers. Europe, its biggest customer, receives roughly 40 percent of the country’s clothing exports, which rose by 15.2 percent year over year to $11.38 billion in 2021. In the first quarter of 2022, the country exported $3.15 million in garment products, up 25 percent year over year.

Cambodia's government has been investing in the sector in earnest as part of its five-year garment, footwear and travel goods strategy to improve its environmental sustainability and value. The Council for the Development of Cambodia said earlier this month that the nation approved 52 fixed-asset investment projects worth $2.46 billion in the first four months of 2022 that are expected to generate over 47,000 jobs, most of them garment-related.

Source: sourcingjournal.com– May 23, 2022

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Myanmar, Cambodia expedite talks on two trade cooperation deals

Citing low bilateral trade volume, Myanmar and Cambodia are expediting talks on two draft agreements to raise trade cooperation. Cambodian commerce minister Pan Sorasak recently called on the two sides for more discussions on economic and trade progress “within the regional and bilateral frameworks aimed at boosting trade volume and boosting economic recovery”.

He said this during a meeting between representatives of the Cambodian ministry of commerce and the Myanmar ministry of investment and foreign economic relations in Indonesia.

Myanmar minister of investment and foreign economic relations Aung Naing Oo agreed that the recent negotiations by Cambodia on the establishment of bilateral free trade agreements with China and South Korea are a sign of the latter’s success in building and expanding trade partnerships, according to a Cambodian newspaper report.

He said negotiations on the draft Cambodia-Myanmar investment agreement and the Double Taxation Avoidance Agreement between the two countries are being expedited.

Bilateral trade volume between both sides in the three years prior to the COVID-19 crisis totalled just $20 million. Annual bilateral trade between the two countries has remained tilted in Myanmar’s favour, increasing slightly more than two-fold between 2019 and 2020 to $28.2 million.

Cambodian imports from and exports to Myanmar in 2020 were to the tune of $24.93 million and $3.27 million respectively, the latter of which dipped marginally from 2019.

Source: fibre2fashion.com– May 24, 2022

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Bangladesh exports home textiles worth $1.3 bn in Jul-Apr 2022

Home textile exports were 28 per cent higher than its nearest peer, agricultural products. Jute and jute goods, which topped the export basket as the second biggest earning source in fiscal 2020-21, fell to the fifth place in the face of falling demand for jute yarn, twine, sacks and bags, according to the Export Promotion Bureau (EPB).

"We have been registering increasing demand for home textiles from the last fiscal year as people stayed home as a part of coronavirus containment measures," Shahidullah Chowdhury, executive director of Noman Group, the main exporter of home textiles, was quoted as saying by a Bangladesh newspaper report. It exports $27 million worth of home textiles each month.

"Our main markets are Europe, Canada, the United Kingdom and Japan. However, our exports are increasing in new markets such as Australia," he added.

The sector first crossed the $1 billion mark in fiscal 2020-21, thanks to a 49 per cent YoY hike in export earnings, driven mainly by higher costs and prices of raw cotton and other materials.

EPB data shows export earnings were only 3 per cent of the total receipts of $38.75 billion for that year with garments accounting for 81 per cent.

Political uncertainty in Pakistan has also discouraged buyers from placing orders there, and therefore, the increased order flow is likely to continue.

Source: fibre2fashion.com– May 24, 2022

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EU's new Carbon Tax can impact and reduce RMG exports from Bangladesh

To transform Europe into a carbon neutral continent, the European Union (EU) plans to impose carbon tax as a part of the EU's Green Deal in several sectors. The risk list currently does not include Bangladesh's main export products, garments and leather items.

However, they are likely to be added at any time in future. Their addition to the list could hurt exports, warn experts, they also advise Bangladesh to introduce carbon tax and carbon market in the country besides focusing on renewable energy.

Transforming EU into a resource-efficient economy

A new growth strategy, the European Green Deal aims to transform the EU into a modern, resource-efficient and competitive economy with zero greenhouse gas emissions by 2050. A part of the Green Deal, the Carbon Tax will be levied on imports from foreign companies by EU listed buyers.

The Carbon Tax will also make it mandatory for EU importers to declare emissions embedded in imports and surrender the corresponding number of certificates each year. If importers can prove that a carbon price has already been paid during production of the imported goods, the corresponding amount can be deducted.

Carbon tax to hinder exports

According to initial assessment of RAPID, the EU might include apparel, leather and footwear in its list of 63 sub sectors deemed at risk for carbon leakage in future. Taxing these products can hinder exports and competitiveness.

They may reduce exports of the targeted carbon-intensive sector from developing countries by 2.4 per cent, says United Nations Conference on Trade and Development (UNCTAD).

However, apparel entrerpeneurs continue to remain unfazed by EU's move. Md Fazlul Hoque, Managing Director, Plummy Fashions opines, Bangladesh will continue to march ahead of other countries in green initiative.

Focus on renewable energy

Rumana Huque, Economics Professor, Dhaka University believes, Bangladesh may lag behind competitors if it does not immediately begin to study the issue in detail and prepare in light of the standards of buyer countries.

MA Razzaque adds, if Bangladesh is already preparing to pay the carbon tax, then it will not have to pay for export of goods to EU countries. It can instead focus on renewable energy.

Source: fashionatingworld.com– May 23, 2022

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NATIONAL NEWS

Prime Minister's meeting with Prime Minister of Japan

Prime Minister Shri Narendra Modi held a bilateral meeting today with H.E. Mr. Fumio Kishida, Prime Minister of Japan. PM Kishida also hosted a dinner for PM Modi. They had productive exchange of views on enhancing bilateral relations in various spheres as well as on some regional and global issues.

The two leaders agreed to further enhance bilateral security and defence cooperation, including in the area of defence manufacturing. They concurred that the next 2+2 Foreign and Defence Ministerial Meeting may be held in Japan at the earliest.

