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## IBTEX No. 102 of 2022 May 30, 2022

**NEWS CLIPPINGS**

| Currency Watch | |
|---|---|
| USD | 77.52 |
| EUR | 83.40 |
| GBP | 98.00 |
| JPY | 0.61 |

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# INTERNATIONAL NEWS

## China to take forward efforts to join CPTPP, DEPA trade pacts

China will continue to advance its accession into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA), according to its commerce ministry, which recently reiterated China's commitment to achieving a comprehensive and high-level Free Trade Area of the Asia-Pacific (FTAAP).

"China adheres to aligning with high-standard international economic and trade rules and expanding high-level opening-up," said ministry spokesperson Gao Feng.

The spokesperson said China will propose work plans in digital and green economy and actively participate in the formulation of new guiding documents on advancing FTAAP, according to official Chinese media.

Gao said China would continue to implement the Regional Comprehensive Economic Partnership agreement with high quality and safeguard the security and stability of regional industrial and supply chains.

The country will also work with members of the Association of Southeast Asian Nations (ASEAN) to actively build version 3.0 of the China-ASEAN Free Trade Area and establish more mutually beneficial bilateral and regional economic and trade ties, he added.

Source: fibre2fashion.com– May 30, 2022

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## Turkiye's May economic confidence index rises by 2.1% to 96.7 over Apr

Turkiye's economic confidence index rose by 2.1 per cent from 94.7 in April to 96.7 in May due to increases in consumer, services and retail trade confidence indices, which rose by 0.4 per cent to 67.6, 6.1 per cent to 121.7 and 1.7 per cent to 121.4 respectively in May over April. The manufacturing industry confidence index fell by 0.7 per cent to 107.

Economic confidence index is a composite index that encapsulates consumers' and producers' evaluations, expectations and tendencies about general economic situation.

An economic confidence index above 100 indicates an optimistic outlook about the general economic situation, whereas a lower than 100 mark indicates a pessimistic outlook, according to the Turkish Statistical Institute.

Source: fibre2fashion.com– May 30, 2022

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## China witnesses surplus in international goods trade in Apr 2022

China witnessed a surplus in its international goods trade in April, according to data from the State Administration of Foreign Exchange, which showed goods exports were worth 1.6666 trillion yuan ($247.3 billion) last month, and imports 1.3568 trillion yuan, resulting in a surplus of 309.9 billion yuan. China saw a deficit of 42.9 billion yuan in international trade in services in the month.

The total imports and exports of China's international goods and services trade was worth 3.4427 trillion yuan in April—unchanged from the same period last year, official Chinese media reported.

Source: fibre2fashion.com– May 30, 2022

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## Industrial profit growth in China slows in Jan-Apr 2022

Profit growth of major Chinese industrial companies slowed during January-April this year, weighed down by the resurgence of domestic COVID-19 cases, according to official statistics, which showed firms with annual main business revenue of at least 20 million yuan ($2.97 million) saw profits grow by 3.5 per cent year on year during the period.

Profit growth, however, was 8.5 per cent in the first three months, said the National Bureau of Statistics (NBS).

The combined profits of those firms hit nearly 2.66 trillion yuan in the first four months, official data showed.

During the period, 19 out of 41 industries saw a year-on-year expansion in their profits. However, 20 industries registered declines.

In the January-April period, profits of the mining industry continued to maintain rapid growth, rising 1.46 times year on year, while the manufacturing sector saw profits down by 8.3 per cent, compared with a 2.1 per cent decline registered in the first quarter.

"The resurgence of COVID-19 cases and global uncertainties dragged down profits of industrial companies in April," said Zhu Hong, a senior statistician with the NBS.

"However, their performance will recover gradually as the Omicron outbreak stabilizes, factories and companies are resuming production in an orderly manner, and measures to relieve enterprises' burdens are showing effect," Zhu added.

Source: fibre2fashion.com– May 30, 2022

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## UAE, Egypt, Jordan in industrial push: $10bn fund set up

The United Arab Emirates, Egypt and Jordan have announced an industrial partnership for sustainable economic growth in Abu Dhabi today to unlock new industrial opportunities and enhance sustainable economic growth in the three countries, across five sectors.

Sheikh Mansour bin Zayed Al Nahyan, Deputy Prime Minister of the UAE and Minister of Presidential Affairs, witnessed the signing of the partnership, which is designed to achieve sustainable economic growth across food and agriculture, fertilizers, pharmaceuticals, textiles, minerals, and petrochemicals.

In order to accelerate the partnership objectives, a $10 billion investment fund has been allocated and will be managed by ADQ Holding.

Dr Mostafa Madbouly, Prime Minister of Egypt, and Dr Bisher Al Khasawneh, Prime Minister of Jordan, also witnessed the signing.

The partnership agreement was signed by Dr Sultan Al Jaber, UAE Minister of Industry and Advanced Technology; Dr Nevein Gamea, Egyptian Minister of Industry and Trade; and Yousef Al Shamali, Jordan Minister of Industry, Trade and Supply.

Sheikh Mansour stated: “The partnership embodies the vision of His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the UAE, to enhance industrial integration with Arab nations and the rest of the world so we can achieve a major leap in the industrial sector and transform its potential an economic driver.

Industry is the backbone of the world’s largest economies. Through its capabilities, effective policies and current focus on developing advanced technology and logistics infrastructure, we are confident that the UAE can build a global economic powerhouse by leveraging industrial partnerships across the region.”

Sheikh Mansour added: “Advancing the industrial sector in the UAE, Egypt and Jordan will help strengthen and diversify the economy in each nation and increase the contribution of industry to the national GDP.

This partnership is also a testament to its signatories' ability to strengthen their relations and introduce new projects and industries within an integrated industrial ecosystem, while unlocking promising opportunities for future generations."

The three nations have diverse resources and unique competitive advantages, including access to raw materials. In particular, they enjoy robust capabilities in the pharmaceutical industries, with a clear ambition to develop and expand them further and increase their production capacity. They also wish to strengthen manufacturing capabilities in the steel, aluminum, petrochemicals and derivatives sectors, said a statement.

The three nations' combined industrial capacity represents around 26% of the total industrial capacity of the MENA region. These countries also enjoy a highly developed logistical infrastructure, including airports, ports and strategic transport corridors such as the Suez Canal; major companies with distinct capabilities in the main focus areas of the partnership; and access to capital and smart financing solutions. Almost half the total population of the partner countries comprising 122 million people are young people, who represent both a large market and an emerging workforce, it said.

Dr Al-Khasawneh highlighted that the partnership is a testament to the depth of the historic relationship between the three countries; emphasising that that the partnership enhances integration, protects supply chains, empowers import substitution, and promotes sustainable economic development; all of which will result in economic growth, job creation and other benefits.

Dr Al-Khasawneh thanked the leadership of the UAE for their efforts towards strengthening relations and economic cooperation in the region.

Egyptian Prime Minister Madbouly thanked the leaders of Egypt, Jordan and the UAE for a significant partnership that embodies the depth of relations between the countries. He stressed that the support of the leadership in the three nations facilitated effective consultations and discussions between the stakeholders and specialists, resulting in the conclusion of these important agreements.

Dr Madbouly stressed that the current regional and international conditions make it imperative for Arab countries to maximise opportunities for integration, especially since each country has its unique competitive advantage and its capabilities.

He added: “The projects that have been agreed upon will create an added value for the three countries and will have a positive impact on national security, local industry, and supply chain activities. There will be a continuous follow-up to the implementation of these projects, facilitating procedures, and overcoming obstacles. We aim to quickly reap the benefits of these projects, especially as the first phase achieves many gains in terms of enhancing food and drug security. The projects will also attract foreign investment and provide job opportunities for our youth.”

