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INTERNATIONAL NEWS

China pushes Sri Lanka to sign FTA in guise of debt restructuring

Colombo [Sri Lanka], April 12 (ANI): Negotiations for a possible FTA between China and Sri Lanka were launched in 2014 in the presence of Chinese President Xi Jinping and former Sri Lankan President Mahinda Rajapaksa when both sides continued to have several rounds of talks, Daily Mirror reported.

China had "awarded" Sri Lanka with a delayed response to its request for debt restructuring and now appears to pressure Sri Lanka into signing a Free Trade Agreement (FTA) under the guise of helping to restructure debt repayments.

The 5th round of China-Sri Lanka FTA negotiation was held in Colombo on Tuesday where the two sides exchanged views on issues concerning trade in goods, trade in service, investment, economic and technical cooperation, rule of origin, customs procedures and trade facilitation, technical barriers to trade (TBT), sanitary and phytosanitary measures (SPS) and trade remedy.

According to experts, the disadvantage for Sri Lanka is that China's FTAs restrict the use of para-tariffs, such as the import levy used by Sri Lanka, Daily Mirror reported.

For a country like Sri Lanka, whose exports are limited to a few products, an agreement that reduces barriers to trade on thousands of other products but excludes these key exportable products from the world and from China will fail to facilitate Sri Lanka's export growth.

Since the end of the Sri Lankan civil war in 2009, China has extended numerous loans to Sri Lanka for various infrastructure projects, including a port, an airport, highways, and other significant projects.

However, concerns have been raised about the nature of China's financial assistance and the motivations behind its debt restructuring efforts. Critics argue that China's financial assistance is part of a broader strategy to extend its economic and political influence in the region, with Sri Lanka serving as a key location for China's ambitious Belt and Road Initiative (BRI), Daily Mirror reported.

Critics argue that the deal would be heavily skewed in favour of China, leading to a flood of cheap Chinese goods into Sri Lanka and undermining the country's domestic industries.

Sri Lanka occupies a strategic location in the Indian Ocean, making it an essential part of China's ambitious Belt and Road Initiative, which seeks to expand China's economic and political influence in the region. The Chinese push for the FTA has faced opposition from critics suggesting that the deal would not be in the country's best interests, Daily Mirror reported.

Furthermore, Sri Lanka is facing growing concerns about its growing economic dependence on China. Experts suggest that the country risks falling into a debt trap that could threaten its economic sovereignty.

To address these concerns, Sri Lanka plans to diversify its economic ties, exploring new opportunities for economic partnerships with other countries in the region.

The Sri Lankan government is also seeking renegotiation of its debt agreements with China, with some suggesting that the country wants to reduce its dependence on Chinese loans.

One of the potential disadvantages of signing the FTA with China is the risk of job losses. Sri Lanka's labour-intensive industries, such as textiles and apparel, could face increased competition from cheaper Chinese imports, leading to potential job losses in these sectors.

This could be especially problematic for Sri Lanka, which is already facing high unemployment rates and a struggling economy, Daily Mirror reported.

Another potential disadvantage of signing an FTA with China is the risk of regulatory standards. As part of the FTA negotiations, Sri Lanka would require harmonizing its regulatory regime with China, potentially leading to a "race to the bottom" in terms of labour standards, environmental protection, and intellectual property rights.

Finally, signing an FTA with China could lead to a loss of policy autonomy for Sri Lanka. Sri Lanka might require abiding by certain rules and regulations set forth in the FTA, potentially limiting its ability to pursue certain policies in areas such as trade, labour standards, and the environment.

However, China's efforts to push for the FTA continue and experts suggest that the country might be using its financial leverage to coerce Sri Lanka into signing the deal.

The situation in Sri Lanka highlights the risks associated with excessive reliance on foreign loans and the importance of balancing economic development with strategic interests. China's debt restructuring efforts in Sri Lanka and its push for the FTA have raised concerns about the country's growing economic and political influence in the region.

While Sri Lanka is seeking to reduce its dependence on China and diversify its economic ties, it remains to be seen whether the country will be successful in achieving these goals. The situation in Sri Lanka underscores the importance of balancing economic development with strategic interests and the risks associated with excessive dependence on foreign loans, Daily Mirror reported.

Source: theprint.in – April 12, 2023

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What's holding back transition finance in China?

The province of Zhejiang has long been a leader in textiles and clothes-making. This brings with it environmental problems, including waste, air and water pollution, and carbon emissions.

Research has found that textiles and footwear production account for 10% of global emissions. Reductions are therefore essential across the industry, but financing them has not always been straightforward.

Only a few years ago, when one textiles firm in the Zhejiang city of Huzhou sought to upgrade its technology and practices to recover wastewater and improve energy efficiency, it found that being part of a carbon-intensive industry meant it couldn't access green financing. That made it harder to fund the changes.

Things have changed, however, with the arrival of transition finance – an umbrella term for a range of instruments that support "brown", emissions-intensive businesses to decarbonise their activities.

In January 2022, the Huzhou city government published a catalogue of project types eligible for transition finance, with the textile industry featured. The firm in question successfully applied for a 200 million yuan (US$29 million) "transition finance loan" to reconfigure its workshops, update old equipment and put new management systems in place. The changes are expected to avoid over 600 tonnes of carbon emissions annually, according to the company's estimates. This is just one example of what is happening in China. In such "brown" sectors, the launch of innovative financial products such as sustainability-linked bonds is helping to cover needs that green finance may overlook. The two approaches are rolling out in parallel. But transition finance in China is just getting started, and classification of suitable projects, funding mechanisms and reporting rules are all needed.

