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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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NEWS CLIPPINGS

Currency Watch	
USD	78.31
EUR	82.67
GBP	96.12
JPY	0.58

INTERNATIONAL NEWS


SAYING NO TO
CHILD LABOUR

INTERNATIONAL NEWS

China topples US in apparel retail market size during COVID-19

China displaced the US to gain top position in terms of apparel retail market size during COVID-19 years of 2022 and 2021, mainly owing to milder impact of the pandemic compared to the world's largest economy. It is projected that China would gain further lead over the US by 2025 because the market size growth will be more than double for the Asian giant.

The US was much ahead of China in 2017, when apparel retail market size was $327.61 billion for the US and $235.30 billion for China. American market size grew to $332.86 billion in 2018 and $337.52 billion in 2019.

But the market size shrunk to $252.90 billion in 2020 due to the pandemic and frequent lockdowns, according to Fibre2Fashion's market insight tool TexPro. The market size recovered to $282.89 billion in 2021 and is likely to reach $290.40 billion till 2025, growing at a CAGR of 2.80 per cent during 2020-2025.

China's apparel retail market size increased to $258.83 billion in 2018 and further to $283.42 billion in 2019. The pandemic had disrupted the Chinese economy too and its market size fell to $264.92 billion in 2020. But China bounced back to $284.70 billion in 2021, due to milder impact of COVID-19, as per TexPro. The market size is expected to reach at $372.13 billion in 2025, growing at a CAGR of 7.03 per cent during 2020-2025.

Global apparel market size was $1387.66 billion in 2017, which grew to $1450.90 billion in 2018 and $1518.81 billion in 2019. It shrunk to $1263.67 billion in 2020. But the market size increased to $1352.42 billion in 2021. It is projected to reach $1574.88 billion in 2025, growing at a CAGR of 4.5 per cent during 2020-25.

Source: fibre2fashion.com– Jun 27, 2022

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China, India, Vietnam make growth story world's talking point

In an economic sense, should China be unnerved by neighboring Vietnam? Well, Vietnam today reminds me of yesteryear developing countries when their economies had just started to grow at a notable pace. Its labor-intensive industries like textiles, processing and manufacturing are booming, fueled by abundant and low-cost labor.

This has led many to question whether the Southeast Asian nation will have a bearing on China's position in the world's industrial chain sooner or later.

No, I'd argue. Close competition and complementarity characterize the dynamic between the two neighbors. From the perspective of competition, the pressures they face from each other are asymmetrical.

China boasts a mature cross-border e-commerce industry, a complete industrial chain, agglomeration advantages, innovation vitality, well-developed logistics and supporting systems.

In terms of complementarity, the export structures of the two countries are different, and their supply chains are interdependent. For example, when China fought the COVID-19 outbreak in 2020, the supply chains of many industries in Vietnam also came to a standstill.

China's direct investment and industrial transfer to Vietnam have strengthened business ties between China and Vietnam, resulting in the international division of labor. Some of China's surplus with European countries and the United States has turned into China's surplus with Vietnam.

In a sense, Vietnam's growth is an extension of China's economic growth. The two countries' industrial chains are closely integrated. As a neighbor, a developed Vietnam is more beneficial to China than an underdeveloped economy. China does not have to worry too much about the challenges posed by the rise of Vietnam's manufacturing industries.

For instance, Zibo, Shandong province-based Luthai Textile Co Ltd, which runs more than 40 factories and regional branches in countries including the US, Italy and Japan, announced earlier this year that it will invest $210 million to build a manufacturing base to make woven and knitted fabric products in Tay Ninh province, Vietnam. The new plant is meant to supply local garment and textile businesses, another step to further expand its market presence after the Regional Comprehensive Economic Partnership took effect on Jan 1.

In this context, it's India that should be the hot topic. Among China's neighbors, India boasts a competitive labor source, vast market hinterland, increasingly complete electronics industrial chain and a highly developed IT industry. Its human resources are said to have an advantage in terms of English-language skills, comparable to HR in Europe and the US. India may well have the potential to emerge as not only the next factory for the world but also a challenger to China.

Over the long term, India will seek an economic growth rate higher than that of many countries in the Asia-Pacific region. When its economy becomes half China's size, it will likely have a substantial impact on China. Even though Vietnam's substitution effect on China is greater in the short term, India's effect in a similar context will be greater in the longer term.

Constrained by a limited local market, Vietnam plays more of a role as a processing and transshipment hub in the global electronics industrial chain, and its products are exported to North America, Europe and other regions. The reason why India can attract a relatively more complete electronics industrial chain is due to tariff adjustment and its vast local market. A large number of electronic products manufactured in India can be directly sold in the country, leaving less room for exports.

To cope with these factors, China has already begun to foster high-quality development on its original industrial track and implement the dual-circulation development paradigm that allows the domestic and overseas markets to reinforce each other.

China has an edge in being a major consumer market in the world. This has become valuable in breeding and developing new technologies. Although the industrial revolution started with technologies, the implementation of technology cannot be separated from specific market demands and application scenarios.

In the new round of industrial revolution, China should not only reinforce the resilience of its own industrial chain structure, but also work closely with neighboring countries via bilateral and regional free trade agreements, and become a driver of shared development. This will be an important task for the country to sustain its foreign trade and seek fresh growth points in the years to come.

Source: chinadaily.com.cn– Jun 26, 2022

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Investment in Iran's textile industry rises over 44%

The statistics of Iran's textile and clothing industry shows that investments made in this field grew by 44.8 percent in the previous Iranian calendar year (ended on March 20), the spokesman of the Industry, Mining, and Trade Ministry said.

Omid Ghalibaf said the increase in investment in this industry is unprecedented since the overall rate of investment in the country is currently negative, IRNA reported.

"This jump in investment is due to the positive outlook for the future of this industry, and the export statistics of the textile and clothing industries, which showed a growth of 5.9 percent in the previous year," Ghalibaf said.

According to the official, the exports of clothing and textile products in the first two months of the current Iranian calendar year (March 21-May 21) increased by 10 percent in terms of weight and the imports of such products also increased by 35 percent.

Source: pakobserver.net– Jun 26, 2022

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Ex-Trump Advisor Wants to 'Get Rid' of China Tariffs

Debate is again heating up over Trump-era duties on China-made goods, with lawmakers on both sides calling for their removal amid rising inflation.

President Joe Biden indicated that he is planning to speak with China's head of state "soon" to discuss trade relations, and is weighing possible action to remove the tariffs. "I'm in the process of making up my mind," he told reporters while biking in his home state of Delaware last weekend.

On Wednesday, United States Trade Representative Katherine Tai testified to her agency's performance at a meeting the Senate Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies. The subcommittee members asked why the USTR has declined to roll back the tariffs, despite their failure to curb China's unfair trade practices.

"The China tariffs are, in my view, a significant piece of leverage—and a trade negotiator never walks away from leverage," Tai told the committee. However, the USTR needs "to use our tools more effectively," she said, noting that the agency plans to depart from its playbook and introduce "new tools" for "an entirely new approach."

Sen. Jeanne Shaheen (D-N.H.) pressed Tai on the USTR's timing on developing a new, easier-to-navigate tariff exclusion process for U.S. enterprises, which it was directed this spring to reveal by early June. "More than three months have passed, and it's not clear what process has been established," Shaheen said, noting that "everybody on the subcommittee has examples in their own states of how businesses are affected."

Declining to give a date for the release of the new rules, Tai said the administration is moving forward "with a deliberativeness to ensure that any exclusion processes that we implement and have implemented are fair, transparent administrable."

The process, still under development, will aim to "give our stakeholders the opportunity to make their case for relief at a very challenging time in the world economy," she added.

Tai acknowledged that “the public debate recently has been very, very fixated on the issue of the tariffs,” and the impact that removing them would have on people experiencing financial strain. The agency is cautious about taking any radical action it might regret when market conditions change, she said.

“Whatever we need to do for ourselves… to get through the set of challenges we are facing today, we will one day find ourselves on the other side of these challenges,” she said. It is important that the U.S. does not “undermine the need that we have to make ourselves more competitive” within a relationship that has had corrosive impacts on many areas of the nation’s economy, she added.

