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# IBTEX No. 127 of 2022 June 30, 2022


**NEWS CLIPPINGS**

| Currency Watch | |
|---|---|
| USD | 78.94 |
| EUR | 82.48 |
| GBP | 95.82 |
| JPY | 0.58 |

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# INTERNATIONAL NEWS

## Supply-chain disruptions largest hurdle for US economy: S&P Global

Economic momentum will likely protect the US economy from recession in 2022, but with supply-chain disruptions worsening as the weight of extremely high prices damage purchasing power and aggressive Federal Reserve policy increases borrowing costs, it is hard to see the economy walking out of 2023 unscathed, according to New York City-based S&P Global.

The US gross domestic product (GDP) growth forecast by the company dealing with financial information and analytics is 2.4 per cent for 2022 and 1.6 per cent for 2023 compared with 2.4 per cent and 2 per cent respectively in the May forecast.

While its baseline signals a low-growth recession, the chances of a contraction (a technical recession) are rising, the company noted in its Economic Outlook for the United States for the third quarter (Q3) of this year.

It assesses recession risk at 40 per cent (35-45 per cent band), reflecting a larger spike in prices with even more aggressive Fed policy heading into 2023. The wider band reflects increased uncertainty over the Russia-Ukraine armed conflict.

Supply-chain disruptions, worsened by the Russia-Ukraine conflict and the China slowdown, remain the largest stumbling block for the US economy. As inflation expectations become more entrenched, extreme price pressures will likely last well into 2023, S&P Global said.

The unemployment rate, at 3.6 per cent in May and just over its pre-pandemic level, will remain near that rate until early 2023 when it climbs higher as successive Fed hikes take hold.

With economic pressures worsening as the Fed tightens the screws, the company now expects the unemployment rate to top 4.3 per cent by the end of 2023 and climb over 5 per cent by the end of 2025.

Despite the extreme uncertainty around the conflict, the company expects the military conflict in Ukraine to last longer than it earlier thought, with sanctions to remain in place well after it ends.

Given limited direct trade and capital flow linkages between the United States and the region and as domestic activity largely drives the US economy, S&P Global does not believe the conflict, on its own, will tip the United States into recession.

Source: fibre2fashion.com– Jun 30, 2022

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# Shipping costs soar as Ukraine war hits maritime trade: UNCTAD

*The warring Russian Federation and Ukraine are prominent sellers of agrifood, oil, gas*

The war in Ukraine is one of the major issues affecting international maritime transport, compounding other challenges such as the Covid-19 pandemic and port congestion, and contributing hugely to higher shipping costs, says a report by the United Nations Conference on Trade and Development (UNCTAD).

For instance, the Russian Federation and Ukraine are prominent players in agrifood markets, including animal feed. Together, they account for 53 per cent of the global trade in sunflower oil and seeds, and 27 per cent in wheat. In all, 36 countries import over 50 per cent of their wheat from the Russian Federation and Ukraine alone, the report, titled 'Maritime Trade Disrupted — The War in Ukraine and Effects on Maritime Trade Logistics', says.

Gokaran Singh Pawar, General Manager-Sales of edible oil company Sunpure, says prices of edible oil shot up in the past few months due to multiple global factors, including the ongoing Ukraine war, resulting in supply chain disruption. The prominent trade route along the Black Sea is yet to be operational again. The prices increased by 50 per cent barely a few days after the war broke out, he said.

Alternative sources

Not just oil, other products have been impacted too, says the UNCTAD report. Ukraine exported around 50 million tonnes of grain in 2021. Before the war, estimates projected a growth of 3 per cent in global sea exports of grain, but this is set to shrink by 3.8 per cent by end-2022.

Global shipments of fertiliser and its inputs such as potash are projected to drop by 7 per cent in 2022. Reduced grain exports from Ukraine are partly offset by increased shipments from other suppliers. For example, Brazil is expected to increase its wheat and coarse grain exports by an impressive 37 per cent in 2022. Together, Great Britain, Northern Ireland and the EU are set to expand their exports by 8 per cent during the year.

Soyabean exports are expected to increase from Argentina, Brazil and the US.

Grain prices and shipping costs have risen since 2020, but the war has exacerbated this trend and reversed a temporary decline. Between February and May 2022, the transport cost for dry bulk goods like grains increased by nearly 60 per cent. The resulting increase in grain prices and freight rates would lead to a nearly 4 per cent increase in consumer food prices globally.

Almost half of this impact is due to higher shipping costs.

The Russian Federation is also a leading oil and gas exporter. In the face of trade restrictions and logistical challenges, the cost of oil and gas has increased as they have to be sourced from other places that are far away.

Surging consumer prices

Higher energy costs have led to higher marine bunker prices, thereby increasing the shipping costs for all sectors. By the end of May 2022, the global average price of very-low-sulphur fuel oil had increased by 64 per cent, as against the start of the year. These increased costs imply higher prices for consumers and threaten to widen the poverty gap, the report said.

If global trade is to flow more smoothly, Ukrainian ports should be opened up to international shipping. Alternative transport routes must also be pursued. And investment in transport and trade facilitation should be fostered, including support for the most vulnerable economies, the report said.

Source: thehindubusinessline.com– Jun 29, 2022

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## China likely to register positive growth in Q2 2022

China's economic recovery is set to gather pace in the second half of the year after growth stabilised in May, and the country is likely to keep full-year growth within a reasonable range with more targeted and effective policies, according to domestic economists and analysts. The country is likely to register positive growth in the second quarter (Q2) this year.

Despite weakening economic activity since March due to a resurgence in domestic COVID-19 cases and changes in the international environment, its economy will rebound in the successive months with a package of stimulus measures fully taking effect.

Profits earned by China's industrial firms contracted at a slower pace in May as COVID-19 outbreaks eased off and work and production resumed gradually, improving from its biggest slump in April since March 2020, according to recent data from the National Bureau of Statistics (NBS).

China's industrial profits fell by 6.5 per cent year on year (YoY) in May compared with the 8.5 per cent decrease reported in April, NBS data showed. For the January-May period, industrial firms' profits rose by 1 per cent YoY compared with the 3.5 per cent rise in the first four months of 2022.

Zhu Hong, senior statistician at the NBS, warned that industrial firms still face pressure from rising costs and difficulties in production and operation, and called for more efforts to implement existing policies on stabilising the industrial economy and helping enterprises to tide over their difficulties, official Chinese media reported.

According to the NBS, the contraction in profits at industrial firms in Shanghai and Jiangsu, Jilin and Liaoning provinces narrowed by over 20 percentage points compared with the previous month.

A range of economic indicators improved in May due to stronger policy support and better control of the pandemic, showing fresh signs of recovery.

Source: fibre2fashion.com– Jun 30, 2022

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# China: Cotton yarn's happiness mixed with concerns under nosedive of cotton

ZCE cotton futures stepped into plunge from the second half of Jun with the most decrease reaching 3,800bps or 19% in two weeks. Facing cotton's slump, cotton yarn market moved into ice-cold territory with price tumbling. However, happiness and concerns come together.

Concerns: difficult to be traded and high inventory which depreciated quickly under slump of the market

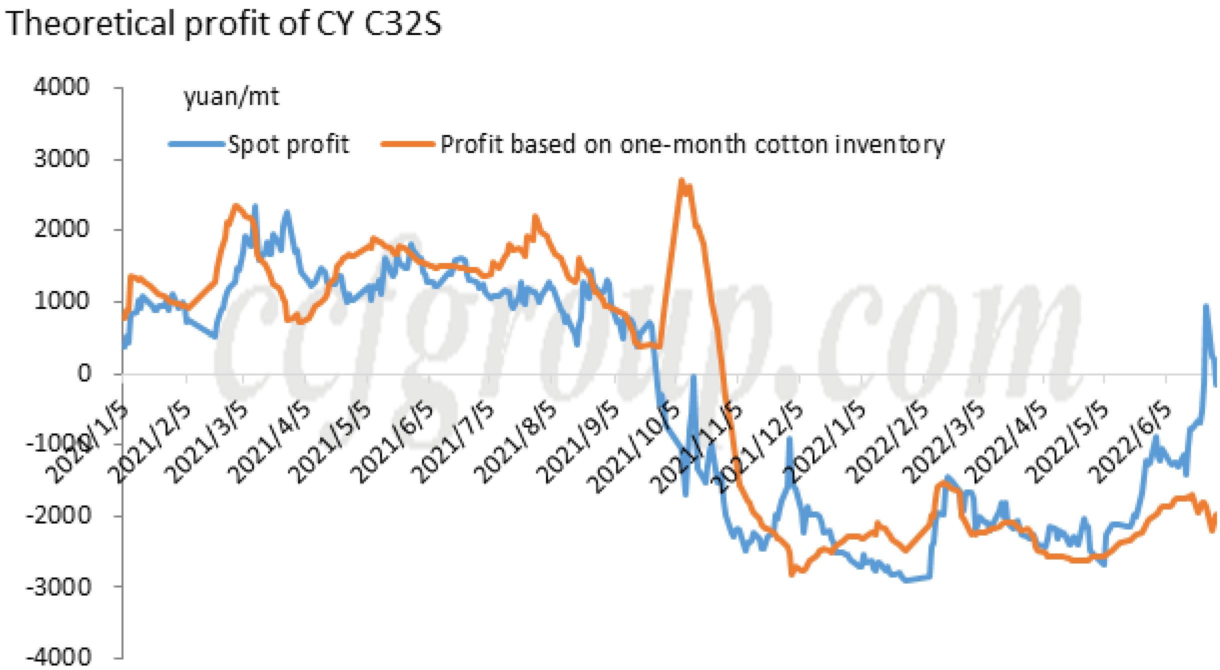
Amid soft demand in slack season, the nosedive of ZCE cotton futures triggered more panic sentiment on the market and slowed down downstream procurement of raw materials. Especially last Thursday and Friday, cotton yarn trades almost stagnated and cotton yarn mills mostly stopped offering. Cotton stabilized slightly this week and the trades recovered somewhat.