Hitting the spots green finance can't reach

In 2019, the concept of transition finance began to be promoted by the OECD (Organisation for Economic Cooperation and Development), as a means to provide funding for decarbonisation at various levels in support of the UN Sustainable Development Goals. Soon after, providers were similarly expanding their focus from purely "green" sectors to sustainable development as a whole. In June of that year, for example, French insurance giant AXA stated its intention to launch its first transition finance instruments to support the greening of carbon-intensive industries.

Financial product innovations followed: transition bonds, transition loans and transition funds, as well as sustainability-linked bonds and loans that link financing costs to environmental performance – simply put, if environmental performance isn't up to scratch, financing costs go up. In September 2019, Enel Finance International, part of the Italian energy multinational Enel Group, issued the world's first sustainability-linked bonds. Growth has been rapid since then: as of November 2022, the market in transition and sustainability-linked bonds was worth US$201.7 billion.

China has for several years pushed green finance to help to reach its goal of peaking carbon emissions by 2030. It was one of the first countries to set up a systematic green finance policy framework: in 2016, the People's Bank of China and various ministries published guidance on the creation of a green finance system, setting out this top-level framework. Sectoral specifications soon followed.

But green finance's coverage is nowhere near enough to meet the country's climate goals. According to China's 2022 report on progress towards its nationally determined contribution to the Paris Agreement, the industries supported by green finance in 2021 were worth a total of 8 trillion yuan (US$1.16 trillion) – only 7% of overall GDP. Figures from the National Bureau of Statistics, meanwhile, show that carbon-intensive secondary industries (including manufacturing, electricity generation and heating) were worth 40% of GDP. Those industries will need huge amounts of funding for their transition to low-carbon pathways.

But while green industries can now access green finance, institutions have been cutting "brown" industries off from sources of funding. Some carbon-intensive industries, such as electricity generation, petrochemicals, chemicals, building materials and steel, could transition by shifting to newer technologies and equipment, but they do not meet the requirements for green financing and so these potential emissions cuts go unrealised.

Changing this access to finance will be essential if China is to meet its climate targets. According to a 2021 report from the International Energy Agency (IEA), China's main sources of carbon emissions are the electricity sector (48%) and industry (36%) – and the potential for emissions reductions here cannot be underestimated. Replacement technologies in heavy industry alone could help China avoid emissions equivalent to almost 15% of the world's remaining carbon budget compatible with a 50% chance of keeping global warming to 1.5C, the IEA reports.

China's experiments

China has made some progress on transition finance, with efforts to connect it with green finance and attract more private capital to fund the transition.

The People's Bank of China started researching transition finance in 2021 and has made initial decisions on the basic principles to be applied. It is considering transition finance standards for four sectors: steelmaking, coal power, buildings and building materials, and agriculture.

Also in 2021, both the Bank of China and the China Construction Bank published statements on their management of transition bonds and on transition bond frameworks. These defined transition bonds and applicable projects, conditions for eligibility and examples. Local governments have also been active – as seen earlier in Huzhou. The city's 2022 catalogue of transition finance includes eligible projects and its reporting framework covered energy, industry, buildings and agriculture; it can be referred to by market actors to help identify transition projects in the city.

China is also actively engaging in international cooperation on transition finance. In 2022, the People's Bank of China, as joint chair of the G20 Sustainable Finance Working Group, led the creation of the G20 Transition Finance Framework. This provided high-level principles for member states developing transition finance, covering identification of transitional activities and investments, reporting, financial instruments, policy measures and a just transition, to help them set specific policies and rules.

Some textile, energy and steel firms have started using transition finance instruments. For example, in May 2021 the Liuzhou Steel Group issued 200 million yuan (US$29 million) in sustainability-linked bonds to raise funds for transition initiatives. In a mid-term assessment, a third-party body agreed the firm had met its sustainability requirements.

Also in May 2021, the China Huaneng Group, a state-owned electricity firm, successfully completed a trial issue of sustainability-linked bonds. The company planned to use the proceeds to develop new energy projects, create a green circular industrial chain, increase its proportion of new energy, reduce coal consumption in the provision of power and heat, and also roll out carbon capture and storage to slash emissions from existing generators.

According to our analysis at the International Institute of Green Finance at the Central University of Finance and Economics in Beijing, China had issued 86 billion yuan (US$12.5 billion) in sustainability-linked bonds as of the end of 2022, and 30 billion yuan (US$4.4 billion) in transition bonds.

Standards urgently needed

Although China has carried out some work on policies and market practices, significant challenges remain when it comes to definitions, financial mechanisms and reporting on transition finance.

One big problem with standards for transition finance the world over is that specific transition roadmaps, measures and parameters need to be identified for each industry, alongside classification of the industries themselves. As part of that process, in 2020 the International Capital Market Association (ICMA) published its Climate Transition Finance Handbook, offering principles for reporting and guidance on issuance of transition finance products, but without specifying actual transition activities. Japan used that handbook to produce its own Basic Guidelines on Climate Transition Finance, refining and extending the ICMA's work, and providing transition roadmaps for carbon-intensive industries. The European Union, meanwhile, absorbed transition finance into its existing sustainable finance framework, setting up the EU Taxonomy and defining "transition activities" as those with major economic impacts and large emissions-reduction potential.