Following Tai’s testimony, President Trump’s former chief economic advisor Gary Cohn called the tariffs a “consumption tax” that adds “to the cost of many goods that US consumers are buying,” a view that industry groups like the Footwear Distributors and Retailers of America, the American Apparel and Footwear Association and National Retail Federation long shared.

But “some of the tariffs make sense” and should remain in place, Cohn said. “If we manufacture something here in the United States, we should protect our manufacturers,” he told CNN. National Council of Textile Organizations president and CEO Kim Glas has argued for the continuation of Section 301 tariffs on finished apparel and textiles to benefit American producers and free trade partners.

Cohn said goods that aren’t manufactured in the U.S., by contrast, should not be subject to added duties that undercut consumers. While “no one thing is going to solve inflation,” Cohn said that the U.S. government has to “do as many things as we possibly can to try and lower prices.”

“If you get rid of these tariffs, the price of those goods should go down,” he added.

Source: sourcingjournal.com – Jun 24, 2022

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USA: Cotton Prices Dive! What Happened and Why?

It always happens! July and December come together. Yet, neither for a million dollars, nor in a million years, would I have guessed it would have been this way. It just doesn't happen. But cotton, all the grains, and the oilseeds collapsed at the same time and generally by same amount (percentage).

Cotton and all other row crops weighed in on just how miserable the U.S. economy is. Granted, the Index measuring consumer sentiment suggests the economic outlook is miserable, and even the Fed chair now says his group helped create this economic mess.

Some reports have grain and oilseed production increasing. Yet, not so for cotton. The Indian crop may be improving, the Chinese crop is on the verge of stabilizing, and the U.S. crop is very questionable. The Indian rains certainly were not worth a 20-cent-plus market collapse – maybe a 200/300-point loss at the most.

So, where are we now?

New York is set for a 500-point gain, but I have said that for two days now. What can I say other than WOW, this was a price crash for the record book! I just plain and simple missed it. It was in plain sight, and I even dumbed down enough to talk about it in terms of new crop prices possibly even moving higher. What a dummy!

Possibly, given that the world equity and financial markets had seen a similar collapse, I could just pass it off as commodities trading in sympathy with the equity market. Yet, that would have us trying to hide our miss. Once speculators began to liquidate positions and take profits, literally everyone jumped in, and the price collapse could not be stopped.

All row crop futures except cotton have shown signs of stability, and, as I said, cotton should finally look to regain its wings. The speculative funds have exited cotton in mass. It will likely take renewed interest in new crop fundamentals to entice cotton to look to regain the 115-cent territory. Yet, it will be difficult and slow going from 105 to 115 cents. The market has a lot of healing to overcome and a lot of body parts to rebuild.

Mills should exercise this historic break in prices and cover up to 25% – or even more – of their on-call sales. Seldom do I suggest the market is wrong. In fact, the market is always right. It is those of us who pontificate on the market that are wrong…never the market, the reverent halls of supply and demand. Yet, we must understand that the market is simply the combined set of emotions of all the traders. On any given day, that combined set of emotions can be wholly, totally irrational. Yet, that is seldom the case. In this case, the market simply became very overbought. There were no more fixations to push the entire Board higher and higher.

We have experienced some market collapses before. We thought Tiananmen Square damaged the market. That was nothing compared to this. Tiananmen Square was a government-created fundamental. This was a self-induced collapse. We, the collective cotton traders, believed our own words. In my long and now gray-haired career, never have I seen such a fall. Yet, likewise, never have I seen the on-call sales positions of mills drive the market higher and higher, week after week, and into record territory.

I have seen on-call sales drive the market, but never to the absolute beginning of a contract expiry. Yet, I cautioned myself and others that the market had gotten too high. Simply, I failed to rationalize that the market could come down at a record pace, simply believing that it had never done so before.

The market is always right. Yet, it typically overshoots its mark, going too high or going too low before correcting. We should have seen this; I should have seen this. Yet, it happened in all the row crop markets – that's bigger than I even considered. I just plain and simple missed it.

We experienced the July contract falling over 40 cents in a single week – a four-day week at that! I would have told you that was impossible. The very basics of the market – supply and demand – were somewhat ignored. Or were they? No, the basics were not ignored. We wrote about it and still got caught because it happened so much faster than ever before, and the price dive was so much deeper than ever experienced.

The market bullishness was not based on cotton trading, but on the quantity of on-call sales. The "demand to fix the price of cotton," not the demand for raw cotton itself, was being traded. Knowing better and cautioning about it, I still fell asleep. The news was all about fixations and the fact that the need for fixation was pushing prices higher. Along with everyone else, I drank the Kool-Aid.

July futures reflected the demand for on-call sales and December prices were dragged higher. Now the market can return to rational trading, and December can rebuild and make another run toward 110-115 cents. The U.S. and world 2022 crops are facing very problematic production challenges. U.S. and world cotton carryover is shrinking. Too, the December 2023 futures contract – a contract that lost some 12-14 cents or more than 10% of its value this week – must climb back. It will try to rebuild to at least the 90-cent level.

Given the competition for acreage, coupled with the inflation-driven input prices, 2023 plantings will fall some 30% or more without a return to at least the 90-cent level. Possibly, it will be necessary for even a higher price. Remember too, the level of stocks at the beginning of the 2023-24 marketing season will still be very low. December 2023 should challenge the dollar mark.

Now that cotton prices are back where they were six months ago, it is time to build demand and let prices work higher. Let's get prices back to the 103-105 cent area first, then Mother Nature may give us more.

Source: cottongrower.com– Jun 24, 2022

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Cambodia's e-com sector seeks clear, regionally uniform regulations

Cambodia's rising e-commerce sector requires clear definition of laws and regulations by regulators addressing concerns of market uncertainties while maintaining regional uniformity, according to stakeholders who discussed e-commerce tax and licensing requirements at a panel discussion hosted by DFDL, a legal, tax and investment enterprise in the country.

The law on e-commerce and consumer protection was promulgated in 2019 with subsequent decrees and sub-decrees aiming to define e-commerce classifications as well as registration and tax requirements for both local and foreign companies.

But many current regulations lack clarity on the differences between a traditional and an e-commerce business, said Christopher McCarthy, chief executive officer of domestic marketing agency Mango Tango.

"The business community hates uncertainty and hence this is a hard position. What would make the business community more comfortable is an understanding of enforcement mechanisms for breaches of regulations imposed," McCarthy was quoted as saying by a Cambodian news portal.

Nearirath Sreng, legal consultant and deputy head of DFDL Cambodia, said the regulations that Cambodia's government is implementing are similar to previous legislation in neighboring countries like Indonesia and Singapore.

"The Cambodian government is on the right path with the ministry of posts and telecommunications now preparing new laws however any law takes a long time to draft and then implement, hence the language in these laws sometimes needs to be deliberately broad due to such a fast-changing industry," she said.

McCarthy said Cambodian regulators should ensure, as best as possible, keep regulations in regional unison to make the most out of the recently ratified free trade agreement and across e-commerce platforms.

"About the newly implemented requirement for foreign firms to register for VAT [value-added tax] in Cambodia many of the larger firms such as Google and Meta (Facebook) already have however the smaller firms would most likely lack the resources to do so," he said.

Nearirath Sreng added that some of these new laws and requirements now implemented are contradicting each other new e-commerce legislation should properly address this.

The main challenges of the sector still revolve around the lack of information technology experts, infrastructure and a large unbanked population. While COVID-19 has become a catalyst for several e-commerce businesses such as food delivery, it also hinders the growth of others such as ride-hailing.

Source: fibre2fashion.com– Jun 26, 2022

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EU, Bangladesh to form committee to ease customs clearance at ports

The European Union (EU) and Bangladesh recently agreed to form a joint committee to find out the challenges in the way of smooth customs clearance and the opportunities a simplified procedure can offer for both express and non-express air cargo. Exporters and importers have long been complaining about the delay in the release of goods at ports.

The decision to form the joint committee on customs clearance came at the 7th EU-Bangladesh Business Climate Dialogue (BCD) in Dhaka.

In shipping and logistics, both sides agreed to accelerate the removal of idle containers from the Chittagong Port premises to ramp up cargo-handling capacities and improve the health and safety situations at the port, the largest gateway for Bangladesh's trade with the EU.