UAE minister Dr Sultan bin Ahmed Al Jaber said: “In line with the directives of His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the UAE, the Ministry of Industry and Advanced Technology focuses on developing and empowering the industrial sector, enhancing its contribution to the GDP and on economic diversification.”

He added: "We extend an open invitation to our partners to support this collaboration by encouraging private sector participation, enhancing advanced technology applications, providing smart financing solutions, and opening markets to encourage the growth of the industrial sector in these and other countries."

He continued: "In line with the directives of His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the UAE, and with the aim of accelerating the objectives of this partnership between the three nations, a US$10 billion investment fund has been allocated to accelerate the partnership objectives and will be managed by ADQ Holding.”

Source: tradearabia.com– May 29, 2022

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# Africa’s cotton breaks global supply, demand records

Cotton grown in Africa (CmiA) has achieved record levels of supply and demand with global textile production doubling, to 600 million items, and cotton production in Africa rising by 10% in 2021.

New and existing clients are seeking to purchase greater amounts of cotton verified through CmiA and CmiA organic. A total of 600 million CmiA textiles were brought to market, more than doubling Cotton made in Africa’s volume from the previous year.

In addition, the number of licensed retail and brand partners has risen by around 30% in the past four years and now encompasses some of the world’s biggest retail and fashion chains, including Bestseller, Lidl, LPP, and the Otto Group.

The production of CmiA-verified cotton also grew by 10%, to 690 000 tonnes, meaning that 40% of all cotton produced in Africa is now verified by CmiA.

Cotton made in Africa is active in eleven countries in Sub-Saharan Africa and supports around one million small-scale farmers.

“This year’s record levels of supply and demand for Cotton made in Africa underline how widely accepted sustainable raw materials have become in international value chains,” said Tina Stridde, Managing Director of the Aid by Trade Foundation, which administers Cotton made in Africa.

“Textile companies worldwide as well as cotton companies in all of Sub-Saharan Africa have joined our initiative as reliable and strong partners for small-scale farmers.

Together, we have been able to ensure that CmiA and CmiA Organic cotton enjoy worldwide demand and are processed in over 50 textile production markets.

By harnessing market forces, we are able to prepare small-scale farmers for the growing challenges of climate change and to build up their resilience through innovative and efficient farming methods.”

CmiA works with small-scale farmers in Benin, Burkina Faso, Côte d'Ivoire, Cameroon, Chad and Nigeria as well as in Mozambique, Zambia, and Tanzania.

With new partners in Togo and Ghana, the initiative's network will expand to eleven Sub-Saharan partner countries as of 2022.

CmiA has also significantly expanded its textile value chain in recent years. In 2021, the network of registered partners grew to encompass 240 spinning mills throughout the world, making it larger than ever.

The three foremost purchasers of CmiA cotton are Lidl Group, Otto Group, and Ernsting's family.

Alexander David, the head of the international purchasing division at Lidl Stiftung & Co. KG, said: "We are proud to be one of the major purchasers of CmiA. In keeping with our international CSR strategy, which prioritises fair trade and resource efficiency, we aim to procure the cotton for our textile product range more sustainably by the end of 2022.

CmiA-verified cotton will play a key role in achieving the goal we have set for ourselves. By using CmiA-verified cotton, we support local farmers in Africa and promote environmentally friendly agriculture."

Anna Rensing, the head of quality development and product sustainability at Ernsting's family, added: "Since 2010, CmiA has been at our side as a strong and reliable partner. It will continue to play a key role in reaching our ambitious goal of complete product certification for our natural-fibre products.

"This is also reflected in our cotton sourcing, with CmiA's share rising by 487% between 2020 and 2021. In addition to its status as a long-time partner, we greatly appreciate that CmiA has proven so reliable and available in these volatile and challenging times."

Cotton made in Africa follows a licensing model that requires all textile companies to pay licensing fees for CmiA-verified cotton to the initiative, which reinvests the proceeds in cotton-growing regions in Africa.

Some of these funds go towards regular certifications that are conducted at the field and ginnery levels by external auditors to monitor compliance with social, economic, and environmental sustainability criteria.

External monitoring ensures that exclusion criteria—like prohibitions on irrigation, child labour, genetically modified seeds, and certain pesticides as defined in international conventions—are met and that progress is made on improvement criteria that target issues including soil fertility and gender equality.

Licensing revenue also supports agricultural and business training for small-scale farmers.

The Aid by Trade Foundation is increasingly investing in measures for adapting to climate change and for reducing the impact of cotton growing and ginning on the climate.

Source: farmersreviewafrica.com– May 27, 2022

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## Banks promote lending to exporters amid Vietnam's positive shipments

Commercial banks have stepped up lending to export firms, especially those in industrial parks and export processing zones, as exports of many goods have grown strongly this year.

Nguyen Duc Lenh, deputy director of the State Bank of Vietnam (SBV)'s HCM City branch, said total outstanding loans in HCM City by the end of April 2022 reached more than 3 quadrillion VND (130 billion USD), of which about 196 trillion VND was poured into the Government's priority areas, including exports.

According to Lenh, the loans have helped many firms in industrial parks and export processing zones maintain production and business. The credit growth for the firms reached 24.4 percent in Q1 2022, a fairly high level compared to the average credit growth of the whole banking system.

Hua Quoc Hung, head of the Management Board of HCM City Export Processing Zone and Industrial Park Authority (HEPZA), said HEPZA has conducted many surveys on credit demand, ability to access capital, and financial sources for firms in industrial parks and export processing zones so as to propose to the SBV and commercial banks appropriate policies.

According to Hung, lending to firms has been effective, helping them maintain production and business during the peak period of the pandemic and recover right after HCM City reopened.

In other cities, the lending to manufacturing and export has also increased.

Nguyen Thai Minh Quang, director of Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank)'s Bình Dương Province branch, said the bank is currently still maintaining an interest rate reduction policy of 0.5-1.5 percent per year for corporate and individual customers. Vietcombank's Bình Dương Province branch has lowered interest rates for 87 percent of loans of corporate and individual customers.

Vo Van Buu, director of Commercial Joint Stock Bank for Industry and Trade of Vietnam (VietinBank)'s Binh Duong Industrial Park branch, said the bank has launched many preferential loan programmes, which are exclusive to manufacturing and export areas. Thus, firms in the areas have many opportunities to access loans with low interest rates to serve their production and business needs.

Private and foreign banks are also accelerating capital financing for manufacturing and export firms to capitalise on the strong recovery of export activities, especially in textile and garment, agriculture, fishery and processing industries.
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A representative of ShinhanBank in HCM City said the bank is currently lending well in industrial parks and export processing zones, with outstanding loans of some 30 million USD at a preferential interest rate of about 7.5 percent per year in the first one to three years. The loans to firms in industrial parks and export processing zones are continually growing well as the bank is expanding to other provinces and cities with many industrial zones.

Meanwhile, domestic banks such as HCM City Development Commercial Joint Stock Bank (HDBank), Vietnam Prosperity Commercial Joint Stock Bank (VPBank), Tien Phong Commercial Joint Stock Bank (TPBank) and Orient Commercial Joint Stock Bank (OCB) have also boosted financing for export firms.

TPBank, for example, has launched a loan package worth 1 trillion VND for firms to develop livestock farms with an interest rate of 8 percent per year, while HDBank applied a preferential loan package of 1 trillion VND until mid-2022 to finance salary payments for corporate clients with interest rates from 6.8 percent per year.