Downstream continued to buy based on demand. If cotton does not plummet any more, market confidence may be beefed up, as well as the trade volume. What's more trouble for cotton yarn mills is the depreciation of cotton and cotton yarn stocks.

Compared with that last week, spot cotton declined by 1,700yuan/mt and cotton yarn moved down by over 1,000yuan/mt. Based on current average 21-day cotton inventory and 42-day cotton yarn inventory, a carded 32S producer with 10,000 spindles will see a depreciation of 300,000 yuan in a week.

Happiness: spot profit returns to positive side, possibly indicating the toughest time has gone.

As cotton price plunged, spot profit of cotton yarn finally turned positive. Although cotton yarn mills are still at losses by using cotton stocks in fact, it will not take long for them to profit or achieve breakeven at least with the consumption of high-priced cotton and the sales of high-cost cotton yarn.




Nevertheless, it is still difficult to profit much under the background of sluggish demand in and outside China. At present, the operating rate of cotton yarn mills stays at record low, and a lot of small spinners are in shutdown.

Due to the sharp fluctuation of cotton, more small mills suspended production. If the demand improves and the profit resumes, the operating rate may be raised and the supply will increase in addition to current high inventory, but the demand is still paled, so cotton yarn price will be hard to move up rather than decline.

On the other hand, cotton yarn made of imported cotton is little influenced. Its price stays firm. At present, cotton yarn made of US cotton has been about 4,000yuan/mt higher than that made of Xinjiang cotton, and spot US cotton in China has been 6,000yuan/mt higher than Xinjiang cotton.

In addition, cotton yarn made of imported cotton yarn receives better export orders. If the rumors that state imported cotton reserves are to be sold are realized, the price spread between import cotton and Xinjiang cotton will narrow and the responding cotton yarn price will decline.

Source: ccfgroup.com– Jun 30, 2022

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# South Korea's apparel imports dip for 2nd consecutive month in May

South Korea's apparel imports have declined for the second consecutive month in May 2022 to $793.988 million. The import had registered decline to $924.054 million in April compared to $1031.828 million in March 2022, the highest since December 2021. The spread of COVID-19 and truckers' strike had an impact on apparel imports by South Korea.

South Korea imported apparel worth $829.661 million in February 2022, $1015 million in January 2022 and $844.158 million in December 2021, according to Fibre2Fashion's market insight tool TexPro.

In 2022, the cumulative apparel imports by Korea till May stood at $4.594 billion. In 2021, Korea's apparel imports were $10.534 billion. The major apparel suppliers during January-April 2022 were Vietnam (30.69% share), China (29.77%), Italy (6.97%), Bangladesh (5.90%) and Indonesia (5.24%), as per TexPro.

In the first five months of this year, South Korea imported home textiles to the tune of $590.617 million. Last year, the country imported home textiles worth $1.514 billion.

Source: fibre2fashion.com– Jun 30, 2022

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# Maersk set to reduce transit times from Asia to Northern Italy

Danish shipping company Maersk is all set to shorten transit times by 5-21 days from Asia to Northern Italy by offering a new feeder service between Port Said, which is at the northern end of the Suez Canal, and Vado Gateway at the Port of Genoa. Industries like retail, lifestyle, and technology stand to benefit from this move, according to the company.

The first feeder of this new service will leave from SCCT at the east bound lane of the Suez Canal, on July 8th and will arrive at the APM Terminals Vado Ligure Savona Port Authority Terminal on July 14th. This will considerably reduce transit times from Asia to Northern Italy between 5 and up to 22 days, depending on where the cargo origin departure is at Busan in Korea or Shanghai, Ningbo, Yantian, Shekou or Xingang in China, as per the company's press release.

Elaborating on the benefits that export services and supply chains will accrue thanks to this facility, Leah Offutt, Maersk Central South Europe managing director, said, "In an increasingly unpredictable environment, our customers ask for more reliable and agile supply chains – and this is exactly what the new Vado Express Service will deliver.

Comprehensive ocean/rail/road solutions will significantly shorten transit time between Asia and locations across Northern Italy – the second most important EU location, behind Germany, for industrial production and it ranks third in exports of goods, just behind France. Our end-to-end logistics offerings is meant to give all these industries full control of their supply chains."

Source: fibre2fashion.com– Jun 29, 2022

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# Vietnamese firms face raw materials shortage from China

Many Vietnamese exporters that had procured orders for 2022 are concerned over a possible shortage of raw materials due to supply disruptions in China. The worst sufferers are the textiles, footwear, electronics and wood industries. Around 50-55 per cent of raw materials and accessories for the textile, garment and footwear industries originated from China.

Phan Thi Thanh Xuan, vice chairwoman and general secretary of the Vietnam Leather, Footwear and Handbag Association, said businesses in the industry had to slow down export deliveries as their Chinese partners lacked empty containers for transporting raw materials and accessories.

The supply of raw materials from China also decreased as many factories had to suspend operations, she added.

Escalating fuel prices has also forced plastic materials prices to go up, influencing input costs of plastic product manufacturers. Some garment companies have had to postpone delivery of orders due to the lack of raw materials, according to Vietnamese media reports.

"The most important task of enterprises at this time is to restructure production soon, find alternative sources of supply to offset the shortage of the current raw materials and outdated equipment. Enterprises also need to promote linkages, support and use made-in-Vietnam products in production and business activities to reduce dependence on external resources," the ministry of industry and trade said.

The ministry asked manufacturers to find new sources of supply outside China besides negotiating with partners to share risks and extend the delivery time.

Source: fibre2fashion.com– Jun 29, 2022

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# Vietnam's GDP estimated to grow at 7.72% in Q2 2022

Vietnam's gross domestic product (GDP) is estimated to rise 7.72 per cent year-on-year (YoY) in the second quarter (Q2) of this year. This is higher than the country's growth during the same period between 2011 and 2021.

Vietnam has experienced growth in various industries including manufacturing, retail and processing in the last 6 months of 2022, said Vietnamese media reports quoting Nguyen Thi Huong, general director of General Statistics Office (GSO).

The country's final consumption expenditure rose by 7.32 per cent, accumulated assets grew by 4.57 per cent, imports went up by 4.88 per cent, while exports were up by 12.33 per cent during Q2 2022 as compared to the same period last year.

The GDP of Vietnam was up to 6.42 per cent in the first six months of 2022, as compared to 2.04 per cent in January-July 2020 and 5.74 per cent in January-July 2021.

Source: fibre2fashion.com– Jun 30, 2022

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# Vietnam's ministry calls for setting up industrial environmental index

The Vietnamese ministry of planning and investment recently called for implementing an industrial environmental index in the country, according to Le Thanh Quan, head of the ministry's department of economic zone management. The ministry had been gathering data and feedback preparing to set up domestic industrial environmental standards.

Quan said the establishment of environmental standards in more than 400 industrial parks and 18 economic zones will play a significant role in resolving environmental issues, reducing waste and achieving sustainable development.

It was in line with the global trend to promote sustainable industrial development among developed countries, he was quoted as saying by a news agency.

The implementation of the index is also part of a national development strategy on green growth for the 2021-2030 period with a vision to 2050, as well as Vietnam's commitment to reduce solid waste to zero by 2050, in accordance with the 2021 UN Climate Change Conference (COP26).