The two leaders appreciated the growing economic ties between the two countries. They agreed that both sides should work jointly towards implementing their decision to have 5 trillion yen in public and private investment and financing from Japan to India in the next five years. Prime Minister highlighted the steps taken by Government of India to improve ease of doing business, logistics through Gati Shakti initiative and urged Prime Minister Kishida to support greater investments by Japanese companies in India. Such investments would help in creating resilient supply chains and would be mutually beneficial. In this context, Prime Minister Modi appreciated that Japanese companies were increasing their investments in India and that 24 Japanese companies had successfully applied under the various PLI schemes.

The two leaders noted the progress in implementation of Mumbai-Ahmedabad High Speed Rail (MAHSR) project and welcomed the signing of exchange of notes of the 3rd tranche loan for this project. The two leaders highlighted the increasing importance of information and communication technologies and in this regard agreed to encourage greater collaboration between private sectors of two sides in development of next generation communication technologies.

They also discussed possibilities of collaboration in critical and emerging technologies such as 5G, Beyond 5G and semiconductors. The two Prime Ministers also agreed to deepen cooperation in the area of Clean Energy including green hydrogen and, in this regard, encouraged more business to business collaboration.

The two leaders agreed to further boost people-to-people linkages. Prime Minister Kishida noted that such linkages should become the backbone of bilateral relations. In this regard, they took note of the progress in implementation of the Specified Skilled Workers (SSW) programme and agreed to further scale up this programme.

Prime Minister Modi raised the issue of further easing of travel restrictions in order to facilitate quarantine free entry into Japan for travellers from India carrying Covaxin and Covishield vaccination certificates. The two leaders concurred that the India-Japan Act East Forum was useful in prioritising development of India's North East Region, and looked forward to early implementation of various projects which were identified by the two sides during the Annual Summit.

The two leaders exchanged views on recent global and regional developments. They noted the convergences in their respective approaches to the Indo-Pacific and reaffirmed their commitment towards a free, open and inclusive Indo-Pacific region. In this context, they welcomed the progress in the Quad's contemporary and constructive agenda such as vaccines, scholarships, critical technologies and infrastructure.

Prime Minister Modi thanked Prime Minister Kishida for the warmth and hospitality extended to him and members of his delegation during the visit. PM Kishida extended an invitation to PM Modi to visit Japan for the next Annual Bilateral Summit, which was accepted with pleasure.

Source: pib.gov.in– May 25, 2022

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Prime Minister's meeting with Australian Prime Minister on the sidelines of the Quad Leaders' Summit

Prime Minister Shri Narendra Modi held a bilateral meeting with Australian Prime Minister H.E. Mr. Anthony Albanese on 24 May 2022 on the sidelines of the Quad Leaders' Summit in Tokyo, Japan.

Prime Minister congratulated Prime Minister Albanese for his election victory. Both leaders reviewed the multi-faceted cooperation under the Comprehensive Strategic Partnership, including in trade & investment, defence manufacturing, renewable energy including green hydrogen, education, science and technology, agricultural research, sports and people-to-people ties. Both Prime Ministers affirmed their desire to continue the positive momentum in the bilateral relationship.

Prime Minister extended an invitation to the Australian Prime Minister to visit India at an early date.

Source: pib.gov.in– May 25, 2022

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India-Canada second round free-trade agreement talks start next week

Officials from India and Canada are expected to meet virtually next week to commence the second round of negotiations for a free-trade agreement (FTA) that aims to strengthen economic ties between the two countries.

India is expected to push for greater market access for pharmaceutical products, readymade garments, agriculture goods and easier movement of skilled workers, to create more jobs for its IT professionals, people aware of the matter said. Canada is expected to seek greater market access for agriculture products such as pulses. Both nations may steer away from including sensitive items such as dairy in the trade deal, they said.

“The first round of negotiations happened soon after the fifth Ministerial Dialogue on Trade and Investment, where broader issues were discussed. There will be more clarity on the way forward as something more concrete is expected after the second round of discussions,” one of the officials cited above said.

India and Canada had launched negotiations towards a comprehensive economic partnership agreement (CEPA) in 2010. However, no headway was made even after the 10th round nearly five years ago.

A joint statement released by India and Canada in March stated that both the countries are looking to finalise an interim or an early progress trade agreement (EPTA). A spokesperson from the High Commission of Canada said that while India has rolled out various reform measures over the last few years, uncertainty caused due to unpredictable tariff rates in India’s agriculture sector are some of the hurdles faced by the exporters from Canada. "Canada is happy to note that India is steadily moving up the ranking of the World Bank’s ‘Ease of Doing Business’.

This has been possible, in part, as a result of some Government of India initiatives such as the establishment of the National Investment Promotion and Facilitation Agency, Similarly, the amalgamation of various taxes into one GST has been welcomed by the business community and has facilitated trading across state borders. The debt and insolvency law, as well as implementation of the PLI, are being used by some Canadian producers in India,” the spokesperson told Business Standard.

"However some challenges still exist, mostly at the local and state level, such as permit approvals, land acquisition, supply-chain unpredictability, and high tariffs. And in the agricultural sector, unpredictable tariff rates and quantity restrictions can cause uncertainty," the spokesperson said.

Canada was India's 36th largest trading partner in FY22. India exported goods worth $3.76 billion to Canada, while importing goods worth $3.13 billion in the financial year 2021-22.

Source: business-standard.com– May 24, 2022

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Prime Minister's participation in the Quad Leaders' Summit

Prime Minister Shri Narendra Modi participated in the second in-person Quad Leaders' Summit in Tokyo, Japan on 24 May 2022, along with Prime Minister Fumio Kishida of Japan, President Joseph Biden of the United States of America and Prime Minister Anthony Albanese of Australia. This was the fourth interaction of the Leaders since their first virtual meeting in March 2021, the Summit in Washington D.C in September 2021 and their virtual interaction in March 2022.

The Leaders reiterated their shared commitment to a free, open and inclusive Indo-Pacific and the importance of upholding theprinciples of sovereignty, territorial integrity and peaceful resolution of disputes. They exchanged perspectives on developments in the Indo-Pacific and the conflict in Europe.

