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INTERNATIONAL NEWS

World Economic Forum 2022: The world is bullish on the Indian economy

The 52nd edition of the annual meeting of the World Economic Forum at Davos was subdued and dramatic for identical reasons — realism met optimism, as the post-pandemic gathering of global leaders occurred in the middle of a war in Europe. Davos took place with reduced participation owing largely to the pandemic, but witnessed passionate debates as a war raged in Europe.

Postponed several times since January 2020, the Davos gathering in May 2022 overcame health protocols and war pessimism with dignity and grace.

WEF restricted participation of delegates to be able to manage the health protocols better. The lack of a Russian delegation and a miniscule Chinese presence added to the relatively low-key Davos. It also helped that many heads of state chose to address the gathering virtually. Despite the reduced numbers, the discussions and debates at the annual meeting were voluble and passionate. Strong views on the role of Russia and Nato, combined with discussions on issues like climate change accountability and a rapidly transforming digital ecosystem, kept up the vigorous dialogues that Davos is known for.

"The Annual Meeting is the first summit that brings global leaders together in this new situation characterised by an emerging multipolar world as a result of the pandemic and war. The fact that nearly 2,500 leaders from politics, business civil society and media come together in person demonstrates the need for a trusted, informal and action-oriented global platform to confront the issues in a crisis-driven world," said Klaus Schwab, founder and Executive Chairman, World Economic Forum. The theme, History at a Turning Point: Government Policies and Business Strategies, resonated with participants and observers alike.

The Davos meeting focussed on six pillars within the theme. These were global and regional cooperation; economic recovery and growth; health and equitable societies; safeguarding climate; industry transformation; and the fourth industrial revolution.

The war zone in Europe triggered debates on tech-based attacks on critical infrastructure. Electrical grids, water reservoirs, telecom networks and even transport systems are targeted by hackers to attack countries. When any such systems get hacked, there is lingering damage to the economy. At Davos, this issue received much attention by global leaders, who are anxious about the changing contours of warfare.

According to WEF research, a significant incident could have devastating consequences for the economy, national security, or public health and safety. The sophistication of cyber threats coupled with the pace of digital transformation and connectivity exposes critical infrastructure to significant cyber risks with potential cascading effects on a large scale. Recent supply chain cyber-attacks across the world, including in India, have highlighted the importance of adapting existing public-private cooperation models to become more responsive and flexible.

Jen Easterly, director of the Cybersecurity and Infrastructure Security Agency, said at Davos that the Colonial Pipeline attack in the US was a "real wake-up call" for the cybersecurity industry. "At the end of the day, we know that global infrastructure is all connected," Easterly said. "We can't just say we're going to protect the American homeland or we're going to protect a place in Europe. We know that we have to partner together to enable us to understand the threat, so we can drive down risks to our networks globally."

For the first time, 18 global organisations from the oil and gas ecosystem came together to mitigate growing cyber risks, and pledged to promote cyber resilience. The global cost of cybercrime is expected to reach $10.5 trillion a year by 2025; the threat of infrastructure breakdown due to a cyberattack is the top personal concern for cyber leaders.

"First endorsed by key CEOs in the oil and gas value chain, the Cyber Resilience Pledge is a landmark step as it signals recognition of the complexities of building a cyber-resilient industry ecosystem and a commitment towards collective action to achieve it," said Alexander Klimburg, Head of the Centre for Cybersecurity at the Forum.

As in previous years, several groups of global leaders pledged their commitment to many such initiatives at Davos. The Jobs Consortium, a group of public and private sector leaders that focuses on investment in the jobs of tomorrow, held their inaugural meeting in Davos to drive a global recovery and investment agenda for the next two years. They aim to create growth in the jobs of tomorrow, new standards in the workplace and better wages for all, focusing on social, green and tech jobs as the high-growth, job-creating sectors of the future.

The Reskilling Revolution initiative, launched at the Annual Meeting in 2020, has now mobilised a community of over 50 CEOs, 350 organisations and 15 countries, all working towards a vision of giving one billion people better education, and reskilling and upskilling them.

A network of country accelerators in Bahrain, Bangladesh, Brazil, Cambodia, Georgia, Greece, India, Oman, Pakistan, South Africa, Turkey and the United Arab Emirates, with support from Denmark, Finland, Singapore and Switzerland, and a consortium of the largest online learning platforms, are working together.

The World Investment for Development Alliance was launched, together with OECD Secretary-General Matthias Cormann, the World Bank, Unctad and other partners, to increase collaboration in addressing investment policy and practice. The Forum's Platform for Trade and Investment, together with the Digital Cooperation Organi- sation, launched a Digital FDI initiative to support investment in the digital economy in developing countries.

The WEF convened Friends of the Africa Continental Free Trade Area (AfCFTA), a group of heads of state and business leaders, which advanced a framework on how public-private partnerships can support the implementation of the AfCFTA.

India at Davos

India was at the centre of many dialogues on emerging issues ranging from crypto technologies to climate change at the annual meeting of the WEF at Davos.

Indian companies and government representatives made the most of the absence of the Russian delegation and a surprisingly small Chinese presence of barely a dozen delegates. While Russia was denied participation at the Davos gathering, China's lockdown conditions prevented a large presence. China sent its smallest official delegation ever, amid stringent quarantine rules due to its zero-Covid policy and its unpopularity because of “pro-Russia neutrality”. China was represented in only four of more than 200 sessions at WEF.

While Europe’s political leadership was focused on the war in Ukraine, business heads were eagerly scouting for options to diversify their trade and investments. For most of them India seemed the best option, with its political stability and reformist policies. The presence of central government ministers and five states that were competing for attention was perhaps the best symbol of India’s aggression to position itself as an attractive investment destination and a rapidly growing market. Many global investors endorsed India’s rising relevance in the world economy.

Even the technology dimension of India’s growth story was well represented by tech-based unicorns and legacy giants like Wipro, TCS, Infosys and Tech Mahindra. CP Gurnani, the MD and CEO at Tech Mahindra, told the WEF, “Today, for Tech Mahindra, I have a rural education programme being run in the metaverse, and remember, I’m talking of a country where the smartphone penetration is only 26 per cent.”

He added, “I have sports training being conducted in the metaverse; I have retail commerce happening in the metaverse. So, this evolution of web 3.0, blockchain, and metaverse is here to stay (and) the applications are endless.”