The index will be modelled based on international frameworks for building and operating environmental-friendly industrial parks and Vietnam's environmental standards.

A representative from the United Nations Industrial Development Organisation (UNIDO) said the index should be built to suit Vietnam's characteristics to ensure its successful implementation and practicality.

Source: fibre2fashion.com– Jun 30, 2022

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# Cambodia and Myanmar race to become the next apparel manufacturing hub

As China battled a wave of Covid-19 flare-ups over the past few months with strict control measures, the widespread disruption of business operations fueled concerns over an accelerating exodus of manufacturing.

From October 2021 to March 2022, China lost around 5 percent of its textile export orders, 7 percent of its furniture and 2 percent of its mechanical and electrical export orders from the US to the 10-member Association of Southeast Asian Nations (ASEAN), especially Vietnam, according to US customs data.

A shift of factories away from China has been underway for years as China's labour costs rise. Countries in Southeast Asia and South Asia such as Vietnam and India have become the top alternatives for their abundant and cheap labour forces.

"Vietnam has been a very popular destination to take over export orders (from China), but Myanmar and Cambodia are catching up in recent years," said Wang Huanan, an industry insider with 20 years of experience in shipping and world trade.

The relocation has been driven by lower costs and the trade war between China and the US. However, it barely dented China's manufacturing base as the moves mainly involved low-end processing, experts said. Meanwhile, Chinese companies and investors have been deeply involved in manufacturing relocation, which will in turn support the country's industrial upgrade at home.

According to research by Everbright Securities, the factory relocation to Southeast Asian countries — Vietnam in particular — is largely concentrated in textiles, furniture and low-end consumer electronics assembly. Vietnam has become an obvious alternative to China for the production of clothing and furniture.

Authorities in the Cambodian and Myanmar governments have spared no effort in the race to attract foreign investment, introducing tax reductions and exemptions while offering policy incentives.

In Cambodia, foreign companies are exempt from import and export taxes for one year and corporate income taxes for three to five years if they meet requirements set by the Cambodian Investment Board. The tax exemption period can be extended to nine years if the company is set up in the country's special economic zone.

The Myanmar government since 2012 has adopted a series of tax exemptions and preferential rights to foreign investment projects.

Despite its low base, Cambodia's export growth has accelerated and outperformed that of Vietnam so far this year. According to the country's customs authority, Cambodia's total trade volume reached $22.47 billion in the first five months of 2022, an increase of 19.7 percent from the same period last year. Total exports topped $9.41 billion, up 34.5 percent year-on-year. The top export goods were garments, leather goods and footwear.

The US is Cambodia's largest export destination. From January to May, Cambodia shipped $3.73 billion of goods to the US, 57.7 percent more than a year ago. China is the country's top source of imports. Shipments from China reached $4.47 billion, up 31.5 percent from same period last year.

After Vietnam, Cambodia has become the next popular destination for China's processing trade business. It is following a development trail that Vietnam blazed almost a decade ago — taking over more low value-added manufacturing business from China to power rapid economic growth with strong exports.

"Before 2018, there were only 190 Chinese apparel factories in Cambodia," said He Enjia, president of the China Textile & Garment Association in Cambodia. "In 2019, about 40 new ones were set up, followed by roughly 75 more in 2021."

Although the growth of new Chinese-funded apparel factories is declining this year, the expansion of Cambodia's garment industry continues, He said.

Cambodia's apparel industry has benefited from the trade war between China and the US, in which special tariffs were imposed on Chinese textiles in 2018. Chinese textile enterprises have since accelerated the relocation of production to Cambodia to avoid the extra duties.

Since 2021, Cambodia has experienced the arrival of another wave of Chinese-funded garment and textile factories due to political turmoil in neighbouring Myanmar and the severe pandemic situation in Vietnam.

In 2007, Cambodia's exports to the US were $1.88 billion, according to UN Comtrade. By 2021, the total nearly quadrupled to $7.49 billion, according to Cambodian Customs. Exports including leather goods, footwear, furniture and electronics have grown from almost zero in 2007, according to Zhang Huafeng, Los Angles chief representative at Transfar Shipping Pte. Ltd.

"Many industries in Cambodia started from scratch and have developed rapidly in recent years," Zhang said.

Myanmar is another popular destination for Chinese garment factories shifting production. Shi Kun, president of the Chinese Textile & Garment Association in Myanmar, told Caixin that 70 percent of garment factories in Myanmar are Chinese-funded.

Myanmar's access to preferential tariff treatment from the US, the EU and Japan has attracted Chinese enterprises. The number of garment factories in Myanmar increased from fewer than 100 in 2012 to more than 500 in 2019, according to Shi. Between 2012 and 2019, average annual growth of Myanmar's garment exports exceeded 18 percent and topped 50 percent in some years. The country's garment ex ports totalled more than $5 billion between 2018 and 2019, according to Shi.

The rapid growth was interrupted by the pandemic in 2020 and political turmoil the following year.

But signs of recovery appeared after October 2021, and the growth of Myanmar's garment trade is resuming, Shi said. "With the political situation stabilizing, Myanmar will see more investment in the garment industry," Shi said.

Despite the rapid growth of garment manufacturing in Cambodia and Myanmar, the two countries still mainly focus on the final portion of a long industry chain by making clothing from imported materials.

“Garment factories in Cambodia and Myanmar import 95 percent of their raw materials from abroad, of which more than 60 percent are from China,” He said.

Compared with garment production facilities, investment in the upstream portions of the clothing industrial chain such as textile and dyeing is much more expensive in terms of equipment and workforce. “From a short-term perspective, apart from the garment manufacturing industry, Myanmar is not an ideal destination for most other industries, since the entire economic base and environment are not yet ready,” Shi said.

The high cost of water and electricity in Cambodia is another concern blocking upstream manufacturers from moving productions there, according to He. Electricity costs about O.14 US cents per kilowatt-hour (kWh) in Cambodia, compared with 7 to 9 cents per kWh in Vietnam. “Before 2012, Cambodia’s labour costs were much lower than Vietnam’s, with a basic salary of $61 a month,” He said. “It has now risen to $194 a month, tripling in three years.”

Source: khmertimeskh.com– Jun 30, 2022

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## Global demand for textile chemicals is to reach 1.90 million tonnes by 2030

The global demand for textile chemicals was 1.13 million tonnes in 2020 and is forecast to reach 1.90 million tonnes by 2030, according to a Global Textile chemicals Market Analysis report released by Reseach and Markets. The report analyses plant capacity, production, operating efficiency, technology, demand & Supply, end-user industries, distribution channel and regional demand between 2015 and 2030

Textile chemicals have applications in various types of textiles including apparel, home textile, technical textile, etc. Robust growth of the apparel market in developing economies coupled with increasing population and per capita income is expected to drive the demand for textile chemicals during the forecast period.

Pollution caused by the textile dyeing and finishing industry is expected to hinder demand growth during the forecast period. Moreover, the growing fashion industry and shorter replacement cycles of the apparel industry is also another factor influencing demand during the forecast period.

Looking across global populations and locations, Asia-pacific is the region with the highest demand for textile chemicals due to the increasing demand of end-use industries such as apparel, home textile, and technical textile. Moreover, increasing population and per capita income in emerging economies like India and China coupled with the growing fashion industry having shorter replacement cycles are expected to push the demand further in the Asia-Pacific.
Chemicals are omni-present

In the fashion industry chemicals may be present at almost every stage of production, and can be added to fabrics and products in a bid to improve them.

Everything from texture to colour depends on the creator and manufacturer and the processes each garment undergoes. During the manufacturing process, for example, textiles may go through a range of chemical and non-chemical treatments – including preparation and pre-treatment, dyeing, printing and refinement of fabrics.

According to Chemical in our Life, chemicals service different purposes, from preserving fabrics to making outerwear water repellent.

Dyes give garments their desired colour and footwear is often treated with chemicals to stop mould from growing on shoes or bacteria-killing agents to combat bad odour. Textiles can also contain oils and greases, starch, sulphonated oils, waxes and some surfactants.

Source: fashionunited.uk– Jun 29, 2022

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# Uzbekistan's textile industry is about to conquer the world market

Uzbek textile industry is gaining popularity among international consumers every year. This is illustrated by the growth rates of Uzbek textile exports, which doubled in 2021 compared to the year before, reaching $3 billion. In 2022, the export volume is expected to reach US$3.8-4.3 billion. In 2025, even 7 billion US dollars are expected.

In addition, today the demand for Uzbek yarn is so great that the policy of the Uzbek government aimed at protecting the economic interests of the state – no exports of raw materials, only finished products – has led many competitors in the global yarn market to make significant adjustments to their business plans compels.

