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# INTERNATIONAL NEWS

## Most of US saw 'slight or modest' growth from mid-Apr to May 22: Fed

Most of the United States has witnessed just ‘slight or modest’ economic growth from mid-April till about May 22, according to a recent Federal Reserve (Fed) report, which said while all 12 Fed districts reported continued growth, four of the regions showed ‘that the pace of growth had slowed’ during the previous period. Most districts showed prices rising at a ‘strong or robust’ pace.

The report noted some weakness in retail as rising prices bit into sales. While two districts said “rapid inflation was the continuation of a trend”, three said prices had ‘moderated somewhat’, the central bank’s periodic ‘Beige Book’ said. About half the districts reported companies are still able to pass higher prices on to consumers, though some noted “customer pushback, such as smaller volume purchases or substitution of less expensive brands.”

“Surveys in two districts pegged year-ahead increases of their selling prices as ranging from 4 to 5 per cent; moreover, one district noted that its firms’ price expectations have edged down for two consecutive quarters,” the report stated.

“Contacts tended to cite labor market difficulties as their greatest challenge, followed by supply chain disruptions,” the report said. “Rising interest rates, general inflation, the Russian invasion of Ukraine, and disruptions from COVID-19 cases (especially in the northeast) round out the key concerns impacting household and business plans.” First-quarter GDP contracted at a 1.5 per cent annualised pace.

The Beige Book noted employment was up ‘modestly or moderately’ across all districts despite some reports of a slowing or freeze in hiring. “However, worker shortages continued to force many firms to operate below capacity. In response, firms continued to deploy automation, offer greater job flexibility, and raise wages,” the report said.

Source: fibre2fashion.com– Jun 04, 2022

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## Switzerland's ITMF traces production costs in primary textile industry

The manufacturing costs of different textile products in the primary textile industry have been broken down into various cost elements at each stage of the textile value chain, according to a new report published by the International Textile Manufacturers Federation (ITMF). The federation published the new edition of International Production Cost Comparison (IPCC).

The 2021 edition added Central America and Mexico to the historical cost analysis in Bangladesh, Brazil, China, Egypt, India, Indonesia, Italy, Korea Rep., Pakistan, Turkey, US, and Vietnam. Cost factors, manufacturing costs and total production costs are available for different textile products in the segments of spinning, draw texturing, weaving, knitting, and finishing.

The publication has revealed that producing one metre of woven fabric from cotton 1-1/8" in a continuous open width process (COW) cost $1.36/m on average in 2021 (range between $1.11/m in India and $1.91/m in Italy).

Spinning the yarn needed to produce this metre of a finished woven fabric costs 19 per cent of the fabrics' total production cost on average worldwide (range between 15 per cent in Korea, Rep. and 22 per cent in Central America). Weaving this yarn adds an extra 19 percentage points (pp) on average to the total production cost of the fabric (range between 14 pp in Egypt and 26 pp in Italy). Finally, finishing this metre of woven fabric increases the final production cost by 31 pp (range between 26pp in Egypt and 33pp in the US, Turkey and India).

The study has further revealed that the average cost of raw materials needed to produce this metre of woven fabric was 31 per cent of the fabric's production cost. It was relatively cheaper in Italy (22 per cent) and most expensive in Egypt (40 per cent).

The publication also showed that Mexico and Central America are comparatively more dependent on energy cost for spinning NE/30 yarn then the other countries in the panel. The cost of power represents 28 per cent and 25 per cent of manufacturing costs in both countries, respectively.

In contrast, the US and Egypt benefit from relatively low energy costs (10 per cent and 11 per cent of manufacturing costs, respectively).

Dependency on labour costs is very high in Italy and the US with shares of 40 per cent and 38 per cent of manufacturing costs. This cost element represents only 2-3 per cent of total manufacturing costs in India, Pakistan, Bangladesh, and Egypt.

Spinners of NE/30 yarn in Egypt, Central America and Pakistan further face high capital cost (over 40 per cent of their manufacturing costs). The cost of capital is much lower in Italy and Korea, Rep., where it reached 21 per cent in 2021.

Source: fibre2fashion.com– Jun 02, 2022

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## Cambodia clears 4 textile projects, total 72 approved in Jan-May

The Council for the Development of Cambodia (CDC) late last month approved four textile-related projects worth about $17 million that are expected to create 4,990 jobs. This brings the total number of projects in January-May 2022 to 72, with a cumulative capital investment of nearly $2.66238 billion. These projects are expected to create 60,949 jobs.

The garment, footwear and travel goods sectors accounted for the bulk of these projects, although others were in fields like fruit processing and packaging, hotels, hospitals, and business centres among others, a Cambodian newspaper reported.

In the first four months of 2022, the country's total exports were worth $7.6062 billion, up by 32.1 per cent year on year, while imports amounted to $10.04330 billion, up by 5.5 per cent, according to the general department of customs and excise.

The trade deficit for January-April narrowed by more than 35 per cent to $2.4371 billion from nearly $3.8 billion a year ago.

Source: fibre2fashion.com– Jun 03, 2022

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## Vietnam's garment-textile exports to EU up by 34.6% in Jan-May 2022

Vietnam's exports to the European Union (EU) grew further between January and May this year, with a trade surplus of $13.4 billion—up by nearly 47 per cent, thanks to their bilateral free trade agreement. Exports of garments and textiles and footwear rose as well, and were up by 34.6 per cent and 19 per cent during the period respectively.

The general statistics office (GSO) said that Vietnam's export expanded despite lingering impacts of the pandemic and the Russia-Ukraine war that have pushed material and fuel costs, a news agency reported.

Vietnam-EU trade exceeded $57 billion last year, an increase of 14.5 per cent year on year as businesses have known how to maximise the deal.

Vietnam is now the EU's biggest trade partner in the Association of Southeast Asian Nations and among the top 10 largest goods suppliers of the market.

Source: fibre2fashion.com– Jun 04, 2022

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# Vietnam's Diversification of Trade and the China Plus One Strategy

Recent media reports have underlined Vietnam as an export destination with exports surpassing those of Shenzhen in March. Several analysts have said that this is a result of Vietnam benefitting from a shift in global supply chains. While this is true, we need to examine which products are being exported at what cost and which industries have shifted their supply chain ecosystem to the country.

We have discussed the China plus one strategy in several articles on Vietnam Briefing, but we will look more in-depth given the current scenario in the aftermath of the pandemic.

Vietnam's exports rose to 48.2 percent in March from the month earlier and 14.8 percent for a year earlier to US$34.7 billion while Shenzhen's exports contracted 14 percent year on year to US$18.3 billion due to pandemic related lockdowns as per customs data.

Since the US-China trade war, and even before that, businesses have been looking at Vietnam as a China plus one destination due to cheaper labor costs, particularly in electronics and supply chain industries.

But rather than competing, the two countries are complementing each other. Vietnam still imports a significant amount of raw materials from China, South Korea, Japan, and others and has a less developed supply chain network. Products are then processed and completed before being shipped to the US, the EU, and so on. It is important to note that Vietnam's current trajectory is what China's coastal areas were at several years ago.

