

LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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IIM-A Thesis Unravels Ownership Demographics Of State's Textile Units

Read more at : [Textile Units: Iim-a Thesis Unravels Ownership Demographics Of State's Textile Units | Ahmedabad News - Times of India \(indiatimes.com\)](https://www.indiatimes.com/News/Textile-Units-IIM-A-Thesis-Unravels-Ownership-Demographics-Of-State-s-Textile-Units-Ahmedabad-News-20190701)

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T.N. ranks first in export of textiles, readymade garments and leather goods: DMK

The DMK on Sunday said that while Prime Minister Narendra Modi was predicting that it would disappear after the Lok Sabha election, organisations under the control of the Union government had ranked Tamil Nadu first in the export of textiles, readymade garments and leather goods.

According to the National Import-Export Record for Yearly Analysis of Trade (NIRYAT), the DMK said, Tamil Nadu accounted for 22.58% of the textiles exported from the country.

“The report has made it clear that Tamil Nadu tops the list when it comes to export of textiles,” the DMK said. Tamil Nadu’s share was \$7.990 billion while Gujarat’s share was \$4.738 billion.

Tamil Nadu was also ranked first among the 10 States that export readymade clothes. The total exports from India was \$16.19 billion and Tamil Nadu’s share was \$5.30 billion. States such as Maharashtra and Gujarat were lagging behind in the export of readymade garments.

According to NIRYAT, Tamil Nadu also secured the first place in the export of leather goods, accounting for 43.20% of the national tally.

“The data clearly show that Tamil Nadu is leading in many sectors while the BJP-ruled States are lagging behind,” the DMK said.

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Why microeconomics and implementation matters: Policy lessons from PM Modi's approach on development

In a standard course in Economics, growth and development are typically taught from a macroeconomics perspective. At the same time, microeconomics focuses on individuals' choices, whether as consumers or producers. As a result of this dichotomy, when expert advice on growth and development is needed for policymaking, one typically turns to the macroeconomists. However, there is no objective basis for why such a dichotomy exists; after all, the primary focus should be on the growth and development of the individual or the choices individuals make to grow and develop. Macroeconomists understand this dilemma and make desperate attempts to provide a micro foundation by constructing a hypothetical representative agent who might or might not bear any resemblance to a real person or an individual. In my opinion, this dichotomy between the macro outlook and the micro perspective produces a subtle difference in the philosophical approach towards growth and development. In this regard, the policy approach of the UPA was distinctly different from that of the NDA under Prime Minister (PM) Modi. The UPA had a macro approach to growth and development, with greater emphasis on the aggregate numbers.



In comparison, the NDA under PM Modi focused much more on micro-revolutions with greater emphasis on implementation so that basic infrastructure such as digital technology, toilets, roads, houses, bank accounts, LPG, water, etc., reached all, irrespective of socio-economic status, religious beliefs or diverse geographies. The emphasis of the NDA under PM Modi was not limited to how much the government is spending in the aggregate sense but on whether it is reaching the intended individual beneficiaries.

This philosophical difference in approach was reflected in the debate in the upper house of the Parliament when the former Finance Minister of the UPA, who perhaps represents the intelligentsia of the UPA, mocked Prime Minister Modi's digital payment infrastructure plan to take it to the lowest sections of the society. He believed such an ambitious plan would be a spectacular failure, an unnecessary waste of scarce resources. Given that his thinking was primarily macro with a limited capacity to think in micro details, he could not envision (a) that such an ambitious plan could be implemented on the ground and (b) that it would readily be accepted and adopted by the most ordinary citizens. While focusing on aggregate expenditures, he was blinded to the transformative nature of the micro-revolutions unleashed at the individual's level. In less than five years, India's digital public infrastructure, including digital payments and direct benefit transfers, is considered a "logistical marvel" worldwide. The macro approach of the UPA to growth and development with a focus on aggregate numbers starkly contrasts with the micro and individualistic approach to the growth and development of the NDA under PM Modi.

In the next part of the essay, I provide additional examples highlighting the difference between macro and micro perspectives on growth and development.

In a standard microeconomic framework, wages are directly proportional to the marginal productivity of labour, which measures the incremental increase in output from a one-unit increase in labour. The more productive the labour, the higher the wages. However, if labour is subjected to diminishing returns, with further increases in labour, output grows, but at a lesser rate; in other words, with additional units of labour, the marginal productivity of the labour would fall, and therefore, the wages would be lower if more and more people can do the same job. Hence, wages reflect the value in exchange (and not the value in use) and would largely depend on how scarce the labour is. It is crucial to bear in mind that in such a framework, there is no virtue signalling in higher wages. If households want to raise their wage and improve their standard of living, they would have to invest resources in activities that increase their productivity. One possible way for the household



to achieve this would be investments in health and education. Therefore, from a micro perspective, household expenditure on health and education is an investment, not consumption. However, from a macro perspective, health and education are not considered economic investment expenditures but consumption expenditures.

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How third-country port warehouses boost Bangladesh's spinning industry

The majority of the raw material yarn and fabric produced in the garment factories of Bangladesh is cotton. However, its local production capacity is negligible (2-3%) compared to the demand. So it is almost entirely dependent on imports. At present the demand of cotton every year in the country is more or less 85 lakh bales. Although cotton was brought from different countries of the world, Bangladesh was dependent on India for a long time.

Over time the dependence of Indian cotton is decreasing due to many factors, among which third country warehousing is playing a major role. Among them, some warehouses have been built in Malaysia's Klang port using financing facilities from Jeddah-based Islamic Development Bank. Bangladeshi importers can bring cotton from there within seven days according to demand.

According to the country's yarn and cloth producers, if quality is taken into consideration, the United States will be number one, Australia will be second and African cotton will be in third position. Indian will rank 6th or 7th position. However, a large amount of cotton is now being imported from Africa mainly due to third country port warehousing facility.



Mohammad Ali Khokon, President of Bangladesh Textile Mills Association (BTMA) said that there are many complications in storing cotton in the country. The interest rate on inventory goes up a lot. For this reason shippers store cotton in third country's port according to the demand of Bangladesh. It can be brought in just seven days. Mainly because of this advantage, the import of cotton from the African region is gradually increasing.

Based on National Board of Revenue (NBR) data, the United States Department of Agriculture (USDA) says that in the 2022-23 marketing year (August-July), Bangladesh's largest cotton imports came from West Africa, which accounted for 39 percent of total demand, with 9 percent sourced from Cameroon and 3 percent imported from Chad. As such, 51 percent of the total cotton import has been from countries in the African region.

Besides, 16 percent was imported from Brazil of South America, 12 percent of cotton comes from neighboring country India and 10 percent of the cotton came from the United States. However, trust on USA-made cotton's among Bangladesh's textile millers also increasing for its quality and contamination free– US cotton imports reached almost \$470 million in 2022.

Large movement of cotton used to come to Bangladesh mainly from India, as the neighboring countries and availability of cheap cotton. But the yarn and cloth producers of the country claim that the quality of cotton coming from India has never been satisfactory. Moreover, Indian institutions often do not keep their promises. Problems also remain in yarn-fabrics produced due to substandard cotton.

Meanwhile, African cotton does not differ much from India in terms of price also the cotton is better than India. Although the country is far away from India, Bangladeshi importers are preferring Africa instead of India due to third country warehouse facilities. Due to which the import of cotton from Africa is increasing and from India has decreased to a large extent.

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