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INTERNATIONAL NEWS

Cotton Highlights from January WASDE Report

The initial World Agricultural Supply and Demand Estimates (WASDE) report for 2021 has been released by USDA. Here's this month's cotton summary:

The U.S. 2020/21 cotton outlook shows higher exports, and lower production and ending stocks this month. Production is lowered nearly 1 million bales to 15.0 million, led by a 500,000-bale decline in Texas. U.S. mill use is reduced 100,000 bales, but exports are raised 250,000 bales as rebounding world demand helps sustain a strong export pace.

With lower production and higher demand, 2020/21 U.S. ending stocks are 1.1 million bales lower relative to last month, at 4.6 million bales or 26% of use.

The upland season-average price received by U.S. farmers is projected 3 cents higher this month, at 68 cents per pound. The largest changes in the global 2020/21 cotton outlook this month are lower production and ending stocks, led by changes in the United States.

World production is forecast more than 1.0 million bales lower, with non-U.S. reductions including Pakistan, Mali and Argentina. Outside the United States, Pakistan's 200,000-bale decline is the largest change, with smaller upward revisions for Greece, Australia and Turkey.

Projected world consumption in 2020/21 is 100,000 bales higher this month, as a 500,000-bale increase for China and a 200,000-bale increase for Turkey are partly offset by reductions for Indonesia, Vietnam, the United States and some smaller countries. Similarly, a 500,000-bale increase in China's projected imports is partly offset by a 200,000-bale decline for Indonesia.

World trade is projected 350,000 bales higher, with Australia and Mexico exports up by smaller amounts than the United States, and lower exports projected for Mali. World ending stocks in 2020/21 are 1.2 million bales lower this month, at 96.3 million bales – 3.0 million bales lower than the year before.

Source: cottongrower.com– Jan 12, 2021

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2020 US retail imports may break record: NRF

US retail imports in 2020 appear to be headed toward a new record despite the pandemic, and remain at high levels as 2021 begins, says the monthly Global Port Tracker report released by the National Retail Federation (NRF) and Hackett Associates. Imports during the last half of 2020 were an all-time high of 8.3 million twenty-foot equivalent units (TEU) for the July-October 'peak season'.

US ports covered by the Tracker handled 2.11 million TEU in November, the latest month for which final numbers are available. That was up by 24.5 per cent year over year but down 4.9 per cent 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 was projected at 2.02 million TEU, down by 17.3 per cent year over year, but still one of only six times in nearly 20 years that the monthly total hit the 2 million TEU mark. If the December number holds up once actual data is available, 2020 will have ended with a total of 21.9 million TEU, up by 1.5 per cent from last year and breaking the previous annual record of 21.8 million TEU set in 2018.

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

"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," he added.

January is forecast at 1.96 million TEU, which would be up by 7.7 per cent from a year ago and the busiest January on record; February at 1.6 million TEU, up by 6.1 per cent year over year, and March at 1.64 million TEU, up 19 per cent from March 2020.

Source: fibre2fashion.com– Jan 12, 2021

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Xinjiang accounts for 87.3 per cent of China's total cotton output in 2020

Xinjiang's total cotton output, unit yield, planting area, and commodity allocations rank first in China for 26 consecutive years.

Data from the National Bureau of Statistics shows, Xinjiang's cotton output was 5.161 million tons in 2020, an increase of 3 per cent over last year accounting for 87 per cent of China's total cotton output.

The Announcement of the National Bureau of Statistics on Cotton Production in 2020 issued by the National Bureau of Statistics shows cotton sown area in Xinjiang will reach 37.5285 million mu in 2020, accounting for 78.92 per cent of the national planting area.

According to a sample survey by the National Bureau of Statistics, Xinjiang cotton (lint) yield is 137.5 kg/mu, which is higher than the national average yield of 13.2 kg/mu.

Thanks to the unique natural conditions, Xinjiang cotton has high quality. Since the 1990s, China's cotton production area has gradually shifted from the Yellow River Basin to Xinjiang. At present, Xinjiang is the largest cotton producing area in China and an important cotton producing area in the world.

Source: fashionatingworld.com– Jan 12, 2021

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Bangladesh Rolls Back US FTA Bid. Here's the Startling Reason Why.

Bangladesh has reportedly abandoned its bid for a free trade agreement (FTA) with the United States over concerns that it is in no shape to meet potential demands on issues such as labor and human rights.

The South Asian nation had been exploring the possibility of a Bangladesh-United States FTA to counteract the suspension of tariff benefits under the Generalized System of Preferences (GSP) following the 2013 collapse of Rana Plaza, which killed 1,134 garment workers and injured thousands more just outside the capital of Dhaka.

The GSP freeze, enacted under the Obama administration, has meant that garments, Bangladesh's No. 1 export, incur as much as 15 percent in duties when entering the U.S. market, which manufacturers say make them less competitive.

Ministry officials told the Financial Express, however, that they did not think such a proposal would "draw any positive signals" from the Americans, and that even if the United States agreed, Bangladesh would be hard-pressed to meet the "rigorous conditions to be imposed by the world's biggest economy."

"Firstly, the matter is whether the U.S. will agree or not. Secondly, are we able to address many pressing issues?" Bangladesh Trade and Tariff Commission member Mostafa Abid Khan told the Financial Express last week. Khan said that American interest in an FTA was "very minimal," considering the lack of momentum toward restoring GSP privileges.

The European Union may pose other complications. On Sunday, Rensje Teerink, head of the EU Delegation to Bangladesh, told the Daily Star that the country will have to adhere to the bloc's new criteria on human rights to hang on to its duty-free market access. More than 60 percent of Bangladesh's exports are earmarked for the EU.

"As a major beneficiary of the EBA (Everything but Arms), Bangladesh will have to comply with the new criteria on the human rights to enjoy the benefit on exports," she said, referring to a "global human rights sanctions regime" the European Council adopted in December. The framework will allow the EU to target individuals, entities and bodies responsible for, involved in or associated with serious human rights violations and abuses worldwide, no matter where they occurred.