The tradition of cotton cultivation in Uzbekistan has a very long history. Chinese merchants brought the first varieties of cotton to what is now Uzbekistan more than 2,000 years ago. In Uzbekistan, it is also called "white gold" because, along with gold, cotton has always been one of the country's most important export goods. As recently as the 1980s, cotton plantations accounted for up to 98 percent of the total area of all industrial crops, and the process of growing, harvesting and processing cotton employed a large part of the working population. Today, Uzbekistan is the sixth largest cotton producer in the world.

After Uzbekistan gained independence in 1991, cotton continued to be traditionally picked by hand. Thousands of substitute workers had to be recruited for this. Children, public sector workers and students were also used to harvest cotton. According to human rights activists, up to 5 million people were recruited to pick cotton in 2013 – almost one in eight Uzbeks of working age took part in the cotton harvest.

In 2009, more than 300 international brands (such as Burberry, Puma, Gucci and Adidas) joined forces in the Cotton Campaign, an international non-governmental organization, and announced a boycott of Uzbek cotton products. The country's leadership took this as an opportunity to make great efforts. Forced labor on the cotton plantations was made a punishable offence, cotton cultivation was modernized and the wages of the cotton pickers were increased or the minimum wage was introduced. These were clear signals pointing to the democratization of the labor market in Uzbekistan.

In March this year, the International Labor Organization (ILO) confirmed that Uzbekistan had managed to completely eliminate forced and child labor from the cotton production cycle. Government efforts were successful, and Cotton Campaign announced the lifting of the global boycott of Uzbek cotton.

The country now expects international companies and retail chains to buy Uzbek cotton again. The ILO also advocates international manufacturers getting involved in the country. The lifting of the boycott should be an engine for the growth and dynamic development of the textile industry.

With the restructuring of international supply chains, Uzbekistan is an alternative for many global brands, but also a highly attractive market for importing textile and clothing technology. This is due to the fact that the country has long stopped exporting the “white gold” in the form of raw materials, but boldly embarked on the further development of the entire processing cycle. The priority is the introduction of textile clusters and the export of products with higher added value.

There are already more than 130 economic clusters across Uzbekistan in which cotton is grown, ginned and processed. They are responsible for almost 18 percent of annual cotton production. As a result, fiber processing has increased 2.5 times in just two years. While in 2016 only 45 percent of cotton fibers were processed domestically, four years later it was almost 90 percent.

The Uzbek leadership is well aware of the importance of a stable supply of cotton fiber and yarn to the industry. The clusters are therefore obliged to sell excess fibers that exceed their needs on the stock exchange. Also, it will be easier for textile companies to process raw materials in the customs area. The permits are issued without customs guarantees and the products produced can be exported immediately. The latter is likely to be of great interest to many German and European companies wanting to commission textiles from factories abroad.

The textile industry is already one of the leading branches of industry in the country. More than 350,000 people are employed here (as of 2021). According to official figures, their share in gross domestic product (GDP) was around three percent in the third quarter of 2019 alone and more than 40 percent in the production of non-food consumer goods.

The annual growth in production in the sector has been around 18 percent in recent years, and that of exports around 10 percent. In the first quarter of 2021 alone, the industry expanded by 38 percent compared to the previous year.

The end of the Uzbek cotton boycott is also good news for the German textile industry. Because Uzbekistan has set itself the ambitious goal of developing into the center of the textile industry on the world market. The chances are not bad: In addition to the raw materials, Uzbekistan can score with low production costs, a motivated workforce and many years of production experience.

Since April 2021, Uzbekistan has been part of the Generalized System of Preferences (GSP+) as a trading partner of the European Union. This mechanism means that the country has special economic incentives such as lower export taxes. This will greatly facilitate foreign trade and will also boost investment in the textile and clothing industry. APS has taken cooperation between Uzbekistan and the EU to a new level. Experts predict that annual shipments to the EU will reach as much as $250 million this year.

The government and President Shavkat Mirziyoyev himself pay great attention to the development of the cotton sector. Every effort is made to bring international brands to the Uzbek market and to increase the export of Uzbek textiles. On June 28, the President explained that local entrepreneurs would be offered various incentives and favorable financing opportunities in return.

But for this, the Uzbek textile industry needs international standards in production and modern management systems. In 2022, the number of international certificates, audits and standards in the textile industry should reach 1,650. It is expected that German companies will not want to miss their chance on the Uzbek market.

“The interest of the German economy in Uzbekistan has increased significantly in recent years. The textile industry has always been one of the most attractive sectors of the Uzbek economy. Investments in the sector offer German suppliers enormous opportunities, for example in mechanical engineering,” says Christian Tegethoff, founder and CEO of CT Executive Search.

“Due to its relatively large population and the favorable geographical location with its proximity to China, Uzbekistan also has potential as a production location. However, investors should pursue a forward-looking personnel policy and consider that training and further education requires considerable resources. Skilled workers in particular are rare and often have to be replaced by trained by the companies themselves,” advises the Uzbekistan expert.

Accordingly, the textile institute in Tashkent is currently introducing a dual training system based on the German model: students study three days a week and the rest of the time the young people complete practical training in a textile technology park.

From June 21st to 24th of this year, the international trade fair for home and contract textiles “Heimtextil” took place in Frankfurt am Main. The trade fair is the most important event in the field of home textiles and every year opens the new shopping season for international buyers of home and contract textiles. Therefore, the interest in the fair from Uzbekistan was enormous. More than 30 large Uzbek textile manufacturers presented the potential of the Uzbek textile industry in Frankfurt.

Uzbek manufacturers have conducted a number of successful negotiations with foreign business partners and signed export contracts with German, Czech, Polish and Turkish companies. Global brands such as C&A, S.Oliver, Falke, Triumph, Biberna and others are also eyeing the Uzbek market with great interest. This is evidenced by successful business talks between a high-ranking Uzbek delegation and representatives of these companies, which took place in Germany in mid-June.

“Uzbekistan has a firm place in the cotton and textile industry on the world market. The demand for Uzbek quality yarns is increasing more and more,” says Ludwig Schmänk, CEO of the large German textile company Biberna, summarizing the trend towards the success of Uzbek manufacturers. It can be assumed that German companies do not want to miss their chance on the Uzbek market.

Source: california18.com– Jun 29, 2022

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# Uzbekistan eyes additional $9 bn in revenue from textile industry

Uzbek President Shavkat Mirziyoyev has directed the government to generate an additional $9 billion in revenue per year by processing yarn into finished products and attracting foreign brands, the President's press service said.

The Uzbek leader set a goal to attract 50 popular foreign brands to the country's textile industry and announced new subsidies and incentives for exporters of textile products, Xinhua news agency reported.

Mirziyoyev said on Wednesday that after an international boycott on Uzbek cotton was lifted early this year, foreign companies have been showing great interest in products produced in Uzbekistan.

"If (foreign) brands are not brought to our regions, it will be difficult for domestic products to compete in the world market," he added.

Since 2016, the country's volume of textile production has increased by five times, and exports by four times, reaching almost $3 billion, the press service said, adding that during this time reprocessing of cotton has risen to 100 from 40 per cent.

However, the degree of processing yarn into finished products still remains low at 23 per cent, meaning the industry "is missing a $9 billion opportunity every year," the report said.

Uzbekistan produces around 3 million tonne of cotton annually and plans to increase production by implementing new agricultural technologies, including drip irrigation.

Source: socialnews.xyz– Jun 29, 2022

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# Bangladesh: Cotton price declining on slower demand

Demand for yarn and cotton is also decreasing in light of a drop in demand for apparels overall as a result of the Russia-Ukraine war

The price of cotton – the main raw material for readymade garments – is on the decline in the international market as demand continues to drop after a big jump.

Demand for yarn and cotton is also decreasing in light of a drop in demand for apparels overall as a result of the Russia-Ukraine war.

People have lost their purchasing power after many countries hiked bank interest rates to tame inflation, which skyrocketed across Europe and the United States due to the conflict.

Cotton importers say the price has dropped by $0.30 to $0.35 per pound in the last three weeks. It may decrease further in the next few days.

In addition, supply will be good as the harvesting season for cotton approaches and so there is no risk of major losses in production. Importers believe that the price of cotton will come down to a tolerable level.

According to the US Futures Index, cotton sold at the lowest price on Monday since September last year, falling to $0.94. However, it increased slightly on Tuesday.

The continuous price drop of cotton has provided garment entrepreneurs, the country's main export sector, with a breather. But in a span of just two months, the country's textile spinning mills have to sell per kg of yarn at a lower price of $0.70 now.