Vietnam and China's bilateral trade jumped to US$230.2 billion and China is Vietnam's largest trade partner and the second-largest export destination.

It is also important to note that Shenzhen is just one city in China compared to Vietnam as a whole country. And while Vietnam's success should be applauded Shenzhen has moved away from lower-quality manufacturing to high-end manufacturing something that even Vietnam wants to mature into. Several large tech companies such as Huawei and ZTE have headquartered in Shenzhen.

Vietnam, in contrast, has benefitted from lower costs in land and labor and with a younger population. This is especially seen in labor-intensive industries such as textiles and garments, footwear, and electronics. Vietnam will hope that it can emulate a similar path to Shenzhen in attracting hi-tech industries.

While Vietnam is not yet at the level of China in terms of developed supply chains, infrastructure, and business environment, there are signs of a shift.

Recently, Hong Kong's richest man Li Ka-Shing made headlines when it was announced that his company CK Asset Holdings would invest in real estate in Ho Chi Minh City. Most recently, Apple also asked its suppliers to diversify production out of China due to the country's strict pandemic-related lockdowns to countries like Vietnam and India. There were also reports that the Airpods 2 Pro could come with a 'Made in Vietnam' stamp in the future.

Signs of a high-tech shift

Vietnamese auto manufacturer VinFast part of the VinGroup conglomerate also made headlines when it announced that it will stop producing gasoline-powered vehicles by the end of 2022 and will focus on only electric vehicles. Vinfast plans to build an electric vehicle factory in North Carolina, US. It has also inked a deal with Intel to develop autonomous technology for its vehicles, while also building electric vehicles in Vietnam

Earlier in the year, the government passed a US$15.21 billion economic stimulus with a part of it on infrastructure spending with the government using infrastructure to drive urbanization.

Businesses in Vietnam also benefit from several government incentives such as tax incentives, exemptions on land and water rent, as well as favorable investment policies for certain industries like high-tech.

In addition, Vietnam's plethora of free trade agreements, offer several competitive tariff rates for businesses looking to manufacture and then export to other countries.

Pandemic and lockdowns

There are two different approaches that China and Vietnam have followed in relation to the pandemic. Vietnam and China followed similar models of closing borders and locking down their countries at the beginning of the pandemic. This served them well, as it kept case numbers low. However, the Delta variant broke through which proved traditional lockdown measures ineffective.

After vaccinating most of its population and suffering the sharpest declines in GDP. Vietnam reopened its economy on October 1, 2021 and decided to follow a live with COVID approach. This allowed factories and businesses to resume operations; Vietnam slowly relaxed border control measures allowing foreigners entry without quarantine and allowing business and tourist travel.

In contrast, China has been following a zero-COVID policy and has locked down its major economic centers such as Shanghai. The disruption has snarled supply chains, with goods stuck at ports, airports, and trade hubs. Disruption in logistics has also affected several cities such as Shenzhen, Guangzhou, Dongguan, and Foshan affecting their economies.

Time will tell if these changes are temporary or if manufacturers start to shift away from China in the longer term. But if lockdowns are prolonged with no exit strategy, then businesses may seriously consider alternative locations like Vietnam despite China's well-developed supply chain networks and logistics. This will likely be an expensive initiative but may reap benefits in the long term.

Complementary rather than competing

Even before the pandemic, Vietnam's deep integration into the economy made it reliant on imports for raw materials. Shutdowns in China, also hamper Vietnam's exports and businesses have complained that their exports are hampered due to their inability to source raw inputs from China.

Emulating China's supply chain network will also be an expensive affair but is likely to happen in the long term. Vietnam is also likely to follow China's model of upgrading its economy by attracting hi-tech industries.

The government already has investment policies in place to attract these kinds of investors.

Vietnam cannot be the factory of the world at present but rather supplements businesses with operations in China. Vietnam is also in a convenient position with the West and the East. While sizing up Vietnam as an alternate destination, investors should be aware of the country's limitations as various bottlenecks have emerged. While investors will continue to diversify operations, Vietnam and the wider ASEAN region are primed for this future growth.

Source: vietnam-briefing.com– Jun 04, 2022

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# Pakistan: Prices fail to resist further decline on cotton market

Cotton Analyst Naseem Usman told that rate of cotton in Punjab and Sindh is in between Rs 21000 to Rs 22,000 per maund. He also told that rates of cotton and Phutti witnessed a decrease of Rs 1500 in two days.

600 bales of new cotton from Tando Adam and Hyderabad were sold at Rs 2400 per maund.

A near doubling in benchmark cotton futures to 11-year highs, hard on the heels of a spike in freight and fuel prices, is clobbering Asian apparel makers while their global retail customers are reluctant to soak up the extra costs.

Losses have mounted for garment makers in Asia, among the region's top employers, with some smaller units suspending operations, rendering thousands jobless, undermining a recovery from the pandemic and posing a fresh challenge for policymakers already battling high inflation. To remain viable, some yarn and garment makers are even replacing cotton with cheaper synthetic fabric.

"Our factories are running at full capacity. But at what prices? We are hardly making any profits," said Siddiqur Rahman, managing director of Dhaka-based Sterling Group, which supplies to brands such as H&M and Gap Inc. An uncertain outlook for demand from Europe amid the Russia-Ukraine war has added to the woes of apparel makers in Asia - home to the world's top garment exporters, China and Bangladesh.

Bangladesh exports more than 60% of the garments it manufactures to Europe, Rahman said. In India, world's top cotton producer, several small apparel makers are struggling to fulfil orders from three months ago, when cotton prices were around a third less than current levels. "Many small units have stopped taking new orders," said Ashok Juneja, president of India's Textile Association. India's cotton prices have more than doubled in a year after rains hit harvest.

Global prices surged 70% over the period, scaling the highest since 2011 in May, with analysts predicting more gains amid drought damage to output in top exporter the United States and a recovery in China's demand as COVID-19 curbs ease.

Asian garment makers, which also count Walmart Inc and Nike among their customers, rely heavily on Europe and the United States for exports of ready-made garments. While demand rose in the first quarter as the world emerged from the pandemic, fresh China COVID curbs and higher fuel prices amid the Russia-Ukraine conflict stifled it. Shipping costs have quadrupled from pre-pandemic levels and global brands are not absorbing additional costs, Rahman said.

Meanwhile, ICE cotton futures rose more than 3% on Thursday supported by buying from mills, upbeat market sentiment and a weaker dollar.

Cotton contracts for July rose 4.09 cent, or 3.01%, to 140.15 cents per lb, 12:20 p.m. ET. It traded within a range of 134.12 and 140.35 cents a lb. "We see a lot of mills buying here," said Rogers Varner, president of Varner Brokerage in Cleveland, Mississippi.

Further aiding cotton, the U.S. dollar eased making cotton cheaper for overseas buyers. Cotton futures fell more than 2% on Wednesday as a stronger dollar and fall in wider commodities pressured the natural fibre.

