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INTERNATIONAL NEWS

Cotton Sector Needs 3 Vs

Recent months have seen high cotton drama regarding price volatility and demand. As cotton is a natural fiber, its availability depends on weather and other uncontrollable situations.

However, these aspects have also given room to high volatility and uncertainties that are influencing the entire cotton and textile supply chain. Adding to these expected pains, the ongoing war in Europe has added more volatility to the sector.

While the entire cotton segment is under the grip of uncertainties, the current scenario calls for self-introspection and solid planning ahead.

Need for 3Vs

Prior to inflation reaching a 40-year high 9% in some parts of the world, the textile sector focused predominantly on the supply side of the equation such as the availability of raw materials, labor force, and energy issues.

Given the finite amount of arable land due to the growing need for food grains and an ever-rising global population, land for other cash crops is always stressed.

China is a good example of this situation, which necessitates importing cotton and food grains such as soy to satisfy its domestic demand.

The textile sector will be under a tight supply of cotton, which provides necessary price value for cotton in addition to its inherent technical advantages. Cotton is natural, biodegradable, and comfortable. Cotton is pre-sold on its breathability value, which makes it a preferred fiber despite its relative cost issue with some synthetics.

Availability of arable land, some limitations in the product range, market volatility, and competition from synthetics all influence the cotton sector. Given this scenario, our industry should focus on three Vs: 1) Value utilization, 2) Value creation, and 3) Value addition.

Value Utilization

The cotton sector from farm to fashion should utilize its fullest value. At the farm level, countries like India need to increase the yield/acre by increasing efficiency with the use of fertilizer, pesticides, and water to maximize return on investment. India has the largest land area dedicated to cotton compared to other major cotton producing countries, but with the least yield. Yield enhancement should be a public/private partnership initiative in India to help deliver cost effective, next generation, value-added seed to farmers.

Creating and disseminating knowledge about best farm practices such as fact-based agronomic approaches, seed selection, and farming and irrigation techniques must be widely transmitted to practitioners such as farmers, researchers, and policy makers.

Active involvement at the grassroot levels during the growing season is vital for the growth of agriculture, much like the activity of Plains Cotton Growers, Inc. in Lubbock, TX.

Value Creation

While value utilization focuses on using the existing resources to improve the sector, value creation is aimed at creating new opportunities. Cotton is predominantly used as apparel textiles. A way to increase its demand is to find new opportunities in the farm to fashion sectors and beyond such as industrial textiles.

As is evident from the ongoing inflationary cycle, demand for goods – particularly nonpriority items – has come down. Cotton is subjected to such stressful situations and is also sensitive to price pressures from competing synthetic and regenerative fibers.

In the mid- to long-term, it is important to enhance the demand for cotton in non-traditional areas. Recently, cotton industry is focused on finding applications in the industrial, medical, automotive, and defense sectors. United States-based Cotton Incorporated is conducting projects in nonwovens to help enhance demand for cotton.

An INDO-United States collaboration between Texas Tech University and Jayalakshmi Textiles in Aruppukkottai, India has resulted in a sustainable cotton-based oil absorbent material. This product has been evaluated at ONGC facilities in the Thiruvarur and Rajahmundry areas in India.

Value Addition

The downstream processes in the textile sector can help with value addition to find new markets and opportunities. Saltless dyeing and waterless finishing technologies can be utilized to generate sustainable and high-end products.

Leading brands are looking for opportunities to develop products that have consumer appeal and can be marketed as “green” products. New finishing technologies like atmospheric plasma can help with selective surface characteristics with less or no water usage. Cotton, being biodegradable, provides opportunities for brands to develop value-added products.

While the present economic situation put enormous stress on the textile sector, it provides a valuable lesson that we should focus both on the supply and demand sides of the textile equation.

Source: cottongrower.com - Oct 18, 2022

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US retail trade sales rise 7.8 YoY in Sept 2022

Retail trade sales in the US for September 2022 were down 0.1 per cent (±0.4 per cent) month-on-month (MoM), but up 7.8 per cent (±0.7 per cent) year-on-year (YoY).