In a joint statement, the two sides said approval would be issued for the interchange of empty containers between Dhaka rail and river terminals.

Bangladesh has agreed, as suggested by the EU, to launch a survey to assess the costs and benefits of up to 100 per cent foreign direct investment in the logistics sector in the country, media reports in the country said.

Green business practice is a new topic in the BCD. And the EU delegation told Bangladesh about the upcoming supply chain due diligence requirements in Europe and encouraged adaptive actions with a view to ensuring smooth trade with the bloc as the largest destination for the country's exports.

The EU side informed the meeting about two upcoming initiatives. One is named EU-Bangladesh Meaning Business, conceived to mark the 50th anniversary of the EU's diplomatic ties with Bangladesh. It aims at showcasing commercial sectors that are under-explored and where closer collaboration between both sides could be mutually beneficial.

The second is the establishment of the European Union Chamber of Commerce (Eurocham) in Bangladesh. It aims at building bridges between the private sectors of both sides. It would also help navigate

Bangladesh's transition to the post-Everything But Arms trade regime in the EU.

Bangladesh’s exports to the EU amounted to around €16 billion in 2021 and its imports from the bloc were worth €3 billion.

Source: fibre2fashion.com– Jun 26, 2022

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High growth prospect predicted in Vietnam in SE Asia: ICAEW

Vietnam is predicted with a high growth prospect in the Southeast Asian region, at more than 6.5 per cent in 2022—0.7 per cent higher than the average growth of 5.8 per cent for the whole region, according to the Economic Forecast presented by experts at the Institute of Chartered Accountants in England and Wales (ICAEW) Economic Insight Forum Q2.

Vietnam was able to bounce back relatively quickly in 2021 compared to the rest of the region. With the easing of restrictions from last year's fourth quarter (Q1) that carried over to this year's Q1, there has been a significant recovery in its services sector driven by domestic tourism.

Foreign direct investment (FDI) inflow this year should also support construction performance and labour and achieve export capacity, which remains healthy, according to Vietnamese media reports.

The ICAEW report said that even though recovery across the region had been uneven with the Delta COVID variant, gross domestic product (GDP) for Singapore, Indonesia, Malaysia, the Philippines and Vietnam has risen back to pre-pandemic levels–except for Thailand, which is still at 2 per cent below pre-pandemic levels.

Vietnam was not particularly affected by the Delta variant wave, and therefore, did not experience large lockdowns that affected its economy as much as Malaysia and the Philippines did.

Source: fibre2fashion.com– Jun 26, 2022

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Fashion retailers in Shanghai stuck with unsold inventory

Fashion retailers in Shanghai are stuck with piles of unsold inventory even a month after Shanghai lifted its strict COVID-19 lockdowns as cautious consumers are staying away from the commercial hub's glitzy shopping districts. Curbs to stop the virus in Shanghai, China's fashion capital, ground the city to a halt in April and May, leaving clothing and beauty product displays in stores untouched and containers of imported apparel stranded at port.

The city's re-opening this month saw a flood of goods ship from warehouses to store shelves already laden with merchandise unsold during two months of lockdown. Normally around a fifth of all imported goods coming into China pass through Shanghai's port. Days after COVID-19 curbs eased, large sales signs went up across Shanghai, with retailers from Lululemon to Victoria's Secret offering discounts to lure shoppers.

Even online retailers have struggled to clear a glut caused by lockdowns and supply interruptions. Josh Gardner, Founder and CEO-China, Kung Fu Data, which manages online stores for 10 fashion brands said, in April, May on platforms, there wasn't a T-shirt to be found, we were sold out of summer stock and so was everyone else, there was just no product, he added.

China is a major market for personal luxury goods companies with sales reaching $74.4 billion in 2021, according to Bain.

During "618" – a major shopping event in China from May 31 to June 20 - across the main e-commerce sites, such as Tmall and JD.com, were flat year-on-year. In the event's opening week, data from Tmall showed men's wear sales had dropped 22 per cent and women's wear was down 4 per cent , although activewear sales rose 26%, possibly due to an increased focus on fitness during the lockdown.

For now, some retailers are warehousing inventory and ordering less for the fourth quarter when they will try to clear existing stock through November's Singles' Day.

Source: fashionatingworld.com– Jun 25, 2022

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Global luxury fashion prices on four-year high in 2022: Study

Luxury has just become more expensive, says a new report by Edited. Prices of luxury fashion products have surged 7 per cent above 2020 and 25 per cent above 2019, the report analyzes. They are currently at a four-year low though there's less than 1 per cent year-on-year difference from last year.

Women's outwear dominates price-rise

Prices of women's outerwear have surged most during the three-year period increasing 20 per cent over 2019 to $3,395.12 on average. Products like Dolce & Gabbana's Jacquard coat with embroidery are retailing at $66,000 now; these are followed by menswear retailing at $3,053.94.

Known for denoting a women's status symbol, handbags are retailing 20 per cent higher than 2019. The highest prices are being commanded by Louis Vuitton followed by City Steamer and Capucines BB bags. These handbags and outwear have traditionally been more expensive than other products as they are delicately designed and made from expensive materials including animal fur.

Though, the industry is largely going fur-free, a few brands continue to include fur in their collections, making their items more expensive. However, this is set to change with Italian brand Fendi opting for animal and plastic-free, lab-grown fur. The brand believes this can help restructure the prices of fur products across the globe.

Rising prices of affordable designer items

The prices of not just luxury but also affordable items from designer brands have also increased in the last few months. In women's wear, price of trainers have increased 2 per cent while for men it has grown 10 per cent since 2019.

Once again, the highest prices are being commanded by Louis Vuitton with its Luxembourg Samothrac e and Aftergame trainers recording the highest online price increase.

Prices for men's T-shirts have gone up 55 per cent over 2019 while those of women's T-shirts have grown 15 per cent. A Balenciaga cotton logo T-shirt that retailed at $595 years ago currently retails at $650 with Demna Gvasalia being considered one of the most high-profile designers currently.

However, the price hike isn't discouraging customers. While consumer spending halted for some time due to fresh lockdowns in China and the Russia-Ukraine war, US sales of brands like Prada were strong enough to offset losses.

Rely on available data

As per the latest data from Edited, so far in 2022, luxury retail has surged 21 per cent over 2019. Prices will continue to rise despite the economic fallout triggered by Russia-Ukraine war and rising oil prices, says the report. With added sanctions across other nations, the war could lead to a decline in globalization and invite sanctions on more nations, adding to the strain on the supply chain. To avoid passing these costs onto customers and keeping their margins sustainable, retailers need to keep a close watch on available data.

Source: fashionatingworld.com– Jun 25, 2022

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ITMF annual conference returns as in-person event after three years in Davos

ITMF will hold the physical edition of its annual conference after a gap of three years from September 18-20, 2022 in Davos, Switzerland. The event will be hosted by Swiss Textiles and Swiss Textile Machinery.

The theme will be: Climate Change and a Sustainable Global Textile Value Chain. It will focus on the short and mid-term challenges faced by global industry leaders owing to the pandemic and supply chain disruptions.

Addressing climate change

The conference will not just address these challenges but also decipher learning from them. It will address the issue of climate change besides identifying solutions for sustainable textile production, and new market opportunities. The conference will serve as a platform for industry leaders to exchange manufacturing strategies and production models ideas. They will share their production expertise and future vision at the event.

The keynote address will be by David Bossart, CEO, Gottlieb Duttweiler Institute, a renowned philosopher, futurist, retail and consumer analyst with over 22 years experience. He will speak on the topic: Between cheap, aspirational, and sustainable - textile manufacturing in a fully disruptive and interconnected world.

Focus on startups

The event will also host six start-ups who will share their innovations in the sector and business models. The sessions will help identify new solutions for converting challenges into opportunities.

Honoring excellence

ITMF will also organize the ITMF Awards 2022 to honor companies and individuals for their outstanding achievements in the sector. This year, the awards will be given in two categories: Innovation & Sustainability and International Cooperation.

Business navigation strategies

Introduced for the first time in 2019 in Porto, Portugal, The World Café will allow delegates to discuss in small groups their business navigation strategies.

The results of these discussions will be shared among participants at the end of the event. The event will also provide opportunities to discuss the current state of the industry and a way out of the situation.