Meanwhile, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the country's biggest trade group of factory owners, recently signed an agreement with Chicago law firm Sidley Austin to get advice on earning duty-free trade benefits to EU extended once Bangladesh graduates from the group of least-developed countries to developing in 2024. (The EU has granted a three-year grace period on the facility following the upgrade.)

The Bangladesh textile industry, which employs 4.1 million workers, racks up roughly $30 billion annually by exporting ready-made garments, which account for some 16 percent of the country's economy. The Covid-19 pandemic has led international retailers to pull back from placing orders, demand steep price cuts or delay payments, however, hamstringing growth.

Trade data shows that shipments to the United States, the single largest export market for Bangladesh's products, stumbled 12.6 percent year over year. Overall, garment exports fell 17 percent to scrape past $27.5 billion in 2020, according to the Export Promotion Bureau.

As Bangladesh's factories continue to tread water amid a worsening second wave of the coronavirus, so too are workers struggling to make ends meet. More than 200,000 garment workers have lost their jobs as a result of the economic battering, according to union leaders. (The BGMEA puts the number at a more modest 70,000.)

The Dhaka Tribute reports that some laid-off workers are getting rehired at other factories, albeit with less pay. Mirajul Islam, a former line supervisor at a factory in Gazipur who earned 18,000 taka ($212) a month, told the outlet that he turned down a number of jobs because the pay was too low, but had no choice to finally accept once his savings dried up.

"Since there is enough supply of workers, the factory owners are taking the advantage by offering low wages," Nahidul Islam Noyon, secretary of Sommilito Garments Sramik Federation, a workers' union, told the Dhaka Tribune. "We hope the trade associations would take steps to stop such malpractice," he added.

Rubana Huq, president of the BGMEA, denies that lowballing is happening, however. “First of all, we do not have any idea about the credibility of such allegations and the magnitude of such incidents,” she told the outlet. Second, she has not seen any instances of factories violating laws.

“While we have a fairly high attrition rate in the industry and workers switching jobs is a common phenomenon, factories are not required to check the last pay status by the former employers of the workers,” Huq said. “We are against exploitation of any form. But such an allegation needs a reality check on the overall economic scenario, which has been heavily disrupted by the pandemic.”

Meanwhile, a new consumer survey, conducted by grassroots group Fashion Revolution and published last week, found that more shoppers want fashion brands and governments to promote transparency and respect for human rights and the environment across supply chains.

Of the 5,000 respondents polled across Germany, France, Italy, Spain and the United Kingdom, 75 percent agreed that fashion brands should do more to improve the lives of the women making their clothes, up from 72 percent in 2018. One-third (33 percent) said it’s important that the clothing they buy is made by workers who are paid a living wage, and 22 percent said it’s important that the clothing they buy is made in safe working conditions.

Source: sourcingjournal.com– Jan 12, 2021

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GreenWrap '20 – Select 10: Circularity

EuRIC offers suggestions on roadmap for a new CEAP by modernising laws

The European Recycling Industries’ Confederation (EuRIC) in January suggested the European Commission to adapt legislation to circular material flows by modernising certain waste laws, lay down market and fiscal based-instruments to incentivise the use of raw materials from recycling and level the playing field with primary materials for its Roadmap for a New Circular Economy Action Plan (CEAP). It also recommended putting in place requirements and incentives to design circular products and empower consumers’ sustainable choices through proper labelling. These three priorities are essential to develop a much-needed EU market for secondary raw materials rightly identified in the roadmap as problem to be tackled.

Leeds leads UK government's textile circularity effort

The University of Leeds led the UK government's effort to set up an Interdisciplinary Textile Circularity Centre to lessen the environmental impact of clothing. The centre will use household waste and used textiles to develop new textiles instead of relying on imported materials. The government has allocated £5.4 million. The emission levels caused by the UK's textiles industry are almost as high as the total CO2 emitted through people using cars for private trips.

New Cotton Project to create circular fashion

Fashion Positive frames Circular Materials Guidelines

H&M to transform unwanted garments with Looop

Uniqlo's initiative to give life to unwanted clothes

ReCircled seeks to create sustainable fashion loop

French law to stop unsold goods from being thrown away

Walmart partners with ThredUp to enter fashion resale

Accelerating Circularity to eliminate textile waste

Accelerating Circularity in February launched efforts to accelerate textile industry's move from linear to circular. Its project partners are ensuring broad stakeholder representation by collaborating with industry organisations on this work including sharing information, amplifying key messages and streamlining of efforts. The organisations include American Apparel & Footwear Association, Apparel Impact Institute, Circle Economy, Outdoor Industry Association, Textile Exchange, The Renewal Workshop, and United States Fashion Industry Association.

Source: sourcingjournal.com– Jan 11, 2021

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EU Textiles Strategy to Create 'Harmonized' Response to Circular Fashion

The European Commission is pondering a "coordinated and harmonized" response to address what it describes as structural weaknesses regarding textile waste collection, sorting and recycling across member states.

The European Green Deal, the Circular Economy Action Plan and the European industrial strategy have all identified textiles as a "priority sector" for accelerating a carbon-neutral, circular economy. But the textile sector, the commission noted in a roadmap last week, is highly globalized, with piecemeal action at national and local levels that are "insufficient to drive change."

"A lack of EU action would undermine effective environmental protection across the EU, as well as the possibility of creating a level playing field for textile businesses in and outside the EU," the document noted. "The proper functioning of the internal market would also be at risk. Finally, failure to act would run counter to the strong demand from stakeholders in recent years to develop a sustainable textiles approach at EU rather than at national level."

The roadmap, which is open to stakeholder and citizen feedback until February, comes ahead of a more formalized European Union Strategy for Sustainable Textiles that will be coming down the pipeline in the third quarter of the year. It provides a preview of some of the policies being considered, including targets to "significantly step up" reuse and recycling efforts, improve textile waste collection, increase green public procurement across the EU and promote more sustainable production processes.