Fazlul Hoque, managing director at Israq Spinning Mills Limited, told The Business Standard, "Cotton prices have been declining for the past two weeks. The main reason is that the US has raised interest rates, causing speculators (a type of brokers) to cut cotton purchases. Besides, the declining demand for garments in the world market is also one of the reasons behind the fall in cotton prices."

"The government has raised interest rates to stem rising inflation in the United States, reducing people's purchasing power," he added.

Md Fazlul Hoque, managing director of Plummy Fashion Limited, one of the greenest readymade (RMG) factories located in Narayanganj, said, "Cotton prices have risen unusually over the past year, mainly due to rising demand. Now demand for clothing is decreasing and demand for cotton is also on the decline. As a result, the price of cotton is also decreasing."

Cotton shipments will get underway in early 2023 for importers who book it at the prevailing price. This is known as forward booking.

A further $0.20-0.30 per pound is added to the cotton index as shipment charges, C&A costs and other costs, known as C&F price.

In other words, if anyone from Bangladesh wants to import cotton, the money will be added to the index price, which will be the cost until it is brought to Chattogram port.

According to the country's spinning mills owners, the price of cotton has been increasing since June-July last year. Those who booked cotton last February had to pay around $1.70 per pound (C&F price).

Khorshed Alam, chairman of Little Star Spinning Mills Limited, told TBS, the mills had to open letters of credit (LCs) at $1.67 per pound of cotton last April. At the time, the price of cotton was $1.43 and C&F price was $0.25.

On Monday, the cotton price was $0.94 per pound, and, after the C&F price of $0.30 was added to it, the rate rose to $1.24.

Yarn and fabric prices have started falling in the local market even before the price of cotton has come down. According to industry insiders, the price of yarn is declining almost every day.

Fazlul Hoque, who is also a vice-president of the Bangladesh Textile Mills Association (BTMA), said, "The yarn (30 counts carded) that used to sell for about $5.20 per kg two months ago has no buyer available to purchase it for $4.50 now. That means the price of yarn has dropped by $0.70 per kg in a span of two months."

Textile millers said that buyers of yarn are not giving LCs even after taking Proforma Invoice (PI) due to the constant price decline. PI is the initial negotiation price and quantity on the basis of which the LC is issued in favour of the buyer after a certain period of time.

Just seven or eight months ago, when the price of cotton was on the rise, the opposite happened. In other words, garment manufacturers complained that spinning mill owners had increased prices even after giving PIs, saying they had no yarn in stock.

Bangladesh is the second top cotton importer in the world. In 2021, it imported about 8.2 million bales of cotton. Textile millers expect cotton imports to reach 9 million bales this year.

Due to increasing demand in the country, a large number of textile mills have been established in the last two decades. According to BTMA, there are more than 1,500 textile mills in the country, including spinning, fabric, dyeing-printing and finishing, which are members of the organisation. There are about 1,000 more mills that are relatively small.

According to BTMA, the total investment of textile mills in the country is about $7 billion. A new investment of about $2.5 billion will be there in the next two years.

Source: tbsnews.net - Jun 29, 2022

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# Bangladesh BGBA cautions members against using Xinjiang cotton, yarn

Bangladesh Garment Buying House Association (BGBA) asking its members to be cautious about sourcing raw materials from the Xinjiang region.

Tim Armstrong and Reza Patwary, who are conducting a regional assessment on behalf of the Indo Pacific Opportunity Project implemented by International Development Group and funded by USAID, met BGBA president Kazi Iftekher Hossain and general secretary Aminul Islam, according to a BGBA statement.

The delegation informed the BGBA leaders that any garment produced in Bangladesh could not enter the United States if it is produced from imported fabric using Xinjiang cotton, it said.

"The products will be seized if any connection to Xinjiang cotton is found," it said, adding exporters would not get their payments against their shipped goods if seized.

They also held a meeting with the Bangladesh Textile Mills Association (BTMA).

Former president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Fazlul Hoque, however, said manufacturers are strictly monitoring the issue and many of them have already found alternatives to source yarn and fabric. Domestic knitters source yarn and fabric from the local market, he said.

"But the woven sub-sector that meets the majority of its demand for fabric through import might face some challenges," he told an English-language daily in the country.

He also claimed that the spinners would not face any challenges as they import raw cotton mostly from African countries, India and the United States.

Source: fibre2fashion.com- Jun 29, 2022

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# NATIONAL NEWS

## GST Council: Small businesses using e-commerce platforms exempted from mandatory registration

The GST Council has approved a proposal to relax compulsory registration norms for small businesses that use e-commerce platforms to sell their products. Also, composition dealers would now be allowed to make intra-State supply through e-commerce operators.

These moves will provide a level playing field for both online and offline business, besides helping small businesses in a big way.

The changes would be notified w.e.f. from January 1, 2023, as it would require technical changes to be made on the portal, as also by E Commerce Operators (ECOs). Officials say approximately 1.2 lakh small taxpayers could benefit from the relaxation on registration requirement.

Currently, suppliers using E Commerce Operators (ECOs) have to take compulsory registration even if their aggregate annual turnover is below the threshold limit of Rs 40 lakh/ Rs 20 akh, while sellers who operate offline are allowed exemption from registration for supply of goods and/ or services up to Rs. 40 lakh/ Rs 20 lakh. These thresholds are Rs 20 lakh and Rs 10 lakh in select states, including the North-East.

Composition dealers are businesses having a turnover up to Rs 1.5 crore, and have to pay GST at a flat rate with input tax credit (ITC). According to officials, now, small businesses with turnover below the threshold will not be required to go for mandatory registration. However, there are conditions attached to this exemption. First, such businesess would have to declare their Permanent Account Number (PAN) and principal place of business.

Also, unregistered persons will be allowed to declare their principal place of business in only One State. Such businesses will not be required to make any inter-State taxable supply.

In order to ensure that there are no inter-State supplies by unregistered dealers, ECOs would have to place a check on pin codes (both bill to and ship to), which have to be in the same state as that of the seller.

For example, M/s. ABC, an unregistered dealer based out of Maharashtra, should not be allowed to make supplies if the pin code of the recipient (bill to or ship to) is of another state. ECOs should ensure that unregistered dealers are only allowed to make intra-state supplies through their platforms. Penal provisions may have to be incorporated for the same; a penalty may be imposed on ECOs if inter-State supply is made by unregistered persons through them.

Officials said the measures are aimed at facilitation, with safeguards. "Such a move will ensure a level field for online and offline suppliers, which will give a boost to ease of doing business, especially for micro and small businesses, artisans and women entrepreneurs working from homes," one official said. At the same time the move would also safeguard concerns of revenue, the availability of information on supplies made by unregistered persons (based on their PAN) through ECOs, along with other requisite checks as proposed.

Composition dealers

Officials also mentioned that composition dealers will be permitted to supply through ECOs with some conditions. Such dealers should not supply goods or services that are not leviable to GST. They will not make inter-State outward supplies of goods or services. They will not manufacture such goods as may be notified by the Government on the recommendations of the Council. And, they will neither be casual taxable persons nor non-resident taxable persons.

Important decisions taken by Council

- Transport of goods and passengers by ropeways be reduced to 5 per with ITC from 18 per cent
· GST on renting of goods carriage with operator to be lowered to 12 per cent from 18 per cent.
· Goods transport agency to be allowed to pay GST either at 5 per cent or 12 per cent on their consignments under forward charge. Option to continue under RCM at 5 per cent
· Proportionate value of the foreign component of the tour may be exempted from GST

Source: livemint.com– Jun 29, 2022

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# No clarity on GST compensation to States as Council meet ends

States want extension beyond June 30, when the compensation period ends

Confusion still prevails over compensation to States under GST beyond June 30 as two-day GST Council meeting concluded here with exhaustive discussions on the issue but without any concrete decision. The Council simultaneously took some significant decisions in terms of doing away exemptions and inverted duty structure on various goods and services along with structural reforms in GST system.

Five-year compensation period is ending on Friday and many States urged to extend for at least 5 years as pandemic has impacted their revenue. States are hopeful for extension though Centre is not giving any extension.

"A few States before lunch today said that they would like the compensation to continue for some time, even as few other States said that yes, it is a question of coming out of pandemic but they have to stand on their feet. Statements were being made with a sense of whether compensation can be continued if not for five years but for a few years," Finance Minister Nirmala Sitharaman said in press conference. As many as 16 States spoke on GST compensation. Of this there were 3-4 States said that they have to "stand on their own feet".

The recommendation

As per Section 18 of the Constitution (101st) Act, 2016, Parliament shall, by law, on the recommendation of the GST Council, provide for compensation to States for loss of revenue arising on account of implementation of the GST for five years from the date of its implementation.