The Indian delegation was led by Commerce and Industry Minister Piyush Goyal, with Petroleum Minister Hardeep Puri and Health Minister Mansukh Mandaviya speaking at several sessions. The delegation included several legacy corporate leaders like Sunil Mittal, chairman of Bharti Enterprises; Hari Bhartia, co-chairman, Jubilant Bhartia Group; Anish Shah, MD and CEO of Mahindra & Mahindra; Sanjiv Bajaj, chairman, MD and CEO of Bajaj Finserv; Sumant Sinha, chairman and MD, ReNew Power; Adar Poonawala, CEO, Serum Institute of India; and Pawan Munjal, MD and CEO, Hero MotoCorp.

They mixed with young unicorn founders like Nikhil Kamath of Zerodha; Prashant Pitti of Easemytrip; Ashish Singhal of Coinswitch and Vidit Atrey of Meesho. This was the first Davos outing for many young entrepreneurs. The government proudly referred to the rise of unicorns in India and the founders were pleasantly surprised by the attention they were getting from delegates from India and other countries.

WEF launched the India chapter of the Alliance of CEO Climate Action Leaders, to supercharge India's climate action and decarbonisation efforts. "Clearly, we are moving toward green energy… (but) we can't afford to get disrupted on the current. We have to make sure there is enough energy available to people," Petroleum Minister Hardeep Puri said.

The aim of a 20 per cent ethanol blend has been pushed ahead from 2030 to 2025, he said, as green hydrogen, biofuel discovery, and production from alternate sources is being prioritised. "But 20 per cent blended fuel will become available in our petrol bunks by 1 April 2023, so we're going to start on that," Puri said. "It's not only (about) what steps India is taking. If you make the transition to green energy, it should surely be anchored in a country with large demand and consumption on its own."

Addressing a session on "Closing the vaccines gap", Health Minister Mansukh Mandaviya extended support to Africa in augmenting the research and development capability of African countries on medical countermeasures.

India's use of drones to provide essential healthcare services to people living in remote and hard-to-reach areas was showcased at Davos as a model that could be scaled up in other parts of the world. The results of a 45-day trial of delivery of Covid-19 testing samples, vaccines and medicines to a population of over 300,000 people living in forested Anantagiri hills in the Vikarabad district of Telangana were discussed.

The trial, which documented the first vaccine delivery beyond visual line of sight by 300 long-range drone sorties over 45 days, is the first successful trial of long-range vaccine delivery in Asia. Several other states in India have also used drones for vaccine and medicine delivery to overcome distances.

The report is part of global Medicine from the Sky done in partnership between WEF's Centre for the Fourth Industrial Revolution, the government of Telangana state, Apollo Hospital's Healthnet Global and NITI Aayog.

"India has unique skills and a very young population that works in its favour. India has to use this unique opportunity to modernise its economy," President of WEF Borge Brende said in a media interview. "I am very bullish on India both in the long term and medium term." This bullish approach to India seems to be spreading from Davos to the rest of the world.

Source: business-standard.com– Jun 01, 2022

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European rail freight volumes down 10% in March 2022: CER

Effects of the COVID crisis can still be seen in railway activity in Europe as volume and revenue losses continue, even though rail traffic is growing in the continent, according to the latest update of the CER Crisis Impact Tracker (April 2022), carried out by the Community of European Railway and Infrastructure Companies (CER). Freight volumes were down by almost 10 per cent in March 2022, compared to March 2019.

Although freight volumes almost reached pre-crisis levels in December, they dropped again in March to -9 per cent. Revenues however almost stabilised to their pre-crisis level between December 2021 and March 2022. Sustained revenues in a context of decreasing volumes may, however, hide the repercussions of increasing energy costs on final prices, partly to the detriment of operators' margins, according to the CER.

CER executive director Alberto Mazzola said: "While it is encouraging to see that rail traffic is growing, with a strong increase in private long-distance rail passenger traffic, commuter services and business travel remain quite low compared to before the COVID crisis.

Rail companies continue to accumulate losses in these fields and further evolution is important for the provision of public services. At the same time, the European rail community continues to express its solidarity towards the people of Ukraine and to support ongoing international and European aid efforts."

Source: fibre2fashion.com– May 31, 2022

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Dollar and RMB will drive world economy

News on the Special Drawing Right (SDR) of the International Monetary Fund (IMF) is generally relegated to the interests of IMF watchers. Nevertheless, the recent announcement of the IMF Executive Board's conclusion of the SDR Valuation Review on May 14, 2022, attracted more attention.

Interestingly, SDR is neither a currency nor does it represent a claim on the IMF. In its present avatar, after the fall of the Bretton Woods system, SDR is an international reserve asset created by the IMF to "supplement the official reserves of its member countries". Moreover, the composition of the SDR basket becomes vital as it "represents the relative importance of each of the currencies as a reserve asset". The composition of SDR has been dynamic and has undergone revision every five years.

On November 30, 2015, the IMF's Executive Board decided to include the Chinese RMB in the SDR basket as a fifth currency; with the US dollar, the Euro, the Japanese yen, and the British pound. Christine Lagarde, Managing Director of the IMF, stated, "The Executive Board's decision to include the RMB in the SDR basket is an important milestone in the integration of the Chinese economy into the global financial system.

It is also a recognition of the progress that the Chinese authorities have made in the past years in reforming China's monetary and financial systems." This was a welcome development for a currency that almost received the dubious distinction of a manipulated currency around 2005-06.

More recently, on May 14, the IMF announced an updated basket with new currency weights that will come into effect on August 1. Based on data for the five-year period 2017-21, the updated basket assigns higher weights for the US dollar and the Chinese RMB, while the weights for the British pound, the Euro, and the Japanese yen have been reduced.

The RMB is now the third most important currency i the IMF's SDR basket — next to the US dollar and the Euro. As the weights of currencies included in the basket should reflect their relative importance in the world's trading and financial system, this is another testimony of China's increasing importance in the global economy.

Weights of currencies

The weights of different currencies in the SDR basket are determined by a formula involving four factors for a currency. These are: (i) volume of exports in that currency; (ii) forex reserve holdings denominated in that currency; (iii) foreign exchange turnover of that currency; and (iv) sum of international banking liabilities and debt securities denominated in that currency. While 50 per cent weightage is given to the value of exports, each of the other three financial indicators gets a weightage of 1/6.

A breakup of these indicators shows some startling facts about the contrasting positions of China and the US in the real and financial sectors of the global economy. For the period 2017-21, rapid export expansion by China has ensured that exports in RMB have reached a staggering share of 22.3 per cent in global exports, which is just below US dollar and Euro denominated exports.