The initiative will also propose actions to "make the textile ecosystem fit for the circular economy" by identifying weaknesses regarding sustainable production, sustainable lifestyles, the presence of substances of concern, and improving design for sustainability.

"These objectives will be considered through a structured engagement with the industrial ecosystem and other stakeholders (i.e. research and innovation, consumer associations, investment companies, member states, civil society), to allow for their swifter achievement and to contribute to monitoring subsequent implementation of the initiative," the roadmap said.

In addition, the role of extended producer responsibility in promoting textile collection and reuse will "be considered," as will the legal obligation to begin separately collecting waste textiles by 2025. The initiative will also look at how to bolster human-rights protection and social and environmental due diligence across value chains, including increasing traceability and transparency.

Textile production is a resource-intensive sector with major climate and environmental impacts, the roadmap said. Textile consumption is the fourth-highest pressure category in the EU in terms primary raw materials and water and fifth for greenhouse-gas emissions. "Most of the pressure and impact linked to clothing, footwear and household textiles in Europe occur in other regions of the world," it added.

Civil groups such as the Civil Society European Strategy for Sustainable Textiles, Garments, Leather & Footwear, a coalition of 65 major environmental, waste and social justice campaign organizations, have urged the commission to establish minimum standards for design and producer responsibility, tackle unfair trading practices and create legislation that stimulates circular design and material efficiency.

"We are calling on the EU to promote a strong circular textiles, garments, leather and footwear industry that respects human rights, creates decent jobs and adheres to high social, environmental and responsible governance standards throughout its value chain, in the EU and beyond," the coalition, whose members include the Clean Clothes Campaign, Fair Trade International, Oxfam and World Vision, said in a statement in April. "The EU plays a key role as producer, investor, buyer/importer, retailer and consumer in TGLF value chains and therefore has considerable leverage to address these challenges."

Source: sourcingjournal.com– Jan 12, 2021

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2021 a 'Good Year for Apparel,' Experts Say

By some estimates, the arrival of coronavirus vaccines could open up certain events and drive pent-up demand, making "2021 a good year for apparel."

Bank of America analyst Lorraine Hutchinson, for one, believes that investors will compare 2021 to 2019, given the disruption cause by the Covid-19 pandemic in 2020.

According to the analyst, who covers apparel, accessories and retail brands, proprietary debit and credit card data indicates that 2020's total holiday sales rose 2 percent, with athleisure, comfortable apparel and home dominating the gift-giving categories. And while the shift to e-commerce was already growing, Hutchinson expects that trend to continue to accelerate. One result will likely be more stores going dark, she said.

As for apparel, Hutchinson, speaking at the virtual ICR Conference 2021 Monday, said that after a year of working in leggings, sweats and clothing that offers both comfort and a way to work with pandemic pounds, what used to sell will likely evolve as consumers head back to the office.

"Consumers want more out of their clothes. We think wear-to-work apparel will have to be more functional in the future," she said. What's more, the off-price sector is seen benefiting. "Consumers said they are eager to be back in stores and, in the middle of the pandemic, they indicated an enthusiasm for the treasure hunt [format] that's part of the off-price model," Hutchinson added.

Meanwhile, a panel of real estate experts addressed leasing activity at malls, pointing out that operators are pondering how consumers will define convenience in 2021.

And with many office workers working from home due to Covid-19, mall operators are also keeping tabs on what they think deurbanization might mean for the future of suburban malls.

Mary Rottler, executive vice president of leasing and operations at Seritage, the mall real estate investment trust formed from the sale of certain real estate assets from the former Sears Holdings Corp., said the company took a long-term view last year working with its tenants and trying to "accommodate anything we possibly could" as Covid first hit. While the first half of 2021 still feels like 2020 so far, what demand may look like later in the year gives the company reason to be “pretty bullish in the back half,” she said.

She said many tenants are still trying to figure out the store of the future, and that means looking at convenience and trying to map out what that shopping journey looks like. “Will [consumers] shift sales from delivery to home to return to the store? What does that look like?” she said.

Lisa Palmer, president and CEO of Regency Centers, said the company is seeing “new leasing,” noting that the strongest demand is in markets with fewer restrictions. “What we’re most excited about with our portfolio is the deurbanization of America,” she said, adding that the work-from-home movement will turn shopping centers into local destinations as consumers head there for doctor’s offices, banks and vet clinics.

Consumers cooking at home have been able to save money, giving them additional spending power at nonessential retailers such as apparel and home goods, at the expense of restaurants, Rachel Elias Wein, founder and CEO of Wein Plus, said, noting that we could see a rise in drive-throughs as a service options. She also expects off-price retail to be the winners because consumers still like to treasure hunt in stores, and the amount of savings from working from home and eating at home will translate to a huge spend in the back half of 2021, likely benefiting travel, leisure and apparel. And while there’s less demand in major urban locations now, Wein said that will likely change as retailers that couldn’t get into urban locations before might now be able to secure more flexible lease terms to move into the cities.

Chris Benjamin, president and CEO of real estate firm Alexander & Baldwin, said the Hawaiian company saw its centers stay open, even though many retailers were unable to. The company worked on rent and lease issues last year and moved many tenants to sales-based rent. He also expects to see more drive-throughs and more services being offered, since Covid accelerated in-progress trends. He expects some services such as pick up and delivery will probably continue post-Covid.

Source: sourcingjournal.com– Jan 12, 2021

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Pakistan: ECC takes up textile, apparel policy today for approval

The Eco-nomic Coordination Commi-ttee (ECC) of the Cabinet will take five crucial decisions on Wednesday linked with the implementation of an ambitious Textile and Apparel Policy 2020-25, Dawn has learned from knowledgeable sources on Tuesday.

The decisions, which are mostly political in nature, are expected to generate heated debate in the ECC meeting to be chaired by Finance Minister Dr Hafeez Shaikh. The policy will be the third in a row for the sector.