Along with the strong recovery of domestic firms after successfully controlling the pandemic, it is expected that banks' credit will continue to be poured into production and business areas to recover the economy in many cities and provinces in the near future.

Source: en.vietnamplus.vn– May 29, 2022

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## Sri Lanka's crisis leads to 10-20% loss in apparel orders

Sri Lanka's ongoing crisis is leading to a loss of 10-20 per cent of orders that are being diverted to India and Bangladesh, warns Felix Fernando, Joint Apparel Association Forum.

As per a Tamil Guardian report, major brands have had to meet with buyers in recent weeks to reassure them that the ongoing unrest in the country would not disrupt their orders.

According to a report by the Export Development Board, Sri Lanka's apparel and textile turnover increased by 13 per cent Y-o-Y to $1.9 billion between January and April 2022. However, the country may not be able to sustain this if it fails to restore buyers' faith

The situation may further worsen by concerns of a coming global recession which would further dampen the buying power of apparel buyers and badly damage Sri Lanka's export sector.

Fernando noted that road closures due to protests had caused difficulty for apparel companies in getting their workers into the factories leading to missed deadlines. However, he notes that trade unions have recognized the seriousness of the challenge and have not taken to strikes. Fernando further states.

Source: fashionatingworld.com– May 27, 2022

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# Pakistan: Discontinuation of special power tariff: Apparel textile sector warns govt of grave implications

The IMF should be informed that the special tariffs and DLTL are not subsidies rather 'crucial' export-policy decisions to unburden the export sectors from cross-subsidy to compete with competing nations on the global markets.

"The IMF should be categorically communicated that special energy tariffs and other facility to export industry are wrongly interpreted as 'subsidy',", Pakistan Apparel Forum chairman Muhammad Jawed Bilwani said.

He warned the government that any 'unwise' decision following its talks with the IMF to discontinue special power tariff for'five export-oriented sectors and will be 'disastrous' for the economy.

The government should understand that the five export sectors re provided with the special energy tariffs at par with those given to industries in the regional countries to ensure the country's products could compete globally.

Similarly, the DLTL (the Duty Drawback on Local Taxes and Levies) is also not a subsidy but a policy measure sparing export goods from taxes, he added.

Fate of subsidy to 5 export-oriented sectors hangs in the balance

With such a government policy, he said that textile export remained a top performer with $15.4 billion in 2020-21 and it fetched $15.98 billion with over 25 percent growth in 2021-22 (10 months).

Such a robust growth could become possible through the concessional energy tariffs at $6.5 mmbtu for RNLG and 9 cents for electricity, which was being provided previously to the industry at 7.5 cents, he said.

The government should honour its commitment to continue the concessional tariff for export industries beyond June 30, 2022 in 'the national interest.'

"Therefore, the government should act very wise and thoughtful while taking any decision which will bring any negative impact on exports," Bilwani said.

On the assurances and commitment of the government, he said that the value-added textile exporters invested 'heavily' to the tune of $700 million to expand their industries, besides purchasing new machinery during last 10 months.

"The regional countries offer much more benefits and incentives to foreign investors," he said adding that only this export sector is performing and generating revenue and urban employment.

He called the country's economic crisis "highly serious", asking the government should act "wisely" and should refrain from interfere the export-sector. "Any adverse step will render this vital export sector to be become most uncompetitive in the international market," he added.

The other unproductive sectors, which are consuming indigenous natural gas, should be shifted to LPG, he said. The apparel sector's demand for concessional power tariff is "Constitutional" to attain protection guarantees and freedom of business and trade and a level playing field, he said.

He also warned that the continuation of concessional power tariff slab will help local industries perform better and any move to discontinue them may force manufacturing units to relocate abroad as happened in the past.

Source: brecorder.com– May 30, 2022

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# NATIONAL NEWS

## How to step-up handling of forex-related issues faced by exporters

Cross-border trade is a domain fraught with uncertainties at all levels. One of the major roadblocks to successful overseas trade operations is the inability to meet the requirements for foreign exchange (forex) systems and norms. This issue has the potential to mar trade deals. In trade parlance, leveraging forex requirements effectively is considered to be a sure-shot strategy for positive business outcomes.

Fluctuations in the values of foreign currencies is a constant and a big challenge in cross-border trade. While this issue affects exporting firms of all shapes and sizes, the country's MSME firms are more vulnerable to this hazard. Though the MSME sector accounts for nearly half of India’s outwards shipments, this segment is traditionally characterised by low awareness about the procedural know-how in dealing with forex requirements and associated risks.

The up-down equation

A fall in the Indian rupee — which also means a stronger dollar — helps exporters earn comparatively more for their exports, making Indian exports more competitive. But a decline in the currency also means that imported inputs become expensive for domestic industries, affecting MSMEs the most. Lots of MSMEs do exports as well as raw material imports. Therefore, any steep depreciation in the rupees cuts them both ways. Industry estimates have revealed that imported inputs form about half of India’s exports.

The Federation of Indian Export Organisations recently flagged that while rupee depreciation would help spur exports, it would also raise input costs for the downstream manufacturing sector. Given this situation, exporters would prefer that there is no drastic volatility and fluctuation in the currency of the trade. Such stability will also help small businesses in better financial planning.

So, what are the common solutions an exporter can embrace to mitigate forex-related risks?

Forex hedging is a method often used by exporters to prevent exchange risks in cross-border transactions. Under this method, the exchange rate for the transaction is fixed for a future date, instead of using the exchange rate prevailing on the day of trade.

While this looks overly simplistic, the fact remains not many MSME firms know or avail of this solution. The reason, as revealed by industry trends, is that hedging is a complex procedure and requires specialised knowledge. So, it is not a popular option among novice exporters. At times, exporters need to seek the help of industry experts or consultants who charge a fee for their services. This increases the transaction cost for exporters.

There are many geographies where currency volatility and fluctuations remain a big issue. In such markets, locking the currency value of the commercial transaction via a hedging mechanism can greatly aid exporters in mitigating potential currency risks.

It's worth mentioning that hedging is a double-edged sword for exporters: While it reduces trade risks, it also significantly cuts any chances of potential windfall profits that exporters can earn in case of a favourable movement in the currency. Therefore, currency hedging remains a technique used by traders desiring to play it safe while selling goods abroad. Experts suggest exporters do a thorough cost-benefit analysis before taking a hedging decision.

Blind spot for exporters

The reluctance among MSME exporters to update their knowledge and employ the latest forex strategies is a big growth bottleneck for them, say industry observers.

Arjun Abraham Zacharia, Founder of trade facilitation platform EximPe, says MSMEs that undertake cross-border trade run their businesses in a manual, on-the-phone, paper-heavy and in-branch manner.

As a result, cross-border payments remain expensive, delayed and often non-compliant with the rules of the land. For example, if an MSME wishes to conduct a transaction in the US dollar (USD), there is no credible way to obtain the rate.

Of course, one can “Google it”, but that does not return accurate trade rates, he says. Hence, a trustworthy, digital 24/7 source that delivers tradable rates from several Indian banks is very much required, says Zacharia. “In most cases, MSME exporters still opt to walk into a bank branch or call the bank for a rate. This is a manual procedure that can take up to two days at times because of verification procedures and bureaucratic issues.

The rates can change during that time, incurring possible losses for the exporter. Unfortunately, we live in turbulent times where currency fluctuates daily and hedging or a forward cover rate is now rarely utilised by MSMEs due to a lack of information and access. Banks and trade organisations must work together to raise awareness among MSMEs,” he says.

Small businesses, particularly those just starting up, are generally unaware of the compliances in cross-border payments. These norms include executing the BOE (bill of exchange) regularisation for imports and exports. If this is not done, for every payment, an exporter can get blacklisted, and end up losing trade deals. Hence, it is critical for exporting firms to carry out due diligence relating to currency exposure management.