But for the financial indicators, China appears to be a much smaller player in the international economy. As the chart shows, only 2.2 percent of global forex reserves were kept in RMB for 2017-21, compared to 64.8 for the dollar. Similarly, for forex transactions and international banking liabilities and debt securities, the shares of RMB denominated transactions are significantly smaller than the comparable numbers for the dollar.

Why China's influence is limited

This dichotomy between the real and financial variables highlights the paradox that despite the rise of China as the world's top trading nation, its influence on the financial side has been limited. Why?

It is possible that China's highly managed financial and exchange rate systems have not managed to enthuse much confidence among the other countries. Since the pandemic, increased government interventions and curbs on manufacturing and services sectors and a lack of transparency regarding data are not helping China's cause either. While it can be argued that the US may have acted in many cases on similar lines, it still has the advantage of an incumbent.

To challenge the US as the possible global leader, China needs to significantly improve its image and position in international finance. Secondly, as the Chinese economy is slowing down and China is focussing more on its domestic economy, the RMB denominated exports may face some headwinds in the future.

Therefore, it could be entirely possible that the future rate of growth of the RMB in the SDR basket may not be as sharp as in the last decade.

Two key players

But for the present, the SDR allocation indicates that the US dollar and the Chinese RMB are emerging as the two key players in the global economy, but each with its strengths and weaknesses. While the RMB is becoming increasingly important in international trade in goods and services, the dollar continues to be the overwhelming favourite for global financial transactions.

The IMF acknowledges that in the future, there may be some disruptive impact on the relative roles of currencies due to developments in fintech, inflation, potential economic and financial fragmentation, sanctions, and others. But so far, their impact on the SDR composition has been minimal. For the near future, for all practical purposes, it could be a two-horse race with the US still ahead as the most important player in the global economy while China is trying to catch up.

Source: thehindubusinessline.com– May 31, 2022

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Xinjiang new cotton crop development faster than last year with better weather condition

By mid-May, the average temperature in Xinjiang was at a high level compared with the period of 2018 and 2021, and rainfall was lower than 2021, which was beneficial to cotton production. Nevertheless, the daily sunshine hours were volatile, which was lower than the same period of last year in South Xinjiang. The sunshine hours were slightly better year on year in North Xinjiang, but at a multi-year low level.

The weather condition in Xinjiang is favorable overall. It is reported that the emergence rate is relatively high in Xinjiang. According to Cotton Association of China, during Apr 26-28, Shihezi City, Qitai County, Jimusaer County, Kuqa City, Shaya County and Alaer City suffered hailstorms, and Yuli County experienced strong winds, which had a great impact on the facility agriculture and cotton crops. Farmers re-planted and sowed quickly. But in general, the extreme weather was obviously lower than previous year, and yield may climb up, but the sunshine hours are unsteady.

In terms of the temperature, it is at a multi-year high level in 2022, only slightly lower than 2020/21 season. Therefore, the temperature is favorable for the higher yield this year.

Looking from the rainfall, the rainfall is lower than last year, especially in South Xinjiang, which is beneficial for the cotton production.

For the sunshine hours, it changes much currently. In mid-May, the sunshine hours was lower than the same period of last year in South Xinjiang. In North Xinjiang, despite of a slight improvement compared with last year, the overall level was not good, only slightly higher than last year.

The cotton crop growing is slightly faster than the same period of last year.

Source: ccfgroup.com– May 31, 2022

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China's cotton yarn exports decline in April 2022

China's cotton yarn exports declined to 10.3kt/yr in April 2022, compared to 15.7kt in April 2021, 7.9kt in Apr 2020 and 26.8kt in Apr 2019. As per a CCF Group report, exports were dominated by cotton yarn of combed 30.4-46.6S and combed 54.8-66S varieties. In April 2022, the exports of uncombed 8.2-25S increased a lot.

The export volume of uncombed 8.2-25S increased by 18 per cent while that of , combed 8.2-25S increased by 27 per cent and uncombed 25-30.4S surged by 48 per cent. Export volumes of combed 35-30.4S declined by 43 per cent while those of combed 54.8-66S declined by 42 per cent.

Vietnam emerged top importer with 25 per cent global share; followed by Bangladesh and Pakistan. Export volumes to Italy, Cambodia and Thailand increased but still remained small.

Source: fashionatingworld.com– May 31, 2022

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Mexican delegation to visit Bangladesh to source more RMG

A 10-member delegation led by Jorge Gomez Garcia, the sourcing manager of Mexican retail giant Coppel, is set to visit Bangladesh in July to help the retailer increase its sourcing of readymade garments (RMG) and other products like home textiles, undergarments and jute products from the country.

Coppel's imports from Bangladesh have gone up from $5 million to $20 million in the last few years.

During a recent discussion with Abida Islam, Bangladesh ambassador to Mexico, Coppel had shown interest in purchasing RMG, home textiles, undergarments and jute goods among other products from Bangladesh.

The retailer is also interested in meeting with manufacturers and suppliers of these products, said Bangladeshi media reports quoting a letter written by Islam to Tapan Kanti Ghosh, senior secretary of Bangladesh's commerce ministry.

Coppel operates over 1,600 department stores in 700 cities in Mexico.

Source: fibre2fashion.com– May 31, 2022

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Shanghai port to be back in action from June 1

This will enhance the availability of containers for global trade

It's good news for the global supply chain as Shanghai, which has the world's largest container-handling port, is finally lifting its lockdown from Wednesday after seven weeks of Covid-restrictions. The port getting back to normal will significantly help in the availability of containers for global trade.

From Wednesday, the Shanghai Municipal Government, will implement the 'Shanghai Action Plan for Accelerating Economic Recovery and Revitalisation,' which includes 50 policy measures in different areas, according to information available on the website of the Chinese Ministry of Transport.

Last month, the Royal Bank of Canada said in a report that ships awaiting berth at the Port of Shanghai were over 340, an over 30 per increase over April. This means if the average parcel size of a ship is kept at a bare minimum of 15,000 TEUs (twenty-foot equivalent units), the total number of containers stranded on the sea outside Shanghai port is 51,00,000 TEUs.

In 2021, Shanghai port handled nearly 270 million TEUs. It mainly handles mother vessels that connect China with the US and Europe, with the capacity of each ship being around 15,000 TEUs.

Shipping goods from a warehouse in China to the US currently takes 74 days longer than usual — double the time duration when compared to the pre-Covid period, said the report.