Prime Minister highlighted India's consistent and principled position on the need for cessation of hostilities, resumption of dialogue and diplomacy. The Leaders also took stock of ongoing Quad collaboration and their vision for the future.

The Leaders reiterated their desire to combat terrorism, denounced the use of terrorist proxies and emphasized the importance of denying any logistical, financial, or military support to terrorist groups which could be used to launch or plan terror attacks, including cross-border attacks.

Reviewing Quad's ongoing efforts to combat the COVID-19 pandemic, the Leaders welcomed the enhanced manufacturing capacity of Biological-E facility in India and called for the expeditious grant of EUL approvalby the WHO so that delivery of vaccines can commence.

The Leaders welcomed the gift of 525,000 doses of Made in India vaccines by India to Thailand and Cambodia in April 2022 under the Quad Vaccine Partnership. They will continue to pursue a holistic approach to pandemic management by addressing last mile delivery and distribution challenges, augmenting regional health security through cooperation in genomic surveillance and clinical trials, and bolstering global health security architecture.

A Quad Climate Change Action and Mitigation Package (Q-CHAMP) was announced to strengthen efforts towards green shipping, clean energy including green hydrogen and climate and disaster resilient infrastructure. Prime Minister reiterated the importance of assisting countries in the region with their COP26 commitments through mobilization of climate finance and technology transfer.

As part of ongoing work related to critical and emerging technologies, Quad's Common Statement of Principles on Critical Technology Supply Chains was launched. The four countries will coordinate capacity building programmes for the Indo-Pacific region to bolster critical cyber security infrastructure of the region. Prime Minister called for greater Quad collaboration to build trusted global supply chains and spoke of the national framework being adopted in India to create a semiconductor ecosystem in India.

A Quad Partnership on Humanitarian Assistance and Disaster Relief (HADR) for the Indo-Pacific was announced by the Leaders to enable more effective and timely responses to disasters in the region.

The Leaders agreed to provide countries in the region resources on earth observation data through a Quad satellite data portal to help track climate events, disaster preparedness and sustainable use of marine resources. India will play a proactive role in this effort given its longstanding capabilities in using space based data and technologies for inclusive development.

Quad Leaders welcomed a new Indo-Pacific Maritime Domain Awareness Initiative, to help countries bolster their capacities to respond to HADR incidents and combat illegal fishing. The Leaders reaffirmed their unwavering support for ASEAN's unity and centrality and look forward to strengthening cooperation with partners in the region.

Prime Minister emphasized the importance of delivering on Quad's positive and constructive agenda and show tangible benefits for the region. The Leaders agreed to continue their dialogue and consultations and look forward to the next Summit hosted by Australia in 2023.

Source: pib.gov.in– May 25, 2022

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Shri Piyush Goyal urges Indian businesses to look at boosting value added exports

Union Minister for Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal today asked Indian industry to procure locally wherever there is an opportunity so that domestic supply chains are fortified and become more resilient and the tendency to place excessive dependence on international supply chains is curbed. He was addressing the "Breakfast session Discussion on Trade 4.0" in Davos, Switzerland today.

Observing that the India story had been receiving a lot of enthusiasm across the world, the Minister said that in spite of constraints like Covid 19, chip shortages, conflict, rising commodity prices, container shortages and significant shipping and logistics issues that it has been facing in the last two years, which caused massive supply chain disruptions that threw the global economy off balance, Indian businesses had displayed great resilience, overshooting export targets and achieving USD 421.8 billion worth of exports.

Quoting the Prime Minister, Shri Narendra Modi, Shri Goyal said that India amongst all these problems is an oasis which reflects transparency, offers trust and timeliness and added that the nation had responded to every crisis in a timely manner. This responsiveness, he said, is a manifestation of the resilience that Indian businesses have to offer and the resilience and confidence of political leadership.

Speaking of the need for working together towards a shared vision, Shri Goyal expressed confidence that India could achieve a target of USD 1 Trillion worth of merchandise and services export each by 2030 if we worked as a team.

Noting that in the last 8 years, the government had focussed extensively on structural reforms the Minister said that each one of those movements has been holding India in good stead during times of crisis.

The Minister said that Digital India had helped India work during pandemic-induced lockdowns. He added that Missions such as Swacch Bharat, Jan Dhan-Adhaar-Mobile trinity, financial inclusion, Ayushman Bharat, vaccination programs etc. had helped prepare India for the next level of growth and engagement with the world. He underscored that the world could look at India as a reliable alternative to the status quo and invited manufacturing, investment and technology to come to India

He stressed that India had taken a series of strict measures to tame inflation, keep interest rates in check and rein-in rupee depreciation so that growth and prosperity are not affected.

He urged Indian industry to look at boosting value added exports and ensure that new jobs came into India instead of raw materials going out of India. Highlighting the serious efforts being made in that direction, the Minister said that the government was striving to ensure orderly behaviour of prices and ensure that businesses add value and jobs.

Stressing upon government's bid to bring down logistics cost through measures such as PM GatiShakti, the Minister said that the National Master Plan would help improve infrastructure planning and ensure implementation of projects within time and budget.

Assuring that the government would wholeheartedly support businesses, the Minister urged industry to bring scale into all economic activities.

Expressing concern over the excessive dependence on international supply chains, Shri Goyal urged businesses to procure locally wherever there is an opportunity. He asked businesses to support each other and help fortify domestic supply chains.

Referring to Trade Agreements recently inked with UAE and Australia, the Minister said that these agreements were opening new frontiers in international trade. He added that agreements with Canada, EU, UK, Israel and GCC were in the pipeline. The Minister said that the world had great confidence in India and wanted to engage with it enthusiastically.

Touching upon the immense potential that the tourism sector held, the Minister asked for more players to come into the tourism sector. He added that trade, tourism and technology, the three headline items that all Indian Missions across the world have been asked to promote, had to take off so that India is recognized as a quality supplier of goods and services.