During the transition period, the States' revenue is protected at 14 per cent per annum over the base year revenue of 2015-16.

A senior government official said that as per law, compensation ending on June 30. "Now for extension, there need to be amendment in the Constitution. It cannot happen overnight," he explained.

Reports by Group of Ministers

Meanwhile, Sitharaman informed that the Council took up reports by four Group of Ministers. While recommendations regarding doing away exemptions and inverted duty structure (higher rate on inputs and lower rate on finished products) by GoM on rate rationalisation, e way bill requirement for intra-state movement of gold and other precious metals by second GoM and IT reforms by third GoM have been accepted, GoM on online gaming, casinos and horse racing gave been given 15 days to come out with further clarity. The Council has decided to constitute a GoM on constitution of GST Appellate Tribunal.

There have been apprehensions that inflation will go up because of doing away with exemption and IDS. When asked Finance Minister said: "Inflation is not only not any particular state concern. All ministers are aware. They are all looking at the system keeping that in mind. So, decisions taken by the council are not as though are being taken in isolation Elected representatives who are part of the GST council are fully conscious of the decision taken."

Now, next meeting of GST Council take place in first week of August at Madurai with two reports by GoMs – one on online gaming, casinos and horse racing and second one on tribunal.

Pointers

- GST to be levied on pre-packed, pre-labelled curd, lassi and butter milk, Paneer, natural honey, fish& meat (other than chilled or fresh), certain kinds of vegetables, barley, oats, maize, millets, corn flour, jaggery, puffed rice, parched padd

- Correction in Inverted Duty Structure, GST rate to go up
- • E-waste: 18% from 5%
- • Printing, writing ink: 18 % from 12%
- • Knives, Spoons, forks: 18% from 12%
- • LED lamps, lights, fixtures: 18% from 12%
- • Solar water heater: 12% from 5%
- • Finished leather: 12% from 5%

Source: thehindubusinessline.com– Jun 29, 2022

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# US state governors vouch for strong ties with India

A bipartisan group of American state governors and top officials have vouched for strong bilateral ties with India and pitched for investment from the Indian corporate sector who they said not only brings foreign direct investment but also skills and creates local jobs in the US.

Governors Tom Wolf from Pennsylvania and Asa Hutchinson from Arkansas along with Lt Governors Garlin Gilchrist from Michigan, and Eleni Kounalakis from California made an aggressive pitch before a group of more than 100 Indian businesses travelling to the US to attend the annual Select USA Investment Summit in the American Capital.

In their remarks at a reception hosted at the popular India House by India's Ambassador to the US, Taranjit Singh Sandhu, these top State level elected officials asserted that Indian businesses add value to their state economy, bring in new skill sets and most important of all create most sought-after jobs.

According to a 2020 survey by the Confederation of Indian Industries, more than 155 Indian companies have invested $22 billion. Referring to the unicorns appearing in India almost every week, Pennsylvania Governor Wolf told the audience that India is "a dynamic nation, and it's a sleeping giant." The Republican governor said that he is proud to have maintained his admiration and friendship with India through all these years.

Governor Hutchinson from Arkansas, who is from the Democratic party, asserted that the India-US relationship enjoys bipartisan support. "This really illustrates he's a Democrat, I'm a Republican... We all in a bipartisan way support our relationship with India. I think that speaks well of our National Governors Association that we work together, we promote our states, that we promote the relationship that we have with our allies such as India," said Hutchinson.

He travelled to India in 2019. Arkansas, he said, has benefited from "great foreign direct investment coming" from Indian companies, including Welspun Mahindra Group, Infosys, TCS and Wipro employing several thousand people from Arkansas. Just last year, Wipro announced that they will build a new large-scale service centre employing 400 Arkansans. "So we value the great investments that are made. Tata Consulting Services (TCS) is another example of an Indian firm investing in their business in Arkansas and also in students promoting STEM education in our state," he said.

STEM stands for the fields of science, technology, engineering and math. Lt Gov Gilchrist said that Michigan is already home to a number of influential Indian-American companies, including Mahindra, Tata Group, and Wipro.

“We are grateful for the continued partnership and investment of Indian businesses and the community in Michigan, where they enjoy not only a strong business climate but also a cost of living that is 10 per cent more affordable than the national average, a highly skilled and loyal workforce and an incredible quality of life that my counterparts will appreciate you saying is unmatched across the United States of America,” he said.

“I encourage all of those here today to continue to reach out and work with us in Michigan, in my Michigan Economic Development Corporation to continue to grow economic opportunities that will benefit both our State, this country and the nation of India,” he said.

“Opportunity certainly awaits all of you in Michigan for all of your ideas and imagination. ...Michigan also happens to be home to a very vibrant Indian American community. It actually is the fastest growing racial and ethnic group in our State. We are very proud of this distinction,” Gilchrist said.

Lt Gov Eleni Kounalakis from California, the fifth-largest economy in the world if this was a country, exuded confidence that the relationship between California and India will continue to grow.

“Why am I so confident? First, because more Indian Americans live in California than in any other state. In places like Los Angeles, the San Francisco Bay Area, and Silicon Valley, where they make up 6.4 per cent of the population in the San Jose Sunnyvale Santa Clara census tract. This is the highest percentage anywhere in the United States,” she said.

“Second, I'm confident that this relationship will continue to grow because total trade between California and India continues to grow in spite of the pandemic. Before Covid-19 trade between our sub-national government and the country of India was over $10 billion and in 2021, it amounted to $12.5 billion,” she said.

“Finally, Indian investment in California continues to thrive, with nearly 300 Indian-owned firms operating in our state, employing more than 8,000 people and generating more than $980 million every year in wages,” she said.

“So, in short from the Golden Gate to India Gate, the ties between California and India are strong and are growing stronger, be they between Hollywood and Bollywood or Silicon Valley and Bangalore. So, as lieutenant governor,... I cherish the strong ties of friendship, and I look forward to a brighter and more collaborative future for all,” she said.

Welcoming the top governors, Lt Governors and other top officials from the US Government, Sandhu, underlined that Indian companies in the United States “bring strength, resilience, competitiveness” to the United States. They create jobs in local communities and build capacity and technical know-how.

“In my travels, I'm amazed to see what our companies have done from the neighbourhood and to partner with schools and universities. In my recent visits to Indianapolis, Chicago and San Antonia, I have seen firsthand what contribution they are bringing,” Sandhu said. India, he said, has accelerated the speed and scale of economic reforms, making India an excellent place to do business, hire talent and manufacture for the world.

Arun Venkataraman, Assistant Secretary of Commerce for Global Markets and Director General of the US and Foreign Commercial Service said that India’s FDI in the United States is over $12.7 billion and that has created over 70,000 jobs in the United States.

“It is self-evident that India is an important commercial partner... We are partners bound by shared values, by rule of law, by a commitment to democracy and as a diaspora that is stubborn enough to refuse to let this relationship backtrack one step. We are proud to be here to keep this relationship on track and to ensure that the commercial side underpins what is already a critical and long-standing strategic partnership,” Venkataraman said.

Jasjit Singh is the Executive Director of SelectUSA, this year Indian delegation of 138 delegates is the second-biggest delegation by all standards of Select USA Investment Summit.

Source: thehindubusinessline.com– Jun 29, 2022

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# Sectoral reforms introduced for the first time in BRAP 2020 with 72 reforms across 9 key sectors

Smt. Nirmala Sitharaman, Hon'ble Minister of Finance and Corporate Affairs will release the assessment report of States/UTs under Business Reforms Action Plan (BRAP), 2020 in the august presence of Shri Piyush Goyal, Hon'ble Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles on Thursday, 30th June 2022 in New Delhi.

BRAP 2020 includes 301 reform points that cover 15 business regulatory areas such as Access to Information, Single Window System, Labour, Environment, Sectoral Reforms and other reforms spanning across the lifecycle of a typical business.

Sectoral reforms have been introduced for the first time in BRAP 2020 wherein 72 Reforms were identified across 9 sectors, namely, trade license, healthcare, legal metrology, cinema halls, hospitality, fire NOC, telecom, movie shooting and tourism.

Department for Promotion of Industry and Internal Trade (DPIIT), since 2014, has been releasing Business Reform Action Plan (BRAP) for steering business reforms to create an investor-friendly ecosystem across the country. So far 4 editions of the assessment of States/UTs have been released, and the latest edition is for 2020 assessment.

DPIIT has undertaken a feedback-based exercise wherein feedback was taken from businesses on the quality of implementation of the reforms carried out by the States and UTs. The assessment of States and UTs is based on the feedback obtained from the actual users of respective States/UTs.

