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# IBTEX No. 180 of 2022 — September 19, 2022

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## INTERNATIONAL NEWS

### Trade growth may dramatically accelerate in Sub-Saharan Africa: Survey

The COVID-19 pandemic has not been the major setback for global trade that many anticipated; rather international trade in goods has surged by as high as 10 per cent above pre-pandemic levels, even in the face of significant supply bottlenecks that constrained further growth, and trade growth is expected to dramatically accelerate in Sub-Saharan Africa, shows a new survey.

New poles of trade growth are identified in Southeast and South Asia, according to the new DHL Trade Growth Atlas published by DHL and New York University (NYU) Stern School of Business.

Though trade growth forecasts have been downgraded due to the war in Ukraine, they still call for trade to grow slightly faster in 2022 and 2023 than it did over the preceding decade, the atlas said.

E-commerce sales boomed during the pandemic and forecasts point to strong cross-border e-commerce growth continuing.

Trade growth is spread across a wider variety of countries. China accounted for a quarter of trade growth in recent years and is predicted to continue to have the largest growth, but its share is likely to fall by half, to 13 per cent.

Viet Nam, India and the Philippines stand out on both speed and scale of projected trade growth through 2026. All three have potential to benefit from efforts by many companies to diversify China-centric production and sourcing strategies, the document said.

While emerging economies increased their shares of world trade from 24 per cent to 40 per cent between 2000 and 2012, with half of the increase driven by China alone, these shares have barely changed over the past decade, it noted.

However, emerging economies continue to race forward on measures of connectivity, innovation, and leading companies.

They are becoming more important exporters of sophisticated manufactured products, and increasingly compete not only on low costs, but also on innovation and quality, the document added.

Source: fibre2fashion.com- Sep 18, 2022

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## China's textile exports cross 30% of the world's total since 2012

China’s exports of light industry and textile products have exceeded 30 per cent of the world's total, according to an official of China’s ministry of industry and information technology.

China’s consumer goods industry has witnessed substantial growth over the past 10 years with the sector’s profits and operating revenues jumping by 64.5 per cent and 35 per cent during the period, respectively.

“The added value of the industry accounts for 27.9 per cent of all industrial sectors,” He Yaqiong, head of the ministry's department of consumer goods industry, was quoted as saying by various Chinese media reports.

He emphasised that the consumer goods industry was among China’s long-standing advantages and that it played a crucial role in enhancing people’s wellbeing, pushing the economy, developing exports, and generating employment.

“Looking forward, efforts will be made to promote the sector’s digital and green transition to better satisfy consumers’ varied demands and reinforce its competitive edge,” added He.

Source: fibre2fashion.com- Sep 17, 2022

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## US textile & apparel exports up 12.78% during Jan-Jul 2022

The exports of textile and apparel from the United States went up by 12.78 per cent year-on-year in the first seven months of this year. The value of exports stood at $14.516 billion during January-July 2022 compared to $12.871 billion in the same period of 2021, according to data from the Office of Textiles and Apparel, US department of commerce.

Category-wise, apparel exports increased by 24.65 per cent year-on-year to $4.122 billion, while textile mill products rose 8.67 per cent to $10.393 billion during the first seven months of 2022.

Among textile mill products, yarn exports increased by 21.99 per cent year-on-year to $2.714 billion, while fabric exports were up 2.85 per cent to $5.168 billion and made-up and miscellaneous article exports grew 8.51 per cent to $2.511 billion.

Country-wise, Mexico (27.35 per cent) and Canada (24.09 per cent) together accounted for more than half of the total US textile and clothing exports during the period under review. The US supplied $4.005 billion worth of textiles and apparel to Mexico during the seven-month period, followed by $3.492 billion to Canada and $1.023 billion to Honduras.

In recent years, the US textile and clothing exports have remained in the range of $22-25 billion per annum. In 2014, they stood at $24.418 billion, while the figure was $23.622 billion in 2015, $22.124 billion in 2016, $22.671 billion in 2017, $23.467 billion in 2018, and $22.905 billion in 2019. The value had dropped to $19.330 billion in 2020 due to the COVID-19 pandemic but rose again in 2021 to $22.652 billion.

Source: fibre2fashion.com- Sep 19, 2022

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# EU proposals aimed at tackling energy crisis lack in ambition: EURATEX

The European Apparel and Textile Confederation (EURATEX) recently said the European Union (EU) proposals aimed at tackling the dramatic energy crisis that Europe is facing lacks in ambition and, if confirmed, will come at the cost of losing industrial capacity and jobs in Europe. Ultimately, Europe will remain without its integrated textiles ecosystem, it said.

There will be no means to translate into reality the EU textiles strategy for more sustainable and circular textiles products, EURATEX said in a press release recently. When gas wholesale prices reached the record level of €340/MWh in August, triggering sky-high electricity prices, the European textiles industry called on the EU to adopt a wholesale price cap for gas, the revision of the merit-order principle in the electricity market, support small and medium enterprises (SMEs) and a single European strategy.

On September 14, on the occasion of the State of the Union address by President Ursula Von der Leyen, the European Commission announced initiatives aimed at tackling the energy crisis. “We understand a very high price cap has been so far discussed among Ministries and that is not reassuring for companies across Europe: if any cap is, as expected, above 100/MWh, these businesses will collapse,” the federation said.

EURATEX has, however, welcomed the proposals by the Commission to change the title transfer facility (TTF) benchmark parameters and decouple the TTF from the electricity market and the revision of the merit-order principle for the electricity market, which is no longer serving the purpose it was designed for.

It also welcomed the proposal to amend the state-aid framework that, in EURATEX’s view, should include the textiles finishing, the textiles services and the non-woven sectors as well as a simplification of the application requirements. The federation called for a uniform implementation across the EU.

Already in March this year, with EU gas wholesale prices at €200/MWh, the business case for keeping textiles production was no longer there, EURATEX said. To date, natural gas wholesale prices have reached the level of €340/MWh, more than 15 times higher compared to 2021 levels.

As many businesses now have suspended production processes to avoid the loss of tens of thousands of euros every day, EURATEX hoped this will not become the new normal, and to reduce the likelihood of such a scenario, it called on the Commission, the EU Council and the Parliament to 'swiftly adopt decisive, impactful and concrete actions' to tackle the energy crisis and ensure the survival of the European industry.

The EU textiles companies are mainly SMEs that do not have the financial structure to absorb such a shock. In contrast with such reality in Europe, the wholesale price of gas in the US and China is €10/MWh, whereas in Turkey the price is €25/MWh. If the EU does not act, international competitors will easily replace EU companies in the market, resulting in the de-industrialisation of Europe and a worsened reliance on foreign imports of essential products, EURATEX cautioned.

Specific segments of the textile industry are particularly vulnerable, according to the federation. The man-made fibres (MMF) industry, for instance, is an energy-intensive sector and a major consumer of natural gas and electricity in the manufacturing of fibres. Not only is it being affected by higher energy process, it is also experiencing shortages and sharply rising costs of its raw materials.

For the non-wovens segment, production processes, which use both fibres and filaments extruded in situ, are also highly dependent on gas and electricity. Polymers melting and extrusion, fibres carding, web-forming, web-bonding and drying are energy-intensive techniques.

It also is to be noted that for some segments the use of gas has no technological substitute: for example, the dyeing and finishing production units make very intense use of gas. These production units are mainly composed by boilers and driers, which only work on gas and there is no alternative technology, Brussels-based EURATEX pointed out.