He also assured that every Indian mission had been tasked with supporting Indian industry and pitching for our businesses. Every Mission, every office, every official is now ready to stand for Indian businesses and that is what will spearhead trade 4.0, he added.

The Minister remarked that the government was on a mission to rewrite the script of a New India that is ready to play the leading role in global trade and asked investors to come invest in India, in its ideas, talent and limitless potential. India is the future, the Minister said.

Source: pib.gov.in– May 25, 2022

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US' trade initiative promises gains, but challenges remain: Analysts

The US-led Indo-Pacific Economic Framework for Prosperity (IPEF) has potential to evolve into a broader trade agreement that will enable India to reap advantage of being in a large region-specific trade bloc after its exit from the China-dominated RCEP, trade economists told FE. However, the group's focus on pillars such as data flow and climate change, driven by the US, will likely impose exacting standards on India to comply with, some of them cautioned.

India was among a dozen countries that joined the IPEF, which was launched by US President Joseph Biden in Tokyo on Monday. It's being viewed as a mechanism to counter the aggressive and non-transparent trade and economic policies of China.

Biden had in October 2021 pointed out the US would explore with partners the "development of an Indo-Pacific economic framework that will define our shared objectives around trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonisation and clean energy, infrastructure, worker standards, and other areas of shared interest". India has mostly stayed away from negotiations in areas like digital technology and climate change in its trade agreements.

Nagesh Kumar, director of the Institute for Studies in Industrial Development, said while the IPEF isn't strictly a trade agreement yet, it has the potential of turning into one. "It's good for India to be in this group of countries, especially because it hasn't been a part of the RCEP or any other major grouping."

Kumar said the IPEF offers a lot of critical mass required to make an impact in global trade, thanks to the participation of the world's largest (the US), third-largest (Japan) and the fifth-largest economy (India). "New Delhi should not only aim to be an active player in the group but seek to drive the agenda eventually create a kind of robust regional trade bloc," he added. It will enable India to better integrate with the global supply chain. "Already, global multi-national corporations are looking to adopt a China+1 supply-chain strategy and India could be that (plus 1) country," he added.

Biswajit Dhar, professor at the Centre for Economic Studies and Planning of JNU, said finding common ground on some of the key regulatory issues that the IPEF focusses on could be a problematic area for India. "There is no talk about tariff reduction, etc. But the IPEF is talking about only data, environment, labour etc. Is India in a comfortable position to address these issues now? It's going to be a challenge."

Dhar said India hasn't been able to make up its mind on its data policy. "Are we going to support data portability or are we going to oppose that? If we are part of IPEF, we have to allow data portability. On climate issue, while some others are asking for commitment on net zero by 2050, we have committed to do so by 2070. So, coming to a common understanding on these regulatory issues poses a whole lot of challenges," Dhar said.

Arpita Mukherjee, professor at ICRIER, said the IPEF looks like a "good framework with a lot of value". It creates the scope for greater collaboration in technology, supply chains and climate, which will help India further improve its standards in certain areas to suit modern realities. Moreover, if eventually India wants a free trade agreement with its largest export destination (the US), it makes sense to start with the IPEF, Mukherjee said.

As for issues like data flow, the Indian IT industry, a substantial chunk of whose revenue comes from the US, would itself want free flow of data, she argued. Moreover, the recently-signed India-UAE FTA has a chapter on digital trade, she said, indicating that the country shouldn't be scared of taking a certain level of commitment in these aspects, as these would ultimately prove to be beneficial.

As many as 12 countries, such as India, Australia, Brunei Darussalam, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and Vietnam, have joined the American initiative. Together, they account for as much as 40% of the global GDP.

India's trade with other Quad countries (including the US, Japan and Australia) stood at $165.1 billion last fiscal. While it shipped out goods worth $90.6 billion, its imports were to the tune of $74.5 billion. However, while India had a trade surplus with the US (its exports were to the tune of $76.1 billion, while imports stood at $43.3 billion in FY22), it witnessed a substantial deficit with both Japan and Australia.

Source: financialexpress.com– May 22, 2022

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India-Australia Free Trade Agreement: Why the FTA is different, unprecedented

The India-Australia Economic Cooperation and Trade Agreement (IAECTA) was signed in April year was hailed as a watershed moment by the leaders on both sides. It is estimated to double trade between the two nations and generate one million jobs.

In 2020, the total goods and services trade between India and Australia was about $18 billion. India is the 6th largest export partner and 11th largest import partner as of 2020 and some of the major items of export from India to Australia include refined petroleum, telecommunications and information and communication technology services, business services while the top import items from Australia include coal and education services.

It is evident that services are an important component of India's commercial relations with Australia and while a lot is being said about the potential outcome for trade in goods, it must be acknowledged that the architectural design of services commitments in the agreement is trailblazing. The design of services commitments has important role to play in the achievement of objectives with respect to trade in services, especially because of the uncertainties in long-term relations and the regulatory nature of barriers imposed to trade in services. A few design elements are worth discussing.

IAECTA is India's first agreement where a mixed scheduling approach is adopted for scheduling sector-specific commitments in services, with the possibility of complete transition to a negative list approach. Agreements following the negative list approach list those sectors in the schedule of reservations, which are kept out of the scope of the agreement.

These reservations are for existing non-conforming measures and future measures, which may apply to certain sectors in future or ex-post. Compared to it, the positive list approach, by listing only those sectors in which trade commitments are made, give the nations the right to impose trade barriers or regulatory restrictions over all the sectors, which are not included in the list.

For listing substantial commitments, India follows a GATS-style-hybrid approach (a type of positive list approach) and Australia follows a negative list approach. Further, there is a transition clause, according to which India has to submit a proposed schedule of non-conforming measures within five years of the date of entry into force of the Agreement providing an equivalent of liberalisation. This implies that both the parties will eventually move to a negative-list approach. This will be the first time that India will follow a negative list approach.