But unlike Japan and the EU, China has not yet specified industrial transition roadmaps, nor is there an authoritative taxonomy of transition activities. This makes it difficult for market actors to identify potential transition opportunities, and so financial and policy instruments are not matched up with suitable projects.
Beware greenwashing

Vigilance over the risk of "greenwashing" – in this instance, when investors or companies get cheap transition finance but fail to use it for green projects – is also needed. The companies receiving funding have more discretion over how transition finance is spent than with green finance, and the associated transition finance policies are still being developed, meaning a lack of oversight. There are risks that transition finance gets used for non-transition activities.

A global analysis by Bloomberg examined 100 sustainability-linked bonds, worth a total of over US$70 billion, and found that most were tied to "weak, irrelevant or even already achieved" climate targets. If green finance can't drive companies to set more challenging targets, overlooks actual climate performance and fails to track use of funds, then some transition finance will help fund non-transition activities.

In the future, China needs to first make progress on setting standards and, as soon as possible, provide reliable transition roadmaps or taxonomies of transition activities, as well as related environmental performance indicators. This will provide a basis for financial institutions to make decisions on transition finance and help market actors make decisions on investments in transition finance instruments. It will also, to an extent, prevent the risk of greenwashing and ensure that money goes to support low-carbon transitions in carbon-intensive industries.

Source: chinadialogue.net – April 11, 2023

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S Africa needs urgent measures to resolve logistics issues: President

South Africa needs urgent measures to resolve the logistics backlog that continues to undermine economic growth, President Cyril Ramaphosa recently told chief executives from key export sectors.

The president hosted a virtual meeting with executives from mining and minerals, agriculture, forestry, automotive and freight forwarding industry sectors, which represent the country's largest exporters reliant on the road, rail and ports infrastructure.

The interaction followed a meeting the president had with top executives of Johannesburg-based rail, port and pipeline company Transnet in Pretoria on March 28 that discussed challenges facing the country's logistics system, including the declining performance of the freight rail network.

President Ramaphosa directed Transnet to swiftly implement reforms to turn around the crisis in the country's logistics system.

He welcomed proposals presented during the virtual interaction to improve the state of domestic rail and ports, an official release said.
In the coming weeks, the government will announce a set of measures to add impetus to the work under way to improve rail and port efficiency.

Source: fibre2fashion.com - April 10, 2023

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Cambodia's garment exports to Turkiye jump 110% to $84 million in 2022

Cambodia has included garments among potential products that can be exported to Turkiye in greater volume. Bilateral trade between Cambodia and Turkiye witnessed a growth of 70 per cent in 2022 compared to the previous year. Cambodia's garment exports also jumped 110 per cent to $84.143 million last year. If both countries intensify their efforts to boost trade, textiles may be the major products to get a boost.

Officials from Cambodia's ministry of commerce recently held a virtual conference with their counterparts from Turkiye. They shared ideas and experiences to enhance economic cooperation, trade, and investment. They also discussed the feasibility study for an economic agreement between them.

Cambodia's apparel exports to Turkiye have noticed an upward trend after the COVID disruption. The outbound shipment reduced to $37.564 million in 2020 from $48.314 million in 2019. The export value was at $56.782 million in 2018. It increased to $40.609 million in 2021 and $84.143 million in 2022, according to Fibre2Fashion's market insight tool TexPro. Cambodia's import of garments from Turkiye was negligible.

Cambodia was an importer of fabric from Turkiye. However, the trade was not very large. Cambodia imported fabric worth $9.385 million in 2022, which was lower than the shipment of $13.025 million in 2021. The inbound shipment was noted at $12.099 million in 2020, $7.842 million in 2019, and $4.935 million in 2018, as per TexPro.

Source: fibre2fashion.com- April 12, 2023

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UK manufacturers set to cash in £86K as overstocking eases

UK clothing, footwear, and accessories manufacturers are heavily overstocked and could enjoy an average cash windfall of £86,223 as they recover from last year's overstocking crisis, as per a recent report.

The figure from the report represents an average 'overstock position' for all UK clothing, footwear, and accessories manufacturers—the difference in value between optimum stock levels for each product, versus the actual value of stock held.

The UK average across all manufacturing businesses was £102,000, according to the Cash Flow and Overstock report by inventory management software provider Unleashed.

Jarrod Adam, head of product at Unleashed, said: "Firms last year were forced to stockpile in response to supply chain shocks. But that's had serious cash flow impacts.

Now the challenge for many is freeing up cash flow as economic conditions tighten—and the good news is the money is there, when you look closely at the numbers." The Cash Flow and Overstock report, by inventory management software provider Unleashed, analysed 381,000 products, ingredients, and components stocked by over 1,800 firms across the UK, North America, Australia, and New Zealand.

Commenting on the figures, Phil Oakley, MD of systems integration specialists Outserve, said: "I think it will vary, from business to business, and those with quicker stock turnover will realise the cash quicker.

So, they could make small changes to their purchasing cycle where they're only a month or two ahead of themselves, giving themselves a bit of a breather to get their stock at the right limits rather than over-stocking. Having that right limit just allows them to slow down their purchasing. So, within a month or two they could see that cash staying in their bank account rather than going out.