The market is looking at some good chances for rain for mid-week. If rains fail to materialize, or if rainfall totals are light, we may be off to the races on (the December contract)," Louis Rose of Tennessee-based Rose Commodity Group wrote in a note. The Spot Rate Committee of the Karachi Cotton Association on Friday decreased the spot rate by Rs 500 per maund and closed it at Rs 21500 per maund. The Polyester Fibre was available at Rs 305 per kg.

Source: brecorder.com– Jun 04, 2022

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## Bangladesh: 15% tax for textile sector to continue till 2025

Spinning, yarn dyeing, finishing, coning, fabric dyeing, printing or any other such industries will also enjoy the benefit.

But the companies must be registered under the Companies Act, and comply with all provisions of that ordinance.

If they have paid any penalty slapped by any government authorities for violation of environmental rules and regulations, that fiscal year they have to pay a regular tax rate. The extension will be effective from 1 July this year and will remain in effect until 30 June 2025.

Currently, the corporate tax rate is 30% for non-listed companies and 22.5% for the listed ones.

The government has taken the move to extend the reduced tax rate facility as part of its revenue incentive policy geared towards making this industry globally competitive, ministry officials said.

Bangladesh has secured second position in RMG exports globally because of such support.

And, to retain this achievement and to get expected revenue from this sector, the reduced tax rate should continue for the textile sector, they noted.

As the statutory regulatory order to this effect will expire on 30 June this year, the new budget will propose extending the facility up to 30 June 2025.

Welcoming this move, Bangladesh Textile Mills Association (BTMA) President Mohammad Ali Khokon told The Business Standard that it is an encouraging move for the sector that is in the same league as others grappling with raw material price hikes.

He requested that the government continue this facility till 2030 to deal with post-LDC challenges.

Envoy Textile Chairman Kutubuddin Ahmed told TBS such an extension to the reduced tax rate is not enough. The sector's total tax burden is higher as they have to pay source tax that is not adjustable with the corporate tax.

The textile sector requires more focus if the government wants to strengthen the backward linkage industry of the apparel sector, he also said.

The government should provide the textile sector with more facilities, such as easy access to gas and electricity connections, so they can expand their capacity and bring in new investors, Kutubuddin noted.

At the same time, the sector should get loans at a low interest, he added.

BGMEA former president Kutubuddin Ahmed said the apparel sector has strengthened its footprint globally, but if the textile sector fails to boost its capacity before the LDC graduation, the RMG industry might face challenges after Bangladesh's graduation to a developing nation in 2026.

VAT on wholesale of fabrics cut to 2%

In the meantime, VAT on wholesale of fabrics at the local market will be slashed to 2% from 5% from the next fiscal year, sources said.

The decision has primarily been made targeting Old Dhaka-centric fabric markets. Most of the country's wholesale fabrics are sold in the markets. Besides, there are many wholesale fabric markets in Narayanganj, Narsingdi, Pabna and Sirajganj.

Businesses complained that the current VAT rate is much higher.

Seeking anonymity, an official at the National Board of Revenue said even though fabrics in huge quantities are being sold at the wholesale level across the country, VAT collection from this sector is not satisfactory. So, the NBR aims to increase VAT collection by cutting the rate.

Monsoor Ahmed, chief executive officer (in-charge) at BTMA, said the VAT rate cut will give a relief to local consumers as product prices have already gone high due to hikes in raw material prices.

He also demanded that VAT on synthetic and viscose yarns be reduced in line with cotton yarns.

Currently, the revenue board collects Tk3 in VAT on sales of 1kg cotton yarns and Tk6 for non-cotton yarns.

Abu Motaleb, director at Federation of Bangladesh Chambers of Commerce and Industry, and also general secretary of the Old Dhaka-based business platform, told TBS that profits of many wholesale traders do not even exceed 2%.

So, if this VAT rate is reduced to 0.5% and electronic fiscal devices are provided to traders at low costs, VAT collection from wholesalers of fabrics will see success, otherwise not, he said.

There is no exact information on the number of transactions in fabric sales per month across the country. But Abu Motaleb said the Old Dhaka-centric markets have a monthly turnover of around Tk1,000 crore.

Source: tbsnews.net– Jun 03, 2022

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# NATIONAL NEWS

## GST Council unlikely to alter inverted duty structure for textiles; 28% tax on online gaming, casinos under consideration

The Goods and Services Tax (GST) Council is unlikely to change the inverted duty structure for textiles at its next meeting, which is expected to be held in the third week of June, CNBC TV-18 reported on June 3, quoting sources.

The GST Council may also take up the Group of Ministers (GoM) report on online gaming, casinos, and race courses. The GoM, headed by Meghalaya Chief Minister Conrad Sangma, has a consensus on a tax rate of 28 percent on these services.

The GST Council is also likely to extend the timeline for GoM on the rate rationalisation by six months.

The council may begin discussions to bring Virtual Digital Assets (VDAs) and crypto assets under the GST ambit.

The Supreme Court recently ruled that the recommendations by the GST Council are not binding on states or the Centre and only hold a persuasive value.

The parliament, as well as state legislatures, possess equal and simultaneous powers to legislate on GST and the Council can advise suitably in the event of repugnancy between laws laid down by the two federal units, the court said.

It may be noted that on May 3, the Centre released an amount of Rs 86,912 crore to cover the entire amount of GST compensation due to states until May 31, 2022.

Source: moneycontrol.com– Jun 03, 2022

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# India can't afford to lose the world's trust on trade

Indian Prime Minister Narendra Modi often speaks of "trusted" supply chains. At the G-20 last year, he said that global supply chains depend upon "trust, transparency, and timeframes"; he's made a similar pitch for Japan, the United States and Australia to "trust" India as a trade partner.

And he's right: The only chance that countries such as India have to entice value chains away from China is by focusing on resilience and reliability. Yet the actions of Modi's government are severely undermining his argument. India has responded to rising global commodity prices by unexpectedly blocking exports of sugar and wheat; some expect rice to be next.

These are products in which India plays a major role in global markets; the country is the world's second-largest exporter of sugar and the second-largest producer of wheat. World prices for wheat rose 6% on news of India's export ban.

True, for India, food prices are of particular importance. It's one of the few countries in the world in which food products comprise more than half the consumer price index. If you don't control food prices, you risk inflation expectations spiraling out of control and years of macroeconomic instability.

But export bans aren't the only way to manage food inflation. Besides, what's the excuse for all of New Delhi's other anti-trade moves? India's steel industry is still reeling from the unexpected and arbitrary increase in export taxes for finished steel products imposed last month. Share prices for Tata Steel Ltd . fell by 15% and those of Steel Authority of India Ltd. by even more.

The arbitrariness of India's trade policy is even more evident in the way the government has treated the country's paper industry. After two years of global price increases, officials recently declared that all imports of paper products would henceforth require "pre-registration" — dangerously close to a 1970s-style license. This, the government claimed, would "go a long way in promoting 'Make In India' and 'Atmanirbhar' [self-reliance]."

Thus, rather than arguments detailing how consistent trade policy helps productivity and investment, we're left with empty slogans. Every bad, anti-trade decision is presented as either supporting Modi's "Make in India" and "self-reliance" drives, or as necessary to control inflation. And the slogans can cheerfully point in opposite directions: Two years ago, India levied tariffs

on steel imports to protect domestic producers; now it has an export tax to protect domestic consumers.