Australia is listed both – current and future non-conforming measures and thus, when India transitions to a negative list, it may do the same. From a contractual perspective, a negative list approach is considered more transparent. It is believed that the negative-list approach locks-in future policy changes. Generally, under positive list approach contracting parties maintain discretion with respect to inclusion of new services or sectors that have been kept out of the schedule. Thus, in general negative list is considered pro-liberalisation.

Understanding MFN

This is also the first time that India has taken binding most-favoured-nations (MFN) commitments even though it is only in select services. The MFN obligation under preferential agreements requires the contracting parties to give each other the best possible current and future commitments or treatment.

To date, all of India's trade agreements have a discretionary MFN clause. It requires that after the entry into force of the Agreement if one of the two Parties enters into any agreement on trade in services with a third country, it shall consider a request by the other Party for a treatment, no less favourable than that provided to the third party.

Thus, the MFN commitment is non-binding. Compared to this, India has taken binding MFN commitment under IAECTA in 31 services sectors including architectural, engineering, higher education, banking, and financial services, among others. Thus, in the 31 sectors listed with MFN commitment, India extends the best possible current and future treatment to Australia.

Unlike India's previous comprehensive agreements, IAECTA does not include a separate chapter on Investments. Commitments are taken only with respect to services-linked-investments. Infact, the agreement clearly specifies that any decisions or requirements under the party's foreign investment framework shall not be subject to dispute settlement. Thus, Investments are completely kept out of the realm of institutional provisions laid out under the agreement.

Trade talks

As regards Mode 4 trade, like India's all other comprehensive agreements, IAECTA has a separate chapter on Temporary Movement of Natural Persons (MNP). Australia has allowed temporary stay of up to four years for Indian intra-corporate transferees (ICT), independent executives and contractual service suppliers (CSS) in up to 26 service categories, while India has allowed up to five years to ICT and one year to CSS (27 categories) and independent executives (12 categories).

An important institutional provision included is the establishment of a working group on temporary movement of natural person that will meet on an annual basis. The purpose is to review, monitor implementation and facilitate movement of people. More importantly, provide a forum for exchange of information – this is an important aspect considering that often there is information asymmetry and new issues, or interpretational issues may emerge ex-post.

The case of India-Singapore Comprehensive Economic Cooperation Agreement (CECA) is worth mentioning here. India and Singapore signed the Comprehensive Economic Cooperation Agreement in 2005, there have been issues related to movement of natural person or Mode 4 trade in services.

The Ministry of Manpower in Singapore released the Fair Consideration Framework nearly a decade into the Agreement to correct its own unemployment situation, requiring companies in Singapore to advertise for jobs locally before issuing an Employment Pass to foreign worker.

While this was regarded as a violation of the commitments made under the India-Singapore CECA, however, it was clarified that trade commitments are made with respect to Work Permit and issuance of Employment Pass is a domestic policy issue. Thus, technically, this is not violating trade commitments, rather it is a biproduct of information asymmetry. This is often attributable to the lack of services data or lack of understanding of regulatory issues.

In such a scenario, Overall, it is seen that in-terms of the architectural design, the India-Australia Economic Cooperation and Trade Agreement is unprecedented, when compared with India's previous agreements. India has made a big leap in terms of the design, especially by including a negative list approach for scheduling commitments and by binding MFN treatment. This was one of the sticking points under the RCEP for India.

Finally, establishment of endogenous/information institutional structures within the scope of the agreement is a welcome step. Having a working group or treat committees for discussing issues related to MNP – an area where information asymmetry often acts as a trade barrier – is an important trade facilitation measure. In many aspects, when it comes to services commitments the IAECTA is a first of its kind and it emphasizes that India is breaking the traditional design mould, gradually and selectively.

Source: economictimes.com– May 23, 2022

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India's pivot to Indo-Pacific

From India's point of view, much depends on how IPEF aligns with the CPTPP and RCEP-type trading agreements.

At a time when trade is facing deglobalisation headwinds, India's decision to be part of the US-led Indo-Pacific Economic Framework (IPEF) along with 11 other countries is to be welcomed. This bloc aims to strengthen economic partnership among the participating nations to enhance supply chain resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness in the region.

The global power axis has shifted away from the Atlantic-Pacific to the Indo-Pacific, stretching from the Indian sub-continent to the western shores of North and South America. This region now powers the world economy through its prowess in manufacturing, trade and investments. However, this putative bloc represents only a broad framework as the rules for closer economic engagement through greater market access for each other's goods and services are still to be worked out.

However, the level of ambition for a free trade agreement (FTA) is likely to be equivalent to that of the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or the Regional Comprehensive Economic Partnership (RCEP), a grouping that comprises 10 members of the Association of Southeast Asian Nations together with China, Japan, South Korea, Australia and New Zealand. This is only to be expected as eight members of the IPEF (Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam) are also part of the CPTPP and 11 are part of the 15-member RCEP that came into force in January.

From a geo-economic standpoint, India's strategy for the Indo-Pacific is still evolving. What are its interests in the region? Is it only rivalry with China that seeks a growing presence in the Indian Ocean? There is, no doubt, a large element of this, as China's rise as a global power has lengthened its shadow over South Asia, ASEAN, and East Asia.

India has taken a consistent position of freedom of navigation in the South China Sea. Due to their quest for energy security, the Indo-China rivalry is the most intense at the Indian Ocean. This has also resulted in India prospecting for oil in Vietnam and Russia.

The question is whether India's interest also extends to engaging via trade and investments and sharing the prosperity of the booming Indo-Pacific region, a bitterly-contested arena where great power ambitions are colliding. India has sought closer relations with Japan which also has serious concerns regarding a rising China. Then there is South Korea.

The US has now decided to focus on the region after earlier walking out of the Trans-Pacific Partnership, which is another word for the CPTPP. So, too, is India which decided to exit from the Sino-centric RCEP at the eleventh hour and is currently reviewing existing FTAs with ASEAN, Japan, and South Korea, among several others.

From India's point of view, much depends on how IPEF aligns with the CPTPP and RCEP-type trading agreements. This is predicated on how the US looks to exercise leadership in this new bloc while also satisfying its domestic constituencies.