Default in forex payments is also a common issue faced by the exporting community. Experts, however, point out there are certain dos and don'ts that might help exporters address such issues. “Variants of cash-in-advance payment terms — including usage of escrow account services — are also considered in cases where exporters have higher bargaining power," says Sudipta Bhattacharjee, Partner, Indirect tax and Customs, Khaitan & Co.

Letters of credit (L/C) is a generally accepted secure methodology that strikes a better balance between the competing interests of buyers and exporters, he says.

A L/C represents a commitment by the buyer’s bank to pay the exporter as long as the conditions stated in the document have been met. Letters of credit may be particularly attractive for MSME exporters when the buyer’s creditworthiness is doubtful. This is because a well-known bank backs the buyer through a L/C.

There are several tools and solutions to curb forex-related payment issues. Exporters should make the best use of such solutions.

According to Bhattacharjee, exporters can make use of a range of insurance covers to protect themselves from the risk of non-realisation of trade proceeds. The Export Credit Guarantee Corporation of India Limited is one organisation that offers various insurance products and working capital financing options to Indian exporters.

“A host of financing options may soon open up for MSME exporters in India with the International Trade Finance Service (ITFS) platforms for facilitating trade finance through lenders across the globe becoming fully functional. These platforms will enable the best possible price discovery through a live auction process, thereby offering a much larger palate of financing choices for Indian exporters,” adds Bhattacharjee.

While better exposure management remains key in tackling forex fluctuations, adoption of technology can make a big difference too, claim industry observers.

Pratik Sharma, the COO at Automaxis, a platform connecting freight, documents and payment in cross-border trade, vouches for tech adoption to ensure deals go through smoothly. Exporters sit on a major currency fluctuation risk as they ship goods and get the payment only after a certain period. They may end up at a loss in case the currency rate changes. “Exporters can know the current forex rates through 3rd party API services that can be integrated into the legacy systems or apps. They can also get predictions about future prices. Exporters can also select the duration and decide whether to go for forwards contracts or options in order to hedge the currency arbitrations," adds Sharma.

To resolve documentation issues in cross-border trade, his firm has come up with a blockchain platform for secure and speedy transfer of ownership of bills of lading in real time. In usual course, this paper passes through at least 3 courier services and takes 7-10 days to reach the destination, claims the firm, adding that technology can be a great saviour for exporters in tackling various forex requirements.

Source: economictimes.com– May 30, 2022

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## Russia-Ukraine crisis: Can Indian exporters fill the gap in the global commodities market?

The Russian invasion of Ukraine is a significant humanitarian crisis that has far-reaching global implications. Supply chains are experiencing substantial disruptions as sanctions affect energy, food, and materials used to sustain production of key technologies. Russia and Ukraine are among the world's largest commodity exporting nations, with global sway over critical natural gas, oil, metals, and agri-commodities. If this crisis is prolonged, it will have a significant impact on Europe's energy supplies as well as on many countries' food security concerns.

Interdependence: A side-effect of globalization

This is yet another reminder of the interdependence that comes with globalization and our mutual

reliance on one another as participants in the global supply chain. There are 14,745 Tier 1 and 7.6 million Tier 2 supplier relationships with Russian entities globally, according to data from Dun & Bradstreet. As a result, we are witnessing the ripple effects of US, UK, and EU sanctions on Russian businesses, further crippling an already fragile global supply chain.

There are at least 390 businesses globally with critical suppliers in Russia. Critical suppliers, for the purpose of this article, are defined as suppliers that provide goods and services of at least $100,000 and account for not less than 5% of all invoices.

The top five countries that have critical suppliers in Russia are the US, China, India, Japan, and the UAE. There are at least 210 businesses globally with critical suppliers in Ukraine. The top five countries with the most exposure are the US, Mexico, China, Brazil, and Canada.

Currently 348 entities are under direct sanctions in response to the invasion of Ukraine, which actually represents 36,082 businesses whom are owned or controlled by them, according to Dun & Bradstreet data. The OFAC 50% rule imposes sanctions on businesses with a combined ownership by sanctioned parties of 50% or more.

In addition to causing financial disruptions to the ultimate parent companies in Russia, sanctions would also disrupt entities in other countries who have business relationships with the sanctioned companies. This underscores the need for beneficial ownership data and the importance of having access to corporate family tree data in uncovering hidden compliance risks.

While Russia and Ukraine account for only 1.9% and 0.3% of the total global merchandise export value respectively, they are the leading exporters of specific commodities. Russia and Ukraine, for example, account for 59% of global sunflower oil exports (HS code 1512), 36% of global iron or non-alloy steel exports (HS code 7207), and 26% of global wheat exports (HS 1001). Data from UN Comtrade shows that several countries have a high dependency on Russian and Ukrainian exports.

A country is deemed to have high dependence on Russia and Ukraine for the purposes of this article if it imports more than 50% of its total imports of a given item from Russia and Ukraine. By that definition, 25 countries have a high dependency for wheat and meslin, 24 countries for coal, 16 for petroleum gases, and 10 for crude petroleum.

Numerous member states of the European Union and Eastern Europe fall within these categories. The invasion of Ukraine and subsequent sanctions on Russia may result in shortages of critical supplies, material cost increases, more erratic demand, and logistical and capacity bottlenecks.

India: Filling the void

Dun & Bradstreet's analysis suggests that Indian businesses have the potential to fill the void created in the global export market. There are nearly 2,700 Indian exporters spread across the 11 major products exported by Russia and Ukraine.

These products include crude petroleum oil, corn, wheat, sunflower oil, iron ore, iron & steel, platinum, gold, copper, turbo-jets & turbo-propellers, and insulated wire & electric conductors. An analysis of the data from the UN Comtrade shows that of these 11 products, India has a Revealed Comparative Advantage (RCA) in the exports of iron ore, iron & steel, and turbo-jets & turbo-propellers.

India is among the top five iron ore producing countries in the world, ahead of Russia. Hence, businesses in this industry have an enormous opportunity to expand exports and diversify revenue streams by entering new markets where Russia was previously the major supplier.

Whilst India is the world's second largest wheat producer after China, Russia exports 40 times the volume of wheat that India does. India's wheat exports have been hindered by high pricing and a large domestic consumer base. However, the increase in global wheat prices following the Russia-Ukraine crisis has boosted India’s competitiveness, creating new opportunities for Indian wheat exporters.

While India also has an RCA in copper, it became a net importer of the metal following the closure of a major copper smelter in 2018 due to environmental concerns. Hence it is unlikely that copper exports from India will witness a significant rise.

This situation may also encourage Indian businesses, who up to this point have focused only on the domestic market, to expand internationally. Data from Dun & Bradstreet shows that there are approximately 300,000 such businesses. However, access to new markets has been one of the biggest challenges for small businesses.

Expanding Market Access

By mitigating the problems of information asymmetry and reducing the sunk cost of entering new markets, business information portals can significantly aid in expanding market access for firms. Researchers at the Inter-American Development Bank discovered that each additional day spent on a business information portal enhances the possibility of a firm exporting to new markets by 0.07 percent. Hence, the government and export promotion agencies must incentivize small businesses to leverage business information portals in order to increase their market access.

Source: economictimes.com– May 30, 2022

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# Long known as a slow negotiator, India is suddenly on an FTA-signing spree

After playing coy with a few suitors and ditching one at the altar, India has now gone in for a makeover with a vengeance. In the free trade agreement (FTA) sweepstakes, it is playing the field and hooking up with as many as possible.