Total sales for the July-September 2022 period were up 9.2 per cent (±0.5 per cent) from the same period a year ago, according to the US Census Bureau's advance estimates of US retail and food services sales for September 2022.

The advance estimates, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $684.0 billion, virtually unchanged (±0.5 per cent) from the previous month, but 8.2 per cent (±0.7 per cent) above September 2021.

The July 2022 to August 2022 per cent change was revised up from 0.3 per cent (±0.5 per cent) to 0.4 per cent (±0.2 per cent), the US Census Bureau said.

Gasoline stations were up 20.6 per cent (±1.6 per cent) from September 2021, while non-store retailers were up 11.6 per cent (±1.1 per cent) from last year.

Source: fibre2fashion.com- Oct 18, 2022

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Fabric makes up 78.75% of China's total textile shipment in H1 2022

Fabric constituted 78.75 per cent of the total textile exports of the world's largest textile exporter China during the first half (H1) of 2022. It exported fabric worth $37.183 billion in this period, while its total textile exports were valued at $47.217 billion. Numerous small garment-exporting countries are dependent on China for upstream products.

China prefers exporting value-added products. The country exported yarn worth $8.130 billion in the period which was 17.22 per cent of the total textile exports. Its fibre exports, valued at $1.903 billion, were mere 4.03 per cent of the total textile exports, according to Fibre2Fashion's market insight tool TexPro.

China exported man-made textile products worth $30.585 billion in January-June 2022, which was 64.78 per cent of its total textile exports. It shows the dominance of China in the man-made textile industry. Man-made textiles mainly comprise polyester, viscose, and acrylic products.

China's cotton textiles exports were valued at $10.218 billion (21.64 per cent) in the period under review. The exports of textiles made from wool and animal hair were at $1.175 billion (2.49 per cent), silk at $482.902 million (1.02 per cent), flax at $384.881 million (0.82 per cent), true hemp at $2.527 million (0.01 per cent) and others at $4.364 billion (9.24 per cent), as per TexPro.

Source: fibre2fashion.com- Oct 17, 2022

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Apparel-footwear positively contributed to Spain's monthly CPI rate

The annual variation rate of the September consumer price index (CPI) in Spain was 8.9 per cent, more than 1.5 points above that registered in August. Apparel and footwear was among the sectors with a positive monthly contribution to the CPI rate, with a monthly variation rate of 3.6 per cent. This reflects the behaviour of prices at the beginning of the fall-winter season.

The contribution of the apparel and footwear sector to the overall CPI was 0.180.

The annual rate of core inflation decreased by two-tenths to 6.2 per cent, government statistics showed. The monthly variation rate for the overall index is minus 0.7 per cent.

The annual rate of the harmonised index of consumer prices (HICP) stood at 9 per cent, 1.5 points higher than that of the previous month.

Source: fibre2fashion.com- Oct 19, 2022

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Egypt and Sweden sign historic textile machinery deal

Switzerland's ambassador to Egypt Yvonne Baumann hosted a reception on Wednesday celebrating a historic textile machinery export transaction between Switzerland and Egypt.

"Switzerland and Egypt share a history of fruitful collaboration in the textile sector, which dates back to the 19th century. This most recent agreement is in line with the two countries' tradition in this field, and I am certain that Egypt will incorporate it into it successful strategy to further increase its exportation of high-quality textiles," the ambassador said.

The deal, signed in December, saw Credit Suisse and several other banks sign a €355 million deal with the Cotton & Textile Industries Holding Company (CTIHC) under the auspices of the Ministry of Public Business to supply contracts between the CTIHC and select Swiss textile machinery manufacturers such as Maschinenfabrik Rieter AG.

Representatives from Credit Suisse and the Swiss Export Risk Insurance (SERV) visited the first factory to receive the machines as part of the agreement, the al-Mahalla textile factory, prior to the reception.

SERV alongside Egypt's Ministry of Finance backed the deal.

This momentous deal aims to help Egypt modernize its textile industry while benefiting the Swiss textile machinery industry by broadening its export strategy plans.