To effectively help foreign trade enterprises, Shanghai encourages port enterprises to reduce or exempt cargo storage fees for a specific period, encourages shipping companies to reduce or exempt demurrage fees for a specific period, and advocates port- and shipping-related enterprises to reduce or exempt import- and export-related logistics operation costs, the Chinese Ministry of Transport's website said.

Previously, SIPG, COSCO SHIPPING Group and many other port and shipping companies, successively introduced preferential measures such as reduction or exemption of storage fees, demurrage fees, order change fees, and booking cancellation fees to help each other and overcome difficulties together, said the website.

"We are starting to see the situation in Shanghai easing, and are preparing how we help our customers best in this new phase, where additional capacity in terms of both landside and equipment might be needed. The situation continues to be fluid," said Anne-Sophie Zerlang Karlsen, Head of Asia Pacific Ocean Customer Logistics, Maersk, a global shipping company.

June will be a milestone month with Shanghai reopening, which could release a surge of vessels and containers, said Jon Monroe, an expert in shipping based in the US.

A positive impact

Shanghai opening up will have a positive impact, with stranded container vessels starting to move . This will ease pressure on container availability. Many countries rely on shipments from Shanghai, including raw materials, and India is no exception. With the opening up of Shanghai, shipping movements will enhance, vessel availability will increase and container slots will improve, said G Raghu Sankar, Executive Director, International Clearing & Shipping Agency (India).

Shanghai port used to handle around 30 ships a day. This dropped by half in the last few days, leading to a huge backlog. The next one month is going to be crucial to clear, he added.

Source: thehindubusinessline.com– May 31, 2022

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Pakistan: Reforms in trade, agri sectors: Pakistan keen to follow in China's footsteps: PM

Addressing the heads of leading Chinese companies and investors here, the prime minister said Pakistan was looking toward China to seek support in every walk of life in a bid to ensure sustainable development.

PM Sharif said the Chinese development was a model to emulate in fields of industry, trade, information technology, and agriculture.

He said with a background of a trusted friendship between the two countries, it was an opportunity for Pakistan to learn from the Chinese experience about reforms in the areas of public interest.

He emphasised the need for promoting bilateral trade by means of improving the level of exports and imports in diverse areas. He said Pakistan was also interested in learning skills from China for the enrichment of its energy resources.

PM Shehbaz Sharif thanked Chinese President Xi Jinping for extending his support to Pakistan in the shape of the multi-billion China-Pakistan Economic Corridor (CPEC) project, which he said was helping Pakistan to move forward.

He regarded President Xi as a visionary leader and recalled that he had inked several projects along with the then prime minister Nawaz Sharif to improve power generation in Pakistan aimed at addressing the energy crisis.

He expressed confidence that the friendship between Pakistan and China would further grow with time for the benefit of their nations.

Source: brecorder.com– May 31, 2022

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Pakistan: APTMA urges govt to continue with RCETs

Exports of textiles and apparel increased by 23 percent year on year to $15.4 billion in 2020-21, up from $12.5 billion in 2019-20. Textile exports grew by 26% in the first 10 months of this fiscal year, from $ 12.7 billion to $ 16 billion. Furthermore, by the end of the fiscal year in June 2021-22, clothing and textile exports are expected to earn $ 21 billion significant contribution to supporting the Balance of Payments deficit.

Textile exports are expected to increase to $ 27 billion next financial year as a consequence of the new capacity installed through TERF & LTFF over the last year.

Furthermore, there are speculations that the Government is considering Non-Tariff Barriers (NTBs) through a voucher scheme to curtail raw material imports. The impact of any non-tariff barrier on raw material imports would be disastrous.

Changing/ discarding a winning formula can lead to extremely negative outcomes. Regionally Competitive Energy Tariffs (RCETs) across the value chain, as well as an unrestricted import of raw materials and spare parts for exports are essential for a rapidly the growing textile exports.

Source: brecorder.com– Jun 01, 2022

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Pakistan: Govt flayed for 'stifling export sector'

In a joint news conference, representatives of different industrial and trade organisations urged the government to continue policies on special power and gas tariffs to sustain the value-added industry. They said the government should provide equal facilities to the value-added textile sector of the country for increasing exports.

Faisalabad Chamber of Commerce and Industry (FCCI) President Atif Munir Sheikh said the industry was performing much better during the previous government thanks to fixed rates for gas and power for the industry and the "smart lockdown" strategy used by former prime minister Imran Khan to tackle the Covid-19 pandemic.

He said the previous government's performance during the pandemic not only contained poverty but also gave Pakistan the edge over regional countries like India, China and Vietnam, where the industry remained shut amid lockdowns. Pakistan Hosiery Manufacturers and Exporters Association (North Zone) Mian Kashif Zia and Yarn Association Chairman Jawad Asghar were also present, among several others.

The country could get rid of foreign debts by increasing value-added textile exports, they said, adding that they had no political agenda and only wanted to strengthen the country's economy. They lamented raw material prices had almost doubled on the back of a rising dollar, and the government should announce a relief package for the textile industry by taking all stakeholders on board.

They also urged the government to immediately issue a notification of duty drawback on local taxes and levies. The traders and industrialists said the country's exports jumped from $18 billion to $32bn during the last three and a half years.

However, if the current government increased electricity and gas prices, textile exports — which form a large chunk of the overall exports — would start to decline, leading to unemployment in the country.

Source: dawn.com– Jun 01, 2022

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NATIONAL NEWS

India's Textiles Exports highest ever in FY 2021-22, Cross US$ 44 Bn

India scaled its highest ever exports tally at US$ 44.4 Bn in Textiles and Apparel (T&A) including Handicrafts in FY 2021-22, indicating a substantial increase of 41% and 26% over corresponding figures in FY 2020-21 and FY 2019-20, respectively.

USA was the top export destination accounting for 27% share, followed by EU (18%), Bangladesh (12%) and UAE (6%).

In terms of product categories, the export of cotton Textiles was US$ 17.2 Bn with 39% share registering a growth of 54% and 67% during 2021-22 over FY 2020-21 and FY 2019-20, respectively.

Export of Ready-Made Garments was US$ 16 Bn with 36% share showing a growth of 31% and 3% during 2021-22 over FY 2020-21 and FY 2019-20, respectively.

Man-made textiles export was US$ 6.3 Bn with 14% share which shows a growth of 51% and 18% during 2021-22 over FY 2020-21 and FY 2019-20, respectively.

