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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

US Jeans Imports Buckle Up in November, but China's Still Losing its Pants

The dramatic decline in U.S. jeans imports caused by the economic fallout of the coronavirus pandemic eased back a bit in November, as companies brought in merchandise for the holiday push.

In the year to date through November, denim apparel imports declined 26.01 percent to a value of $2.57 billion compared to the same 11-month period in 2019, according to new data from the Commerce Department's Office of Textiles & Apparel (OTEXA). The falloff was a slight improvement from the 27.42 percent year-to-date decrease in October.

Top jeans supplier Bangladesh saw its shipments dip 3.73 percent for the 11 months through November to $522.78 million, on par with the previous month's data from OTEXA. Imports of denim apparel from No. 2 producer Mexico plummeted 43.6 percent to $424.74 million.

Third-place Vietnam lost some of its gains from the prior two months, with a year-to-date increase of 0.68 percent to $342.09 million in November. This followed 1.08 percent and 1.77 percent year-to-date increase in October and September, respectively.

China continued to lose ground as a jeans production hub in the month. For the year to date through November, imports from China nosedived 53.75 percent to $304.82 million.

Chinese manufacturers have been dealing with fallout from the pandemic much like the rest of the world, while also suffering from the strategic sourcing shifts by importers looking to reduce risk and costs from tariffs derived from the trade war with the U.S.

This shows no sign of abating as President-elect Joe Biden has said he will use the tariffs as "leverage" in negotiations on trade policy between the two countries.

Morris Goldfarb, chairman and CEO of G-III Apparel Group, said on a conference call with analysts last month that "our development of product and production in China…[has] come down significantly."

"We've done a masterful job of bringing down our China production from possibly 85 percent of this company's production several years ago down to… around 30 percent today," Goldfarb said. "We're in the business of providing products at an appropriate price with appropriate quality, and China has always been a good partner as it relates to that. There are areas that we have figured out that are more competitive [and] equal in quality and less in duty, and we've gone to those areas. But I'm not on a mission to stay clear of China.

Among second-tier countries with a smaller market share, imports from Cambodia continued to show strength, with a year-to-date gain of 13.62 percent to $130.77 million. Pakistan flattened its decline to 3.25 percent to $227.81 million in the period.

Among third-tier suppliers with notable gains were Madagascar, up 5.45 percent to $30.60 million, and Ethiopia, gaining 21.59 percent to $21.29 million.

Source: sourcingjournal.com– Jan 11, 2021

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USA: Retail Cargo Imports May Break Record for 2020 Despite Pandemic

U.S. cargo container imports appear headed toward a new record for 2020 despite the coronavirus pandemic and remain at high levels as 2021 begins, according to the monthly Global Port Tracker report released Friday by the National Retail Federation (NRF) and Hackett Associates.

"Nobody would have thought last spring that 2020 would be a record year for imports, but it was clearly an unpredictable year," Jonathan Gold, vice president for supply chain and customs policy at NRF, said.

"Consumers and retailers once again proved their resilience in the face of unprecedented challenges. Thanks in part to government stimulus, retail sales saw strong growth during 2020 even with the pandemic, and import numbers show retailers expect the economic recovery will continue during 2021."

With high import volumes over the past few months, ships carrying goods from Asia have backed up at West Coast ports in particular, and there have been shortages of shipping capacity and equipment including chassis and empty containers, the report noted.

U.S. ports covered by Global Port Tracker handled 2.11 million 20-foot equivalent units (TEU) in November. That was up 24.5 percent year-over-year, but down 4.9 percent from October's 2.21 million TEU, which set the record for the largest number of containers handled during a single month since NRF began tracking imports in 2002.

December cargo imports were projected at 2.02 million TEU, down 17.3 percent year-over-year, but still one of only six times in nearly 20 years that the monthly total has hit the 2 million TEU mark, according to Global Port Tracker. If the December number holds up once actual data is available, 2020 will have ended with a total of 21.9 million TEU, up 1.5 percent from last year and breaking the previous annual record of 21.8 million TEU set in 2018.

Container shipments arriving at U.S. ports during the second half of 2020 set a string of new records, including an all-time high of 8.3 million TEU for the July-to-October "peak season," when retailers rush to bring in merchandise for the winter holidays each year.

January shipments are forecast at 1.96 million TEU, which would be up 7.7 percent from a year ago and the busiest January on record, while February is projected to be up 6.1 percent to 1.6 million TEU, and March at 1.64 million TEU, up 19 percent from March 2020, when factories in China failed to reopen after the Lunar New Year holiday because of the coronavirus. April imports are expected to reach 1.76 million TEU, up 9.6 percent, and May to grow 21.7 percent to 1.86 million TEU year-over-year.

Global Port Tracker provides historical data and forecasts for the U.S. ports of Los Angeles/Long Beach and Oakland, Calif.; and Seattle and Tacoma, Wash., on the West Coast; New York/New Jersey; Port of Virginia, Charleston; Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com– Jan 11, 2021

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IMF says China recovering fast ahead of most big economies

China is recovering fast ahead of most large economies, but the recovery is still unbalanced and facing significant downside risks, the IMF has said, projecting an eight per cent growth rate for the world's second largest economy in 2021. However, the main concern around the Chinese recovery that the International Monetary Fund (IMF) has is the lack of balance, said Hlge Berger, Mission Chief for China and Assistant Director, Asia and Pacific Department of the IMF.

The recovery is still relying mostly on public support. Private investment has strengthened recently, but consumption is lagging. Growth rates and consumption recently have been higher, but the level of consumption compared to its pre-crisis trend is still rather low, he told reporters during a conference call on Saturday on the publication of the 2020 China Article IV Staff Report.

"China is recovering fast ahead of most large economies, but the recovery is still unbalanced and facing significant downside risks. We are seeing growth at around 2 per cent in 2020 and around 8 per cent in 2021. December numbers have been surprising on the upside, so there are some upside risks to that forecast," said Berger.

On the other hand, he said that there are significant downside risks. Domestically, there is a pandemic risk that is still around. Also, the external environment has generally become a little bit more difficult for China and its economic relations with other countries.

"This is a large reason for the fact that we think that there's still an output gap this year of 1.8 per cent. That's the difference between what the economy potentially can have in terms of GDP and what we are actually expecting in terms of demand. So that's where this lack of balance comes in, and this has important implications for the way macro policies should be conducted," Berger said.

In the short term, he said, the IMF does not withdraw macroeconomic policy support prematurely in China. And this is the advice that other countries are getting from the IMF, so this is a bit of a global concern, but it applies to China as well. "The second implication of our analysis of the outlook and the risks around it is that we need to make sure that we adjust the composition of macroeconomic support away from investment towards household support. This will directly help consumption. This has implications, of course, for our policies to strengthen the social safety net," Berger said.

Noting that structural reforms have been progressing despite the pandemic which is quite an achievement in China, Berger said that this reform effort has been predominately in the area of opening financial services to the outside world, and less so in the real sector.

Real sector reforms, however, are important, he said. While productivity has increased in the past, the levels for the productivity in China are still relatively low compared to the global frontier, he said. Average productivity across all sectors is around 30 per cent of the global frontier.

The external environment has become a bit difficult in recent years and if that stays like this, it will be harder to tap into external productivity improvements through normal means of trade and FDI, he said.

China, Berger said, can also help others to overcome the challenges from the crisis. "There we note the very helpful engagement of China to providing debt relief for low-income countries," he added. China is the world's second largest economy behind the US.

Source: financialexpress.com– Jan 10, 2021

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US Treasury and its voodoo economics

The Omnibus Trade and Competitiveness Act of 1988 in the US requires the US Treasury Secretary to provide semi-annual reports to the US Congress on international economic and exchange rate policy.

As per this Act, the Secretary must consider whether countries "manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade."

The recent report, covering the period July 2019 through June 2020, was released on December 16, 2020.

This report reviewed and highlighted 20 major trading partners of the US as per the following three key criteria: bilateral merchandise trade surplus (at least $20 billion over a 12-month period); current account surplus (at least 2 per cent of GDP over a 12-month period); and persistent and one-sided intervention in the forex market (net purchases of foreign currency in at least six out of 12 months, and at least 2 per cent of an economy's GDP over a 12-month period).

If a country becomes qualified as per all the three criteria, then as per the report, it can be inferred that, "potentially unfair currency practices or excessive external imbalances that could weigh on US growth or harm US workers and businesses..." in that country.

Stripped of political niceties, effectively the country is seen as a currency manipulator by the US.

This year's report focuses its attention specifically on two countries — Vietnam and Switzerland — which qualify in all the three criteria (Table). Although the contexts are different, both the countries have intervened substantially in their foreign exchange market to defend their currency.