DPIIT is the institutional anchor for the Ease of Doing Business program. It has brought in a cohesive approach by breaking the silos and working in collaboration with Governments of States and Union Territories (UTs) to improve their business regulatory environment.

Source: pib.gov.in– Jun 29, 2022

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# Textiles among other industries transforming to gig in India

Several industries including textiles have hopped on to the gig economy bandwagon in India as per a special report on India's gig and platform economy. The gig workforce is forecast to reach 2.35 crore workers by 2029-30. The role of technology, especially in the form of widespread smartphone use, in the rise of the gig economy was also highlighted.

A gig worker is defined by the Indian Ministry of Labour as "a person who engages in income-earning activities outside of a traditional employer-employee relationship, as well as in the informal sector."

The gig economy has extended its presence noticeably in a host of industries like textiles, banking and financial services, electricity, gas and water, real estate, IT and ITES, education, and personal services, according to the India Brand Equity Foundation, which was quoted in the paper titled 'India's Booming Gig and Platform Economy'.

Vertical mobility can be enabled by the gradual upskilling of workers via digital platforms, which renders a positive impact on the ecosystem. The study, which was conducted by public policy think tank NITI Aayog, gives the example of fashion sellers on Myntra, a major Indian fashion e-commerce company. These fashion sellers are trained via an in-house entrepreneurship programme and are able to become more successful as a result of their now-enhanced skills.

The study also stressed on the need to improve transferable skills like effective communication and financial literacy, so that workers are provided with the opportunity for horizontal mobility as well.

Among the several recommendations put forth by the study, transformational and outcome-based skill-building via digital platforms and socially inclusive measures like gender sensitisation and accessibility awareness programmes were emphasised for the benefit of gig workers.

Source: fibre2fashion.com– Jun 29, 2022

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# Cotton needs long-term strategies

A panel of Central and State Ministries, industry bodies of seed, textiles and fertiliser sectors is the need of hour

Cotton fabric is an environmentally friendly material and should be used more extensively. Affordable prices of cotton hold the key. With the prevailing shortage and high prices of cotton, the textile industry is fearing the worst. Cotton exports worth $2 billion are under threat. India cultivates cotton on 12 million hectares but lags in productivity. The current productivity of 440 kg/ha of lint, down from its peak of 516 kg/ha five years ago, compares poorly with the global average of 775 kg/ha.

In the absence of a clear strategic policy and enabling regulatory environment, India may not be able to provide cotton at affordable price to the textile industry. India may turn into a net importer of cotton from being the largest exporter in 2013-14.

India's cotton production trebled from 13 million bales in 2002 to a peak of 39 million bales in 2013 but dropped to 32 million bales last year. For the last five years, cotton yields have stagnated and started decelerating lately, bringing pressure on supplies.

The demand-supply imbalance has triggered a price rise and hit the textile industry hard. The textile industry needs 45 million bales by 2026 for domestic purpose and to meet exports to countries like Bangladesh and Vietnam.

It is unlikely that India will produce adequate cotton in five years unless a strategy involving multiple stakeholders and Central and State ministries is urgently drawn up.

Productivity blues

As many as 62 districts accounting for 37 per cent of the cotton area have very low yields of 230 kg/ha and another 69 districts accounting for 35 per cent of the area yield a medium level 420 kg/ha. The productivity in the rest of the area is reasonably high at 615 kg/ha.

Yield losses due to pink bollworm, boll rot and sucking pest coupled with expensive weed management have become a nightmare for the cotton farmer. Farmers have to pay 20 per cent of their revenue for cotton picking. Increased cost of production is impacting the livelihood and income of 70 lakh cotton farmers.

Also, as no new biotech traits for cotton seeds have been approved for commercialisation since 2005, has resulted in inefficiencies in pest control leading to yield drops.

Many countries achieved ginning out-turn of 40-45 per cent compared to 30-35 per cent in India.

This means that we are losing 20 per cent of lint productivity compared to other nations. Lack of upgradation of agronomic practices and mechanisation of operations including picking are creating inefficiencies in cotton production.

Inadequate investments in seed research due to price control on cotton seed have meant lack of development of high quality cotton seed varieties in the last 10 years.

The way forward

There is a need for a holistic and a long-term strategic approach. Multiple links in the value chain have to be optimised and technologically upgraded, starting from cotton seed, crop protection, crop nutrition, irrigation, mechanisation, markets, ginners and the end user. There has to be an alignment between different Central ministries and between Centre and States where cotton is grown or textile units are based. We need an end-to-end integrated approach.

If India has to achieve the global average productivity it must adopt breakthrough technologies and implement new production system as outlined below.

High Density Planting System (HDPS): Increase the plant population from the current 15,000-25,000 per hectare to 75,000- 1,00,000 with customised agronomic practices thereby increasing the yield by 30 per cent.

India needs to develop compact plant type that will be suitable to increase the plant population. This will call for a breeding effort from the seed industry in partnership with ICAR-CICR and ICAR-CIRCOT. Farmers have to be incentivised to adopt this method.

High Ginning Out-Turn (GOT): Seed companies need to be incentivised to invest in developing varieties with higher ginning out-turn. The Centre must also incentivise farmers to grow cotton with high GOT through a better MSP and a differentiated market price for such cotton. It is estimated that adoption of high ginning out-turn can help India increase cotton productivity by 20 per cent.

Technology deployment: (a) There is an urgent need to upgrade the biotech traits by approving the next generation insect and weed management cotton technology, which is pending for approval with the Environment Ministry. The commercial approval of BtHt cotton is absolutely essential to meet farmers' urgent needs. It will also encourage R&D and accelerate research to tackle the pink bollworm, boll rot menace and cotton leaf curl virus. Efficient control of weeds by deploying next generation HtBt cotton can increase yields by 20-25 per cent in the near to mid term.

The Centre must streamline and operationalise the regulatory system, do away with burden of NOC from States, ensure regular functioning of GEAC and encourage the private sector to deploy advanced biotech traits.

b) Use of pneumatic planters and mechanical pickers is essential to reduce farmer's cost of cultivation and improve his competitiveness. The farm machinery industry needs to make machines that suit Indian conditions and small farm holdings.

c) High quality PGRs (Plant Growth Regulator) should be used in HDPS for managing plant vegetative growth and canopy which makes the crop amenable to mechanical harvesting. Additionally a high quality defoliant is required to defoliate the crop before mechanical picking. Both these products have to come from the Crop Protection industry.

d) Pre-cleaners must be deployed in the ginning mills to remove trash and improve the cleanliness of cotton to ensure Indian cotton fetches better prices in international markets. The textile industry must be involved in making the necessary changes to the machines in ginning mills and spinning mills to improve cotton quality.

At the policy level, research investments by seed industry must be encouraged by the government; withdrawing price control on cotton seeds is essential.

For achieving higher lint productivity in cotton, to improve the profitability and competitiveness of cotton farmers and to make the textile industry realise its full potential in the international markets, we need to revisit the highly successful Technology Mission on Cotton (TMC) 1.0 of 2002 and repeat the momentum by undertaking modern technology deployment through the value chain.

The government must set up an inter-ministerial initiative involving agriculture, science & technology, environment and forests, textiles and commerce ministries with active inclusion of key States, industry associations of seeds, crop protection, fertilizers, textiles, machinery manufacturers and farmers to take up TMC 2.0 on a mission mode.

Source: thehindubusinessline.com– Jun 29, 2022

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# Surat's textile hub consolidated as small players failed to survive GST

For 37-year-old Monty Manghani, the year 2017 was a milestone. After years of struggle, the annual revenues from his trading unit in Surat, which houses the country's largest cluster of synthetic textiles, was about to touch Rs 1 crore.

But Manghani's success proved to be short-lived. The government implemented the Goods and Services Tax (GST) in July that year and the new tax structure became a challenge for his small unit. Eventually, he was forced to shut shop and team up with his merchant manufacturer father. The duo are now posting a business turnover of nearly Rs 2 crore.

The Manghanis say that Surat's synthetic textile value chain comprises various verticals, from spinning polyester yarn to weaving grey cloth, which is then dyed and processed before being sold to wholesalers across the country.

Textile traders like the Manghanis, also known as merchant manufacturers, buy grey cloth woven at the power looms and then get work done on it such as dyeing, processing, embroidery and so on, before selling it to the wholesalers.

"Hence, it is the merchant manufacturers who have to pay taxes and account for the same at each stage. This cannot be done by a sole entrepreneur working in an informal manner, unlike in the pre-GST era," say the father-son duo.