2022 is not even halfway through, yet India's trade diary is chock-a-block with promising dates. The FTA with the UAE came on effect on May 1. A few days earlier, the early harvest FTA with Australia was sewn up. An agreement with Israel is almost sealed; another with the Gulf Co-operation Council (a union of the oil-rich Persian Gulf states) is next. The buzz is that the Saudis and Omanis would not mind separate bilateral deals. An over-enthusiastic UK, now that Brexit is over and done with, is pushing New Delhi to do the deed before Diwali. India has also pulled out its half-forgotten dalliance with the European Union, as fresh overtures were made recently.

Then, there is the 'will they, won't they' playing out with the big bro, the US. Anything from Alphonso mangoes to duties on Harley-Davidson bikes can lead to a tiff here, but in the post-Trump era, there are renewed expectations of a 'sauda pakka'. Waiting in the wings are many others, from Canada to South Africa.

For the first half century of its existence as a free nation, India barely had any multi-country trade deals. Even in the past two decades, it was a tough and slow negotiator, with most talks ending up in limbo. So what has changed?

"India always wanted multilateral trade agreements so that it facilitates trade across the globe. It was not initially enthusiastic about bilateral or regional trade agreements, but it gradually realised that many countries were doing it and India was being left out," said Sunil Sinha, principal economist at India Ratings and Research.

It took some time for India to change its mind, though. While its economy was insular till the early 1990s, after liberalisation it pinned its hopes on various talks initiated by the World Trade Organisation (WTO) in the heady days following the end of the Cold War, when it seemed that the whole world could finally bury its differences and become a single market.

The reality, however, was different. It soon became evident that the notions of a global family, that trades together and stays together, were unrealistic. After India finally saw the writing on the wall and initiated FTAs with the likes of ASEAN (a trade block of South East Asian nations), the next whammy hit—an influx of Chinese products making its way through Thailand, taking advantage of the FTA route.

“In the FTA context, there is a big issue over what ‘(country of) origin’ means. Therefore, worldwide, and especially in India, there is a move towards tightening how ‘origin’ gets measured,” said Udayan Choksi, partner at the law firm Khaitan & Co. “This is important because there is a constant threat of goods being diverted and [treaty provisions being] abused.”

The palm oil import was another bad experience under the ASEAN deal. “At one point, the import tariff on crude palm oil was reduced to near zero and 48 per cent of Indian oil consumption was palm oil from Malaysia and Indonesia. Another 23 per cent was soya oil, which meant two thirds of our oil was being imported. Domestic processing units began shutting down. It was only when India raised import tariffs that they got re-established,” said Nilanjan Ghosh, director of Observer Research Foundation’s Centre for New Economic Diplomacy.

With such experiences, India became even more picky in negotiations, and some deals, like the one with the EU, got stalled. Donald Trump famously called India a tough negotiator, and a trade pact with the US is still far from reality. “India’s approach used to be more puritan and hence it could not conclude many negotiations,” said Sinha. “In negotiations, there is always some amount of give-and-take.”

This cost the country dearly in the first big spate of global partnerships that followed the global financial meltdown of 2008-09. While it was clear by the turn of the century that a global multilateral deal was not going to happen, it did not matter much since it was a period of boom in international trade—economies were buoyant, China became the factory to the world, most countries were benefitting and no one talked about trade barriers.

“Some years after the global financial crisis, its impact started to sink in, with the mood in advanced economies changing to the tune of ‘Our jobs are being taken away’ and ‘I am Bangalored’ to ‘Brexit’,” said Sinha. “The

friction between the US and China escalated to a point where global trade took a back seat, as almost every country's political leadership realised they needed to tread carefully, or else lose domestic support."

"These agreements are as much about geopolitics as they are about good economics," said Pranay Kotasthane, deputy director at the think-tank Takshashila Institution and chair of its high-tech geopolitics programme. "From the perspective of other countries, over-reliance on China is now a risky proposition."

According to Ghosh, all FTAs are now geostrategy and geoeconomics compliant. Australia is India's partner in Quad. The UAE and Israel are partners in the new western multilateral with the US. He said that new trade deals were important to shed India's image as a protectionist economy, which its last-minute decision to run away from the Regional Comprehensive Economic Partnership (RCEP) had reinforced.

The China-steered RCEP (also comprising ASEAN, Australia, Japan and South Korea) accounts for about 30 per cent of the global GDP. "Trade pacts should benefit the signatories. There were opportunities for India, specially in aligning its medium and small scale enterprises with ASEAN manufacturing. There were, however, too many other issues. At one point, China accounted for almost 40 per cent of our trade deficit. There were strategic issues, too. Indian economy was not geared up to join RCEP," said Ghosh.

The search for an alternative to RCEP made India take a re-look at its FTA track record. Another trigger was the state of the post-Covid global trade itself. Stimuli by governments following the economic downturn after lockdowns created a huge demand for commodities, causing another about-turn in the attitudes to trade in the advanced economies. This benefited Indian exports, which reached a record $420 billion in financial year 2022.

"If this momentum has to be maintained and in future our exports are not hampered by trade friction, the best way forward is to clinch as many FTAs while the environment is good," said Sinha.

Abhay Sinha, director general of the Services Export Promotion Council under the ministry of commerce and industry, pointed towards the pacts with the UAE and Australia as "new look" documents, in which emphasis

was given to the services sector. "There is so much collaborative potential," he said. "Australia is opening up for Indian chefs, yoga teachers and construction services. India is offering medical value services and a big tourism potential."

The Comprehensive Economic Partnership Agreement with the UAE allows duty exemption on 90 per cent of Indian exports. He noted that the trade pact with Japan, signed in 2011, did not get optimised despite potential. One reason was India was not ready for Japan's quality requirements. Thus, sectors like pharmaceuticals, where India could have benefitted, showed very little impact.

"The new deals are being negotiated to yield results from the beginning," said Abhay Sinha. Both of the recent pacts were followed up with massive outreach programmes to make Indian businesses aware of the advantages. With the world looking at Alt China approaches for sourcing goods, India could benefit, provided it plays its cards well. "From the Indian perspective, these FTAs are a positive start, and perhaps indicate that India's atmanirbhar approach is not about self-sufficiency but about integrating into global supply chains. China's geopolitical mistakes have presented India another opportunity," said Kotasthane.

India's toughest hurdle would not be China or even negotiators of other countries, but the powerful and entrenched domestic lobbies, especially in the agro and dairy sectors. "Domestic lobbies will want to keep their products out of deals with states having competing suppliers," said Kotasthane. "This approach would require immense and sustained political, intellectual, and administrative [efforts]."

An early test of whether India is ready to integrate into the global market will be later this year, when the complete trade pact with Australia—encompassing agro-production and diary—gets inked.

Trade pacts are beneficial only when there is benefit and complementarity at both ends. As India pushes to bring its economy to the global centrestage, it remains to be seen if it will be able to balance domestic concerns with global expectations.