"If you're on a longer cycle and you've got more in stock, then it's going to take a bit longer for you to benefit. But there may be other benefits that you can look at, like selling some of the items that you're overstocking, even if it's not quite the margin you'd like, it's getting cash back into the business. It's freeing up warehouse space."

Source: fibre2fashion.com - April 12, 2023

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NATIONAL NEWS

Foreign Trade Policy 2023: A step forward towards ease of doing business in India

Foreign Trade Policy (FTP) 2015-2020 was set to end on 31 March 2020 but was extended from time to time due to compelling circumstances. After the introduction of GST, the new FTP clearly another positive step towards a flexible and digitised policy framework for trade facilitation and augmentation. The New FTP was anticipated for a long time as several export promotion schemes in India under the FTP framework had faced challenges before the Dispute Settlement Body (DSB) of the World Trade Organisation (WTO), wherein DSB had ruled that certain schemes are inconsistent with the WTO guidelines. The wait for the new and revised WTO-compliant FTP ended when the Hon'ble Ministry of Commerce and Industry announced the FTP 2023 on 31 March 2023, which takes effect from 1 April 2023.

FTP 2015-20 contributed significantly to the growth of India's export in merchandise and services, which went from $435 billion in the FY16 to $676 billion in the FY22, and is expected to increase to $760 billion in FY23 as reported in the FTP highlights. Since FTP 2023 will have perpetual validity with flexibility to amend as per the needs of the hour and industry requirements, this will provide policy continuity and a responsive framework to the trade community. This will help businesses both in India and those who propose to invest in India and instill confidence to formulate strategies from a long term perspective. Additionally, the FTP 2023 has created ample room for policy advocacy.

The approach, to the new FTP 2023 policy is said to be based on four pillars, namely (a) Shift from incentives to remission (b) Export promotion through collaboration – Exporters, States, Districts, Indian Missions (c) Ease of doing business, reduction in transaction cost and digitisation and (d) Support to emerging areas such as E-Commerce, developing Districts as Export Hubs and streamlining SCOMET policy.

Some of the key highlights include:

• Continuation of Advance Authorisations/EPCG/EOU/DFIA schemes
• Reduction on application fees for MSMEs under for Advance Authorisation /EPCG scheme
• Online approval without physical interference for the issue of Advance Authorisation, EPCG, revalidation of authorisations and extension of export obligation period, which will reduce processing time to one day, from earlier three to seven days
• Revamp of the 'e-Certificate of Origin' platform to provide for self-certification
• Paperless filing of export obligation discharge applications
• Extending the benefit of the self-ratification scheme for fixation of norms to Two-star and above status holders
• Rationalisation of Status Holder Thresholds to enable more exporters to achieve such status

The FTP 2023 has also taken an effective step towards internationalising the Indian Rupee (INR) by facilitating International Trade settlement in INR and extending FTP benefits for payments realised in INR through special Vostro accounts, set-up as per the RBI. Further, the FTP 2023 seeks to create a suitable policy framework to transform the country into a merchanting trade hub and accordingly, provides that the merchanting trade of shipment of goods from one foreign country to another without touching Indian ports, involving Indian intermediary, is allowed for all goods even if the same are restricted otherwise except for goods/items in the CITES and SCOMET list, but subject to compliance with the RBI guidelines. This will enable certain places in India, like GIFT city, etc., to be significant hubs for merchanting trade, like Dubai, Singapore, and Hong Kong. This will also, in turn, boost the manufacturing sector in India.

The FTP 2023 envisions to boost manufacturing in India and also focuses on the prevailing requirements of the Indian market by providing:

• Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme to claim benefits under the Common Service Provider Scheme of EPCG
• Exemption to the dairy sector from maintaining Average Export Obligation under EPCG
• Reduced export obligation requirement under EPCG to Battery Electric Vehicles (BEV) of all types, Vertical Farming equipment, Wastewater

Treatment and Recycling, Rainwater harvesting system and Rainwater Filters, and Green Hydrogen are added to Green Technology products Most importantly, the introduction of "One-Time Amnesty Scheme" is a huge relief to exporters who are unable to fulfil their export obligations against the EPCG and Advance Authorizations. It is expected that all pending cases of default in the export obligation under authorisations can be regularised by the authorisation holder on the payment of all customs duties exempted in proportion to unfulfilled export obligation with ceiling on interest up to 100% of duties exempted. However, no interest would be payable on the portion of Additional Customs Duty and Special Additional Customs Duty.

The Amnesty scheme shall be available for a limited period up to 30 September 2023. The finer details of the Amnesty Scheme is expected to be notified separately by the DGFT. An amnesty scheme was a long pending demand of trade and this announcement is expected to reduce pending litigation under such schemes. A thorough evaluation of the policy and procedure should be undertaken in order to assess the impact on account of benefits and concessions on businesses.

Source: financialexpress.com - April 10, 2023

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India wants WTO to be more progressive, more listening to other countries, says FM Nirmala Sitharaman

India wants the World Trade Organization to be more progressive and listening to other countries, Union Finance Minister Nirmala Sitharaman said Monday asserting that the WTO needs to give more space to the countries which have something different to say and not just hear. "I would like the WTO to be a lot more progressive, a lot more listening to all countries, to be fair to all members," Sitharaman said during a fire-side chat at the Peterson Institute for International Economics, a top American think-tank here.