India's trade policy is not just incoherent across time but contradictory at any particular moment in time. For example, steel producers justifiably complain that the new export taxes mean that they will fail to meet government-set targets for exports under an incentive subsidy regime begun as recently as last year. To sum up: First, the government raised steel tariffs, then it subsidized exports and set stiff targets for the steel industry, and then it slapped an export tax on steel products to control domestic prices — all in just a few years.

These aren't, to say the least, the sort of decisions that build trust. Who will sign a long-term contract for Indian steel under such circumstances? India can't hope to steal investment away from China as long as its trade policy is so unpredictable.

Moreover, Indian protectionism doesn't just hurt Indian producers; it hurts the world. As my Bloomberg Opinion colleague David Fickling has pointed out, the global safety net against hunger depends on the world's large food producers — including India — avoiding disruptions such as export bans. If India, which will assume the G-20 presidency later this year, expects to be treated as a global leader, we need to start taking the global effect of our policies into account.

Modi himself is intensely attuned to international perceptions of India. Yet he keeps on being forced into embarrassing climbdowns by his own government. Last year, he promised India would vaccinate the world — only to end vaccine exports after the Delta variant hit. In April, he promised to "feed the world" and to "send relief from tomorrow itself"; within weeks, his government shut down the wheat trade.

Judging by his words, Modi certainly understands how critical trust is. Now he just needs to build some.

Source: economictimes.com– Jun 03, 2022

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## RBI to go for another 0.40 pc hike in rates at next week's policy review meet: Report

The Reserve Bank is expected to go for another rate hike of 0.40 per cent at the scheduled review of the monetary policy next week, a foreign brokerage said on Friday.

The central bank's rate setting panel will follow it up with a 0.35 per cent hike in rates at the next review in August, or make it into a 0.50 per cent hike next week and a 0.25 per cent increase in August, to make the total quantum of rate hikes at 0.75 per cent, the report by Bofa Securities said.

On May 4, the Reserve Bank of India (RBI) hiked rates by 0.40 per cent, and Governor Shaktikanta Das has already called a rate hike at the forthcoming review as a "no brainer" given the pressure to maintain its core mandate of inflation in the targeted band of under 6 per cent.

The report from the brokerage said it sees the headline inflation for May to come at 7.1 per cent due to a sharp increase in tomato prices.

While mentioning about measures like the excise duty cuts on fuel products, duty free imports of crude soyabean and sunflower oil and cut in ATF prices, the report said such moves will help avoid a runaway increase in inflation.

However, it said the consumer price inflation will average 6.8 per cent — much above the RBI's tolerance limit of 6 per cent — in FY23.

The central bank will itself do an upward revision of its estimate to 6.5 per cent in FY23 from the present 5.7 per cent, it added.
"... we expect the RBI MPC to hike policy repo rate by 0.40 per cent in June and 0.35 per cent in August. We must highlight that for the sake standardised steps, the chances of delivering a 0.50+0.25 per cent hike combination is quite high too," the report said.

The key thing is that RBI MPC exits ultra-accommodation by August and takes policy repo rate to the pre-pandemic level of 5.15 per cent, it said, adding that if inflation continues to be high after that, the RBI will take the repo rate to 5.65 per cent by end of FY23.

The brokerage said it also sees another 0.50 per cent hike in the Cash Reserve Ratio (CRR) or the ratio of demand deposits parked by lenders with the RBI without any return, as the central bank moves to normalise liquidity conditions by withdrawing excess stock.

It can be noted that the RBI had hiked the CRR by 0.50 per cent to 4 per cent on May 4 to suck out Rs 87,000 crore of liquidity from the system.

On the growth front, the brokerage retained its estimate of a 7.4 per cent expansion in the real GDP for FY23, and added that the RBI will also maintain its 7.2 per cent estimate.

Source: financialexpress.com– Jun 03, 2022

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# Indo-Pacific Economic Framework for Prosperity: What IPEF holds for India

The US-led Indo-Pacific Economic Framework for Prosperity (IPEF) is strategically important for India for four reasons. First, it will enhance India's economic engagement in the region, which was dented after India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) agreement.

India's last-minute withdrawal from RCEP was not seen in the right spirit by ASEAN and other RCEP members. The IPEF will help control the damage caused by the RCEP withdrawal as all the IPEF members save India and the US—Australia, Brunei, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam—are signatories to the RCEP.

Second, building resilient supply chains is one of the motives of the IPEF. India can consider members as alternative sources for its raw materials requirements.

Malaysia could increase the supply of chips, whereas Australia can be a source of minerals for Indian industry. This could reduce India's overdependence on China for these inputs. Covid-19 has already shown how detrimental it is for industry to rely on a single source for inputs. Therefore, increasing inputs trade with the IPEF members can provide a cushion against future supply shocks.

Third, it will also help India strengthen its ties with Australia. Though India has just signed an interim Economic Cooperation and Trade Agreement with Australia in April 2022, there has been a change of government in Australia since. The bonhomie between the two countries that was there earlier needs nurturing by India. Engagements through the IPEF could provide a boost to India-Australia renewed ties.

Four, the IPEF can also support India's renewed love for free trade agreements. IPEF membership is a testimony to India's aggressive stance on bilateral and regional trade engagements. However, India needs to be cautious of what is achieved through this framework. There may be some slips that may affect India's economic interests.

The IPEF is primarily a US-led initiative and, hence, mainly driven by its interests. Though the language of the joint statement of the framework was diluted to accommodate divergent views of other members, the fact-sheet of the framework and the on-the-record press call of the US give a glimpse of what it wants to achieve through this initiative ("The United States is an Indo-Pacific economic power, and expanding US economic leadership in the region is good for American workers and businesses—as well as for the people of the region," a White House release reads). Therefore, there will always be a danger of IPEF becoming a medium for advancing US interests.

Amongst US interests, e-commerce and digital trade are the most prominent. The US intends to pursue, through this framework, exacting rules for the digital economy, including on cross-border data flows and data localisation. The chances are high that it will become another forum to raise and harbour US tech firms' commercial interests.

This is not in sync with India's position on digital economy issues. India is in favour of retaining policy space on cross-border data flow. The regulatory framework pertaining to e-commerce is still evolving in India. The draft e-commerce policy published in 2018 is still not finalised. The Personal Data Protection Bill is also in Parliament. Thus, India cannot support binding rules on data flow and localisation.

The US could also use this framework to pressurise India on supporting a permanent moratorium on customs duties on electronic transmissions at the WTO.

The WTO Ministerial Conference is scheduled for the second week of June, and the moratorium will surely be one of the issues that will come up for discussion. As of now, there is a temporary moratorium, and it gets extended every two years through Ministerial Conference decisions.
The IPEF is not proposed as an FTA by the US, though it talks about economic negotiations.

It is a Catch 22 situation for India. In the absence of an FTA, WTO rules will not permit granting of preferential treatment amongst IPEF members. Without preferential market access, trade gains and resilient supply chains envisaged through this framework will not materialise.