Source: fashionatingworld.com– Jun 24, 2022

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Pakistan: EU Mission, APTMA Discuss GSP Plus

European Union's (EU) Generalized System of Preferences plus (GSP Plus) Monitoring Mission discussed in detail the developments and progress made on implementation of 27 International Conventions concerning GSP Plus with the All Pakistan Textile Mills Association (APTMA) leadership here on Friday.

The Monitoring Mission including Guido Dolara, DG Trade Service, Guus Houttuin, External Action Service, Andreas Striegnitz, External Action Service and Srefan Schroeer, Employment Service visited APTMA House where it was received by Chairman APTMA Abdul Rahim Nasir, Chairman North Hamid Zaman, Senior Vice Chairman Kamran Arshad, Aamir Fayyaz, former Chairman, senior textile leaders and Secretary General Raza Baqir were present in the meeting.

Head of the EU delegation informed APTMA members that the European Commission has published the legislation for GSP scheme (2024- 34) on September 22, 2021 for new GSP Scheme (2024 -34).

He said the EU had added six new conventions along with assessing the situation of human rights, press freedom, gender equality and child labour related issues last year while extending the GSP plus status for Pakistan.

Members of the visiting delegation informed APTMA members that the newly proposed scheme aims to improve key features of the scheme to better respond to the evolving needs and challenges of GSP countries, as well as, reinforce the scheme's social, labour, environmental and climate dimensions. It will be in place for ten years. There is an expansion in the list of International Conventions from 27 to 32 that beneficiary countries will have to ratify and implement, he added.

Speaking on the occasion, Chairman APTMA Rahim Nasir said since the grant of GSP Plus status to Pakistan, country's textile and clothing exports to the European Union have increased by 63 percent while the overall exports have increased by 45 percent.

He said the government has already approved the Textiles and Apparel Policy (TAP) 2020-25 to double Pakistan's export target up to US $ 42 billion. Textile Policy approved by the cabinet contemplated three years target as textile exports will be jacked up to US $ 27 billion in the fiscal year 2022-23, $34 billion in 2023-24, and US $ 42 billion in the fiscal year 2024-25.

He said the textile sector alone represents 46 percent of total manufacturing sector and around 40 percent of total labour force. He informed that textile exports of US $ 15.4 billion registered in FY21 are expected to fetch US $ 20 billion by close of the current financial year. He added that performance of textile exports during May this year was highly recommendable recording upsurge of 50 percent over the last year and it was encouraging to note that the value added sector in textile has shown unprecedented growth.

Chairman APTMA North Mr. Zaman highlighting the effects of GSP Plus on Pakistan, he said the GSP plus has boosted Pakistan's competitiveness and provides edge to Pakistani exports over regional competitors besides increase in employment, investment and up-gradation of technology, enhanced foreign investment and opened window for Pakistani exports.

According to him, the facility has also uplifted Pakistan economically, socially and environmentally as compliance to the 27 conventions relating to human rights, environment, labour rights, narcotics control, corruption control, has improved working conditions and image of Pakistan. Meanwhile, he added, compliance with six new conventions was in progress.

In his vote of thanks, Senior Vice Chairman APTMA Kamran Arshad told the visiting EU delegation that Pakistani exporters are heading towards diversification of exports, which requires major overhauling and up-gradation of industry, BMR, Research, Training and HRD especially for SME sector, and continuation of Regionally Competitive Energy Tariff.

He hoped that European Union will extend GSP Plus for another ten years to provide support to the textile and other industrial sectors of Pakistan. He thanked the delegation for sparing time to visit Pakistan and meet all stake holders to evaluate the compliance of all countries by all concerned in Pakistan.

Source: urdupoint.com– Jun 25, 2022

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Pakistan: Cotton prices fall Rs2,500/maund in line with world markets

Local cotton prices dropped by Rs2,500 per maund (37.324 kg) during the second half of the outgoing week, mostly owing to a low-demand led decrease in the international prices of the silver fibre, traders said, which also brought the spot rate down by Rs1,700 per maund.

After the volatility in the local cotton market over the past week, the cotton prices are taking cues from the abnormal fall in international cotton markets. With the dollar losing its value dramatically in the international market, the New York Cotton's December futures' rates fell to 98 cents per pound. It curtailed the local cotton yarn demand triggering panic selling by ginners, which resulted in a decline of Rs2,500 to Rs18,500 -19,000 per maund in the prices of cotton.

The price of the seed-cotton has also decreased Rs1,000-1,200 per 40kg to Rs8,200-8,600. "The pressure is mounting on the market," traders said.

In Sindh, the cost of cotton was recorded at Rs18,500-19,000 per maund. Due to the rains in the Punjab province, a few cotton factories are operating; however, the cost of cotton there stood at Rs19,000-19,500 per maund and that of seed cotton clocked in at Rs7,000-8,200 per 40 kg. In Balochistan, the rate of cotton was around Rs18,500-19,000 per maund.

Karachi Cotton Association's spot rate committee reduced the official spot rate by Rs1,700 per maund to Rs18,800 per maund.

Naseem Usman, Chairman Karachi Cotton Brokers Forum, said the decline in textile products due to the recession in international markets had reduced the volume of business.

"Due to which the demand for local textile products exporters has also decreased. Some importers have lost interest in their earlier agreements," Usman said.

According to the USDA Weekly Export and Sales Report, 16,200 bales were sold for 2021-22, a decrease of 39 percent over the previous week. Vietnam topped the list with 6,300 bales.

On the other hand, Punjab is likely to miss cotton sowing target for the year 2022-23 by around 340,000 acres.

As per the sowing position survey of cotton area 2022-23, the area under cultivation was 3.583 million acres against the target of 4 million acres, while the provincial agriculture department is hoping the area under cotton sowing will be 3.645 million acres by June 30, 2022.

Pakistan's textile and textile exports increased by 28.26 percent to $17.62 billion in the first 11 months of this fiscal due to the sharp decline in the value of rupee and rising global demand.

Source: thenews.com.pk– Jun 26, 2022

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NATIONAL NEWS

India to turn into a $30-trillion economy in 30 years: Piyush Goyal

India will emerge as a $30-trillion economy in the next 30 years, commerce and industry minister Piyush Goyal said on Sunday, highlighting that the country remains the world's fastest-growing major economy. Based on a (conservative) compounded annual growth rate of 8%, the country's economy will double in about nine years, he said. India's nominal GDP stood at $3.3 trillion in FY22.

"In another nine years, that is 18 years from now, we will be about a $13-trillion economy. In another nine years after that, that is 27 years from now, we will be a $26-trillion economy... then obviously, in 30 years from now, confidently we can all expect that the Indian economy will be a $30-trillion economy," the minister said. He was addressing exporters and other textile industry stakeholders in Tiruppur, which houses the country's largest garment cluster.

Some "naysayers" who have raised doubts over these numbers should visit Tiruppur to gauge the significant growth potential that the country has. Exports from Tiruppur, which has emerged as a global apparel hub, jumped to Rs 30,000 crore in FY22 from just Rs 15 crore 37 years ago, recording a phenomenal compounded annual growth rate of about 23% over such a long period, Goyal said.

The Indian economy has grown at a fast pace after the pandemic and is expected to do well despite the ongoing war between Ukraine and Russia. Even though the war has impacted global supply chains and caused a spike in commodity prices, especially of oil, the government has managed to keep inflation at a reasonable level, the minister said.

Calling on the textile and garment industry to identify and help develop 75 Tiruppur-like clusters across the country, the minister exuded confidence that this labour-intensive sector will lead the country's export growth and create huge number of jobs in the coming years.

Source: financialexpress.com– Jun 27, 2022

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Piyush Goyal seeks transparency in shipping bills

The government is planning to roll out a second production-linked incentive (PLI) scheme for the labour-intensive textiles and garment sector following good response to the first such programme, commerce and industry minister Piyush Goyal said on Saturday.

Speaking at an event in Coimbatore, Goyal said: “We are keen to support the apparel manufacturing sector… Talks are going on between the ministry of textiles, the department for the promotion of industry and internal trade (DPIIT) and Niti Aayog. We will be shortly devising a scheme after consulting the industry. We will then put up a proposal for Cabinet approval.”