Last year, US president Joe Biden mentioned IPEF at the East Asia summit, stating that it will define shared objectives on trade facilitation, standards for the digital economy and technology, supply chain resilience, decarbonisation, and clean energy, infrastructure, worker standards, among others. India, for its part, reaffirmed that it will work with partners to build an inclusive and flexible IPEF.

Exemplifying India's growing stakes in the Indo-Pacific, it recently inked an ambitious economic cooperation and trade agreement (ECTA) with Australia, which was hailed as a "watershed moment" by PM Narendra Modi. As Australia is a member of both CPTPP and RCEP, greater comfort levels in implementing the ECTA may well incentivise India to raise its level of ambition for deeper trade and economic engagements with the IPEF grouping.

Source: financialexpress.com– May 25, 2022

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India's exports to Latin America increase by an impressive 48% to a record 18.9 billion dollars in 2021-22

India's exports to Latin America reached a record high of 18.89 billion dollars in 2021-22 (April-March), according to the Commerce Ministry of India. The exports have increased by an impressive 48% from 12.74 billion dollars in 2020-21.

Brazil continued as the # 1 destination of India's exports to the region, with 6.49 billion dollars, an increase of 53% from 2020-21.

Mexico was #2 with 4.42 billion dollars – an increase of 43%.

Argentina came back to claim the third position after many years, with 1.43 billion dollars – an incredible 107% increase from last year.

Colombia was #3 with 1.38 billion- increase of 59% from 865 million.

Chile joined the Billion Dollar Club for the first time with 1.18 billion, increasing by 47%.

The other major destinations were: Peru 898 million and Guatemala 552 m

Exports to the other countries are in the table below.

Exports to the three major trade blocs in the region were: Mercosur were 8.28 billion, Pacific Alliance 7.88 bn, and CAFTA (Central America + Dominican Republic) 1.95 bn

India's exports to some of the distant Latin American countries are more than the exports to neighboring countries or traditional trade partners with the same or more population. This is a trend of the last several years. Examples:

India's exports of 552 million dollars to the distant Guatemala (population 11 million) are more than twice that of the exports of 198 m to the neighbouring Cambodia with a population of 16 million.

Exports of 318 m to the remote Honduras (population 10 m) are more than the exports of 235 m to nearby Kazakhstan with a population of 19 m.

Exports to Brazil (6.48 bn) are higher than to the traditional trade partners such as Japan (6.18 bn) and Thailand (5.7 bn)

Exports to Mexico (4.43 bn) are more than the exports to Canada (3.7 bn) and Russia (3.2 bn).

Click here for more details

Source: financialexpress.com– May 24, 2022

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Rising cotton yarn prices hit home textile exporters

The spiralling cotton prices has hit the MSME-dominated home textile exporters who are staring at a bleak future and potential default on orders already received.

Situation presently is extremely precarious with the value chain segment not only losing business but also the market share in countries such as US.
Several MSME units are now heading for closure as they are unable to operate after the unprecedented rise in cotton yarn prices and this will result in job losses, the Made-Ups Exporters Forum said.

Govt action

The Government has been monitoring the situation and during the last stake holders meeting had said that it will withdraw benefits on cotton yarn export and impose duties on export of raw material, if the supply chain does not ensure raw material at lower price for the value chain participants, it added.
However, raw material prices have not fallen and the government may have to take corrective measures, said the Forum.

Demand for value added products

Amit Ruparelia, Convener, Made-Ups Exporters Forum said post the second wave of pandemic there was a good all-around demand for value added products such as home textiles, apparels and the sector was fully geared up to meet the demand.

However, during the same period the millers started increasing cotton yarn prices even though the raw cotton prices were stable. At a later stage the cotton prices too rose tremendously affecting the business of entire value chain segment, he said.

Earlier, the Government had extended support to the industry with several measures including credit guarantee scheme, loan restructuring measures, moratorium, deferment of interest payments, Emergency Credit Line Guarantee Scheme and Credit Guarantee Fund Trust for Micro and Small Enterprises to moderate the impact of Covid pandemic.

Source: thehindubusinessline.com– May 24, 2022

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Key takeaways from apex court's ruling on GST Council

The Supreme Court has rightly reinforced the supremacy of the legislature over the recommendations of the GST Council

Recently, taxpayers across the country welcomed a landmark decision of the Supreme Court which read down the levy of IGST (Integrated Goods and Services Tax) on ocean freight services in case of CIF-based imports, and declared the same to be in violation of the GST law.

Though the apex court observed the violations in this regard on many fronts, including the absence of proper statutory powers to levy such IGST, the issue of double taxation, etc., the remark of the apex court on the nature of recommendations provided by the GST Council (GSTC) sparked a debate in the legal and tax fraternity, and among lawmakers themselves.

The fundamental discussion around this was triggered when it was submitted before the apex court that the exercise of certain functions under various provisions of the GST law, including the provisions governing the levy of IGST on ocean freight services, has been carefully delegated to the GSTC to meet the end objectives of GST.

Consequently, an inference was supposedly drawn that a levy of tax can also find its roots in the recommendations made by the GSTC (which is a Constitutional Body under Article 279A of the Constitution of India (COI) and has been set up to maintain the spirit of collaborative and cooperative federalism) without appropriate backing in the legislature.

A conscious discussion on the above inference would require significant insight into the object of constitutional provisions which led to the enactment of GST law, which was also acknowledged by the apex court as a critical step for interpretation of statutes in the modern world.

At the time of enactment of the GST, the COI was amended to introduce Article 246A which granted simultaneous power to the Union and State Legislatures to legislate on GST.

The power of the States in this regard is, however, subject to the conferment of an exclusive domain of Parliament to levy the GST for supply in the course of inter-State trade and commerce.

Further, Article 279A was introduced to, among other things, stipulate the provisions relating to the constitution of the GSTC which would give recommendations to the Union and State relating to various matters under GST and provide for developing a mechanism to resolve disagreements between the two amicably.