On the other hand, if it turns into an FTA, it will be majorly driven by US interests and eventually may become an FTA with US. Not to forget, despite growing synergy and trade, an FTA between US and India could not materialise because of divergences on key issues, such as IP, data flow, etc.

The 3Ts—Trust, Transparency, and Timeliness—mentioned by PM Modi during the launch ceremony are very important for the success of this initiative. Trust and transparency will be built only if members, particularly the US, accommodate each other's interests. If achieved, both of these will lead to timely delivery of the intended outcome. If the US is not accommodative and driven by its own interests, the IPEF may not be a success.

Source: financialexpress.com– June 04, 2022

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# Group of ministers on GST slabs recast to get six more months to submit report

A group of ministers (GoM) headed by Karnataka chief minister Basavaraj Bommai will get another six months to submit its report on restructuring of Goods ans Service Tax (GST) slabs, a senior government official told FE.

"This (rate rejig) is a complex exercise involving, among other things, correction of inverted duties in many value chains," the source said, citing the reasons for giving the group more time.

Th GoM was set up in September last year, and was then tasked to submit its report in two months. In December, the group was given further time till March-end, but it is yet to finalise its recommendations.

The GOM's mandate is to "review the current tax slab rates and recommend changes as needed to garner more resources."

Another extension will mean that the restructuring of the GST slabs to raise the revenue-neutral rate (RNR), from a little over 11% now to 15.5%, would be delayed. High inflation has reduced the urgency of the exercise as a rate rejig keeping with RNR objective in mind will inevitably lead to higher rates for a large number of goods and services.

There are four major GST slabs now – 5%, 12%, 18% and 28%. A clutch of demerit goods in the 28% bracket also attract cesses, the proceeds of which go to separate fund meant to compensate states for "revenue shortfall."

The GoM will consider merger of tax rate slabs, required for a simpler rate structure in GST. The GST Council is likely to meet in the second half of this month to deliberate on how some states' revenue concerns will be addressed after the cessation of a five-year revenue compensation period on June 30.

Under the GST compensation mechanism, which is Constitutionally guaranteed, state governments are assured 14% annual revenue growth for the first five years after the tax's July 2017 launch.

The rise in monthly gross GST collections have given some breathing space to the government to recalibrate an action plan on tax rates as the shortfall in GST by states after end of compensation mechanism will not be that high, officials reckon.

Gross GST collections have been in excess of Rs 1.4 trillion in the past three consecutive months against a monthly average of Rs 1.23 trillion in FY22. However, the Centre reckons that the monthly average for the whole of the current fiscal year will be around Rs 1.3 trillion.

While the Council made some attempts to correct inverted duty structures across several value chains, the decision to roll back a uniform GST rate for textiles proved that it won't be an easy option either. The council had to drop a plan to hike the GST rates for most textile products in the man-made fibre value chain from 5% to 12% in late December 2021, amid protests from the industry from Gujarat and other states. It may not be able revisit the issue soon.

Source: financialexpress.com– June 04, 2022

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## Domestic sales: Fresh pitch for duty relief to SEZs

The commerce ministry has made a renewed push to allow firms in the special economic zones (SEZs) to sell goods in the domestic market at a low duty, as it prepares a raft of proposals to replace the existing law governing these duty-free enclaves with a new piece of legislation, official and industry sources told FE.

The ministry wants the levy to be lower than the regular customs duties that SEZ units are currently mandated to pay while supplying to the domestic tariff area (DTA). At the same time, this levy would be enough to neutralise the advantages that SEZs enjoy vis-à-vis domestic manufacturers. The idea is to enable Covid-hit SEZs to better utilise their idle capacities and improve sales.

"Both the commerce and the revenue departments are in talks on this issue. A decision will be taken soon," said the source. Another source said, "Talks are also going on as to what could be the form of support to SEZs if this (lower duty) doesn't materialise."

The commerce ministry is targeting to introduce a new SEZ Bill in the monsoon session of Parliament, which is usually convened in July, said one of the sources. A swift decision on the critical issue of assistance to woo new investors is, therefore, the need of the hour.

Once considered to be drivers of future export growth, SEZs have been losing sheen after the government adopted in 2020 a sunset clause for granting a phased income-tax holiday for 15 years. This is in sync with the finance ministry's stated bid to cut the myraid of exemptions to make the country's tax system simpler and more robust.

Only those SEZ units which started production on or before June 30, 2020, now get a 100% I-T exemption on their export income for the first five years, 50% for the next five years and 50% of the ploughed-back export profit for five years thereafter.

The commerce ministry believes that without some kind of support, it would be difficult to draw investors to set up units in these zones, especially when the corporation tax has been reduced to as low as 15% to establish new manufacturing units anywhere.

Earlier, the commerce ministry had suggested that SEZ units be allowed to sell goods in the domestic market by paying the lowest tariffs at which India imports from its free-trade partners (zero duty in most cases). However, the revenue department was not keen on it on the ground that it would provide an unfair tax advantage to SEZ units vis-à-vis domestic manufacturers outside such duty-free enclaves.

However, now that most of the privileges that were being enjoyed by the SEZ units have ceased to exist, DTA manufacturers will have a level-playing field once a low duty to offset the remaining incentives still extended to firms in the SEZs is imposed. In that case, the SEZ units can be allowed to sell in the domestic market to better utilise their capacity.

“The issue is that the situation on the ground has changed substantially over the past few years. So, policies for SEZs need to change as well to suit new realities,” said one of the sources.

The commerce department intends to make these zones engines of export growth again, conscious of their immense potential to help the country realise the lofty merchandise export target of $1 trillion by FY28, against $422 billion in FY22.

SEZs sold manufactured goods worth Rs 50,033 crore in the domestic market in FY21, down from Rs 53,831 crore in FY20. Their domestic sales would soar substantially if the tax incidence drops, industry executives reckon.

However, exports of manufactured products from the SEZs surged 60% until December last fiscal, compared with a 51% jump in the country’s overall merchandise exports during this period.

Source: financialexpress.com– June 04, 2022

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## India's apparel export increases by 22.08% in Apr-May 2022

Readymade garment (RMG) exports from India registered an impressive growth of 22.08 per cent year-on-year and registered $2935.73 million in the first two months of current fiscal 2022-23. The export was $2404.67 million in April-May 2021. The export of RMG of all textiles contributed 3.81 per cent in the country's total merchandise export in April-May 2022.

India's RMG exports were worth $1360.95 million in May 2022 against, export of $1107 million in May 2021, showing a growth of 22.94 per cent. RMG contributed 3.65 per cent in total merchandise export of May 2022, the ministry of commerce and industry said in a release.

India's total merchandise export in May 2022 amounted to $37.29 billion, an increase of 15.46 per cent over $32.30 billion in May 2021. The export in April-May 2022-23 was $77.08 billion with an increase of 22.26 per cent over $63.05 billion in April-May 2021-22.