Source: egyptindependent.com- Oct 18, 2022

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Vietnam invested over $347.3 mn overseas during Jan-Sept 2022: MPI

Vietnam invested more than $347.3 million in 80 new projects overseas in the first nine months of 2022, which was a 2.31 per cent increase year-on-year. The nation's current investments in around 1,584 overseas projects have surpassed $21.6 billion, according to the ministry of planning and investment (MPI). The government has spent money in 13 sectors abroad during the period.

More than $291.6 million (55.2 per cent of the total) was spent on the processing-manufacturing industry including textile-garment manufacturing. Among the 24 countries that received Vietnamese investment during January to September 2022, Laos emerged as the top destination after which came Singapore, the US, Germany, and the Netherlands.

"Overseas investment by Vietnamese firms is growing and can surpass $1 billion per year in the future, from about $700 million at present," Vietnam Association of Foreign Invested Enterprises chairman Nguyen Mai was quoted as saying by various Vietnamese media reports.

The increase in new overseas investments is partially ascribed to five big projects worth more than $34.68 million each by the Vines Energy Solutions JSC in the US, Canada, France, Germany, and the Netherlands.

Source: fibre2fashion.com- Oct 18, 2022

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Bangladesh: BGMEA President hopes for UK's continued support to RMG sector

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruque Hassan expressed his hope for the continued support of the British government to the readymade garments sector of Bangladesh.

He conveyed his positive opinion on the trade related issues between the two countries during a courtesy visit of Robert Chatterton Dickson, British High Commissioner to Bangladesh, at BGMEA Complex on 18 October (Tuesday). They discussed various issues including the present situation in the UK market, possible ways to increase apparel export share in the UK, challenges of the industry and the areas where the sector is focusing on to remain competitive in the long term, said a press release.

They also talked about cooperation between the UK and Bangladesh regarding graduation from LDC, possible changes in the tariff regime. How to retain Bangladesh's export competitiveness and maintain its standing in the global market in the post-LDC era was also an issue of their discussion, the press release reads.

The BGMEA President thanked the High Commissioner for the UK's friendly cooperation in developing Bangladesh's garment industry, particularly for the new "Developing Countries Trading Scheme" to replace the existing GSP.

It would help Bangladesh significantly in increasing trade, he said. Meanwhile, the British High Commissioner praised the garment industry of Bangladesh for its significant progress in areas such as workplace safety and environmental sustainability.

Other officials of BGMEA including Vice Presidents Shahidullah Azim, Khandoker Rafiqul Islam, Directors Barrister Shehrin Salam Oishee, Asif Ashraf, Tanvir Ahmed, Abdullah Hil Rakib were also present at the meeting.

Source: tbsnews.net- Oct 18, 2022

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Pakistan: Q1 textile group exports witness 3.68pc growth YoY

The country's textile group exports witnessed a growth of 3.68 per cent during the first quarter (July-September) of the current fiscal year 2022-23 and remained at $4.583 billion as compared to $4.420 billion during the same period of last year, the Pakistan Bureau of Statistics (PBS) said.

The data of exports and imports released by PBS revealed that the country's textile group exports witnessed a growth of 2.68 per cent in September 2022 on a year-on-year basis and remained at $1.527 billion when compared to $1.487 billion during the same month of last year. On a month-on-month (MoM) basis, textile group registered 3.07 per cent negative growth compared to $1.575 billion in August 2022.

Raw cotton exports registered 100 per cent growth in July-September 2022-23 on a YoY basis, while registered 92.24 per cent negative growth on a MoM basis. Cotton yarn exports registered 18.14 per cent negative growth in July-September and remained $236.263 million compared to $288.617 million during the same period of the last year.

Jul-Aug textile group exports up 4.18pc to $3.056bn YoY

On a year-on-year basis, cotton yarn exports registered 20.39 per cent negative growth, while on a MoM basis, it registered 14.91 per cent negative growth. The country's overall exports during July–September 2022 totalled $7.179 billion (provisional) against $6.996 billion during the corresponding period of last year showing an increase of 2.62 per cent. The exports in September 2022 were $ 2,446 million (provisional) as compared to $2.482 billion in August 2022 showing a decrease of 1.45 per cent but increased by 1.54 per cent as compared to $2.409 billion in September 2021.