Source: fibre2fashion.com- Sep 19, 2022

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# Ukraine's textile imports restored, apparel closes to pre-war levels

War-hit Ukraine's textile imports are back on track. Latest figures indicate that normal trading activities have been restored, at least for textile imports. The monthly imports of apparel are now close to the pre-war levels and amounted to $71.808 million in June 2022. Home textile imports are also rising but are still below the pre-war levels.

Ukraine's apparel imports were $71.808 million in June 2022 which is close to the imports of January 2022 when the figure touched $72.603 million, according to Fibre2Fashion's market insight tool TexPro. The apparel imports slowed to $59.438 million in February and $17.296 million in March 2022, however, they recovered to $64.288 million in April and were at $63,843 in May 2022.

The imports decreased to $349.278 million in January-June 2022 from $507.941 million during the same period last year. The country's total apparel imports were valued at $861.902 million in 2021, $706.261 million in 2020, $767.132 million in 2019 and $502.617 million in 2018.

The country's home textile imports were $23.947 million in June 2022 which has recovered but still well below the imports of $33.445 million in January 2022. The home textile imports were slightly better in February at $34.371 million but reduced to $3.730 million in March 2022. It recovered again to reach $9.841 million in April and $18.685 in May 2022, as per TexPro.

Home textile imports decreased to $124.021 million in January-June 2022 from $219.799 million during the corresponding period of last year. The country's total home textile imports were valued at $397.697 million in 2021, $402.092 million in 2020, $390.740 million in 2019 and $312.246 million in 2018.

Source: fibre2fashion.com- Sep 19, 2022

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## Sri Lanka: Apparel exports top US$ 522 mn till July

According to the Joint Apparel Association Forum the apparel export income had reached 522.14 million US dollars as of July this year.

In July of last year, the income was 425.75 million US dollars and in comparison with that, the garment export income has achieved a growth of 22.4 percent.

According to the Central Bank Annual Report 2021, Sri Lanka's industrial exports, textiles and apparels accounted for 43.5 percent.

Source: dailynews.lk- Sep 19, 2022

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# Which Economies Are Flirting With Recession? Week Ahead

The CEO of FedEx Corp believes the global economy is sliding into a recession, but economists don't see that happening—yet.

Dana M. Peterson, chief economist for The Conference Board, said the "risks are mostly tilted to the downside," in a Friday webinar dissecting scenarios around an economic slowdown. High on the list is the escalation of war in Ukraine, other geopolitical events, and tensions between the U.S. and China, and even Greece and Turkey, heating up. Mistakes around monetary and fiscal policy where "central banks do too much too late, resulting in disastrous outcomes" also pose risks, she added.

Instead of a recession gripping the global economy, some countries such as the U.S., Germany and U.K. are likely to see growth stagnate, Peterson said, pointing out that Ukraine and Russia have already plunged into recessionary territory.

"And for China, we're expecting very slow growth this year," Peterson said, adding that slowdowns in Western economies are likely to be "brief and shallow."

However, all bets could be off if "China, Europe and the U.S. all descend into a recession together," Peterson warned, citing their combined "55 percent" of the global gross domestic product, give or take a percentage point.

Erik Lundh, chief U.S. economist for The Conference Board, said the Federal Reserve had been "rapidly front-loading interest rate increases to try to tackle inflation, but has a pretty tough time arresting it."

So far, the Fed authorized a pair of 0.75 percent hikes in June and July, and is expected to hike rates up by at least 0.75 percent at Tuesday's and Wednesday's meetings.

And while Fed Chairman Jerome Powell said the U.S. central bank is committed to its 2 percent inflation target, Lundh doesn't expect the central bank "to realize its inflation target even towards the end of next year." That means businesses should expect the Fed to get the rate to around 4 percent early next year," he added.

And while Lundh called the recent CPI reading “a bit of an anomaly” and “troublesome” to boot, he believes inflation will “gradually slow over the course of 2022 and into 2023.”

So, what does that mean for retailers?

Lundh expects inflation will remain a factor in consumer spending, despite the rapid growth in prices expected to retreat somewhat. While recent retail sales data and personal consumer expenditure, or PCE, metrics suggest a contraction is underway, Lundh said he’s “really concerned about the fourth quarter and the first quarter of next year.”

This could translate to a “brief and mild recession,” with economic expansion returning to the U.S. in “the tail half of 2023,” Lundh said.

What could go wrong? According to Lundh, the Fed could tighten more than expected. Other risk factors include the housing market in terms of a decline in prices, and government spending on infrastructure investments.

Meanwhile, in a Goldman Sachs webinar on the current state of logistics, transportation analyst Jordan Alliger said the economic slowdown FedEx mentioned has had a positive impact on port congestion.

“To start the year we had about 100 plus ships sitting off the coast of California. That’s worked its way all the way down to about 10,” he said, adding that as companies have diverted goods to other ports, “we now have about 100 ships sitting off the East Coast, waiting to unload, whereas it was probably 30 or 40 a few months ago.”

Alliger is concerned that warehouses are full to overflowing.

“Stuff is full. Warehouses are full and that’s still leading to equipment not turning around as quickly and containers stacking up at the point of final destination,” Alliger said. Until this problem is fixed, it’ll be nearly impossible to unclog the supply chain.

Goldman Sachs retail analyst Kate McShane said corporate downward revisions to earnings estimates are less about topline results and more about inflation. She cited “good” back-to-school trends while “Halloween has had a very good response and has been selling through at full price. It hasn't had to be motivated by promotions."

McShane expects that Target should be able to clear through its excess inventory but isn't sure if mass merchants as a whole have sufficiently right-sized their holdings.

Retailers are hoping consumers will keep their shopping momentum going through the all-important holiday season. If that's the case, then the inventories should be in "good shape by the end of the year," she said. "But if you see a falloff in consumer demand, however, they will continue to [have] inventories to work through."

The one thing that probably won't be a concern are the shortages that left retailers with empty shelves during the past two holidays. But this year, virtually everyone has taken steps to get goods in with time to spare to be fully in stock. "So things that they would traditionally get for holiday, maybe in August or early September, they've had on their books now for a little while," McShane said.

Source: sourcingjournal.com- Sep 18, 2022

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# Cleveland: Inflation Worries Smash Cotton Price Support

The 1990's saw a Louisiana man become famous for coining the phrase, "Its's the economy, stupid." In fact, James Carville's saying resonated such that he was credited with the election of Bill Clinton to the Presidency of the United States as, day after day, Carville hammered home the phrase.

No doubt today's economy can revisit the slogan as the U.S. is facing its toughest battle in 50 years with inflation, rising interest rates, and a declining gross national product. In context with the cotton industry and the cotton market, industry traders, mills, retail outlets, and growers are all facing daily problems related to the question, "Do I buy (sell) today, or do I wait to another day?". Of course, that question is with traders most days, but the whipsaw action of the economy and the cotton market itself has left most traders stunned. Mills suggest they face more uncertainty than they have ever known.

Remember, all markets find great difficulty in dealing with uncertainty. Uncertainty portends lower prices. Very little seems rational, and that feeling does not bode well for higher prices. The meaning: cotton prices will do well to hold where we are. The bottom has already fallen out. It can go a bit lower, but most of the dirty deed has been done.

The market has smashed below all critical price support, even while we have preached the considerable production issues of the year. Granted, we have complained aplenty about a disappearing demand and the limitation on any price advance. The point is that prices have fallen – even below the dollar market now.