**WINDS OF TRADE**

India's oldest attempt at a trade deal was in the 1970s. Since then, there has not been too much to show in terms of results. Here is a brief look at India's trade-deal history:

**Bangkok Agreement (1975)**

A preferential trade agreement with countries like Bangladesh, Sri Lanka, Laos, Mongolia and China, later re-branded as the Asia Pacific Trade Agreement. This, of course, was before China or India became economic powerhouses

**SAFTA, MERCOSUR (2004)**

For the longest time, India pinned its hopes on a global WTO deal or sweeping multilateral treaties. There were ambitious attempts like the 41-country Global System of Trade Preferences in 1988 or the regional SAFTA (with SAARC) in 2004. The same year also saw MERCOSUR, a preferential trade deal with South American countries, which also did not amount to much

**ASEAN-INDIA (2009)**

For conservative India, this was an ambitious swing at free trade. But, it led to cheap Chinese goods flooding its market through ASEAN countries like Thailand

**South Korea (2009), Japan (2011)**

India's first proper attempts at bilateral free trade agreements, notwithstanding earlier deals with neighbours like Sri Lanka and Afghanistan. The deals with South Korea and Japan have turned out to be less than optimal for India

**RCEP (2021)**

India withdrew from the deal. The China-led Regional Comprehensive Economic Partnership is the biggest free trade bloc in the world, and could well dictate the course of the global economy in the coming years. Time will tell whether India's decision to jump ship close to signing was wise or

not, and whether the current race to finalise deals with blocks like the EU and the GCC, and the UK and the US will make up for it.

**Australia and UAE (2022)**

The new deals have emphasised India's service sector and there are attempts from the start to optimise potential.

Source: theweek.in– May 29, 2022

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## US surpasses China as India's biggest trading partner in FY22 at $119.42 bn

Exports to China marginally increased to $21.25 billion last fiscal year from $21.18 billion in 2020-21

The US surpassed China to become India's top trading partner in 2021-22, reflecting strengthening economic ties between the two countries. According to the data of the commerce ministry, in 2021-22, the bilateral trade between the US and India stood at $119.42 billion as against $80.51 billion in 2020-21.

Exports to the US increased to $76.11 billion in 2021-22 from $51.62 billion in previous fiscal year, while imports rose to $43.31 billion as compared to about $29 billion in 2020-21. During 2021-22, India's two-way commerce with China aggregated at $115.42 billion as compared to $86.4 billion in 2020-21, the data showed.

Exports to China marginally increased to $21.25 billion last fiscal year from $21.18 billion in 2020-21, while imports jumped to $94.16 billion from about $65.21 billion in 2020-21. Trade gap rose to $72.91 billion in 2021-22 from $44 billion in previous fiscal year.

Trade experts believe that the trend of increasing bilateral trade with the US will continue in the coming years also as New Delhi and Washington are engaged in further strengthening the economic ties.

'Trusted trading partner'

Federation of Indian Export Organisations Vice President Khalid Khan said India is emerging as a trusted trading partner and global firms are reducing their dependence only on China for their supplies and are diversifying business into other countries like India.

"In the coming years, the bilateral trade between India and the US will continue to grow. India has joined a US-led initiative to set up an Indo-Pacific Economic Framework (IPEF) and this move would help boost economic ties further," Khan said.

Rakesh Mohan Joshi, Director of the Indian Institute of Plantation Management (IIPM), Bangalore, too said that India is home to 1.39 billion

people with the world's third largest consumer market and the fastest growing market economy with unparalleled demographic dividend provides enormous opportunities for the US and Indian firms for technology transfer, manufacturing, trade and investment.

"Major export items from India to the US include petroleum polished diamonds, pharmaceutical products, jewellery, light oils and petroleum, frozen shrimp, made ups etc. whereas major imports from the US include petroleum, rough diamonds, liquified natural gas, gold, coal, waste and scrap, almonds etc," Joshi said.

Trade surplus

America is one of the few countries with which India has a trade surplus. In 2021-22, India had a trade surplus of $32.8 billion with the US. The data showed that China was India's top trading partner from 2013-14 till 2017-18 and also in 2020-21.

Before China, the UAE was the country's largest trading partner. In 2021-22, the UAE with $72.9 billion, was the third largest trading partner of India. It was followed by Saudi Arabia ($42,85 billion), Iraq ($34.33 billion) and Singapore ($30 billion).

Source: thehindubusinessline.com– May 29, 2022

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# Nearly half of ECLGS funds used to clear vendor dues, one-third to restart business: RBI Annual report

Credit and Finance for MSMEs: Nearly half of the loans disbursed under the government's Emergency Credit Line Guarantee Scheme (ECLGS) to MSMEs were used to clear the dues of vendors providing raw materials while one-third of loans were used to restart businesses, and the remaining amount was used for payment of salaries and to meet other expenses, said the Reserve Bank of India's (RBI) annual report for the financial year 2021-22. ECLGS is the flagship post-Covid credit scheme for existing MSME borrowers launched in May 2020 as part of the Rs 20-lakh-crore special economic Atmanibhar Bharat package.

Following the ECLGS announcement, MSME loan demand increased sharply, particularly credit disbursements to small enterprises with loan sizes of less than Rs 10 lakh during the second quarter of FY21. According to the data shared in the report, 45 per cent of these loans were used to clear existing vendor dues followed by around 28 per cent to resume commercial operations, approximately 13 per cent towards employee salaries and the rest around 13 per cent towards other expenses.

However, to support new borrowers as well impacted due to the Covid pandemic, the central bank in February 2021 had announced a deduction of loans given to new borrowers in the MSME sector from the cash reserve ratio (CRR) maintained by banks. "This measure increased the availability of loanable funds to new MSME sector borrowers, as loans to new borrowers grew almost at the same pace as for existing borrowers," the report noted.

This exemption was available for exposures up to Rs 25 lakh per borrower for credit extended up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier, a statement by RBI in February had said.

Moreover, ECLGS also helped in the recovery of stressed assets. Out of about 15 lakh ECLGS accounts, 88 per cent were standard assets, 10 per cent were special mention accounts (SMAs), and 2 per cent were non-performing assets (NPAs), the annual report said. Out of total NPAs, the transition from NPAs to standard assets was significantly higher in ECLGS accounts than non-ECLGS accounts of the same borrowers during 2021-22.

Based on the data shared by RBI in the annual report, 37 per cent ECLGS accounts transitioned from NPA to standard category in comparison to 14 per cent non-ECLGS NPA accounts that switched to standard category.

Likewise, the share of NPAs evolving to SMA accounts was higher at 35 per cent for ECLGS accounts vis-a-vis 16 per cent for non-ECLGS accounts while in terms of accounts, which remained NPAs, 70 per cent belong to non-ECLGS category in comparison to 29 per cent ECLGS accounts.

Source: financialexpress.com– May 29, 2022

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## FY22 trade gap with China swells to $72.9 billion

India's trade deficit with China widened to $72.9 billion in FY22 as imports surged to $94.16 billion, 44.3% more than the previous fiscal year as well as the pre-pandemic year of FY20, official data showed.

India imported $29.89 billion of electrical machinery, equipment and sound recorders, $12.49 billion of organic chemicals, and $19.83 billion of boilers and mechanical appliances in the last fiscal year, with these imports up a total 40% on-year.

In FY21, India's imports from China amounted to $65.21 billion, while exports in both FY21 and FY22 remained stagnant at about $25.2 billion, according to commerce and industry ministry data. Imports in the pre-pandemic year of FY20 stood at $65.26 billion.

"Higher commodity prices and pent-up demand post the restrictions during Covid pushed up the demand for both consumer and industrial goods which led to a rise in imports," said a chief economist with a bank who didn't want to be named. Shipments from China comprised 15.38% of India's total imports of $611.89 billion in FY22.

India is in the process of identifying impediments to its exports to China in order to narrow the trade deficit, said people with knowledge of the matter. "The issues such as non-tariff barriers will be taken up with China," said an official.

The pandemic has swelled India's trade deficit with China though a gradual improvement had been witnessed just before the pandemic years, according to ratings agency Crisil.

India's dependence on Chinese imports has increased for computer hardware, electronic components and chemicals. It supplies more than half the county's demand.

"Lower domestic demand due to restrictions on mobility possibly contributed to decline in India's merchandise exports to China in January-March 2022 by 30.3% on-year," Crisil said.