Second, China is off the key monitoring list as it satisfies only one of the three criteria. In some sense, this shows the extent of rebalancing in China over the last few years.

Admittedly, opinions may differ regarding the underlying causes. In particular, explanations may swing between the extremes of: (a) it is due to the initiation of the trade war on behalf of the US, and (b) it reflects some sort of internal rebalancing of China that is happening during the last few years.

Third, India seemed to have had a close shave. After all, India qualifies in two out of the three criteria. Our low current account surplus seems to have saved us from being included in the league of currency manipulators!

Massive capital flows

However, the economic rationale behind the report seems to be rather weak. In this day and age, when massive capital flows, arising out of flood of liquidity from the taps of developed country central banks, are increasingly dictating exchange rate, complete overlooking of capital flows can hardly be justified.

The rise of such destabilising capital flows has made intervention by the central banks in the foreign exchange markets a legitimate and essential element of the toolkit of central banks in developing countries.

Ironically, for the period mentioned in the report, these interventions were needed because policies adopted by the US Fed drove down the value of dollar internationally.

Service trade ignored

Secondly, the report only talks about merchandise trade and not directly about trade in services. This is possibly because the US is a service-led economy and runs trade surplus in services vis-à-vis many countries. However, it is losing competitiveness in trade in goods over the years. Therefore, focussing only on merchandise trade balance perhaps allows the US to paint more countries as currency manipulators.

The third flaw in the report is much more fundamental. There was a time when balance of trade used to dominate determination of exchange rate and when a persistent trade surplus was seen as an evil in a mercantilist tradition.

In the post-1991 era of globalisation, the capital account is playing equally or sometimes more important role than the trade balance. The benchmarks used in this report completely ignores the volatility associated with the capital account. It only focusses on current account indicators with an emphasis on merchandise trade.

Overall, the indicators used in the report are ad-hoc, biased and insensitive. It fails to distinguish between competitive countries and currency manipulators. While it highlights the inability of the US to produce goods at a competitive price, it stays silent on the supremacy of US in export of services, its dominance in intellectual property rights or finance, all of which do not find a place in the set of metrics in the report.

Also, it totally ignores that some foreign exchange interventions by central banks of developing countries are a hand forced by the US Fed. These make the analysis of the report smacking of Voodoo Economics!

Source: thehindubusinessline.com– Jan 10, 2021

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Inside Peru's Mission to Become the Most Sustainable Garment Market

Peru's garment producers are widely known and recognized by our customers for high-quality apparel and service. Ultimately, our dream is to lead in another aspect: sustainability.

With the goal of becoming the most sustainable textile industry in the world, the Peru Textiles Exporters Association (PREVEX) is focusing on the triple bottom line: people, planet and profit. We will deliver traceability and accountability, ensuring that all member companies adhere to quality and responsibility standards to be able to gain recognition as a Peru Textiles brand.

Peru's sustainability strategy aims to make a positive impact on the economy, equity and the environment by focusing on the following five pillars.

Clean energy

At PREVEX, we are encouraging Peru-based manufacturers to use renewable energy. Supporting this agenda, our association is investing in solar panel parks. Our goal is to have all factories receive energy efficiency certifications, such as Leadership in Energy & Environmental Design (LEED) and Renewable Energy Resources (RER).

Water

We will certify the efficient and responsible use of water in our value chains, aiming for local and international certifications; for example, the Blue Certificate in collaboration with the Peruvian Government and the Alliance for Water Stewardship.

Carbon neutrality

Peru's textile sector aims to become a carbon neutral industry in the medium term with a 20 percent reduction in greenhouse gas emissions by 2030, in line with Peru's commitment. We also plan to support protected natural areas with carbon credits in alliance with the Government's Servicio Nacional de Áreas Naturales Protegidas por el Estado (SERNANP). We aim to be carbon-neutral certified by 2021 and have the Verified Carbon Standard (VCS) certificate.

Clean production

PREVEX will sign a Clean Production Agreement (APL) with the government to work together in reducing or eliminating residues and accelerate our move towards a circular economy model. On this front, we will apply for the Global Recycled Standard (GRS) certificate.

Decent labor

The textile industry employs around 1 million people in Peru. Sixty percent of workers are women, and many of them represent the most important income in the household. Within this pillar, we aim to be Fair Trade Certified in cotton, sewing and factories.

Peru is positioned to succeed in this sustainable revolution due to our heritage in textile production. All members of PREVEX have been in the business for 30 years or more, with the oldest founded 120 years ago. Throughout this time and multiple generations of leadership, they have faced and overcome numerous crises including hyperinflation, terrorism, earthquakes, military coups and global financial collapses.

These financially solid companies have joined forces with the government to work together for the sustainable development of the industry, with the aim for the Peru Textiles brand to stand for quality with sustainability. The Peru Textiles brand is part of the government's push to double garment production and exports by 2025 to $2.1 billion.

Source: sourcingjournal.com– Jan 11, 2021

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Starting 2021 with Bulls, Bears and High Cotton Prices

The 2021 New Year always begins with our listing of Bullish and Bearish market factors that will likely lead market direction over the course of the year.

Bullish

- Imbalance in world food supply/demand
- Pent-up world demand increasing
- World stocks decreasing
- U.S. stocks decreasing
- U.S. old crop quality sold/selling out
- 10% reduction in U.S. new crop plantings under pressure from grain/oilseed prices
- Drought expected in U.S. Southwest, Texas-Oklahoma Plains
- Increasing Chinese prices/declining stocks
- Decreasing Chinese and Indian stocks
- Commodity complex encourages speculative bullishness
- U.S./Europe prevention of Chinese forced labor products entering marketplace
- Technicals: trend, moving averages, fund positions, on-call sales
- Aggressive selling posture of Indian cotton

Bearish

- Continued COVID-19 virus disruptions
- World stocks at 98+/- million bales
- U.S. stocks at 5 +/- million bales
- Increase in Australian, Brazilian, Pakistani and U.S. production
- High prices cure high prices
- Low polyester prices
- Selloff in record high stock market will pressure cotton prices

World demand for food grains, feed grains and human edible oils have all but drained world supplies and are now straining the world's ability to maintain current consumption levels. While this issue has flown under the radar and not yet reached the consumer's dinner table, it soon will. We have seen, and continue to see, significant increases in the world's agricultural complex of commodities. This has significantly enhanced the capital flow and speculative funds flowing to commodity markets.

As the year ended, cotton prices jumped to life of contract market highs across the trading spectrum, and prices have remained at or near those record prices. Certainly, this has been true for the entire agricultural crop complex.

The coronavirus relief in China has allowed mills to reopen and move to full 100% operation. Yarn demand exceeds production, and other Asian and subcontinent countries have increased raw cotton imports to meet the Chinese demand for yarn. This demand strength will continue as textile mills continue to bid for cotton.

Cotton will continue to bid for acres as the strength in the oilseed and grains complex continues. However, world cotton carryover is excessive compared to grains and oilseeds, so cotton will lose planted area in the 2021 production season.

USDA will release its first world supply demand report of 2021 on January 12. It is expected that USDA will lower its estimate for U.S. production and carryover but raise its estimate of world production. World consumption could increase slightly, as could U.S. exports.

The combination of such events will support ICE cotton futures and a challenge of 83 cents. Yet, climbing above the 81-83 cent level will be a difficult barrier to scale. U.S. old crop production is expected to be lowered to 15.3-15.4 million bales. A reduction below 15.2 will help scale 83 cents.

World carryover is expected to be 97 to 98 million bales. However, the world is awash in low grade cotton, so premium cotton will continue to receive strong bids. It is this world carryover – near 100 million bales – that continues to be the principal bearish factor in the cotton market. However, world production is expected to just meet world demand during the 2020-21 marketing year, and prices should remain in the mid-70s to high 80s.

Our expected price range during the coming year lies within the 73 to 87 cent price range. This is just a 14-cent range. A typically active cotton market might be expected to trade between a 20 to 24 cent range during any given year.

Thus, the question one should ask is just which side of the price range I may have missed? I expect the price high to come earlier in the production cycle, rather than later. However, Mother Nature and the coronavirus will likely play major roles.

As for marketing plans, I previously suggested pricing 10% of the new crop at 75 cents, another 10% at 77 cents and another 30% at 80 cents. I would want to be 50% sold at 80 cents. Yet, do not let the market slip below 75 cents with having some production priced.

Market prices could stretch to 87 cents if the Chinese are held to the current trade agreement and the U.S. government continues to enforce its human rights programs against the Chinese. Enforcing the human rights programs causes China to import more cotton as more and more world consumers object to Xinjiang cotton due to its dependence on forced labor.