While I preached to you about it on numerous occasions, it is now your turn to tell me "It's the economy, stupid."

Keep the patience. Cotton price fundamentals are not particularly weak. Demand is weak, but production and ending stocks both salute higher prices. The dollar mark should have held. It did not. I was wrong. Tell me again, "It's the economy, stupid."

Just like all other retail-based markets, once the U.S. announced worsening inflation statistics – coupled with the FedEx President's comment that the world economy, not just the U.S., was headed for a recession – cotton prices in tune with retail stocks crashed. Cotton blew through its 102-cent support, falling to 99 cents. Being stupid I suppose, this market appears to be headed back to the 105-cent level, but many feel the mid- to low-90s is a strong possibility.

The dollar, to slightly higher than a dollar, should have fundamentals on its side. Yet, we must remember that retailers have excess inventory and mills have excess yarn. Retailers are only very sparse buyers of apparel goods. Thus, mills are only sparse buyers of cotton.

The market will have to live with the numbers it has until early October. USDA has world cotton production and consumption both at 118 million bales. Likely, production will move slightly lower, and consumption will remain at 118 million bales. This will offer marginal support to prices. Fresh demand is not on the horizon and likely will not be until late 2023.

The economy has left everyone guessing. With strong interest rate increases coming from the Fed, the economy will deteriorate further. Cotton is taking its hits now, but we cannot discount the possibility of prices moving 5-to-10 cents lower.

Source: cottongrower.com- Sep 18, 2022

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## Bangladesh's apparel export to India in Jul-Aug grows 99%: Reports

Bangladesh's apparel shipments to one of its most-promising non-traditional export destination, India, recorded year-on-year increase of 99 per cent in July and August this year.

This is as per reports, which cited data released by the country's Export Promotion Bureau (EPB) recently, as per which, Bangladesh exported apparels worth US $ 188 million to India in July and August this year, up from what was US $ 94 million last fiscal.

It may be mentioned here Bangladesh's apparel export to India, is witnessing an increasing trend for some time now, for which Bangladesh garment makers have credited a host of reasons.

Meanwhile, amongst other non-traditional markets, apparel exports to Japan also witnessed a 26 per cent growth and reached US $ 217 million during the same period, further added reports.

Source: apparelresources.com- Sep 17, 2022

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# Bangladesh: Gas shortage chokes textile millers

Textile millers across the greater Gazipur, Sreepur and Bhaluka industrial belt yesterday urged the state minister for energy, power and mineral resources to put an end to their perennial gas crisis, which is currently preventing them from continuing smooth production.

Textile millers and other factories along this industrial belt annually produce some $10 billion worth of goods, particularly fabric, yarn and finished garments. However, they have been suffering from low gas pressure for the past few years.

The gas pressure at industrial units in the region, including 300 textile mills, is so low that they can no longer run their normal activities, according to factory operators.

"At times, millers can run their units at just 20 to 30 per cent capacity," said Monsoor Ahmed, additional director of the Bangladesh Textile Mills Association (BTMA).

Nearly 1,000 large, medium and small industrial units are located on this belt. Of these factories, around 300 are large textile mills that mainly supply fabrics and yarn for export-oriented garment factories, he added.

Fazlul Haque, managing director of Israq Spinning, said his mill has the capacity to produce 120 tonnes of yarn a day but it only makes some 50 to 55 tonnes at present as the gas pressure is practically non-existent between 6:00pm and 7:00am.

"The crisis has been even more severe over the last one month as the pressure is too low," Haque said.

Taslimul Haque, general manager of Square Group's textile division, said production has declined 30 per cent because of low gas pressure in the Maona, Gazipur and Bhaluka areas, where their factories are located.

For instance, each unit can normally produce 50 tonnes of yarn a day but they now produce only 30 tonnes a day, he added.

With this backdrop, BTMA President Mohammad Ali Khokon suggested the government ration 100 pounds per square inch (PSI) of gas from the 250PSI capacity local Rural Power Company Ltd (RPCL) at Dhanua to ensure adequate gas supply for local textile mills and factories.

The BTMA detailed this request as well as the industry's grievances in a letter to Nasrul Hamid, the state minister for energy, power and mineral resources, yesterday.

The letter also said if the 250PSI capacity compressor of the RPCL is swapped for a 150PSI compressor, gas could be supplied adequately to the industrial units, which employ more than 10 lakh workers.

"At the same time, power production will also continue at the RPCL," Khokon added.

Source: thedailystar.net- Sep 19, 2022

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# Bangladesh needs to rely less on EU, US markets

In the US and Europe, a recession is coming. As an apparel maker, I can already feel the early signs of a storm heading our way. Orders have been decreasing for many of us in the industry since this summer, after picking up dramatically at the back end of last year.

The issues around a recession are well-documented. High and rising inflation in the US and much of Europe; soaring energy prices that are placing businesses and households under huge financial strain; fallout from the pandemic, which means many governments have huge debts and are unable to do much more to bail out economies – all of these are factors. Most seasoned economic observers believe that 2023 will be tough.

Perhaps the garment industry in Bangladesh could use the next 12-18 months to think carefully about which markets it targets. At the moment, there is a strong argument for suggesting it has too many of its eggs in one or two baskets, leaving it massively over-exposed. Allow me to explain.

At present, around 60 percent of Bangladesh's garment exports go to the EU. Twenty percent go to the US. The rest are exported globally. These figures have changed slightly in recent years, with the EU gaining a larger share (up from around 52 percent over the past decade) at the expense of the US, where exports have fallen in terms of market share.

But between the two, these markets have for some time represented 80 percent of garment exports from Bangladesh.

Is this healthy? On the one hand, it is a cause for celebration that we have been so successful in penetrating these two huge markets. On the other hand, no business wants to become over-reliant on certain customers or, in this case, certain regions of the world. This is why I believe, as apparel makers, we should begin to focus more heavily on new and emerging markets.

Two obvious examples are India and China, although there are others such as Australia and South America. China and India are the only countries in the world with a population size of over a billion. China's population is around 1.4 billion, while India's population is approximately 1.39 billion.

Together, the two countries make up around 36 percent of world population. To offer some perspective, the entire continent of Europe makes up only nine percent of the global population. This alone should be enough to make exporters sit up and take notice.

More important than this, however, is spending power, which is increasing in both China and India. China is now the largest middle class market globally, with over 900 million people. According to some estimates, this middle class collectively spends more than USD 20 billion per day.

There's more. China's middle class is expected to expand in the next few years. The World Bank suggests China's middle class is expected to grow by six percent and reach over 1.2 billion by 2030. By this year, it is estimated that the middle class spending share in China will be 87 percent. This is a huge amount of spending power for Bangladeshi exporters to tap into.

India's growing middle class also offers huge promise. India's middle class is expected to have a growth rate of 8.5 percent until 2030, according to the World Bank. At the present time, the middle class population in India is almost 400 million. Obviously this is not as big as China's, but this figure is set to double between now and 2030, giving India a middle class population of 800 million within eight years.

The middle class spending share in India is currently over 70 percent and by 2030, the spending share of India's middle class is projected to reach over 80 percent.

This distinction of middle class is important. As middle class populations grow, spending power increases. Countries with higher middle class populations have a higher propensity to import foreign goods. Expect imports into China and India to steadily increase over the next few years.