One of the major policy decisions is the revival of zero-rating for the five export-oriented sectors. The Federal Board of Revenue (FBR) has sought time for consultation on this crucial issue with the International Monetary Fund.

Official documents seen by Dawn show that the Textile Division proposed to provide electricity at cents 7.5/kWh all-inclusive. The subsidy amount allocated for this at Rs243 billion for a period of five years.

The government will provide RLNG at the US $6.5/mmBtu for the next five years. An amount of Rs111bn will be allocated for providing gas at a concessionary rate to the industry.

It has been proposed to allocate Rs420bn for payment of Drawback of Local Taxes and Levy (DLTL) scheme and duty drawback of tariff for value-added products, which is simply a cash subsidy on exports proceeds from the country.

Under the scheme, the government will provide support at four per cent to garments and technical textiles, 3pc to made-ups. This support will be binding on the government for the next five years.

It was also decided in principle to bring no change in the existing Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF) schemes. It was decided to continue the LTFF at 5pc for investment. The total amount allocated for LTFF is Rs75bn.

The EFS at a rate of 3pc will continue for the next five years. The amount proposed for the scheme is Rs109bn.

The total amount to be spent in these five areas is estimated at Rs958bn. The allocation of this amount will be spread over five years.

The Textile Division has also evolved a comprehensive roadmap of facilitation measures for the value-added sectors to be implemented in a minimum of three months to a maximum of two years.

It has been proposed to carry out tariff rationalisation of the textile and apparel value chain in the next six to 12 months and simplification of temporary importation schemes. The duty drawback rates and to upgrade the system besides providing the LTFF to indirect exporters.

It has also been proposed to provide the LTFF for infrastructure development in apparel/made-ups, en--hance project limit of the LTFF as well as enhancement of disbursements by Rs100bn per annum. It was also proposed to restore the tax credit for investment, establish new garment cities, establish combined effluent treatment and water recycling plants, develop an international brand and acquisition scheme.

The proposed policy estimates that the measures will lift the value-added textile exports to $14.781bn by end June 2025 from $9.498bn to be achieved by end June 2021. The textile exports will reach $4.146bn at the end of June 2025 from $3.362bn. The export estimations are projected by the Commerce Division.

The proposed policy is laden with measures to tackle issues confronting the textile sector amid Covid-19 that has resulted in supply chain disruptions, affected global prices of commodities hitting trade adversely, while also addressing the issues of the withdrawal of SRO-1125 and cost of doing business.

Furthermore, the policy should attract domestic and foreign investment in the textiles value chain and the development of value-added sectors, with a prime focus on small and medium enterprises (SMEs).

Source: dawn.com– Jan 13, 2021

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Pakistan: Improvement in infrastructure to attract more Chinese investors

Sardar Yasir Ilyas Khan, ICCI president who was leading a delegation of Islamabad Chamber of Commerce & Industry (ICCI), visited the Embassy of the People's Republic of China in Islamabad and held a meeting with Xie Guoxiang, Minister Counsellor (Economic and Commercial), to discuss possibilities of further improving bilateral trade and investment relations between Pakistan and China. Fatma Azim, senior vice president, and Abdul Rehman Khan, vice president ICCI, were in the delegation. She Hua Shiang, Gong Dahui and others were also present at the occasion.

Sardar Yasir Ilyas Khan said that Pakistan and China enjoyed strategic friendship which could be further strengthened by developing strong trade and economic relations between the two countries. He said that Pakistan was a growing market for business activities and it was the right time for Chinese companies to transfer technology to Pakistan and set up JVs and industrial units in our country. This way, Chinese investors could export their products to many markets of the world including South Asia, Middle East, Europe and Africa. He said that China was the world's second largest economy with annual trade of trillions of dollars, but Pakistan's exports to China were around $2 billion. He said that Pakistan's exports to China could increase to $23 billion only if China provided one percent share in its supply chain through importing raw materials and intermediate goods from Pakistan.

Sardar Yasir Ilyas Khan said that Pakistan's automobile, IT & telecom, industry, agriculture and construction sectors possessed tremendous potential for Chinese investors. He said that SEZs of Pakistan offered tax holiday for many years, zero duty on import of machinery and plants and a 4-year payment plan to investors, therefore, he stressed that Chinese investors should explore JVs and investment in these SEZs to earn lucrative returns.

He said that China was quite advanced in the agriculture sector and it should help Pakistan in improving its per acre yield by sharing its agro machinery and technology with our country. He said that the Embassy should streamline its visa policy for Pakistani business community so that they could easily visit China to explore business collaborations with Chinese counterparts. He said that ICCI was working with the government for One

Window facility for investors and assured that ICCI would fully facilitate Chinese investors in connecting them with right partners in Pakistan.

Speaking at the occasion, Xie Guoxiang, Minister Counsellor (Economic and Commercial), Embassy of the People's Republic of China, said that 2nd phase of CPEC has started cooperation in industrial and agriculture sectors, health and digital technology between China and Pakistan that would boost its economy.

He emphasized that Pakistan should focus on improving its infrastructure that would attract more Chinese investors to Pakistani market.

He informed that the Department of Commerce of Xinjiang Uygur Autonomous Region of China intended to hold an online conference on January 22, 2021 to promote trade cooperation between China and Pakistan that would focus on garment and textile industry, textile machinery & equipment, agricultural products and urged that Pakistani business community should attend it to explore business collaboration with Chinese counterparts.

Both sides also discussed signing of an MoU of cooperation between ICCI and Chinese Capital Chamber of Commerce & Industry to promote business linkages between the two countries.