In FY21, when India's economy contracted 6.6% and overall imports shrank 17%, imports from China held steady at $65.2 billion, reflecting their stickiness and the surge in demand for electronic goods. These were the key imports from China during the pandemic.

Source: economictimes.com– May 30, 2022

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## Modi's 8 years and the economy

Speaking at a public meeting in Gujarat on Saturday, Prime Minister Narendra Modi gave a long list of his government's achievements on the social welfare front. Modi, who completed eight years in office on May 26, has indeed walked the talk. There isn't any doubt that a broadening and deepening of the welfare state has allowed him to retain unmatched levels of popularity. The economic track record, however, could have been much better.

In the initial part of his prime ministership, benign global crude prices helped him to put a leash on the budget deficits and thereby India's high public debt, making it an an outlier among emerging nations. In 2015-16, India also snatched the statistical glory of being "the fastest growing major economy" from China and clung to that status in the subsequent year too, before losing it to the neighbour in 2017-18. It's a different matter that China's economy is nearly five times India's.

India's economic growth had taken a hit, even before the pandemic wreaked havoc across the globe. The pandemic and external shocks have inflated public debt much further in recent years. Despite the slack in the economy, inflation has tended to rise alarmingly in recent months, as external factors turned unfavourable. In 2014, there were expectations of a double-digit growth, but in 2022, the growth is expected to be around 7%.

As Modi enters the fourth year of his second term as PM, a deep slowdown—if not recession—in the west, the travails of China and India's relative insularity to the global shocks can let India consolidate its recently regained faster-growing-economy status. However, the government will have to answer tough questions over "jobless growth" and struggle to find resources for sustaining growth itself.

Source: financialexpress.com– May 29, 2022

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## Routes via Myanmar, Bangladesh could transform Asia: EAM Jaishankar

India can overcome geography and rewrite history "if only we get the policies and the economics right", foreign minister S Jaishankar said on Saturday while highlighting how land connectivity through Myanmar and sea connectivity through Bangladesh on a commercial scale could open up "a world all the way to Vietnam and Philippines, from Haiphong to Hazira, and Manila to Mundra".

If this works out, it would "create an east-west lateral with sweeping benefits for the continent", Jaishankar said at the two-day Nadi 3 Asian Confluence River Conclave that started in the Assam capital.

"This will not only build on the partnerships that we have with the Asean countries and Japan, but would actually make a difference to the Indo-Pacific Economic Framework that is now in the making."

The starting point, Jaishankar said, would be enhancing connectivity with Bangladesh, especially with the neighbouring northeast, and the restoration of six historical cross-border rail links, dormant since 1965. "Once operational, the Shahabazpur (Bangladesh) to Mahishasan (Assam) link will be extended within Bangladesh and connected to the Kuluara-Shahbazpur rail line that is currently being modernised."

Inaugurated in December 2020, the Chilahati-Haldibari (West Bengal) line will further enhance Assam's connectivity to Bangladesh through New Jalpaiguri, including passenger traffic, the foreign minister said.

A rail link between Akhaura (Bangladesh) to Agartala (Tripura) is being developed, which Jaishankar said had already resulted in increased trade between India and Bangladesh.

The minister pinned high hopes on negotiations to operationalise the BBIN Motor Vehicle Agreement to ensure seamless vehicular movement between the neighbours.

"Inside Bangladesh, India is collaborating on a series of road projects, including improving the Ashuganj River Port-Akhaura Land Port Road under a line of credit worth more than $400 million.

A road project connecting Baruerhat to Ramgarh on the India-Bangladesh border in Tripura is also being implemented under another an LoC of $80.06 million," he said.

Source: timesofindia.com– May 29, 2022

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# Telangana to launch pilot project for single-pick cotton

The variety will have 40 per cent higher yield, lower labour costs

The Telangana Government is launching a pilot project on single-pick cotton on about 50,000 acres. This comes at a time when cotton yields have remained stagnant for years and farmers are finding it tough to find the labour to pick the bolls.

The single-pick cotton will be suitable for machine harvest as the plants will grow to a uniform height of around knee-level, compared with the tall varieties grown across the country now. Machine harvest of the low height variety will ease the problems associated with the harvesting season.

Currently, farmers pick the cotton bolls at least three times and, sometimes, up to four times. The single-pick method will prolong the harvest by a few weeks and will enable farmers to complete the harvest in one go.

"This will give the farmers an opportunity to go for another short duration crop. Besides, the method will help increase yields by up to 40 per cent," M Prabhakara Rao, President of the National Seed Association of India (NSAI), told BusinessLine.

Though the method, also known as a high-density plantation is being tried out by different agricultural universities, it has been restricted to limited trials.

"This will be the first time it is tried in a large area. If it gives good results, this can be a game-changer for the country's cotton sector," he said.

What is single-pick

Single-pick cotton refers to cotton varieties that flower at one time and boll bursting happens at the same time, unlike in the traditional varieties that have three flushes of flowering. Therefore, the boll bursting also happens three or four times, resulting in 3-4 pickings.

Normal cotton plants are tall and bushy, occupying a lot of space due to which only 7,000-8,000 plants can be accommodated per acre.

Picking requires a lot of labour, which accounts for about 20 per cent of farmers' returns, according to Ram Kaundinya, Director-General of the Federation of Seed Industry of India (FSII).

Though the country has the world's largest cotton production area with 13.4 million hectares or one-third of the global cotton area, productivity is low at 473 kg/ha as against the global level of 766 kg/ha.

"The challenges of low and medium productivity areas can be addressed by increasing the yield per unit area by enhancing the genetic base of genotypes and adopting improved agronomic practices," he said.

Kaundinya said the FSII has initiated the High-Density Planting System (HDPS) in select districts of Maharashtra and Telangana.

Costs involved

Farmers, however, say the new method would mean higher costs. "The method involves some additional investment by farmers. They will have to use 4-5 packets of seed (450 gm each) per acre against 2-3 packets in the current method of farming," a cotton farmer from Warangal said.

"Also, they would need to use growth-retardant sprays to ensure uniformity in height of the plant. It would also require mechanical planters as it would be difficult to plant more seeds on an acre, using the traditional method," he said. Pest and weed control, too, are important as dense plantations could trigger a higher population of pests and weeds.

Different processing

The FSII sees the need for a different approach in the post-harvesting phase.

"Mechanically picked cotton will have more trash than normal cotton. In order to deliver high-quality cotton to textile mills, pre-cleaners will have to be installed in ginning mills," Ram Kaundinya said.

Source: thehindubusinessline.com– May 29, 2022

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## NCLT allows insolvency proceedings against National Textiles Corp

The National Company Law Tribunal (NCLT) has ordered to initiate insolvency proceedings against state-run National Textile Corporation (NTC) after admitting a plea by one of its operational creditors claiming default of around Rs 14 lakh.

The New Delhi bench of the NCLT has also appointed Amit Talwar as an interim resolution professional (IRP), suspending the board of NTC and has also declared a moratorium against the PSU as per the provisions of the Insolvency & Bankruptcy Code (IBC).

A two-member NCLT bench also rejected the claims of NTC and said the dispute it raised over the due amount claimed by its operational creditor is merely a "moonshine dispute and said default has occurred for the payment.

This is probably for the first time since the code has come into effect that insolvency proceedings against a central government-owned public sector unit (PSU) has been initiated.

NTC is under the jurisdiction of the Ministry of Textile, Government of India. It is engaged in the production of yarn and fabric through its 23 mills in operation, located all over India.