India's merchandise import in May 2022 was $60.62 billion, an increase of 56.14 per cent over $38.83 billion in May 2021. The imports in April-May 2022-23 were $120.81 billion with an increase of 42.35 per cent over $84.87 billion in April-May 2021-22. The trade deficit in May 2022 was $23.33 billion, while it was $43.73 billion during April-May 2022-23.

Source: fibre2fashion.com– June 03, 2022

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## Shippers advised to implement uniform best practices across country to promote exports

Chairman of the Standing Committee for Promotion of Exports (Shipping) on Friday advised the shipping associations to implement uniform best practices across the country to make Indian exports more competitive in the global markets.

This was requested by the Special Secretary of the Logistics Division in the Department for Promotion of Industry and Internal Trade (DPIIT) Amrit Lal Meena during the 51st session of this standing committee meeting.

The government agencies present in the forum also agreed to examine issues of trade associations on a case-to-case basis to further reduce logistics costs wherever feasible to make Indian exports more competitive globally, the commerce ministry said in a statement.

The forum was in broad agreement that wider adoption of technology solutions, such as the Port Community Systems, can reduce the turnaround time of Indian ports, it said.

"It is also expected to further reduce logistics costs for Indian traders, and at the same time, improve India's competitiveness globally," it added.

It also said that for efficient registration and monitoring of authorised stakeholder issues, along with seamless coordination among concerned ministries, a user interaction dashboard is under development by the DPIIT.

"Such a digital platform is expected to enable the industry to highlight points of discussion to the government through a single-window system throughout the year in a transparent manner," it said.

Source: financialexpress.com– June 03, 2022

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## Forex reserves up by USD 3.854 bn to USD 601.363 bn

The country's foreign exchange reserves increased by USD 3.854 billion to USD 601.363 billion in the week ended May 27, according to RBI data.

In the previous week, the reserves rose by USD 4.230 billion to USD 597.509 billion.

During the reporting week, the rise in forex reserves was due to an increase in the Foreign Currency Assets (FCA) and the gold reserves, according to the Weekly Statistical Supplement released by the Reserve Bank of India (RBI) on Friday.

FCA increased by USD 3.61 billion to USD 536.988 billion in the week ended May 27.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.Gold reserves increased by USD 94 million to USD 40.917 billion.

The Special Drawing Rights (SDRs) with the International Monetary Fund (IMF) rose by USD 132 million to USD 18.438 billion.

The country's reserve position with the IMF also increased by USD 18 million to USD 5.019 billion in the reporting week, the data showed.

Source: financialexpress.com– Jun 03, 2022

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# Freight rates decline in May as transporters passed on benefit of lower diesel prices: Report

Fell month-on-month for consumer essentials such as agri-products, FMCG/FMCD, loose and discretionary goods

Freight rates have come down in May as transporters passed on the benefit of the lower diesel prices due to a cut in excise duty, credit rating agency Crisil said in a report on Thursday.

Cement and mining applications saw a flattish trajectory in freight rates in the previous month owing to the high base of April, while for the auto-carriers, agri-products, container, FMCG/FMCD, petroleum tankers, textile and steel, these rates saw a lower single-digit drop, it added.

In May, transporters passed on the benefit of a fall in diesel prices by decreasing freight rates on several routes, the credit rating agency said. Finance Minister Nirmala Sitharaman had on May 21 announced a cut in excise duty on petrol by a record ₹8 per litre and that on diesel by ₹6, helping the OMCs lower the prices of the two commodities.

CRISFrex

CRISFrex indicates that freight rates have dropped month-on-month with free cash flow (pre-equated monthly instalment) decreasing 100 basis points, Crisil said. CRISFrex captures the changes in freight rates on a sequential basis. Besides, it also tracks the free cash flows (FCF; pre-EMI) of transporters on an ongoing basis. Higher FCF would typically support demand for commercial vehicles.

utilizationer, fleet utilisation was flat month-on-month and while for the market load, it was higher, which was offset by slightly lower utilisation for parcel/loose goods, mining (largely coal and iron ore), and agri-products, the remaining commodities, including auto-carriers, container applications, fast-moving consumer goods and durables, steel, textile, and petroleum tankers, saw flattish trajectory in utilisation, as per the report.

Freight rates decline

Freight rates, too, declined for most commodities but were stable for mining and cement. Freight rates declined month-on-month for consumer essentials, such as agri-products, FMCG/FMCD, loose goods and discretionary goods, it added.

The complete effect of this duty cut would be visible in the index from next month. This is because the central government set an extrinsic decline in excise duty at the end of the month, whereas CRISFrex represents freight rates and fuel prices for the entire month, it noted.

In May, around 60 per cent of the combinations saw a decrease in freight rates, while around 16 per cent were stable, as per the report.

Source: thehindubusinessline.com– Jun 03, 2022

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## GVK Reddy shares his thoughts on the India-UAE trade agreement

On February 18th, 2022, India and the United Arab Emirates signed the Comprehensive Economic Partnership Pact, or CEPA, marking the Indian government's first free trade pact since 2014. GVK Reddy informs,

"The deal was completed in a record-breaking 88 days, and it will go into effect in May, 2022. Between the two countries, non-oil trade will more than double in five years from $45 billion in 2021 to $100 billion."

The CEPA between India and the United Arab Emirates is the nation's first major trade deal in more than a decade. Before that, India signed a landmark free trade agreement with Japan.

"It is the first in a series of free trade agreements that India is negotiating in order to increase its goods and services exports to $1 trillion by 2030. Free trade agreements with the United Kingdom, the European Union, Israel, Australia, and Canada are also being pursued by India," notes GVK Reddy.

Elaborating on the agreement, GVK Reddy informs that the UAE will lower rates on 80 per cent of its tariff lines, which account for 90 per cent of India's value-added exports to the UAE, under the conditions of the agreement. This is particularly important for exports in highly competitive categories such as textiles and clothing, where India's exporters have hitherto been at a competitive disadvantage due to import obstacles. Also, GVK Reddy points out that Indian textile and leather exports to the UAE now face a 5 per cent levy, whilst competitors' products from Vietnam and Bangladesh are duty-free. Over the next 5-10 years, India's zero-tariff access to the UAE will expand to 97 per cent of UAE tariff lines, corresponding to 99 per cent of India's exports by value.

Additionally, footwear, sports goods, engineering goods, automobiles, and pharmaceuticals, are all predicted to gain ground. The pact, which is due to go into force in the first week of May 2022, is expected to generate an additional one million jobs in India.

Notably, India has left several commodities out of the agreement, citing a sensitive list of products that account for 10 per cent of tariff lines that are completely exempt.

"Dairy, fruits, vegetables, cereals, tea, coffee, sugar, culinary preparations, cigarettes, toys, plastics, scrap aluminium, and copper are among the items that are excluded from the agreement. Other areas which were left out of the agreement are those where domestic production has increased fast or where the government is rewarding manufacturing through production-linked incentive schemes,"

For the first time, India included a chapter on digital trade in the India-UAE CEPA, signalling the nation's willingness to pursue this area in bilateral agreements. India has consistently refused to engage in WTO e-commerce discussions, citing concerns that WTO-proposed e-commerce standards would stifle domestic trade. In order to harmonise regulatory requirements for managing digital trade between India and the UAE, constant communication between regulatory organisations on both sides will be maintained.