Source: nation.com.pk– Jan 13, 2021

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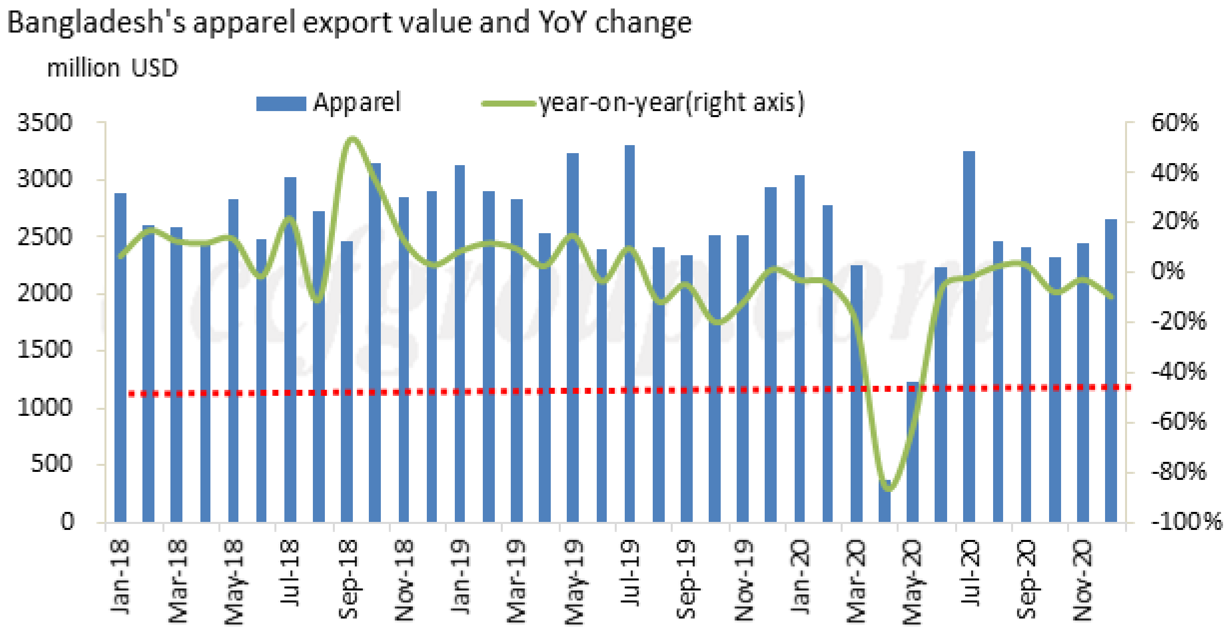
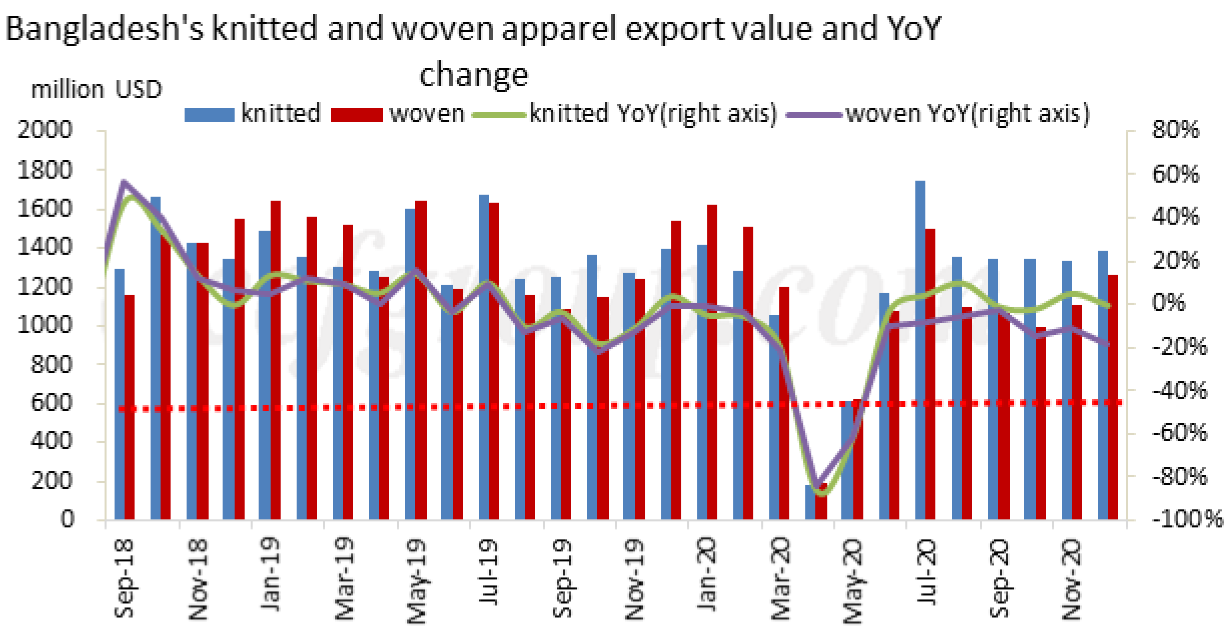
Bangladesh's apparel export value in Dec slipped YoY for three consecutive months

According to the latest data, Bangladesh's apparel export in Dec was 2.65 billion USD, down 9.7% year-on-year but up 8.4% month-on-month. Among them, the export value of knitted apparel was 1.39 billion USD, down 0.5% year-on-year but up 4.1% month-on-month, and the export of woven one was 1.26 billion USD, down 18.1% year-on-year but up 13.6% month-on-month.



During Jan-Dec, Bangladesh's apparel export reached 27.47 billion USD, down 16.9% year-on-year. Export value of knitted apparel was 14.23billion USD, down 13.5% year-on-year and that of woven one was 13.24billion USD, down 20.4% year-on-year.

In Dec, Bangladesh's home textile export kept growing well and the value reached 97 million USD, up by 36.7% year-on-year and 2.3% month-on-month; in Jan-Dec, the cumulative export volume was 940 million USD, up by 15.2%year-on-year.



To sum up, Bangladesh's apparel export value performed modest, with a YoY decline in recent three months. Although the performance of knitted apparel was obviously better than that of woven one, the export of knitted apparel also shrank slightly in December compared with that in same period of last year, and the export of woven one decreased significantly. In December, the export of home textile market also performed well, and the YoY growth rate was lower than that of last month, but it still maintained a growth rate of 36.7%.