The NCLT direction came over a petition filed by Hero Solar Energy Private Ltd (HSEPL) through its counsel Pallav Mongia, claiming a default of Rs 13.84 lakh for two contracts for installing solar rooftop power projects.

The matter relates to an almost six-year-old contract. NTC had awarded a work order in May 2016 in Tamil Nadu for a total 780 kWp grid-connected rooftop solar power PV system.

As per the contract of both the projects, the amount of Rs 2.21 crore towards Project 1 and Rs 1.86 crore towards Project 2 become due upon the completion of work on December, 2016 and April, 2017, respectively.

However, NTC failed to release the complete payment due to HSEPL and retained an amount of Rs 13.84 lakh against the terms of the agreement.

It was informed by the operational creditor that as per the clauses of the agreement, there was no provision for levying any penalty and sent a demand notice to NTC under section 8 of the IBC.

However, NTC in its reply had said HSEPL has committed a delay of 117 days in the execution of the work order and it has suffered losses and hence it has deducted penalties from the amount due.

This was denied by HSEPL and said no notice of dispute was ever given by NTC to HSEPL and in fact in its several letters written to the PSU, demanding the pending dues, no dispute over delay in execution was raised.

The insolvency tribunal also agreed with the submissions of the operational creditor and said: "Considering the documents on record admittedly the respondent has never raised any dispute over the quantum of claim or delay of the applicant. The corporate debtor has failed to place any document on record to show that said imposition of penalty was ever communicated to the applicant before issuance of demand notice."

No debit note in this regard was ever issued by the respondent, NCLT observed adding "No penalty or liquidated damages were levied by corporate debtor".

"Admittedly, in terms of the agreement, the corporate debtor is not entitled to impose any penalty to the applicant. The respondent even reconciled the accounts of the applicant and failed to raise any dispute over the claim of the applicant during reconciliation, said NCLT in its 10-page long order passed on May 27.

The tribunal further said even the Indian Contract Act provided that in case of the promisor failed to perform the contract at the time agreed and the promise still accepts the performance of such promise any time other than agreed, the promisee cannot claim compensation for any loss.

"It is not the case of the respondent (NTC) that work order was never completed by the applicant. The respondent has already made payments to the applicant which shows that there is no defect in the performance of contract , it said.

This leaves no doubt that the default has occurred for the payment of the operational debt to the applicant and the so-called dispute raised by NTC is merely a "moonshine dispute.

"Therefore, in the given facts and circumstances, it can be concluded that the applicant has established its claim which is due and payable by the corporate debtor and the corporate debtor has failed to prove the existence of any pre-existing dispute in respect of amount claimed by the applicant. The present application is admitted, said NCLT.

Source: business-standard.com– May 29, 2022

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# Garment workers struggling to get a living wage in India

Whatever the recent major developments we have noticed in our textile and clothing industry, like strong recovery after two years oftextile setting the ambitious export targets and good performance in export, the high price of cotton and now impact of inflation our workers have been neglected. And they are more under pressure now due to the rush of work. Workers are the base of this industry, but I have no doubt to say that majority of them are not getting what they should get.

There is always a debate on minimum wage, fair wage, a living wage, piece rate working, overtime and other kinds of payment structures for the workers. In many states, the minimum wage gets revision on a regular interval. In some states, sometimes issues arise with the hike in the minimum wage and the matter goes to court for years. Here is an example, just a few months back there was an interesting development in the favour of workers.

After almost two years of refusing to pay the legal minimum wage, some garment manufacturers in Bengaluru finally committed to pay the legal minimum wage, along with all arrears owed, to their workers. And this amount was Rs446 crore. This could happen with the efforts of a local union and international organization working globally for labour rights. These organizations work to hold clothing manufacturers and their international brands accountable for any underpayments. The matter has complications of proclamation suspending the minimum wage increase by state and court proceeding but finally, workers got the things in their favour.

In India, a few factories are even paying little more than minimum wage to their workers but the larger picture is different. The majority of workers are just getting minimum wage which is not sufficient for their basic needs as they are migratory workers and have the extra cost of living in the cities where the factories are. The condition is even worst when the minimum wage is not being paid especially to the newcomers who are unskilled and appointed helpers. With overtime, workers may get a reasonable amount but for them also work-life balance is equally important. Factories, brands (especially international) governments, NGOs and unions or worker committees are four major stakeholders in the wage scenario. And for a combined win-win situation, all have to work together and have true spirit.

The factory can't pay if it will not get a fair amount from its clients, these clients (brands, retailers) are under the pressure of market forces but as they claim doing business ethically, they have to pay more and increase their

product price. There is nothing wrong if they present to their customers in a way that their clothes are a little costly as a certain amount is going to the workers. Aware customers will not mind paying a little more for this and as tracing technology is easily available, it will be a completely transparent process. As of now, very few international brands are following the concept of living/fair wage, which definitely needs to increase.

And NGOs and unions have to act fairly creating genuine pressure and following the legal path can be an option for them. Their pressure has worked earlier also and here is a perfect example. Around 1,000 sacked workers from a Thailand-based garment factory will receive $8.3 million as the globally renowned lingerie brand purchasing for this factory contributed to the settlement via a loan arrangement with the factory's owners. In this massive success for workers, the role of an international workers rights group was instrumental. Many of these workers who had worked at the factory for more than 10 years did not receive severance payouts mandated under Thailand's law.

Union and State governments have many welfare schemes for the weaker section of society. There are policies where Governments bear some share of workers' wages so they allure investors to invest in their states. When there is an incentive for new investment, why can't government support the existing one? Government can provide housing for migratory workers or support the factory's hostels, and dormitories.

It will help workers to save money on their existing wages and factories will also get motivated to make such facilities for their workers. A few years back, the clothing industry demanded the integration of NREGA scheme with clothing manufacturing. But it couldn't happen.

There was nothing lacking in the industry proposal as workers were supposed to get work, the industry would be getting enough manpower and the government could save direct cash outflow under the scheme. As inflation is touching the sky, the industry needs more workers and options for workers are increasing apart from the clothing industry, this is the high time to think and work for workers.

Source: thehansindia.com– May 30, 2022

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## Madhya Pradesh: High cost of fabrics hit traders, consumers as yarn prices go up

Bhopal (Madhya Pradesh): The rise in prices of cotton and synthetic fabrics has come as a whammy for cloth traders and consumers in the state. The market, hit by the pandemic, was struggling to recover when the demand rose by the roof due to prolonged closure of the market, said the industry players whom Free Press talked to on Thursday.

The price of the most basic quality cotton cloth has also risen by 25 per cent. Those of other varieties have increased by 35 per cent, said president of the cloth traders' association Kanhaiyalal Israni. The mills do not have the goods despite ever-increasing prices.

Madhya Pradesh gets cotton cloth mostly from southern parts of India, Surat and Ahmedabad. Recently, the South India Spinners Association, Coimbatore, sent a letter to traders informing about halting the production due to rise in prices of raw materials, said Israni.

Cloths worth Rs 500 crore are sold every year in the wholesale textile market in Bairagarh. Out of this, cotton fabrics constitute 40 per cent. Cotton dresses and dress materials are sold in rural areas, said body's general secretary Dinesh Wadhwani. The sales have come down due to price rise, affecting their business, he added.

Inflation

Inflation can be attributed to increase in exports apart from increase in yarn price. Now, the prices may subside as the government has recently reduced exports. Dinesh Wadhwani, general secretary, Textile Traders Association

Monopoly

A handful of companies have established monopoly over yarn. They charge prices arbitrarily, making cloth unaffordable for common man, small businesses. Synthetic fabric has also become costlier by 30 per cent. The government has no control over their prices.

Source: freepressjournal.in– May 27, 2022

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