The government has already selected 61 companies, including Shahi Exports, Arvind Mills, Gokaldas Exports and Monte Carlo, under its first PLI scheme for man-made fibre and technical textiles products.

Incentives of Rs 6,013 crore will be extended to them, which represent 56% of the Rs 10,683 crore that the government had initially earmarked for this scheme.

As per sources, the government will likely use the remaining funds to launch the second PLI scheme, instead of spending it elsewhere. Goyal said, given the recent drop in cotton and yarn prices, the government may not need to keep allowing duty-free imports of the fibre beyond September 30 (when the new crop hits the market).

If at all an extension is required, it’s unlikely to be more than a month beyond the September deadline, he said. The government is expecting a bumper cotton crop in the next marketing year starting October.

So, it’s mindful of the fact that permitting duty-free cotton imports when new crops arrive in the market may drag down farmers’ earnings, said textile industry sources.

The minister exuded confidence that India and Canada, which have been engaged in negotiations for a free trade agreement (FTA), will firm up an early-harvest deal by the end of 2022.

New Delhi is in talks for a flurry of FTAs on top of the two trade deals already signed—with the UAE and Australia.

These FTAs will help drive up India's textiles and garment exports, which will exceed $50 billion in FY23 from about $44 billion in the last fiscal, the minister said. New Delhi is currently negotiating with the UK, Israel, Canada and the EU for FTAs.

The country is aiming to achieve textiles and garment exports of $100 billion annually in the next five years.

Source: financialexpress.com– Jun 26, 2022

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PLI scheme for apparel manufacturing on cards: Piyush Goyal

Textiles minister Piyush Goyal on Saturday said that the government will soon put up before the Cabinet a scheme for production linked incentive scheme for apparel manufacturing.

At the SIMA Texfair in Coimbatore, he also said that India and Canada have agreed to finalise an Early Harvest Agreement before the end of 2022.

“We are keen to support the apparel manufacturing sector and we are considering to come out with another PLI scheme,” Goyal said, adding that dialogue is going on among the textiles ministry, Department for Promotion of Industry and Internal Trade and Niti Aayog.

The government has announced PLI scheme, with an outlay of Rs 1.97 lakh crore, for over a dozen sectors including man-made fibre, technical textiles, white goods, medical devices, and automobiles and auto components.

“In consultation with industry participants, we will be shortly devising a scheme which we will put up before the Cabinet for their approval,” Goyal said.

Goyal, who is also commerce and industry minister said that India has already finalized two free trade agreements (FTA) with the UAE and Australia, and is now “fast progressing to finalise FTAs with Israel, UK, Canada and the EU. We will get access to these developed markets which are more competitive, invite investment in a big way into India

“The GCC, EFTA and Eurasian Economic Union countries also asking India to conclude FTAs with them. We are confident that these FTAs will give a competitive edge,” the minister said.

On the National Textile Corporation, he said: “We should allow the private sector…we are examining whether NTC can run professionally and profitably. So far it hasn’t been.”

Citing the 40% growth in textile exports last year, he said the target is to double domestic production to Rs 20 lakh crore in five years and triple the exports to Rs 8 lakh crore ($100 billion) in 5 years from about $44 billion now.

“Brands like GAP, Zara, Tommy Hilfiger, H&M and Puma are clients of garment manufacturers in Tiruppur,” Goyal said.

When asked about any plan to extend waiver of customs duty on cotton imports beyond September 30, Goyal said that cotton textile prices are easing and “I do not think there is a need to extend it beyond September, but if required, we may extend it for a month”.

On the Mega Integrated Textile Region and Apparel (PM MITRA) parks scheme, he said that several states including Tamil Nadu have put up allocations to set up Mega Integrated Textile Region and Apparel parks and the ministry is assessing those applications.

Source: economictimes.indiatimes.com– Jun 25, 2022

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Govt wants to create 75 Tiruppurs across the country: Piyush Goyal

The government wants to create Tiruppur-like 75 textile hubs in different parts of the country, which will in turn attract not only huge investments but also create numerous employment opportunities, commerce and industry minister Piyush Goyal said on Sunday.

“If each one of them (textile hub) starts producing Rs 50,000 crore worth of textile products, (then) each of them starts providing employment to lakhs of young boys and girls. Of course we will also bring modern technology and do sustainable garment manufacturing. We will learn from the experience of Tiruppur,” Goyal said.

Tiruppur is a major textile hub and is home to 10,000 garment manufacturing hub, employing over 600,000 workers.

“In 1985, Tiruppur was exporting products worth Rs 15 crore. In the year ended March 2022, the estimated exports from here are Rs 30,000 crore, that is two thousand times growth. That's Tiruppur's growth in 37 years,” Goyal said while addressing an exporters’ meet in Tiruppur.

The Textiles industry is the second largest provider of work after agriculture. Over the past few years, the government has also taken measures to ensure the sector's growth in terms of increasing production, exports, rolling out export-boosting schemes such as rebate of state an central taxes and levies (RosCTL) and Remission of duties and taxes on export products (RoDTEP), as well as the latest one being the production-linked incentive (PLI) scheme.

“The industry size is about Rs 10 trillion. The sector has the potential to grow to Rs 20 trillion in the next five years with exports of Rs 10 trillion. The Compounded Annual Growth Rate at Tiruppur over the last 37 years is nearly 23 per cent,” the minister said.

He added that the government is in the process of devising the second edition of the PLI scheme for the textile sector, with focus on the apparels segment.

Discussions are going on between the textiles ministry, industry department and NITI Aayog, in consultation with industry participants. Once every department agrees, the scheme will be put up to Cabinet for its approval.

The government had last year rolled out PLI scheme to expand man made fabrics and technical textile segment's value chain to help India regain its dominant status in global textiles trade, at a time when the country's share of global exports have gradually declined over few years. The outlay of the scheme was Rs 10,683 crore.

Source: business-standard.com.com– Jun 27, 2022

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India to finalise FTAs with more countries soon, says Minister

India is expected to finalise soon Free Trade Agreements (FTAs) with Israel, Canada, the United Kingdom and the European Union, Minister for Commerce and Industry and Textiles Piyus Goyal said here on Saturday.

Speaking at a meeting organised by the Southern India Mills' Association (SIMA) after visiting Texfair 2022 and releasing the fair directory, he said India has finalised FTAs with the UAE and Australia. It is now talking with Canada, UK, Israel and the EU for FTAs. The FTAs will make the Indian textile industry more competitive and create more jobs.

The textile and clothing industry registered 40 % growth in exports in 2021-22 and is expected to achieve significant growth this year too. Prime Minister Narendra Modi is giving special attention to the textile sector. The RoSCTL scheme is continuing at earlier rates and all segments not covered under it are getting benefits under RoDTEP. A new scheme has been launched to promote research and innovation in technical textiles.

"Now, we are promoting cotton and MMF so that we get a larger share in the world market and be recognised world over as a quality supplier of textile machinery and textile products," the Minister said.

Coimbatore and Tiruppur will be engines for textile export growth in the coming years, he said.

"Tamil Nadu benefitted big from various schemes we have come up with and will continue to benefit," the Minister added.

Union Minister of State for Animal Husbandry, Dairying and Fisheries L. Murugan said Tamil Nadu is one of the beneficiary States for the PM MITRA scheme.

Minister for Handlooms and Textiles R. Gandhi said Tamil Nadu accounts for one third for the country's textile business. The State government has removed the market cess on cotton. The Central government should take measures to control cotton yarn prices.

Minister for Food and Civil Supplies R. Sakkarapani said the western districts of the State and Dindigul district were textile hubs and increase in cotton and yarn prices were affecting the textile value chain.

Tamil Nadu BJP president K. Annamalai said Prime Minister Narendra Modi wants to make India a leader in textiles. The Central government not only removed the import duty on cotton when prices shot up but also constituted the Cotton Council of India to monitor prices.

Ravi Sam, chairman of SIMA, urged the Central government to reduce the hank yarn obligation for textile mills.

Later, Mr. Sakkarapani submitted a memorandum to Mr. Goyal.

Chief Minister M.K. Stalin has appealed to the Prime Minister to start paddy procurement from September 1. The Central government has released ₹ 2,104.60 crore food subsidy to the State and the subsidy arrears for previous years should be released soon, he said.