Value of recommendations

In this regard, the apex court noted that although the term "recommendation" has been used in numerous provisions in the COI in different contexts, the use of such term in the case of GSTC is non-qualified — that is, there is no explanation of the value of such recommendation.

Further, the deletion of Article 279B and inclusion of 279(1) in the COI, strengthened the opinion of the apex court that GSTC does not have the power to transform its recommendations into legislation. This was further supplemented by the observation of the apex court that neither Article 279A begin with a non-obstante clause to exercise exclusive jurisdiction nor does Article 246A provide that the legislative power is subject to Article 279A.

Consequently, it was observed that the recommendations of the GSTC can only have persuasive value and cannot be treated as a mandate unless the same is coupled with affirmation in the legislature.

While few provisions of the IGST Act, 2017 and of CGST Act, 2017 provide for consultation with GSTC, it cannot be argued that all GSTC's recommendations would have a binding force on the legislature, as the constituent power of the legislature is always of higher constitutional order as compared to its legislative power.

While the apex court rightly intended to reinforce the supremacy of the legislature over the recommendations of the GSTC, the said observation can be misinterpreted and hence raise some pertinent questions like: (a) would different rates of GST be applied by different States; (b) would this impact the overall uniformity and framework of GST; (c) were States right in seeking an extension in the periodicity of the compensation; etc.

Since the implementation of GST, States have consistently respected the decision of GSTC and promoted the object of cooperative federalism. Further, the recommendation of the GSTC is based on at least three-fourths weighted majority of members wherein the Union and State legislatures have one-third and two-thirds share in weighted votes, respectively.

Thus, while the future impact of the aforesaid observation is yet to be evaluated, the chances of disputes are likely to be minimal.

Source: thehindubusinessline.com– May 24, 2022

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Textiles, garment players ask govt to ban cotton futures

Textiles and garment firms have approached the government to ban the futures trading of cotton, as they allege it's adding to market speculations and further driving up prices of the fibre.

Reiterating their demand for prohibiting cotton exports immediately to tame the soaring prices, some players are also pushing for a long-term raw material strategy for the sector under which they want the government to impose an export duty on the fibre to keep local supplies steady.

Similarly, they have also suggested that the government follow the Chinese model and set up, through the state-run Cotton Corporation of India (CCI), a strategic reserve of about 10 million bales. This will enable it to resort to meaningful intervention in the market whenever there is a spike in raw material prices. These are part of a raft of suggestions submitted by these players to address the issue of raw material shortage in the country, official and industry sources told FE.

"Textiles minister Piyush Goyal is expected to take a decision, after considering these and other possible options, once he is back from Davos later this week," said one of the sources.

Domestic cotton prices have more than doubled to breach Rs 1,00,000-mark per candy of 356 kg in the past one year. Consequently, cotton yarn prices, too, have jumped substantially.

In December 2021, stock and commodity markets regulator Sebi had suspended futures and options trading for one year in seven farm commodities, such as chana, mustard seed, crude palm oil, moong, paddy (Basmati), wheat and soyabean and its derivatives. However, trading in cotton wasn't curbed.

"We have requested the government to ban futures trading of cotton. Similarly, the government should have a long-term strategy to ensure adequate availability of cotton to consuming industries, which are making value addition here and creating jobs, instead of allowing traders to have a free run," said Raja Shanmugham, president of the Tirupur Exporters Association that represents the country's largest garment cluster.

In a letter to Goyal, Apparel Export Promotion Council chairman Narendra Goenka pointed out that the price of cotton yarn has jumped by about 20% from Rs 376 per kg in March to Rs 446 in May.

India is already losing out to competitors like Bangladesh, due to their duty-free access to markets like the EU. “This continuous price increase will further make us uncompetitive,” Goenka said.

Making a case for promoting exports of finished products, Goenka said while the outbound shipment of raw cotton fetches about Rs 275 per kg, when converted to yarn, it touches Rs 400 a kilo. In contrast, a value-added product like garment, when exported, could fetch between Rs 1,000 to Rs 1,200 rupee a kilo.

Goenka added that, “We have suggested to the government quantitative restriction on export of raw cotton and cotton yarn, reducing the export benefit on export of cotton and cotton yarn along with declaring cotton as essential commodity (which will make it easy for the government to regulate its supply).”

According to T Rajkumar, director of Sakthi Group and chairman of the Confederation of Indian Textile Industry, the imposition of curbs won’t hurt farmers.

Sanjay Jain, former CITI chairman, said India cotton prices have moved up at a much faster pace than the Chinese cotton, further eroding India’s competitiveness vis-à-vis the world’s largest textiles and garment player.

Source: financialexpress.com– May 25, 2022

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80% of units making key dye industry inputs close

Despite the Atmanirbhar Bharat push for local manufacturing of raw materials and finished products, the attempt at import substitution in dyes and intermediates production has failed. With raw material prices rising, units producing H acid and vinyl sulphone, two key chemicals for the dye industry, are staring at closures for two months. Nine of the 11 manufacturers of these two chemicals in Gujarat have closed their plants. For instance, AksharChem on Tuesday announced in its regulatory filing that it has shut its H acid manufacturing plant in Mehsana.

"The plant faced adverse economic conditions in recent months. It was thus decided to stop the production of H-Acid for an indefinite period with immediate effect.

The decision has been taken after consideration of optimizing working capital usage of the company as well as commercial viability of the product especially in the recent situation in which textile companies are facing record high cotton prices which has lowered the demand for dyes," the company said.

The eleven units have a combined installed capacity of 5,000 tonnes of H acid and 12,000 tonnes of vinyl sulphone per month, according to industry estimates. Gujarat manufactures an estimated 80% of the H acid and vinyl sulphone manufactured in India, commodities that were mainly imported from China about seven years ago.

Similarly, Kiri Industries, another leading player in the manufacture of both these chemicals, shut production some two months ago.