Main commodities of exports during September 2022 were knitwear (Rs100,580 million), readymade garments (Rs63,821 million), bed wear (Rs61,630 million), cotton cloth (Rs46,819 million), towels (Rs20,115 million), rice others (Rs17,527 million), cotton yarn (Rs17,471 million), made-up articles (excl towels and bed wear) (Rs14,764 million), rice basmati (Rs9,865 million), and fish and fish preparations (Rs9,645 million).

Source: brecorder.com - Oct 19, 2022

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NATIONAL NEWS

Textile industry in sweet spot to become sourcing hub: Goyal

The textile industry in a sweet spot to grab the opportunity to become manufacturing hub thrown open by the geopolitical developments.

Addressing a gathering at the centenary year celebration of the Cotton Association of India on Tuesday, Piyush Goyal, Minister of Textiles, Commerce and Industry, said the cotton textile industry contributed significantly to achieve merchandise export target of $400 billion last year.

Indian textile industry accounts for about 10 per cent of overall merchandise exports. India produces one-fourth of global production and cotton trade employs 65 lakh people directly and indirectly.

New pacts

New free trade agreements signed by India with UAE, Australia and the new ones under discussions will help boost exports and open up immense opportunity for textile industry.

While the prospects of the textile industry look rosy, he said there are many challenges in the cotton trade and the foremost being the yield. While the yield in India at 460 kg per hectares, it is at about 1,850 kg per hectares in China, Brazil and Turkey.

“I would urge the textile industry to collaborate with foreign partners to help farmers increase production,” he said. Globally, farmers are working on artificial intelligence-based technology to improve productivity and spraying operation since cotton crop is more sensitive to pest attacks, said Goyal.

The government on its part is working along with agriculture ministry to introduce innovative solutions and some of the initiative under consideration is to promote high density planting, drip irrigation, rainwater harvesting, inter-cropping.

The industry has many challenges such as building a common brand, developing common rules, common contracts, building a system of traceability of cotton using blockchain technology to improve the entire cotton ecosystem, he said.

Focus area

The textile and apparel industry needs to focus on sustainability. The industry can tie-up with the International Cotton Researchers Association for doing the research. The industry should also strengthen arbitration and consolation process. We have International Cotton Association that provides arbitration in UK, but it will be a costly affair for Indian textile industry. The textile industry should set up something like that in India.

It should also modernise the ginning and pressing process. Unless the cotton production is increasing, India will lose its self-sufficiency tag given the pace at which the demand is growing.

Indian associations can develop a common contract format for the trade.

Source: thehindubusinessline.com- Oct 18, 2022

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India-UK FTA: India unlikely to commit on labour, environment issues

India is unlikely to make any commitments on new-generation (new-gen) trade issues such as labour and environment, with respect to the free trade agreement (FTA) currently being negotiated with the UK, said people aware of the matter.

India will push to make chapters on these issues 'best endeavour' in nature, one of the persons cited above told Business Standard. This means India will not agree upon any binding commitments on these issues, and discussions could be taken up at a later stage.

Trade experts said it will be interesting to see if the UK will be willing to sign the trade deal, without India offering any commitments on new-age trade issues that have been a priority for most developed nations such as the EU, and the US, as part of trade pacts.

The UK has not signed any FTA without including labour standards and environment.

"Whatever FTAs the UK has signed (for instance with Australia), it has insisted on inclusion of chapters on labour and environment. If India proposes 'best endeavour' for these issues, we don't know how the British government will take it," said Biswajit Dhar, professor of economics at the Jawaharlal Nehru University.

"If there are similar sensitivities, just like in the case of the European Union, it will be difficult for the trade deal to go through. Therefore, we need to wait and watch the UK's stand," said Dhar.

Even in the past, India had expressed discomfort in making commitments on this front. For instance, last month, India pulled out of trade-related negotiations pertaining to the US-led Indo-Pacific Economic Framework, citing it was unclear what benefits member countries, including India, would derive through negotiations at this stage. Besides, there was no broader consensus on any commitments on areas such as environment, labour, digital trade, and public procurement.