While not much may have changed for Surat's textile industry in terms of rates, the last five years have seen considerable consolidation, with the bigger players managing to survive and smaller players either exiting the business or joining the larger ones like the Manghanis.

"Overall, GST has been good for the industry by formalising the operations across the value chain. It is now easy to apply for loans or schemes because GST has brought legitimacy to businesses. The only drawback is that not many small and sole entrepreneurs could survive the GST implementation," Monty Manghani says.

In the first year of GST, the textile cluster in Surat was hit both in terms of tax rates and structure since the entire value chain, from raw material to finished product, goes through multiple stages, each attracting a different tax rate.

For instance, raw materials like polyester partially oriented yarn (POY) has continued to attract 18 per cent GST since 2017, but when turned into texturised yarn, the same saw a change in the rate, from 18 per cent to 12 per cent, in the first year of the new tax regime.

A big blow to the industry in the first year was that even though the conversion of texturised yarn into grey fabric attracted five per cent GST, the weavers could not avail of the input tax credit refund. This was allowed in 2018. However, even today, refund applications take 6-8 months to be processed, which is why industry players prefer not to apply for refunds.

“It is far more convenient to do business by letting the accumulated credit with the government be carried forward to the next year and then adjust it against the tax liability, than to apply for a refund, which takes months to process.

Also, the accumulated credit can be set off against payment of taxes for the purchase of new machinery which reduces our capital burden,” says Kamlesh Kotadiya of Renny Fashion, which runs a power loom unit at Pipodara on the outskirts of Surat.

In the five years that GST has been in operation, Surat’s textile industry has witnessed consolidation at two major levels of the value chain — weavers and merchant manufacturers, popularly known as textile traders.

According to Devkishan Manghani, former president of the Federation of Surat Textile Traders Association (FOSTTA) and current advisor to the textile trade committee of South Gujarat Chamber of Commerce and Industry (SGCCI), the correct term is 'merchant manufacturers'.

“This is because we buy grey cloth from weavers and then send it for processing and other work such as embroidery, lacing and bleaching before selling the finished goods as sarees, dress materials, top wear and bottom wear garments to wholesalers,” he says.

Pramod Bothra, a leading tax consultant for the Surat textile trading community, says that prior to GST, there used to be around 70,000 merchant manufacturers. However, GST, coupled with the COVID-19 pandemic, led to the consolidation of the merchant manufacturers, bringing down their number to around 45,000-50,000.

"Most of the existing merchant manufacturers are those with a turnover of anywhere between Rs 25 crore and Rs 100 crore. The ones with lesser turnover failed to survive," he adds.

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

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# India feels pressure as ICE cotton declines, short supply to persist

Sharp fall in ICE cotton has changed market scenario in India. ICE cotton has registered decline of up to 27.67 per cent in last week. Speculative selling in ICE cotton has turned the market from bullish to bearish. Premium on Indian cotton widened due to steep fall in ICE cotton, but short supply in next three months will limit the fall in cotton prices.

ICE Cotton July 2022 contract declined by 27.67 per cent during last week. Other contracts also fell up to 18 per cent. According to market experts, free fall on Friday was due to sell-off by speculators. According to an analysis by the Confederation of Indian Textile Industry (CITI), the gap between Indian and ICE cotton has widened due to a sharp fall in the American market.

On Friday, the price difference of MCX June contract and ICE July contract was 47.30 cents per pound. MCX cotton was costlier by 17.26 cents a pound against ICE cotton.

This week, ICE cotton October 2022 contract further declined to 100.06 cents a pound on Tuesday. The December contract fell to 94.12 cents a pound. Therefore, ICE cotton October contract when converted to Indian currency was at around ₹62,000 per candy of 356 kg.

In comparison, the price of India's benchmark Shankar-6 cotton variety is currently ruling at ₹88,000-97,000 per candy in the spot market of Gujarat. In north India, the price of cotton is between ₹84,000 to ₹92,000 per candy depending on the quality.

Chetan Bhojani, a Gujarat-based trader told Fibre2Fashion, "Indian cotton prices for October 2022 and later delivery are likely to feel pressure. But the prices may not see steep fall for spot and next 2-3 months delivery deals. June, July and August contracts of MCX cotton have seen upside trend in last few trading sessions, which shows good demand for the next few months."

According to Bhojani, while spinning mills will need cotton for regular consumption, there will be no supply of new cotton in the country till September. The supply of summer crop is also expected to be very meagre.

The Indian government tried to give relief to the industry by removing the import duty, but it did not result in providing the much-needed relief from costlier cotton. According to trade sources, around five lakh bales of cotton was contracted for import after duty removal.

Most of the import deals were done by south India based mills at around ₹90,000-100,000 per candy, which is much higher than the current price. The mills are getting supplies of imported cotton when domestic prices are easing now.

According to Fibre2Fashion's market insight tool TexPro, India imported 3.24 lakh MT fibre valued at $806 million during October 2021-March 2022. Monthly import noted at 48,760 MT in March, 42,007 MT in February, 52,254 MT in January 2022, 70,979 MT in December, 58,412 MT in November and 51,949 MT in October 2021.

Source: fibre2fashion.com– Jun 29, 2022

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# India's Odisha state offers major projects to UAE investors

Billions of dollars worth of investment opportunities in a wide range of sectors in India's Odisha state were offered to businesses in the UAE and the MENA region during an Investors' Meet in Dubai.

The meeting was held under the leadership of Naveen Patnaik, Chief Minister of Odisha, along with a delegation of senior officials from the Government of Odisha.

Odisha has approved over $50 billion worth of investment projects since 2021 and it is attracting foreign direct investment (FDI) in sectors such as metals and metal downstream, chemicals and petrochemicals, textiles and apparel including technical textiles, food processing including seafood processing, ESDM, Logistics and clean energy, said a statement.

The Investors Meet was jointly organised with the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Embassy of India in UAE. It was attended by more than 150 companies based out of the UAE and the Middle East and North Africa (MENA) region. Leading industry associations from the region including Indian Business and Professional Council (IBPC) also participated in the event.

Highlighting the various advantages of the state, Patnaik underlined Odisha's mineral and human resources, use of enabling technology in delivering efficient and effective investment facilitation and Odisha's progressive policy and governance.

"Odisha holds the lion's share of India's mineral reserves with 96 percent of the country's chromite reserves, 92 percent nickel, 53 percent bauxite, 45 percent manganese, 35 percent iron-ore, and 23 percent coal reserves. This has made Odisha the largest producer of steel, stainless steel, ferro alloys, alumina, and aluminium in India. Odisha also has 11 percent of India's water resources. The state has a 480-km long coastline making it a natural choice for setting up ports, and for international trade," he said.

The state is home to a large and highly skilled workforce. Shri Patnaik said: "We have made good investments in setting up technical and professional institutes at all skill levels – ITIs, polytechnics and engineering and management colleges. Eleven of India's top 100 industrial training institutes are in Odisha. With the assistance of the Asian Development

Bank (ADB) and the Institute of Technical Education Services (ITEES), Singapore, the Government of Odisha has recently established the World Skill Centre in Bhubaneswar to prepare the Odia workforce for modern and new age Industry."

The state's single window portal for investors, Go Swift has transformed the B2G interface with its user-friendly features which provide time-bound clearances for over 50 G2B services. Odisha is also home to over 1,200 start-ups, many of which are in the technology space, he said.

The Chief Minister said the state will hold the third edition of its flagship Global Investors Meet – Make In Odisha 2022 -- from November 30 to December 4 at the state capital Bhubaneswar.

The team Odisha also conducted one-on-one B2G meetings with major companies of the region such as LuLu Group, NBTC Group, Sharaf Group, Twenty Fourteen Holding and Tablez Group, ERAM Group, Sobha Group, Arab and India Spices, Tabreed, etc. The state government invited them to explore Odisha in their future expansion plans. The government also assured all the companies of unmatched facilitation and support.

The team Odisha also included a high-level business delegation from the top companies who have invested in Odisha. The business delegation included Parth Jindal - Managing Director, JSW Cement; Saroj Poddar - Chairman, Paradeep Phosphates; Satish Pai - Managing Director, Hindalco; Dilip Oomen - CEO, AM/NS India; Rahul Sharma - CEO, Vedanta; Subhrakant Panda - Managing Director, IMFA; Sujoy Choudhury- Director, IOCL; Jagadish Naik - Chairman, and Managing Director, DN-Homes; Bhabatosh Sahoo, Managing Director, B-One Business House; Prashant Mallick - Managing Director, Tata Steel SEZ; and Chanakya Chaudhary – Vice President, Tata Steel.

Source: tradearabia.com– Jun 29, 2022

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