Export of Handicrafts was US$ 2.1 Bn with 5% share reporting a growth of 22% and 16% during 2021-22 over FY 2020-21 and FY 2019-20 respectively.

Source: pib.gov.in– May 31, 2022

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Economy slows to 4.1% in Q4 on Ukraine war; expands 8.7% in FY22

India reported economic growth rate of 8.7 per cent against a 6.6-per cent contraction in fiscal year 2019-20. At 4.1 per cent, the January-March quarter (Q4) of FY FY22 was the lowest among four quarters on a sequential basis but on a yearly basis, it was higher.

According to the NSO data, India's real GDP grew to ₹147.36-lakh crore from ₹135.58-lakh crore in 2020-21. Government said real GDP (Gross Domestic product) has recovered to cross the pre-pandemic level. Also, it ruled out the risk of stagflation for India. Economists project a growth rate of 7-7.5 per cent during the current fiscal (FY23).

"Stagflationary risk to India is quite low compared to other countries," Chief Economic Adviser V Anantha Nageswaran said. The CEA said the Indian economy consolidated its recovery in FY22, with most constituents surpassing pre-pandemic levels of activity. Continued expansion of economic activity is evident in high frequency indicators during first two months of Q1 FY23, he said.

However, he simultaneously listed high prices of commodities with significant import dependency such as crude and vegetable oils, fertilisers, metals, etc, tightening monetary policy across major economies, supply chain bottlenecks, delays and shortages of key inputs and potential recessionary trends in some countries as global factors which may impact growth in India.

Going forward, he said balancing growth, inflation, fiscal and current deficits and the external value of the currency will be the continuing policy focus this financial year. "Silver lining is that India is better placed than many other countries and financial sector is in a far better shape to support growth in this decade," he said.

Experts' views

DK Srivastava, Chief Policy Advisor with EY India, maintained that while the Indian economy is well over the Covid shock, weakened demand segment has decidedly impacted government final consumption expenditure (GFCE) with a low growth of 2.6 per cent in FY22.

Contribution of net exports to real GDP growth was negative at (-) 2.9 per cent points. Private final consumption expenditure (PFCE) grew by 7.9 per cent in FY22 over FY21 but its FY22 magnitude was only ₹ 1.2-lakh crore higher than that in FY20.

“One bright spot is the recovery in investment demand reflected by a strong growth of 15.8 per cent in gross fixed capital formation (GFCF). On the output side, the weak sectors were financial, real estate and professional services with a growth of 4.2 per cent in FY22,” he said.

Dharmakirti Joshi, Chief Economist with Crisil, says the downward revision in last fiscal’s GDP growth was expected with Omicron surge and Russia Ukraine war hitting the last quarter. “Indian economy in Fiscal 2022 was only 1.5 per cent above the pre-pandemic level (fiscal 2020), compared with 1.8 per cent estimated earlier. But the good part is that estimates for both private consumption and fixed investment estimates are higher than before,” he said.

While Srivastava was of the view that in FY23, real GDP growth may turn out to be 7.2 per cent or higher with a strong fiscal stimulus, Joshi saw support to growth from a strong bounce-back in contact-based services, which in the last fiscal was about 11.3 per cent lower than fiscal 2020 levels. But headwinds from slower global growth and higher oil prices have tilted down the earlier forecast of 7.3 per cent.

Source: thehindubusinessline.com– May 31, 2022

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India and its recent comprehensive trade agreements – Attempting success for market access

In November 2019, the Government of India ('GOI') surprised the international trading community by withdrawing from the negotiations for the Regional Comprehensive and Economic Partnership Agreement (RCEP), which it had been part of for several years. The GOI's apprehensions were primarily on larger market access for merchandise from China. This was followed by an intense scrutiny of some of the existing trade agreements that India has entered into with certain Asian countries wherein India has been facing a negative balance of trade. With this experience in hand, India was looking to partner with countries which could offer more balanced trade opportunities and market access for Indian goods. Nearly two years after the RCEP withdrawal, the GOI has found new trade partners to open the doors for increased international trade.

The first half of the calendar year 2022 has marked two important milestones in this regard. In February 2022, India signed the Comprehensive Economic Partnership Agreement with the United Arab Emirates. Closing following it, in April 2022, India signed the Economic Comprehensive Trade Agreement with Australia (this agreement is yet to come into force). Both agreements signal India's commitment to deepening trade and economic relations with the rest of the world.

While these comprehensive trade agreements are not the first such agreements, they are also not the last. In fact, with the objective of concluding more comprehensive trade agreements, the GOI has commenced negotiations with a number of other countries as well.

The objective of this article is to broadly provide an advisory perspective of comprehensive trade agreements for trade and industry in India. It begins by briefly discussing India's previous and recent comprehensive trade agreements and also those that are in the pipeline. It then proceeds to discuss certain aspects of these comprehensive trade agreements that are relevant from the perspective of trade and industry in India.

India's engagements with comprehensive trade agreements – Past and future

Besides being a founding and active member of the World Trade Organization at the multilateral level, India has also actively focused on trade initiatives at the bilateral and plurilateral levels. At present, India has comprehensive trade agreements with over ten countries. As the nomenclature suggests, the agreements are comprehensive in the sense they do not just contain provisions concerning tariffs on goods, but also chapters such as non-tariff measures, intellectual property rights, electronic commerce, and market access for trade in services.

Of these, the comprehensive trade agreements with ASEAN, Korea and Japan have facilitated significant flow of trade with India. As far as the recent trade agreements are concerned, India's comprehensive trade agreement with Australia deserves mention for providing market access for Indian traditional chefs and yoga teachers.

It is notable that a limited number of India's comprehensive trade agreements such as those with Singapore have a chapter on protection and promotion of investments, so much so that they have a chapter on investor-state dispute settlement. However, in light of India's unpleasant experiences with the investment treaty provisions, India has consciously moved away from any negotiations on them. In fact, even though the India-Australia trade agreement has provisions on investment, the chapter only serves to clarify that decisions and requirements under their respective investment framework are expressly excluded from the applicability of the dispute settlement chapter.

Besides the above-mentioned agreements, and as mentioned earlier, India has begun negotiating comprehensive trade agreements with other countries as well. Some of these countries are Canada, the United Kingdom, the GCC, and the European Union ('EU').