"I, fortunately, unfortunately spent some time with the WTO in my capacity as a commerce minister of India between 2014 and 2017. It has to give more space to hear voices of countries which have something different to say and not just hear, but also somewhat heed because today's message for the WTO should be to have greater openness," Sitharaman asserted.

"In fact, I'm not quoting, in the context of WTO, but it might be useful to recall the words of US Commerce Secretary (sic), Katherine Tai. She had recently spoken and I was very, very impressed, if I can use that word, about what exactly is the traditional trading approach. What exactly is liberalizing the market? What would it actually mean in terms of tariff reduction?" she said.

"It is true now, countries do look at it. It is a time when countries are looking at what extent to which you would want to have market liberalization. It has had cost repercussions for the US economy, and that's exactly what the US Secretary Commerce has said. And if that's something which the United States Commerce Secretary feels, I felt the same in 2014 and 2015. Probably my articulation was never getting a space in global media. But many of the global south countries do have the same feeling," she said.

"What exactly is this? How far is liberalization? To what extent tariff reduction? We in India for all the less developed countries, the global South, if you would ask them would have a similar opinion as the US Commerce Secretary. But in India, we've already extended to all the least developed countries, quota-free, tariff-free trading policy," she said.

“So any country, let’s say from Africa or anywhere else, the Pacific Islands or countries which are aspirational, low income countries can export to India without any of these restrictions. So, where it is possible, we are opening up, but at the same time, we need to look at how India’s become remanufactured almost because if you go through the MFN route, you end up opening up for the efficient ones in the market, and that may not be your country. Manufacturing abilities of communities have all gone for a toss, not just in India, but I suppose in many countries as well,” she said.

The finance minister wonders how a country gets its manufacturing back if it only have to constantly liberate its market. “Discussion worthy points.” “India’s attempt to talk to the WTO, talk in WTO have all faced with just no moment. The other classic example, which is in the minds of many of the emerging market countries is the electronics transmission related wall. Isn’t that since 1998, all of us are sitting and watching that you can’t do anything on the customs route for so much that is happening in the electronics business. It’s hitting the kind countries very differently,” she said.

“Since 1998, there has never been a need for reviewing it. All that I’m asking is that. And why wouldn’t every ministerial conference, which happens, ever, ever, ever take up this for discussion. It doesn’t take. The moratorium continues. So, it shouldn’t be difficult for you to appreciate. So when countries will have to speak at the WTO, it has to be on very many issues on which decision has not happened for over decades,” Sitharaman said.

Source: financialexpress.com - April 11, 2023

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PM Mitra textile parks: After Modi's promise, now Telangana excluded

According to information available now, the Textile Ministry has reportedly cancelled the park for the State even after Prime Minister Modi promise to Telangana.

Hyderabad: Barely three days after Prime Minister Narendra Modi declared that one out of the seven mega textile parks being set up across the country would be in Telangana, the Union Textile Ministry has reportedly excluded Telangana from the list.

Modi had first announced the PM MITRA (Mega Integrated Textile Region and Apparel) scheme a month ago, and according to the official information on the announcement, one of the mega textile parks was to be set up in Telangana. However, according to information available now, the Textile Ministry has reportedly cancelled the park for the State.

Recently, during a video conference with officials, the Textile Ministry had stated that the Kakatiya Mega Textile Park (KMTP) at Warangal does not meet the PM MITRA scheme's stipulated norms.

The State, which had been repeatedly requesting the Centre for a mega textile park, had set up the KMTP in 2017 and had managed to draw major investments, including from global majors. All through the State's efforts to bolster the textile industry through the KMTP, the Centre did not come forward to help the endeavour. The State, according to officials, was hoping that KMTP would be included in the PM MITRA scheme and that the Centre would extend financial assistance to the park in Warangal.

It is learnt that the Textile Ministry raised a few issues about the mega textile park and has now set aside the project in Telangana. The Centre's assistance for these parks — categorised into Greenfield and Brownfield — was to be 51 per cent and the remaining would have to be borne by the respective State governments.

But, so far there was no information and clarity as to which category the union government had planned to allot the park to Telangana. To make matters worse, the union Textiles Ministry senior officials during the video conference held a few days back said the KMTP was unlikely to get grants under the PM MITRA scheme. The reasons cited were that KMTP did not meet the norms stipulated under the scheme, a senior official from Telangana said, adding that there was no possibility to amend the rules for inclusion of KMTP under the scheme.

Source: telanganatoday.com - April 12, 2023

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Textile Ministry announces two QCOs covering 31 technical textiles items

The Textiles Ministry has announced two Quality Control Orders (QCOs) covering 31 items, covering 19 geo textile and 12 protective textile categories, marking the first technical regulation from India for the technical textiles industry.

In phase two of the process, two more QCOs for 28 items, including 22 agro textiles items and six medical textiles, are being planned, said a Ministry statement, on Tuesday. In phase three, 30 more technical textiles items may be covered, it added.

"The Centre is of the opinion that it is necessary to issue QCOs in public interest to increase the standard and quality of geo textiles and protective textiles, for the protection of the environment, human health, and animal & plant life & health," said Rajeev Saxena, Joint Secretary, Textiles Ministry at a press briefing on Tuesday.

The conformity assessment requirements specified in the QCOs are equally applicable to domestic manufacturers as well as foreign manufacturers who intend to export their products to India, the statement said.