Overall, the India–UAE CEPA appears to support the present government's efforts to promote exports. If properly implemented, it will be a valuable tool in the hands of Indian industry, which is familiar with the UAE and, by extension, the Gulf. It also demonstrates a level of consistency in India's attitude on trade issues such as intellectual property rights and digital trade, which might create roadblocks in India's ongoing negotiations with the EU and the UK. Meanwhile, the India–UAE CEPA aims to reduce political risk and uncertainty between two significant trading partners.

Source: apnlive.com– Jun 03, 2022

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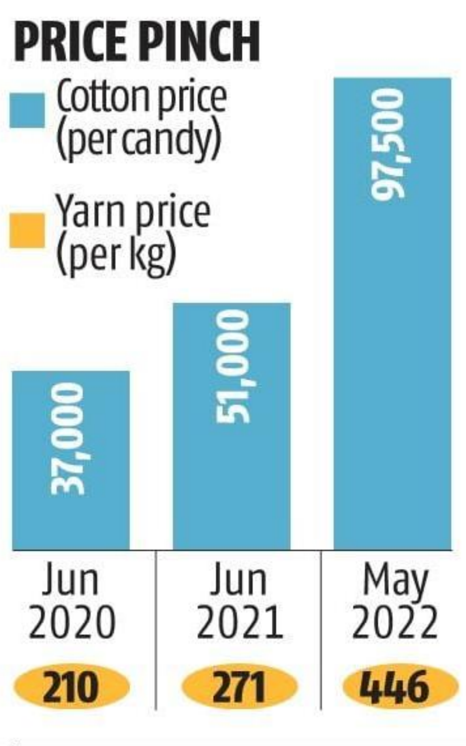
# Hope lies in tatters in Tiruppur as cotton and yarn prices go up

On the streets of Tiruppur, the air is full of the odour of chemicals and dyes used in fabrics. At least one person in almost every family is connected with the textile and garment industry that makes the hosiery, knitwear, casual wear and sportswear sold all over the country.

These days, the acrid odour is still around but the town, in Tamil Nadu, has lost its mojo. The prices of cotton and yarn have gone up, forcing factories to work at reduced capacity while wholesale shops look deserted with hardly any takers for clothes.




"Tiruppur was never like this. These streets were always active with thousands of people visiting our shops during the current months," said Zakir Ahmed, who runs a wholesale shop, K C Apparels, at Khaderpet.

Located opposite the railway station, Khaderpet is the largest wholesale market in the town. Tiruppur contributed 54.2 per cent of India's textile exports in the last fiscal.

Despite the pandemic, the hub posted exports of Rs 33,525 crore in 2021-2022, contributing to around 1 per cent of the country's exports revenue. If domestic markets are also added, the total sales of Tiruppur per annum used to be nearly Rs 75,000 crore.

Holding up some sportswear, Ahmed said: "Even two months ago, this used to cost around Rs 100 per unit, which has increased to Rs 130 now. That itself shows how much prices have increased. But the hike is still only a fraction of what cotton and yarn prices have increased by. We have a limit in how much of the burden can be passed to the consumer."

Sheikh J, a 30-year-old wholesaler who runs a shop in the Kariya Gounder area of Khaderpet, believes that every small-scale business and indeed the entire economy of the region is dependent on the textile industry.

"At the wholesale market, we are seeing a dip of 30 per cent in our sales. The price rise of cotton and yarn is making life difficult for people like us, who are dependent on it right down the value chain," said Sheikh.

According to the data shared by industry sources, yarn prices increased by 112 per cent from around Rs 210 per kg in June 2021 to Rs 446 per kg now.

"Work in most of the garment units has come down. We want the government to ensure that there is a dip in yarn prices, else our margins will get severely hit as we will not be able to fully pass it on to the buyers," said Ravi Chandran, secretary of the Domestic Garment Manufacturers' Association.

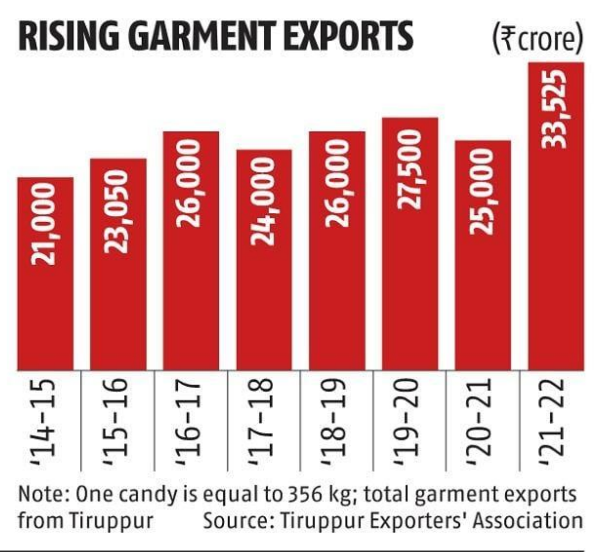
Based on estimates, a Rs 50 increase in yarn prices may normally lead to an increase of around Rs 18-19. "A major roadblock for us is fixing prices for advance purchase orders. When we take orders three to six months in advance, the unprecedented price hike affects us badly," said R Senthil Kumar of Premier Agencies, a small and medium enterprise garment manufacturer.

For people like Kumar, the loss of business occurs because medium to small enterprises do contracts for raw materials on a monthly basis. The hike has come as a shock for an industry that was expecting recovery after the pandemic.

According to the Tiruppur Exporter's Association, the price of cotton per candy increased from Rs 37,000 in June 2020 to Rs 97,500 currently.

The association wanted a special scheme for micro small and medium enterprises (MSME) under the Emergency Credit Line Guarantee Scheme. In this, 10-20 per cent of the existing credit would be given immediately, mainly to bail out the knitwear garment sector that comprises 95 per cent of MSMEs.

"As an immediate step, we were also demanding the delisting of cotton from the MCX, a ban on cotton exports and steps to ensure that cotton hoarding is not allowed," said Raja M Shanmugham, president, Tiruppur Exporters' Association.




The industry also wants the creation of a buffer stock by the Cotton Corporation of India, similar to that of China. Despite being the largest cotton producing country in the world, India stands only sixth in garment exports - behind China, Bangladesh, Vietnam, Cambodia and Sri Lanka.

"The industry is facing a working capital shortage. Some of the units have reduced production by 30 per cent because of this. We may not be able to stop production though as that may lead to a labour shortage in the longer run," said Kumar. Spinning mills, on the other hand, have already started production cuts. Machine speeds have been reduced by 5-10 per cent.

"Right from spinning mills to garment manufacturers, no one is making money. For the past month we have started reducing the speed of the machine. We are suffering losses to the tune of around Rs 20-25 per kg of yarn. If we completely stop production, the number of skilled labourers may fall," said Siva Balan, director of S P Spinning Mills.