Of these countries, the negotiations with the EU, which have resumed after a long hiatus, are being keenly followed by all stakeholders for the significant trade potential between the two countries that could be unlocked. However, they are also being keenly watched as they raise contentious issues such as standards of protecting intellectual property rights, market access for automobiles and spirits, etc. It remains to be seen how these tricky issues will be resolved and what shape the final agreement will take.

Mapping of benefits under trade agreements

One of the key benefits of trade agreements is availability of tariffs on import of goods at concessional or nil rates. However, it is important to note that a country may have numerous trade agreements and one trading partner may get covered in more than one such trade agreement. For instance, India is signatory to the comprehensive trade agreement with the ASEAN wherein

Thailand is a partner country. At the same time, Indian also has a separate trade agreement with Thailand. In such a scenario, importers and exporters from the two countries may have to map the benefits under the applicable trade agreements to take the maximum advantage.

Further, the concessional tariff rates for a particular tariff item may not be uniform across trade agreements. In fact, there may be a number of goods which will not be eligible to receive tariff benefits under a trade agreement with a particular country. In such a scenario, it becomes important to have thorough knowledge of not just the tariff benefits available under a particular trade agreement, but also the tariff benefits available under other trade agreements. In order to have a better understanding, it becomes important to engage in the exercise of mapping the tariff benefits available under a trade agreement.

Trade and industry would be well advised to closely map the benefits under different trade agreements as it would also help them in formulating inputs to be given to GOI for the purposes of negotiations.

Rules of Origin and CAROTAR

In order to be eligible for tariff concessions available under a trade agreement, the trade agreement require that the goods must originate from the partner country. Provisions governing the same, called Rules of Origin, vary between products (product specific rules) and agreement to agreement.

It may be recollected that in Budget 2020, the GOI introduced Section 28DA into the Customs Act, 1962 for strengthening the rules of origin mechanism. To give effect to Section 28DA, the GOI introduced the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 ('CAROTAR'), which impose comprehensive substantive and procedural obligations on the importer for ensuring that the rules of origin imposed under trade agreements are complied with.

Thus, while members of trade and industry in India may be enthusiastic in utilizing the tariff benefits available under the trade agreements, they should be equally cautious about ensuring that the applicable rules of origin are complied with. Further, since CAROTAR requires some information that only the producer/exporter can provide, cooperation of the producer/exporter becomes important for the importer to demonstrate that the imported goods meet the origin criteria.

Dispute settlement chapter in trade agreements

One of the salient aspects of almost all trade agreements these days is the presence of a dispute settlement chapter to resolve any disputes between the partner countries. With the exception of an appellate system, these dispute settlement chapters largely mirror the system of settling disputes at the WTO under the dispute settlement understanding.

Though the dispute settlement provisions in trade agreements have been seldom used, the existence of these provisions give legal certainty for their enforcement and convey that the partner countries are committed to the same.

Conclusion

At a time when the progress of negotiations at the WTO is tepid due to steep political differences among its Members, it is welcome that India has resorted to comprehensive trade agreements for boosting its global footprint in the world trading system. While these comprehensive trade agreements would surely boost bilateral trade between India and its trading partners, it is expected that these comprehensive trade agreements would also boost political relations not just between the governments, but also between their peoples and members of trade and industry.

However, it is important for all stakeholders, including the GOI, and trade and industry, to remember that the engagement through comprehensive trade agreements should not end with the signing or the entering into their force. All stakeholders should periodically and intensively review whether these trade agreements have delivered the benefits they are expected to, and exercise options where necessary, for appropriate course correction.

Source: lakshmisri.com– May 31, 2022

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With the release of ₹87,000 crore, entire GST compensation dues till May 31 paid to States, says Centre

The Finance Ministry on Tuesday said that the Centre has released around ₹87,000 crore to States as Goods & Services Tax (GST) compensation. With this, entire dues till Tuesday have been paid, it claimed.

“This decision was taken to assist the States in managing their resources and ensuring that their programmes especially the expenditure on capital is carried out successfully during the financial year,” Finance Ministry said in a statement. Further, it said this decision has been taken despite the fact that only about ₹25,000 crore is available in the GST Compensation Fund. “The balance is being released by the Centre from its own resources pending collection of Cess,” the ministry said.

Now, only June payment is dueand it would be the last one as compensation payment period is going to end on June 30, as prescribed under law. However, next meeting of GST Council may consider alternative to this as States are pressing for extending the compensation beyond June.

Assured compensation

With the introduction of GST, States were assured for compensation for loss of any revenue arising on account of implementation of GST as per the provisions of the GST (Compensation to States) Act, 2017 for five years.

For providing compensation to States, Cess is being levied on certain goods and the amount of Cess collected is being credited to Compensation Fund. Compensation to States is being paid out of the Compensation Fund w.e.f. July 1, 2017.

Bi-monthly GST compensation to States for 2017-18, 2018-19 was released on time out of the Compensation Fund.

As the States’ protected revenue has been growing at 14 per cent compounded growth whereas the Cess collection did not increase in the same proportion, Covid-19 further increased the gap between protected revenue and the actual revenue receipt including reduction in cess collection.

In order to meet the resource gap of the States due to short release of compensation, the Centre has borrowed and released ₹1.1-lakh crore in 2020-21 and ₹1.59-lakh crore in 2021-22 as back-to-back loan to meet a part of the shortfall in cess collection.

Now, cess collection would continue for some more time, but amount collected would be used for payment of principal and interest.

Source: thehindubusinessline.com– May 31, 2022

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INDEX OF EIGHT CORE INDUSTRIES FOR APRIL, 2022 UP BY 8.4 PERCENT OVER LAST YEAR

The combined Index of Eight Core Industries stood at 143.2 in April 2022, which is an increased of 8.4 per cent (provisional) as compared to the Index of April 2021. The production of Coal, Electricity, Refinery Products, Fertilizers, Cement and Natural Gas industries increased in April 2022 over the corresponding period of last year.

The Office of Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT) has released Index of Eight Core Industries (ICI) for the Month of April, 2022. ICI measures combined and individual performance of production in selected eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP). Details of yearly and monthly indices and growth rates are provided at Annex I & II respectively.

Final growth rate of Index of Eight Core Industries for January 2022 is revised to 4.0% from its provisional level 3.7%. The growth rate of ICI during April-March 2021-22 was 10.4% (P) as compared to the corresponding period of last FY.

The summary of the Index of Eight Core Industries is given below:

Coal –Coal production (weight: 10.33 per cent) increased by 28.8 per cent in April, 2022 over April, 2021. Its cumulative index increased by 8.5per cent during April to March, 2021-22 over corresponding period of the previous year.