A focus on these new-gen trade issues comes in the backdrop of most developed nations' attempt to develop a sustainable supply chain through FTAs, especially in a post-pandemic era. Moreover, adhering to the United Nations' Sustainable Development Goals, 2030, is also a priority.

Experts also said that India should be open to talk about more relaxed terms of agreements, rather than putting these chapters in the 'best endeavour' list.

"We need to identify the areas where we have regulation, where we don't make some regulatory commitments or some initiatives to collaborate and share information and best practices. The 'best endeavour' approach may not work," said Arpita Mukherjee, professor, Indian Council for Research on International Economic Relations. Mukherjee further said that there may be areas where the matter is sensitive, and reasons for these sensitivities are identified.

"In India, we are yet to discuss these at the industry/academic level. Therefore, there is a fear of the unknown," she observed.

Source: business-standard.com- Oct 19, 2022

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Exports to South Asia contract over 10% in August

Exports to South Asian nations have faltered this fiscal as key markets of Bangladesh and Nepal have restricted purchases mainly to essential products in the wake of foreign exchange crises there. It has added to the woes of Indian exporters as they battle a demand slowdown in major economies like the US, EU and China.

Latest data showed exports to South Asia contracted 10.5% in August from a year before to $2.1 billion. Outbound shipments until August grew 10.7% to $11.9 billion, underperforming the growth in overall merchandise exports. India's goods exports rose 10.6% in August to $36.9 billion and 19.5% in the first five months of this fiscal to $196.4 billion. These nations include Bangladesh, Nepal, Sri Lanka, Pakistan, Afghanistan, Bhutan and Maldives. Barring Pakistan, India has been a major supplier to rest of these countries.

Exports to Bangladesh shrank 22.7% in August to $0.89 billion and recorded only an 8.7% rise in the first five months of FY23 to $5.82 billion. Similarly, despatches to Nepal contracted 11.3% in August to $0.69 billion, which weighed down growth in supplies until August to just 3% to $3.65 billion.

While exports to Pakistan grew 35.9% until August to $304 million, they were primarily driven by a low base and remained way below the level witnessed before the 2019 Pulwama terror attacks that also hit bilateral trade relations.

Interestingly, India's exports to crisis-ridden Sri Lanka still grew 39% until August this fiscal, primarily due to New Delhi's credit line to the island nation for purchases of Indian goods.

New Delhi has extended assistance, including credit lines and currency swaps, worth nearly $4 billion to Colombo since January to bail out the island nation of its worst forex/economic crisis in about 70 years.

While the forex problems of Bangladesh and Nepal are less severe in magnitude, they have reined in imports to conserve dollars, hurting India's export prospects.

Given the expected slowdown in global trade, Indian exporters have been bracing for a rough sail particularly in the second half of this fiscal. From the International Monetary Fund (IMF) to the World Trade Organization (WTO), multilateral bodies have trimmed their global trade forecasts for 2022 and 2023 and even warned of a possible economic recession next year.

The IMF has pegged global trade growth at 4.3% for 2022, down from 10.1% in the previous year. Worse, it has forecast a meagre 2.5% growth rate for 2023. The WTO has put out more conservative estimates, as it warned of a "darkened 2023". It now expects merchandise trade volumes to grow 3.5% in 2022 and just 1% in 2023.

Subdued global trade growth will weigh on India's exports and complicate the country's efforts to replicate its FY22 stellar performance in this fiscal as well. India's exports had hit a record $422 billion in FY22, far exceeding the previous best of $330 billion. Domestic exporters had cashed in on an industrial resurgence in advanced economies last fiscal, which has now lost momentum due to a slowdown in economic growth.

Source: financialexpress.com- Oct 19, 2022

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Deal, no deal

An 'early harvest' free trade deal with the UK by this Diwali seemed unlikely even at the outset — although hopes were raised after the visit of former UK Prime Minister Boris Johnson to India in April. After the events of the past week in the UK, the prospects of a bilateral FTA anytime in the near future appear bleak. However, this is just as well, as the circumstances both in the UK and the rest of the world do not look good for the speedy pursuit of FTAs.