So what next? I was encouraged recently to follow Prime Minister Sheikh Hasina's four-day trip to India. This is seen by many observers as the beginning of growing bilateral cooperation between the two neighbours. Much of the talk will have been about inward investment opportunities, but garment makers in Bangladesh should be following such talks closely. There is no reason why Bangladeshi garment makers should not view India as an opportunity for growth.

We could also be doing more to increase our presence in China. China obviously has its own textile industry already, but this should not rule it out as an export opportunity for Bangladesh. In fact, we can compete very well with China on price and, in any case, China's textile sector is very focused on high-end and technical textiles. Bangladeshi garment makers could complement this work.

In the coming months and years, I see a huge opportunity for Bangladesh to extend its export reach way beyond the US and EU. By limiting ourselves to these two markets, we are missing out on a whole world of opportunities. We are also leaving ourselves hugely exposed to economic shocks in the Western world. This is an unhealthy situation. As the last few years and the pandemic have shown, nobody can ever be quite sure of how global events might unfold in the future. It pays to hedge your bets as an exporter.

Source: thedailystar.net- Sep 18, 2022

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## Pakistan: Overreliance on export schemes

The 10-year GSP (Generalised System of Preferences) Plus scheme of the European Union, under which Pakistani exporters get duty-free access for textiles, clothing and leather items, is expiring on December 31, 2023. Thereafter, a new slightly modified 10-year scheme will apply.

Since seeking unilateral tariff concessions from developed countries has been a cornerstone of our trade policy, our government and the relevant business associations are doing their utmost to ensure that Pakistan remains a beneficiary of the new scheme over the next 10 years. Indeed, in the absence of any better duty-free market access alternative, the government seems to have no choice but to make every effort to be part of the new GSP Plus scheme.

Since Pakistan meets the economic criteria and has already ratified all the UN conventions covered under the existing and revised GSP Plus, getting accepted into the new GSP Plus should not be difficult.

However, if the EU insists on additional conditions such as abolishing or restricting the death penalty to some crimes and giving more space to civil society, this may create problems with some domestic constituencies.

Except Pakistan and the Philippines, other beneficiaries of the GSP Plus scheme are small economies with very low exports, such as Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Paraguay and Uzbekistan. Since the Philippines is now negotiating a free trade agreement (FTA) with the EU, it may leave the GSP Plus scheme once the negotiations are completed. Even while being a beneficiary of the scheme, unlike Pakistan, it continued its regional and global integration.

Recently, it joined the world's biggest trade bloc, the Regional Comprehensive Economic Partnership, which includes 14 Asia-Pacific countries.

Pakistan has availed uninterrupted use of GSP Plus for the past eight years. Previously also, the EU allowed zero duty access under various short-term schemes such as the GSP drug regime 2002-2004 and floods rehabilitation for 2012-13.

It would be worthwhile to examine whether such unilateral tariff concessions have been in Pakistan's best interest. It is a fact that since the award of GSP Plus, Pakistan's exports to the EU have increased from 3.56 billion euros in 2013 to 6.64 billion euros in 2021, or about 86%. However, a similar growth (66%) was also seen in exports to the US where Pakistan has no duty-free access.

But the growth of exports in these two markets and for a limited category of goods, did not result in any increase for Pakistan's global exports, which were about $25 billion in 2013 and were of the same value in 2021. As a percentage of GDP, Pakistan's exports have seen a considerable fall during this period. Similarly, Pakistan's share of global trade has shrunk.

In contrast, many other developing countries that integrated regionally and globally (rather than seeking GSP Plus-type facility) have significantly increased their exports and global trade share. For example, the exports of Vietnam, which now has FTAs with 56 economies, and which had the same level of exports as Pakistan in 1995 at about $5 billion, jumped to $336 billion in 2021.

In terms of its latest FTA, signed on June 30, 2019, the EU has agreed to eliminate 99% of all tariffs for Vietnamese goods against the 66% tariff lines we get under GSP Plus.

Since the EU-Vietnam FTA is a bilateral agreement and not a unilateral concession, Vietnam will not have to undergo any EU monitoring of its domestic policies as Pakistan will have to do to stay in the scheme.

Pakistan has to realise that its current trade policies of only looking for preferential access through GSP-type schemes are not working.

Due to its single-track focus on such schemes, Pakistan gives all government subsidies (estimated at $800 million) to only a selected few sectors that can benefit from the GSP Plus scheme. It's a similar approach to what influential industrialists enjoy in the domestic market through industry-specific SROs.

Focusing on only a few products, we do not level the playing field for other potential exports. Moreover, in the process we ignore the fastest growing regions such as East Asia, where no such schemes are available.

Compared to the GSP Plus, we did not put in even a fraction of effort to join the Regional Comprehensive Economic Partnership (RCEP) agreement, which in many ways is Asia's equivalent to the European Union or North American trading bloc. To grow its exports and thrive, Pakistan has to broaden its vision, as many prosperous countries have done. Its overall exports cannot increase if it remains trapped in past policies.

Continued heavy reliance on EU and US markets and a few products is risky. If Pakistan does not look beyond the GSP Plus, 10 years later, it may find itself in the position it is now – a low-income, vulnerable country dependent on the largesse of the EU.

Source: tribune.com.pk- Sep 19, 2022

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# Pakistan: Over 2.1m cotton bales reach ginning factories

Seed cotton (Phutti) equivalent to over 2.1 million or exactly 21,86,593 bales have reached ginning factories across the country till September 15,2022 registering decrease of 18.61 percent as compared to corresponding period of last year.

According to a fortnightly report of Pakistan Cotton Ginners Association (PCGA) released on Sunday, over 1.9 million or 19,27,454 bales have undergone the ginning process i.e converted into bales. Cotton arrivals in Punjab were recorded at over one million or 10,76,661 bales registering a surplus of 12.16 percent as compared to corresponding period of last year when arrivals were recorded 9,59,925 bales.

Sindh generated over 1.1 million or 11,09,932 bales registering decrease of 35.72 percent as compared to corresponding period of last year when arrivals were recorded 17,26,612 bales.

Textile mills bought 17,61,173 bales while exporters purchased 30,80 bales and Trading Corporation of Pakistan (TCP) didn't buy during the cotton season 2022-23.

Sanghar district of Sindh topped with cotton arrival figure of 7,14,260 bales followed by Bahawalnagar district of Punjab with 1,71,816 bales.

Total 570 ginning factories were operational in the country. Exactly, 4,22,340 cotton bales unsold stock was available in ginning factories.

Source: brecorder.com- Sep 19, 2022

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# NATIONAL NEWS

## PM launches National Logistics Policy

The Prime Minister, Shri Narendra Modi launched the National Logistics Policy (NLP) at Vigyan Bhawan, New Delhi today.

Speaking on the occasion, the Prime Minister called the launch of the National Logistics Policy a significant step in fulfilling the 'Pran' of India being a developed country. "To ensure quick last mile delivery, end transport-related challenges, save time and money of the manufacturers, prevent wastage of the agro-products, concerted efforts were made and one of the manifestations of those efforts is today's National Logistics Policy", the Prime Minister said. The resulting improvement in coordination will lead to the desired speed in the sector.

The Prime Minister noted that in India, which has become the 5th largest economy in the world, things are changing rapidly. Referring to this morning's release of Cheetah, the Prime Minister said we all want that luggage should move quickly like a cheetah.

The Prime Minister said "the echo of Make in India and India becoming self-reliant is everywhere. India is setting big export targets and is also fulfilling them. The notion that India is emerging as a manufacturing hub, is stabilizing in the mind of the world. If we study the PLI scheme we will find that the world has accepted it."