Source: cottongrower.com– Jan 11, 2021

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Yarn Expo Spring to focus on antibacterial products

The Yarn Expo Spring Edition, to be held from March 10-12, 2021 at the National Exhibition and Convention Centre (Shanghai), will focus on antibacterial and hygiene products. Suppliers will display a collection of natural and blended yarns like cotton, wool, flax, man-made fibres and yarns, and specialty products including elastic, fancy, and blended yarns.

"After the successful conclusion of the Autumn Edition, Yarn Expo remains a reliable and stable trading platform for the industry in times of change and uncertainty, with feedback from the previous edition outlining the valuable support the fair offers our exhibitors and buyers.

As we look ahead, the upcoming Spring Edition will continue to cater to market demands, offering comprehensive sourcing for raw materials with online and hybrid solutions running in tandem with the physical fair. And as the market shows promising signs of recovery, we are glad that our digital solutions ensure the fairs accessibility to all," Wendy Wen, senior general manager of Messe Frankfurt said in a press release.

In addition to the physical fair, Yarn Expo will once again provide online solutions for those unable to travel. Exhibitors can benefit from the hybrid exhibition package which allows companies to display their yarns and fibres onsite at the dedicated showcase area, enabling buyers to examine the products close-up.

These ‘hybrid exhibitors’ will also be able to obtain business cards with the help of onsite staff and utilise video equipment to help introduce their brand. On top of this, all participants will have access to the digital business matching platform where they can connect with both online and onsite business partners via the instant messaging and video calling functions, available before, during and after the fair.

Yarn Expo Spring will be held alongside four concurrent events; Intertextile Shanghai Apparel Fabrics – Spring Edition, Intertextile Shanghai Home Textiles – Spring Edition, PH Value, and the China International Fashion Fair (CHIC). Together, the shows encompass the entire textile supply chain, providing a one-stop sourcing platform for the industry with strengthened potential and value for all participants.

“The Autumn Edition showed a substantial increase in demand for antibacterial yarns and fibres, an already emerging trend that has been significantly boosted by the global pandemic. Participants have long-recognised the show as a place to discover and stay afresh with the industry, with exhibitors and visitors appreciating more than ever the chance to learn about the latest market news. With that said, we look forward to supporting the development of market trends in the coming year,” Wen added.

“Our business has experienced growth amid the pandemic. We’ve brought quite a number of anti-bacterial products to the fair and customers’ feedback has been positive. The physical fair provided us with the opportunity to have face-to-face interactions with clients which has proven to be effective. The turnout is higher than I expected and we’ve already met with some potential customers,” Kent Wang, sales director of Shanghai Xinya New Material Technology in China, who is exhibiting at the show, said.

Source: fibre2fashion.com– Jan 11, 2021

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Vietnam retail CEOs urge US to not impose China-like tariffs

More than 200 top retail CEOs, have come together hoping to steering the US away from imposing tariffs on Vietnam. Top executives from athletic giants including Adidas and Nike, designer labels such as Kenneth Cole and Steve Madden, as well as apparel chains J. Crew and Gap wrote to President Donald Trump, asking him implored not to slap punitive levies on goods coming from the Southeast Asian country, considered the second largest supplier of shoes to the US.

They agreed their trading partners must abide by global trade rules, and support enhanced bilateral engagement with Vietnam to resolve concerns. However, responding with tariffs would undermine American global competitiveness and harm American businesses and consumers at a time when they can least afford it, as they are struggling from the impacts of COVID-19.

Late last summer, the Department of Treasury found Vietnam had manipulated its currency in a specific trade case that involved tires. The Office of the US Trade Representative launched an investigation into the country's "acts, policies, and practices that may contribute to the undervaluation of its currency and the resultant harm caused to US commerce." In so doing, Washington used Section 301 of the 1974 Trade Act — the law it used to impose tariffs on China, which ultimately launched a protracted trade war between the world's two largest economies.

Amid rising labor costs and escalation of the Washington-Beijing trade dispute many companies have moved their production from China to Vietnam. Similarly, many companies shifted sourcing to Vietnam as a direct result of the China 301 tariffs and supply chain diversification efforts. Placing tariffs on imports from Vietnam would punish those companies who made the sourcing shift as the administration had asked.

If those duties get approval, more than half of all apparel and footwear sold in America could be hit with cumulative tariffs as high as 25 to 50 per cent. Making the situation worse, trade groups are preparing for possible retaliatory tariffs if US ends up taxing Vietnamese products. According to the International Trade Commission, US textile and apparel exports to Vietnam rose $97 million from 2015 to 2019, while US footwear exports increased by $170 million.

Source: fashionatingworld.com– Jan 11, 2021

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Cancelled garments orders are returning to Philippines

The Philippine Exporters Confederation (Philexport) says the Foreign Buyers Association of the Philippines (FOBAP) has stated orders cancelled previously due to the pandemic are slowly returning, giving hope of a rebound in garments and hard goods exports between 10 and 15 per cent this year. Local factories have received new orders worth $280 million.

Robert Young, FOBAP president and trustee of Philexport for textile, yarn and fabric sector informed from sewing floor to store shelf, the 2021 outlook for troubled mid to high fashion items are dim and hazy. Therefore, a price re-costing/re-levelling is a must. Only the basics and essentials, such as undergarments, fast fashion are now staying alive.

Young noted fresh confirmed export orders for the country's soft goods comprising mostly garments worth $200 million will be on sewing floor up to the first quarter. Buyers included Wacoal, Adidas, Ralph Lauren, Ann Taylor, JCPenny, among others.

Almost 70 per cent of the orders are from the US, while the rest are from European Union, Canada, Australia, among others. Young is optimistic about export growth despite the pandemic, as the country's factories hope to book orders which are not served by other Asian neighbours due to their full production.

Most of these orders are coming from the relocated (moved out) foreign factories in China. Also, the Philippines will have added volume for more complicated items jackets/sportswear which are not the production preference of other countries.

To boost exports particularly to the EU, Young urged government to request the EU to grant the usage of imported fabric/textile in the apparel production, thus it will be eligible for zero duty to the trading bloc under the Generalized Scheme of Preference Plus (GSP+).

Source: fashionatingworld.com– Jan 11, 2021

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Pakistan: Move to bar the textile mill from accessing cotton stock to affect exports claims: FPCCI

President, Federation of Pakistan Chambers of Commerce and industry (FPCCI) Mian Nasser Hyatt Magoo on Monday observed that the Gul Ahmed Textile Mill Limited had legally acquired premises where it kept all its cotton stocks in bulk and its lease documents have been vetted by the Supreme Court of Pakistan and the Sindh High Court.

In a statement issued here today ,he was of the view that move to bar the textile mill from accessing to its cotton stocks would effect the daily operations as well as exports of the country.

The FPCCI President further claimed that action taken by Pakistan Railways against textile mill would disturbed growth of exports which was showing positive trend under the prevailing difficult environment.

He urged the government and Ministry of commerce for immediately taking notice of the Pakistan Railways against Gul Ahmed Textile Mills Limited, which was a leading exporters and contributing significantly in the economic development of the country.

President FPCCI said that the Gul Ahmed Textile Mill Limited had legally acquired premises where it kept all its cotton stocks in bulk and its lease documents have been vetted by the Supreme Court of Pakistan and the Sindh High Court.

Railways authority was taking action at time when textile mills and exporters were engaged to deliver their exports orders while on the other hand presently local production of cotton does not match with the domestic demand.

The textile exporters were importing cotton and placing it in their suitable yards, he said adding that this action would not only affect local exports but also put thousands of workers' jobs at stake.

Gul Ahmed was the biggest exporter of textile products and this move to refrain the textile mill from accessing its cotton stock would affect its production activities and their exportable consignments may also suffer delays and ultimately will cause loss of revenue reputational damage and confidence of the foreign buyers, he remarked.

Nasser Hyatt Magoo urged the Ministry of Commerce for making prompt intervention to allow access to the raw material by Gul Ahmed Textile Mill Limited so that its workers remain at work, export operations continue without any disruption.

Source: brecorder.com– Jan 11, 2021

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Pakistan: Analysing Pakistan's export push

Trade figures published by the Pakistan Bureau of Statistics (PBS) in early January reveal a further increase in both exports and imports in December 2020.

Exports were at $2.352 billion in the month and imports surpassed $5 billion. The month-on-month growth in exports was 8.19% and in imports it was 16.79%. The year-on-year growth in exports was 18.31% and in imports it was 25.25%.

However, the trade deficit increased 25.55% month-on-month and 32.04% year-on-year. This increasing trend has generated significant interest among government officials and economic experts, alike.

The prime minister recently tweeted on the growth in exports in November and December 2020 comparing it to the poor performance of Pakistan's major South Asian counterparts. The resultant trend in export and import composition of Pakistan will be crucial as businesses take advantage of the relatively limited impact of the pandemic that has otherwise severely impacted the global economy.