The WTO expects world trade growth to slow down to 1 per cent in 2023, owing to the effects of the Ukraine war, high energy prices, inflation and monetary tightening. In times of downturn, protectionism tends to rise, eroding the impulse to reduce trade barriers. There are good reasons for India to move with caution in such times, when countries are unwilling to go the extra distance. It should be clear about what it can realistically give or get in a context where data, e-commerce and the environment have become part and parcel of trade talks.

Fact is that this is also a bad time to talk business with the UK. Political instability in the UK is at its height, with Prime Minister Liz Truss' future looking distinctly shaky. It's bad enough that India cannot be sure of which team it will be dealing with even a few months from now; what's worse is that the UK government does not appear consistent about anything. After the Conservatives displayed some sense of purpose under Johnson in the trade talks, they seem to have backtracked.

The present Home Secretary Suella Braverman recently made uncharitable remarks about Indians overstaying their work permits, hitting at India's demand for easy immigration for professionals. The UK is clearly in no mood to reduce its trade barriers, with its current account deficit for 2022 expected to cross 7 per cent of GDP (according to OECD).

In the context of India, it cannot risk further widening an £8 billion deficit in goods and services trade, in total bilateral trade of £25.7 billion in 2021-22. Its protectionist intent is borne out by the extension of safeguard duty and quotas on Indian steel. This has impacted exports of over two lakh tonnes, for which India has requested compensation.

Meanwhile, in retaliation India has imposed additional duty of 15 per cent on 22 import items from the UK, including cheese, Scotch, cosmetics, petroleum products and machinery items. Bilateral trade talks are obviously not a priority in this backdrop.

But an FTA with UK can and should be taken up at the right time. Besides consolidating markets in pharma and garments, India can seek to replace China as a supplier in some areas. Ultimately, the pursuit of FTAs with a slew of countries should bolster Atmanirbhar Bharat and not run counter to it. A bad deal is worse than no deal — India should know this best, given the NITI Aayog's assessment of how its earlier round of FTAs, signed with ASEAN and individual nations of the Far East, worked to its disadvantage.

Source: thehindubusinessline.com- Oct 18, 2022

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Delay in GST Council meeting may hit reforms

It is almost four months since last meeting took place but there is still no indication about when the next meeting will happen. Technically, the meeting should be held at least once in three months.

Experts feel that delay in holding the meeting is likely to have an impact on reform measures and new initiatives under GST.

Rule 6 of the Procedure and Conduct of Business Regulations of the Goods and Services Tax (GST) says "The Council shall meet at least once in every quarter of the financial year." Going by this rule, the next meeting should have been taken place by September 30.

Fixing date

A key reason for not fixing a date is delay in reworking of report by group of ministers (GoM) on online gaming, Casinos & Horse Racings. This along with a report by another GoM on setting of GST Appellate tribunals is key agenda items to be taken up in next meeting.

The last meeting took place in June 28 and 29. At the end of that meeting, it was announced that next meeting will take place during the first week of August at Madurai. Since then, there was no information about when exactly the meeting will take place.

It is not the first time, when three months period is going to end without a meeting. Earlier, there was gap of over 6 months between the 42nd meeting (Oct 5 & 12, 2020) and 43rd meeting (May 23rd, 2021).

Tax claims

Commenting on the delay, Prateek Bansal, Associate Partner (Tax & Custom) with law firm White & Brief said that while the uncertainty qua taxation of online gaming industry is leading to flurry of tax claims thereby increasing litigation, "the delay in constitution of the GST Appellate Tribunal and absence of a national appellate forum for advance rulings is adding to the already overburdened dockets of the Courts."

Taking it forward, Sakte Patwari, Executive Director with Nexdigm said that while on one hand, the GoM has sought legal opinion on the applicable rate and valuation base to be considered for levying GST on online gaming, the DGGI has, on the other hand, initiated recovery proceedings worth ₹21,000 crore against a Bengaluru-based online gaming company.