In such a situation, the Prime Minister said, the National Logistics Policy will bring new energy to all sectors. He said that policy is a beginning and policy plus performance is equal to progress. When parameters, roadmap and timeline for performance come together then policy plus performance equal to progress emerges, he elaborated.

"Today's India prepares the ground before bringing any policy, only then a policy can be implemented successfully. National Logistics Policy has not come out of the blue and there are 8 years of hard work behind it. There are policy changes, major decisions, and, if I talk about myself, it has my 22 years of governance experience behind it", he said.

The Prime Minister reiterated that schemes like Sagarmala, Bharatmala, expedited the work of Dedicated Freight Corridors to improve logistics connectivity for systematic infrastructure development. Shri Modi pointed out that the total capacity of Indian ports has increased significantly and the average turn-around time of container vessels has come down from 44 hours to 26 hours.

For promoting export, 40 air cargo terminals have been constructed. 30 airports have been provided cold-storage facilities. 35 multimodal hubs are coming up in the country. “Through waterways, we can do eco-friendly and cost-effective transportation, for this many new waterways are also being built in the country”, the Prime Minister added. He also mentioned Kisan Rail and Kisan Udan experiments during the Corona time. Today 60 airports have the facility of Krishi Udan.

Stressing the need to adopt technology to strengthen the logistic sector, the Prime Minister said that the government has worked towards initiatives like paperless EXIM trade process through e-sanchit, faceless assessment for customs, provisions for e-way bills, FASTag etc. that have greatly increased the efficiency of the logistics sector. He also underlined the importance of a unified tax system like GST in smoothening the issues of the logistics sector.

Change in drone policy and connecting it with the PLI scheme is promoting the use of drones in the logistics sector. “Only after doing so much, we have come out with a National Logistics Policy, '' he explained. “From 13-14 per cent logistics cost, we should all aim to bring it to single-digit as soon as possible. This, in a way, is a low-hanging fruit, if we have to become globally competitive”, the Prime Minister emphasised.

The Prime Minister said that Unified Logistics Interface Platform ULIP will bring all the digital services related to the transportation sector into a single portal, freeing the exporters from a host of very long and cumbersome processes. Similarly, under the policy a new digital platform Ease of logistics Services -E-Logs has also been started. “Through this portal, industry associations can directly take up any such matters which are causing problems in their operations and performance with the government agencies. A complete system has also been put in place for the speedy resolution of such cases”, he said.

Shri Modi pointed out that the PM Gatishakti National Master Plan will be supporting the National Logistics Policy in all earnest. The Prime Minister also expressed happiness while mentioning the support that states and union territories have provided and that almost all the departments have started working together. “A huge data of information related to different infrastructure projects of state governments has been prepared. Today, data from the central and state governments in about 1500 layers are coming on the PM Gatishakti portal”, the Prime Minister informed. “Gatishakti and National Logistics Policy together are now taking the country towards a new work culture. The talent that will come out of the recently approved Gatishakti University will also help it a lot”, he added.

The Prime Minister said that today, the world is looking at India as a 'democratic superpower'. He highlighted the 'extraordinary talent ecosystem' of India that has impressed the field experts who praise the 'determination' and 'progress' of India. The Prime Minister said “today the world's attitude towards India is changing. Today the world is evaluating India very positively, it is keeping a lot of expectations from India”

The Prime Minister remarked that the resilience shown by India and the Indian economy in the midst of a global crisis has filled the world with new confidence. “The reforms that India has done in the last years, the policies implemented are unprecedented. That is why the faith of the world has increased in us”, the Prime Minister said. He urged the nation to fully live up to the trust of the world. “This is our responsibility, we all have a responsibility. The National Logistics Policy, launched today, will help the country a lot in this”, he added.

The Prime Minister urged competitive behaviour in Indians and said “India, which is determined to become developed, now has to compete more with developed countries, so everything should be competitive.” He continued “be it service sector, manufacturing sector, automobiles, electronics, we have to set big goals in every sector and achieve them”, the Prime Minister remarked. The Prime Minister also pointed out the increasing attraction of the world toward products that are made in India. “Be it India's agricultural products, India's mobile or India's BrahMos missile, they are discussed in the world today.” The Prime Minister also mentioned the Made in India covid vaccines and medicines that helped in saving millions of lives across the globe.

The Prime Minister underlined that for the products manufactured in India to dominate the world market, it is crucial to have a strong support system. “The National Logistics Policy will greatly help us modernize this support system”, he said. Shri Modi also pointed out that the issues related to logistics are reduced and when the country's exports increase, small industries and the people working in them benefit the most. “Strengthening of the logistics sector will not only make the life of common man easier but will also help in increasing the respect of labour and workers”, the Prime Minister added.

In concluding his address, the Prime Minister said “The National Logistics Policy has immense potential for the development of infrastructure, for expansion of business and increasing employment opportunities. We have to realize these possibilities together” the Prime Minister said.

Representatives of Logistics sector, Shri R Dinesh, Managing Director, TVS Supply Chain Solutions; Shri Ramesh Aggrawal, CEO, Agarwal Packers and Movers; Shri Amitabh Saha, Founder and CEO of XpressBees Logistics also expressed their views on the occasion.

Union Minister of Commerce & Industry, Shri Piyush Goyal, Union Minister of Road, Transport & Highways, Shri Nitin Gadkari, Union Minister of Civil Aviation, Shri Jyodiraditya Scindia, Union Minister of Railways, Shri Ashwini Vaishnav, Union Minister of Port, Shipping and Waterways, Shri Sarbanada Sonowal, Union Minister of Education, Shri Dharmendra Pradhan, and Union Minister of State for Commerce and Industry, Shri Som Prakash were those present on the occasion.

Background

The need for a national logistics policy was felt since the logistics cost in India is high as compared to other developed economies. It is imperative to reduce the logistics cost in India for improving the competitiveness of Indian goods both in domestic as well as export markets. Reduced logistics cost improves efficiency cutting across various sectors of the economy, encouraging value addition and enterprise.

Since 2014, the government has put significant emphasis on improving both, Ease of Doing Business and Ease of Living. National Logistics Policy, a comprehensive effort to address issues of high cost and inefficiency by laying down an overarching interdisciplinary, cross-sectoral and multi-jurisdictional framework for the development of the entire logistics ecosystem, is yet another step in this direction. The policy is an endeavour to improve the competitiveness of Indian goods, enhance economic growth and increase employment opportunities.

It has been the vision of the Prime Minister to develop world-class modern infrastructure through the integration of all stakeholders in holistic planning and implementation so that efficiency and synergy are achieved in the execution of the project. The PM GatiShakti - National Master Plan for muti-modal connectivity - launched by the Prime Minister last year, was a pioneering step in this direction. PM GatiShakti will get further boost and complementarity with the launch of the National Logistics Policy.

Source: pib.gov.in– Sep 17, 2022

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# India needs to be less inhibited on free trade

Three years ago, India abruptly walked out of the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement among 15 nations, including China. The RCEP trade negotiations had been going on for nearly 10 years, during which India had been an active and enthusiastic participant.

The present RCEP grouping represents about 30 per cent of global GDP and is rising. Intra RCEP trade without India is worth 2.3 trillion dollars. The RCEP agreement finally came into force on January 1 this year (they were waiting and hoping India would join). This agreement encompasses broad areas of cooperation and seeks to eliminate nearly 90 per cent of all tariffs, making it a sort of economic union.