Source: ccfgroup.com– Jan 11, 2021

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NATIONAL NEWS

District Export Hubs initiative to form part of new Foreign Trade Policy

Parliamentary Consultative Committee discusses policy; MPs give inputs
The `District Export Hubs' initiative will form an important component of the new Foreign Trade Policy to mobilise the potential of each district of the country to help them emerge as export hubs.

The Department of Commerce through the Regional Authorities of the Directorate-General of Foreign Trade (DGFT) has engaged with State / UTs to take forward this initiative in the districts and enable its implementation in a phased manner, Minister of State for Commerce, Hardeep Singh Puri, said briefing Members of Parliament at the meeting of the Parliamentary Consultative Committee on the new FTP 2021-26 on Tuesday.

The new FTP will come into effect on April 1, 2021, for a period of five years. "The FTP 2015-20 came into effect on April 1 2015 and was extended by one year till March 31, 2021, due to the Covid-19 pandemic," an official release on the meeting stated.

A key driver for India to achieve the $5-trillion (GDP) mark in an expedited time frame would be boosting exports, both merchandise and services, by systematically addressing domestic and overseas constraints related to the policy, regulatory and operational framework for lowering transactions costs and enhancing ease of doing business, creating a low-cost operating environment through efficient, cost-effective and adequate logistical and utilities infrastructure.

Improvements in the operation of the domestic manufacturing and services sector, in combination with efficient infrastructure support by the government, would result in correcting the imbalances within India and feed into the trade policy.

The MPs participating in the meeting made suggestions which Puri assured would be considered by the Ministry while finalising the FTP, the release added.

In line with Prime Minister Narendra Modi's proposal put forward in his Independence Day speech in 2019 on turning every district into an export hub, the Commerce Ministry has been working on an institutional structure for this.

Source: thehindubusinessline.com– Jan 12, 2021

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Parliamentary Consultative Committee meeting of Commerce and Industry on "New Foreign Trade Policy 2021-26" held

Meeting of the Parliamentary Consultative Committee of the Ministry of Commerce and Industry was held today on the subject "New Foreign Trade Policy 2021-26".

The meeting was chaired by the Minister of State for Commerce and Industry Shri Hardeep Singh Puri, and attended by Hon'bleMembers of Parliament and senior officers of the Ministry.

The Hon'bleMembers of Parliament were briefed about the Foreign Trade Policy (FTP). India's FTP has conventionally been formulated for five years at a time. The FTP 2015-20 came into effect on 1stApril 2015 and the same was extended by one year till 31 March 2021, due to Covid-19 pandemic.

It was informed that the new FTP will come into effect from 1st April 2021 for a period of five years and will strive to make India a leader in the area of international trade and channelize the synergies gained through merchandise and services exports for growth and employment with a goal to make India a USD 5 Trillion economy.

A key driver for India to achieve the USD 5 Trillion mark in an expedited time frame would be boosting exports, both merchandise and services, through systematically addressing domestic and overseas constraints related to the policy, regulatory and operational framework for lowering transactions costs and enhancing ease of doing business, creating a low cost operating environment through efficient, cost-effective and adequate logistical and utilities infrastructure.

Improvements in the operations of the domestic manufacturing and services sector in combination with efficient infrastructure support by the government would result in correcting the imbalances within India and feed into the trade policy.

It was informed that the District Export Hubs initiative will form an important component of the new FTP. The Department of Commerce through the Regional Authorities of DGFT has engaged with State / UT Governments to take forward this initiative in the districts and enable its implementation in a phased manner, with the objective of mobilizing the potential of each district of the country to achieve its potential as an export hub.

For the formulation of new Foreign Trade Policy, meetings have been held with stakeholders. In December 2020,Board of Trade meeting was held where State Governments and other stakeholders' inputs were received. Further meetings were held with the Chambers of Commerce, Industry Associations and Export Promotion Councils to provide their inputs.

A Trade Notice, inviting suggestions from various stakeholders was issued and more than 2000 suggestions have been received. All the suggestions will be examined while formulating the new FTP.

In today's meeting, Hon'ble Members of Parliament made valuable suggestions regarding new Foreign Trade Policy 2021-26. Shri Puri, MOS welcomed various inputs and suggestions of the MPs and informed that these will be considered by the Ministry while preparing the new FTP. Shri Puri invited all MPs to also give further inputs/suggestions.

Source: pib.gov.in – Jan 12, 2021

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Quick Estimates of Index of Industrial Production and Use-Based Index for The Month of November, 2020 (BASE 2011-12=100)

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The Quick Estimates of Index of Industrial Production (IIP) are released on 12th of every month (or previous working day if 12th is a holiday) with a six weeks lag and compiled with data received from source agencies, which in turn receive the data from the producing factories/ establishments.

2. For the month of November 2020, the Quick Estimates of Index of Industrial Production (IIP)with base 2011-12 stands at 126.3. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of November 2020 stand at 104.5, 128.4 and 144.8 respectively. These Quick Estimates will undergo revision in subsequent releases as per the revision policy of IIP.

3. As per Use-based classification, the indices stand at 121.3 for Primary Goods, 84.6 for Capital Goods, 136.7 for Intermediate Goods and 135.5 for Infrastructure/ Construction Goods for the month of November 2020. Further, the indices for Consumer durables and Consumer non-durables stand at 115.9 and 149.1 respectively for the month of November 2020.

4. Details of Quick Estimates of the Index of Industrial Production for the month of November 2020 at Sectoral, 2-digit level of National Industrial Classification (NIC-2008) and byUse-based classification are given at Statements I, II and III respectively. Also, for users to appreciate the changes in the industrial sector, Statement IV provides month-wise indices since April 2020, by industry groups (as per 2-digit level of NIC-2008) and sectors.

5. Along with the Quick Estimates of IIP for the month of November 2020, the indices for October 2020 have undergone the first revision and those for August2020 have undergone the final revision in the light of the updated data received from the source agencies. The Quick Estimates for November 2020, the first revision for October 2020 and the final revision for August 2020 have been compiled at weighted response rates of 87 percent, 93 percent and 95 percent respectively.