GST exemption

On other issues, Patwari said that GST Council should look into the extension of GST exemption to the logistics industry, given that GST has been made applicable to transportation services involving movement of goods from India to outside India w.e.f. 1 October 2022. “The withdrawal of exemption has put the Indian logistics service providers at a disadvantageous position as compared to foreign service providers,” he said.

For Bansal, pending list includes GST rate rationalisation, accumulation of ITC due to inverted duty structure on textiles segment, etc. “Delay in adopting corrective measures for textile industry is causing huge blockage of working capital of the businesses, besides encouraging imports of the synthetic textiles,” he said.

Further, he said that term of National Anti-profiteering Authority is coming to end by next month and many of its rulings have been challenged in the court. However, l there is no clarity on what the new framework of the anti-profiteering mechanism would be.

Source: thehindubusinessline.com- Oct 18, 2022

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Roadmap to digital rupee isn't too clear

As India prepares to launch its central bank digital currency (CBDC) or digital rupee, the Reserve Bank of India has released a concept note succinctly setting out the primary motivations, policy implications, design choices and a broad roadmap for the launch of the digital rupee. While the RBI's preliminary position on some aspects corresponds with major central banks, certain issues require further consideration.

The RBI is exploring a wholesale CBDC (w-CBDC) and a retail CBDC (r-CBDC). Globally, many central banks are focusing on a r-CBDC since its innovation potential is believed to be higher..

In terms of design, the RBI shows an inclination towards a two-tiered indirect model where consumers hold CBDC funds in an account/wallet maintained by a bank or service provider and the RBI is responsible for tracking the w-CBDC balances of the service provider.

This model has been preferred by most central banks. It will allow the RBI to focus on its core functions while private sector intermediaries can leverage their expertise in customer handling, customer verification, adherence to anti-money laundering (AML) checks, and transaction verification. Allowing private sector participation in the CBDC system will be useful to design innovative payment solutions.
Economic design

Like most central banks, the RBI has also flagged concerns about the impact of CBDC on the disintermediation of the banking sector and financial stability. Therefore, the economic design of the CBDC will be crucial. This will include examining issues of whether CBDC can be interest-bearing like deposits, and limits on CBDC holdings or transactions.

Next, the RBI discusses if a CBDC can provide the same level of anonymity as cash. The digital nature of a CBDC heightens concerns about illegal transactions using anonymous CBDCs. Therefore, anonymity cannot be a primary feature of CBDC. Instead, a graded approach of tiered KYC for CBDC may be considered. The RBI proposes the idea of 'managed anonymity, that is, "anonymity for small value and traceable for high value".

Since CBDC systems will allow governments and intermediaries to have access to personal data, it raises privacy concerns. In the absence of a robust data protection law, the need for data protection and governance standards in designing and implementing a CBDC will be critical. While the concept note emphasises privacy principles, it does not enumerate the principles that will form the CBDC design.

The RBI will have to balance the objective of privacy protection while ensuring adequate supervision for protecting the financial integrity of transactions. Linked to such policy consideration is the legal foundation of CBDCs.

While the RBI correctly states that it will depend on the technical design of the CBDC, it is important to consider the following legal issues at the design stage itself — privacy, AML, counterfeiting, regulation of CBDC intermediaries, foreign exchange control, legal recognition of tokens, consumer protection, and enforcement powers of the RBI to proceed against misuse of CBDC.

While it may take some time for consumers to start transacting in digital rupee, the concept paper indicates the beginning of India's journey towards digitising its rupee.

Source: thehindubusinessline.com- Oct 18, 2022

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India cotton output seen rising 12% on bigger crop area, says trade body

India is likely to produce 34.4 million bales of cotton in the 2022/23 season that started on Oct. 1, up 12% from a year ago after farmers expanded the crop area, a trade body said on Tuesday.

The rise in output in the world's biggest producer of cotton could weigh on global prices that have corrected sharply after rising earlier this year to their highest in a decade.

The cotton crop area has increased by around 10% and per-hectare yields are also likely to rise this year, Atul Ganatra, president of the Cotton Association of India (CAI), told an industry conference.

India started the new season with carry forward stocks of 3.19 million bales, down from last year's 7.18 million bales, he said.