India's apprehension and eventually not joining was perhaps due to a fear that Chinese goods would enter duty-free into India, swamping the home market. But our trade deficit with China has been growing steadily for the past three years, and even total trade volume has increased, notwithstanding the clash in Ladakh. India's GDP growth also seems to be back on track toward a 7 or 7.5 per cent growth.

India will eventually benefit from the 'China plus one' strategy of many global investors, as they seek to set up factories outside China, in other countries like Vietnam, Thailand or even India. By not signing the RCEP, India may have dented its chances of attracting investments in various parts of the manufacturing supply chain in sectors like electronics, textiles and automotive. That is because when investors choose to locate their investments, which span a whole value chain, and when the chain has to cross boundaries, they would choose to be inside RCEP territory to enable seamless movement of the goods.

If India is outside the RCEP, it poses a disadvantage for investors in value chains, when the rest of the chain is in RCEP countries. So, by narrowly focusing only on the trade deficit aspect of RCEP, India may have missed the value chain bus. Also keep in mind, India already had a free trade agreement in place with 12 out of 15 countries before its decision to walk out. It has now also signed a free trade agreement with Australia, the 13th out of the 15 RCEP nations.

There are three big trade groupings in the world which straddle big parts of Asia. Apart from the RCEP, the other two are the Comprehensive and Progressive agreement for Trans Pacific Partnership (CPTPP) and the Indo Pacific Economic Framework (IPEF). The IPEF, launched recently in May, includes 14 countries, and the CPTPP includes 11 countries. Australia, New Zealand, Malaysia, Singapore, Vietnam, Japan and Brunei are members of all three groupings. India is not present in two out of the three. China of course is not in the IPEF or the CPTPP, because these two groupings were brought together explicitly to keep China out.

The CPTPP is a modified version of the TPP, which was led by the US under the leadership of President Barack Obama. But under President Donald Trump, the US withdrew from the TPP and has not rejoined the newly named CPTPP. It was meant not just to be a trade agreement, but to influence and shape the emerging trade rules in the Asian region, and to counter the clout of China.

Thus it has provisions which cover investment rules, labour and environmental standards, greater integration of manufacturing value chains and so on. The CPTPP is ambitious and is now alluring enough for even China to be knocking on its doors. South Korea and the United Kingdom may be seeking entry too. Note that Japan now has a free trade agreement with the European Union since 2018. That means the EU too has a foot in.

The United States is paying a price by being outside CPTPP (and of course the China-dominated RCEP), in terms of lost trade opportunities, and decreased geopolitical clout. That explains the aggressive initiative it has taken in the formation of IPEF. This 14-nation grouping represents 28 per cent of GDP and a substantial trade volume too. It has four pillars, comprising trade, supply chains, tax & anti-corruption, and clean energy. The IPEF allows members to opt out of any pillar.

Here, too, India displayed some squeamishness by opting out of the trade pillar. India’s trade minister said that since there were issues like labour and environmental standards, digital trade and public procurement involved, and around which there was no consensus among IPEF members, India had chosen to opt out. He also hinted that higher labour standards imposed by countries like the US and Japan could be detrimental to developing countries like India.

That was effectively implying that India would choose to adhere to lower labour protection standards, or allow more "dirty" industries with lax environmental standards, to gain a competitive advantage in global trade. But those days are gone. And India has de facto agreed to harmonise labour and environmental standards with the West, since it is also pursuing a free trade agreement with the European Union. So what is the point of staying out of the trade pillar?

Indeed, right after opting out of the RCEP, India has aggressively pursued bilateral free trade agreements with Australia, the United Kingdom, the UAE, Canada and the EU. Why then the hesitation when signing with regional and multilateral treaties like the IPEF?

India's growth is critically dependent on being globally competitive in both manufacturing and services. We also have to be committed to the principle of openness in international trade.

Our tariffs should be moderate, and we have to desist from frequent and instinctive protective measures to shield our domestic industry from global competition. And with our commitment to employment generation (not just value addition), India can benefit more from global engagement.

The window of opportunity due to 'China plus one' will not be open forever. Labour-intensive exports give us our competitive edge, be it in textiles, tourism, agro-processing or software services at the higher end. It is in our interest to embrace free or nearly-free trade across all sectors.

In a world slowing down due to a recession, even if our share of trade goes up from 3% to 4%, that would be a huge boost for the Indian economy. And that is eminently feasible only if we are less afraid of open and free trade.

Source: freepressjournal.in– Sep 18, 2022

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# Need 'cheetah' speed implementation of measures announced in National Logistics Policy

The National Logistics Policy launched by Prime Minister Narendra Modi on Saturday has been hailed by India Inc as the best thing to happen for the $200 billion logistics industry that has been crying for such an initiative for decades. However, the critical thing is speedy implementation of the various initiatives announced.

The biggest announcement is the plan to integrate 30 systems of various ministries to create an integrated digital logistics system for faster, cheaper and safer logistics services. This is key to ensure that every transaction of the logistics department can be authenticated. The Unified Logistics Interface Platform will bring all the digital services related with the transportation sector on a single portal.

Since 2014, the government has put significant emphasis on improving Ease of Doing Business. The logistics policy being the latest addresses key issues of high cost and inefficiency by laying down an overarching interdisciplinary, cross-sectoral and multi-jurisdictional framework for the development of the logistics ecosystem.

The government has incorporated major points suggested by the industry in this policy. However, the critical issue is implementation. "We need to implement the policy at Cheetah speed. It will also put pressure on the states to initiate a similar measure," said an official of a leading logistics company.

Jagannarayan Padmanabhan, Director and Practice Leader-Transport and Logistics, CRISIL agrees. Over the past five fiscal years, the government has invested close to ₹15 lakh crore in augmenting hard infrastructure such as roads, rail, ports and airports. This trend is expected to continue. The policy's right implementation and widespread adoption will help structurally reduce logistics costs and make a difference to the growth of India's manufacturing and services sectors, he said.

Hard work

"The National Logistics Policy has not come out of the blue and there are eight years of hard work behind it. There are policy changes, major decisions, and it has my 22 years of governance experience behind it", the

Prime Minister said. “We all want that luggage should move quickly like a cheetah,” he added, referring to the release of cheetah in the morning.

Lauding the policy, R Dinesh, Executive Vice-Chairman, TVS Supply Chain Solutions and President Designate of the Confederation of Indian Industry (CII), said it is a timely step in the right direction that will help to increase the outsourcing levels by manufacturers and encourage digitisation thereby reducing the cost of logistics in India.

“The policy is an encouragement for all the stakeholders in the supply chain segment. It will surely provide the cheetah speed to the logistics industry and make India a global logistics hub,” said Vineet Agarwal, MD, Transport Corporation of India. If India is to become a $5 trillion economy, it is imperative to reduce the logistics cost, said Venu Knodur, CEO, Lobb Logistics.

India’s logistics sector is complex with more than 20 government agencies; 37 export promotion councils; 500 certifications and 10,000 commodities. The sector also involves 200 shipping agencies; 36 logistics services; 129 inland container depots; 168 container freight stations; 50 IT ecosystems, and banks and insurance agencies. Further, 81 authorities and 500 certificates are required for EXIM.

Desi capacity

Though the policy talks about substantial reduction in logistics costs, it may turn out to be just in the print, as effort should be taken to create India’s own carriage capacity in both shipping and air that are totally controlled by foreign operators right now. The freight costs and associated terminal costs are decided by them, said B Govindarajan of Tirwin Management Services.