The State Bank of Pakistan (SBP) releases data of export receipts and import payments on a monthly basis. It reported a monthly increase of 13.6% in export receipts but a period-to-period decline of 7.1%.

Similarly, it reported a monthly increase of 17.4% in import payments and a period-to-period decline of 1%.

The SBP defines export receipts as "the money value against exports of goods abroad either realised in foreign exchange or payment through non-resident rupee account" and defines import payments as "the import of services contains all payments through banking channels for services provided by non-residents to residents”.

On the other hand, the PBS provides information using customs records, which is based on physical movement of goods across Pakistan’s boundaries. However, the data reported by the PBS and SBP is likely to differ due to variation in valuations, coverage, timing and classification of exchange records.

It is important to note that export proceeds and import payments may lag behind physical movement of goods, resulting in discrepancies between the data reported by the PBS and SBP. PBS data is more relevant when discussing the value and volume of physical trade.

The resurgence in exports is extremely crucial for the economy of Pakistan as it suffered from its stagnation in the past decade.

Lagging behind peers

According to the World Bank’s World Development Indicators, Pakistan reported one of the lowest levels of exports as a percentage of gross domestic product (GDP) in the world at 10.1% in 2019.

Comparatively, the lower middle-income countries averaged 24.7%, the South Asian countries averaged 17.5%, while even more fragile states labelled highly indebted poor countries averaged 24.4%.

On the other hand, although imports as a percentage of GDP were almost twice the level of exports, they were lower than those of the counterparts. The lower middle-income countries averaged 29.8% in 2019.

One of the major recurring challenges for economic policymakers is the balance of payments crisis that engulfs the economy after every few years.

The lack of foreign currency reserves accumulation, particularly during the period when Pakistan is not receiving financial assistance from the International Monetary Fund (IMF), puts the economy in a tailspin as it struggles to meet payment obligations and ultimately needs IMF assistance to finance them.

Considering the ratio of import payments to total forex reserves under the control of monetary authorities, which shows the number of months a country can pay for imports of goods and services, Pakistan reported a ratio of 1.9 months in 2018. This improved to three months in 2019.

Lower middle-income countries reported an average of seven months in 2019, while South Asian countries averaged eight months.

Total forex reserves (including gold) held by the monetary authorities in Pakistan stood at $11.84 billion in 2018. They were 12.7% of the total external debt. Comparatively, the lower middle-income countries reported 57.7%, while South Asian countries reported 63.9%.

This highlights the precarious condition of total reserves reported by Pakistan in 2018. With reserves rising and imports decreasing since 2018, the number of months covered by reserves for imports of goods and services and reserves as a percentage of total external debt have increased, indicating a relatively stable position on the external front.

Although imports peaked in 2018, it was mainly driven by CPEC-related investments, primarily used for domestic consumption.

Imports of unfinished products and capital goods to produce exportable products are necessary, particularly when there are insufficient resources available domestically.

Global competitiveness

According to statistics of the International Trade Centre’s Trademap.org, Pakistan reported greater imports of textile machinery than imports by Bangladesh and Vietnam in 2003. The result from the boost in imports of textile machinery was evident in the growth rates of exports reported in subsequent years.

Imports of textile machinery into Pakistan in 2019 were lower than those into Bangladesh and Vietnam. Product and capacity upgrade is essential to boost exports in the long run, particularly if Pakistani exporters are to enhance their global competitiveness.

There has been a surge in imports of raw cotton, which increased approximately 500% in the first five months of FY21 over the same period of FY20. Imports of synthetic fibre showed a growth of 25%.

Therefore, the demand for raw material and intermediate goods increased as textile exporters experienced a surge in their orders as well as made up for the fall in domestic cotton production.

In essence, low exports are a major concern for Pakistan. Even after accounting for its large population and the inflow of remittances to buffer the imbalance in current account, exports as a percentage of GDP are low.

The balance of payments crisis is driven primarily by lower exports that fail to accumulate much-needed foreign currency reserves and ensure stability in the external account.

The current upward trend in exports is encouraging. However, there is a need to ensure that this trend continues in the long run. This will require not only more trade promotion activities but will also require exporters to successfully participate in global value chains.

Source: tribune.com.pk– Jan 10, 2021

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Pakistan: Brexit deal's 'rules of origin' spark trade confusion

Many British businesses are swiftly discovering that they must now pay duties on exports bound for the European Union, despite the breakthrough Brexit free trade deal clinched over Christmas.

The development, which has already helped spark sliding freight traffic to Ireland, is part of trade disruption that has become increasingly evident this year after Britain's Brexit divorce was finalised on December 31.

Trade has also been badly hampered by new Covid-19 border restrictions, with the roll-out of testing for lorry drivers as Britain races to curb a rampant variant of the deadly virus.

At the heart of the Brexit deal, which came into force on January 1, is the so-called "rules of origin" condition applied to all goods crossing the border.

The rules of origin, a key aspect of all major trade deals, can rapidly turn into a costly headache for businesses.

Under the Brexit provision, any good will be subject to a customs levy if it arrives in Britain from abroad and is then exported back into the European Union.

For example, if a British clothing retailer imports Chinese-made textiles, then it would then have to pay a customs charge if it ex-exports the items into a member nation of the EU's single market and customs union.

Put simply, the rules therefore determine whether an export is considered British or not.

'Businesses blindsided'

"It is clear that many UK businesses exporting to the EU are going to be hit by tariffs," said Michelle Dale, senior manager at the Manchester office of chartered accountants UHY Hacker Young. "Businesses have also been completely blindsided by the 'rule of origin' part of the deal, which leaves them at a major competitive disadvantage when selling in the EU.

"Unfortunately, not enough was done to prepare them for this. It takes years to build an effective supply chain -- and using non-EU suppliers is often the best option both in terms of cost and quality."

The Brexit agreement, which was sealed four and a half years after Britons voted to leave the European Union, grants zero customs duties if at least roughly 50 percent of an exported product is made in the UK.

That applies to the majority of UK exports -- but certainly not all of them.

And the provision is all the more important because the EU accounts for more than half of Britain's trade.

The London-based Institute of Government think tank argues however that the complexity of supply chains means that proof of origin can be difficult for businesses to ascertain -- and hard for authorities to assess.

Collapsed UK high-street department store Debenhams has already shut its online website in Ireland due to uncertainty over post-Brexit trade rules.

'We need a solution'

"At least 50 of our members face potential tariffs for re-exporting goods to the EU," said William Bain, trade policy adviser at the British Retail Consortium industry organisation.

"We are working with members on short-term options and are seeking dialogue with the (UK) government and the EU on longer-term solutions to mitigate the effects of new tariffs," he added.

High-street retail giant Marks & Spencer warned Friday that the trade deal would "significantly impact" business in the Czech Republic, Ireland and France.

The deal however removes tariffs for Britain's largely foreign-owned carmaking industry, which avoids customs duties for cars manufactured with components made abroad.

Nissan has welcomed the agreement but has not yet indicated what will happen to the Japanese carmaker's largest plant in Europe which is based in Sunderland, northeast England. It had previously warned that a no-deal departure would threaten the factory's future.

Prime Minister Boris Johnson's Conservative government has yet to comment on the precise impact of the rules of origin on the business community.

"We continue to work closely with businesses to help them to adapt to any new trading requirements," a government spokesman told AFP.

Source: brecorder.com– Jan 10, 2021

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Downtrend in export likely to continue till April: BGMEA

The ongoing downtrend in readymade garments (RMG) export will probably continue till April this year, according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Rubana Huq, who recently sought an industry perspective to help the association frame its narrative for policymakers to pay heed to the real situation and not the perceived one.

She said the uncertainties and stress caused by the second wave of COVID-19 still persists, coupled with the unavailability of vaccine, and highlighted the impact on the global economy it would leave.

Given the effect of lockdowns in Europe and USA and their impact on retail and demand, the worst-ever Christmas sales the world has seen, and most of all the effect of price decline (which is around 5 per cent since September 2020), 2020 was a dark year for the Industry, she said.

"This is one of the most tragic turns in our industry. In the absence of proper restructuring or even an exit policy, shrouded by western bankruptcies, hounded by buyers' unforgiving contracts and force majeure clauses, factories are facing turbulent times," Huq was quoted as saying by Bangla media reports.

Requesting the government to reassess the perception of the industry doing well and getting all favours from the government, she said jobs of 4.1 million workers is at stake.

Commercial banks have been instructed by Bangladesh Bank to arrange repayment of the stimulus package by the third week of January. Without the moratorium of the salary stimulus package being extended for another six more months or the tenure of the loan being extended by at least a year (which is currently 24 months), the industry will collapse, she said.