Crude Oil–Crude Oil production (weight: 8.98 per cent) declined by 0.9 per cent in April, 2022 over April, 2021. Its cumulative index declined by 2.6 per cent during April to March, 2021-22over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) increased by 6.4 per cent in April, 2022 over April, 2021. Its cumulative index increased by 19.2 per cent during April to March, 2021-22 over the corresponding period of previous year.

Petroleum Refinery Products–Petroleum Refinery production (weight: 28.04 per cent) increased by 9.2 per cent in April, 2022 over April, 2021. Its cumulative index increased by 8.9 per cent during April to March, 2021-22over the corresponding period of previous year.

Fertilizers –Fertilizers production (weight: 2.63 per cent) increased by8.7 per cent in April, 2022 over April, 2021. Its cumulative index increased by 0.7 per cent during April to March, 2021-22 over the corresponding period of previous year.

Steel –Steel production (weight: 17.92 per cent) declined by 0.7 per cent in April, 2022 over April, 2021. Its cumulative index increased by 17.1 per cent during April to March, 2021-22 over the corresponding period of previous year.

Cement –Cement production (weight: 5.37 per cent) increased by 8.0 per cent in April, 2022 over April, 2021. Its cumulative index increased by 20.8 per cent during April to March, 2021-22 over the corresponding period of previous year.

Electricity –Electricity generation (weight: 19.85 per cent) increased by 10.7per cent in April, 2022 over April, 2021. Its cumulative index increased by 8.0 per cent during April to March, 2021-22 over the corresponding period of previous year.

Note 1: Data for February, 2022, March, 2022 and April, 2022 are provisional. Index numbers of Core Industries are revised/finalized as per updated data from source agencies.

Note 2: Since April, 2014, Electricity generation data from Renewable sources are also included.

Note 3: The industry-wise weights indicated above are individual industry weight derived from IIP and blown up on pro rata basis to a combined weight of ICI equal to 100.

Click here for more details

Source: pib.gov.in– May 31, 2022

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India to oppose waiver of duties on e-comm trade

India will oppose any further extension to a moratorium on customs duty on electronic transmission at the next ministerial of the World Trade Organization (WTO) next month, seeking a change in status quo prevailing over the past 24 years, official sources said on Tuesday.

A 2019 study by UNCTAD pointed out that developing countries are losing $10 billion in potential revenue annually, including $497 million by India, due to the moratorium, even going by a conservative estimate. It also revealed that developing countries can generate 40 times more tariff revenue by imposing customs duty on electronic transmission as compared to the developed nations, many of whom have adopted zero bound bound duties on physical imports of digitisable products. The UNCTAD analysis suggests that developing countries suffer more than the developed ones due to the moratorium.

WTO members have agreed not to slap customs duties on electronics transmission since 1998 and the moratorium has been extended periodically at successive ministerial conferences. The validity of the current extension is up to the 12th ministerial, which will be held from June 12 to June 15 in Geneva. Many members, mainly the developed countries, are seeking another extension up to the 13th ministerial (whenever it's held).

Since most countries didn't have concrete policies on e-commerce, which was an emerging area of trade in even developed countries in 1998, they had decided to establish a work programme on it to hold intensive talks and also impose a moratorium on customs duties on electronics transmission.

Interestingly, even over two decades later, WTO members have neither defined what constitutes electronics transmission nor come to an understanding on its coverage of products, let alone finding ways to impose the duties. This has made it difficult for countries to even tax imports of products that can somehow be linked to digital goods.

"With increasing diffusion of additive manufacturing technology through3D printing, electronic transmissions have now acquired an additional salience in manufacturing physical products. Both these trends are likely to become more prominent in the near future, thereby, bringing electronic transmissions closer to the centre-stage of national economies. This compels a rethink of the role of the temporary moratorium on customs duty on electronic transmissions," according to a joint communication by India and South Africa submitted with the WTO earlier.

"India believes there can't be a blanket moratorium on this issue for an indefinite period," a senior commerce ministry official said.

Similarly, India wants the work programme on e-commerce invigorated for more intense engagement before firming up rules and disciplines in this area, given the highly asymmetrical nature of the development of e-commerce in the developed world and the developing nations—the latter clearly need more time to do a catch-up.

Source: financialexpress.com– June 01, 2022

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Illegal variety occupies about a fifth of GM cotton seed market

Central to the issue is the refusal of the regulator — the Genetic Engineering Appraisal Committee (GEAC) — to consider the Bayer-Mahyco's application for the new herbicide-tolerant Bt (HTBt) cotton.

The illegal seed manufacturers, who are mostly based out of Gujarat, claim the presence of herbicide trait in the seeds they sell are capable of controlling pink bollworm. Farmers also seem to endorse this claim from their cropping experience.

The approval for HTBt cotton was first sought by Bayer (then Monsanto) in 2015, but it withdrew the application in the subsequent year, citing delays in the process. Though the application was re-submitted by Bayer-Mahyco in December last year, the regulator is yet to take a call.

GM crop varieties are regularly modified by the proprietary companies to reverse yield losses that start surfacing after a few years of the first use of a variety. The idea, according to them, is to make the seed capable of facing fresh pest challenges and thereby, improve yield. Critics, however, say this is also at times a strategy by these firms for ever-greening of their patents/exclusive marketing rights.

Since its introduction two decades ago, Bt cotton has led to a dramatic rise in India's cotton yield and thereby, production (see chart), but over the last two-three years, the yield has come down marginally.

In the 2020-21 crop year (July-June,) the agriculture ministry while fixing the price of a packet of Bt cotton-II abolished the trait value payable to the licence holders (Bayer-Mahyco), allowing reduction in the prices to the farmers. Bt cotton is still grown in around 92% of area under cotton of around 12-13 million hectare (mh) in the country.

According to sources, farmer groups especially those in Maharashtra and Gujarat are encouraging farmers to plant unapproved HTBt seeds in violation of government regulations. HTBt plants allow farmers to spray herbicides to get rid of weeds without harming the plants.

Since the introduction of Bollgard-I, which was the country's first GM crop approved for commercialisation in 2002, followed by Bollgard II, a pest-resistant variety which protects the crop from bollworm, in 2006, the GEAC has not approved any new varieties.

According to Ram Kaundinya, director general of the Federation of Seed Industry for India, farmers in Maharashtra, Gujarat, Telangana and Andhra Pradesh use illegal HtBt seeds for cultivation.