Source: thehindu.com– Jun 26, 2022

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Intl North-South corridor could benefit Indian trade

Cuts down on carriage cost and transit time

Iran's state-run shipping company, The Islamic Republic of Iran Shipping Line (IRISL), recently started the transfer of Russian goods to India, using a new trade corridor that transits the republic. The route, say experts, grants India easy access to a geography stretching from North Europe, Caucasus to mineral rich Central Asia; bypassing Pakistan.

Opening this 7,200 km long-pending multi-modal transportation corridor via Iran will also boost Russia–India bilateral trade.

The route uses sea, road and rail routes offering the shortest connectivity by linking the Indian Ocean to Caspian Sea via the Persian Gulf. It reduces carriage cost by about 30 per cent and transit time by more than half. Since Russia was sanctioned, Iranian officials were keen to revive the project.

The Container Corporation of India and Russian Railways Logistics Joint Stock Company signed a MoU to transport cargo based on a single invoice via the International North-South Transport Corridor (INSTC). An industry expert says, INSTC helps avoid the Suez (sea) route and opens an alternate. "The Suez Canal blockage had held up trade worth $9 billion per day and it has amplified an optimistic outlook to INSTC," he added.

Strategically important

According to Pritam Banerjee, a trade and logistics expert, for India, the INSTC "trade route is strategically important" and it helps create "opportunities towards resource security" while widening the choice "on value-chain development". INSTC also involves building a railroad line that can transfer goods arriving at Caspian Sea ports to the south-eastern port of Chabahar, he said.

"So we are improving our sea linkages and using shorter routes while at the same time ensuring better resource security.

India has signed Double Tax Avoidance Agreements and Bilateral Investment Protection Agreements too with some nations, so value chain development can happen with Indian FDI moving into these nations," Banerjee added.

India Briefing, which publishes FDI-related news, in February said sectors to gain are cross border e-commerce, perishable goods, industrial printers, 3-D printers and robotic assembly accessories.

Pilot-run

Russian cargo consisting of two 40-foot containers having wood laminate sheets, weighing 41 tonnes, departed St. Petersburg for Astrakhan. From Astrakhan, the cargo will cross the Caspian to the northern Iranian port of Anzali and then it will be transferred by road to the southern port of Bandar Abbas on the Persian Gulf. From there it will be loaded onto a ship and sent to JNPT in Maharashtra (the country's largest container port).

The first attempt to operationalise INSTC was made on June 21, 2021 when the western corridor connected India with Europe and a consignment of 30 containers were sent via train from Vuosaari (which crossed Russia to reach Azerbaijan) and then transported to Bandar Abbas and finally to JNPT. Travel time was 22 days, versus 40 days (via Suez canal).

Source: thehindubusinessline.com– Jun 26, 2022

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Fighting Inflation: International trade vs resilience

Leading economies have been afflicted with new problems over the past year. The United States is struggling with both supply-chain blockages and a critical shortage of baby formula. The European Union faces the threat of scarce energy supplies, owing to sanctions on Russian fossil-fuel exports. And almost all countries are experiencing high inflation.

Some have blamed these problems on excessive dependence on international trade, that is, globalisation. Deglobalisation, fragmentation, reshoring, friend-shoring, decoupling, and resilience have become now-familiar buzzwords. There is a widespread sentiment that individual countries would have been less exposed to recent shocks had they been more self-sufficient.

The argument goes beyond observing that supply chains generate diminishing returns for private firms. Government policies that economists label as protectionist have gained political support – beginning, notably, with then-US President Donald Trump's trade war in 2018. The impression is that trade barriers could help protect us all.

But the problems listed above are in fact examples of how trade barriers erected by governments have reduced resilience. In each case, liberalisation could help mitigate the problem.

Start with the bottlenecks in US shipping. The remedy here is to repeal the Jones Act, which requires that all shipping between US ports use American carriers and employ crews that are at least 75% American. This legislation was originally enacted in 1920, with the aim of enhancing US self-sufficiency and national security. But the US maritime industry's inability to cope with sudden surges in demand, like for merchandise imports over the past year, has contributed to supply-chain delays. Without the Jones Act, American firms could hire foreign-owned vessels to handle such a surge, and logistics would be more resilient.

As to US overland transport disruptions, a shortage of truck chassis has been part of the problem. The solution is to roll back the US tariff that impedes imports of chassis from abroad, which could help fill the gap.

The US baby formula shortage calls for a similar approach. Abbott Nutrition, one of only four major US producers of baby formula, recalled some of its products in February following the discovery of traces of bacteria in one factory. Recalls are common. But the resulting acute shortage illustrates how international trade could have made up most of the shortfall.

After all, there was no lack of infant formula on international markets. But the US has steep protectionist barriers against dairy imports. These include tariffs as well as unnecessarily restrictive administrative hurdles and "Buy American" rules that constrain the federal government's Special Supplemental Program for Women, Infants, and Children (WIC), which distributes half of the infant formula consumed in the US. Trump even raised barriers on imports of infant formula from Canada when he renegotiated the North American Free Trade Agreement. The US Food and Drug Administration recently agreed to cut some red tape to let in imports temporarily. But there should not be barriers in the first place.

One can draw a general conclusion from the baby-formula episode. It is true that exposure to international trade can sometimes be a source of volatility when shocks arise abroad. For example, Germany's willful increase in dependence on Russian natural gas over the past ten years made it highly vulnerable when Russia invaded Ukraine in February. But free trade can also mitigate volatility when the shock originates domestically.

Meanwhile, the EU and the US want to substitute renewable energy sources for fossil fuels, especially those purchased from Russia. One policy that could help further reduce the cost of solar and wind power is to lift the barriers in place to restrict imports of solar panels and wind turbines. On June 6, US President Joe Biden's administration announced a two-year pause on pending new tariffs on imports of solar panels. That is good for both the environment and America's ability to cope with higher global energy prices. But the US has the old tariffs to this day.

So does the EU, where cutting demand for Russian fossil fuels will be much more difficult. Rolling back tariffs and other barriers to importing renewable energy equipment would be a step in the right direction.

Finally, one remedy for the current inflation problem is to lower import barriers generally. What is true of truck chassis, infant formula, and solar panels is also true of tradable goods as a whole —commodities as well as manufactured goods. Tariffs on US imports of softwood lumber from Canada have exacerbated the rising cost of housing construction. Trump's tariffs on steel and aluminum have increased the prices paid by US firms, which in turn have contributed to higher prices paid by consumers for nails, automobiles, and many other products containing the two metals.

In a recent study, the Peterson Institute for International Economics estimated that a feasible package of trade liberalisation could deliver a one-time reduction in US consumer price index inflation of around 1.3 percentage points, amounting to $797 per US household.

The Biden administration is reportedly now considering rolling back some of Trump's tariffs on imports from China in particular, as one of the few concrete steps it can take that would immediately help alleviate inflation. The effect on inflation will be less than 1.3 percentage points, because the full "feasible package" will not be adopted. But it would be an encouraging step.

To be sure, trade liberalisation will not be nearly enough to eliminate inflation. But the broader lesson is the same as for baby formula, transport bottlenecks, and energy security: Openness to trade can be a source of resilience.

Source: financialexpress.com– Jun 25, 2022

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Centre extends GST cess till March 2026: Rs 8.22 trillion released to states so far

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Source: financialexpress.com– Jun 26, 2022

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India’s manufacturing dream gets a second life

The global manufacturing shifted from West to East in the early 1990s. India was just about beginning to liberalise its economy and was not ready to take advantage of the shift. China, on the other hand, had opened up its economy earlier and was well primed to grab this opportunity.

It did so in the best possible manner and in less than a decade, it became the manufacturing hub for the world. In 2019, per UN Statistical Division data, it accounted for as much as 28.7 per cent of the total manufacturing output globally (in value terms $4 trillion). India was ranked fifth behind the US, Japan and Germany with a 3.1 per cent share. As India embraced reforms in 1991 and opened up its economy progressively, its industry became efficient and gained competitiveness. Exports of manufactured goods increased gradually and by turn of the century, the ambition of India becoming a manufacturing power house was rekindled. The ground reality, however, was not conducive.