"RMG has had consecutive downturn in export in December by 9.64 per cent, which wrapped up the annual export performance for 2020 with an unprecedented fall of 16.94 per cent," she said.

In December, the BGMEA chief said, woven garment export posted worst performance since June 2020, as it declined by 18.07 per cent. Knitwear export managed to have a relatively stable position with a negative 0.45 per cent growth in December, thanks to the demand for apparel for home use, she added.

Source: fibre2fashion.com– Jan 11, 2021

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Without Government Aid, Bangladesh Garment Sector Could 'Collapse'

Garment manufacturers in Bangladesh have demanded that the government extend the moratorium on the salary stimulus package by six months and delay repayment terms by a year, saying that the failure to do so would push the industry past the brink of destruction.

In an open letter published Thursday, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the country's largest trade group of factory owners, wrote that the central bank of Bangladesh has asked commercial banks to arrange repayments by the third week of January, despite the "deep plunge into uncertainty" triggered by the unabating Covid-19 crisis. Without the additional assistance or deferment of repayments, she said, "the industry will collapse."

Overall exports for ready-made garments tumbled 9.6 percent in December, according to the Export Promotion Bureau of Bangladesh, contributing to what Huq described as an "unprecedented" decline of 16.9 percent for 2020. Woven garment exports slid 18 percent, resulting in the worst performing month since June. Only knitwear exports maintained a "relatively stable position" with -0.5 percent growth because of buoyed demand for home goods, she said. Shipments to the United States, the single largest export market for Bangladesh's products, stumbled 12.6 percent year over year, trade data showed.

"So, given the effect of lockdowns in Europe and U.S.A. and their impact on retail and demand, the worst-ever Christmas sales the world has seen and, most of all, the effect of price decline (which is around 5 percent since September 2020), it was a dark year for the industry that we have seen," Huq wrote. "As the uncertainties and stresses caused by the second wave still persists, coupled with the unavailability of [a] vaccine, and the impact on global economy it would leave, this downtrend in export will probably continue till April of this year."

With the jobs of Bangladesh's 4.1 million garment workers on the line, the perception that the industry is on the mend and "getting all the favors from the government," she added must "kindly be reassessed."

Factory owners borrowed 10,500 crore taka ($1.2 million) from the stimulus packages announced last March to pay workers' wages for the months of April, May, June and July on the condition that they would repay the amount at 2 percent interest in 24 monthly installments beginning this month. In October, the BGMEA asked the finance ministry to draw out the repayment period to five years.

A survey published in December by Transparency International Bangladesh (TIB) contended, however, that 42 percent of the garment workforce, or 1.4 million workers, have not benefited from the stimulus payments despite the fact that the vast majority do not have savings. Factory owners employed some 84 percent of the incentives to address their own financial needs, TIB said. The report also claimed that 21,000 workers in 64 factories that accepted incentives did not receive their owed wages due to layoffs.

"The stimulus package was given from the public money, but the interests of the workers were not considered as a priority," Iftekharuzzaman, executive director at TIB, said at a virtual press conference. Huq has refuted the report, citing the accuracy of TIB's data.

Bangladesh was particularly hard hit at the outset of the pandemic. Amid the first wave of the coronavirus, Western brands and retailers canceled or suspended $3.1 billion in orders, roiling a country that counted on apparel for 84 percent of its overall exports. Besides the pared-back orders, factories have had to grapple with new post-coronavirus buyer behaviors, such as demands for steep discounts and extended payment terms that leave suppliers front-loading all of the costs of production.

In June, Huq estimated an "irrecoverable" loss of $5 billion due to the economic fallout.

Source: sourcingjournal.com– Jan 11, 2021

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NATIONAL NEWS

Exports rise 16.2% , imports up 1.1% in first week of Jan

Imports grow 1.1% with rise in veg oil, pearls, precious & semi-precious stones

Engineering goods and petroleum products have placed India's exports on the growth track in the first week of January with outbound shipments posting an increase of 16.2 per cent (year-on-year) to $6.2 billion, according to preliminary data shared by the Commerce & Industry Ministry.

Imports, too, registered a growth of 1.1 per cent during the week at $8.7 billion, due to a sharp increase in imports of pearls, precious & semi-precious stones and vegetable oil, compared to the same period of the previous year, according to data.

While the rise in exports in the first week is good news especially at a time when over-all trade figures have been sliding both domestically and globally due to the on-going Covid-19 pandemic, one has to wait for the data for the entire month before drawing conclusions.

In the month of November last year, the export data for the first week had posted an increase of 22.5 per cent to $6.75 billion, but exports for the entire month were down 9 per cent to $23.43 billion.

Rise in shipments

Engineering goods showcased the maximum increase of 51.8 per cent (an additional $636.8 million), accounting for nearly 73.5 per cent of the overall increase. It was led by increase in exports to South Africa.

Petroleum products also contributed to increase in exports, driven by rise in shipments to South Africa and Australia, and accounted for 13.2 per cent of the total increase. Its exports increased by 17.3 per cent (an additional $114.7 million)

Some of the increase was offset by decrease in exports of ready-made garments, (26-per cent decline), man-made yarns (22-per cent decline) and inorganic and organic chemicals (5.5-per cent decline)

Imports of pearls, precious & semi-precious stones increased 86.5 per cent (an increase of $220.6 million) accounting for 238.8 per cent of the overall increase. This was mainly due to increase in imports from the UAE and the US.

Vegetable oil also registered an increase of 88.2 per cent accounting for 131 per cent of the total increase.

Some of the increase was offset by decrease in imports of transport equipment (59.8 per cent decline), petroleum products (14.5 per cent decline) and fertilisers (35.9 per cent decline).

In April-December 2020-21, the country's merchandise exports contracted by 15.8 per cent to $200.55 billion, compared to $238.27 billion in the same period of 2019-20.

The decline in imports during the nine months of the current fiscal was sharper at 29.08 per cent to $258.29 billion.

Source: thehindubusinessline.com– Jan 11, 2021

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India, US negotiating on wide range of trade concerns: Congressional report

The US is seeking greater access to the Indian market for its agricultural products, potentially in exchange for US restoring India's eligibility under GSP

India and the US are negotiating on a wide range of trade concerns, including greater access to the Indian market for American agricultural products, potentially in exchange for America restoring New Delhi's status under the Generalised System of Preferences (GSP), according to a Congressional report.

President Donald Trump in 2019 terminated India's designation as a beneficiary developing nation under the key GSP trade programme after determining that it has not assured the US that it will provide equitable and reasonable access to its markets.

"The United States and India are negotiating on a wide range of trade concerns, including greater access to the Indian market for US agricultural products, potentially in exchange for US restoration of India's eligibility under GSP. The current status of the negotiations has not been disclosed," the latest report by independent Congressional Research Service (CRS) said.

Reports of the CRS are not an official report of the US Congress. Its subject matter experts prepare reports on various issues for the American lawmakers to make informed decisions. The comment on India is mentioned in the "Major Agricultural Trade Issues in the 117th Congress" dated January 8.

In September last year, the Indian government enacted three laws intended, in part, to help integrate Indian agriculture into the global market.

Commerce and Industry Minister Piyush Goyal in September said most issues preventing a limited trade deal between India and the United States have been resolved and an agreement could be signed anytime the political situation in the US allows it.

India is seeking exemption from high duties imposed by the US on some steel and aluminium products, resumption of export benefits to certain domestic products under the GSP, and greater market access for its products from sectors such as agriculture, automobile, automobile components and engineering.

On the other hand, the US wants greater market access for its farm and manufacturing products, dairy items and medical devices, apart from cut in import duties on some information and communication technology products.

Noting that the United States and India view one another as important strategic partners to advance common interests regionally and globally, the CRS report said given the rapid growth in population and income among a large segment of the population, demand for higher-value food products such as fruits, nuts, dairy products, and other livestock products is growing among Indian consumers.

While India is among the world's largest producers and consumers of a range of crop and livestock commodities, United States Department of Agriculture (USDA) projects that India will continue to be an important importer of dairy products, vegetable oils, pulses, tree nuts, and fruit and that it will continue to be a major exporter of rice, cotton, and buffalo meat. Observing that US-India trade negotiations follow a period of trade tensions, the CRS said in March 2018, the United States levied additional tariffs on steel and aluminium imports from India.

India responded by identifying certain US food products for retaliatory tariffs but did not levy them until June 16, 2019, after the United States terminated preferential treatment for India under the GSP.

India's retaliatory tariffs range from 10 per cent to 25 per cent on imports of US chickpeas, shelled almonds, walnuts, apples, and lentils. Both countries' tariffs and India's GSP status are likely issues in the ongoing negotiations, it said.

Agricultural exports from the US to India have increased since 2015, reaching $1.6 billion in 2019. The US in the same year imported agricultural products valued at $2.6 billion from India.