The country's cotton consumption, which was affected by lower stocks and higher prices, could improve to 32 million bales in the new season from 31.8 million bales a year ago, he added. Exports could fall to 3.5 million bales in the new season from 4.3 million bales a year ago.

(1 Indian bale = 170 kg)

Source: business-standard.com- Oct 18, 2022

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UP Textile and Garment Policy 2022 to offer 25 per cent subsidy on land purchase for textile units and 100 per cent exemption on stamp duty

The Uttar Pradesh (UP) government on Monday announced that it would provide a 25 per cent subsidy on purchase of land and up to 100 per cent exemption on stamp duty for setting up textile units in the state as part of its new policy, as per a report by the Indian Express.

The move comes across as an effort to attract Rs 10,000 crore investment for the textile sector to turn the state into a global textiles hub. "Making the state as the global textile hub, attracting Rs 10,000 crore investment and generating 5 lakh jobs are the main focus of this new policy," UP Handloom and Textile Industry Minister Rakesh Sachan said. He informed that the government on Monday issued an official order for the new Textile and Garments Policy 2022.

The new textile policy will offer a 25 per cent subsidy on the purchase of land from industrial development authorities or other development authorities in UP for setting up textile units.

The rule would be applicable in all districts except Gautam Budh Nagar in Noida, where the subsidy would be 15 per cent. At the same time, the subsidy would be limited to 10 per cent of the total cost of the project. However, the subsidy would be given only when the textile unit would start production within five years of purchase of land.

The minister said 1,000-acre textile parks would be developed in Lucknow and Hardoi districts under the Prime Minister Mitra Park scheme and the land for the project has been identified.

"Except Gautam Budh Nagar, textile and garment units set up in all districts would get 100 per cent exemption from stamp duty. In Gautam Budh Nagar, textile units would receive 75 per cent exemption. Meanwhile, textile parks being established under the PM Mitra Park schemes would get 100 per cent exemption from stamp duty but private developers would get 50 per cent exemption on stamp duty," he added.

An incentive has been earmarked for the developers of textile parks under the PM Mitra scheme – a subsidy of Rs 2 per kilovolts in the electricity tariff would be provided to them for five years, subject to a maximum of Rs 60 lakh per year per textile park. Keeping employment as top priority, the power subsidy would be given on the condition that the textile park provide remuneration to a minimum of 50 people.

Giving a boost to silk production in the state, the policy also offers 100 per cent stamp duty exemption on setting up silk production and threading units. Not just that, it also offers a capital subsidy, which includes a 25 per cent subsidy for purchase of plant and machinery for textile and garment units.

The units that will be set up in Bundelkhand and Purvanchal region would be able to avail an additional 10 per cent capital subsidy, although the subsidy amount has a maximum cap of Rs 100 crore per unit.

Besides, the policy also offers financial assistance to investors in development of infrastructure for their units. In fact, for units being developed on undeveloped land, the government would provide 50 per cent reimbursement on the cost of development of water pipelines, electricity lines, affluent plants, roads etc upto maximum of Rs 3 crore per unit.

Further, the new textile and garment units would also give 100 per cent exemption on electricity duty for the period of 10 years.

Source: financialexpress.com- Oct 18, 2022

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All Kerala Exporters Association: Exporters hit due to high freight charges

The high air freight charges and the 18% GST imposed on exports have forced Indian exporters to hike commodity prices which, in turn, has affected competitive pricing of Indian products in international market, said a general body meeting of All Kerala Exporters Association held in Kochi on Tuesday. The meeting urged the Union Commerce Ministry and Civil Aviation Ministry to initiate steps to reduce air freight charges.

Due to high prices, Indian products are not able to compete with products from Thailand, the Philippines, Indonesia and Vietnam. This has led to a 40 - 45% reduction in export volume of vegetables from Kerala compared to pre-Covid times.

This has led to a steep decline in foreign exchange earnings of the country. The decline in export volume has affected farmers and farm labourers adversely, said a resolution passed in the meeting. Federation of Indian Export Organisations director M C Rajeev, among others, spoke.

Source: newindianexpress.com- Oct 19, 2022

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