Between 2002-03 and 2013-14, which was the 'golden period' of Bt cotton, yield rose by 167% and production by 316% while area under cotton cultivation expanded by around 39%. "What happened after that was a technology fatigue and there was no upgradation of varieties coming through the GEAC approval system," Kaundinya told FE.

"Since the illegal seeds contain unknown and unapproved traits, these could contaminate regular seeds, thereby putting legitimate seed growers at risk," says an official of a seed company that sells approved Bt cotton seeds.

Anil Ghanwat, president of Swatantra Bharat Party, and a member of the Supreme Court-appointed committee on farm law, said that farmers would continue to use unapproved seeds as it helps them increase production. "The government should facilitate faster approval of newly-developed seeds so that farmers get access to quality seeds and thereby, reduce the labour cost," Ghanwat said.

Cotton production in the 2021-22 crop year (July-June) declined 5% to 34 million bales (MB) from its peak of 35.9 MB in 2013-14. Textile industry sources said unless technology intervention is expedited, India would not be able to meet the cotton requirement of 45 MB in the coming five years. Commercial cultivation of two GM food crops – brinjal and mustard – approved by GEAC are yet to start in India even a decade after the approvals because the government hasn't yet decided in favour of GM foods.

Source: financialexpress.com– June 01, 2022

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Rise in cotton and yarn prices hits textile business in Erode

The surge in prices of cotton and cotton yarn has hit the textile business in the city as out of the 740 weekly shops at E.K.M. Abdul Gani Textile Market (Gani Market), less than 400 shops functioned on Tuesday.

The weekly shops function from Monday evening to Tuesday night while about 370 daily shops function on the market premises at Panneerselvam Park six-days a week. Both retail and wholesale business were carried out in weekly shops as merchants from across the State purchase garments and textile products and sell them in their respective areas.

But, on Tuesday, retail sales were about 30% while the wholesale business was 15%. "Increase in cotton and yarn prices have led to many units stopping production in the last one-and-half month", said K. Selvaraj, president of the Erode Gani Market Weekly Textile Traders' Association. He said that the price of cotton candy rose from ₹43,000 in 2020 to ₹1.10 lakh now forcing looms in many parts of the western region halting production.

Traders said that high yarn price, stopping production and increase in price of garments of about 30% have hit the textile shops hard as less than 30% of the customers turned for purchasing on Tuesday. Since school uniforms have to be purchased at any cost, we expect business to improve in the coming weeks. But we cannot expect profit, said a trader, Kannan.

Mr. Selvaraj said that against the usual business of ₹ 4 to ₹5 crore every week, sales realised was less than ₹50 lakh. "Less than 400 shops were open for business for the whole day", he added. He wanted export of cotton yarn to be stopped immediately and to increase the import of cotton. "The State government should pressurise the Central government to take effective steps immediately to bring the situation under control", he said and warned that many lakh of workers will be jobless if the current situation is allowed to continue.

Source: thehindu.com– May 31, 2022

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India's step on containers to benefit Bangladeshi textile industry

The Indian government has recently allowed export of Bangladeshi goods in closed containers, which normally return empty through rail route after delivering Indian export goods to the neighbouring country. This step will help the Bangladeshi textile industry to reduce logistics cost and lead time while supplying their goods to Indian buyers.

According to Fibre2Fashion's market insight tool TexPro, the Central Board of Indirect Taxes and Customs (CBIC), Government of India, had recently issued a notification about the decision. It said that various ministries and trade bodies requested CBIC to allow movement of containerised cargo from Bangladesh into India by rail. Bangladeshi High Commissioner in New Delhi also requested for the same. Previously, containers going from India to Bangladesh by rail were returning empty after delivering India's export goods there. Hence, Bangladeshi companies had expressed interest to use such empty containers to export their products to India.

CBIC said that the carrier will be the trains of Indian Railways plying between India and Bangladesh carrying India's containerised export goods to Bangladesh (forward Journey) and returning with Bangladesh's export goods in the same containers (return journey). In both journeys, the trains will cross the international border through one of the specified Land Customs Stations with rail route, namely, Petrapole-Benapone and Gede-Darshana.

Industry sources said that the move would be beneficial for the textile industry, particularly because Bangladesh is a sourcing market for Indian industry for large number of finished and intermediary items. Sanjay Jain, Managing Director from TT Limited, told Fibre2Fashion, "It is beneficial for Bangladesh industry as it will reduce their logistics cost and lead time. Bangladesh exports garments and many other intermediary items to India."

Industry experts said that rail route is the most preferred channel for someone importing from Bangladesh. Since land route is shorter compared to sea route, freight charges are lower. Bangladeshi exporters can expect lower cost of logistics as return journey of containers will be cheaper.

Source: fibre2fashion.com– Jun 01, 2022

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Why are cotton prices skyrocketing?

Prices of cotton and yarn are at an 11- year high with the price of candy cotton i.e., 365 kg of cotton now costing Rs 1 lakh as compared to the comparatively lower cost of Rs 40,000 in October 2020. Similar inflation in the price of yarn has occurred with 1kg of yarn now costing Rs 481 against Rs 244 in the same period.

Manufacturers complain that they have the worst part of the deal as the price of each garment manufactured by them is agreed upon at the time of signing the agreement. Any loss of profit caused due to the fluctuation in the price of raw materials is expected to be handled by them.

Exporters in Tiruppur district of Tamil Nadu, which accounts for approximately 53 percent of the total knitwear exports in India complain that the exorbitant increase in prices has led to a decrease in their profits and even led to losses for them. Due to the steady incline in prices, exporters are losing out to their competitors from other neighboring countries such as Bangladesh and Sri Lanka.

The root of the problem stems from the low yield of the cotton crop in several states such as Gujarat, Madhya Pradesh, Rajasthan, Karnataka, and, Maharashtra. The low yield of the crop is attributed to numerous key issues from a reduction in cultivation areas to unseasonal rainfall and extended monsoon. Coupled with the farmers' reluctance to grow the crop, all these factors play a large role in the low yield and high price of cotton.

Textile makers are calling for a temporary ban on the export of cotton and an increase in the current drawing limit from 30 to 50 percent under the Emergency Credit Line Guarantee Scheme (ECLGS). Union minister Piyush Goyal has asked for a “hassle-free supply of cotton and yarn” from the spinning and trading community for domestic and industrial usage.

Source: economictimes.com– May 31, 2022

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