The CRS said that India maintains high tariffs on many products— for example, 60 per cent on flowers, 100 per cent on raisins, and 150 per cent on alcoholic beverages. Some Members of Congress have requested that the United States Trade Representative (USTR) seek to reduce the current 36 per cent tariffs faced by US pecans. Since 2017, a system of annual import quotas on pulses has restricted US exports of pulses to India.

Export of wheat and barley to India are currently restricted due to its zero-tolerance standard for certain pests and weeds, and restrictions also exist on imports of livestock genetic material, it said.

In its report, the CSR informed lawmakers that USTR may continue challenging India's domestic support for agriculture at upcoming WTO Committee on Agriculture (COA) meetings and, if necessary, could pursue these concerns through WTO's dispute settlement mechanism. India's domestic support for agriculture could be an issue during US-India trade negotiations or during the discussions related to WTO reform on agriculture.

Source: thehindubusinessline.com– Jan 11, 2021

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Budget may try to straighten 'inverted duty' structure

Import levies that are same for both finished and intermediate goods, too, will be reviewed

In line with the government's focus on 'Atmanirbhar Bharat' and import substitution, the forthcoming Budget is likely to lay a greater stress on removing some of the remaining inverted duties that discourage value addition, a government official has said.

This may include not just the simple cases where the import duties on the finished product is more than the intermediates, but also ones where both are the same or where there is more than one end-use for an import, thereby making it difficult to establish if an inverted duty structure exists.

"The Commerce Ministry has taken up the matter of addressing the inverted duty structure further in this Budget with the Finance Ministry. The past Budgets have been sorting out the issue but there are some sectors that are continuing to face a problem, including in cases where the import duty for a raw material may be the same as the end product or where there are different end uses for an import. It would be seen if those can be addressed too," an official tracking the matter told BusinessLine.

Discouraging value-addition

For instance, in case of an item like cashew, where the import duties on cashew kernels and semi-finished cashew products like shell are the same, there is hardly any incentive for processing, an industry source said.

"On paper, an inverted duty structure exists when the levy on the finished product is lower than that on the raw material, and therefore, it discourages domestic value addition. But in case of items like cashew, where the import duties on the finished items and the intermediates are the same, the effect is similar to that of an inverted duty structure as there is no incentive for any processing or value-addition," he said.

The end-user test

There are also cases where the same imported raw material is used in many sectors and it may be an inverted duty for one end-product and not for another.

“Let’s take plastic, for example. If the end use of plastic is in the electronics or engineering sector, there may not be an inverted duty structure if the import duty on plastic is less than what is imposed on the electronics or engineering goods. However, if the same imported plastic is used in the plastic industry, then the situation may be different and there could be a case of inverted duties,” the official explained.

The past Budgets had tried to address this problem, but there are some unresolved issues.

“It has to be seen if there could be some kind of end-use exemption where a particular sector can be allowed to import some inputs at lower duties,” the official said.

Source: thehindubusinessline.com– Jan 11, 2021

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Textile sector set example of self-reliant India: minister

Indian minister for textiles Smriti Irani recently commended the textiles industry for setting an example of self-reliant India by gearing up to produce personal protective equipment (PPE) kits and masks for the country to deal with the novel coronavirus pandemic. She was speaking at the inauguration of the three-day Surat International Textile Expo (SITEX 2021).

"While before the pandemic, there was not a single company in the country producing masks and PPE kits, after the pandemic, around 1,100 such companies became operational. From two, the number of companies manufacturing N-4 masks rose to 250," she said.

In just three months, India became the second largest manufacturer of masks and PPE kits in the world, she was quoted as saying by a news agency.

In SITEX-2021, 110 stalls of textile machinery and accessories manufacturers have been set up to showcase world class technology.

Source: fibre2fashion.com– Jan 11, 2021

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FinMin releases Rs 6,000 cr to states, UTs to meet GST compensation shortfall

The Finance Ministry on Monday released the 11th instalment of Rs 6,000 crore to states and UTs to meet the GST compensation shortfall, taking the total amount provided so far under this window to Rs 66,000 crore.

The Centre had set up a special borrowing window in October 2020 to meet the estimated shortfall of Rs 1.10 lakh crore in revenue arising on account of implementation of GST.

Ministry of Finance in a statement said it has released the 11th weekly instalment of Rs 6,000 crore to states/Union Territories to meet the GST compensation shortfall.

Out of this, Rs 5,516.60 crore has been released to 23 states and Rs 483.40 crore to the three Union Territories (UTs) with Legislative Assembly (Delhi, Jammu & Kashmir and Puducherry), who are members of the GST Council.

The remaining five states, Arunachal Pradesh, Manipur, Mizoram, Nagaland and Sikkim do not have a gap in revenue on account of GST implementation, it said.

“The amount has been borrowed this week at an interest rate of 5.10 per cent. So far, an amount of Rs 66,000 crore has been borrowed by the central government through the special borrowing window at an average interest rate of 4.72 per cent,” the statement said.

The borrowings under the special window have been done in 11 rounds and the amount borrowed so far was released to the states on October 23, November 2, November 9, November 23, December 1, December 7, December 14, December 21, December 28, 2020, and January 4 and January 11 this year.

Out of this, Rs 60,066.36 crore has been released to states and Rs 5,933.64 crore to the 3 UTs with Legislative Assembly.

In addition to providing funds through the special borrowing window to meet the shortfall in revenue on account of GST implementation, the Centre has also granted additional borrowing permission equivalent to 0.50 per cent of gross state domestic product (GSDP) to states to help them mobilise more financial resources.

Permission for borrowing the entire additional amount of Rs 1,06,830 lakh crore (0.50 per cent of GSDP) has been granted to 28 states under this provision, the statement added.

Source: financialexpress.com– Jan 11, 2021

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WTO acknowledged India's strong economic growth at 7th TPR

India's seventh Trade Policy Review (TPR) began last week at the World Trade Organisation (WTO) in Geneva. TPR is a key mechanism under the WTO's monitoring role, and involves a comprehensive peer-review of the member nation's trade policies. India's last TPR took place in 2015. Commerce secretary Anup Wadhawan led India's official delegation there.

Wadhawan reaffirmed India's commitment to ensuring equitable and affordable access to vaccines and COVID-treatments for all, and underlined the critical role that multilateral trading system can play in this regard, according to an official release.

He highlighted that to deal with the immediate fall-out of the pandemic, India has advocated a short-term package of effective measures at the WTO that includes a temporary waiver of certain provisions under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to increase manufacturing capacity and ensure timely and affordable availability of new diagnostics, therapeutics and vaccines for COVID-19; a permanent solution for public stockholding (PSH) for food security; and a multilateral initiative that offers easier access to medical services to facilitate easier cross-border movement of healthcare professionals.

A comprehensive report issued by the WTO Secretariat on the occasion, chronicling all major trade and economic initiatives that India took over the last five years, acknowledged India's strong economic growth at 7.4 per cent during the period under review and made a positive note of India's reform efforts during this period.

The report noted that strong economic growth led to an improvement in socio-economic indicators, such as per-capita income and life expectancy in India.

The Secretariat report also commended India for liberalising its foreign direct investment policy, ratifying the Trade Facilitation Agreement and implementing several trade-facilitation measures during the period under review.

Source: fibre2fashion.com– Jan 12, 2021

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Railways' 'cube' containers to slash supply chain cost by up to 25%

Attract more 2- and 3-wheeler cargo to rail

Indian Railways, which has already started attracting a lot of automobile cargo this fiscal, may start getting a higher share of two- and three-wheelers with the introduction of a small, cube container called the 'cube'.

These containers, with the dimensions of a cuboid, will lower the total cost of transportation by 20-25 per cent, said Kalyani Cast Tech, the New Delhi-based company that designed the box.

Six such cubes can fit onto a flat wagon that usually carries one FEU-sized (forty feet equivalent unit) container or two TEU-sized (twenty feet equivalent unit) containers, said Naresh Kumar, founder, Kalyani Cast Tech.

The Railway Ministry had recently notified the haulage charge (freight rate) of these boxes. One wagon, which can carry six cubes, will be charged at the same rate as an FEU-sized containers, the Ministry said.

This charge will be levied irrespective of whether the wagon is fullyor partiallyloaded. Kumar said that he expects to see trials of the cubecontainers soon through a private train operator, who could be an automobile freight or container train operator.

Kumar has introduced the box at a time when Indian Railways is going all out to widen its cargo use, especially automobile cargo. As on December 14 this fiscal, Railways loaded 1,608 rakes of automobiles, more than the 1,599 rakes loaded last fiscal, said Purnendu Shekhar Mishra, Member-Operations and Business Development, Railway Board.