6. Release of the Index for December 2020 will be on Friday, 12thFebruary 2021.

Click here for more details

Source: pib.gov.in – Jan 12, 2021

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'India, Iran preferential trade pace will have huge potential'

Mohammad Hossein Bani Asadi, Consul General of Islamic Republic of Iran said, "Iran and India have the potential to cater to each other's needs provided the businessmen have the exposure to opportunities."

He hoped that Preferential Trade Agreement between India and Iran will be signed soon. Both the countries have the potential to touch $10 billion trade. He expressed interest to buy Telangana Sona Rice, according to a FTCCI statement.

On his maiden visit to The Federation of Telangana Chambers of Commerce and Industry (FTCCI), the consul Genereal of Iran offered to start barter trade to facilitate the businessmen and to jack-up the volume of two-way trade.

He said the business community in the two countries and their Chambers of Commerce would have to focus on expansion of trade by holding exhibitions and trade delegations.

Speaking on strategic port of Chabahar in Iran, he said, "it is being developed to build a transport-and-trade corridor through Afghanistan giving India an access to global markets. The construction of this port assumes significance as it will allow bypassing the route for accessing markets in Europe and Central Asia and also save on time and cost of doing business."

Ramakanth Inani, President, FTCCI said, "Indian exports to Iran between 2011-12 and 2019-20 have grown by 45.60 per cent. The bilateral trade during 2019-20 was $4.77 billion and there is potential to expand the bilateral trade."

Source: thehindubusinessline.com– Jan 12, 2021

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Budget 2021-22: DPIIT seeks go-ahead for credit guarantee, seed fund schemes for start-ups

Is in talks with Finmin on finalisation of the schemes

To sort out concerns of adequate funding for start-ups, the DPIIT is pressing for implementation of the Credit Guarantee Scheme for Startups (CGSS) and Startup India Seed Fund Scheme (SISFS) in the forthcoming Budget.

"The DPIIT is in talks with the Finance Ministry on implementation of both schemes that could sort out funding issues for start-ups considerably. It wants the matter to be addressed in this year's Budget, but a final decision is yet to be taken," an official told BusinessLine.

Through various studies it has been established that a big concern for start-ups is inadequate funding available for their capital requirement for growth, the official said.

One of the biggest challenges faced by start-ups is access to early-stage debt to finance their capital requirements for growth, the official said. "Some start-ups begin their venture but cannot proceed far as they face a fund crunch soon as it is difficult for many to obtain loans from banks," the official said.

Fuel entrepreneurship

The Startup India Action Plan of 2016 thus proposed the CGSS to fuel entrepreneurship by making credit accessible to innovators and encourage banks and other lending institutions to provide them with venture debt. "The DPIIT wants to notify the CGSS with an outlay of ₹2,000 crore to provide much-needed debt funding to start-ups as soon as possible," the official said.

The second scheme being pushed by the DPIIT, the SISFS, to provide seed funding to start-ups with an innovative idea to conduct proof of concept trials, is also in the process of being finalised. It will provide financial assistance to start-ups for proof of concept, prototype development, product trials, market entry, and commercialisation, the official said.

Proposal

An EFC (Expenditure Finance Committee) note on the SISFS proposed corpus of ₹945 crore was formulated by the DPIIT and circulated to concerned Departments and Ministries some time back, the official said.

“The DPIIT is keen that both schemes for startups are notified as soon as possible and has had initial discussions with the Finance Ministry on the matter. Although, there is a fund crunch that the government is facing due to the Covid-19 crisis, it hopes that this year’s Budget will give priority to the needs of start-ups,” the official said.

India has about 50,000 start-ups in India in 2018; around 8,900–9,300 of these are technology led start-ups 1,300 new tech start-ups were born in 2019 alone implying there are 2-3 tech start-ups born every day, as per government figures.

Source: thehindubusinessline.com– Jan 12, 2021

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Budget likely to pencil in FY21 fiscal deficit at 7.5 per cent: Experts

The upcoming Budget could pencil in the fiscal deficit for FY21 at 7.5% of the GDP as against the budgeted 3.5%, according to the median of estimates by various experts.

In a report released on Tuesday, State Bank of India (SBI) Research pegged the FY21 deficit at 7.4% of GDP on the back of a revenue shortfall accompanied by a higher-than-budgeted outgo, while it put the FY22 deficit at 5.2% of GDP.

“For FY21, we believe Rs 3.2 lakh crore is the net revenue shortfall for the Centre and at the same time expenditure is higher by around Rs 3.3 lakh crore, thus taking the fiscal deficit to Rs 14.46 lakh crore and with the new revised nominal GDP estimate, it will be around 7.4% of GDP,” Soumya Kanti Ghosh, group chief economic adviser at SBI, said in the report.

While the Centre's tax revenues have shown improvement in the last couple of months, it is unlikely to make up for the shortfall on account of the lockdown, economists said. On the other hand, experts felt that the government had little scope for further expenditure compression between pandemic-related expenses and the announced stimulus measures. The Centre had pencilled in its total expenditure at Rs 30.4 lakh crore in the ongoing fiscal.

Aditi Nayar, principal economist at ICRA, forecast the deficit at 7.5% with total expenditure likely to fall marginally short of the target at Rs 30.2 lakh crore, despite the fiscal support measures announced so far.

"This translates into a projected expenditure of Rs 11.3 trillion (lakh crore) in the last four months of FY2021, which is a considerable ~31% higher than the outgo in the same period of FY2020, and therefore may prove to be challenging to achieve," Nayar said.

As of November, official data showed the Centre's deficit had touched Rs 10.7 lakh crore, 35% higher than the Rs 7.96 lakh crore budgeted for the full year.

HDFC Bank put the FY21 deficit at 7.6%, according to its senior economist Sakshi Gupta. A weak market outlook had delayed the Centre's disinvestment proceeds, the target for which was already ambitious at Rs 2.14 lakh crore, the private lender said in a report.