He added that yarn movement has declined by 30-40 per cent compared to a normal May, hinting at an overall decline in yarn and garment manufacturing in the area.

As to the solution, Ahmed said only 'government support or god' can avert huge losses in 2022-23 in Tiruppur and revive the life that used to be on the streets.

Source: business-standard.com– Jun 04, 2022

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# Opinion: How trade can boost India's growth

India's exports surpassing the pre-pandemic level of $331 billion in FY 2018-19 and reaching $418 billion in FY 2021-22 is certainly an achievement. Total exports, including the services exports of around $240 billion, amount to more than $650 billion. The revival of exports has provided relief at a time when major components of aggregate demand such as consumption and investment had been slowing down.

Total merchandise trade, including imports of $610 billion, amounts to $1.28 trillion for FY 2021-22. These milestones on the trade front are a sign of a rising India, which would certainly accelerate the growth and the increasing imports are a good sign given the high import intensity of India's exports.

If we sustain the momentum and capitalise on our exports' potential, we will meet the targets of $1 trillion in merchandise exports by 2027-28 and $1 trillion in services exports by 2030, which will help achieve the $-5 trillion economy goal sooner.

The trade achievements are a sign of growing confidence in the Indian economy. The proactive policy schemes by the government — such as merchandise exports scheme, duty exemption scheme, export promotion capital goods, transport and marketing assistance scheme — have helped the export sector.

Schemes like the gold card scheme and interest equalisation scheme by RBI and the market access initiative by the export promotion councils are also useful.

Though achievements in trade are laudable, India still has much potential. For example, the annual growth rate of India's exports between 2011 to 2020 is a little over 1 per cent compared to 3 per cent and 4.2 per cent, respectively, for China and Bangladesh.

If we go by India's Trade Portal estimates, we find a huge difference in India's exports potential and actual exports in many sectors, especially pharmaceuticals, gems and jewellery and chemicals.

Therefore, it is time to address sector-specific and market-specific problems so that we fully capitalise on exports across sectors. For example, India's potential in diamond and jewellery exports is close to $58 billion but actual exports are at $30 billion.

To achieve the export target, India has to aggressively increase its participation in global value chains (GVCs). India's best endowment for the next couple of decades is its working-age population and its strength is in labour-intensive manufacturing. However, the space vacated by manufacturing giants such as Japan, Korea, Malaysia and China has been captured by Vietnam, Bangladesh, Mexico and Thailand. Many of these manufacturing giants are moving away from the labour-intensive assembly of network products, which offers India an opportunity.

As the Economic Survey (2019-20) suggests, "assemble in India", particularly in network products, will increase India's share in world exports to 6 per cent and create 80 million jobs. It is time to find out and research why MNCs are (re)locating to countries like Vietnam, Bangladesh and Mexico when India offers a big market and cheap manpower. We are yet to capitalise on "China+1 strategy".

India also needs to work on institutions facilitating trade, processes for exports and imports and logistics that not only reduce trade and transaction costs but also ensure reliability and timely delivery, which is important to becoming part of GVCs. India's rank in the logistics performance index is 44 while China's rank is 26 and South Korea's 25. The unit cost of a container of exports is significantly higher for India compared to China, South Korea and others, thereby reducing the price competitiveness of India's exports.

Recently, the Niti Aayog, in partnership with the Institute of Competitiveness, prepared the Export Preparedness Index (EPI) 2021 for Indian states. There are wide variations in the EPI index, which is based on trade policy, business ecosystem, export ecosystem and performance.

It's time to focus on the first three of these input pillars in states whose scores are below the national average. State-level reforms in reducing red tape and complex laws including taxation will go a long way. One way to reduce the complexities of trade and business is by signing free trade agreements.

These not only reduce tariffs and give market access but bring down non-tariff barriers such as administrative fees, labelling requirements, anti-dumping duties and countervailing measures. It's a good sign that Delhi recently concluded FTAs with the UAE, and Australia and is negotiating with the UK, GCC and Canada. Though FTAs may not necessarily help the trade balance immediately, they help in streamlining policies.

Along with the merchandise exports, India should focus on services exports. As per the Ministry of Commerce (MoC), services exports are expected to reach the target of $1 trillion before the deadline of 2030. India has done well in IT and IES exports and it can accelerate services exports in other categories including travel and tourism and business, commercial and financial services. However, the services sector needs government support.

The acceleration of merchandise and services exports could potentially make the Indian economy a $5-trillion economy sooner provided we are proactive in policies to capitalise on our exports potential, explore new markets and curb protectionism.

There are also opportunities arising out of geo-political conflicts and the intention of the world to diversify its supply chain portfolio. India should capitalise on the "China+1" strategy. However, we must avoid protectionism and inverted duty structures which may give temporary relief to domestic industries but will affect India's overall competitiveness.

Source: indianexpress.com– June 01, 2022

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## India's cotton sowing area down 2.35% to 10.73 lakh hectare: Ministry

India's cotton sowing acreage declined 2.35 per cent to 10.73 lakh hectare till June 3 this season, according to the first weekly Kharif 2022 sowing report, released by the ministry of agriculture. Currently, sowing in northern states of Haryana, Punjab and Rajasthan recorded slow progress. Karnataka also noted some sowing till now, the report said.

Cotton was sown on around 13.08 lakh hectare during the corresponding period of last year. The area coverage has been reported mainly from the states of Haryana (5.90 lakh ha), Punjab (2.31 lakh ha), Rajasthan (1.54 lakh ha) and Karnataka (0.72 lakh ha).

Some sources said that cotton sowing is delayed in Punjab, Haryana and Rajasthan due to delay in release of canal water. Normally, the sowing should have been completed till mid of May, but large number of farmers could not sow the fibre crop during the sowing period. As per information, farmers have shifted to other crops as delayed cotton sowing is prone to disease.

Source: fibre2fashion.com– June 03, 2022

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## Stakeholders in cotton sector give suggestions to make it vibrant

J. Thulasidharan, president of Indian Cotton Federation, said the committee had a meeting recently in Mumbai to discuss the cotton crisis. With increase in cotton consumption and steady drop in yield per acre, the present trend of high cotton price and shortage of cotton may continue in the next cotton season that starts in October.

During peak season the value of cotton arrival will be approximately ₹ 1,200 crores a day. Though most of the spinning mills know that cotton prices go up after March, when the peak arrivals (almost 80 %) have ended, they are unable to have more than 40 days stock.
They need financial support to buy more quantity when the arrivals are high. The mills are aware that higher exports lead to shortage in the later months of a cotton season (which starts in October and ends in September) and multi-national and large-scale traders stock substantial quantity of cotton with them.

The solution for this challenge is to provide sufficient finance at low interest and margin to the textile mills well before the season begins. There should be such an announcement in September.

The option of duty free import should be kept open to control abnormal hikes in cotton prices. Duty free import of speciality and extra long staple cotton will not hurt Indian farmers as these varieties are produced only in small quantities in India.

So, the government should look at financial support to textile mills to buy cotton during the initial months of the cotton season and should not impose duty on imports, if there is no such requirement, he said.

Source: thehindu.com– June 03, 2022

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