For the first- and last-mile distances — when cargo is moved on road through trucks — these cube boxes can be accommodated on trucks. Depending on the size of trucks, up to five cube containers can be loaded in each truck.

The transfer of such cube containers between trucks and rail wagons would require cheaper handling equipment like fork-lifts, although reach stackers (the relatively pricey equipment to handle the standard containers) can also be used, added Kumar, a former Indian Railways officer. He added that these small cubes can be used to handle other cargo as well including fast moving consumer goods (FMCG).

Increase in capacity

“Each such cube can store eight two-wheelers and three 3-wheeler chassis (without the upper body, which are usually attached later). This makes it 48 motor-bikes per wagon, or 2,160 two-wheelers a rake,” said Kumar, adding that currently, each rake (one train) used by the Railway handles about 1,500 two-wheelers. This means that use of such containers provides an over 40 per cent increase in capacity.

A total of 18 three-wheelers can be loaded in one wagon and 810 three-wheelers can be loaded in each rake.

Source: thehindubusinessline.com– Jan 11, 2021

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Tax policy changes to boost post Covid-19 economic recovery

Covid-19 has impacted businesses in an unprecedented way. While the vaccines have raised hopes of regaining normalcy, businesses continue to face a difficult recovery terrain due to the lasting changes from the pandemic. Like most countries, India has been forthcoming in extending financial packages to aid businesses. With Budget 2021 around the corner, beleaguered businesses have hopes on increased relief from the Finance Minister's tax proposals.

Need for focused tax incentives

Liquidity and solvency have emerged as two key imperatives for the survival of a business. The effects of the pandemic have made it clear that organisational outlook and consumer behavior have both undergone a change. Not only have some sectors been hit hard (such as tourism, hospitality, retail, automotive, real estate, MSMEs), consumption too has significantly evolved through digital means. Some sectors on the other hand, such as medical and pharmaceuticals, processed foods, online education, gaming, media, have witnessed tremendous growth during this period.

The government must attempt a carefully screened fiscal support package for the sectors hit by the pandemic and make up for such package through sectors that have seen an upside. To support the beleaguered sectors, the government may consider introducing a five-year tax holiday for businesses that invest over a threshold ($100 million or more) in labour-intensive sectors such as textiles, food processing, travel and logistics, leather, automotive.

An alternate to this could be to provide accelerated depreciation for assets deployed in sectors that have been hit hard by the pandemic; this will help them conserve resources to bring about necessary changes in business to adapt. GST rates for products and services associated with such sectors may be tempered to provide a fillip to demand.

Since technology, pharma and health care are seeing an upswing, the government may promote investments in these sectors by advancing select fiscal benefits to R&D activities such as more than 100% deduction or by giving of R&D credits. As these sectors do well, they should help balance out the strained fiscal deficit situation.

While the government introduced equalisation levy at the start of the pandemic to target non-resident e-commerce operators, there is need for clarity and certainty on the provisions to facilitate proper implementation and aid tax collection.

Similarly, the scope of TCS on sale of goods and TDS on e-commerce operators also need to be clarified and restricted such that where such deduction/ collection result in unnecessary cash traps with the government, they should be rolled back. Thus, there is a need for simpler and clearer provisions.

Rationalisation of tax administration

Recognising the need to ease tax administration in the country, faceless schemes for tax assessments and appeals were announced in August 2020. As with any big change, these schemes are not devoid of issues and further rationalisation is desirable. For instance, the scope of the schemes does not include transfer pricing and international tax; these areas of tax administration remain under earlier assessment/appeal schemes and continue to be driven by unrealistic revenue targets. The government should include all assessments under the faceless assessment scheme and should further leverage technology to enhance taxpayer service.

During the pandemic, the government proclaimed of having released Rs 1.57 trillion in refund to taxpayers. While this is commendable, practical difficulties still exist for corporate taxpayers in obtaining refunds. Multi-level approvals are still required in the tax department for release of refunds approved pursuant to scrutiny tax assessment. Playing passing the parcel within the tax department and refund bankers creates working capital problems. Automation of the approval mechanism of refunds and strict adherence to the newly released Taxpayers' Charter is highly desirable in such distressed times.

Facilitating international trade

The digitalisation of economies continues to raise questions on the allotment of taxing rights on income. Till 2020, most countries had committed to multilateralism to achieve consensus-based solutions. The pandemic has led to some countries, including India, to introduce unilateral measures in the form of equalisation levy to tax specified income arising out of digitalisation. However, it is important for India to revisit these unilateral measures and contribute to be an integral part of the discussions for a unified solution.

In a nutshell, the times are ripe for the government to showcase bold reforms by adopting a sector-specific approach for fiscal incentives and to boost consumer demand. Stable and clearer tax provisions, supported by a neutral approach to tax administration, should help improve investor sentiment towards doing business in India.

Source: economictimes.com– Jan 11, 2021

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Commerce ministry should amend SEZ rules for sourcing from EOUs: Expert

We are an EOU. We have an order to supply our finished goods to a SEZ unit. Rule 36(14) of SEZ Rules, 2006 says that we must follow the procedures prescribed in Rule 36(12) of the said Rules that apply to clearance from bonded warehouses to SEZ. Rule 36(12) requires us to clear the goods under an ex-bond shipping bill duly passed by the bond officer. When we are not under bonding procedure, how can we comply with the same?

EOUs were de-licensed as bonded warehouses with effect from August 13, 2016, through notification 44/2016-Cus dated July 29, 2016. CBEC Circular no. 35/2016-Cus dated July 29, 2016, explains the changes consequent to issue of that notification. It appears the Commerce Ministry is unaware of the changes. So, you may draw its attention to the changes and ask for amendment in the Rule 30(14) of the SEZ Rules, 2006.

Freight consolidators act as agents of foreign airlines and shipping companies. They accept freight and other charges from exporters for shipments made through them. What are the FEMA or other guidelines for remittance of freight and other charges by them to their principals, as per their agreements?

These are current account remittances, and based on suitable documentation, the banks can remit the payments. In this connection, please refer to Para 7(v) of Annexure 1 to A.D. (M.A. Series) Circular no. 11 dated May 16, 2000, issued by the Exchange Control Department of the RBI.

We design and develop samples for buyers abroad. We send them to the buyers as free trade samples. But, we do invoice them for design and development charges. Can we treat the transaction as export of services and zero-rate the transactions under the GST laws?

The essential nature of the transaction is service, and the trade sample only represents the results of your design and development service. Under GST laws, it will qualify as export of service, if you fulfill all the conditions prescribed at Section 2(6) of the IGST Act, 2017. You can zero-rate the services in accordance with Section 16 of the IGST Act, 2017.

We have running export packing credit (EPC) facilities with our bank. At present there are no overdues in the EPC account, as we get all our export bills discounted and get the proceeds credited to the EPC. In the post-shipment credit facility, some bills are overdue. Now, for some shipments we have not availed of EPC and we want the export proceeds to be credited to our current account. Can the bank agree to this, or will it adjust the funds after discounting these bills against overdue export bills?

It depends on the documents you executed with the bank for the credit facilities. If the documents give the rights to your bankers to appropriate your funds towards the overdue bills, then you cannot object to their exercising their rights.

Source: business-standard.com– Jan 12, 2021

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Icra sees GDP up by 10.1% YoY in FY22, but value just a tad ahead of FY20

Icra has projected the economy to grow by double digits year-on-year, at 10.1 per cent in the next financial year, but cautions that the value of gross domestic product (GDP) will only mildly surpass the 2019-20 level. India's economy is expected to contract by 7.7 per cent this financial year as per official advance estimates, but Icra pegged the GDP fall at 7.8 per cent.

The rating agency expects the stance of the monetary policy to change to neutral from accommodative in the August 2021 policy review or later, after there is greater certainty on the durability of the awaited economic revival.

Aditi Nayar, principal economist at Icra, said, "The seemingly sharp expansion will be led by the continued normalisation in economic activities as the rollout of Covid-19 vaccines gathers traction, as well as the low base."

Nayar said Icra expected a multi-speed recovery in FY22, with contact-intensive sectors, discretionary consumption and investment by the private sector trailing the rest of the economy, in the arduous march back to attaining and sustaining pre-Covid levels.

"On a sobering note, we project the aggregate value of GDP in real terms in FY22, to be only mildly higher than the level recorded in FY20," she said.
Icra projected headline retail price inflation to drop to 4.6 per cent in FY22 from 6.4 per cent in FY21, while exceeding the mid-point of the monetary policy committee's (MPC's) medium target of four per cent for the third consecutive year.

A favourable base would moderate retail food inflation to an average 4.7 per cent the next financial year from eight per cent expected in the current financial year despite pressure from edible oils, and protein items such as pulses.