China’s dominance

By then China, through its massive scale, low labour costs, robust supply chain and far superior infrastructure, was delivering goods at a cost that was unimaginable for Indian manufacturers to match.

Toys, for instance, are a good example. The landed cost of toys from China was lower than the raw material cost that goes into producing them in India. The idea of India becoming the next China remained on paper and a section of policy-makers could never really overcome the fact that the country missed the manufacturing bus in the 1990s.

Two recent developments have given India’s manufacturing aspiration a leg up or ‘a second life’, if you will. First is the changing profile of the US-China relationship from ‘co-operating rivals’ to ‘competing rivals’. This triggered a trade war and exposed the excessive dependence of American companies on China for their manufacturing needs. The need to de-risk became real and urgent for them.

This gave birth to what is now called ‘China+1’ strategy. Global brands are scouting for alternative locations to manufacture their goods and reduce their dependence on China.

The second development is the Russia-Ukraine war and the ensuing geopolitics that is causing a new global economic order to emerge. Experts predict at least two distinct trade blocs — one comprising Russia and China, and the other with the US, Europe and like-minded nations.

Growing bilateralism

Globalisation, as it existed a few years ago, appears dead. The World Trade Organisation, despite the recent agreement at the 12th Ministerial, is weak and it is a season for bilateral trade deals.

This means that Western companies may not be able to access the most cost-effective goods and will have to settle for those produced in friendly countries that value human rights, nature and dignity of labour. Both developments present India with a great opportunity in manufacturing. Should the nation go for it? The answer is not an unequivocal yes.

The global economy has evolved a lot in the last 30 years. Today, the per capita spend on manufactured goods is declining, especially in the rich world. People there are spending more on services. Experts say that as countries get richer it is normal for consumers to spend more on services than manufactured products.

This is also the reason why many companies pivot from manufacturing just products to offering services as a package along with the product. The choice before India is whether to cater to middle-income countries' demand for manufactured products or go along with the wave and offer services to richer nations.

Experts such as former RBI Governor Raghuram Rajan have repeatedly emphasised that India should not ape China but instead adopt a services-led growth model. The reasons are understandable. India cannot replicate the China model or its competitiveness for a variety of reasons.

When the eastern neighbour started its manufacturing journey, it built huge factories (that delivered massive economies of scale) coupled with large ports, airports and road network (which lowered logistics costs and accelerated the evacuation of manufactured goods) without having to worry about issues of land acquisition, public hearing, political and other opposition. Its autocratic one-party rule made all this possible and more.

Labour availability was taken care through its unique 'Hokou System' and in the 1990s, there were no minimum wages and law against child labour. Poor safety norms and lack of compliance lowered the cost of labour significantly. Pollution norms were lax, large-scale government subsidies supported local industries and exports were kept competitive through currency practices that depressed the value of Yuan. None of these would be possible in India today.

China also used the time to build a very strong supply chain that makes available raw materials, intermediate goods and finished goods at globally competitive rates locally.

India's priority

Also, India's economic philosophy should be in line with what it wants to achieve. Its immediate priority is to create jobs for millions of youngsters who are coming out of colleges. If that is the case, a services-led growth will be preferable as it will create far more jobs than manufacturing which is increasingly embracing automation. With Industry 4.0, pace of automation will rise further and need for jobs will fall.

That apart, it is a fallacy to assume that the world will completely move away from China. Consider this: it accounts for almost 60 per cent of US companies' needs. To re-create that capacity elsewhere will require huge capital. Through China+1, Western companies can at best look for incremental capacities in other countries. What can also not be ignored is China's huge cost advantage. As a result, many say that West can never fully dis-engage from China.

That does not mean that India should give up its focus on manufacturing. Its domestic market is huge and will continue to grow strongly for another three decades or more. Its attempt to develop self-sufficiency through 'productivity-linked incentive schemes' is the right step forward. It can also be a global manufacturing base in select sectors such as auto components, textiles and leather where it has a strong domestic market, access to complete value chain and a good export presence.

Source: thehindubusinessline.com– Jun 24, 2022

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Trucking costs likely to zoom

High inflation and supply shortages of diesel threatens to increase trucking costs. Analysts point out that if the scenario persists, it could lead to not just an increase in operating expenses, but will have a cascading effect on the already high inflation considering that 70 per cent of diesel is consumed by the transport sector.

Fuel accounts for 45-60 per cent of a truck's operating costs. Besides GST, Excise, VAT, tolls and agriculture cess are other costs, analysts say. High inflation and low consumer spending have has already impacted logistics activity in May. Inflation is already above the RBI and government's comfort zone, they said.

Diesel shortage

"Trucking rates depend on demand supply. The off take of agri-commodities is happening. Truckers will carry the load even at high prices and will pass on the cost to end-consumers. High inflation and diesel costs are already a dampener. Diesel shortage would mean purchasing fuel at higher costs in black.

It can lead to demand destruction. Major impact will be on small truck operators," said a senior executive from an FMCG company. The All-India Motor Transport Congress (AIMTC), which represents around 95 lakh truckers and about 50 lakh bus, taxicabs and maxicabs, said fuel shortage is likely to disrupt supply chains across all sectors.

The government is attributing the increase in demand to seasonal surges due to agricultural activities, bulk buyers shifting purchases to petrol pumps, a substantial reduction in sales by private firms and a sudden surge in fuel demand. Though the government is assuring of sufficient supplies, the ground reality is quite different, the AIMTC warned.

The problem is that some States have diesel shortages and have rationalised quotas. If the requirement is more, even then you won't get the higher quantum. A few days ago, pumps in Madhya Pradesh, Rajasthan, Maharashtra, Karnataka, Punjab and Himachal Pradesh were running dry, said AIMTC President, KS Atwal.

"If the cost is high, then it will be passed on to consumers. I don't think prices (logistics) will come down. Demand is there. Trucking costs are likely to maintain at May levels as there is seasonal demand for agro-commodities," Atwal said.

The Chief Operating Officer of Mahindra Logistics (MLL) Transportation & Procurement, Sushil Rathi, said, "In most transportation contracts, we benchmark fuel rates and as per changes in fuel cost, it is only natural for transportation rates to get affected. Lately, we have observed drastic changes in fuel rates, which we believe, will definitely trigger the value-based threshold."

Impact of inflation

In the short-term, inflation may hamper growth, but for a country like India where there are heightened manufacturing activities, Rathi said he does not see much slowdown.

"Indian Foundation of Transport Research & Training said freight rates on grand trunk routes have already shot up by an average 3-4 per cent m-o-m. The recurrent increase in fuel prices singe into margins of small and large transporters and will eventually force them to pass on the hike to their customers," he added.

On the scenario for the next three to six months, Rathi said trucking capacity enhancement is happening at a slow pace, thereby resulting in shortages for specific truck types. This has already resulted in freight corrections in the last few months. A case in point is the car carrier segment.

Source: thehindubusinessline.com– Jun 25, 2022

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Duty waiver for cotton import likely to end on September 30

The Centre is unlikely to continue the import duty exemption for cotton beyond September 30 as the prices of cotton textiles have started easing, Union Minister for Commerce and Industry and Textiles Piyush Goyal said on Saturday.

However, if there was a need, the government could consider extending the exemption by a month, Mr. Goyal told reporters. In April, the Union government had suspended the 10% import duty on cotton till September 30.

The government was also formulating a scheme to promote indigenous manufacturing of textile machinery, he said.

Textile and clothing exports grew 40% in 2021-2022 to $40 billion. It is expected to cross $50 billion this year, he said, adding the industry and the government were working to help the industry to reach a size of $250 billion, with $100 billion of exports, in another five years.

The minister said talks were on between the Industry and Textiles ministries and Niti Aayog to come out with another Production Linked Incentive Scheme for the textile sector.

On the National Textile Corporation (NTC) mills, he said, "We are examining whether NTC can be run professionally and profitably. But, so far, NTC performance has not been profitable, has not been efficient." The assets of NTC could be put to use by joint effort of government and the private sector, he added.

Source: thehindu.com– Jun 25, 2022

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Quicker refunds helping exporters in GST regime

Since the introduction of the Goods and Services Tax (GST) five years back, the exporters have benefitted through quicker refunds but a few issues remain.