Geo textiles are used for infrastructure projects and environmental applications while protective textiles are used to protect human life from hazardous and adverse working conditions. The two QCOs for geo textiles and protective textiles shall come into force immediately after 180 days from the date of its publication in the Official Gazette.

Source: thehindubusinessline.com- April 11, 2023

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Trade gains. Signing FTAs with an eye on FDI

Over the past few years, the government has been pushing hard to secure FTAs (Free Trade Agreements), CECAs (Comprehensive Economic Cooperation Agreements), and CEPAs (Comprehensive Economic Partnership Agreements) with many of its major trading partners.

Recently, India signed CEPAs with the UAE and Mauritius, taking India's economic relations with these countries to a new level. Meanwhile, deals with UK, EU, and Canada are in the works. What has often lacked attention is the potential benefits such agreements can offer in terms of increased FDI flows between the signatories.

FDI inflows are influenced by various factors such as infrastructure, human capital, market size, resource endowments, tax policy, and regulatory environment, to name a few. In addition to these factors, recent studies have pointed out the FDI-enhancing effects of FTAs. These studies have highlighted the existence of multiple channels through which FTAs can lead to increased FDI flows.

Primarily, the lowering of trade barriers between the countries facilitates the movement of intermediate or final goods between the parent firms in the source country and the foreign subsidiaries operating in the FDI-host country.

Horizontal vs vertical

In addition, increased FDI flows may arise due to the provisions included in the agreements that ease restrictions on the movement of capital between the parent firms and their affiliates operating in the partner country. That said, FTAs can have varying impacts based on the type of FDI i.e., whether the FDI is vertical or horizontal. Vertical FDI investments are those where a company invests in a foreign firm operating in the same supply-chain and may or may not be in the same industry.

On the other hand, horizontal FDI are those when a company invest in a foreign firm operating in the same industry. An Indian pharma manufacturer investing in overseas companies that supply it raw materials, say active pharmaceutical ingredients (API) is an example of vertical FDI. Whereas, an Indian cloth and apparel manufacturer opening stores in US can be termed as horizontal FDI. Firms engage in vertical FDI to benefit from cheap and abundant factors of production available in various countries.

On the other hand, horizontal FDI leads to the duplication of existing production facilities in foreign countries. Studies have shown that FTAs usually tend to positively impact the vertical FDI as the trade of intermediate goods to the members of FTA and the import of final goods from these countries to their home countries becomes cheaper. The evidence of a positive impact on vertical FDI assumes significance given that today's international trade is dominated by Global Value Chains (GVC).

According to the OECD, 70 per cent of today's international trade involves GVCs. Not all countries may witness increased FDI flows by signing FTAs, as locational advantages also play a critical role in attracting FDI. Empirical evidence indicates a complementary relationship between FTA and investments if the partners are in different stages of development.

For example, a study of South Korean FTAs revealed that FTAs positively impact the outward FDI to developing countries and inward FDI from countries having a higher income than Korea. Vietnam has been successfully attracting FDI in manufacturing and taking advantage of the China-plus-one strategy. Studies have indicated that FTAs with its partner countries have contributed to the rising FDI flows in addition to its locational advantage.

It is to be reiterated that signing FTAs does not automatically lead to higher FDI as various other factors such as location, tax policies, market size etc. play a critical role.

Signing FTAs and CEPAs will be a shot in the arm not just for India's international trade but also for enhancing FDI flows. For example, the India-UAE CEPA is comprehensive and covers various aspects like trade, investment, healthcare, and IPR.

Trade flows

In the first eight months after signing the deal, the bilateral trade between India and UAE grew by 27.5 per cent. Bi-directional FDI flows have picked pace, with inward FDI flows clocking around $3 billion between April and December 2022 compared to $843 million in the same period last year.

Outward FDI flows to the UAE in the first nine months of FY23 were around $930 million, which is already higher than the figures for last year. A detailed look at the partner countries that India is aiming to strike deals with reveals that these destinations not only provide a wider market for Indian goods but are rich sources of investment, technology, and IP.

Indian firms have increasingly undertaken outward FDI in both developed and developing countries in the past decade. Being party to such agreements may help them satisfy their global aspirations by gaining easier access to modern technology, natural resources, technical know-how etc.

Given the backdrop of the China-plus-one strategy gaining traction among many MNEs, India must try to leverage its strength to incorporate provisions in CEPAs that facilitate setting up subsidiaries in India and vice-versa, particularly in the manufacturing sector.

Efforts must be taken to align provisions in the Production Linked Incentive (PLI) scheme with those of CEPAs, as a one-size fits all strategy may not work for the successful implementation of the PLI scheme. Policy reforms aimed at improving the business environment should be continuously undertaken for the seamless integration of the Indian economy with the global trade and investment networks.

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Source: thehindubusinessline.com - April 11, 2023

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Why sustainable manufacturing is the need of hour

The conversation around conserving the environment and natural resources is gradually gaining momentum globally. It's time we incorporate eco-friendly products in our lifestyle that are locally sourced and sustainable in order to do our bit towards being earth-friendly and mindful in our consumption patterns.

India's manufacturing sector contributes about 15% of the overall GDP, exemplifying its support towards the country's economic growth. Hence, manufacturers must embrace sustainability as an integral part of their business decision-making and develop strategies which address profitability and sustainability holistically.