On the revenue side, both tax and non-tax revenues are likely to pick up during the remainder of the ongoing fiscal, according to CARE Ratings, but "the gains would not be sufficient to make up for the lost revenues so far in the financial year and would also be contingent on the sustainability of the pick-up in economic activity," Madan Sabnavis, its chief economist said in a report.

Source: economictimes.com– Jan 13, 2021

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Decoding the Code on Wages: Now central and state govts must decide the national floor wage and minimum rates of wages

Rumours are rife that the Code on Wages, 2019, is likely to result in an exponential increase in the financial liability of employers in a pandemic-stricken economy. Perturbed employers are reaching out to consultants for advice. Sensing an opportunity, reputed CA/consultancy firms have come out with new service portfolios, which include transitioning into labour codes, restructuring of salaries and strategising for hiring.

Do we really need to be so alarmed?

The Code on Wages, 2019, has subsumed four laws, some of which were from the pre-Independence era. These are the Minimum Wages Act, the Payment of Bonus Act, the Equal Remuneration Act and the Payment of Wages Act. The Code was introduced in Parliament to simplify labour laws and amend them largely with the aim of facilitating ease of doing business.

In this context, a point to consider is whether managerial and administrative employees who are drawing salaries way beyond minimum wages would be entitled to benefits available under the Code? The definition of 'employee' is provided in Section 2(k) and it covers 'managerial' and 'administrative' employees, leading us to believe that all benefits under the Code would extend to the said employees.

However, the Code also defines 'worker' in Section 2(z), which specifically excludes 'managerial' and 'administrative'. Most of the benefits afforded under the Code are to the 'worker'. This is clear when we analyse the provisions of the Draft Code on Wages (Central) Rules, 2020, which is under public scrutiny. Rule 5 and 6 read with Rule 4(3) and Rule 6(6)(a) of the said Draft Rules makes us conclude that the government is going to fix minimum rate of wages only for 'workers' who are categorised as unskilled, skilled, semi-skilled and highly skilled. The Draft Rules also provide a detailed list of jobs which are classified into unskilled, semi-skilled, skilled and highly skilled categories. There is no reference to managerial/administrative category of employees defined in Section 2(k) of the Code in Schedule E. Therefore, it can be safely concluded that provisions regarding fixation of minimum rates of wages are not applicable to this category of employees.

There is also a misapprehension that managerial/administrative employees will now have to be paid 'overtime' for additional work, which is paid at double the normal rates of wages. Section 14 of the Code specifically provides for overtime to an employee whose "minimum rate of wages has been fixed under this Code by the hour, by the day, or by such a longer wage period as may be prescribed."

The scheme of the Code and Rules does not provide for fixation of minimum rate of wages for managerial/administrative category of employees. The nature of work/job roles mentioned in Schedule E refers to manual and menial nature of work. Therefore, overtime is not payable to managerial/administrative employees under the Code.

Another issue pertains to the requirement of payment of wages to employees within two days from the date of ouster of an employee from the company, as prescribed under Section 72 of the Code. Similar provisions existed under the Factories Act, 1948, and the Payment of Wages Act, 1936, which have been repealed. This cannot have a major impact as the employer was, in any case, required to pay wages post termination of services of an employee.

Bonus, generally paid on Diwali to workers, was a mandate of the law under the erstwhile Payment of Bonus Act, now subsumed under the Code on Wages. The Payment of Bonus Act has a wage limit and only employees who earn up to Rs 21,000 are eligible to receive statutory bonus. The Code has a similar provision and the government is tasked with notifying the threshold.

A number of articles have raised concern about the new definition of wages, and especially regarding the necessity to consider 50% of the gross salary (basic plus dearness allowance) while ascertaining wages. There is also a service requirement that is being pitched by various consultancies for restructuring of salary to minimise the impact of definition of wages.

Section 2(y) of the Code defines wages and includes only basic pay plus dearness allowance plus retaining allowance. The definition excludes bonus, conveyance allowance, PF/pension contribution, payment towards special expenses because of the nature of the job, HRA, remuneration payable under settlement between parties or the order of the Tribunal, overtime allowance, commission, etc. Proviso to the Section states that if the total of the components that are excluded is more than 50% of gross remuneration, then such percentage of remuneration that is more than 50% will be added to wages.

However, the true impact of these provisions would only be seen with respect to unskilled, semi-skilled, skilled and highly skilled category of employees for whom the government is going to lay down the minimum rates of wages. Otherwise, for employees who are highly paid, much beyond the minimum rates of wages, this treatment of considering 50% of gross salary would not have any impact.

Even with respect to PF contributions, the Supreme Court, in its judgment dated February 28, 2019, in the Surya Roshni matter has laid down the broad parameters regarding the kind of allowances that could be excluded while considering basic pay for calculating PF contribution. The wrongful benefit that some employers may have obtained by keeping the basic component of the salary very low has already been wiped off by the said judgment. Therefore, the Code on Wages does not require an employer to modify the current salary structure for highly paid managerial and administrative employees. Once the rate of minimum wages is laid down by the government for workers, at that point of time an employer may have to consider modifying the structure of wages of such workers who will get affected.

Contractor labour for outsourcing of work has proved to be another sensitive area. The Code provides for coverage of not only contractor supplying labour, but a contractor for contract of work is also covered. However, Section 2(l) and sub-section (iii) provides for a contractor as an employer.

Therefore, financial implications, if any, are placed on the contractor. Certainly, a contractor will expect reimbursement of additional cost, if any. Looking at exploitation of contract labour by a contractor, any marginal increase cannot be subject matter of debate or complaint. The Code has been drafted keeping ease of doing business in mind. Small creases can be ironed out easily by the government.

Now the ball is in the court of the central government and respective state governments to come up with appropriate rules, regulations, notifications and, most importantly, deciding the national floor wage and minimum rates of wages. Till then, we will have to wait and watch.

Source: financialexpress.com– Jan 13, 2021

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