“Unless the country has a say in its freight costs, aiming to bring down the logistics costs will only be a wish list,” he added.

Source: thehindubusinessline.com– Sep 18, 2022

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## Small exporters demand 'empowered' grievance redressal mechanism

Micro, small and medium enterprises have sought an "empowered" grievance redressal mechanism, blaming a fall in their share of exports on lack of coordination among central ministries among other factors.

Despite overall exports hitting a record high of $420 bn in FY22, the share of MSME exports declined to 45% compared with 49.35% in FY21, official numbers showed.

The US, UAE, Germany and China are among the top exports destination for Indian MSMEs.

"Whether it is policy decisions such as profiling of risky exporters which continue to harass a large number of exporters or retrieving a shipment stuck at a foreign port requiring coordination of central ministries there is no system that small exporters can reach out to for timely resolution of their grievances," the Federation of Indian Micro and Small & Medium Enterprises (FISMI) said.

The matter was brought to the attention of commerce and industry minister Piyush Goyal at a recent meeting of the Board of Trade.

"In a memorandum submitted to the minister during the meeting, FISME demanded an empowered grievance redressal mechanism, with a dashboard, to capture and see what kind of problems exporters face both internally and externally and find a way to resolve them," the federation said.

Goyal had called a meeting of the newly constituted Board of Trade on 13 September amid slowing exports growth. Exports declined sequentially in August even as the trade deficit eased slightly in August to $28.7 billion from a record $30 billion in July.

FISMI said that despite the high potential for trade in India, traders move to Dubai, Hong Kong and Singapore to do third party trading due to restrictive environment in India.

"During the peak of covid-19 when there was huge shortage of ships and containers, in some cases banks refused to credit payment citing a discrepancy in shipping document. The bank did not understand the volume of Dubai port and the huge upheavel in shipping during the period," Prashant Patel, president FISME said.

FISME has also suggested setting up a working group to identify and ease the regulatory and policy constraints in conducting third party trading. The MSME group also suggested revamping EXIM bank to focus on MSMEs.

To be sure the Union government has launched several initiatives including MUDRA Yojana, Emergency Credit Line Guarantee Scheme, Scheme of Fund for Regeneration of Traditional Industries (SFURTI) to provide support to the MSME sector.

A scheme called 'Capacity Building of First-Time MSME Exporters' was launched to encourage MSMEs to offer products and services of international standard for the global market. The scheme aimed at enhancing the participation of Indian MSMEs in the global value chain and help them realise their export potential.

Source: livemint.com– Sep 19, 2022

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# India's cotton production to increase by 15% in 2022-23

At a time when the central government is worried about the closure of the 50% of the spinning mills in the country due to cotton shortages, the production in the October-September cotton year 2022-23 is expected to increase by about 15% provided the weather remains conducive till October offering relief to the entire cotton value chain.

Government agency Cotton Corporation of India (CCI), which carries out cotton procurement operations when prices fall below the minimum support price (MSP), has pegged India's 2022-23 cotton production higher by 15% to 360 lakh bales of 170 kilograms each.

Prices of Indian cotton had increased from Rs 60,000 per candy (of 356 kilograms) in January to Rs 1,10,000 per candy by May. Thanks to such high prices, area under cotton sowing has increased by 7% to 8%.

"The area under cotton has increased to 128 lakh hectares against 120.55 in the previous year. As yields are also expected to increase due to excellent weather conditions, production of cotton is expected to increase to 360 lakh bales," said Arjun Dave, deputy general manager, CCI. He was speaking at the All India Meet on Cotton Trade organised by the Khandesh Gin Press Association, Jalgaon.

The Cotton Association of India (CAI), which is dominated by the traders, has pegged the production figure at 350 lakh bales. "If the weather remains conducive in the coming months, the production can increase to 370-375 lakh bales. However, if not, then the production can fall to 325-330 lakh bales," said Atul Ganatra, president, CAI.

Ganatra said that the textile industry is in depression and there is huge pressure from the government to ease the cotton situation. "Exports of yarn, textile, garments etc has declined by about 70%," said Ganatra.

Source: economictimes.com– Sep 19, 2022

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# India's CAD may remain within 3% of GDP in FY23: RBI Bulletin article

The Reserve Bank of India (RBI) in its latest bulleting said that the country's current account deficit (CAD) may remain within 3 per cent of gross domestic product (GDP) in this fiscal. It was at 1.2 per cent in the last fiscal. India's trade deficit widened to $124.5 billion in the first five months of this fiscal compared to $54 billion a year ago.

The futures prices of crude oil have softened in the last few months, an article in the bulleting titled 'State of the Economy' said.

Export of petroleum products has also improved on an annual basis in August, the article said.

Overall exports of goods and services can achieve the target of $750 billion for fiscal 2022-23. In addition, India is strengthening its position in the world in terms of money received by non-resident Indians (NRIs).

The country received a record $90 billion in funds from NRIs during the last fiscal, and that is expected to reach a record level in the current fiscal, the article, written by a team led by RBI deputy governor Michael Debabrata Patra, said.

Strong foreign investment buying and foreign direct investment can lead to deficit financing, the article added.

Source: fibre2fashion.com– Sep 19, 2022

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# FIEO plea for sops at odds with govt view

About 10 days back, Commerce Minister Piyush Goyal said exporters should not be dependent on a depreciating rupee to stay competitive and, instead, they should stand on their own feet on the basis of quality of products and the ability to serve the needs of customers in the global markets. It would be interesting to see if he takes the same view on several demands of the exporters.

Last Monday, in a press release, the Federation of Indian Export Organisations (FIEO) gave detailed data and said contrary to general perception rupee depreciation is not providing much competitiveness as currencies of most of the countries are depreciating more steeply and therefore, there is a need to provide some other fiscal or non-fiscal support to help exports in this scenario.

The interest equalisation scheme on pre- and post-shipment rupee export credit gives 3 per cent subvention to all MSME (micro, small, and medium enterprises) and 2 per cent subvention for manufacturer exporters and merchant exporters exporting under 410 tariff lines.

The scheme was introduced in April 2015 initially for a period of five years but has been suitably tweaked and extended till the end of March 2024. FIEO says that with interest rates firming up, the MSMEs are getting credit at not less than 10-11 per cent. This is likely to go up further as the RBI is expected to increase the same again in October.

However, with complete change in the situation, there is an urgent need to restore the interest equalisation benefit of 5 per cent to manufacturer MSMEs and 3 per cent for all tariff lines as cost of credit is equally hurting all exporters. The scheme should be extended to service sector also, says the FIEO press release.

The FIEO wants liberal funding to exporters, at competitive cost, for promoting their brands and a scheme like the Services Exports from India Scheme (SEIS) for hotels, travel, and tourism and some other services sectors. Also, the government must operationalise the legal provisions made five years back for refund to foreign tourists of goods and services tax on their purchases in India and create a corpus for marketing services globally through different organisations/associations.

The FIEO wishes the present export promotion schemes to continue and gives a number of suggestions to encourage e-commerce, research and development, digitization, rupee trade mechanism and so on. In particular, the FIEO wants clarity on whether the payments realised in rupees through Special Vostro Accounts will be treated on par with receipt of payments in freely convertible currencies for the purpose of getting export incentives.

It is difficult to understand why the exporters want the taxpayers' money to further their businesses. There was a time when the exporters needed the government to support their activities. Now, the times are different. Most companies are reporting good profits. It is quite easy to raise capital through the equity markets and other sources. The banks have reduced their non-performing assets and have good enough balance sheets to readily lend to good proposals. Exporters can go to the markets rather than ask for government help.