By designing products with sustainability in mind, manufacturers can do their bit by implementing various means, which implies using environment friendly materials, comprehensive ESG policies, focusing on waste reduction in the overall manufacturing process, and stress upon reusing and reducing resources. For example, excessive packaging leads to waste and pollution, thus, manufacturers should aim to switch to environment friendly materials in packaging. Biodegradable or eco-friendlier options such as paper and plant-based alternatives, bamboo, or reusable cloth bags can act as a substitute.

For instance, the textile industry uses a good amount of water to produce clothes. A single t-shirt manufacturing process requires more water that an individual can consume for years. The industry needs water for cotton farming, dyeing, and chemical treatments that impacts global ecosystems. So, by switching to organic clothes, we can reduce the water intake in textile industries. One should invest and engage with brands that provide sustainable options: sustainable fashion brands or sustainable clothing brands that care for and support the welfare of the community and the environment. Whether it is fashion, lifestyle, or food there are numerous ways one can be mindful of the environment and yet enjoy a high-quality product.

Another focal point in adopting sustainability in manufacturing is winning the consumers trust and confidence, especially the new-age customers. Not just in India but globally, too, consumers have voiced their opinion about purchasing products that are cruelty-free and eco-friendly. The shift in consumer behaviour towards eco-consciousness has incentivised companies to reduce their environmental impact and improve their overall sustainability profile. Nowadays, consumers prefer reading about ingredients before making any purchase decision. Brands that have entered the market in the last few years and focus on being sustainable, natural, and preservative-free have gained consumer confidence effectively.

Subsequently, many brands have come forward to minimise their carbon footprints and adopt eco-friendly ways. For instance, in the conscious fashion space, the emphasis is on deploying organic cotton, recycled fabrics, and linings, and reducing water dependency.

It's time for us to alter our daily habits and quietly contemplate the future and why we need to be inclusive and fully oriented to support the environment and support sustainable manufacturing in business. Our actions today will impact our future making it pertinent to re-think, re-invent, and reposition our strategies to leave a broader impact on environmental sustainability. As informed and conscious consumers, our choices can make a big difference that can have a long-lasting effect on us. Opting for sustainable and eco-friendly brands is one such way to embark on the journey of mindful living. Hence, choose consciously, and live mindfully.

Source: timesofindia.indiatimes.com - April 11, 2023

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Handloom silk park to come up in Arani: TN Textiles Minister R Gandhi

CHENNAI: Handlooms and Textiles Minister R Gandhi announced in the Assembly that a handloom silk park will be established in Arani while replying to the debate on demands for grants in the Assembly on Tuesday. To encourage the youth in the handloom sector, a weaver's induction and entrepreneurship programme will be implemented at a cost of Rs 1.4 crore.

The minister said that a Dr Kalaignar Karunanidhi Centenary Memorial Handloom Silk Park will be established at Periyanna Nallur near Arani and it would benefit around 10,000 handloom weavers in the area and also attract youths in the handloom sector. He added that the basic wages of weavers of cooperative societies will be increased by 10% and the funeral assistance for members of the Handloom weavers cooperative society will be increased to Rs 5,000 from Rs 2,000

To ensure the upkeep of the health of handloom weavers, a special medical camp will be organised in areas where the handloom weavers are living a large number. To improve the handloom and power-loom sector in the state, a detailed diagnostic study will be conducted, to the welfare of the Toda people of Nilgris districts, Toda Embroidery Weavers Cooperative Production & Sales Society will be established.

Highlights

A textile city will be established on NH-45 under PPP mode and is expected to generate 20,000 job opportunities

To ensure a business-friendly environment, a textile promotion cell will be established

Rs 50L to conduct buyer-seller meetings in Chennai, Bangalore, Hyderabad and Delhi

Steam boiler & tub dyeing machine will be installed in Thirubuvanam Silk handloom weavers cooperative society

Rs 6 crore for setting up solar power generation centres at Anna cooperative spinning mill, Andipatti, and Bharathi cooperative spinning mill, Ettayapuram

Rs 60 Lakh for conducting an international conference on technical textiles in Chennai

Velumani seeks IPL tickets, Min says meet junior Shah

Chennai: AIADMK whip SP Velumani on Tuesday requested minister Udhayanidhi Stalin to arrange tickets for MLAs to witness IPL matches in Chennai.

But the minister passed the buck on to the AIADMK leader saying “BCCI conducts the IPL matches. Jay Shah, the son of your close friend Amit Shah, is there (as BCCI secretary). If we ask, he may not oblige. But if you ask, he will oblige. So, please arrange to get five tickets for each MLA. We will pay for it. Otherwise, you will add it to some other account.”

The Minister said this amidst laughter from members. During the debate on grants, Velumani said that when KA Sengottaiyan was the sports minister, tickets were arranged for MLAs.

To this, Udhayanidhi pointed out that the matches did not take place in Chennai for the past few years. “I don’t know to whom you have given the tickets,” he added.

Source: newindianexpress.com – April 12, 2023

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Sale of cotton items picks up at textile market in Erode

With mercury levels soaring to over 35 degree Celsius and intense heat prevailing in most parts of the State, the sale of cotton items at the textile markets have picked up in the city.

Around 1,000 textile shops function at the E.K.M. Abdul Gani Textile Market (Gani Market) while over 3,200 shops function at various places in the city. Traders from other districts and from other States make bulk purchases from these shops that function in two categories, daily shops and weekly shops. The weekly shops function from Monday night to Tuesday night during which transactions worth many crores take place.