"We have a dye manufacturing plant where we use H acid and vinyl sulphone imported from China. Despite having backward integration to be able to manufacture these two key raw chemicals, the cost of production is so high that we had no choice but to import these products," said Manish Kiri, managing director, Kiri Industries.

Basic chemicals such as sulphur, soda ash, caustic soda and aniline, key raw materials to make H acid and vinyl sulphone, cost higher in India compared to the international market. As a result, cheaper China-made H acid and vinyl sulphone are easily available to dye makers.

"With Chinese products staying cheaper than Indian products due to the steep increase in raw material prices, Gujarat-based manufacturers of these chemicals are no longer competitive and are losing order volumes in the export market. Moreover, with the increase in cotton prices, fabric processing units are reducing orders because of which demand for dyes and intermediates and in turn H acid and VS have gone down in the local market," said Bhupendra Patel, chairman, Chemexcil, Gujarat.

"We proposed that Indian companies set up a common company to market and export intermediates. Member companies will get shareholding based on their manufacturing capacity. This company will focus on export of products so domestic companies do not compete in the international market and can get better prices and profits," said Shailesh Patwari, past president, GCCI.

Source: timesofindia.com– May 25, 2022

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Small-sized spinning mills to stop buying cotton

Small-sized cotton spinning mills, which make yarn from cotton for weaving fabric, have decided stop buying cotton and close mills till prices cool down to comfortable levels. They also accused multinational companies and big traders in the industry of hoarding and speculation amid crop shortages.

Cotton prices have increased by more than 120% in a year to Rs 1.10 lakh per candy. Spinning mills with annual turnover of less than ₹50 crore are finding it tough to buy cotton at the current prices.

"We do not have working capital to purchase cotton," said J Selvan, president of South India Spinners Association (SISPA). "While the cotton prices have increased by 53% since January, we could increase the yarn prices by only 21%."

Jagdish Chandran, secretary of SISPA, alleged, "Large MNCs who have abundant foreign capital available at cheap interest rates and big Indian traders stocked huge quantities of cotton at the beginning of the season. They are now increasing the prices every day, sometimes twice a day."

Rise in cotton prices has also hit consumers who are now paying 7-10% more for their summer wear, and they will have to spend 15-20% more during the festival season, industry insiders said.

Source: economictimes.com– May 25, 2022

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Covid subdued, retail majors go big on new store openings

In the last fiscal, the top nine companies including Reliance Retail, Aditya Birla Fashion and Retail (ABFRL), DMart, Tata's Trent and Starbucks added 3,206 outlets to reach a combined store network of 22,803, according to data sourced from their latest investor presentations. In FY21, their overall store strength was 19,597. While companies accelerated store launches to take advantage of lower rates as rent at marquee properties, retailers and mall operators said new store openings could go up even further.

"As we look ahead into the new year for our business, the priorities are very clearly charted out. Some of these initiatives would be centered around accelerated expansion and we will take all our formats into new geographies," said Gaurav Jain, head, strategy and business development at Reliance Retail said during its earnings call. "What is also worth noting is that we have expanded close to about 8 million square feet of operating space which is our highest level in any given year."

For retailers DMart, Trent and Reliance Retail, this was the fastest store expansion in at least five years, despite their online channel increasingly contributing to their overall sales since the pandemic began.

"Consumers want to interact online as well offline as they want a physical experience. What they see online, they want to experience the same offline. What they see offline, they want to go back and check more options online. So, store growth expansion is crucial," said Nissan Joseph, CEO at Metro Brands.

Real estate investment firm CBRE said India could see a 25% jump in new store openings in 2022 from the previous year. On Shoppers Stop 's fourth-quarter earnings call, chief executive Venugopal Nair said its pipeline of new stores is strong for the coming year where the retailer expects to open between 12-15 department stores.

"The retail sector bounced back strongly in FY22 on the back of rapid vaccinations, a sharp decline in Covid cases and higher footfalls at prominent malls and high streets. Stronger consumer demand and competitive rentals drove the expansion spree, though online channels remain a key part of their business strategies," said Vibhor Jain, managing director, North India, at Cushman & Wakefield.

Companies also said opening of new stores in FY21 were affected by delays and untimely deliveries of real estate.

Source: economictimes.com– May 25, 2022

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Aditya Birla Fashion to raise Rs 2,195 crore from GIC

Aditya Birla Fashion and Retail (ABFRL) is set to raise up to Rs 2,195 crore from Singapore's sovereign wealth fund GIC. GIC will first invest Rs 770 crore towards subscription of equity and warrants, followed by up to Rs 1,425 crore in one or more tranches within 18 months upon exercise of warrants.

After the entire investment, GIC will own 7.5% equity stake in ABFRL, while Aditya Birla Group will hold 51.9%. Walmart's Flipkart, too, holds 7.8% in ABFRL through its Rs 1,500-crore investment made last year.

"I am delighted to welcome GIC, a global institutional investor, as a long-term partner. An investment of this nature serves to underscore ABFRL's strong position and dynamic growth model," said Kumar Mangalam Birla, chairman at Aditya Birla Group. ABFRL, which has been on a shopping spree of indigenous designer brands, plans to use this capital to accelerate its growth engine built around the strength of its current businesses along with a rapidly evolving play in emerging high-growth business models.

ABFRL, which sells several apparel brands in India, including Louis Philippe, Van Heusen and Allen Solly, has acquired stakes in brands of Indian design houses such as Jaypore, Shantanu and Nikhil, Tarun Tahiliani and Sabyasachi.

In December, it marked its entry into the sportswear category by taking over Reebok in India and other Asean markets through a long-term licensing agreement with Authentic Brands Group (ABG). In the following month, it bought 51% in House of Masaba Lifestyle for around Rs 90 crore to bolster its portfolio of fashion labels. ABFRL clocked revenues of Rs 8,136 crore in FY22.

"ABFRL has a strong track record of building brands and its new business lines, including innerwear and ethnic wear, have strong structural tailwinds," said Choo Yong Cheen, chief investment officer of private equity for GIC.

Source: economictimes.com– May 25, 2022

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