The plea of FIEO for fiscal sops to support exporters is at odds with the Commerce Minister's call for exporters to stand on their own legs and focus on quality of products and services. We have to wait and see whether the government will walk its talk.

Source: business-standard.com– Sep 18, 2022

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# Why government needs to fast-track the National Retail Policy

In 2019, when the draft National Retail Policy (NRP) was announced, it was met with a lot of optimism. Aimed at creating a conducive business environment for retail trade by simplifying rules and regulations, the policy was seen as a harbinger for change. Today, the policy continues to be in limbo. The much-needed deliberations, needed for a strong and effective framework, are yet to start, never mind implementation.

It is critical that GoI fast-tracks the spadework on NRP to prepare this crucial cog in the economy's wheel for the post-pandemic future. While ecommerce has grown by leaps and bounds, the retail sector remains the backbone of the economy, particularly in the hinterland. Even as the Indian ecommerce market is expected to have an annual gross merchandise value of $350 billion by 2030 versus only $55 billion in 2021, the retail sector will not only hold its ground but it is expected to grow to $2 trillion by 2032.

There are over 63 million MSMEs in India that contribute around 29% of India's GDP. According to a June 2022 Monster Employment Index, the Indian retail industry is likely to generate 2.5 crore new jobs by 2030. If India is to emerge as a $5 trillion economy by 2025, MSMEs and offline retailers must be given their due recognition.

India is a retail dense country, but it has multiple associations and various departments looking at the issues and opportunities for the sector. For all the challenges the sector faces, it requires one retail ministry or a centralised department that could exclusively represent this segment.

Despite retail being one of the most important pillars of the Indian economy accounting for over 10% of the GDP, it still lacks an industry status and receives no special incentives or perks.

An industry status will not only help regulate the sector, but it will also provide the requisite impetus to small players to get easier access to bank funds at low rates while ensuring better wages and employment conditions for the sizeable workforce.

Further, considering that small retailers need special attention and handholding, GoI should look to appoint a nodal officer or formulate a central regulatory body to help them establish brick and mortar stores. The banking system can also be leveraged for these small traders and unorganised retailers so that they have access to affordable funds. A special loan window can also be established under the Pradhan Mantri MUDRA (Micro Units Development & Refinance Agency) Yojana.

In the current scenario, 30-40 licences are required to start a retail operation including trade, weight and measurement, and GST registration. It is an arduous task to run pillar to post to get these licences. There is an urgency to bring in a system of single-window-clearance with faster clearances and extended validity for licences to stimulate the business ecosystem and facilitate the growth of small businesses.

Customers are increasingly deciding when to shop, how to shop and where to shop, be it online, offline or a mix of both. Amid this fast-spreading quick commerce, the traditional mom and pop stores are the ones facing the real heat. The competing environment of big discounts and ultra-fast home delivery is leading to low margins and higher delivery costs for most players, thereby translating into negative Ebitda for most ecommerce and quick commerce companies.

While the future is omnichannel, the choice to go out and shop from neighbouring stores will continue. It is here that both the government and large organised players must join hands to initiate skill development programmes for small retailers. A one-size-fits-all approach won't benefit any stakeholder. The solution lies in policy diversification. The same set of regulations for both retail giants and small retailers may eventually lead to more distress and hurt the sector's immense growth potential.

Source: economictimes.com– Sep 18, 2022

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# Quality lens likely on bullet-resistant vests, firefighters' clothing

At least 30 technical textiles such as protective clothing worn by firefighters and industrial workers exposed to heat, bullet resistant jackets, and pouches for ammunition and grenades, are likely to come under the government's quality scanner. The textiles ministry is working on quality standards for geotextiles and protective fabrics to check cheap and substandard imports. "Work is going on to issue quality control orders (QCOs) for these two sets of technical textiles to bring them under mandatory BIS (Bureau of Indian Standards) certification. The aim is to ensure human safety and optimal quality of these products," said an official, who did not wish to be identified.

Geotextiles are used for filtration, drainage, pavement structures, hard armour systems and soil retaining structures. These QCOs are being developed to ensure availability of quality products to consumers, improve the quality standards of products manufactured under the Aatmanirbhar Bharat Abhiyan and also check cheap imports that can endanger consumer health.

"Since India is becoming part of the global value chain due to its various foreign trade agreements, there is a need to build global standards and also look at the benefits of possible alignment of national and International standards," said a textile industry representative, who did not wish to be identified.

India has already rolled out a ₹10,683 crore production-linked incentive scheme for textiles and apparel to enable the industry to achieve size and scale and become competitive. The government is also keen to reduce imports and encourage creation of domestic capacity in the technical textiles segment. The BIS is working to develop QCOs for 107 technical textiles, including agrotextiles, medical textiles, protective textiles and geotextiles, to address the health and safety concerns around influx of cheaper and sub-standard textile imports.

Source: economictimes.com– Sep 18, 2022

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# Kalyana Karnataka will get Rs 5,000 crore grant in next budget: Bommai

KALABURAGI: Chief Minister Basavaraj Bommai announced that the state government will reserve Rs 5,000 crore in next year's budget, for the development of the Kalyana Karnataka region. Inaugurating the Kalyana Karnataka Amrit Mahotsava here on Saturday, the CM informed that the Centre is expected to announce the establishment of a textile park in Kalaburagi soon, for which he would be laying the foundation.

Bommai added that he had requested the Union Government to sanction an All India Institute of Medical Sciences (AIIMS) for Raichur district as well, while the construction of a Jayadeva Hospital branch in Kalaburagi is in progress, and Prime Minister Narendra Modi will be requested to inaugurate it.

Bommai said that last year, he had promised to provide a grant of Rs 3,000 crore, and he had kept up his word by providing the grant this year to KKRDB, and he has also approved the action plan for taking up development work. He stated that all government schools in Kalyana Karnataka will get toilets by August 15 next year.

Questions Congress

Meanwhile, the chief minister remembered late Vaijinath Patil for bringing awareness on the need to put pressure on the government for amending Article 271 J of the Constitution. He also remembered Leader of Opposition in the Rajya Sabha Mallikarjun Kharge, who successfully managed to get an Amendment to the Article in Parliament, when he was a Union minister. "But what happened after that," he questioned.

The Congress ruled the state for five years after the Amendment to Article 371 J, but has failed to release much grants to KKRDB, he alleged, further slamming the grand old party for the unemployment during its rule. "Simply making an amendment is not sufficient, it should be implemented. Our BJP government is implementing it," he claimed, while promising to fill up vacant teacher posts.n Bommai said that Kalyana Karnataka is close to his heart, and he will do everything possible for its development.

KALABURAGI: Chief Minister Basavaraj Bommai on Saturday announced that the existing Bidar-Ballari Road will be turned into a four-lane express highway. Speaking after an event here on Saturday, he said that the proposed express highway will play a vital role in improving road connectivity in the Kalyana Karnataka region.

Steps have been initiated to build airports in Raichur and Ballari. With assistance from the Centre, a Ring Road has been proposed covering Yadgir, Raichur and Kalaburagi, he said. Stating that more encouragement is being given to set up industries in this region, Bommai said the Union Government has decided to set up a textile park in Kalaburagi, and the state government has also resolved to establish textile parks in Raichur and Vijayapura, which will create around 25,000 jobs.

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