In the pre-GST regime, getting rebate on the excise duty paid on the export product involved submission of many documents and effective liaison with the officers empowered to grant refunds. That entailed costs and delays. Under the GST regime, the Integrated GST (IGST) paid on the export product is refunded quickly and automatically through the Electronic Data Interchange (EDI) system. This has greatly helped reduce the working capital requirements of exporters.

For refund of unutilised input tax credit (ITC) on account of exports without payment of GST, the documentation and formula have been prescribed clearly.

The exporters have to file the application and upload the documents electronically and then the jurisdictional authorities grant the refund. The process involves costs, but in general, the refunds are granted quickly, unlike the pre-GST regime when getting refund of unutilised credit involved heavy costs and unreasonable delays.

However, a new restriction is that in the event of non-realisation or short realisation of export proceeds, the proportionate refund amounts have to be surrendered. The restriction regarding non-availability of exemption or refund of GST at the input stage for getting the refund of IGST paid on export goods is more stringent than earlier.

The refund of unutilised ITC is incorrectly restricted on the basis of FOB value of exports by many field formations. Also, the mindset of some officials at the ground level creates unexpected difficulties for the exporters, for example, by insisting that the exporter must choose one rule over the other when the exporter has an option.

When GST was introduced, the imports by export-oriented units (EOU), by developers and units in Special Economic Zones (SEZ) and under advance authorisations and Export Promotion Capital Goods (EPCG) authorisations attracted IGST.

Later, exemptions from IGST were granted under these schemes but some irrational restrictions like 'pre-import' condition were imposed. The 'pre-import' condition has been withdrawn subsequently but with prospective effect. For the intervening period, several exporters are facing demands for violation of 'pre-import' condition.

The Gujarat High Court had struck down the 'pre-import' conditions as ultra vires the advance authorisation scheme in the case of Maxim Tubes Company Pvt. Ltd. [2019(368) ELT 337 (Guj.)]. On appeal, the matter is pending before the Supreme Court.

After initial confusion, the high seas sales, in-bond sales and merchanting trade are being treated as neither supplies of goods nor supplies of services. However, the representations of the parties supplying to merchant exporters at 0.1 per cent GST, that they should not be held liable for payment of full GST if the merchant exporter does not export the goods, have not yet received the attention of the government.

The imposition of IGST on ocean freight when imports are made on CIF basis was always a bad idea but the government fought till the Supreme Court struck down the levy in the case of Mohit Minerals Pvt. Ltd. [2022-TIOL-49-SC-GST-LB] and also held that the recommendations of the GST Council are not binding on the law makers.

Overall, the five years of GST have made life easier for exporters and importers, despite some rude shocks and unresolved issues. Hopefully, the few remaining issues will be sorted out soon enough.

Source: business-standard.com– Jun 27, 2022

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GST compensation cess levy extended till March 2026

The government has extended the time for levy of GST compensation cess by nearly 4 years till March 31, 2026.

As per the Goods and Services Tax (Period of Levy and Collection of Cess) Rules, 2022, notified by the finance ministry, the compensation cess will continue to be levied from July 1, 2022 to March 31, 2026.

The levy of cess was to end on June 30 but the GST Council, chaired by Union Finance Minister Nirmala Sitharaman and comprising state FMs, decided to extend it till March 2026 to repay the loans taken in the last two fiscal years to make up for the shortfall in their revenue collection.

After the 45th GST Council meeting in Lucknow in September last year, Sitharaman had said the regime of paying compensation to states for revenue shortfall resulting from subsuming their taxes such as VAT in the uniform national tax GST, will end in June 2022.

However, the compensation cess, levied on luxury and demerit goods, will continue to be collected till March 2026 to repay the borrowings that were done in 2020-21 and 2021-22 to compensate states for GST revenue loss.

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

The Centre has repaid Rs 7,500 crore as interest cost for the borrowing in 2021-22 and Rs 14,000 crore is to be paid this fiscal year. From 2023-24, the repayment of principal amount will start which will continue till March 2026.

Goods and Services Tax (GST) was introduced in the country with effect from July 1, 2017 and states were assured of compensation for the loss of any revenue arising on account of implementation of GST for a period of five years.

Though states' protected revenue has been growing at 14 per cent compounded growth rate, the cess collection did not increase in the same proportion and COVID-19 further increased the gap between protected revenue and the actual revenue receipt including reduction in cess collection.

The Centre has released the entire amount of GST compensation payable to states up to May 31, 2022.

AMRG & Associates Senior Partner Rajat Mohan said with the extension of levy of compensation cess, products like tobacco, cigarettes, hookah, aerated waters, high-end motorcycles, aircraft, yacht and motor vehicles would continue to be loaded with higher taxes rates.

Deloitte India Partner M S Mani said, “The extension of the levy of compensation cess, although expected, will continue to impose a burden on the impacted businesses, especially sectors like automotive, which need to be encouraged as it is one of the sectors that has a multiplier effect on GDP and employment.” Abhishek Jain, Partner Indirect Tax, KPMG in India said, “The issue whether the states would be compensated beyond 5 years or not may finally get decided in the upcoming GST Council meeting.”

Source: financialexpress.com – Jun 25, 2022

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Shipping Minister sets target of zero wait time at major ports

The waiting time at India's major ports is supposed to drastically come down according to the targets set by Shipping Minister Sarbananda Sonowal.

Speaking at a Chintan Baithak of the Shipping Ministry dwells on Innovative Ideas to propel India's Blue Economy, Sonowal said, "There should be zero waiting time for inbound and outbound cargo. This means there should be zero waiting of ships as well as for trucks carrying cargo."

Sonowal's ambitious targets will require bringing down the current wait time of around a day for berthing at India's major ports needs to zero. In the financial year 2020, the average time before a cargo ship was berthed on a major port in India was around 0.95 days. The pre-berthing time is the time a ship or vessel needs to wait before entering in the berth at a port.

According to official estimates, the container turnaround time at Indian major ports is about 26.5 hours. This has come down from around 45-odd hours in 2013-14.

Sonowal also said that the focus should be on public-private partnership (PPP) projects in greenfield port development, "We must look at the PPP model for this that will also ease up government resources for Greenfield port development. This will comprehensively develop the coastal regions of India for ease of living for people living in these areas and, at the same time, helps businesses avail best services through ease," he said.

An official statement said that emphasis was laid on prioritising rail-road-waterways development at the Chintan Baithak for effective implementation of the PM Gati Shakti National Multi Modal Connectivity Plan.

Commenting on the same, Sonowal said that a Master Plan to enable ports to identify and resolve bottlenecks in multi-modal connectivity is the need of the hour.

A total of 157 road connectivity projects and 137 rail connectivity projects are being undertaken for promoting multimodal connectivity at Ports, the statement added.

Source: economictimes.com– Jun 26, 2022

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‘Tiruppur knitwear industry’s 22.87 per cent annual growth unparalleled globally’

Union Minister of Commerce and Industry, Textiles, Consumer Affairs, Food and Public Distribution Piyush Goyal said Tiruppur recorded 22.87% compounded annual growth, and such growth can be seen nowhere in the world.

Participating in the exporter's meet-cum-felicitation ceremony in Tiruppur, the minister said, “The knitwear industry has achieved tremendous growth for the past several years. In 1985, exports from Tiruppur clocked Rs 15 crore. In 2022, the district’s exports touched Rs 30,000 crore. The knitwear industry has grown by 2,000 times in 37 years. This records a consistent and compound annual growth rate of 22.87%. Such a growth rate is good and, nowhere in the world, can this be seen.”

He added, “Currently, the Indian economy is around $3.2 trillion. If India’s economic growth is 8% every year, in nine years it could touch $6.5 trillion. In the next nine years, it could reach $13 trillion. In another nine years, it could be around $26 trillion. If we add three more years — that is, in 30 years — India could become $30 trillion economies.”

“Some pessimistic person says it isn’t possible. If Tiruppur’s knitwear industry saw 22.87% growth in 37 years, why it isn’t possible for the entire country,” he asked. Goyal further said, “Union Minister for Chemicals & Fertilizers and Health & Family Welfare Dr Mansukh Mandaviya will meet with South India Textile Research Association’s (SISTRA) director on Monday regarding making affordable napkins for women.”

Source: newindianexpress.com– Jun 27, 2022

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