Additionally, Icra anticipated that the economic recovery will exert a divergent impact on the twin deficits, with a decline in the fiscal deficit, and a reversion of the current account to a deficit in FY22 from the surplus expected in the current financial year.

"As the revenue shock ebbs, we see India's general government (Centre plus states) fiscal deficit moderating to 8.5 per cent of GDP in FY22 from 12-12.5

per cent of GDP likely this year. However, with imports seen reviving in tune with anticipated recovery in domestic demand, the current account balance is forecast to slip back into a modest deficit of $15-20 billion (0.6 per cent of GDP) in FY22 from a surplus of $35-40 billion in FY21," Nayar added.

Source: business-standard.com– Jan 12, 2021

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Cotton futures dip 0.47% to Rs 20,960 per bale on low demand

Cotton futures fell marginally to Rs 20,960 per bale on January 11 as participants trimmed their positions as seen from open interest. Cotton prices had gained 1.40 percent last week on the MCX.

Cotton futures pared gains after a positive open in the afternoon session, tracking weakness in ICE Cotton futures and ahead of USDA's WASDE report.

Mohit Vyas, Analyst at Kotak Securities, said, "Bearish factors like limited buying by domestic millers and Cotton Association of India increasing India cotton stock estimates also weighed on futures."

Cotton Association of India increased Indian cotton output estimates for 2020-21 season to 358.50 lakh bales (170 kg) against 356 lakh bales pegged previously.

Indian cotton trades at 11 percent discount from Cotlook A prices of 86.55 cents as on January 7.

In the futures market, cotton for January delivery touched an intraday high of Rs 21,130 and an intraday low of Rs 20,920 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 19,340 and a high of Rs 21,340.

Cotton futures for January delivery dropped Rs 100, or 0.47 percent, to Rs 20,960 per bale at 16:24 hours IST on a business turnover of 4,276 lots. The same for the February contract eased Rs 90, or 0.42 percent at Rs 21,230 per bale with a business volume of 1,084 lots.

The value of January and February's contracts traded so far is Rs 57.85 crore and Rs 34.22 crore respectively.

Though a better export outlook is likely to support cotton from lower levels going forward, we expect cotton to trade range-bound with negative bias till WASDE report amid increased cotton production and stock estimates for India, said Kotak Securities.

At 10:59 (GMT), US cotton futures were down 0.66 percent quoting at 79.24 cents/pound on Intercontinental Exchange.

Source: moneycontrol.com– Jan 11, 2021

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Setting standards: Towards global acceptance of Indian products

Now that the Prime Minister has revealed his 'Mann Ki Baat' that India should adopt global standards, it should bring to an end the unnecessary debate that has been going on at many a fora, both in the government and industry, arguing for country-specific standards for a variety of reasons.

As our industry gears up to access global markets, it faces two kinds of challenges as far as standards and conformity assessment domain is concerned. One, regulations of importing countries on grounds such as health, safety, environment, deceptive trade practices and national security enshrined in the WTO's Agreement on Technical Barriers to Trade (TBT Agreement). Two, the buyers' demand for voluntary standards and certifications, be it in a regulated sector like food or an unregulated sector like textiles.

The TBT Agreement, which lays down rules for technical regulations, standards and conformity assessment, as also the Agreement on Sanitary and Phytosanitary measures (SPS Agreement) that governs agri-food trade so important to India, encourage, not oblige, member nations to adopt international standards in their regulations, deeming them to be not impediments to trade. Most developed nations and many developing nations have done precisely that, and therefore the Prime Minister's advocacy of global standards is so relevant.

Not only the WTO Agreements merely encourage adoption of international standards, they also provide for member nations to adopt even stricter standards if there is valid justification, a provision that many developed countries have used especially in the agri-food sector, making it a big challenge for the Indian industry.

How does the industry, then, access the global market?

All countries that have prescribed regulations for any product also specify the procedure for demonstrating compliance to these regulations. Any individual manufacturer, therefore, can approach the foreign regulator, fulfil its requirements, and get its product accepted.

The pharmaceutical sector is a good example to cite of Indian industry's success in using this approach. The challenge here would be the access to right information (imagine regulations in Japanese or Chinese languages), the capability to understand and meet the requirements laid down (for example, testing capability), and the cost that may be incurred in the entire exercise, which can be prohibitive but with a judiciously-designed financial assistance scheme can be subsidised for MSMEs.

Ideally, it would help if India's own regulations are based on international standards, which would mean that all the manufacturers would be capable of meeting regulations of importing countries. This is what the Prime Minister's call should lead to.

In fact, this is the first impediment to our export ambitions—either we do not have regulations in place or are unable to adopt international standards in our regulations. We have just begun regulation of telecommunication products or transition to a comprehensive regulation of medical devices. And in sectors like machinery safety and chemicals, we are yet in the process of developing regulations.

Therefore, imports and even domestic manufacturers have a free run in the Indian market, both to the detriment of users and consumers, as well as a quality conscious industry which is subject to unfair competition. This explains numerous stories of poor quality PPEs in the media in the recent months. The Department of Commerce's exercise currently on should, hopefully, in the coming months, bridge the deficit in technical regulations India has.

Another problem we have is that where we have regulations in place, we are yet to adopt international standards fully—for example, the adoption of WHO GMP (Good Manufacturing Practices) in drugs which continues to be resisted by the AYUSH industry, or the inclusion of HACCP system in the food industry, due to the unorganised nature of industry we have.

Therefore, there is an urgent need for individual regulators to review their regulations and adopt international standards in a time-bound manner, keeping preparedness of industry and availability of quality infrastructure in mind. However, it is easier said than done—challenging as it is for our vast micro and small industry sectors to upgrade themselves. It is tougher in the unorganised sector as the government recently discovered in toys and proceeded to exempt artisans from the newly notified regulation based on international safety standards.

There is a need to provide handholding support to such industry by creating a proper framework of consulting and training, and even financially support them through an appropriate scheme by the Ministry of MSME which covers compliances needed in the market rather than focus on newer models like ZED (Zero Defect Zero Effect).

Even if we upgrade our regulations to international standards, with the provision for stricter standards allowed in the WTO regime, an issue would remain if importing countries adopt stricter standards which may not be appropriate for India and therefore may not be needed to be adopted in our regulations.

This would call for an institutional mechanism to test and certify our products to such stricter regulations which, for example, is available through the Export Inspection Council (EIC) for seafood or the AYUSH Premium Mark or ICMED schemes of the Quality Council of India (QCI) based on international standards like WHO GMP or ISO 13485, the latter having an advantage that these can be operated both for the domestic and overseas markets while the former is mandated only to deal with exports but has the advantage of being able to regulate exports, if needed.

As the above narration would reveal, India needs to fix its domestic regulatory regime and the philosophy that it can have differential standards for domestic market and exports should be buried. Further, it should also highlight that standards and conformity assessment are tools for international trade that has become increasingly complex and there is no one-size-fits-all solution for the myriad challenges India faces in meeting regulations of importing countries for accessing global markets. This calls for an integrated and cohesive approach, failing which India would not only struggle in the overseas markets, but several initiatives of the government like Make in India or Ease of Doing Business or Atmanirbhar Bharat or ZED approach articulated by the Prime Minister himself would not truly deliver the benefits intended.

Source: financialexpress.com– Jan 11, 2021

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Textile industry reiterates demand to remove ADD on viscose fibre

The National Committee on Textiles and Clothing (NCTC) has appealed to the Union Government to remove anti dumping duty (ADD) on viscose fibre.

In a memorandum to the government, the Committee said because of the growing market opportunities worldwide for viscose blended textiles and clothing, the demand for viscose fibre has increased steeply not only in India, but also across the globe.

As the imported price of viscose yarn was cheaper due to high anti-dumping duty prevailing on the domestic viscose staple fibre, the weaving and knitting sectors were importing large volume of VSF spun yarn. The import of VSF spun yarn increased from 2 million kg in 2016-2017 to 56 million kg in 2019-2020.

In the post-Covid market scenario, viscose fibre price has increased from $ 1.15 to $ 1.50 a kg. As the domestic viscose fibre price was expensive due to anti-dumping duty (upto US$ 0.512 per kg), the demand for domestic spun yarn also reduced.

Thus, the availability and price are affecting the entire viscose textile value chain, especially the knitted and powerloom sectors. Weavers in all the major viscose powerloom clusters in Tamil Nadu, Maharashtra, and Gujarat are agitating against the steep increase in viscose fibre prices.

Hence, the Union government should remove the anti-dumping duty on visocse fibre. The Textile Ministry has recommended removal of the duty on the fibre as it will ensure availability of raw material at affordable prices.

Removal of the anti-dumping duty will ensure that Indian viscose prices are on a par with the global prices and the entire value chain is globally competitive.

Source: thehindu.com– Jan 11, 2021

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