On Tuesday, sale of cotton readymade garments picked up as traders in large numbers visited the market. A member of Erode Gani Market Weekly All Textile Merchants' Association said traders from Andhra Pradesh, Karnataka and Kerala visited the market and made bulk purchases. "We have also received orders from various States," said the member who added that wholesale and retail business was 30% and 40% respectively on Tuesday.

Traders said business volume was expected to go up in April and May while the summer season would continue till June.

Source: thehindu.com – April 11, 2023

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IMF lowers India growth forecast to 5.9% for FY24

The International Monetary Fund (IMF) on Tuesday lowered its growth forecasts for India for the current fiscal year and the next by 20 bps and 50 bps, to 5.9% and 6.3%, respectively.

This was broadly in line with the cuts in its global growth forecasts for 2023 and 2024 by 10 bps each to 2.8% and 3%, but indicated that India may not be weathering the global turmoil as exceptionally as it was expected to. Of course, India will still be the fastest growing major economy during the forecast period.

Notably, the IMF's latest projection widens the gap between its forecast and that of the Reserve Bank of India for the current year. The central bank, in the monetary policy review last week, had marginally upped its GDP growth forecast for India to 6.5% for FY24 from 6.4% previously. Also, at 5.9%, the IMF's forecast is the lowest growth estimate for India for this year among the major agencies (see graph).

Global growth, according to the IMF, is expected to fall from 3.4% in 2022 to 2.8% in 2023 before recovering partially to 3% in 2024. The projections for 2023 and 2024 are 10 bps lower than the IMF's January forecast.

The IMF revised upwards its growth forecast for the US by 20 bps to 1.6% in 2023 and for the Euro Area by 10 bps to 0.8%. China's growth rate is projected to be 5.2% in 2023 and 4.5% in 2024 against its growth rate of 3% in 2022.

Tentative signs in early 2023 that the world economy could achieve a soft landing—with inflation coming down and growth steady—have receded amid stubbornly high inflation and recent financial sector turmoil, the IMF said in the new edition of its World Economic Outlook.

"On the surface, the global economy appears to be poised for a gradual recovery from the powerful blows of the pandemic and Russia's unprovoked war on Ukraine. China is rebounding strongly following the reopening of its economy. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding, said IMF Chief Economist Pierre-Olivier Gourinchas.

“Simultaneously, the massive and synchronous tightening of monetary policy by most central banks should start to bear fruit, with inflation moving back toward its targets.

Recently, the World Bank and Asian Development Bank lowered their growth projections for India for the current fiscal citing concerns over slower consumption growth and elevated inflation amid global uncertainties. While the World Bank has pegged the economy to grow at 6.3% this fiscal, the ADB expects it to grow by a notch higher at 6.4%. Most agencies expect GDP to grow at a more subdued 6% or so in the current fiscal.

As per the second advance estimate by the National Statistical Office, India’s economy likely grew 7% in real terms in 2022-23. The IMF, however, reckons that the country’s GDP grew only by 6.8% last fiscal.
The IMF expects inflation in India to ease to 4.9% this fiscal from 6.7% last fiscal and cool further to 4.4% in FY25. In its January forecast the IMF had estimated headline inflation to ease to 5% in the current fiscal and then to 4% in 2024-25. It expects India’s current account deficit to fall to 2.2% in FY24 from 2.6% last fiscal.

“The global economy is yet again at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks—most notably, the Covid-19 pandemic and Russia’s invasion of Ukraine—manifesting in unforeseen ways,” the IMF said, adding that with the recent increase in financial market volatility and multiple indicators pointing in different directions, the fog around the world economic outlook has thickened.

The unexpected failures of two specialised regional banks in the US in mid-March 2023 and the collapse of confidence in Credit Suisse have roiled financial markets, with bank depositors and investors re-evaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable, it further noted.

It also stressed that the world economy is not currently expected to return over the medium term to the rates of growth that prevailed before the pandemic.

"Policymakers may face difficult trade-offs to bring sticky inflation down and maintain growth while also preserving financial stability," the report warned. The IMF expects global headline inflation to decline to 7% in 2023 from 8.7% in 2022.

Source: financialexpress.com - April 12 2023

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Islands of organic cotton fetch farmers a premium

Organic cotton constitutes just 1-2 per cent of the 125 lakh hectares under the natural fibre in India. But islands of sustained experiments hold promise for the organic variant.

Grameena Vikas Kendram, a non-governmental organisation working with tribal farmers in north-coastal Andhra Pradesh, has pooled together about 3,000 tribal farmers to procure 400 tonnes of organic cotton in the 2022-23 kharif season.

"We have delivered it to international brands in the US, Germany and the UK. Farmers have earned at least ₹500-600 more on each quintal (the market price is ₹7,200-7,500) of the fibre they produced," Aneel Kumar Ambavaram, the chief functionary of the Visakhapatnam-baded NGO, told businessline.

Starting small with 42 farmers in three villages, the Raddis (Radical disruption) initiative has spread to 140 villages. "At least half of them sold the output to other buyers. They don't just grow. They grow a variety of crops," Ambavaram said.

The NGO has branded their output as Raddis Cotton, which is finding international buyers.

Source: thehindubusinessline.com- April 11, 2023

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